GENERATING A NEW LOCAL MARKET

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Abstract : This paper presents preliminary findings from an action research project aimed at „generating a local-new-market". In this study we conceptualize the issue of generating a new market as a process broken out through a phenomenological demarche and the issue of the structural innovation of a local market. The action of market building is a necessarily complex and pragmatic endeavor that mobilizes various heterogeneous resources, recruits professionals with varied and often conflicting worldviews, and is in a constant process of (re)negotiation and compromise in the collective effort to sort out the various cognitive, technical, political and cultural problems that emerge when designing a specific market.
Keywords: market, paradigm, strategy, innovation, action research.

Introduction

Beside the classical role/function of market of efficiently allocation of resources and the Coase's functions of facilitation of exchange and reduction of transactions costs, there is also a view of a market as a complex evolving device that promotes division/specialization of labor, learning/ innovation and economic growth/development, which takes place within a cultural environment.

In this context of a socio-cultural economy, understanding the (economic) creativity (innovation) as a processual collective phenomenon and not only as an individual activity, that involves the role of things/artefacts as mediators of human action, as well as external forms of knowledge, gives new insights and perspectives to the problem of generating a (innovative) market. (see Roth, A. E. (2002); Plotkin, Henry C., (2007); Baumol, William J. (2002); Florida, Richard (2002))

The performativity approach to the econmics (focused on the role of economic theory and calculative infrastructure in the social construction of markets) and the political perspective (that assimilates market emergence to a political negotiation process) try also to give adequate answers to the problem of how the economic theories contribute to structuring the economic practices and so to contribute to this subject (see Callon, M. and Muniesa, F. (2007); Beckert, Jens (2007);

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But, even if the global recession is commanding most of the attention of business executives and government leaders, we should not lose sight of innovation. It is clear that the future of businesses depend on it, and understanding that the long-term growth prospects of cities and nations are tied to it. In times of economic turbulence, innovation remains the most important differentiator separating economic winners from all the others.

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Even though the participation of economics and economists in market building might be important and effective, the fact that economists do attempt to enact the realities their theories describe is relevant for shaping and moulding reality and for overcoming the obstacles that get on the way and prevent economic theories from becoming true. In this respect it should be clear that the ultimate goal is not to make „economic engineering" more 'scientific' and capable of constructing the world of economic theory and so to preach that economics constructs reality to its image, but that the new approach should illuminate on how economics actually participates in shaping that reality. (see Roth, A. E. (2002); Smith, V.L. (2008).

Generating a new market

Generating a market is a strongly non-linear process, even with some bounce aspects generated by the emergence of some injector factors of instability – accordingly, the approaching models may be searched in the creativity area (specific to disruptive innovations) and inspired from the logos of the bifurcation models and of synergetic theories. This sort of demarche demands however a very big volume of theoretical cumulative process, also verified quantitatively. Generation means institution and any strictly determinist (formal) model can only surprise at most the emergence (apparition by self-organization) and not the institution (apparition by architectural creation).

In fact, the market cannot generate itself only develop, as it is preexistent. When referring to the market generation, we actually refer to the generation of a new market, as a market niche previously inexistent, generated through an entrepreneurial pioneering by which the germs of a new disruptive industry is implanted.

This type of situation is also indirectly remarked in an entire series of works[1] by Gaurab Bhardwaj, who puts as base of his concept and his method of *anticipatory entrepreneurship* the idea that *" markets can be anticipated by discovering (s.n.) and meeting latent needs rather than needs that are expressed and known. Anticipatory entrepreneurship deals with operating in the region that precedes the point of origin of the familiar industry life cycle curve. It is about creating the curve's origin and setting its growth trajectory"*.

Even the expressed needs are difficult to be formalized in a demarche, not to speak about the latent ones, which in order to structurally be researched should firstly be brought into light through open communication, therefore, appealing to an inevitable phenomenological component. The discovery in mind that „a certain (even vaguely defined) latent need might exist" is a purely phenomenological knowledge fact. For the field of the orthodox economic sciences, on which the excess of formalization seems to have become a blocking factor if not a noxious one[2], it is difficult to admit that market is an essentially phenomenological entity. In this way, the economic foresights are often overbalanced by events of phenomenological origin. Riots, fashion, attempts, panics etc., may unbalance any

[1] The Method of Anticipatory Entrepreneurship - Gaurab Bhardwaj, Babson College, Babson Park, MA, USA- Vinay Chowdhry, Retired Founder & CEO of Qualicon (a DuPont subsidiary), Wilmington, DE, USA - Bhardwaj, Gaurab and Vinay Chowdhry (2005). "The Method of Anticipatory Entrepreneurship", Frontiers of Entrepreneurship Research, p.39.

[2]...as many times has even vehemently observed Georgescu Roegen, proposing the exceeding of the arithmomorphic obsession by accepting the dialectical penumbra, natural situation in the economic sciences

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prognosis or previous allotment. As much as we would formalize, we will be able to describe at most the anticipatory behavior systems generated by needs that have already been structured and not by behaviors generated by needs which are still latent.

Besides, the definition of the concept of anticipatory system itself deals with formal difficulties. Robert Rosen, in the famous book „Anticipatory Systems"[3] tentatively defined the concept of an anticipatory system*: "a system containing a predictive model of itself and/or of its environment, which allows it to state at an instant in accord with the model's predictions pertaining to a later instant."*

Such definition of an operational value does not give us any chance to explain „how come that the anticipatory systems have appeared" in a determinist manner. It only makes us admit their existence, although we have always known it by the fact that we know that we are anticipatory itself, because we anticipate and we know that we know it. Where do we know it from? From our own experience which, as Mihai Draganescu affirms as well in his work (e.g. Ortophisics) is profoundly a phenomenological one. Admitting that in reality also final causes take part in the action and that it cannot be explained without considering them as being fundamental is actually difficult only for the ultra-positivist academic world. As Dubois[4] also remarks, *"Robert Rosen considers that anticipatory systems are related to the final causation of Aristotle. A future cause could produce an effect at the present time. Then the causality principle seems reversed. Robert Rosen relates some anticipatory systems to feed-forward loops".* Entrepreneurs however do not have these kinds of ultra-positivist prejudices, they also base on intuition in a great deal. They know that the others make use of feed-forward loops so they act in an intentional, anticipative, proactive manner, exactly for building the future – they make (or at least try to, even with risks) an exercise of programming the future, harboring anticipatory behaviors (based on feed-forward) of the others. Entrepreneurs make economy, the economists only try to figure out how to make it less risky, choosing the financeable companies and who is trustworthy enough to make them by the decisions of investments and by the right of monetary emission of the banks. Reaching powerful positions, the ones from the elite of the economists constrain economy towards a political way which seems today to be serving more to their vanity rather than to a civilizer, Aristotelian-like objective, which to become available for the global society. In reference to the dangerous vanity of those elites, Nicolae Georgescu Roegen said: *„we cannot see a society that, failing in programming its existence in the limits of a theory, would prefer to commit suicide rather than looking for another theory!".* To put it in a nutshell, the problem is not the fact that we need an extra-player in order to assure us that the entrepreneurial process does not introduce unacceptable risks in the social-eco-ecological environment through its pioneering, but the one that the player is too likely to only see the monetary risks, reducing everything to them.

As a matter of fact, we should talk about at least three players in the reality of the possibilities of accomplishment, to decide as motivated as possible whether the offer of an implant of a niche of a new market is acceptable, having in view the complex connection:

[3] Rosen R., 1985: Anticipatory Systems. Pergamon Press, New York

[4] Dubois M., 1999: Computing Anticipatory Systems, CASYS, Vol. III, No.1, pp 67-102

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risk/chances/promises. Those three players would be: the initiators, the consumers and the investors, each of them with their knowledge of allocating the resources and with their specific methods of pursuing the way from intuitive/phenomenological to deterministic/structural, so that only the final vote should contain an as reduced as possible phenomenological shadow – the decision should be made in the most responsible way and with the essential contribution of conscience.

The structural innovation of a local market

If on a market is implanted a new industry which is preexistent on international level, the implant will cause co-adaptation perturbations. In emergent regions, where massive extra-regional investments take place and where important shares of the industries from the developed countries migrate, these kinds of perturbations may be major. For example, the labor market may suffer important structural modifications. Technically, a new sector appears and, as a result, the economic structure as a whole is changed.

At the same time (having in view the fact that an architecture means structure and form), the entire architecture of the market will change and this will induce variations of the constraints, previously established, practiced by the market on the social system. All the other subsystems will locally be adapted. The entire process will evolve, during the transition, at local levels. The former objective of performance of the entire system will significantly be discarded by the new architecture, a transitional, in evolution one.

What global objective (aim of the society) will then ever act upon the respective economic-social system?

In order to get an answer to this question, we should observe that there are at least nine ways of strategic innovation, as well as on tactical level it is acted in a reactive, interactive and proactive manner and on the strategic one it is acted in situations which induce anticipatory ready to adapt pressures, with different significances in connection with the major strategic purpose, of persistency in time of the system which is strategically managed: threats, opportunities, perspectives.

Au fond, in constructal vision, any business could become subject for modeling, as being the expression of the strategic effort of the one who manages it to make a flux of benefits persist in time, conferring to that business such an architecture (organization, structure, regularity etc.) so that the flux of benefits should persist as long as possible at a satisfactory level and, during short periods, to a sustainable level at which it should work with a minimum flux of resources (human, material, financial, etc.).

The global constraint of the business will be given by the market through the prices, norms, habits, behaviors, etc. which make themselves felt in it and by the environment through its evolutions and through the repercussions of the human activity at global level (less and less resources because of wasting them, because of the demographical growth, of the climate changes etc.)

We proposed ourselves to come to a representation of a market specific to a business which is adequate to the constructal paradigm.

A. Any market is an entity in which businesses have a finite duration and last as long as:

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1. Are competitive from the capacity of exploiting resources and selling deliverables point of view,

2. Succeed in keeping a high enough innovation rhythm towards the direct. competitors,

3. Succeed in coevolving with other businesses on the market in order to maintain their optimum of span/range/scale (through bringing products into the external market, strategic alliances, strategic partnerships etc.).

B. Any effective economic activity has the following invariable structure of processes for which A. demands a minimal performance:

1. Alimentation with basic resources,

2. Operation with info-infrastructures and exploiting norms,

3. Generation of deliverables,

4. The creation of delivery specifications adapted to the demand,

5.Be aware of the attention of the suspects,

6. Commutation of attention into desire of consume.

C. The competitive **national, regional and sub-regional** business environments lead to a structure of some classes of performancethat on a more careful analysis centered on the structural optimization (a minimal number of generic classes to cover the maximum of the types put into evidence by the casuistic research) highlights 6 levels of performance.

1. The effective level – regarding the exploitation of the individual patrimony

2. The innovative level –regarding the development of the individual patrimony

3. The investigative level - regarding the creation of an individual patrimony of knowledge

4. The networking level – having in view the advantages as a result of the interconnection with the operation environment

5. The participative /sharing level - having in view the advantages as a result of the cooperative integration

6. The institutive level - having in view the advantages as a result of the transactional interoperation.

Conclusions

The action of market building is a necessarily complex and pragmatic endeavor that mobilizes various heterogeneous resources, recruits professionals with varied and often conflicting worldviews, and it is in a constant process of (re)negotiation and compromise in the collective effort to sort out the various cognitive, technical, political and cultural problems that emerge when designing a specific market.

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