

Towards the Philosophy of the Industrial Enterprise¹

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(1902–1995)

In this dissertation, Józef Innocenty Maria Bocheński presented the analytical model of philosophy of industrial enterprise. The model can be also applied to agriculture (as the author points out); with some reservations it could be referred to different kinds of services as well. Thus, it can be called the analytical model of business enterprise. The crucial theses of the paper are: 1. the enterprise should be perceived and analyzed as “a system”; 2. in such a system, the bonding element is the entrepreneur (distinguished from the capitalist) 3. production of goods is the “main immanent goal” of the enterprise.

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(Translator)

Key words: Józef M. Bocheński, analytic philosophy, enterprise, philosophy of industrial enterprise, entrepreneur, goals of business, system

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Contemporary disputes over capitalism and socialism are usually founded on the analysis of the industrial enterprise formulated almost two centuries ago. This analysis does not correspond to the present situation, and, moreover, it is very one-sided. As a result, today many discussions often revolve around erroneously formulated questions.

This paper aims to propose a new analysis of the industrial enterprise, one better suited to present conditions and conceptually more accurate. It is a philosophical analysis and therefore essentially logical. As we know, logic is the science which tells us whether, for example, “it is raining or it is not raining”; and that “if it is raining, it is in fact raining”. For that reason, our analysis may seem highly banal for some readers. However, before rejecting it, one should bear in mind that reconsidering the banalities discussed here is nothing other than an attempt at a more comprehensive reexamination of the entire issue.

The considerations presented here arose ten years ago during the author’s collaboration with an important Swiss industrial enterprise. In the meantime, many others have taken up similar ideas, but there does not exist – as far as the author is aware – a-synthetical comprehensive account from the philosophical point of view. Philosophical research in this field is only in its early stage. Therefore, what is presented here should not be considered as definitive, but rather as a set of suggestions to be applied in further research.

1. Introduction

This introduction contains: remarks on the purposes of philosophy (1.1), on the concept of the industrial enterprise (1.2), and lastly an overview of the argument presented (1.3).

1.1. Philosophy. Since the following considerations are of a philosophical nature, the preliminary question that arises concerns their validity. The industrial enterprise is the object of a specific science,

namely economics, such that it is not at all clear what philosophy would have to say in this regard. One might think that in this area philosophy is no more competent than it is in answering questions about the date of birth of an ancient Egyptian monarch or the parallax of a planet.

The answer to this question depends on what is meant by “philosophy”, because there is “philosophy” and “philosophy”. Until the beginning of this [i.e., 20th] century, synthetic philosophies prevailed: they consisted of all-encompassing systems which were mostly substitutes of worldviews or their apologiae. Contemporary philosophy (or at least what is alive in it) is analytic. It does not create all-encompassing systems and makes no claim to construct or to defend a worldview. It conceives itself as simple analysis.

However, analytic philosophy can contribute to understanding subjects that other disciplines also deal with. For it studies the most abstract aspects of things and processes. And it is well equipped in this respect thanks to its conceptual tools – primarily logical and ontological – which are not commonly used in other disciplines. Hence the competence of philosophy in our research area. Moreover, there is no sharp boundary between philosophy understood in this way and many experimental sciences: the latter also conduct conceptual analyses beside empirical research, and the difference between those that are more and those that are less abstract is relative.

1.2. Enterprise. It seems that the definition of enterprise in general – i.e., a precise determination of the meaning of the term “enterprise” – is not possible. Logicians are familiar with such cases. The classic example² is that of “vegetable”: every housewife knows what it is, but neither a housewife, nor a logician have ever been able to define “vegetable”. “Enterprise”, generally speaking, seems to be the same kind of term.

² Given by Leon Petrażycki (the remark appearing in one the later Polish versions of the text) (*Translator’s note*).

Nonetheless, if not a definition, at least a preliminary determination of the concept of the industrial enterprise can be given. By “industrial enterprise” we understand something like a shoe factory, i.e., an enterprise that produces certain – quite specific – goods. The difference between an industrial and agricultural enterprise is negligible and is not taken into account here.

1.3. Plan of the research. The main question to be answered here is: “What is an industrial enterprise?” And the answer will take the form of the so-called classical definition. Such a definition consists – as is generally known – of a genus and a specific difference (more precisely, of names for both). Therefore, this analysis is divided into two parts. The first part specifies the genus to which the industrial enterprise belongs, viz., as proposed below, the system. And so, the first part of the paper is devoted to the concept of the system and to the industrial enterprise, understood as a system. In the second part, specific features of the industrial enterprise are examined in two steps: through a static and a dynamic analysis. The first is focused on the industrial enterprise at a given moment without taking into account its dynamics; the second deals with the enterprise from the dynamic perspective, and in particular from the perspective of its goals.

Therefore, there are three parts:

1. On system
2. On the structure of an industrial enterprise in the static perspective.
3. On its structure in the dynamic perspective.

2. System

First, difficulties related to defining the industrial enterprise will be identified (2.1) and the proposal will be put forward to consider it as a system (2.2.). The next subchapters are devoted to the general theory of the system involving the system’s elements (2.3) and, in addition, the classification of systems (2.4).

2.1 Difficulties. To define the industrial enterprise, one must first identify the genus to which it belongs. Now, to speak of the genus of an object is to designate the class to which this object (along with others) belongs. Identifying the genus is usually not difficult. For example, the question, to what genus do cows belong can be easily answered it is the class of mammals. However, when we try to determine the genus of the industrial enterprise, we come across considerable difficulties.

At first sight, it may seem that an enterprise is an organization, i.e., a dynamically organized group of people. However, it should be noted that: (1) there are also industrial enterprises that are not organizations, as only one person is active therein; (2) even when more people work together in an enterprise, it consists not only of them, but also of other objects: both real (machines, buildings) and ideal (patents, know-how). Business enterprises usually comprise an organization, but they are not identical to it.

If such difficulties are encountered when searching for the genus, one should follow the old methodological advice: “climb the ladder of abstraction”; namely, climb to ever more abstract concepts all the way to the most abstract, i.e., to the categories. However, even rising to the level of categories does not seem to help much here. There are essentially three categories: thing, property, and relation. Now, an industrial enterprise certainly is not a thing, although it contains various things; it is not a property; and even though it may comprise many relations, it is not itself a relation.

2.2. The industrial enterprise as a system. Under these circumstances, it is proposed to regard industrial enterprise as a system. The claim is that it belongs to the genus “system”. Everything that follows is based on this assumption.

The term “system” should be understood in its general sense, and thus not as in computer science where only a certain type of system is under consideration. “System” conceived this way is a very general concept: a geometric system, a house, a plant, a machine are

systems just as, for example, a hockey club is. This concept is so general that the question arises: is it a category overlooked by philosophers?

The proposed assumption is not without shortcomings: despite its clear importance, the concept of system has not been sufficiently elaborated so far. Although there are some contributions to its clarification, we do not have a theory that could be compared to what Aristotle and his successors provided with regard to the other categories. There is also another disadvantage: classical formal (mathematical) logic seems to be of little use here since it was elaborated for use in mathematics. The analysis of systems, at the very least, seems to call for a quite different logic, one that we do not have. Its beginnings, however, are already available, and they will be applied here, for want of a better alternative.

2.3. The components of systems. A certain ordered class of elements corresponds to each system. We say “corresponds”, as the system is not identical with such a class: a class is never real whereas a system can be. Despite that, the insight that there is such a class is helpful in comprehending a fundamental property of every system; namely, that it consists of certain elements (1) and, on the other hand, it comprises an ordering principle, i.e., a bonding factor that connects these elements into a system (2).

Thus, in the Euclidean [geometrical] system, definitions and sentences are elements, while the rules of inferring and defining are the connecting factor. The elements of a house are bricks, concrete blocks, and the like. In an armored battalion, the soldiers, tanks, etc. are the elements which acquire their dynamic as a battalion, i.e., a system, by virtue of the command centre.

The crucial, but often overlooked, statement in the theory of systems is that the connecting factor differs essentially from the elements of the system. However, at least in dynamic systems, the function of this factor can be performed by representatives of one or more elements.

The following can be said about elements of the system:

(1) Each system consists of several elements. A single object does not make a system.

(2) Elements can be real (like bricks, people) or ideal (like numbers, ideas)

(3) Elements of the system can be systems themselves – and accordingly, the system can be an element of another greater system. For example, a brigade is composed of battalions, which are its elements, whilst a brigade itself is an element of a division.

(4) Since the system exhibits a certain order, there are ordering relations between its elements. These relations are “intrinsic”, or necessary, in the sense that changing one element generally entails changes of the other. This is observable most clearly in organisms, but it also occurs in numerous other types of systems.

(5) If the system is an element of a larger system, essential connections usually exist between the former and certain parts of the latter. Objects linked to the system this way are called their “extrinsic” elements. The audience, for example, is an extrinsic element of a theater; and the plot of land on which a house stands is an extrinsic element of the house.

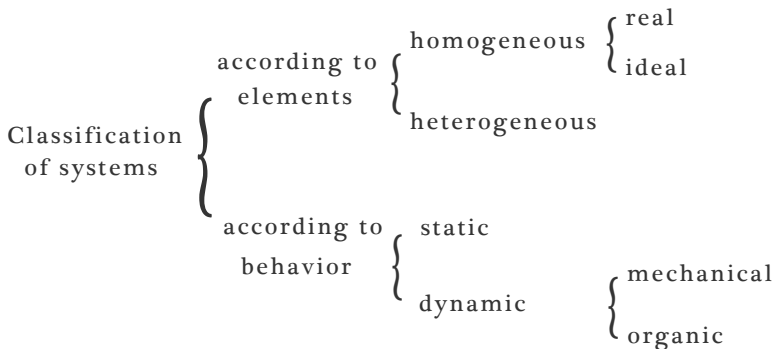
2.4. Classification of systems. According to the modes of existence of their elements, systems can be classified as homogeneous and heterogeneous. Systems are homogeneous when all their elements are ontologically homogeneous; that is, they are either all real or all ideal. In heterogeneous systems, the elements are partly real and partly ideal. Homogeneous systems are further subdivided, according to the modes of existence of their elements, into real and ideal. A real system consists only of real elements, i.e., such as: individual, temporal, spatial, contingent, and changeable elements. Ideal systems consist of non-real, i.e., ideal elements, namely, such as have none of the properties of real objects. For example: a house is a real system, while syllogistics is an ideal system.

It should be noted that a real system does not only consist of real elements, but is also, as a system, itself real. Among the elements of such a system certain real relations hold – hence the reality of any system is something more than the sum of its elements. This can be seen clearly when considering, for example, the power exercised by society. The power is evidently something real, and so is, therefore, its bearer³, society, which is a system.

Depending on how systems behave, they are divided into static and dynamic systems. A static system – e.g., a mathematical calculus or a house – performs no action; whereas dynamic systems, such as machines and living beings, can engage in an activity.

Dynamic systems are subdivided further into mechanical and organic systems. The first are completely outward-oriented: their activities cause changes in other objects, not in themselves. An example of a mechanical system is a drill, because it drills holes only in other objects, not in itself. Examples of organic systems are – as the name implies – living organisms that change themselves (although within certain limits).

The following table shows the different types of systems:



³ In the German version: *Träger*, understood here as a person or group of people who has the right to decide regarding: the use of their capital, their own work (or other components of the enterprise), or about the social institutions (for example “about power”) (*Translator’s note*).

3. Static analysis

This section consists of two parts. The first outlines the classical analysis of the industrial enterprise (3.1) and presents criticism of it (3.2). In the second, a new static analysis is set forth delineating the internal elements of the enterprise (3.3), its external relations (3.4), and its connecting factor (3.5). It provides a theory of all the *a priori* possible forms of organization (3.6).

3.1. The classic analysis. The still most commonly recognized analysis of the industrial enterprise comes from David Ricardo (1772-1823). It was popularized most of all by Karl Marx and seems to be the basic assumption of many non-Marxists as well. This analysis usually serves as the start in the discussion of so-called “capitalist” and “socialist” political systems⁴.

The classical analysis was based on the observation of early industrial enterprises in England. It was noticed at the time that an industrial enterprise came about when someone with considerable funds, the capitalist, would buy everything needed to produce goods, that is, buildings, machinery, raw materials, etc.; and then he would hire workers and pay them for their work. The conclusion was, therefore, that an industrial enterprise comprises only two components: on the one side the capital represented by capitalists, on the other – the labor represented by employees.

In the light of our analysis of systems, this classical approach amounts to the following assertions: in an industrial enterprise there are only two elements, viz., capital and labor (1); the bearer of the first element, the capitalist, always acts as the connecting factor (2). In the further development of this concept, the socialists and Marx noticed that another organization of the enterprise is possible in which the bonding factor can be workers or their representatives.

⁴ The last sentence refers to the political situation before the collapse of the “Soviet type of socialism” (*Translator’s note*).

It appears that – to repeat – economic and political thought as a whole developed within the framework of this doctrine. It has always been assumed that there are only two types of elements in the industrial enterprise and only two possible forms: the capitalist and the socialist.

3.2. Criticism of the classical approach. In what follows, we will show that this analysis is incorrect even from the theoretical perspective; moreover, under current conditions it is also completely useless. It corresponds to the conditions present during the industrial revolution. In the meantime, however, these circumstances have changed radically, mainly as a result of the creation of numerous industrial enterprises with forms of organization that do not conform to the traditional ones.

The first example thereof is enterprises run by municipalities. They are not capitalist because they are not run by a capitalist, the capital does not belong to a capitalist who seeks to make a profit. The municipal board fulfills both functions here – its aims, however, are different. And nor can these enterprises be called “socialist” because they are not managed by the employees’ representatives.

Another example is the currently widespread consumer cooperatives, which often run industrial enterprises. They can be classified neither as capitalist nor socialist. And what about companies such as, for example, the “Montana Union” in which management rests in the hands of the supervisory board half of whose members represents capitalists and half represents employees? The Ricardian scheme cannot be applied to them either. Finally – to cite one more example – in the so-called socialist countries, most industrial enterprises are not managed by employees but by state officials. They are not socialist enterprises, but nor are they capitalist.

Upholders of the traditional analysis⁵ have certainly attempted to save it. *Exempli gratia*: they claim that municipal enterprises and

⁵ The author adds here in brackets: “primarily Marxist-Leninists”(referring to his epoch) (*Translator’s note*).

the like are socialist because they are managed by the community and are not intended for profit but have some other goal. Contrariwise, their opponents seek to prove that all forms of industrial enterprise are in fact capitalist, including so-called “state capitalism”, etc.

These, however, are hardly convincing arguments. A joint-stock corporation does not belong to a single person but to a group of stockholders (ad 1). As for profit, every industrial enterprise must strive to acquire it, as will be shown below (ad 2). And the attempt to regard all enterprises as capitalist⁶ fails as evidenced, for example, by the “Montana Union” enterprise where the employees participate in management because they are employees, not because they possess a share of the capital.

Therefore, today the traditional analysis is inadequate, it is inoperative and should be replaced by a new one.

3.3. Three types of intrinsic elements. Above, we distinguished elements in the strict sense of the word, i.e., the elements which are in the system, from “extrinsic elements” to which the system is connected by necessary relations⁷. We start with the former and ask: what are the main kinds of elements that make up an industrial enterprise? According to the classical analysis, they are capital and the labor. It should be obvious that these are necessary elements of any enterprise.

However, one must ask: are these the only kinds of intrinsic elements, as the traditional analysis claims? This does not appear to be the case. Besides capital and the labor, there is a third element in virtually every enterprise, viz., technical inventiveness.

[Pierre-Joseph] Proudhon seems to be the first to have drawn attention to the factor he called *génie* or *Genius*. Marx and many others considered this factor as a kind of labor, not as a particular

⁶ The author means here “all enterprises” in so called “capitalist countries” (*Translator’s note*).

⁷ See in section 2.3 (*Translator’s note*).

kind of element of the enterprise. It should be clear, however, that the latter approach is unacceptable. First, because technical inventiveness is of such major importance that it can never be compared to the labor of a highly-qualified engineer working in a routine environment, much less to that of an unqualified worker. But most of all technological invention differs from the labor in that it is provided to the enterprise by its bearer, the inventor, who may remain outside the enterprise. This is impossible in the case of labor, the bearer of which, the laborer, must be personally present within the enterprise.

The last observation leads to a statement of considerable importance. All three kinds of elements – capital, labor, and inventions – are represented by human beings. Therefore, it is false to juxtapose working people with apparently impersonal capital: capital, just like the labor force, is provided by humans. Nevertheless, the roles of people in an enterprise are not all the same. And in this respect, the worker's position is distinctive, because although the capitalist and the inventor can place their assets at the disposal of enterprise their presence is not necessary, whereas the worker must be present. The latter is – if we may say so – existentially intertwined with the enterprise.

This does not imply that the worker is the real producer while other elements play a passive, if not parasitic, role. If we want to give clear meaning to the term “producer” or “produce”, we must say: everything that is somehow necessary to production „produces” in one sense or another. And here what is necessary for production is not only the labor force but also capital and, in most cases today, inventiveness. No element is productive on its own. Therefore, no single element but the industrial enterprise as a whole is the real producer.

3.4. Extrinsic connections. As already mentioned, in some real systems there are, apart from intrinsic elements, also essential connections to objects outside the system, typically other systems.

Without these relations a given system cannot exist or operate. We called such objects “extrinsic elements” of the system.

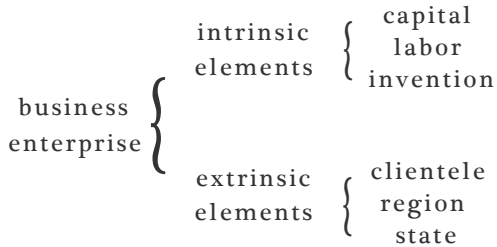
The clientele is the first extrinsic element of any enterprise. That is because – as will be shown more extensively – the whole sense of industrial enterprise consists in producing certain goods for someone, i.e., for customers. Therefore, the industrial enterprise is essentially bound to its clientele. The latter is the first kind of extrinsic element of the enterprise.

Furthermore, the industrial enterprise is closely associated with a region. It exists and operates in a specific location, in a certain commune and region. In this region or town, it creates jobs and pays taxes but also uses local water, electricity, and other resources. It pollutes the air and water in the area. If it is a large-scale enterprise, the region’s fate can completely depend on it.

Finally, the state – a third kind of extrinsic element – should be mentioned. To a lesser or greater extent, the state always takes an interest in every industrial enterprise located in its area. An extreme example of such interest can be illustrated in the following thought experiment. Imagine that a country’s railways are placed in the hands of a trade union of railwaymen who manage it directly. And let us say that the union decides to give all its members three days off for the Feast of Pentecost, such that no trains will run during this holiday. This of course would be kind of a calamity that under no circumstances can the state allow. The state is therefore highly interested in how the railways are managed, it is closely tied to them. This also holds – more or less – for any industrial enterprise, even the most modest bakery or workshop. Therefore, it may be asserted that the state constitutes the third kind of extrinsic element of any enterprise.

The enumeration presented above is certainly not complete. Another kind of noticeable extrinsic element are suppliers of raw materials or semi-finished goods etc., required for production. However, we omit these additional extrinsic elements because the point here is not completeness but a fundamentally correct model of the industrial enterprise.

Therefore, at least six kinds of elements of the industrial enterprise should be taken into account; three intrinsic: capital, labor, invention; and three extrinsic: clientele, region and state.



3.5. Connecting factor. Reducing the number of elements to two – capital and labor – is not the only error of classical analysis. Another and perhaps more important mistake consists in identifying capital, i.e., one of the elements of the industrial enterprise, as the bonding factor. Admittedly, it is possible that the representative of one of the elementary factors exercises this function, but the function as such is distinct from any of the elements.

Now, if we ask which element of the industrial enterprise is the connecting factor, the answer is: the entrepreneur. He is indeed the one who finds capital, buys inventions from inventors, hires employees, searches for clientele, makes agreements with the commune and the state. In other words, he creates the industrial enterprise out of elements which on their own are scattered and unproductive. This is so evident that one must ask how over the course of two centuries could the entrepreneur have been identified with the capitalist?

However, the circumstances prevailing in the period of the industrial revolution help explain this. The capitalist was usually at the same time the entrepreneur, and the difference between the two functions was not discernible. The matter should have been clarified as there are, in fact, enterprises in which the entrepre-

neur's functions are not exercised by capitalists. The fact that most people still cannot distinguish between these functions testifies to the incredible inertia of human thinking.

3.6. Forms of organization. The foregoing considerations yield an overview of all *a priori* possible organizational forms of the industrial enterprise based on the enumerated kinds of elements. The entrepreneur may either be independent of all elements or he may represent one or several kinds of them.

By considering our (consciously limited) model with only six kinds of elements, we obtain:

$$\sum_{p=0}^{p=6} \binom{6}{p} = 1 + 6 + 15 + 20 + 15 + 6 + 1$$

= 64 possible forms of organization.

Some have been implemented in practice. Thus, among the six possible forms of organization with only *one* element, we know at least five: the capitalist (managed by the owner or owners of the capital), the kibbutz (managed by the employees), the enterprise of the consumer cooperative (managed by the customers), the municipal (managed by commune or region), and the state (state owned enterprise, or one in the Soviet type of "socialism").

Among the forms in which the entrepreneur's role is assigned to representatives of two elements, at least one form is familiar, viz., that established according to "Montana Union" regulations: the enterprise managed by both the capitalists and the employees⁸. However, other types of organization are possible too: those managed by the representatives of two or more types of elements; as well as the limit case where all these kinds of elements participate in management.

⁸ See in section 3.2 (*Translator's note*).

Our analysis results in important conclusions for economic theory and political science.

1. Every classification based on the traditional analysis of the industrial enterprise – i.e., involving only two kinds of elements – is misleading and logically incorrect. To assume only two forms of organization when the number in fact is at least sixty-four is astonishingly one-sided.

2. The same applies to the classification of political systems because it is (following Marx) largely based on the classification of industrial enterprises. All forms of government – and thus also all states (and political movements, etc.) – are divided into capitalist and socialist. However, this is, if possible, an even greater error that makes it impossible to understand events such as strikes in state-owned enterprises or the phenomenon of the “Solidarność” [“Solidarity”] movement in Poland. It should be clear that, for example, calling the modern French political system “capitalist” and that in Poland “socialist” can only create confusion and should be avoided⁹.

In short, contemporary discussions in this area presuppose incorrectly formulated issues. The foregoing analysis shows how to formulate them more accurately.

4. Dynamic analysis

In this chapter, first a traditional approach to the goals of the industrial enterprise will be discussed (4.1), and several features of the general theory of goal-setting will be indicated (4.2). Then, this analysis will be applied to the industrial enterprise by considering generally its activity (4.3), its primary goal (4.4), other goals (4.5); and the relations between the goals of individual elements and the overall goal of the enterprise (4.6).

⁹ The author refers here to the political conditions before 1989 (*Translator’s note*).

4.1. Traditional views. The industrial enterprise is a dynamic system – and, in this respect, it is more like an organism than a house. And since the enterprise is created by humans, it has a goal. Hence, understanding its dynamic structure depends on grasping its aim. Therefore, the dynamic analysis of enterprise is, in essence, an analysis of its goal.

There is no lack of attempts to define the goal. If we ask any managing director of a Swiss or German industrial company what he or she considers to be the goal of the enterprise, their answer is in most cases as clear as it is categorical: an enterprise's goal is the highest possible dividend for the shareholders. On the other hand, there is a large body of literature in which a contrary argument is put forward just as clearly and categorically: the true goal of the enterprise is the happiness of workers.

The first striking feature of these and similar attempts to define the goal of the industrial enterprise is that the above-mentioned goals are actually those of the representatives of a one element-kind of an enterprise. The highest possible dividend is surely a legitimate goal for stockholders, i.e., capitalists; yet happiness of the workers is not a less legitimate goal of the representatives of the workforce. It seems then that the goal of one of the element-kinds is regarded as the goal of the industrial enterprise as a whole.

Furthermore, one cannot help but notice that the concept of goal in use here remains unanalyzed, having been merely taken over from everyday language. And we know that such unanalyzed concepts are dangerous when they are applied to difficult theoretical matters.

Accordingly, we need a new analysis, one which brings into play the main insights of goal-setting theory.

4.2. General goal-setting theory. The goals (ends) of any action – and thus of any dynamic system – are first of all either immanent (*finis operis*) or transcendent (*finis operantis*). For example: when I wash my car, the immanent end of this action is always and only the car's cleanliness. This end is entirely independent of the

will of the man acting but derives from the very structure of the action or the thing involved. To carry out this action I have to strive toward this end. A man washing a car may have other goals¹⁰ as well, such as washing a car to sell it at a better price, or to impress a lady, or simply because he dislikes driving a dirty car. The immanent goal clearly appears as a means in regard to any other transcendent goal. On these grounds, a transcendent goal is often called *Zweck*¹¹ in German (although the use of this expression is rather ambiguous).

Accordingly, an important question arises concerning freedom in regard to intrinsic goals. It is not unusual for persons to be afraid of the immanent ends of their own creations. They call them “mechanisms” and want to replace them with freely chosen goals. However, such reasoning rests on a childish misunderstanding. After all, one can refrain from washing a car – and in this respect one is free. If, however, one decides to wash it, there is no longer any freedom due to the structure of the action and its immanent goal: not only can I not prevent the fact that, due to my action, the car will be clean, but I am forced to deploy certain means, such as water and detergent.

4.3. The immanent end of the industrial enterprise and the attendant problem. It should be self-evident that the industrial enterprise has an immanent goal, because it is a man-made, dynamic system.

Against this undeniable obviousness at least two objections can be raised. First, an industrial enterprise is a freely created human artifact¹². This appears to exclude it from having any autonomous regularity¹³ independent of the human will, and thus to exclude an

¹⁰ Viz. transcendent (*Translator's note*).

¹¹ The closest English word seems to be: “purpose” (*Translator's note*).

¹² Viz. *opus*, to use this Latin term (*Translator's note*).

¹³ In the German version: *Eigengesetzlichkeit*, which means „autonomy” or „autonomous regularity”, and could (to the some extent) be related to the term „entelechy”. I followed here the Polish translation by Jan Garewicz choosing term „autonomous regularity” (*Translator's note*).

immanent goal (1). Second, an industrial enterprise undergoes continual changes under the influence of freely acting people. This too appears to preclude the existence of some immanent goal (2).

Yet this is not so. An industrial enterprise has an immanent goal or goals. As for the first doubt, it suffices to note that a machine likewise has such a goal, even though it has been constructed as a result of a free human decision. For example: a hydraulic press is constructed entirely freely, nonetheless, once made, it has its own autonomy: it can only press and only within certain limits. The fact that something is freely created does not preclude that it can have an immanent goal. Nor is the second doubt convincing. Certainly, over the course of time an industrial enterprise does undergo change, but only within certain limits. In any event it cannot be changed so as not to be able to produce, for then there would be no longer any enterprise – an enterprise would be destroyed. Therefore, the changeability of an enterprise is no argument against the existence of its immanent goal.

Assuming, however, that such goals exist, some quite difficult questions arise:

- (1) What is this immanent goal?
- (2) Is there only one such goal or are there more?
- (3) If there are several, what is their relation to each other? Are they mutually related or subordinated to one another?

4.4. The main immanent goal of the industrial enterprise. No difficulties should arise in answering the first question. Even superficial observation of an industrial enterprise shows that it features an immanent structure that is focused on one goal, viz., production. Thus, production is the main immanent goal of any industrial enterprise.

To demonstrate this with a specific example, consider a shoe factory. It consists of a number of buildings, machines, people, experience, etc. In the factory, all of these are clearly oriented to making footwear. The buildings are designed and erected for this

purpose¹⁴, the machines are mostly shoe-making machines, the staff is trained for footwear production, there are also experience, know-how, patents and other elements related to this production. One could say that producing shoes constitutes the whole sense of the shoe factory.

This is so to such an extent that in case the enterprise is to serve another transcendent goal dependent on the human will, it first has to achieve its own, immanent goal. *Exempli gratia*: it is said that the American millionaire Cochrane purchased an aircraft factory to satisfy the sporting ambitions of his beloved wife, a record-breaking aviator. In this way, the satisfaction of Mrs. Cochrane's sporting ambitions¹⁵ became the (transcendent) goal of that industrial enterprise, but only because its immanent goal, viz., the production of aircraft, was attained.

In this respect, an industrial enterprise is even more strictly related to its immanent goal than is, for example, a drill. For a drill, besides drilling holes, can also be used to smash stones or heads (without drilling holes therein); whereas an industrial enterprise must first and foremost produce something to reach other goals.

It is also worth noting that this fact is too often overlooked, even though it is so evident and banal. One gets the impression that some authors would like to make of the industrial enterprise something akin to a unit of the Salvation Army, because then – as they say – it becomes more “social”. They forget thereby that any enterprise by virtue of its immanent goal performs an important social function, viz., the production of goods. This, and nothing else, makes up its social significance.

4.5. Other immanent goals. Studying the industrial enterprise more closely, one realizes that apart from its main immanent goal, production, it also has other immanent goals. The industrial

¹⁴ In German: *Zweck* (*Translator's note*).

¹⁵ As the transcendent goal (*Translator's note*).

enterprise is essentially a mechanical system in that, like a machine, it does not act on itself but on other things for which it works. After all, it produces goods not for itself, but for customers. At the same time, however, the industrial enterprise behaves in way that is strikingly similar to a living organism. First, it tries to survive. Second, it usually tends to grow and indeed, unlike organisms, sometimes without limits. Finally, as a rule, it strives for the greatest possible efficiency, in other words – rationality.

None of this, certainly, should be perceived anthropomorphically, as if the enterprise had its own consciousness and will. What it does have is only a construction, a structure of such a nature that, if it is to achieve its main [immanent] goal, it must achieve its secondary¹⁶ goals – (again) regardless of the human will. Since to be able to produce the enterprise must exist. And to survive, it must be strong enough, which mostly means it is large. And in the struggle to survive, it must act economically, that is, rationally.

The last point mentioned is important in that it brings into view profitability as a secondary goal of the industrial enterprise. Thus, making a profit is not only the capitalist's goal but that of any enterprise, regardless of its form of organization. This is because under normal circumstances profitability is a necessary condition for its growth, strength, and survival – and therefore its production.

Therefore, the answer to the second question must be that in addition to its main goal the industrial enterprise has other immanent goals, viz., those indicated above: survival, growth, and profitability. As for the third question, it should be clear that these secondary goals are logically subordinate to the primary goal as its necessary conditions.

4.6. The goals of groups of elements and the overall goal of the enterprise. As a dynamic system, the industrial enterprise consists of smaller dynamic systems, each of which is

¹⁶ Viz. secondary immanent goals (*Translator's note*).

constituted by groups of elements, respectively by their bearers. Such systems are, for example, a joint stock company (capitalists), a trade union (labor), or a consumer organization (customers). Every such group of elements can form a subsystem of an industrial enterprise, usually corresponding to one kind of element.

What is the relation of the goals of these subsystems to the overall goals of the enterprise? Two evident, but often overlooked, statements can be made here. First: necessarily, there are oppositions between the individual subsystems' goals and between them and the overall goals of the enterprise. Second: the goals¹⁷ of the subsystems can only be achieved if the overall goal of the enterprise is reached.

Firstly, there are inevitable oppositions. Capitalists seek the highest possible dividends, workers – the highest possible wages, clients – the cheapest possible goods, etc. But if a dividend is too high, wages will suffer. With high wages, goods cannot be cheap. Overly cheap goods or excessive taxes drive down dividends and wages. The interests of the individual element-kinds stand in opposition to one another.

There is also an opposition between each of them and the overall goal of the enterprise. Too great a benefit for any group of elements can harm, weaken, etc., the overall interest of the enterprise. And vice-versa: for the enterprise to thrive the natural tendencies of each kind of elements must be curbed. Internal tensions are pre-programmed into the structure of an industrial enterprise. Whoever dreams of an industrial enterprise free of tension is simply dreaming: such enterprise is impossible.

The goals of the elements cannot, however, be achieved, unless the overall goal of the enterprise is reached. If an enterprise fails to produce, if it collapses, or if it is unsuccessful, neither great dividends nor high wages are possible. The solidarity of the individual

¹⁷ I.e. purposes of its representatives (*Translator's note*).

goals of each group of elements with those of the enterprise as a whole is also programmed into the structure of enterprise. Whoever sees this structure solely as a battlefield has failed to understand an evident structural fact.

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The foregoing considerations also enable a better understanding of the function as well as the ethics of the entrepreneur. According to traditional notions, the entrepreneur is often considered solely as a representative of capitalists. In fact, however, he is responsible for the enterprise as a whole, regardless of the form of its organization.

It is often said that there is no “holy entrepreneur” or “holy manager”, but in the light of the foregoing, this is not true. The very structure of the industrial enterprise dictates the ideal of the entrepreneur: a person who selflessly – and, if necessary, in strife with everyone – serves the enterprise as a whole. History provides well-known examples of great entrepreneurs who acted according to this ideal. At any rate, attempts to eradicate the ideal (indeed so common in “capitalist” societies) are, particularly from a social point of view, highly inexpedient.

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