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Studying the Methods of Financing in the Entrepreneurial Projects (Empirical Study: Mazandaran Province)

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Objectives: The purpose of this research is study methods of financial supply about entrepreneurial projects in Mazandaran province.

Approach/Methods: On the basis of comprehensive review of literature and issues related to financial supply especially entrepreneurial projects, among the 141 member of statistical society, 110 people through the categories and random sampling methods is selected. Then we collected the require data by documents, interviews and especially questionnaires. So reliability coefficient of questionnaire is 79%. Statistical tests are Alpha Cronbach, ANOVA, and Correlation analysis. Also SPSS software was used.

Results/Insights: The results of research reveal that methods of personal and debt financing have meaningful relation, but internal financing methods and capital (equity) do not have meaningful relation with entrepreneurial projects. It shows that the more personal capital they have, they tend to create more debt for themselves too.

Implications to Community/Industry: Research revealed that which method of financing is prevalent way for creating business.

Keywords: Financing, Entrepreneurial, Projects, Mazandaran.

Abstract: Entrepreneurship is the stimulus engine of economic development and creating occupation and reforming society. Entrepreneurs undertake an important role in the movement of economic development's cycles and are considered as the source of the great evolution in the industrial, productive and serving fields throughout organizations. The purpose of doing this research is studying the quadruplet methods of financing in the entrepreneurial projects of Mazandaran province. Statistical society consists of 141 entrepreneurs that 110 persons of them have been selected as a sample. Then by collecting the required data and using a questionnaire with standard components and reliability coefficient of 79%, the quadruplet hypotheses have been tested. The findings have shown that all four methods of financial supply have been considered by the entrepreneurs, each of them with their special intensity and weakness. From this point of view the personal capital has been in the first priority and the methods of loan, shares, and internal sources in the subsequent priorities. In addition to that, the under study entrepreneurs have less knowledge of the different and various methods of the financial supply totally and have considered only the methods that have been current in our modern society and use all of them generally. Finally it has been concluded that it is necessary that some innovations be done in this ground and other various methods of financial methods be attended.

1. Introduction

Entrepreneurship is the process of producing preoccupation and making profit from the valuable combination of sources. The word entrepreneur denotes a person who undertakes to organize, run and accept the risks of an economic activity (Kuratko and Hadgetts, 2001, 163). Entrepreneurs are persons, groups or people who establish and run new enterprise so that they can create preoccupation for at least more than one person (Kirkwood, 2007). The complexity and growing competition which exist in the modern world that certainly goes with the quick evolutions of international environment and transit from the industrial society to the informational society, and also the change of national economy into global economy, have caused that entrepreneurship be remembered as a stimulating force in the growth of organizations (Moghimi, 2004). Entrepreneurship can bring about the economic growth and developments of countries increase the productivity, creation of preoccupation and social welfare (Ahmadpour, 2004). In the meantime obtaining the required funds to beget enterprises has always been introduced as a challenge for entrepreneurs. The process of obtaining the required funds may take so months and dissuade the entrepreneurs from the vocation of managing enterprises. On the other hand, without sufficient financing, novel enterprise will never succeed and shortage of investment is considered as the cause of many failures in the new enterprise (Bigdelo, 2004). Therefore, an extensive spectrum of source of financing (with various possibility and expenses) can be available for the entrepreneurs and different methods have been offered for classifying them.

In one classification of these sources, Deakins & Freel (2003) have divided entrepreneurial corporations' financing into two internal and external classes. In a report that "Emko" financial corporation submitted, the financial sources were classified into three classes: shares (shareholders' rights), debt (loan), and personal capital (Owen, 1990). Lupke and Cecd (2003) had a study about the entrepreneurship financing in Italy on the part of the organization of economic development. In their study, they divided the sources of entrepreneurship financing into six groups: personal credit, angels of enterprise, banks, state assistance, financial institutes and risky private capital. In another classification, Cardullo (1999) has divided the financial sources that are available for the entrepreneurs into two classes: formal and informal sources. So by composing the above classification, the entrepreneurs' sources of financing have been divided into four classes: personal financing, internal financing, financing through capital

(shareholders' rights), and financing through debt. Regarding the above classifications each of the sources of financing will be explained hereunder.

Based on stating the mentioned matter above that explains the role and importance of attending to the entrepreneurial projects, the goal of doing this research is studying the methods of financing in the entrepreneurial projects of Mazandaran province, and the sense model that is used regarding the review of the relevant thematic literature is the four dimensions which explain the model of effective factors on the financial supply like personal, internal, shares, and debt. On the same basis, in the present research this main question will be responded: Which methods of financing in the entrepreneurial projects of Mazandaran province are effective.

2. Background and Hypotheses

2.1. Personal Capital

The first source that entrepreneurs refer to in order to supply the required funds for begetting enterprise is private capital. Apparently entrepreneurs have observed the advantages of self-sufficiency so that the most current source of supplying capital funds that is used for the small enterprises is supplied from the entrepreneurs' personal chest. For this group the calculations of risk and output do not have the first priority like other groups (Bigdelo, 2004). After spending the personal funds, the entrepreneurs resorts to his/her friends and relatives that they may tend to invest in his/her enterprise because of their relations with the entrepreneur (Zimmerer, 1996). Randoy (2003) studied the financing through the personal capital against the financing through the capital (share) and came to this conclusion that the financing through the personal capital is more efficient. By a research in the entrepreneurial activities in Thailand, Paulson and et al (2003) come to this conclusion that the financial pressures play a main role in forming the pattern of entrepreneurship in Thailand. Risk families are more interested in creating enterprise and also investing in their enterprise, and face the financial pressures less. The financial pressures create more limitation for the entrepreneurial activities in the poor regions of south-east of Thailand in comparison with central developed regions. Wu (2006) studied the effects of family ownership and the management on the capital of SMEs in the United States. In this research he showed that the family ownership has a series of disadvantages in addition to advantages, and also found that the financing through family and financing through shares to the public influence on SMEs separately. These two categories of the financing influence the establishment's net asset separately.

First Hypothesis:

Using the personal capital is one the important methods of financing of entrepreneurial projects in Mazandaran province.

2.2. Internal Sources

An enterprise has the capacity of creating capital by itself. This financing is available for every small corporation (Bigdelo, 2004). A small enterprise can supply its own required financing sources through the corporation's accounts receivable, credit card, retained earnings, and rent on the condition of possession (Zimmerer, 1996). In the posterior phases of the financing like growth phase, the corporation can also use the internal sources retained earnings for their own financing. This source can be known as one of the cheapest source of the financing that is used for supplying the long-term needs of the corporation. Some entrepreneur supplies their corporation by using the most convenient sources in case they despair of finding the financial sources in other place. This source is their personal credit cards. The entrepreneur should consider the annual phase more than any other source makes this source expensive and risky. Nevertheless some entrepreneur would not have any other choice before themselves (Zimmerer, 1996).

Second Hypothesis:

Using the internal sources is one the important methods of financing of entrepreneurial projects in Mazandaran province.

2.3. Shareholders' Rights (Shares)

An investor becomes the owner of a corporation by financing through capital (share). In this method despite that risk is divided, its potential incomes are also divided. Some of the current of supplying capital through shares are referred below. Angels of enterprise is a term for the people who provide the primary risky and establishing corporations. The angels of enterprise fill the existing split of financing among the earned capitals through the private sources. And the phase that investors who take risk and tend to invest. An entrepreneur can elect a partner for expanding the proposed capital enterprise. There are two main kinds of partners that consist of: public partners that are responsible for the total debts of enterprise personally, and restricted partners, that their limited responsibility protects their assets from the corporation's creditor (Mariotti, 1994). In a research, Amit (1999) studied the entrepreneurship financing through the risky capital in Canada and concluded that the risky capital is more efficient than issuing the shares in the financing of entrepreneurial projects. In other research in the United States, Bradshaw (2006) has studied the relation between the financing activities and the return of corporations' capital in the future. He came to this conclusion that there is a negative relation between the establishment's exterior financing and the return of capital in the future. Shirasu and et al (2006) studied financing through general loan and private loan (bank's loan) was dealt with in Japan. They found that financing through general loan (the issue of share) and the bank's loan is in relation with the economic sway and when the economy is faced stagnancy, the economic establishments resort to the financing through the private loan (bank's loan).

Third Hypothesis:

Using the shareholders' rights is one the important methods of financing of entrepreneurial projects in Mazandaran province.

2.4. Debt (Loan)

The other method of financing is through debt that included the funds that the owners of small enterprises have loaned and should repay them with interest. Although the loaned funds permit the entrepreneur to have the complete possession of the corporation, nonetheless he or she should undertake the created debt in the balance sheet and repay that along with the interest which belongs to that in the future. In additions to this, they should pay more interest because of more risk in the small enterprises. Nevertheless, the cost of financing through loan is often less than financing through shares. An entrepreneur who seek out financing through loan, face a widespread extent of credit choices (loan). The sources of financing through debt are divided into agencies, insurance companies, credit unions, bonds, state assistance, institutions of loan and deposit, commercial credit, suppliers of equipments, corporations of commercial financing, accounts payable, and commercial banks (Bigdelo, 2004). Campello (2005) studied the financing of SMEs through loan (debt) in the United States. He described the extravagance in the financing of SMEs through debt (loan) dangerous and knew this extravagance the cause of decrease in selling SMEs, while moderation and temperance in loan is related to the sale's profit. By a research in four countries of south-east of Asia, like Malaysia, Indonesia, Thailand and Korea, Driffield (2005) found the mean of mea of output in all kinds of the choices of the exterior financing is symmetrical and the output of long-term debts is more than short-term loans. Studying the methods of the entrepreneurship financing in the United States and weighing the entrepreneurship financing through bank (debt) against the risky capital, Brander and Bettignies (2006) came to this conclusion that the financing through bank is more efficient than capital.

Fourth Hypothesis:

Using the debt (loan) is one the important methods of financing of entrepreneurial projects in Mazandaran province.

3. Methodology

3.1. Sample

Statistical samples are 110 people who are expert in financing of entrepreneurial projects (cooperation unit) establish at least one corporation throughout Mazandaran province so that they can be considered as an individual and independence entrepreneur (GEM, 2008). These people in spite of their different profession are considered equal considering that they are active in operating and continuing their own enterprise. In the mentioned sample, 97% of them have been men, 94% of them were under 40 years old, 95% have a record of service less than 15 years, and 94% of them are educated under the degree of Master.

3.2. Data and Measurement Scale

There are four variants of financing consist of personal capital, internal sources, shares, and debt that measured by a questionnaire with standard components containing 35 questions on the scale of Likert with span (1-10) and by using the SPSS statistical software and the tests of ANOVA and Correlation. In the first verbal reference, a planned questionnaire is offered the members of statistical sample and essential explanation is given to them, then in the second verbal reference some action are taken to collect them.

3.3. Validity

In order to validate the questionnaire of research, the research's thematic literature has been used through the procedure of extracting the components of measuring variants and the specialist ideas and a primary sample has been profited from. So, a planned questionnaire is offered 8 professors and expert in the form of a pretest (Hult & Ferrel, 1997), (Bazargan et al, 1998, 166-171), (Sarookhani, 2003, 139). Then after taking reformed opinions and modifying some cases of them. It was again offered 26 persons of the members of statistical society as a primary sample and also according to this group's reforming opinions we are made certain that the questions are related to each other regarding the under study statistical society.

3.4. Reliability

In order to determine the reliability of measuring tool there are different ways that one of them is the measurement of its internal harmony (Conca and et al, 2004). The internal harmony of measuring tool can be measured by the coefficient of Cronbach Alpha (Cronbach, 1951). This is a way that is applied in most research (Peterson, 1994). Although the least acceptable quantity for this coefficient must be 0.7 but 0.6 and even 0.55 are acceptable too (Van de ven and Ferry, 1997) (Nunnally, 1978). In this research the reliability of measuring tool was 0.79.

4. Findings

4.1. Hypothesis Test for Meaningful Difference among Methods of Financing

Table 1 shows statistics and results of tests related to existing meaningful difference among four methods of financing in entrepreneurial projects.

Table 1: Test of Homogeneity of Variances

Variants	ANOVA Test							Levene Test for Equality of variances				
	Differences	Sum of Squares	df	Mean square	F	Sig	Result	Levene statistic	Variances	df ₁	df ₂	sig
Methods of Financing	Between Groups	137.92	3	45.97	172.7	0.000	accept	10.09	equality	3	436	0.355
	Within Groups	116.07	436	0.27								
	Total	253.98	439	----								

There is meaningful difference among four methods of financing in entrepreneurial projects. In other word, the means grade of every four variants related to financing have meaningful difference. It means every methods of financing in entrepreneurial projects throughout Mazandaran and entrepreneurs did not paid attention to the methods as equally.

4.2. Multiple Comparisons Test for Methods of Financing

Table 2 shows statistics and results of tests related to existing meaningful difference among methods of financing in entrepreneurial projects in a way of two by two.

Table 2: Tukey HSD Test of Homogeneity of Variances

Variants	comparisons	Mean Difference	Std. Error	Sig	Result of means	95% Confidence Interval	
						Lower Bound	Upper Bound
Methods of Financing	First method with second	1.45	0.069	0.000	Inequality	1.27	1.63
	First method with third	1.13	0.069	0.000	Inequality	0.95	1.31
	First method with fourth	0.5	0.069	0.000	Inequality	0.32	0.68
	Second method with third	-0.32	0.069	0.000	Inequality	-0.5	-0.14
	Second method with fourth	-0.95	0.069	0.000	Inequality	-1.13	-0.77
	Third method with fourth	-0.63	0.069	0.000	Inequality	-0.81	-0.45

As it was explained before, meaningful difference among four methods of financing has been confirmed. Previous table shows that two by two comparison among means of quadruplet variants of financing. In attention to sig index is less than 0.05, there is meaningful difference among four methods of financing in entrepreneurial projects in way of two by two. It means the all quadruplet variants of financing are used.

4.3. Correlation, Statistics, Means Comparison

Table 3: Correlation, variables reliability

Methods of Financing	I ₁	I ₂	I ₃	I ₄	Mean	Deviation	CV
Personal Capital = I₁	1	0.0.2	0.009	0.43	3.69	0.61	0.165
Sig	0.000	0.84	0.93	0.000			
Internal Sources = I₂		1	0.08	0.027	2.24	0.51	0.228
Sig		0.000	0.38	0.779			
Shares = I₃			1	-0.126	2.56	0.50	0.195
Sig			0.000	0.19			
Debt = I₄				1	3.19	0.43	0.135
Sig				0.000			

Correlation coefficient above show that except two variants (personal capital and debt) which have meaningful relation together, other variants as a whole do not have. It shows that the more personal capital they have, they tend to create more debt for themselves too.

The last three columns of previous table show that there are differences among three variants. Thus according to importance, entrepreneurs prefer to use personal capital financing the more.

5. Discussion and Conclusion

As it has been referred to in the former paragraphs, an extensive spectrum of the sources of financing is available for the entrepreneurs that have been classified in different forms. Deakins and Freel (2003) divided the financing sources of entrepreneurial corporations into two internal and external classes, the financial corporation "Emko" into three classes of the sources of shares (shareholders' rights), the sources of debt (loan) and other sources (Owen, 1990), Cardullo (1999) into formal and informal sources, Lupke and Cecd (2003) into six groups of personal validity, angels of enterprise, banks and crediting unions, state assistance, financial and crediting institutes, and private risky capital. Amit (1999) referred to the financing through the risky capital against the financing through the capital (the issues of shares) and Johnson (2005) to the self-financing.

In addition to the different divisions through the method supplying of the financial source, the efficiency of different methods compared with each other has been studied and analyzed. Randy and Goel (2003) studied the financing through personal financial sources against the financing through capital (share) and came to this conclusion that the financing through personal is more efficient. Campello (2005) described the extravagance in the financing of SMEs dangerous, and found this extravagance the cause of decrease in selling SMEs. In south of Asia, Driffield (2005) compared the exterior financial sources with the personal financing in the entrepreneurs' financing and didn't know their output legal and announced that casually. Brander (2006) has measured the entrepreneurship financing through bank (debt) against the risky capital and came to this conclusion that the financial supply through bank is more efficient than the financing through risky capital. Shirasu and Xu (2006) evaluated the financing through bank (debt) and the financing through capital (the issue of shares) and came to this conclusion

That the two methods of the financing relate to the economic cycles. Bradshaw (2006) found that the establishment's exterior financing has a negative relation with the return of capital. Wu (2006) has evaluated the personal financing and the financing through capital and believes that the financing through personal capital is more efficient.

The first and maybe simplest method supplying the entrepreneurs' required financial sources in order to operate and continue the activity of their entrepreneurs is the personal sources. It is the subject that has been referred to in different researches. Apparently the entrepreneurs have observed the advantages of self-sufficiency and the method of personal financing. So that the most current source of supplying capital funds that is used for small enterprises is supply from the place of the entrepreneurs' personal chests (Bigdelo, 2004). After spending personal funds, the entrepreneur resort to his/her friends and relatives (Zimmerer, 1996). It is so, while this method of financing sources has been emphasized so much in this research too, and it has been used more by entrepreneurs.

The entrepreneurs can generate the capacity of creating capital for themselves. This method of financing is available for every small corporation too. A small enterprise can supply its own required financial sources by the corporation's accounts receivable, using the credit cards, retained earnings and rent on the condition of ownership (leasing). This source can be known as one of the cheapest sources of the financing that is used for supplying the corporation's long-term needs. Some of the entrepreneurs use the personal credit cards (Zimmerer, 1996). In this research, this method of financing has been referred to and used by the entrepreneurs with less emphasis.

The financing through capital (shares) is also one of the other methods that have been used by the entrepreneurs. By this way the investor becomes the corporation's owner. In this method, besides the fact that risk divides, the potential incomes divide too (Bigdelo, 2004). The angels of enterprise are who provide the primary capital of risky and establishing corporations. Two main kinds of angels of enterprise are the public and restricted partners (Mariotti, 1994). In the present research, this method of financing has been existed in a form and used by the entrepreneurs.

One of the other methods of the financing is debt or loan that consists of the funds which the owner small enterprises how borrowed and should repay them with interest. The cost of the financing through lean is often less than the financing through shares. The entrepreneurs have spread extent of the credit choices (loan). The source of financing through debt are divided into agencies, insurance companies, credit unions, bonds, private loans, state assistances, mortgaged loan, commercial credit, suppliers of equipments, commercial financing corporations, accounts payable and commercial banks (Bigdelo, 2004). Campello (2005) believes that extravagance in the financing through debt (loan) is dangerous, while moderation and temperance in loan is admirable matter. Driffield (2005) believes that the output of long-term debt is more than short-term loans. Brander and Bettignies (2006) found that the financing through bank is more efficient than the financing through risky capital. It is so while this method of financing source is emphasized so much in this research so that it is positioned on the second degree of importance.

The results of this research indicate that among the four methods of financing of entrepreneurial projects, the method of the financing through internal sources and capital (shareholder's rights) are used less. It is so while the method of personal capital and loan have been used by the entrepreneurs with more importance and have been on the first and second priorities. Moreover the other important and internal results of this research are that, the entrepreneurs understudy have less knowledge about the different and various methods of the financing totally and how scrutinized and paid attention to only the methods that have been current and in common use in

our modern society and use all of them generally. According to this, it is necessary that some innovations be done in this matter and other various methods of the financing be attended. Since one of the most important problems and disturbances of the entrepreneurs in the modern society of Iran is the financial sources.

Regarding the presented documentaries in the text of this essay the below matters can be presented as some offers in order to do the future research in relation with the subject of the present essay:

- ✓ Recognizing and grading the effective factors on the methods of the financing in the entrepreneurial projects.
- ✓ Explaining the variety in the methods of the financing in the entrepreneurial projects.

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7. Appendixes

Descriptives

ANOVA

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
1.00	110	3.6909	.60865	.05803	3.5759	3.8059	2.33	7.00
2.00	110	2.2436	.51143	.04876	2.1470	2.3403	2.00	6.00
3.00	110	2.5606	.50063	.04773	2.4660	2.6552	2.00	6.00
4.00	110	3.1899	.42686	.04070	3.1092	3.2706	2.00	4.44
Total	440	2.9213	.76063	.03626	2.8500	2.9925	2.00	7.00

Test of Homogeneity of Variances

ANOVA

Levene Statistic	df1	df2	Sig.
1.086	3	436	.355

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	137.915	3	45.972	172.687	.000
Within Groups	116.069	436	.266		
Total	253.984	439			

Multiple Comparisons

Dependent Variable: ANOVA
Tukey HSD

(I) ANOVACOD	(J) ANOVACOD	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
1.00	2.00	1.4473(*)	.06957	.000	1.2678	1.6267
	3.00	1.1303(*)	.06957	.000	.9509	1.3097
	4.00	.5010(*)	.06957	.000	.3216	.6804
2.00	1.00	-1.4473(*)	.06957	.000	-1.6267	-1.2678
	3.00	-.3170(*)	.06957	.000	-.4964	-.1375
	4.00	-.9463(*)	.06957	.000	-1.1257	-.7668
3.00	1.00	-1.1303(*)	.06957	.000	-1.3097	-.9509
	2.00	.3170(*)	.06957	.000	.1375	.4964
	4.00	-.6293(*)	.06957	.000	-.8087	-.4499
4.00	1.00	-.5010(*)	.06957	.000	-.6804	-.3216
	2.00	.9463(*)	.06957	.000	.7668	1.1257
	3.00	.6293(*)	.06957	.000	.4499	.8087

* The mean difference is significant at the .05 level.

Correlations

		((x1+x6)/6)*2	((y1+.....y5)/5)*2	((z1+.....z6)/6)*2	((w1+.....w18)/18)*2
((x1+x6)/6)*2	Pearson Correlation	1	.020	.009	.431(**)
	Sig. (2-tailed)	.	.835	.930	.000
	N	110	110	110	110
((y1+.....y5)/5)*2	Pearson Correlation	.020	1	-.084	.027
	Sig. (2-tailed)	.835	.	.380	.779
	N	110	110	110	110
((z1+.....z6)/6)*2	Pearson Correlation	.009	-.084	1	-.126
	Sig. (2-tailed)	.930	.380	.	.190
	N	110	110	110	110
((w1+.....w18)/18)*2	Pearson Correlation	.431(**)	.027	-.126	1
	Sig. (2-tailed)	.000	.779	.190	.
	N	110	110	110	110

** Correlation is significant at the 0.01 level (2-tailed).

Explanation of Entrepreneurs Psychological specifications Role on Independent Entrepreneurship Process

(Case Study: Entrepreneurs in Mazandaran Province)

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Objectives: The aim of this research determining and explaining the effects of six psychological variables on the Independent entrepreneurship process throughout Mazandaran province.

Approach/Methods: According to the definition provided by the Global Entrepreneurship Monitoring, there were 1511 entrepreneurs throughout Mazandaran province out of which 291 were chosen as the sample subjects of the present study. The data collection instrument was a related questionnaire with the reliability level of 0.84. The collected data related to the six understudy variables were analyzed using a Path Analysis Regression Model.

Results/Insights: The results explained and determined the Independent entrepreneurship process, and also showed that the above-mentioned variables affected the Independent entrepreneurship process directly, indirectly, and also interactional. Respectively, the most affecting variable was Working Independently (-2.65). Other variables affecting the Independent entrepreneurship process in order were variables of Creativity and Innovation (-2.09), Risk Taking (1.22), perseverance (1.085), Internal Control (1.04), and Learning spirit (-0.2).

Implications to Community/Industry: based on this research results, some suggestions were given on how the managers and authorities of Mazandaran Province can improve the Independent entrepreneurship process by attending to these six psychological variables.

Keywords: Psychological, Process, Entrepreneurship, Mazandaran.

Abstract: Three major causes of the importance of entrepreneurship are creating wealth, building productive employment, and developing technology. It is believed that a revolution is needed for entrepreneurship to take place in societies nowadays. Thus the present study is aimed at determining and explaining the effects of six psychological variables on the Independent entrepreneurship process throughout Mazandaran province. According to the definition provided by the Global Entrepreneurship Monitoring, there were 1511 entrepreneurs throughout Mazandaran province out of which 291 were chosen as the sample subjects of the present study. The data collection instrument was a related questionnaire with the reliability level of 0.84. The collected data related to the six understudy variables were analyzed using a Path Analysis Regression Model. The results explained and determined the Independent entrepreneurship process, and also showed that the above-mentioned variables affected the Independent entrepreneurship process directly, indirectly, and also interactional. Respectively, the most affecting variable was Working Independently (-2.65). Other variables affecting the Independent entrepreneurship process in order were variables of Creativity and Innovation (-2.09), Risk Taking (1.22), perseverance (1.085), Internal Control (1.04), and Learning spirit (-0.2). Finally, based on these results, some suggestions were given on how the managers and authorities of Mazandaran Province can improve the Independent entrepreneurship process by attending to these six psychological variables.

1. Introduction

Entrepreneurship, creativity and risky trade are considered as the fuel of modern economy's engine. Entrepreneurs have always had an important role in development of societies. They have been at the head of enterprises and seeking for opportunities and creativity is considered as a tool of for their success. Entrepreneurs know the change as a common phenomenon, always seek for it. Respond to it and use that as an opportunity (Dunphy, 1994, 1). Entrepreneurs are the pioneers of commercial advances in the society. They have main portion in the economic growth in the viewpoint of leadership, management, innovation, efficiency, creating occupation, competition, productivity and constitution of new corporations. To a belief, it is necessary that a revolution of entrepreneurship happen in modern society. This revolution is more important than industrial revolution in the present century (Kuratko & Hodgetts, 1989, 76). Entrepreneurs undertake an important role in the movement of economic development of cycles and are considered as the source of the great evolution in the industrial, productive and serving field on the ground of organization (Duane, 2000, 236).

Three important reasons for considering entrepreneurship subject are wealth creation, technology development and productive occupation. One of the most important advantages of operating the entrepreneurial firms is creating productive occupation. Because according to a principle of management science if anybody is directly appointed to productive occupation, he would create occupation for at least three other persons indirectly. Creating productive occupation needs recognition, creation and utilization of entrepreneurial opportunities and existing occupation in the society and it is one of the major reasons for considering entrepreneurship. Entrepreneurship is the process of producing preoccupation and making profit from the valuable combination of sources. The word entrepreneur denotes a person who undertakes to organize, run and accept the risks of an economic activity (Kuratko and Hadgetts, 2001, 163). Entrepreneurship turns into an important profession that we need to understand its role in the development of human capacity (Shan and et al, 2003). Entrepreneurship is the result of encounter of entrepreneur's personal characteristics with the environment where they grow in (Postigo, 2002).

So far several studies have been done about establishing of entrepreneurial corporations (Reynolds & Miller & Maki, 1993, 473), effective factors on the success and failure of

entrepreneurship process (Trulsson, 1997, 113), (Buame, 1996, 219), (Mead & Leitdoim, 1998), (King & McGrath, 1999, 179), (Frese, 2000, 237), inheritance of entrepreneurship (Levie, 1999), personal characteristics of entrepreneurs (Wagner & Sternberg, 2004), demographical characteristics (consist of: age, gender, marital status, social status, studies, experience, race) and psychological characteristics (consist of: success, risk-taking, self confidence, being functional, independence in work, internal control) and entrepreneurship process (Kiggundo, 2002). But the effect of psychological characteristics on the entrepreneurship needs more work and study about process.

According to this, the goal of this research is specifying the role of six variables of psychological specifications including volition and perseverance, creativity and innovation, risk taking, independence in work, internal control and the spirit of learning on independent entrepreneurship process in Mazandaran province.

2. Background and Hypotheses

Entrepreneurship is the motive engine of economic development and advance creating and reforming society (Gurol & Astan, 2006). Entrepreneurs are persons, groups or people who establish and run new enterprise so that they can create preoccupation for at least more than one person (Kirkwood, 2007). An entrepreneur regards the need for success seeking and with the purpose of improving his/her function (growth, profit, etc) proceeds establishing and running an enterprise in challenging condition (Hansemark, 1998; McClelland, 1965, 1987; Utsch and Rauch, 2000; Murray, 1938: 96). It is unique characteristic that prods entrepreneur toward success (Atkinson and Raynor, 1974: 147; Grote and James, 1991; McClelland, 1965: 79). Entrepreneurship is related to the ideas of new enterprise that may cause some changes in nature of market. Entrepreneurship consists of seeking opportunities and the ability to recognize the existing gaps in the market. Pivotal entrepreneurship approach is approach that has emphasized on the innovation of market and product and risky projects, and with tending to be a pioneer in innovation, pursuit to be better than the other competitors (Miller, 1983). Innovation as a component of entrepreneurship is considered as an inevitable necessity in all organizations. Thus, in order for success in their function and achieving advantages of constant competition through innovation; organizations must be in the pursuit discovering opportunities (Tajeddini, 2006). Entrepreneurship is a motive power whose role is finding unused opportunities in the market and pursuits to create a new balance in the market (Elenurm et al, 2007). Entrepreneurship is a process that entrepreneur runs big or small economic activity by his capital (Drucker, 1985). Risk-taking is one of the entrepreneurial characteristic that is emphasized so much (Cunningham and Lischeron, 1991; Ho and Koh, 1992; Morris and Trotter, 1990). A risk-taker is the person who tends so much to work in the conditions of making decision with uncertainty (Ho & Koh, 1992). From the viewpoint of entrepreneurship, entrepreneurs always seek risk (Agarwal & Prasad, 1998). And entrepreneurs are the one who tend to use their sources at the opportunities that the possibility of failure is great in them. McClelland believes that Entrepreneurs are recognized with the characteristics of having self-confidence, the ability for accepting calculated risk, need for studying the environment, and tendency for having reaction of their functions (McClelland, 1965). Entrepreneur's personal success seeking can impress his understanding of risk and the quality of managing it (Kliem and Ludin, 2000, 28). In one of the most important division, entrepreneurship is known as having three types: individual or independent entrepreneurship, internal-organizational entrepreneurship, and organizational entrepreneurship. In the independent entrepreneurship (GEM, 2008), a new corporation and organization (enterprise) is established so that a new merchandise and service be supplied to the society. In the internal-organizational entrepreneurship, a kind of innovation inside the existing organizations and corporations is formed so that a new merchandise and service be supplied to the society. In the organizational

entrepreneurship, the managing conditions in the organizations are studied and the managing pathology is done so that the necessary conditions in order to innovation and organizational growth are prepared (Cornwall & Perlman, 1990). So far several studies have been done about the process of entrepreneurship, establishment of entrepreneurial corporations and their function in various enterprises like productive enterprise, advanced technologies, and small enterprises (Banks, 1991; Reynolds, Miller, and Maki 1993, 347; Aydalot, 1986) and effective factors on success and failure of the process of entrepreneurship (Buame, 1996; Trulsson, 1997; Mead & Leitdorm, 1998; King & McGrath, 1999; Frese, 2000). Even though most have thought that entrepreneurship has been unique individual characteristics and emphasized on its more inheritance (Levie, 1999). But all of these factors can be divided into one of three general groups: entrepreneurs' biographical characteristics, entrepreneurial corporation and external environment (Kiggundo, 2002). Lerner & Haber (2000) have divided effective factors on the process of entrepreneurship and success of entrepreneurial corporations into four groups: entrepreneurs' personal and psychological characteristics, government's financial and advisory supports, environmental attractions of the place of corporation's activity and the variety of services. Wagner and Sternberg (2004) have divided, effective factors on the process of entrepreneurship and establishment of new corporations into three groups: macro and micro factors and entrepreneurs' personal characteristics. They have concluded that each of them and the secondary variants related to them have had various effectiveness on the process of entrepreneurship at the regional, national and international levels (Wagner & Sternberg, 2004). The factor of entrepreneur's personal characteristics is effective on the success or failure of the process of entrepreneurship can be divided into four subgroups including demographical characteristics [with the variants of: age (+), gender (+), marital status (+), social status (+), studies (+), experience (-) and race (+/-)], psychological characteristics [with the variants of: success seeking (+), risk-taking (+), self-confidence (+), being pragmatist (+), independence (+), internal control (+)], the characteristics of job behavior [with the variants of: diligence (+), being energetic (+), having perseverance (+), being leader (+), acting strategically (+)], and essential merits (with the variants of: technical (+), artistic (+), political (+) and social skills (+), human relationships (+), intelligence and trade talent (+), creativity and innovation (+), the seven managerial duties (POSDCORB) (+)]. In terms of two limitations of time and place, each of these variants has positive (+), negative (-) and positive/negative (+/-) effects on the success or failure of the process of entrepreneurship (Kiggundo, 2002). Entrepreneurship depends on the suitability of entrepreneurs' psychological characteristics including self-knowledge, opportunism, independences in work, having human resources and social skills through evaluating and exploiting opportunities and acquiring success in the market (Markman and Baron, 2003). There is a meaningful relationship between personal characteristics (consists of studies level, age and marital status) and the process of entrepreneurship (Nazem and Abasi, 2005, 92). In evaluating the entrepreneurial psychological characteristics of the university of Mazandaran students, Zali has concluded that none of these under study groups have these characteristics (Zali, 2006, 112). The most important causes for educating entrepreneurial spirit are educational courses for creativity and innovation (Postigu, 2002). Entrepreneurial spirit will develop by education. Education is the most necessary needs for people to know their potential talent in entrepreneurship (Kaushik et al, 2006). Entrepreneurship has not have any meaningful relation to record of service, age and organizational position (Jahangiri and Kalantari, 2008, 125), while there is positive and meaningful relation between spirit of entrepreneurship and biographical characteristics (Azizi, 2007, 87). Based on the review of the above thematic literature, the following hypothesis will be investigated and tested in the present research:

Hypotheses:

Entrepreneurs' psychological characteristics (consist of volition and perseverance, creativity and innovation, risk-taking, independence in work, internal control), and the spirit of learning have a meaningful effect on the process of independence entrepreneurship throughout Mazandaran Province.

3. Methodology

3.1. Sample

Present research's statistical society of 1511 person is composed of the people who establish at least one corporation throughout Mazandaran province so that they can be considered as an individual and independence entrepreneur (GEM, 2008). These people in spite of their different profession are considered equal considering that they are active in operating and continuing their own enterprise, and among them 291 persons are selected as a statistical sample casually. In the mentioned sample, 94% of them have been men, 72% of them were under 40 years old, 81% have a record of service more than 15 years, and 69% of them are educated under the degree of bachelor.

3.2. Data and Measurement Scale

The sextet variants of entrepreneurial psychological characteristics that are effective on the research's process of independence entrepreneurship including volition and perseverance, creativity and innovation (Hurley and Hult, 1998), risk-taking, independence in work, internal control and the spirit of learning by a questionnaire with standard components containing 22 questions measured on the scale of Likert with span (1-5) and by using the tests of Path Analysis Regression with ($kmo= 0.84$), ($\chi^2=708$), ($df= 231$), ($sig= 0.000$) and explanation of variances 62 percent. They have been decreased into six factors. In the first verbal reference, a planned questionnaire is offered the members of statistical sample and essential explanation is given to them, then in the second verbal reference some action are taken to collect them.

3.3. Validity

In order to validate the questionnaire of research, the research's thematic literature has been used through the procedure of extracting the components of measuring variants and the specialist ideas and a primary sample has been profited from. So, a planned questionnaire is offered 11 professors and expert in the form of a pretest (Hult & Ferrel, 1997), (Bazargan et al, 1998, 166-171), (Sarookhani, 2003, 139). Then after taking reformed opinions and modifying some cases of them. It was again offered 31 persons of the members of statistical society as a primary sample and also according to this group's reforming opinions we are made certain that the questions are related to each other regarding the under study statistical society. Meanwhile the index $GFI=0.98$ in one of the criterions of validity measurement (Hair et al, 1998, 49) that is obtained in this research more through 0.9.

3.4. Reliability

In order to determine the reliability of measuring tool there are different ways that one of them is the measurement of its internal harmony (Conca and et al, 2004). The internal harmony of measuring tool can be measured by the coefficient of cronbach alpha (Cronbach, 1951). This is a way that is applied in most research (Peterson, 1994). Although the least acceptable quantity for this coefficient must be 0.7 but 0.6 and even 0.55 are acceptable too (Van de ven and Ferry, 1997) (Nunnally, 1978). In this research the reliability of measuring tool was 0.84.

4. Findings

Hereunder the result of Binomial, Friedman, Correlation, and also Path Analysis Regression tests that related to the sextet hypotheses of research will be stated and explained. Considering that the hypotheses of research have directions, the least acceptable observed proportion for accepting zero hypotheses 0.7 is taken in the binomial tests, although the quantities 0.6 and even 0.55 are also acceptable for this case (Nunnally, 1978: 62), and (Van de ven & Ferry, 1979: 38). So in binomial tests of subsequent tables, the observed probabilities of more than 0.7 shows that zero hypothesis (H_0) are confirmed. If the observed probability is less than 0.7, the quantity of meaningfulness level more than 0.05 will show that zero hypothesis is confirmed.

4-1- The sextet hypotheses test of psychological factors that are effective on the process of independence entrepreneurship

Table 1: The result of Binomial tests of the sextet hypotheses

Variables	Hypotheses	Category	N	Observed Prop.	Test Prop.	Sig (1-tailed)	Test Result
Volition & Perseverance	H_0 = Ineffectiveness H_1 = Effectiveness entrepreneurial psychological characteristics on the independent entrepreneurship process throughout Mazandaran province	≤ 3	12	0.04	0.7	0.000	H_1
		> 3	279	0.96			
Creativity & Innovation		≤ 3	27	0.1	0.7	0.000	H_1
		> 3	264	0.9			
Risk-Taking		≤ 3	96	0.3	0.7	0.000	H_1
		> 3	195	0.7			
Independence		≤ 3	24	0.1	0.7	0.000	H_1
		> 3	267	0.9			
Internal Control		≤ 3	75	0.26	0.7	0.000	H_1
		> 3	216	0.74			
Learning Spirit		≤ 3	105	0.36	0.7	0.000	H_1
		> 3	186	0.64			

It is observed that throughout Mazandaran every six under discussion psychological variants has had a meaningful effect on the process of independent entrepreneurship. Meanwhile on the

basis of Friedman test the importance grade of six variants of volition and perseverance, creativity and innovation, risk-taking, independence in work, internal control and the spirit of entrepreneurship is obtained respectively 4.91, 3.84, 2.59, 3.97, 2.55, and 3.14.

4.2. Correlation

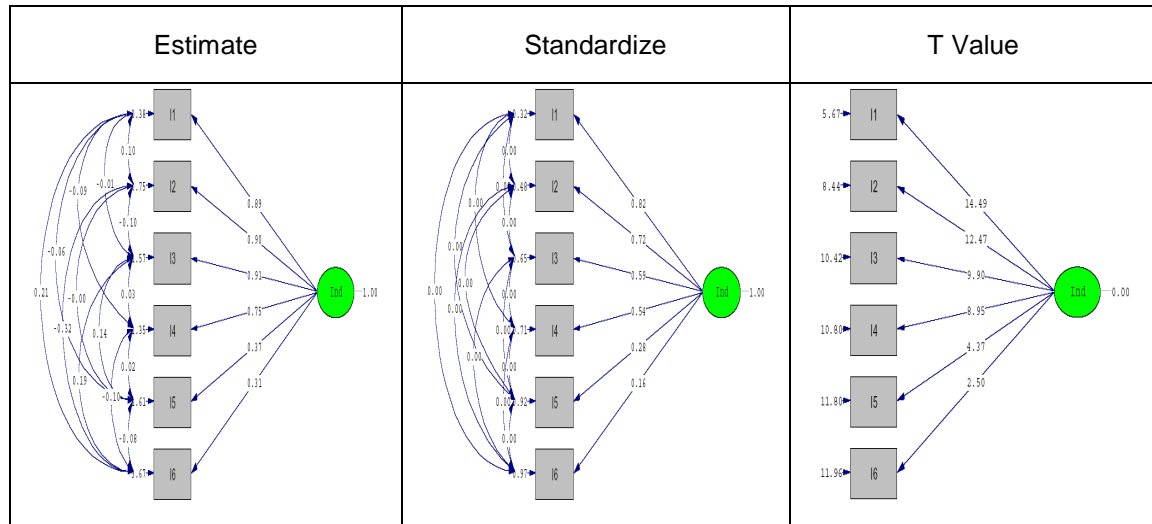
Table 2: Correlation, variables reliability

	I ₁	I ₂	I ₃	I ₄	I ₅	I ₆	Mean	deviation	Alpha
Volition & Perseverance = I₁	1						4.31	0.54	0.83
sig	0.000								
Creativity & Innovation = I₂	0.6	1					4.00	0.62	0.83
sig	0.000	0.000							
Risk-Taking = I₃	0.48	0.4	1				3.53	0.77	0.83
sig	0.000	0.000	0.000						
Independence = I₄	0.42	0.41	0.33	1			3.99	0.69	0.83
sig	0.000	0.000	0.000	0.000					
Internal Control = I₅	0.21	0.2	0.22	0.16	1		3.53	0.66	0.84
sig	0.000	0.001	0.000	0.006	0.000				
Learning Spirit = I₆	0.18	0.020	0.15	0.05	0.017	1	3.63	0.97	0.85
sig	0.2	0.713	0.01	0.354	0.777	0.000			

4.3. The Path Analysis Regression Model, Explaining the role of psychological factors effective on the process of independence entrepreneurship

Regarding the meaning model of research, the Path Analysis Regression model of six variants that explains the role of psychological factors effective on the process of independent entrepreneurship will be presented on the basis of the output of Lisrel software in this part. It is mentionable that among different and numerous indices of determining the comeliness of a model of structural equations (Hooman, 2002), indices of RMSEA, GFI and NFI are the best and most famous of them and can determine the comeliness of a model of structural equation sufficiently. $RMSEA \leq 0.1$ shows that this model suits the data of real world acceptably (Joreskong and Sorbom, 1989). In this research $RMSEA=0.041$, $GFI=0.98$, $AGFI=0.96$, $NFI=0.97$ and $NNFI=0.94$ have been, so the model of research has had the necessary comeliness and its generality is confirmed because RMSEA has been less than 10%, and GFI and NFI more than 90%. The sextet observed variants can justify and explain 96% under study main unobserved variant namely the process of independent entrepreneurship directly and indirectly.

Diagram no.1: The structural equation model of relation between the sextets observed variants and unobserved variants



In the triple diagrams no. 1 the relations between model of structural equation and the sextet observed variants and unobserved variant of the process of independent entrepreneurship are shown. In the structural equations the variants have two types of direct and indirect explaining relations. As it is observed in the T Value diagram in both sections of direct and indirect relations, all relations are confirmed because according to the output of Lisrel none of the coefficients related to them has not become less than digit 2, and so has not been red. In two other diagrams standard regression coefficients and the direct and indirect assessable coefficient of structural equation model are represented too, and in the table no. 3 relevant data and analyses are also shown.

In the following table direct, indirect and total effects resulted from interactive relations between the sextet variants, the mathematical equation represented in the next pages and also obtained mean through field studies (4.31, 4, 3.53, 3.99, 3.53, 3.63) that have been came in the table no. 2 are used.

Table 3: Data & analyses of the structural equation model

unobserved variants		Independence Entrepreneurship process = E					
observed variants		Volition & Perseverance	Creativity & Innovation	Risk-Taking	Independence	Internal Control	Learning Spirit
Symbol		I ₁	I ₂	I ₃	I ₄	I ₅	I ₆
Standard Coefficient		0.82	0.72	0.59	0.54	0.28	0.16
Standardized		RMSEA=0.04 GFI = 0.98 AGFI=0.96 NFI=0.97 NNFI=0.94 <i>The model is confirmed</i>					
Direct Effect	T	14.49	12.47	9.9	8.95	4.37	2.5
	accept/reject	accept	accept	accept	accept	accept	accept
	coefficient	0.89	0.9	0.91	0.75	0.37	0.31
	Ranking	Third	Second	First	Fourth	Fifth	Sixth

Indirect Effect	T	5.67	8.44	10.42	10.8	11.8	11.96
	accept/reject	accept	accept	accept	accept	accept	accept
	coefficient	0.195	-2.99	0.31	-3.4	0.67	-0.51
	Ranking	Sixth	Second	Fifth	First	Third	Fourth
Total Effect (Direct & Indirect)	coefficient	1.085	-2.09	1.22	-2.65	1.04	-0.2
	Type of effect	+	-	+	-	+	-
	Ranking	Fourth	Second	Third	First	Fifth	Sixth

As it is observed in the above table all direct and indirect relations between observed variants are confirmed throughout Mazandaran province by the process of independent entrepreneurship, so it is necessary that all direct and indirect relations come in equation in extracting structural equation. The general structural equation models of transaction relation between variants (direct and indirect effect) consist of:

The general effects on the structural equation model= (direct effect) + (indirect effect)

Regarding the diagram no. 1, the structural equation model which explains the role of psychological factors on the process of independent entrepreneurship in terms of standard coefficient (just direct relation) consists of:

$$I = (0.82 I_1 + 0.72 I_2 + 0.59 I_3 + 0.54 I_4 + 0.28 I_5 + 0.16 I_6)$$

And the structural equation model which explains the role of psychological factors on the process of independent entrepreneurship in terms of nonstandard coefficient consists of:

Direct effects of six variants: $I = (0.89 I_1 + 0.90 I_2 + 0.91 I_3 + 0.75 I_4 + 0.37 I_5 + 0.31 I_6)$

Indirect effects of Volition & Perseverance: $I_1 = (0.10 I_1 \times 0.90 I_2) + (-0.01 I_1 \times 0.91 I_3) + (-0.09 I_1 \times 0.75 I_4) + (-0.06 I_1 \times 0.37 I_5) + (0.21 I_1 \times 0.31 I_6)$

Indirect effects of Creativity & Innovation: $I_2 = (0.10 I_2 \times 0.89 I_1) + (-0.10 I_2 \times 0.91 I_3) + (-0.15 I_2 \times 0.75 I_4) + (0.00 I_2 \times 0.37 I_5) + (-0.32 I_2 \times 0.31 I_6)$

Indirect effects of Risk-taking: $I_3 = (-0.01 I_3 \times 0.89 I_1) + (-0.10 I_3 \times 0.90 I_2) + (0.03 I_3 \times 0.75 I_4) + (0.14 I_3 \times 0.37 I_5) + (0.19 I_3 \times 0.31 I_6)$

Indirect effects of independence in work: $I_4 = (-0.09 I_4 \times 0.89 I_1) + (-0.15 I_4 \times 0.90 I_2) + (0.03 I_4 \times 0.91 I_3) + (0.02 I_4 \times 0.37 I_5) + (-0.08 I_4 \times 0.31 I_6)$

Indirect effects of internal control: $I_5 = (-0.06 I_5 \times 0.89 I_1) + (0.00 I_5 \times 0.90 I_2) + (0.14 I_5 \times 0.91 I_3) + (0.02 I_5 \times 0.75 I_4) + (-0.08 I_5 \times 0.31 I_6)$

Indirect effects of the spirit of learning: $I_6 = (0.21 I_6 \times 0.89 I_1) + (-0.32 I_6 \times 0.90 I_2) + (0.19 I_6 \times 0.91 I_3) + (-0.10 I_6 \times 0.75 I_4) + (-0.08 I_6 \times 0.37 I_5)$

According to the above equations, every change and improvement in the process of independent entrepreneurship through considering entrepreneur's psychological characteristics can be studied and explained regarding the above mathematical relations.

5. Discussion, Conclusion and Suggestions

Restrictions related to the distance of time and place in all researches of human and social science generally, and management and entrepreneurship fields specifically have caused that research findings have considerable differences in spite of the existing similarities in the variances and utilized method. According to this, it is necessary that at first naturalizations related to the result of studies be done regarding utilized time and place conditions, so that the

application of the said results be authentic and true. As it is shown in the history of research entrepreneurs have different psychological characteristics like success seeking (Hansemark, 1998; McClelland, 1961, 1987; Utsch and Rauch, 2000; Murray, 1938), creativity and innovation (Tajeddini, 2006), risk-taking (Cunningham and Lischeron, 1991; Ho and Koh, 1992; Morris and Trotter, 1990), (Agarwal & Prasad, 1998) self-confidence (McClelland, 1965), and etc that all of them are unique characteristics (Atkinson and Raynor, 1974; Grote and James, 1991; McClelland, 1961). It was supposed for so long that entrepreneurship has been a unique individual characteristic (Levie, 1999) and some people emphasize on its more inheritance too. It is so while an entrepreneur's personal and psychological characteristics (Kiggundo, 2002), (Lerners & Haber, 2000), (Wagner & Sternberg, 2004) like success seeking, risk-taking, self-confidence, being pragmatist, independence, and entrepreneur's focus of internal control has been effective on the success and failure of the process of entrepreneurship (Kiggundo, 2002). And it is depends on the suitability of entrepreneurs' psychological characteristics (Markman & Baron, 2003). The results of the present research like the results mentioned above have shown that psychological factors have a meaningful effect on the process of independent entrepreneurship.

In the present research the role of psychological factors on the process of independent entrepreneurship throughout Mazandaran province has been pursued the findings of this research can be generalized about after provinces. In this research, it is shown that each of the sextet variants has had acceptable and meaningful explaining effects on the process of independent entrepreneurship in a manner and can justify and reflex 96% equivalent of change totally. Among the six under study variants, independence in work has had the most effectiveness on the process of independent entrepreneurship and in this respect the variants of creativity and subsequent degrees of importance respectively.

On the basis of the present research's finding, it can be concluded that in order for improvement in the process of independent entrepreneurship throughout under study statistical society from the viewpoint of entrepreneurs' psychological characteristic we can take an action in the real word through considering the sextet psychological variants that explain that from this viewpoint, it is necessary that the most attention be paid on the variant of independence in work firstly and in the subsequent degrees on the other variants in order of their importance. Certainly the important mentionable point is that considering each of these psychological characteristics of entrepreneurs in order for effectiveness on the improvement of the process of independent entrepreneurship requires performing specific researches and projects by themselves that will be postponed until future.

As it was mentioned before, three important reasons for considering the subject of entrepreneurship are creation of wealth, development of technology and creation of productive preoccupation. The existing changes and evolution in the modern world have put the entrepreneurs in the front line of the factor technological and economic development. Most developed and also some of developing countries' successful experience in managing economic crises has been because of paying attention to the development of entrepreneurship and innovative works and for this reason entrepreneurship and entrepreneurs are honored specifically. Regarding the role and importance of entrepreneurship and entrepreneurs' brilliant background in the development of many countries and the economic problems of the country whether private or governmental part generically and throughout Mazandaran province specifically, propagation and publication of the sense of entrepreneurship, and making bed the culture that support entrepreneurship enjoy vital importance and necessity. The honorable managers and authorities can study and pursue the psychological factors that are effective on the process of independent entrepreneurship, development of entrepreneurship and creation of productive preoccupation in the society by exploiting and using the results of this research.

Regarding the materials mentioned in the text of essay, the following cases can be presented as offers in order to the future researches that are related to the issue of this research:

✓ Determining and explaining the quality of change in the entrepreneurs' sextet psychological characteristics in order to effectiveness on the process of independent entrepreneurship predicated on the findings of the research.

✓ Determining and explaining the role of biographical, environmental, public, and organizational characteristics that are effective on the process of independent entrepreneurship.

✓ Performing the meaning model of this research in order time and place and comparing its results with the results of this research.

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7. Appendixes

Degrees of Freedom = 9
Minimum Fit Function Chi-Square = 13.43 (P = 0.14)
Normal Theory Weighted Least Squares Chi-Square = 13.44 (P = 0.14)
Estimated Non-centrality Parameter (NCP) = 4.44
90 Percent Confidence Interval for NCP = (0.0 ; 18.43)
Minimum Fit Function Value = 0.046
Population Discrepancy Function Value (F0) = 0.015
90 Percent Confidence Interval for F0 = (0.0 ; 0.064)
Root Mean Square Error of Approximation (RMSEA) = 0.041
90 Percent Confidence Interval for RMSEA = (0.0 ; 0.084)
P-Value for Test of Close Fit (RMSEA < 0.05) = 0.58
Expected Cross-Validation Index (ECVI) = 0.13
90 Percent Confidence Interval for ECVI = (0.11 ; 0.18)
ECVI for Saturated Model = 0.14
ECVI for Independence Model = 1.48
Chi-Square for Independence Model with 15 Degrees of Freedom = 417.79
Independence AIC = 429.79
Model AIC = 37.44
Saturated AIC = 42.00
Independence CAIC = 457.83
Model CAIC = 93.52
Saturated CAIC = 140.14
Normed Fit Index (NFI) = 0.97
Non-Normed Fit Index (NNFI) = 0.98
Parsimony Normed Fit Index (PNFI) = 0.58
Comparative Fit Index (CFI) = 0.99
Incremental Fit Index (IFI) = 0.99
Relative Fit Index (RFI) = 0.95
Critical N (CN) = 468.81
Root Mean Square Residual (RMR) = 0.077
Standardized RMR = 0.032
Goodness of Fit Index (GFI) = 0.98
Adjusted Goodness of Fit Index (AGFI) = 0.96
Parsimony Goodness of Fit Index (PGFI) = 0.42

Reliability Coefficients	
N of Cases = 291.0	N of Items = 22
Alpha = .8406	

Test Statistics^a <table border="1" style="margin: auto;"> <tr> <td>N</td> <td>291</td> </tr> <tr> <td>Chi-Square</td> <td>354.576</td> </tr> <tr> <td>df</td> <td>5</td> </tr> <tr> <td>Asymp. Sig.</td> <td>.000</td> </tr> </table> <p>a. Friedman Test</p>	N	291	Chi-Square	354.576	df	5	Asymp. Sig.	.000	Ranks <table border="1" style="margin: auto;"> <tr> <th></th> <th>Mean Rank</th> </tr> <tr> <td>I1</td> <td>4.91</td> </tr> <tr> <td>I2</td> <td>3.84</td> </tr> <tr> <td>I3</td> <td>2.59</td> </tr> <tr> <td>I4</td> <td>3.97</td> </tr> <tr> <td>I5</td> <td>2.55</td> </tr> <tr> <td>I6</td> <td>3.14</td> </tr> </table>		Mean Rank	I1	4.91	I2	3.84	I3	2.59	I4	3.97	I5	2.55	I6	3.14
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Correlations <table border="1" style="width: 100%; text-align: center;"> <tr> <th></th> <th>I1</th> <th>I2</th> <th>I3</th> <th>I4</th> <th>I5</th> <th>I6</th> </tr> <tr> <td>I1 Pearson Correl</td> <td>1</td> <td>.600*</td> <td>.484*</td> <td>.429*</td> <td>.210*</td> <td>.183*</td> </tr> <tr> <td>I1 Sig. (2-tailed)</td> <td>.</td> <td>.000</td> <td>.000</td> <td>.000</td> <td>.000</td> <td>.002</td> </tr> <tr> <td>I1 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> <tr> <td>I2 Pearson Correl</td> <td>.600*</td> <td>1</td> <td>.405*</td> <td>.413*</td> <td>.201*</td> <td>.022</td> </tr> <tr> <td>I2 Sig. (2-tailed)</td> <td>.000</td> <td>.</td> <td>.000</td> <td>.000</td> <td>.001</td> <td>.713</td> </tr> <tr> <td>I2 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> <tr> <td>I3 Pearson Correl</td> <td>.484*</td> <td>.405*</td> <td>1</td> <td>.329*</td> <td>.223*</td> <td>.151*</td> </tr> <tr> <td>I3 Sig. (2-tailed)</td> <td>.000</td> <td>.000</td> <td>.</td> <td>.000</td> <td>.000</td> <td>.010</td> </tr> <tr> <td>I3 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> <tr> <td>I4 Pearson Correl</td> <td>.429*</td> <td>.413*</td> <td>.329*</td> <td>1</td> <td>.159*</td> <td>.054</td> </tr> <tr> <td>I4 Sig. (2-tailed)</td> <td>.000</td> <td>.000</td> <td>.000</td> <td>.</td> <td>.006</td> <td>.354</td> </tr> <tr> <td>I4 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> <tr> <td>I5 Pearson Correl</td> <td>.210*</td> <td>.201*</td> <td>.223*</td> <td>.159*</td> <td>1</td> <td>.017</td> </tr> <tr> <td>I5 Sig. (2-tailed)</td> <td>.000</td> <td>.001</td> <td>.000</td> <td>.006</td> <td>.</td> <td>.777</td> </tr> <tr> <td>I5 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> <tr> <td>I6 Pearson Correl</td> <td>.183*</td> <td>.022</td> <td>.151*</td> <td>.054</td> <td>.017</td> <td>1</td> </tr> <tr> <td>I6 Sig. (2-tailed)</td> <td>.002</td> <td>.713</td> <td>.010</td> <td>.354</td> <td>.777</td> <td>.</td> </tr> <tr> <td>I6 N</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> <td>291</td> </tr> </table> <p>**Correlation is significant at the 0.01 level (2-tailed).</p>		I1	I2	I3	I4	I5	I6	I1 Pearson Correl	1	.600*	.484*	.429*	.210*	.183*	I1 Sig. (2-tailed)	.	.000	.000	.000	.000	.002	I1 N	291	291	291	291	291	291	I2 Pearson Correl	.600*	1	.405*	.413*	.201*	.022	I2 Sig. (2-tailed)	.000	.	.000	.000	.001	.713	I2 N	291	291	291	291	291	291	I3 Pearson Correl	.484*	.405*	1	.329*	.223*	.151*	I3 Sig. (2-tailed)	.000	.000	.	.000	.000	.010	I3 N	291	291	291	291	291	291	I4 Pearson Correl	.429*	.413*	.329*	1	.159*	.054	I4 Sig. (2-tailed)	.000	.000	.000	.	.006	.354	I4 N	291	291	291	291	291	291	I5 Pearson Correl	.210*	.201*	.223*	.159*	1	.017	I5 Sig. (2-tailed)	.000	.001	.000	.006	.	.777	I5 N	291	291	291	291	291	291	I6 Pearson Correl	.183*	.022	.151*	.054	.017	1	I6 Sig. (2-tailed)	.002	.713	.010	.354	.777	.	I6 N	291	291	291	291	291	291	Descriptive Statistics <table border="1" style="width: 100%; text-align: center;"> <tr> <th></th> <th>Mean</th> <th>Std. Deviation</th> <th>N</th> </tr> <tr> <td>I1</td> <td>4.3084</td> <td>.54224</td> <td>291</td> </tr> <tr> <td>I2</td> <td>4.0067</td> <td>.62341</td> <td>291</td> </tr> <tr> <td>I3</td> <td>3.5290</td> <td>.77491</td> <td>291</td> </tr> <tr> <td>I4</td> <td>3.9837</td> <td>.69177</td> <td>291</td> </tr> <tr> <td>I5</td> <td>3.5137</td> <td>.66108</td> <td>291</td> </tr> <tr> <td>I6</td> <td>3.6289</td> <td>.97099</td> <td>291</td> </tr> </table> KMO and Bartlett's Test <table border="1" style="width: 100%; text-align: center;"> <tr> <td>Kaiser-Meyer-Olkin Measure Adequacy.</td> <td>.838</td> </tr> <tr> <td>Bartlett's Test Approx. Chi-Square</td> <td>8.424</td> </tr> <tr> <td>Sphericity df</td> <td>231</td> </tr> <tr> <td>Sig.</td> <td>.000</td> </tr> </table>		Mean	Std. Deviation	N	I1	4.3084	.54224	291	I2	4.0067	.62341	291	I3	3.5290	.77491	291	I4	3.9837	.69177	291	I5	3.5137	.66108	291	I6	3.6289	.97099	291	Kaiser-Meyer-Olkin Measure Adequacy.	.838	Bartlett's Test Approx. Chi-Square	8.424	Sphericity df	231	Sig.	.000
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Binomial Test

	Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (1-tailed)
I1	Group 1	<= 3	12	.0	.000 ^{a,b}
	Group 2	> 3	279	1.0	
	Total		291	1.0	
I2	Group 1	<= 3	27	.1	.000 ^{a,b}
	Group 2	> 3	264	.9	
	Total		291	1.0	
I3	Group 1	<= 3	96	.3	.000 ^{a,b}
	Group 2	> 3	195	.7	
	Total		291	1.0	
I4	Group 1	<= 3	24	.1	.000 ^{a,b}
	Group 2	> 3	267	.9	
	Total		291	1.0	
I5	Group 1	<= 3	75	.3	.000 ^{a,b}
	Group 2	> 3	216	.7	
	Total		291	1.0	
I6	Group 1	<= 3	105	.4	.000 ^{a,b}
	Group 2	> 3	186	.6	
	Total		291	1.0	

- a. Alternative hypothesis states that the proportion of cases in the first group < .7.
b. Based on Z Approximation.

Explanation of Effectiveness in Entrepreneurship Didactic Terms (Case Study: Job and Social Office of Mazandaran Province in Iran)

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Objectives: The goal of this research is investigation and recognition of variables and explanation of structural equation model of effective factors on effectiveness of entrepreneurship didactic terms in Mazandaran Province of Iran.

Prior Practices: literature of entrepreneurship and effectiveness of didactic terms was reviewed and a model was presented based on three variables (motives instigation, characteristics and skills training).

Approach/Methods: The statistical population and sample were 2511 and 214 elements, data collection instruments were documents, interviews and specially questionnaire with reliability of 0.95 as non experimental survey research, the statistical tests were correlation and direct and indirect relationships among variables, and also interactional regression in format of path analysis with using SPSS and Lisrel software's.

Results/Insights: Based on direct relationship coefficients of Structural Equation Model, motives instigation variable affected on Effectiveness of Entrepreneurship Didactic Terms more than others.

Implications to Community/Industry: Based on result, implications for managers, and directions for further research are presented to use in Entrepreneurship terms.

Value to the Theme: Entrepreneurship didactic terms are most important, in Social Entrepreneurship.

Keywords: Effectiveness – Didactic Terms-Structural Equation Model

1. Introduction

Entrepreneur, Entrepreneurship and the attributes related to it are increasingly considered to be a viable platform for economic growth and prosperity in all societies and economic systems. The concept of entrepreneurial behaviour has become better known, and there is a need to develop entrepreneurial skills and abilities in order to deal with current challenges and the uncertain future in any organizational setting (Henry et al., 2003). In the current economic climate jobs are rarely “for life”, and traditional secure career paths have disappeared.

The essence of entrepreneurship is the ability to envision and chart a course for a new business venture by combining information from the functional disciplines and from the external environment in the context of the extraordinary uncertainty and ambiguity which faces a new business venture. It manifests itself in creative strategies, innovative tactics, uncanny perception of trends and market mood changes, courageous leadership when the way forward is not obvious and so on.

As the extent of entrepreneurship increases, the need for education has never been greater and the opportunities have never been so abundant (Henry et al., 2003). An indication of the current interest is the growing number of courses and seminars offered by practitioners and universities, as well as the variety of academic literature and articles that have appeared (Kuratko, 2005). Organizational and societal changes have made educational institutions, including universities; reconsider their role as promoters of entrepreneurship and entrepreneurial ventures. This applies not only to new-venture management, business planning and growth, but also to a broader notion of entrepreneurial behaviour (Gouws, 2002) in different organizational settings. An increasing number of larger organizations in both private and public sectors are calling for alertness, opportunity recognition, creative problem solving, initiative-taking, handling uncertainty and many other related attributes. This offers a challenge to universities, course planners and teachers: to create practitioners who are capable not only of absorbing academic knowledge on entrepreneurship and management skills, but also of pursuing more of an entrepreneurial approach during their careers (Jack and Anderson, 1999). Despite the constantly increasing number of activities and courses in entrepreneurship education and training, surprisingly few researchers have, until recently, analyzed the crucial issue of whether or not entrepreneurship can be successfully taught, and if it can, how this is to be done (Henry et al., 2005).

There is a widespread belief that entrepreneurship education offers an efficient and cost-effective means of increasing the number and quality of entrepreneurs in the economy (Matlay, 2006). In addition, entrepreneurship education is seen to contribute to the development of other important skills appreciated by future employers, such as problem-solving, innovation and team skills (Heinonen, 2007). The importance of entrepreneurship education at different levels of the education system is widely acknowledged (Bosma and Levie, 2010).

What are the factors have most affected on entrepreneurship education? It's the essential question of this research and with regard to importance of entrepreneurship education; the goal of this research is investigation and recognition of variables and explanation of structural equation model of effective factors on effectiveness of entrepreneurship didactic terms in Mazandaran Province of Iran.

2. Literature Review and Hypothesis

Entrepreneurial education must include skill-building courses in negotiation, leadership, new product development, creative thinking and exposure to technological innovation (Vesper and

McMullan, 1988). Other areas identified as important for entrepreneurial education include awareness of entrepreneurial career options (Donckels, 1991); sources of venture capital (Zeithaml and Rice, 1987); idea protection (Vesper and McMullan, 1988); ambiguity tolerance (Ronstadt, 1987); the characteristics that define the entrepreneurial personality (Scott and Twomey, 1998) and the challenges associated with each stage of venture development (Plaschka and Welsch, 1990).

The prior research on entrepreneurship education has highlighted the role of entrepreneurship education in affecting the students' attitudes towards entrepreneurship, their motivation and intentions in engaging in new ventures (Fayolle, 2005; Pittaway and Cope, 2007; Athayde, 2009). A widely used framework to analyze the impact of entrepreneurship education is "Theory of planned behaviour", which focuses on individual entrepreneurial intentions, i.e. intentions to start-up an entrepreneurial venture (Krueger et al., 2000). Entrepreneurial intentions can only partially explain the actual start-up decision, as there is usually a significant time lag between initial intentions and actual behaviour. However, intentions have been widely used as a proxy for entrepreneurial learning outcomes. Recent results show that an education in entrepreneurship has a positive effect on the desirability and feasibility of starting a business (Peterman and Kennedy, 2003). However, entrepreneurship education can also have goals other than starting up a company. Previous research (Henry et al., 2005) suggests that entrepreneurship education assessments need to be sensitive to these different goals set for entrepreneurship courses and programs (Hytti and O'Gorman, 2004). Indeed, the actual effects of entrepreneurship education are still not known, and there is a need for more rigorous research investigating the impact of entrepreneurship education on entrepreneurial outcomes (Matlay, 2008).

Considered purposes in entrepreneurship training specially designed in three areas including: motives instigation, characteristics training and skills training. Therefore, the conceptual model of this research as designed that can first, determining entrepreneurship didactic needs in above three domains, and secondly, ranking them based on their priority.

2.1 Motives instigation

One of the training purposes and entrepreneurship development is motives instigation in people who have entrepreneurship traits. Knowing this people from their ability and informing in this field and motivation them is the most important entrepreneurship training utility. motives instigation such as tends to obtaining wealth, gettable, independence, trends to making new something, doesn't have accept available methods, not placing people in social base that haven't its merit and like it cause to people placing in become entrepreneur path.

2.2 Characteristics training

There are characteristics that lead people to become entrepreneur are not inherited but they are acquisitive. Training these characteristics is necessary to different people. Some people trains in environments that their characteristics training automatically, therefore if this people beginning a business, it will be often success, but most people have not this conditions and aren't in this environments, so characteristics training is necessary for them through didactic terms or graduate course. These characteristics consist of items like creative thought training, raising risk ability, raising ambiguity tolerance, self confidence, punctual, and giving didactic information to individual characteristics from control centre.

2.3 Skills training

These trainings divide into three terms: before, during and after enterprise establishment. In terms, before establishment of enterprise the entrepreneur, learn how the business starts and how perform teamwork and communication skills. During establishment of enterprise, entrepreneur should acquiring necessary awareness and conversance in field of financial issues, market recognition, management principles, insurance, economy, law affairs, and after establishment of enterprise, entrepreneur requiring skills are: ability of development management and company growth, finding new methods, competition and keeping location in market and finding new market.

2.4 Hypothesis

All of the above dimensions performing for making motivation between people and training new entrepreneurs. Informing, entrepreneur's guidance and encouragement towards acquiring necessary skills and presenting essential trains for obtaining needed skills to entrepreneurs and its necessary for success.

With regard to above three dimensions, the main research hypothesis presented:

H1: Motives instigation, characteristics training and skills training are instrument of measurement and explanation the invisible variable, effectiveness of entrepreneurship didactic terms in Mazandaran province of Iran.

3 Methodology

This study will involve a standard questionnaire-based survey of participants from Iranian entrepreneurs, in order to examine empirically the effective factors on effectiveness of entrepreneurship didactic terms. Samples were selected from entrepreneurs of Iran. A questionnaire-based survey was conducted. Questionnaires were distributed among 214 entrepreneurs. That is, data collected from entrepreneurs and all data collection sequences for the survey personnel and data for analyses are summarized in Table I.

Entrepreneurs were surveyed as responding. The majority of studies used the alpha level of 0.05. Entrepreneurs were surveyed because they played key roles.

A multiple-item method was used to construct the questionnaires. Each item was based on a five point Likert scale, from "very low" to "very high." Likert scales as generally used tend to underestimate the extreme positions. Respondents are reluctant to express an extreme position even if they have it. They tend to please the interviewer, appear helpful, or respond in a way they perceive to be socially acceptable.

Research constructs were operationally on the basis of related studies. Most of the research constructs have already been validated and used for other studies on entrepreneurs. Therefore, the items of the questionnaire have been validated. The other testes of study are Cronbach α for reliability, T-value test, structural equation modelling (SEM), and focuses on important indexes of Lisrel software similar to Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI) as appropriate indexes in statistical analyses.

4 Data Analyze

4.1 Descriptive Data

Table I - Descriptive Data from Sample of Population

Age (Year)	Range	[20-30)	[30-40)	[40-50)	50≥			-	Total	
	Number	158	40	4	2			-	214	
	Percent	77	20	2	1			-	100%	
Level of graduate	Range	Under Diploma	Diploma	Associate	Bachelor	MS & PhD			Total	
	Number	40	94	32	40	8			214	
	Percent	19	43	15	19	6			100%	
Sex		Male			Female					Total
	Number	94			120					214
	Percent	44			56					100%
Background (Year)	Range	[1-5)	[5-10)	[10-15)	[15-20)	[20-25)	25≥			Total
	Number	126	64	12	4	6	2			214
	Percent	58	30	6	2	3	1			100%

According to descriptive data 77% entrepreneurs (respondents) have from 20 to 30 years old and 56% are women.

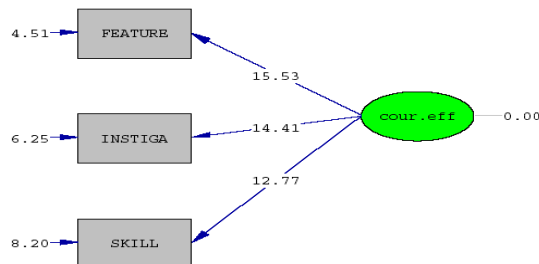
4.2 Results of testes

The statistics for reliability tests are shown in table 2 as follows:

Table II - reliability tests of Measures (by Cronbach α)

Measure	Number of Items	Reliability (Cronbach α)
Factors affecting on effectiveness		0.95

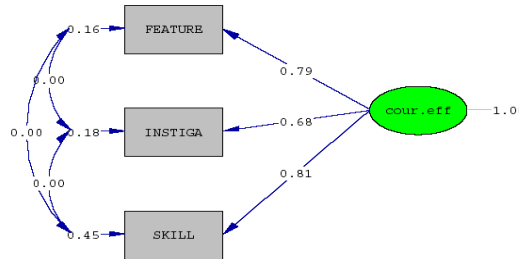
For other testes, Lisrel8.50 software is used. The advantage of this software is measuring the direct and indirect effects on depend variable. Therefore, this software is better than other statistical software's that only compute the direct effects on the dependent variable. In the following figure output of tests are presented:



Chi-Square=15.01, df=4, P-value=0.32011, RMSEA=0.012

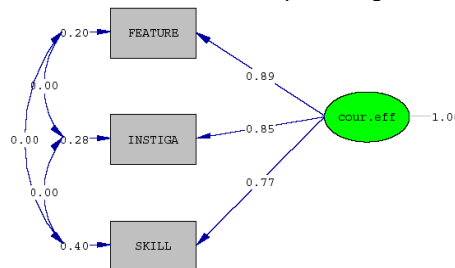
Figure I- T-Value test

The T-Value showed there is direct relation between 3 effective factors and effectiveness of didactic terms. The goodness of fit index (GFI) was 0.98(GFI=0.98>0.90), then the validity of models has confirmed. The Root Mean Square Error of Approximation (RMSEA) =0.012<0.05, then the model have the best-fitting with data of real world.



Chi-Square=15.01, df=4, P-value=0.32011, RMSEA=0.012

Figure II - Standard estimates test of path diagram



Chi-Square=15.01, df=4, P-value=0.32011, RMSEA=0.012

Figure III – None standard estimates test of path diagram

4.3 Structural Equation

The effective factors on effectiveness of didactic terms shown in below table:

Table III

Heading in equation	Heading in diagram	Independent variable
X1	Feature	motives instigation
X2	Instiga	Characteristics training
X3	Skill	skills training

Considering the indirect effects of 3 factors on effectiveness of entrepreneurship didactic terms and compute of that is the highlight innovation of this study. That is, effectiveness as a dependent variable has characteristics of latent variable. Therefore, structural equation of effectiveness is equal to direct and indirect effects of 3 factors (effectiveness = direct effects + indirect effects). The equation of direct and indirect effects will be shown as follows:

Effectiveness = direct effects + indirect effects

The structural equation model, according to estimate coefficients with regard to direct relation of diagram is:

$$ET = (0.79 x_1 + 0.68 x_2 + 0.81 x_3).$$

The structural equation model, according to standard coefficients with regard to direct relation of diagram is:

$$ET = (0.89 x_1 + 0.85 x_2 + 0.77 x_3).$$

5 Conclusion

Developing new learning experiments and experimenting with different methods is at the core of entrepreneurship education. The purpose of this research was determining and specifying structural equation model of effective factors on didactic terms effectiveness in entrepreneurship. This study fills a gap in entrepreneurship education research by analyzing a sample of education institutions in Iran through information about entrepreneurship didactic terms. The results of the study indicate that variable of motives instigation affected on Effectiveness of Entrepreneurship Didactic Terms more than others, based on direct relationship coefficients of Structural Equation Model.

The development of new innovative course designs and pedagogical methods in entrepreneurship education has been blooming. However, there has been a lack of development in the field of innovative assessment practices as well as course and term evaluation practices that are contextualised in the course content and design. The courses are always run in a context of a certain culture and environment. The national, regional or even school-specific culture may have an impact on the effectiveness of entrepreneurship education and the participants' motivation to study entrepreneurship. It has also been advocated that we need to know more about what entrepreneurship or enterprise education actually "is" when implemented in practice and that we need to view entrepreneurship education systematically by identifying contextual factors, inputs into the system, educational processes.

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Using Social Capital for the Development of Micro Entrepreneurship

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Objectives: Entrepreneurship development amongst the underprivileged women is a long process which starts with their capacity building and developing their aspiration levels. The main difference between government sponsored entrepreneurship development programmes and microfinance programmes is that unlike the former, microfinance programmes create social capital which is helpful in awareness building and capacity building. The objective of this paper is to establish the relationship between 'social capital' created through microfinance programmes and the development of micro entrepreneurship among the underprivileged women in India.

Prior Practices: Government programmes generally promote entrepreneurship by providing subsidized capital with minimal business training, which is not found to be effective. Microfinance programmes by building social capital are more effective in promoting entrepreneurship than the programmes concentrating mainly on provision of credit.

Approach/Methods: The study uses the primary data analysis of nearly 700 microfinance clients to find the actual impact of social capital on the development of their entrepreneurial abilities.

Results/Insights: The paper concludes that microfinance programmes though successful in creating social capital and building aspiration awareness level and confidence level of their clients need to move ahead to provide other non financial support to their clients.

Implications to Community/Industry: The paper suggests that it is possible to find synergies in microfinance programmes and the government sponsored entrepreneurship development programmes and to use social capital more effectively for promoting entrepreneurship.

Value to the Theme: The paper brings out the importance of building social capital to encourage entrepreneurship among underprivileged women.

Keywords: micro entrepreneurship, micro finance, social capital, capacity building

Introductions:

Promotion of micro entrepreneurship among underprivileged women is considered as a very powerful tool to combat poverty and empower them economically. Entrepreneurship development amongst the underprivileged women is a long process which usually goes through various stages such as targeting and tapping potential entrepreneurs, developing their confidence, capacities and aspiration levels to take up entrepreneurial challenges, providing access to financial as well as non financial resources such as credit, business skills, marketing, brand building, etc and finally linking the micro enterprises to market for growth and expansion. Before emergence of microfinance the main emphasis of government policies was on provision of subsidized capital with minimal business training. Most of the efforts were found to be ineffective as either the funds were mis-utilised or the programmes were not supported by other non financial services like business training, networking, confidence building, awareness building, etc. The main difference between government sponsored entrepreneurship development programmes and microfinance programmes is that unlike the former, microfinance programmes create social capital which is helpful in awareness building and capacity building. This study is based on the premises that these non financial services play a very crucial role in development of entrepreneurial abilities among the underprivileged women. Microfinance programmes which focus on providing these non financial services through building social capital along with access to finance can have a desirable effect in promoting entrepreneurship among the underprivileged women.

Objectives of the Study:

The main objective of this paper is to establish the relationship between 'social capital' created through microfinance programmes and the development of entrepreneurial abilities among the underprivileged women in India.

Microfinance and Development of Micro-entrepreneurship:

Entrepreneurship development amongst underprivileged women requires development of different skills. The various types of entrepreneurial skills can be categorised in following manner:

- a. Personal entrepreneurial skills: which include self awareness, confidence building, responsibility taking, emotional stress coping and creative thinking;
- b. Entrepreneurial skills: which include identifying opportunities, scanning business opportunities, convincing abilities, marshalling resources etc.;
- c. Technical abilities: which include understanding of domain knowledge, operational skills, managing the operations such as buying and selling, procuring, manufacturing etc.; and
- d. Managerial abilities: which include planning, organizing, supervising, managing finances, legalities and administration etc.

One of the major hurdles in developing these skill sets in women belonging to weaker section of society is lack of motivation, aspirations and self confidence to improve one's conditions. As most of the microfinance clients come from the class where they are continuously denied equal opportunities and access to basic resources and at the same time they are discouraged to think and take decisions independently due to socio-economic as well as cultural constraints, the

development of self confidence and self reliance is a major milestone in the path of entrepreneurial development. Social capital created through network and team building in microfinance programmes can play a vital role in building these skill sets for women. Firstly, team building and networking facilitated by collective action helps in removing the inhibitions relating to exploring new ideas, coming forward and seeking information which mainly come from low self esteem and low awareness level. Secondly, it brings together people with entrepreneurship skills at various stages of development and allows free communication and exchange of ideas which helps learning and seeking reinforcement from each other.

The relationship between microfinance, creation of social capital and development of entrepreneurial abilities needs to be analysed critically. Main focus of most of the microfinance programmes is on empowerment of women belonging to underprivileged society. The central concept of the empowerment of women is to address the issues related to their subordination, inequality and inequity. It focuses on the shift from the position of powerlessness towards strategic and active participation in social, economic and political spheres. Rowlands (1997) stated that it is a process whereby women become able to organize themselves to increase their own self reliance, to assert their independent rights to make choices and to control resources which will assist in challenging and eliminating their own subordination. Mayoux (2001) explained that micro finance programme is assumed to bring out virtuous spirals by assisting poor women in giving access to credit. It is assumed that women's access to credit and savings will help them to start small economic activities, enhance family incomes and take a bigger role in decision making which further will help them to optimize their own and family level welfare. Along with this group formation leads to wider social and political movements and helps women to improve their status at home as well as in community. The underlying assumption is that group based micro finance provides significant benefits to women not only in terms of reducing poverty level but also brings out empowerment through a series of interlinked and mutually reinforcing virtuous spirals.

The relationship between microfinance and social capital is vital for promotion of micro entrepreneurship. The broad meaning of social capital is facilitating collective action for mutual benefit. Social capital resides in relation between individuals and its impact can be seen on individual level as well as on community or group level. It refers to quality of human relationship existing within some well defined social groups which has impact on achieving mutual benefits. Coleman (1988) defines social capital as an asset embedded in relationships that facilitates instrumental action among people and the sharing of knowledge and resources from one person to another. Putnam (1993) describes social capital as those features of social organization such as trust, norms and networks that can improve efficiency of society by facilitating coordinated action. World Bank also defines social capital as the norms and network that enables collective action and shapes quality and quantity of society's social interactions. It considers social capital as one of the vital resource to bring out the desirable outcomes for any development programme. Bourdieu (1985) elaborates different forms of social capital such as bonding social capital which connects individual to groups and networks, bridging social capital which ties relationships between different socio- economic and ethnic class and linking social capital which ties poor people with the other members of positions such as organization, development officers, etc. Social capital in any society can be seen in different dimensions such as groups and networks existing in the society which promote and protect relationships and improve welfare, trust and solidarity which foster greater cohesion and willingness to take initiative in social context based on the assumption that others will respond as expected, collective action and cooperation which foster the abilities of people to work together towards resolving community/ social issues, social cohesion and inclusion which mitigates the risk of

conflict and promotes equitable access to benefits of development by enhancing participation of the marginalized and lastly information and communication which provide improved access to information via network.

More than any other development programme the link between microfinance and social capital is stronger and clear. Social capital cultivated through peer group development replaces conventional collateral requirements and improves credit worthiness of millions of clients especially women. Along with that it also contributes other benefits such as greater sense of community, trust, reliance on each other in times of crisis, sharing of information, skill up-gradation, better decision making and bargaining power within family and in community and creation of support system (CIDA:1999). Microfinance programme by nature and by objectives depends on creating virtuous spiral the base of which is creation and utilization of social capital (Mayoux: 2001). Access to savings and credit contributes to economic empowerment of women through productive use of credit. It leads to better control over resources by women and better wellbeing of themselves as well as their families. It further enables them to renegotiate and bring out changes in gender relations in their families as well as in local or community level which leads to social and political empowerment. At all these levels social capital in terms of networking, higher access to information and skill up-gradation and collective action to tackle gender and social issues enhances their abilities to bring out desirable change.

Ismawan (2002) explained the relationship between economic intermediation through micro finance programme on existing social capital. He stated that microfinance helps building social capital to enhance degree of information sharing, democratic participation, collective decision making and sustainable development. Ronchi (2004) stated that social capital and micro finance reinforce each other. Any sustainable development requires combination of natural capital, physical capital and human capital. Micro finance programmes make use of existing social capital in the society and link that to physical capital to foster economic growth. The higher the social capital, higher the cost of defecting and missing of mutual benefits which enhances repayment performance. Similarly higher the social capital, higher the trust builds amongst members and higher will be the impact of microfinance programmes on other aspects besides access to credit. Ronchi studied the role of social capital in implementation of microfinance programmes in Ecuador and concluded that it has helped in bringing wider political participation, stronger interventions in decision making process and more bargaining position for poor women. Oksan (2008) throws light on how microfinance programme can contribute to the political awareness and social activism of its clients through the process of development of self efficacy and social capital.

Number of studies focused on role of social capital in encouraging and sustaining micro entrepreneurship. Morris, Woodworth and Hiatt (2006) made a comparative analysis of financial performance of individual lending and cooperative micro lending to self employed entrepreneurs in Bulgaria and Philippines. They concluded that cooperative micro lending leads to higher survival rates and better performance of self employed entrepreneurs due to higher level of social capital created by organizations. The social capital created through social ties and network help self employed women entrepreneurs in having flexibility in interest payment and repayment schedule, training and skill up gradation, networking with suppliers and customers as well as sharing responsibilities such as child care, etc. Woodworth (2008) has shown a strong connectivity in success of micro entrepreneurship and development of social capital. In fact he gives more importance to access to social capital than to financial capital as it is this intangible asset which helps micro entrepreneurs in various ways such as leveraging relationships in building customers and suppliers, expanding businesses, reducing stress in times of economic

crisis and building commitments towards your enterprises. Gomez and Santor (2001) study the effect of social capital on the performance of small entrepreneurs in terms of net earnings by making comparison between performances of entrepreneurs taking loan from group based lending activity by micro finance institution and individual lending programmes. The positive relationship between social capital and better economic performance of the entrepreneurs comes through better 'instrumental support' such as provision of start-up capital, non-interest bearing loans, cheap or free labour, etc; 'productive information' such as transfer of business knowledge, valuable referrals, etc, and 'psychological aid' in handling personal problems and helping in times of emotional stress. The authors concluded that social capital contributes to better economic performance and individual entrepreneurs with no or little financial collateral may benefit more from increased level of social capital. Barboza and Barreto (2006) differentiated between peer learning by association or mentoring and peer monitoring and state that it is mainly peer learning by association between low and high performers between same groups and across the groups which helps efficient use of financial resources helpful for better repayment performance. Singh (1999) tried to bring out relationship between social capital through community network and empowerment. The social capital or self empowering collaborative means which he calls as 'economy of affection' is found to have a significant impact on empowerment where other resources such as capital investment, technology, and infrastructure are scarce. Through his empirical study of destitute women in KwaZulu- Natal the author concluded that women collaborate with each other in number of ways such as learning and teaching new skills for survival, marketing and networking which have an empowering effect.

The link between microfinance programmes and promotion of micro entrepreneurship is clear and examined by many researchers. Ghate, Ballon and Manalo (1996) make a case for development of micro entrepreneurship through micro finance by stating that many livelihood enterprises which are usually source of second income have potential to grow via access to credit. The study conducted by ADB in 1997 concludes that the role of micro enterprises in the household economy in terms of reducing poverty, empowering women, generating employment is significant. The study also highlights the importance of nonfinancial services in efforts to help develop microenterprises and provides a framework for donors for the further development of policy and operations to support microenterprise development. The impact assessment study of development of micro entrepreneurship through microfinance in Tanzania (Raftus: 1998) found that the micro entrepreneurs used loans received from the programmes for buying new items, increasing inventory stock and improving quality of the product or service. Barnes and Keogh (1999) make a comparative study between repeat micro entrepreneurs client, new clients and non client micro entrepreneurs in Zimbabwe. Their study concludes that repeat clients of micro finance programmes are better off economically and have used their loan fund for the growth of the enterprises. The overall results of the study establish that participation in microenterprise programs has led to improvements in the economic welfare of households, enterprise growth and stability, increases in empowerment of women and strengthened social networks. The empirical study in Camaroon (Mayoux: 2001) shows that credit made available from microfinance programmes undoubtedly helped women to set up micro enterprises. It was also seen that the social capital in the form of kinship, and network helped most of the economic activities in business development and survival in times of crisis. Dumas (2001) studied the impact of an entrepreneurship training and education program designed to prepare low-income women to start their own businesses. Results showed that the training empowered participants to achieve economic self-sufficiency; helped them start to build strong business and life management skills; may have an influence on the growth of locally controlled businesses and has helped create new job in the inner-city neighbourhoods. In an another impact assessment

study of the PULSE programme targeted at economically active poor to promote micro enterprises in Zambia (Copestake, Bhalotra and Johnson: 2001) it was found that the borrowers who graduated from 1st loan to 2nd loan experienced significant growth in their profits mainly due to diversification of business. Business training, marital status, loan availability for increasing stocks had a positive impact on business performance, whereas rigid group enforcement of fixed loan repayment schedules without regard to fluctuating demand and income acted as hindrance for better growth. Afrane (2002) conducted an impact assessment study of two microfinance projects for small and micro enterprises in Ghana and South Africa. The author concluded that microfinance interventions have achieved a significant improvement in terms of increased incomes and better access to facilities and has an empowering effect particularly on women. Coyle (2003) emphasised on the importance of micro entrepreneurship in creation of jobs and income, equitable distribution of income, building strong backward and forward linkages with other sectors and reduction of income linkages from communities. She stated that microfinance plays a vital role in reaching micro entrepreneurs and it needs to take challenges in identifying local leaderships, developing leadership, developing suitable products by bringing out continuous innovations. The findings of EDA Rural System (2005) show that the programme has enabled households from all income brackets to invest in productive assets and diversify their livelihoods. The comparative analysis between clients and non clients show significant difference in income generation, acquisition of assets and diversification of sources. Bates (2005) explored the role of government sponsored micro finance programme in development of micro enterprises in New York. He concluded that the programme has helped in creating new job opportunities to low to moderate income persons. Tripathi (2005) makes a comparative analysis of empowerment level of three categories of microfinance clients such as micro entrepreneurs, non-entrepreneurs and housewives. He concludes that the level of empowerment in terms of reduction in gender inequity, higher level of decision making and asset ownership, equity in food consumption pattern is higher in case of micro entrepreneurs than other categories. However in case of work load burden, micro entrepreneurs have to share a higher load. In an another comparative study of micro enterprise development of two different programmes in south Africa Hietalahti and Linden (2006) found that the overall effect of micro enterprise development in building confidence, increasing willingness to participate in community activities is found out to be positive.

In short it can be stated that microfinance programmes help in creating entrepreneurial environment amongst women belonging to weaker section of society by the process of firstly by creating social capital to bring them on a common platform to exchange ideas and learn from each other, secondly, developing their personal entrepreneurial skills by motivating them to embark the path of self reliance and self development, and thirdly by allowing them to recognize opportunities and developing their capacity building required to set up micro business. The advantage of promoting entrepreneurship development programme through microfinance programme is that the focus of entrepreneurship development gets shifted from implementation of programme and fulfilling the targets to development of individual entrepreneurial skills.

It can be concluded from the literature review that entrepreneurial development process goes through different stages. These stages are described below:

1st stage: Development of social capital to provide a platform for sharing and learning and bringing out collective action.

2nd stage: Development of personal entrepreneurial skills such as development of self motivation, self-confidence, self-esteem, decision making abilities, etc.

3rd stage: Development of capacity building of the clients: Imparting knowledge related to creative thinking, scanning business opportunities, making business plans, business training, building awareness about government schemes and programmes helping to encourage entrepreneurship, using networking to promote micro business, etc.

Research Methodology:

The study focuses on building theoretical linkages between developments of entrepreneurial abilities through microfinance programmes with the provision of financial services as well as social capital. It further uses the primary data analysis of 698 microfinance clients from four different implementing organizations in Maharashtra, India. The study aims to find out level of development of entrepreneurial abilities at three different stages described earlier such as development of social capital, development of personal entrepreneurial skills and development of capacity building to set up the micro business. The list of specific research questions attempted to solve is given below:

Research problem 1: Have microfinance programmes become successful in creation of social capital to be used for mutual benefit by its clients?

Research problem 2: Have microfinance programmes become successful in developing personal entrepreneurial skills of its clients?

Research problem 3: Have microfinance programmes become successful in capacity building of its clients?

Research problem 4: Have development of personal entrepreneurial skills and capacity building programmes implemented by microfinance organizations resulted in encouraging the clients to set up small and micro business?

Data Analysis:

The socio-economic profile of the surveyed microfinance clients is given in Table 1.

Table 1: Socio-economic profile of the surveyed microfinance clients:

Sr. No.	Particulars	
1	Average age (years) (S.D)	38.24 (9.01)
2	Average family size (no) (S. D.)	4.83 (1.65)
3	Average earning members (no) (S. D.)	1.80 (0.86)
4	Average family income (Rs.) (S. D.)	7157.02 (4960.27)
5	Average period of association (years) (S. D.)	4.28 (3.03)

6	Number of Illiterate clients (%)	211 (30.2)
7	Number of clients educated up to primary level (%)	87 (12.5)
8	Number of clients educated up to matriculation (%)	324 (46.5)
9	Number of clients educated above matriculation (%)	76 (10.9)
10	Number of clients married (%)	603 (86.4)
11	Number of clients belonging to lower caste (%)	391 (56.0)
12	Number of clients who are homemakers (%)	321 (46.0)
13	Number of clients who are self employed/ micro entrepreneurs (%)	285 (40.8)
14	Number of clients who are domestic maids (%)	59 (8.4)
15	Number of clients who are in service (%)	33 (4.7)
16	Number of earners (%)	430 (61.6)
17	Number of clients not having access to formal financial institutes before joining the programme (%)	415 (59.5)

The socio-economic profile of the microfinance clients covered under the study reveal that most of the client belong to socially and economically weaker section of the society. The average family income per month is around Rs 7,200 and the level of illiteracy is as high as 30 percent. Nearly 56 percent of the clients belong to lower castes. Around 62 percent of the clients are earners and working in the capacity of running small business, domestic servants, etc. Nearly 60 percent did not have any access to formal financial institutions previously before joining microfinance programme.

Research problem 1: Have microfinance programmes become successful in creation of social capital to be used for mutual benefit by its clients?

Table 2: The details of the social capital created by microfinance programmes:

Sr. No.	Particulars	Number	Percent
1	Number of clients who were not members of any social group before joining the microfinance programme	652	93.4
2	Minimum one meeting held per month	495	70.9
3	Minimum two meeting held per month	203	29.1
4	Number of client elected as leaders in any position in the last three years	219	31.4

The data reveals that as high as 93 percent of the clients did not have any opportunity to join any social organization previously before joining the microfinance programme. Nearly 71 percent of clients get an opportunity to attend the meeting at least once in a month followed by 29 percent get an opportunity to attend at least two meetings per month. Nearly 31 percent of clients got an opportunity to work at the leadership position either in the capacity of chairperson, treasurer or secretary of the group. From these findings we can conclude that microfinance programmes have become successful in creating a social capital for its clients.

Research problem 2: Have microfinance programmes become successful in developing personal entrepreneurial skills of its clients?

H₀₁: The level of personal entrepreneurial skills of the microfinance clients does not change with higher period of association with the programme.

H₁₁: The level of personal entrepreneurial skills of the microfinance clients enhances with higher period of association with the programme

To find out the answer to this question, the surveyed microfinance clients were asked to give their opinions about the changes that came about after they joined the programme. The Likert scale was used to capture the perceptions of the clients ranging from 1 to 5, one depicting very bad impact and five depicting very good impact. Thus average score of 3 depicts no change than before and any change above three show better changes than before. Various parameters such as change in self confidence, self esteem, self awareness, leadership qualities, decision making abilities and risk taking abilities were covered to assess the impact of personal entrepreneurial skills and average of all the parameters was considered as an index of level of personal entrepreneurial skills. Table no 3 depicts the average level of personal entrepreneurial skills of three different groups of the clients categorised as per the period of association with the programme.

Table 3: The level of personal entrepreneurial skills of the microfinance clients as per the category of period of association

	N	Mean	S.D.	Minimum	Maximum
Up to 1 year	147	3.31	.276	3.00	4.21
2 to 4 years	266	3.88	.414	2.86	4.86
More than 4 years	285	4.04	.362	3.21	4.86
Total	698	3.83	.459	2.86	4.86

The data reveals that mean level of personal entrepreneurial skills has enhanced with the higher period of association with the programme. The ANOVA test showed that the difference between the means across the three categories of the clients is statistically significant ($P < .005$). Thus we reject the null hypotheses and accept the alternative hypotheses and conclude that the level of personal entrepreneurial skills of the microfinance clients enhances with higher period of association with the programme.

Research problem 3: Have microfinance programmes become successful in capacity building of its clients?

H₀₂: The level of capacity building of the microfinance clients does not change with higher period of association with the programme.

H₁₂: The level of capacity building of the microfinance clients enhances with higher period of association with the programme.

To find answer to this problem, the Likert scale was used ranging one to five (one depicting very bad impact and five depicting very good impact) to understand the perception of the clients regarding the level of change in their capacity building with regard to training and education, awareness about health, sanitation, education of children, as well as about having control over crucial resources such as savings, incomes and loans. The table 4 shows the average level of capacity building of three different groups of the clients categorised as per the period of association with the programme.

Table 4: The level of capacity building of the microfinance clients as per the category of period of association:

	N	Mean	S.D	Minimum	Maximum
Up to 1 year	147	3.25	.270	3.00	4.22
2 to 4 years	266	3.73	.435	3.00	4.89
More than 4 years	285	3.86	.404	3.00	5.00
Total	698	3.68	.455	3.00	5.00

It can be seen that the level of capacity building of the surveyed microfinance clients has increased from the mean of 3.25 to 3.86 with higher category of period of association. The ANOVA test showed that the difference between the means across the three categories of the clients is statistically significant ($P < .005$). Thus we reject the null hypotheses and accept the alternative hypotheses and conclude that the level of capacity building of the microfinance clients enhances with higher period of association with the programme.

Research problem 4: Have development of personal entrepreneurial skills and capacity building programmes implemented by microfinance organizations resulted in encouraging the clients to set up small and micro business?

H₀₃: There is no relationship between level of personal entrepreneurial skills and productive use of loans

H₁₃: Higher personal entrepreneurial skill will lead to higher use of loan for productive purposes

H₀₄: There is no relationship between higher capacity building and productive use of loan.

H₁₄: Higher capacity building will lead to higher use of loan for productive purposes.

To answer this problem the microfinance clients were classified into two groups such as those who have used loans for consumption purposes such as emergency loans, treating illness, education of children, etc and those who have used loans for productive purposes such as for setting up new business or for expansion of existing business.

Table no 5: The mean level of personal entrepreneurial skills of the surveyed microfinance clients as per the category of consumption loan users and production loan users

	N	Mean	S.D.	Minimum	Maximum
Consumption loans	541	3.79	.451	3.00	4.79
Production loans	157	3.96	.465	2.86	4.86
Total	698	3.83	.459	2.86	4.86

It is seen that the mean of the level of personal entrepreneurial skills of productive loan users is substantially higher than that of consumption loan users. The ANOVA test showed that the difference between the means across the three categories of the clients is statistically significant ($P < .005$). Thus we reject the null hypotheses and accept the alternative hypotheses and conclude that the higher level of personal entrepreneurial skill promotes higher use of loans for productive purposes.

Table 6: The mean level of capacity building of the surveyed microfinance clients as per the category of consumption loan users and production loan users:

	N	Mean	S.D.	Minimum	Maximum
Consumption loans	541	3.66	.466	3.00	4.89
Production loans	157	3.76	.409	3.00	5.00
Total	698	3.68	.455	3.00	5.00

The data reveal that the mean level of capacity building of productive loan users is significantly higher than that of consumption loan users. The ANOVA test showed that the difference between the means across the three categories of the clients is statistically significant ($P < .005$). Thus we reject the null hypotheses and accept the alternative hypotheses and conclude that the level of higher level of capacity building of the clients will lead to higher use of loan for productive purposes.

Conclusions:

Following conclusions can be drawn from the data analysis:

- It can be concluded that most of the surveyed microfinance clients come from a socially and economically weaker section of the society and they did not avail any opportunity to associate themselves with any other organization previously before they joined the programme. Thus microfinance programmes have become successful in creation of social capital and providing a platform for these women to exchange ideas and learn from each other.
- It is also seen that the level of personal entrepreneurial skills in terms of improvement is self confidence, self esteem, decision making abilities etc of the surveyed microfinance clients has improved with the period of association with the programme. Thus it can be concluded that the level of capacity building of the microfinance clients enhances with higher period of association with the programme.

- It is found that the mean level of personal entrepreneurial skills of productive loan user's category of microfinance clients is significantly higher than that of consumption loan users. Thus it is concluded that Higher personal entrepreneurial skill will lead to higher use of loan for productive purposes
- It is seen that mean level of capacity building of productive loan user's category of microfinance clients is significantly higher than that of consumption loan users. Thus it is concluded that higher level of capacity building will lead to higher use of loan for productive purposes.

Suggestions and Recommendations:

- It is seen that microfinance programmes covered in the study have become successful in creating social capital, building personal entrepreneurial skills as well as enhancing the capacity building of their clients. At the same time it is required that the programmes now need to move further ahead in encouraging their clients to actually set up the business by providing access to acquire specific business related skills, access to marketing, networking, etc.
- It is also observed that there is a difference between the approaches taken by government sponsored entrepreneurship development programmes and microfinance implementing organizations. While the objectives of government programmes are to implement the programme and to full fill the targets, the objective of the later is to develop the entrepreneurial abilities of the clients. Linking these two will help government sponsored programme to tap right kind of potential entrepreneurs with their rising aspirations to set up the business and help microfinance organizations in enhancing the effectiveness of their programmes. . It is possible to find synergies in microfinance programmes and the government sponsored entrepreneurship development programmes.
- It is suggested that microfinance organizations can bring out changes in their policies and programmes to use social capital in more effective way to promote entrepreneurship among their clients. For instance collaborating with other organizations for providing business training, monitoring the use of loan and encouraging more productive use of loan by various ways such as differential rate of interest, incentives, etc, encouraging buying economic assets with eh use of loan, mentoring and guiding new micro business, encouraging groups to start group enterprises, etc. are some of the few measures suggested to promote entrepreneurship amongst their clients.

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Talent Acquisition and Retention in Social Enterprises: Innovations in HR Strategies

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Abstract:

Over the years there has been a phenomenal growth in the number of social enterprises in India. This is partly a consequence of a new policy of the government to gradually withdraw from social development activities. The gap thus created is being filled by social enterprises. A social enterprise can be a 'for-profit' or 'not-for-profit' venture engaged in income-generating activities with an agenda of bringing about a positive change in the society. While social enterprises are engaged in the development of people, it is rather paradoxical that they experience a variety of problems with respect to the management of human resources within their enterprises. It is common knowledge that social enterprises perennially struggle with various critical human resource issues such as getting employees at low rates of compensation, providing growth opportunities for employees within the organization, retaining talent especially in the middle management, providing clearly defined roles and tasks to employees, etc, leading to high attrition and increasing the cost of acquiring and training new employees. It becomes critical for social enterprises to think out-of-the-box and try a variety of innovative strategies to overcome these problems. This paper discusses a few such innovative HR strategies adopted by social enterprises to attract and retain talent, such as offering jobs to people with vision and value congruence, enhancing the credibility of the organisation through brand building, providing opportunities for personal growth, creating a sense of ownership among employees through participation in decision making, creating sense of ownership among employees by giving equity shares, creating entrepreneurial opportunities within the organisation, finding employees from among beneficiaries, attracting employees to serene lifestyle in peaceful and scenic location and providing attractive fringe benefits to employees. Collectively these strategies seem to suggest that social enterprises adopt a 'partnership paradigm' for managing their employees.

Keywords:

Social Enterprise, Social Entrepreneurship, HRM, Talent Acquisition, Talent Retention

Introduction

Social development in developing countries has traditionally been viewed as the responsibility of the governments because of the massive scale of its operations and the limited or no capacity of its beneficiaries to pay for the services. While the need for social development in developing countries is enormous, the resources available even with the governments are limited. Besides, the government machinery and the bureaucracy are ill-equipped to monitor the implementation of social development projects at the grass-root level. Hence, over the years, governments in the developing countries adopted a policy of gradual withdrawal from various social development activities. This has created multiple voids in the social realm which have been filled by nongovernmental agencies commonly known as nonprofits. The nonprofits play an increasingly important role in providing services, for which the public and the private sector lack time, information, resources and inclination. They advocate for a variety of social, political, environmental, ethnic, and community interests and concerns, contribute to the social and cultural life of the society, and actively participate in community building (Salamon, Sokolowski & List, 2003). They combine economic and market forces with social goals (Vigoda & Cohen, 2003) and their employees are expected to fulfil business requirements as well as strictly adhere to ethics, accountability, and equity in services. The nonprofit organizations, in the course of their service, face several challenges in terms of reductions in government funding, decline in charitable contributions, competition from for-profit providers of certain services, and demands for increasingly higher levels of accountability.

In recent times, however, an increasing number of non-profits have been seeking additional revenues by behaving more like for-profit organizations. According to Dees (1998), the nonprofits are scrambling to find commercial opportunities for a number of reasons. First, a new pro-business zeitgeist has made for-profit initiatives more acceptable. With the apparent triumph of capitalism worldwide, market forces are being widely celebrated. There is a growing confidence in the power of competition and the profit motive to promote efficiency and innovation in development organizations. Second, many social enterprises believe that institutional charity can undermine beneficiaries' self esteem and create a sense of helplessness and dependence; self-reliance is the new mantra. Third, the sources of funds available to nonprofits are tending to favour more commercial approaches. There is greater availability of money for operating on a more commercial basis. Lastly, and most importantly, social enterprises view income-generating activities as a more reliable funding source than donations and grants. Many of them now consider extensive dependency on donors as a sign of weakness and vulnerability.

Social enterprises generally are heavily dependent on individual and/or institutional donors for funding specific projects or initiatives. It is but natural for donors to closely monitor the usage of funds donated by them. In order to regulate and control the spending of social enterprises, the funding agencies put various restrictions on the usage of funds. One such restriction is spending on human resources within the organization in the form of salaries, benefits, incentives, training and the like. This situation is paradoxical, as these organizations experience a variety of human resource issues within their own organizations while taking up the ultimate goal of augmenting the human development in the larger society.

All social enterprises - irrespective of their size, type, sector or profit-orientation - experience human resource management issues of one type or another. As talent is rare, valuable, difficult and hard to substitute, organizations that attract, select and retain better talent outperform those that do not (Barney and Wright, 1998). Social enterprises, like other organizations, compete with each other to attract better talent, which is further intensified by the fact that the talent pool

available to social enterprises is often limited, since the sector is not perceived to be glamorous and remunerative as the corporate sector. The high turnover of qualified employees in social enterprises has increasingly negative impact on recruitment, training, and service effectiveness. Filling a position in a social enterprise poses a significant challenge, given the lack of competitive incentive systems in the sector. Vacant positions may eventually be filled, but with reduced chances of obtaining qualified candidates, additional costs for employee training and development, and higher chances of service disruption.

The 21st century has witnessed an explosive pace of technological advancement, facilitating global sourcing and the consequent global operations, which are the main drivers of change in employment patterns, leading to intense competition among employers to attract and retain talented workers (Osborn-Jones, 2001). Without doubt it can be said that today an organization's success is directly linked to the talent it can recruit and retain. Recruitment is critical not only for sustaining competitive advantage but also for basic organizational survival (Taylor and Collins, 2000). Escalating demand for highly talented and skilled employees coupled with limited supply makes the acquisition and retention of talented employees a major priority for organizations (Flegley, 2006) especially for social enterprises. The nature of social enterprises and their socially desirable goals create an expectation that the employees work for the cause rather than for the pay check. Further-more, social enterprises especially the nonprofits are unable to compete with for-profit organizations in providing good pay and incentives to employees (Brandel, 2001). Hence it is almost impossible for them to survive without innovations in the field of human resource management, especially for acquiring and retaining talent.

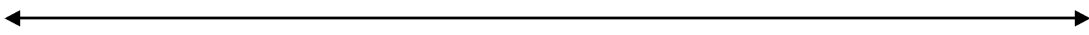
This paper attempts to understand the various types of social enterprises and their nature of work, with a view to appreciating the human resources issues faced by them. The paper examines the different strategies and practices adopted by social enterprises to innovatively deal with the many and varied human resource related issues faced by them, especially those relating to talent acquisition and retention within the organization.

Social Enterprises: Nature and Types

The term 'social enterprise' evokes various kinds of images and impressions among researchers and practitioners. According to Alter (2000), social enterprises are driven towards innovation primarily by two forces: first, the nature of the desired social change often benefits from innovative, entrepreneurial or enterprise-based solutions; second, the sustainability of the organization and its services is dependent on innovations in identifying various streams of income generating activities so as to diversify its funding sources.

Social enterprises are hybrid organizations that have mixed characteristics of philanthropic and commercial organizations in several aspects, such as motives, methods, goals and key stakeholders (Dees, 1998). Building upon this perspective, Dees proposed an organizational spectrum (Exhibit-1), where pure forms of nonprofit and for-profit organizations are placed at opposite ends of a continuum, and the social enterprise, having characteristics of both, is placed somewhere in between.

Exhibit-2: The hybrid spectrum: the non-profit/for-profit continuum:



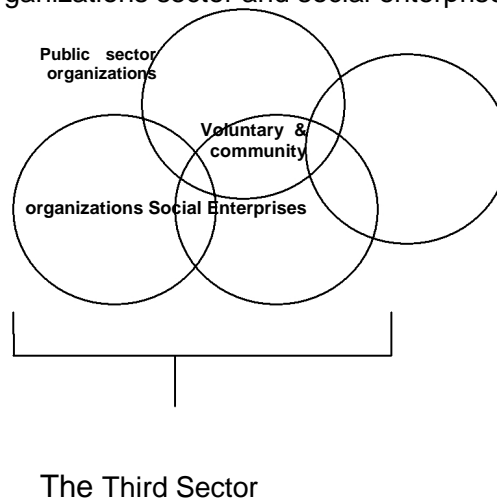
Traditional nonprofit organizations	Nonprofit with income-generating activities	Social enterprise	Socially responsible business	Corporation practicing social responsibility	Traditional for-Profit organizations
<ul style="list-style-type: none"> • Mission motive • Stakeholder accountability • Income reinvested in social programs or for meeting operational costs 			<ul style="list-style-type: none"> • Profit-making motive • Shareholder accountability • Profits distributed to shareholders 		

Source: Adapted from Alter (2006)

On the right hand side of the spectrum are for-profit entities that may also create social value but whose main motives are profit-making and distribution of profits to shareholders. On the left hand side of the spectrum are nonprofits that may or may not undertake commercial activities to generate economic value which is used to fund social programs, because their main motive is to serve the economically weaker sections of the society and/or to bring about a culture-change in the society rather than to generate profit for the stakeholders. Once again, it should be pointed out that social enterprises would combine the features of both.

Since it is easy to understand the nature of organizations by specifying the sector they belong to, Westall and Chalkey (2007) made an attempt to specify the sectoral affiliation of voluntary organizations and social enterprises. As these organizations do not fully belong either to the public or private sector but combine features of both, they preferred to call it the 'third sector' (see Exhibit-3), even though this is not a fully homogeneous sector. It is possible to identify at least two major subtypes of organizations within this sector, namely (i) voluntary and community organizations, and (ii) social enterprises.

Exhibit-3: Voluntary/community organizations sector and social enterprises in the Third sector



Source: Adapted from Westall & Chalkey 2007

Westall and Chalkey (2007:32) maintain that 'it is not always easy to differentiate voluntary organizations from social enterprises. With this attempt to de-emphasize the differences between voluntary organizations and social enterprises, they seem to suggest that there is a rather homogenous 'Third Sector', which is debatable for reasons we have mentioned above. While 'Third Sector' organizations may be similar in terms of their larger purpose, they do have substantive differences in terms of their stake-holder objectives as well as the nature of their activities. It appears that there is a widely held misconception that the primary distinction between a volunteer/community organization and a social enterprise is that the latter are entrepreneurial and the former are not. As Bornstein, 2004 has pointed out, most of the volunteer/community organization are entrepreneurial and innovative in developing new and more effective ways of achieving their social objectives, and sites the case of Childline International as example. The critical difference therefore is whether the innovativeness is used for designing and implementing income generating activities as a source of funds for achieving their social objectives (Nicholls, 2006). For social enterprises, the major part of their funds comes from such income-generating activities, whereas for volunteer/community organizations, the major source of funds is donations from individuals or organizations. Among the social enterprises which have income generating activities, there are two types based on their profit-orientation-the not-for-profit and for-profit social enterprises. This difference is illustrated with some examples in (see Exhibit-4).

Exhibit-4: Differentiating voluntary/community organizations from social enterprises based on their funding sources: some examples

Name of organisation	Social objectives	Type (non-profit or SE)	Funding/Income source
Greenpeace	Developing environmental awareness and promoting environmental activism	Nonprofit-activist organization	Donations from individuals
Actionaid	Poverty alleviation	Nonprofit organization	Individuals, corporations and governments
SEWA (Self-Employed Women's Association)	Creating employment and livelihood opportunities for unorganized woman laborers	Social Enterprise	Donations and income from commercial activities
Aravind Eye Hospital	Providing eye-care to the poor and the aged	Social Enterprise	Full-paying customers, who subsidize the services for two thirds of the total patients
FAB India	Helping artisans with the marketing of their handicraft products	Social Enterprise	Income from commercial activities

Human Resource Issues of Social Enterprise

Human Resource Management (HRM) is of utmost importance to social enterprises mainly for three reasons. First, the personal services provided by social enterprises mean that these organizations cannot replace employees with investment in physical facilities and equipment. In most cases, the service-providers employees are equated with the services and therefore are the single most important asset of nonprofits and social enterprises (Barbeito and Bowman, 1998; Hall et al., 2003). Second, more than in other organizations, employees of social enterprises are attracted and motivated by intrinsic factors such as a belief in the organization's mission and values and an opportunity to actualize their individual values, and participation in decision-making (Brandel, 2001; Brown and Yoshioka, 2002; McMullen and Schellenberg, 2003a). Obviously, these factors have an impact on the recruitment, retention and motivation of people in social enterprises (Brown and Yoshioka, 2002). Third, in view of the need for professional delivery of services and accountability requirements of the new funding environment, employees are arguably the most critical stakeholders in the strategic positing of social enterprises.

It could be argued that employees of social enterprises are more likely to experience job dissatisfaction if: (a) they perceive that their organization is not achieving the public good that attracted them; (b) the mission is de-emphasized or derailed by other considerations and (c) the espoused values are inconsistent with those practical in the organization. It has been observed in a study by Howe and McDonald (2001) that the increased accountability requirement has become a source of stress and job dissatisfaction among employees of a child welfare organisation. Similarly, Peters and Masaoka (2000) found that disgruntlement among employees, particularly relating to lack of participation in the decision-making process contributed to increased unionization in nonprofits organizations. HRM impacts and is impacted by the context within which it exists (Belcourt, and McBey, 2000). Social enterprises often get pulled in opposing directions: on the one hand, there is an urgency to do more of what they already do in achieving their social objectives: on the other hand, there is pressure to become more effective and efficient (Barbeito and Bowman, 1998). This has resulted in drastic changes in the operating environment of social enterprises over the past two decades (Hall and Banting, 2000; Reed and Howe, 1999; Smith and Lipsky, 1993). Because human resources are the primary assets of social enterprises (Barbeito and Bowman, 1998), the need to adapt to change and the pressure to do more are causing a lot of strain in the management of human resources in these organizations.

Ban, Drahnak-Faller and Towers (2003) maintain that recruitment, retention, and workforce diversity are some of the major problems being faced by HR managers in nonprofit organisation. In addition, they found that it is difficult for nonprofits to recruit in certain areas, such as information technology and business development, as the salaries prevalent among these professionals are too high for them to afford. The third sector organizations, with limited resources are trying hard to balance the expectations of top talent in the globally networked economy while pursuing their donors and persuading them to provide flexibility in spending on human resource so that they can retain them effectively and efficiently to bring about a change in the larger society. Though the donor-dependency is relatively low for social enterprises, they too are not in a position to offer high salaries and perks to their employees.

Brown, Carlton, and Munoz (2004) argue that compensation is an important factor that influences employee turnover in social enterprises. Even though employees are attracted by the mission of the social enterprises and are satisfied with their work, they do not find the compensation attractive enough for them to remain in the organization for long.

While it is often claimed by researchers that individuals who choose to work in the non-profit sector are differently motivated than those who work in the for-profit sector (Fredrickson & Hart, 1985; Houston, 2006; Brewer, 2003; Rainey 1983; Wittmer, 1991), it is not unreasonable for employees of the third sector to expect a decent compensation for their work career growth opportunities, though not on par with those in business and commercial enterprises.

The lack of investment in human resources leads to various critical problems for the third sector organizations, such as low motivation, high frustration, quick job shifts, etc among employees, which act against the growth and development of the organization. On the other hand, social enterprises spend large portions of their scarce resources on recruiting and training new employees from time to time. This is a paradox that makes observers wonder if the resources spent on recurring recruitment and training could be spent more beneficially towards compensating the employees adequately so that they would stay longer with the organization and ensure smooth and continuous operations, and thereby leading it to higher levels of effectiveness.

Talent Acquisition in Social Enterprises

It is widely recognized that for enhancing human resource plays a significant role for enhancing an organization's performance and effectiveness (Huselid, 1995). No wonder there are persistent efforts by organizations irrespective of their size, age, type sector, etc to attract the best talent available. Talent has become the key differentiator for performance management and for leveraging competitive advantage especially in knowledge-based organizations (Bhatnagar, 2004). With better talent acquisition and development, employee engagement improves and so does productivity. Maximizing team engagement, motivation, and retention through due diligence in talent acquisition is vital in today's highly competitive environment. Only a talent resourcing process that is well defined and well-executed from start to finish yields consistent and compliant results which will in turn yield a competitive advantage in the war for talent (Ronn, 2007).

For recruiting employees at the lower levels, especially for jobs requiring knowledge of local language and familiarity with local conditions, social enterprises often use employee referrals and local newspaper advertising - methods that are relatively inexpensive and have a local focus. Although referrals are highly effective, the tendency of people to recommend individuals like themselves or recommend them for non-professional reasons can potentially lead to the reduction in diversity as well as quality among the workforce (Ban et al., 2003). There could, however, be an advantage for the employee referral system that the employees, with their thorough knowledge of the organization, would be able to bring in the most appropriate candidates, especially in terms of ideological congruence with the organization. This is of particular relevance for social enterprises in view of the fact that research studies have consistently shown that a better match between the employee values and the organizational values predicts employee commitment and satisfaction on the job (O'Reilly, Chatman, and Caldwell, 1991).

As social enterprises have limited resources to spend on recruitment, most of them now-a-days use the Internet and campus recruitment mechanisms for recruiting large numbers, especially those with specialized knowledge and skills. For example, microfinance organizations such as BASIX and FINO (Financial Information Network Organization) regularly go through campus recruitment. For specialized skills and for sourcing from wider, areas social enterprises generally use the available web-based job portals to advertise about their organizations and post the job profiles of the vacant positions. Usually these organizations prefer dedicated development-sector job-portals such as devnetjobs.org, barefootjobs.com etc rather than general job portals such as naukri.com or monster.com. While it is difficult for social enterprises to mobilize job applications, it is even more difficult for them to process these applications due to limited or no HR specialists available with them. Such difficulties are aggravated by the indiscriminate applications by candidates who apply without looking at the profile and the nature of the job.

Over the years, the number of corporate executives looking for a career shift has drastically increased. Although this talent pool is a very good source of recruitment for social enterprises, the latter are finding it tough to tap this growing potential employee pool, because of their limited capability to meet the high expectations of this group. Notwithstanding this, there are some social venture-funds organizations such as Aavishkaar, based in Mumbai, who make use of this trend as an opportunity to attract the corporate talent at relatively low cost. For recruiting fresh graduates, however, a method that is becoming increasingly popular is the volunteer program (used by Acumen Funds for example), which is an apprenticeship scheme for those interested in the field. In a volunteer program, interested candidates get a taste as well as training of the

actual work. This reduces the cost of training and development of the employees and also helps them to assess the interest and suitability of candidates 'on the job' and recruit and retain them at a significantly low cost. The candidates would also benefit from the volunteer program, as it gives them an opportunity to assess themselves vis-à-vis their 'future' job and organization before committing themselves.

Talent Retention in Social Enterprises

Retention of non-leadership staff in social enterprises deserves special attention since the loss of such staff is costly in terms of new recruitment, training and development, interruptions service, and decreased employee morale (Halpern, 2006; Ban et al., 2003; Lynn, 2003). Researchers maintain that the most important goal of the contemporary human resource systems is not to recruit the finest professionals, but to create congruence between people and organizations so that they would stay and work with the organization (Lynn, 2003; Vigoda & Cohen, 2003). Watson and Abzug (2005, p.628) refer to it as the process of creating "fit and embeddedness". Value and goal congruence positively affect employee performance, job satisfaction, tenure, and career success. In the absence of such congruence, an employee cannot reach the expected level of performance, and tends to accuse the organization of being politically discriminative and inequitable. In order to avoid such a potentially destructive situation, there has to be a continuous assessment of the interface between the employees and their work environment, and the development of advanced HR strategies for recruitment and retention (Vigoda & Cohen, 2003). This is particularly relevant for the current situation when the retention rates for social enterprises especially the non-profit organizations continue to decline, with more workers turning to the for-profit corporate sector as an alternative (Light, 2000; Salamon, 2002).

Against this background, it is not surprising to see that social enterprises, many of which are also not-for-profit organizations, undertake HR innovations almost on a continuous basis, particularly in the area of employee retention. In the ensuing section of this paper, we provide a brief description of a few such innovative employee retention strategies used by social enterprises and illustrate them with case examples.

1. Offering Jobs to People with Vision and Value Congruence

There are many social enterprises which work on sensitive issues such as HIV, gay rights, child abuse, women's empowerment, disabilities, etc. Employees in these organizations are mostly either of unfair treatment relating to such issues or feel strongly about them. Hence they are naturally motivated to bring about a change in the society. These organizations to a certain extent, act like religious institutions where devotees have faith in the ideology and therefore do selfless service. They treat their jobs as an opportunity to actualize their ideologies and get them accepted by the society (see Exhibit-5).

Exhibit-5: Offering jobs to people with vision and value congruence: The case of *Mirakle Courier*

Mirakle Courier is a for-profit socially oriented courier company started in 2008 by Oxford alumni Dhruv Lakra with the tagline of 'Delivering possibilities'. The vision of the organization is to provide a platform to deaf people to utilize their potential effectively and thereby become economically independent. The company's mission is to provide gainful employment to deaf adults. The deaf gets trapped in the vicious circle of poverty since there is low awareness of their problems and limited education facilities for them, which seriously affect their employability. The organization aims at providing better service to its clients at competitive prices by enlisting the services of deaf people as employees. Naturally the deaf employees would also benefit immensely from this arrangement.

Mirakle courier has difficulties in finding suitable employees for managerial positions, who have patience and skills to manage deaf employees. These managers will have to work hard or design superior strategies for competing with other courier companies. Talented managers have high expectations of compensation and are always in demand from competitors.

The top management of Mirakle Courier service consists of committed individuals, who have the passion for the cause and are committed to bring about a change in the lives of deaf people all over the world. There is a sense of purpose attached to the work done by the employees of Mirakle Courier, and this is perhaps the biggest reason for the sense of satisfaction they derive from their work. The organization is able to retain competent employees because of high levels of job satisfaction flowing from a sense of accomplishing their mission and actualizing their ideology.

Source:

Mirakle Courier website: <http://www.miraklecourier.com> (September 2010)
<http://www.thebetterindia.com/1330/mirakle-couriers-career-haven-for-the-deaf/> (November 2010)
<http://blog.ennovent.com/2010/04/empowering-deaf-adults-mirakle-couriers/> (November 2010)

2. Enhancing the Credibility of the Organization through Brand-building

It is not difficult for large and reputed social enterprises to retain their employees since these organizations have a brand name. Employees feel a sense of pride and recognition by associating themselves with such organizations. These are mostly international social enterprises or large social enterprises, for whom the acquisition and retention of talent is apparently not a problem. However, organizations do not grow large overnight; nor are they started as large ones in the first place. Along with the growth in size, some organizations make deliberate attempts to enhance their brand image. While the image-building exercise is relatively easy for social enterprises because of the generally acceptable nature of their social objectives, it is the consistency and commitment with which they promote such social objectives that builds the image of the organization. This is adequately illustrated by the case of Aravind Eye Hospital (see Exhibit -6).

Exhibit-6: Enhancing the credibility of the organization through brand building: The case of Aravind Eye Hospital

Aravind Eye Hospital was founded in 1976 by Dr Govindappa Venkataswamy (affectionately known as Dr V). Almost 30 years later, Aravind's innovative eye care delivery system is renowned worldwide for its technical excellence, operational efficiency and pioneering community work. Aravind follows the ideal of providing, high quality service at very affordable prices to a large number of clients.

The hospital collectively performs over 250,000 surgeries every year. The organization gives utmost importance to ensuring that all patients are provided the same level of care and high quality service, regardless of their economic status. As a result of a unique fee system and effective management, Aravind is able to provide free eye care to two-thirds of its patients from the revenue generated from the other third - its paying patients. It is this unwavering commitment to serve the poor that has built Aravind's brand image even from its early difficult years.

Aravind Eye Hospital has a strong mission of eradicating needless blindness. The organisation puts strong emphasis on operational efficiency and effectiveness to make the services affordable to the poor people. During the initial days the organization attracted talented doctors by announcing that doctors will get much more exposure of doing surgery than they would get in any other hospital. Also they induced feel good-factors in the doctors and staff that they are serving the poor, especially the old people.

Over the years, the organization has built a strong credibility among the common people as well as international development organizations such as WHO, Bill & Melinda Gates Foundation, and so on. This has given them the strategic advantage of being a known and respected organization in the health sector. The organization has the policy of not giving any kind of advertisement for jobs. In spite of this, a large number of applications for all kinds of jobs keep coming to the organization from different parts of the world, which is obviously a testimony to the power of brand image created by Aravind.

Sources:

Aravind Eye Hospital: website <http://www.aravind.org> (September 2010); Tidd et al, 2010;

3. Providing Opportunities for Personal Growth

Unlike the large social organizations like Aravind Eye Hospital, the smaller ones are unable to attract talented employees because they are not widely known amongst people. To attract and retain talented employees some of the social enterprises create opportunities for their employees to participate in conferences and workshop within and outside the organization so that they could develop themselves for effective performance on the job as well for career growth. For employees interested in pursuing studies abroad, some organizations provide support in the form of information and references and facilitation of sponsorship. They also encourage the employees to write papers and case studies which could be presented in national and international conferences and seminars. Some organizations have tie-ups with various national and international funding agencies such as Ford Foundation, UNDP, Bill & Melinda Gates Foundation, Sudha Murthy Foundation, etc which sponsor promising students as

well as employees of social development organizations to pursue studies abroad. In some cases these funding agencies also sponsor the travel expenses for the employees to attend international conferences (see Exhibit -7).

Exhibit-7: Providing opportunities for personal growth: The case of Grassroots

Grassroots, also known as Pan Himalayan Grassroots Development Foundation, was established in 1991. The focus of the organization is - on the ways and means to improve the quality of life of the rural communities. The organization empowers the rural communities by successfully running various projects for sustainable development of the region such as watershed management, bio-gas plant, sanitation and forest management.

The organization also focuses on income generating activities to provide means of livelihood to the poor establishing a producer company called Umang, managed and run by 2,200 women from 148 SHGs (Self Help Groups). Umang is an 'umbrella' organization that houses several small manufacturing units, which generate revenues by producing and selling various items such as woollen knitwear, pickles, jams, honey, organic fruits and vegetables to various consumer groups in India and abroad. Currently the turnover of the organization is around Rs 7.5 million and plan to scale up to Rs 100 million in the next 4 years. Surpluses from Umang are also used for supporting the sustainable development projects.

The organization is always in the lookout for socially conscious employees who are efficient as well as service-minded. Since the organization is situated in the Himalayan region, it is very difficult to get good quality management graduates who are willing to live in an isolated locality at low compensation for long periods (more than 2 year).

Grassroots encourages employees to go for foreign degrees or short term courses and support them through a tie with Ford Foundation, which provides scholarships to students in developing countries to study at foreign universities. The organization also seeks to market itself by encouraging its employees to write working papers and case studies on their various programs and projects and provide the employees opportunities and support to attend national and international conferences and seminars. At Grassroots, the employees have a feeling that they are growing with the organization, which acts as motivation to continue with the organization in spite of the isolated locality of mountainous terrains as well as low financial compensation.

Sources:

Grassroots website: <http://www.grassrootsindia.com/>

Anurag Prasad (Outlook, September 05, 2009) available at:
<http://business.outlookindia.com/article.aspx?261366>

4A. Creating a Sense of Ownership among Employees through Participation in Decision Making

Highly networked organizations like grassroots are able to provide learning and development opportunities to their employees through the support of their associates, which becomes a powerful retention strategy. However, when the organisation is low on networking they sometimes adopt a strategy of providing autonomy and entrepreneurial opportunities to employees within the organization. In other words, they create a sense of ownership in their employees in various other ways such as giving them freedom to choose a specific project or issue, permitting flexible timings of work, inviting them to participate in decision-making, providing support to employees to start new ventures under the umbrella of the parent organization, and encouraging employees to work in other organizations and get more hands-on experience for develop new skills, which they could utilize in their subsequent work. Needless to state that such policies serve as an influential retention strategy, as employees feel a sense of ownership and importance within the organization, and continue to work for it (see Exhibit-8).

Exhibit-8: Creating a sense of ownership among employees through participation in decision making: The case of *Aarohi*

Aarohi was established in the Himalayan region of India in 1992 with a view to creating opportunities for rural communities in the hills to lead a more self-dependent existence. The area in which Aarohi has been set up was underdeveloped with little government infrastructure, livelihood opportunities or access to basic health and education facilities. Government-aided development was sporadic and hardly benefited the ordinary hill family. Aarohi addresses various issues of poverty through activities related to forest management, health care, livelihood, drinking water and sanitation, women's empowerment and education. The main source of funding for these activities is the revenue generated by selling various types of forest products used in body care, fragrance and culinary services in high end markets in India and abroad.

Aarohi's area of operation is spread over 100 villages in the Nainital and Almora districts of Uttarakhand. There are about 50 full time staff and over 250- associate staff from all over the world working for it. The organization does experience some HR related issues such as the inability to attract good talent in the middle management, high attrition rate in talented staff because of low compensation and lack of growth opportunities. The organization tries to address these issues through employee empowerment and participation schemes.

At Aarohi, the employees especially the middle management and top management are provided sense of ownership towards the organization. They are invited to all meetings of the organization irrespective of their area of operations with a view to seeking their advice on various day to day issues relating to their operations. The employees are also given the freedom to choose their time of working. The organization encourages young staff to go for industrial visits to understand the practices and functioning of various other organizations and implement those practices in the organization.

Source:

Aarohi website: <http://www.aarohi.org> (September 2010)

Aarohi blog: <http://blog.aarohi.org> (October 2010)

<http://ayanam.blogspot.com/2006/12/aarohi-satoli.html> (November 2010)

4B. Creating a Sense of Ownership among Employees by Giving Equity Shares

Some social enterprises create a sense of ownership in their employees by giving them an equity stake in the organization or elevating some employees as co-founders. Such strategies have multiple benefits such as the employees sharing the risk and burden of the organization and at the same time going the extra mile to achieve results, since they are directly affected by the future of the organization (see Exhibit-9).

Exhibit-9: Creating a sense of ownership by giving equity shares: The case of Sattva

Sattva is a social enterprise located in Bangalore which was established in 2008 by four social activists. It is a basically a consulting organization and has three main divisions: media, research, and consulting. The media division aims to be a strong voice in development through highlighting key issues and mobilizing people on various aspects of social development. The research division provides relevant, actionable insights to social organizations and enterprises. They publish case studies, white papers and impact assessment reports. The third division - Sattva Consulting - delivers consulting and program management services to NGOs, corporations, investors, donors and foundations.

The organization currently generates revenues through its consulting and research activities and aims at enhancing its visibility and acceptance through publishing an online magazine by its media division. Sattva needs high quality employees with management background and deep interest in social development. This being a rare combination, Sattva got very few applicants for its jobs, and found it difficult to retain the ones that have joined them, as they were unable to offer the high salaries and the career growth expected by management graduates. Hence they introduced an innovative retention strategy, which was to elevate some of the early employees as founders and giving equity shares to others. This has turned out to be a win-win situation to both the organization and the 'employee-owner'. The organization is able to attract and retain good talent for longer periods, and the employees are motivated to work hard to achieve better performance and thereby enhance their share of the financial and non-financial outcomes.

Source:

Sattva website <http://www.sattva.co.in> (September 2010)

NGO Gateway website: <http://ngogateway.com/interview/vikram-rai-sattva/> (October 2010)

ITIHAS website: <http://www.itihhas.org.in/sattva.html> (November 2010)

MINT: <http://www.livemint.com/2009/06/02004831/A-social-consultancy-takes-aim.html>
(November 2010)

5. Creating Entrepreneurial Opportunities within the Organization

An innovative practice of some social enterprises for retaining their employees is to create career or entrepreneurial opportunities within the organization. Employees are given the freedom to execute projects as entrepreneurs. This brings out their creativity and enables them to try new things, which in turn encourages them to set higher goals for themselves.

In some cases the freedom given is large enough to enable and empower them to work on multiple projects and issues at the same time (see Exhibit-10) which they would not have been able to do in a structured job. Besides, the employees are also given the freedom of choice to work in different sectors/areas such as green technology, agriculture, microfinance, handicraft etc, according to their own special interest and competencies. The system also creates a network of entrepreneurs, which provides them opportunities to work with different entrepreneurs and thereby create an ecosystem for helping the poor.

Exhibit-10: Creating entrepreneurial opportunities within the organization: The case of Aavishkaar

Aavishkaar was established in 2002 and aims to support rural and semi-urban entrepreneurs in India through appropriate financial investment and by providing management support, professional expertise and other resources. Aavishkaar looks for start-ups and functioning enterprises that impact the average rural or semi-urban population in India and offers financial assistance to these enterprises. The organisation aims at making the social entrepreneur self-sustaining, often by helping them to obtain funding from larger institutions.

Aavishkaar was started with an investment of Rs 0.1 million (USD 2400) and within 8 years it has built the corpus fund of more than Rs 1650 million (USD 35 million). The funds are generated from commercial banks, institutions and private investor at lower interest rates and invest these funds into small socially oriented organizations which are incapable of getting money from banks and large institutions.

Aavishkaar is an entrepreneurial organization which hires enterprising people who may or may not be entrepreneurs themselves but understand various aspects of entrepreneurship. At Aavishkaar each employee is treated as an entrepreneur and there is no hierarchy within the organization. The organization gives freedom to their employees to choose the project or issue in which they want to work and provides all kinds of support for them to design and implement the project. In providing such support, there is an implicit expectation that the entrepreneur would complete the project as planned, in spite of any constraints.

Source:

Aavishkaar website: <http://www.aavishkaar.in> (September 2010)

Aavishkar: <http://smblog.changemakers.com/transcript-our-interview-with-vineet-rai> (November 2010)
<http://www.dare.co.in/people/featured-investor/vineet-rai-aavishkaar-venture-management-services.htm> (November 2010)

6. Finding Employees from among Beneficiaries

Social enterprises all over the world often recruit their own clients or beneficiaries as employees. This strategy of developing beneficiaries-employees is particularly suitable for organizations that provide subsidized or free services to their clients. Since the 'clients' have received free or subsidized service from the organization and would be willing to work for it for low pay or no pay. There is the case of a hospital that picks up sick and abandoned people from the streets and treats them to health. Once they are restored to health, many of them do not have a place to go to, and so decide to work for the hospital. Similar in the case of a home for mentally challenged children, where the mothers of some of these children work as nurses and care-givers. Needless have strong loyalties for the organization and stay with it for life. Retention strategies of this kind may not have many parallels. Such employees are among most committed and empathetic, as they are aware and sensitive to the mental and physical agony of the clients because of their own experience of having gone through the same situation. Besides, they do have a thorough understanding of the functioning of the organization (see Exhibit-11).

Exhibit-11: Finding employment from among beneficiaries: the case of Jaipur Foot

Jaipur Foot was established in 1968 by Dr. P.K. Sethi to provide light weight, low cost hand-made artificial foot and lower limb prosthesis for which he borrowed the technology from Indian Army. The product was designed to facilitate the Indian Style of living (which involves squatting, cross-legged sitting and barefoot walking). Thought the product had several advantages over its western counterpart, its movement in the market was rather sluggish. There was a drastic turnover in the fortunes of this product in 1975, which it was adopted by BMVSS (Bhagwan Mahaveer Vikalang Sahayata Samiti) Jaipur, which is a non-profit social enterprise, for large scale fabrication and marketing. In the last four decades, BMVSS has served around 1 million patients by successfully running 10 marketing centres and a number of mobile camps every year in various parts of the country. The Jaipur Foot is fitted on approximately 16,000 patients annually, while allied services such as sourcing spare parts, aids and appliances are provided to more than 60,000 patients in India. In addition to this, Jaipur Foot camps conducted in 19 other countries such as Afghanistan, Bangladesh, Dominican Republic, Honduras, Indonesia, Malawi, Nigeria, Kenya, Panama, Papua New Guinea, Rwanda, Somalia, Trinidad, Vietnam, Zimbabwe and Sudan.

BMVSS does not face much problem in finding the right kind of employees who are recruited primarily from among its own clients. The employees work hard to meet the requirement of each and every customer and provide a complete solution within a day. The whole process of providing an amputee with prosthetic limb is a very labour intensive requiring high level of skills. In fact the labour component of the product costs around 34% of the total cost. The major strength of BMVSS lies in its committed employees who work hard and go the extra mile to bring smiles on the faces of its clients at dirt cheap prices. And the world too recognized the product and services by conferring the Ramon Magsaysay Award to Dr Sethi.

Sources:

BMVSS website: <http://www.jaipurfoot.org/>

Case study on Jaipur Foot by Scott Macke, Ruchi Mishra and Ajay Sharma under the supervision of Professor C.K. Prahalad available at: <http://www.nexbillion.net/lib/documents/JaipurFoot.pdf>

7. Attracting Employees to Serene Lifestyle in Peaceful and Scenic Locations

Social enterprises which are located in picturesque locations in India such as the hilly regions, North Eastern plains or Andaman Nicobar Islands are able to retain their employees because of their geographical locations. Employees working in these areas like the scenic beauty and serene life style that are characteristic of these areas. Employees build a family kind of relation with local inhabitants and get deeply attached to these people and their lifestyles. Having lived in these areas for some time, the employees find it difficult to adjust themselves to the crowding and the rat race in cities or busy areas. Moreover, in these areas the cost of living is low, which along with moderate spending habits make a low compensation acceptable to employees (see Exhibit-12).

Exhibit-12: Attracting employees to serene life-styles in peaceful and scenic locations: The Case of CHIRAG

CHIRAG is a rural development organization based in the Kumaun region of Uttarakhand in India. It was started in 1987 with the mission to improve the quality of life of rural families – with a special emphasis on women, children and the poor – residing in the villages of the Central Himalayan region, with an integrated approach of improving the lives of people in various ways. The activities of CHIRAG include community forestry, soil and water conservation, development of watersheds, increasing the availability of fodder, animal husbandry, agriculture and horticulture, provision of drinking water, primary health care, primary education and the development of knowledge and skills amongst young people.

In order to develop synergies with the work of other organizations and to support them in their work, CHIRAG provides technical support to other organizations in different regions of the country. It also generates revenue by selling handicrafts and other agricultural commodities.

CHIRAG too has its share of typical HR related issues faced by social enterprises, such as high attrition because of low compensation and the difficulties in attracting people to work in mountainous terrains. Besides, there is perennial scarcity of talented and efficient managers who can also understand the various issues affecting the lives of rural people.

CHIRAG works in over 250 villages in Nainital, Bageshwar, Pithoragarh and Almora districts. These places are known throughout the world for their scenic beauty and close proximities with nature and are inhabited by very simple and friendly people. Many of CHIRAG employees get inspired by the lifestyle of the local population and start cherishing the natural beauty and simple lifestyle. It then becomes easier for the organization to retain these nature-lovers within the organization.

Source:

CHIRAG website: <http://www.chirag.org> (September 2010)

8. Providing Attractive Fringe Benefits to Employees

Since the small social enterprises cannot afford to pay high compensation to their employees, they try many other different methods to compensate their employees. One of them is to provide fringe benefits. Such benefits may be offered in many ways such as support for employees to pursue higher studies at foreign universities, provide opportunities to do part time consultancy work for other organizations which could supplement their income. Encourage employees to go for various national and international conferences, provide all kinds of support to employees if

they want to change their work profile to other areas so that their interest can be retained etc (see Exhibit-13).

Exhibit-13: Providing fringe benefits: The case of Dream a Dream

Dream a Dream is a social enterprise founded in 1999 with a mission to empower children from vulnerable backgrounds by developing their life skills at the same time sensitizing the community through active volunteering and thereby creating a non-discriminatory society where unique differences are appreciated. Dream a Dream provides children with non-traditional educational opportunities designed to allow them to explore, innovate and build important life skills. The organization also provides consultancy and life-skills development support in various private schools, it act as one of the sources of income. Since the organization is based in Bangalore, it finds tough to attract talented staff because of its inability to pay high compensation. Organization also suffers with high attrition rate because of availability of large number of options with employees.

Dream a Dream tries to provide various fringe benefits to its employees such as encouraging them to do part-time consultancy, inviting various bankers and tax planners to advice its employees on investment and tax planning issues etc.

Source:

Dream a Dream website: <http://www.dreamadream.org> (September 2010)

South Asian change makers: <http://www.fyse.org/2010/11/asias-social-changemakers-vishal-talreja/> (November 2010)

Conclusion

There is no doubt that the world is currently experiencing major social, environmental and ethical crises, and no institution in the government, civil society or private sector, can alone effectively deal with crises of such magnitude. It is essential for all the stakeholders of the society to come together and deal with the growing concerns of the world. Over the years there is a huge rise in the number of social enterprises - both the for-profit and the not-for-profit varieties - which aim at serving the poor and disadvantaged groups through revenues generated from commercial activities. The major challenge faced by social enterprises is to stick steadfastly their social mission while pursuing commercial activities and the revenues generated by them.

Inadequacies in the availability and management of human resources have been among the most critical reasons for the failure of many social enterprises, which continue to be as critical as ever. It is a paradox that the social enterprises, who work on various human development issues are not able to cater to the human resource management issues within their own organizations. Social enterprises are hence looking at various ways to reduce the severity of this issue.

As the traditional source of funding for social development activities has been the grants and donations from government and private agencies, it is but natural that they impose restrictions on the use of such funds for employee salaries and perks. It is the quest for reducing grant-dependency of social development activities that has given rise to a new form of organizations, namely social enterprises, whose main funding source is the revenues generated by commercial activities. While this new form of organisation would have greater financial

autonomy, the resources generated by them are not large enough for them to afford market-rate compensation and perks for their employees. Hence their HR strategies have to be designed around a different paradigm than the traditional one based on salaries and perks.

In an analysis of the people-management practices of commercial organizations, it was observed by Manimala (2010) that the philosophical assumptions underlying these practices can be described as the 'Outsider Paradigm', where the employer treats the employee as an outsider to the system. Under this paradigm, the ultimate responsibility for achieving the organisational objectives rests with the employer, who therefore has to motivate his 'uninterested' and 'uninvolved' outsider-employee through financial compensation, perks and incentives. Hence the dominant basis of HR strategies in commercial organizations is monetary compensation.

Social enterprises, on the other hand, seem to operate on the basis of a 'Partnership Paradigm' (Manimala 2010) of human resource management. Apparently, this is a matter of necessity rather than choice, in spite of the fact that an ideology of inclusiveness is fundamental to the creation of social development organizations. One reason why an employee of a social enterprise has to be a partner is the fact that social enterprises are mostly service-providers, where it is extremely difficult to separate the service from the person providing the service. Hence the employee has to be fully integrated with the organisation and thereby imbibe its service ideology to be effective in his/her work. The second reason why the partnership paradigm is more suitable for social enterprise is that there will be a sharing of risks and responsibilities, because of which the work is perceived as more important than the monetary rewards associated with it. Thus the employees would be prepared to work for relatively low compensation, which could become a significant factor contributing to the long-term survival of most social enterprises. These are the theoretical reasons. Why social enterprises are likely to adopt a partnership paradigm for managing their employees.

In the empirical exercise of analyzing a few cases of social enterprises to identify the HR strategies frequently used by them, the findings do strongly support the above theoretical perspective - social enterprises tend to adopt a partnership paradigm for managing their employees which is especially relevant for acquiring and retaining them. Out of the eight strategies we have identified, the majority are about developing partnership with employees. Of special relevance in this context are the strategies like: building vision and value congruence; brand building of the organisation; developing a sense of ownership among employees through participation in equity as well as decision-making; providing learning and development opportunities to employee so as to better equip them for their service-tasks; and creating entrepreneurial opportunities for employees within the organisation. It is therefore legitimate for us to propose that the theoretical paradigm governing the HR strategies of social enterprises can be described as a partnership paradigm.

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Role of SME Techno- entrepreneurs in Industrial Development in India- A Research Study

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Introduction

SMEs and Industrial Development: The process of Industrial Development through Industrialisation implies a movement from agriculture to manufacturing, embracing an increasing proportion of work force. Manufacturing maybe undertaken on a large or small-and medium-scale in various centres in a country. Small and medium enterprises are in many countries represent a stage in the evolution of industry while in many others these act as adjuncts and competition to large scale industry. In a developing economy like India, industrial development measured not only in terms of the total volume of production of various types of goods but perhaps equally in terms of regional balance, and the percentage of population directly or indirectly involved in industry.

Small - scale industries as they are called in India (SMEs as labelled elsewhere in the world) are important contributors to the process of Industrial development. Their contribution lies in providing entrepreneurial opportunities to a large number of aspiring people to engage in industry and innovate in order to stay competitive and to grow.

The objective of the present paper is to highlight the role played by small and medium enterprises in providing the needed spur to the process of industrial development especially through the adoption of new technology and innovations in industrial designs, products, and processes.

Small and Medium Enterprises (SMEs) are widely accepted as a key factor in a country's economic growth. They are responsible for providing employment opportunities at a faster rate than larger organisations; increasing the competitive intensity of the market by reducing the monopolistic positions of large organisations; and encouraging the development of entrepreneurial skills and innovation.

Since India became independent in 1947, economic and political philosophy focused on fostering self-reliance and import substitution. Import barriers were slammed into place to create a business environment where the SMEs experienced very little competition from firms outside of the country. As the domestic market was large and there were virtually no outside competitors, SMEs grew and flourished. With increasing focus of government initiatives on the SME sector, the number of SMEs has grown manifold over the last 60-20 years, to 3 million from a mere 80,000 in late 1940's bringing in its wake increased competition resulting in rationalising prices and pressure on margins.

In 1991, economic liberalisation and structural reforms opened up the previously closed markets to foreign competition. India's SMEs were no longer protected and felt the heat from outside competition. Indian SMEs felt the need to improve efficiencies and innovativeness in order to withstand the competitive intensity due to reduction in trade barriers. In addition, liberalisation brought in companies from outside India vying for a share of the pie. In many cases, these foreign firms had an edge in terms of superior processes and technology to harness the best out of their distribution networks and channels, as well as the ability to adapt their product and/or service to customers very quickly. In this milieu, SMEs cannot afford to ignore the benefits of technology and innovation in creating and addressing business opportunities.

SMEs and Industrial Development in India

With a contribution of 40% to the country's industrial output and 35% to direct exports SME sector has achieved significant milestones for the industrial development of India.

The SME sector accounts for 95% of industrial units in India. The sector accounts for 39-40% of value-addition in the manufacturing sector. Not only that, they account for more than 30.0 percent of total exports from India. They also account for 6-7% of Gross Domestic Product (GDP). More than 190 lakh persons have been employed by the SSIs. The sector produces roughly around 7500 items.

Within the SME sector, an important role is played by the numerous clusters in the process of industrial development. There are 350 clusters. Also, there are approximately 2000 rural and artisan based clusters in India. It is estimated that these clusters contribute 60% of the manufactured exports from India. The clusters in India are estimated to have a significantly high share in employment generation.

Some Indian SME clusters are so big that they account for 90 per cent of India's total production output in selected products, i.e. the knitwear and woollen cluster of Ludhiana in North West India. Almost the entire Gems and Jewellery exports are from the clusters of Surat and Mumbai. Similarly, the clusters of Chennai, Agra and Kolkata are well known for leather and leather products. The cluster of Tripura, in southern India has become legendary as the producer and exporter of hosiery knitwear.

Auto component SMEs are one of the fastest growing within the SME category of industries. These units are key contributors to the total production of auto components and also have a significant share in the exports of the industry. The SMEs are riding a phase of boom, driven by demand from global auto manufacturers. The industry has undergone a major restructuring and many existing companies have moved up in the value chain to a higher tier. Nevertheless, sustenance and survival still remains an issue of concern for these companies as they will have to absorb global best practices in this competitive environment.

Cost competitiveness, customer orientation, lead time, are some key factors the SME cluster will have to imbibe to survive in the global set-up. Despite their limitations, the SMEs have managed to significantly contribute towards development of India's industrial base.

Multinational automobile manufacturers like Magna International of Canada, Delphi and Ford of US and some European companies have entered the Indian markets. This has brought in better technology, skills, new products and an assured market. Strategic tie-ups and contract manufacturing is providing a way forward for SMEs in the auto component industry.

IT usage by the SMEs raises productivity of the sector in particular and the economy in general. Product leadership, operational excellence and customer relationship, which SMEs look at while using IT-based solutions is essential. SMEs have been enabled to become good decision-makers, planners and strategy-makers in the choice of technology. Innovation, design development and validation by the SMEs in the face of globalisation and rapid technological advancement, to stay afloat during competition are the essentials.

SMEs & Global Scenario

Countries across the globe rely on small and medium enterprises (SMEs) for a large component of their transactions, employment, provision of goods and services and general day-to-day activities, critical to the health of the economy.

As more and more economies open their doors through liberalisation, they cease to remain insulated from the jaws of recession. SMEs too cannot escape the heat as they experience a

slump in demand, increased input cost, drying cash flows, high interest rates, reduction in exports, and outsourcing requirements from the developed world.

Maintaining good cash flows and retaining demand become the most important challenges for the industry to battle the uncertain economic climate and rapid economic contraction. Some significant characteristics of SMEs are: lean size, innovation on the quick, readiness to take calculated risks, flat organisation hierarchy, slower layoffs, and closely knit employees.

Interestingly some SMEs do admit that the recession has offered them certain opportunities and, even benefits. These include, weakened competition, improved opportunities for acquisitions valuations, ability to raise bank finance because of the low debt and self financed nature, better competitiveness of Technology-friendly companies. Since SMEs already operate on a lean basis and cut overheads to minimum, they are well poised to reap the benefits when the economy turns around, opportunity to hire from larger companies on layoffs

SMEs & Technology

Since technology adoption by SMEs, enhances productivity and efficiency, connects them more easily and cheaply to external contacts, reduces operations cost, creates global market access, and develops internal competence in capturing market opportunities. It acts as a key to competitiveness.

According to the 2009 Business Pulse report of SMEs in UK, there is a widespread recognition of the importance of technology in reducing costs and increasing efficiency and competitiveness. 30 per cent of businesses said that they have saved money through using technology, 32 per cent use technology to network and obtain advice, and 28 per cent have found more customers through its use. Nearly one in five cited the use of technology to support flexible working as having one of the most significant impacts on how they have managed the recession. In the theory of technological change (Pennings, 1987; Lefebvre E and Lefebvre LA, 1992), the decision- making process has a bearing on the adoption of new technologies. It is more formal in SMEs than in large corporations. For instance, large firms evaluate the pros and cons of new technology through a feasibility study, while the SMEs depend on technology suppliers. Theoretically, the mere adoption of new technologies does not guarantee its potential benefits (Geipel, 1991; Gatignon and Roberston, 1989). This is more relevant in the case of ICTs as their adoption is a necessary by not a sufficient condition for increase in productivity, reinforcement of competitiveness, and augmentation in performance (Lefebvre E and Lefebvre L A, 1996; Drew, 2003)

Role of SME Techno-entrepreneurs

Economic liberalization has changed the market paradigm for Small and Medium Enterprises (SMEs) globally. The consumer goods segment in particular has undergone a sea change with imported goods flooding the markets, and large enterprises and MNCs adopting aggressive marketing strategies to sell their products. Free movement of goods sans barriers across national borders and shifting preferences of consumers for imported goods has fuelled fierce competition.

Though various studies show that the growth of SMEs has been more pronounced in volume terms than in value terms, the truth is SMEs are facing stiff competition from large enterprises. So, while large enterprises rely on economies of scale, the lifeline of SMEs in general and techno-entrepreneurs in particular has always been technological innovation. High-tech low volume products, low shelf life products as also products that need extreme customization are

ideal choices for small scale production. SMEs world over, thrive in the very same product segments dominated by large ones, but cater to niche markets.

The Indian automotive component industry is a case in point. It would however require modern technology, R&D, Cheaper means of finance, proper assessment of consumer preferences and continuous product innovation to succeed.

In high volume mass consumption goods, sector alliances between large enterprises and SMEs by way of contract manufacturing, franchising and common marketing could be a win-win for both.

The Chinese model is a classic example of giant enterprises working closely with tiny household producers, achieving unbeatable cost advantages in the global market.

The Japanese concept of creating large companies known as "Sogo Soshu" which market products of small enterprises is another good way to spawn innovative SMEs. Incentives for such alliances must become a policy priority.

In a developing country like India, there are large numbers of SME Techno-entrepreneurs that produce low cost, low quality consumer/industrial goods. They can go for significant improvement in the areas of quality, packaging and promotions which will give them an edge over large enterprises.

Innovation – Key Driver

The role of SMEs in terms of employment creation, upholding the entrepreneurial spirit and innovation has been crucial in fostering competitiveness in the economy. For India to achieve a growth rate of over 8 per cent, it is imperative that the SMEs grow at a faster pace.

Indian SMEs have a more positive outlook towards their growth and business prospects in contrast to most of their regional counterparts. However SMEs (including Micro-enterprises) in India, constitute more than 90 per cent of the total number of industrial enterprises and form the backbone of industrial development, but suffer from the problems of sub-optimal scale of operation and technological obsolescence. They need to adopt certain strategies for growth. There is also an imminent need for them to innovate by thinking out-of-the-box and to develop products with unique differentiators. They also need to attract Venture Capitalists and Private Equity investors to get sufficient investments and enter markets where there are not too many players.

Innovation has been the hallmark of Small and Medium Enterprises. Studies conducted by the US Department of Commerce, revealed that since World War II, 50% of all innovations and 95% of radical innovations, have come from new and smaller firms. The innovation process is seen as a cycle involving trial and error, where problems, at some stage of development lead to the need for re-evaluation of the earlier stage of the innovation process.

Although Indian SMEs realize the importance of technological innovation, most of the Indian SMEs still believe in importing technology, rather than developing it in-house or through/in association with, National Research and Development (R&D) centers. They, over the years, have largely ignored R&D requirements and have not sufficiently embarked on new product development or technological up-gradation at the requisite pace. This is despite the fact, that India has the third largest pool of technologically trained manpower. To stay competitive, technology innovation has to be the main phase of SME; strategy.

The Study of Techno-entrepreneurs

The present study of growth of enterprise through sustained entrepreneurship relates to techno-entrepreneurs who are entrepreneurs with formal qualification / education in Engineering / Technology. This section of entrepreneurs is particularly important because of its key role especially in manufacturing businesses. Techno-entrepreneurs belong to the large stream of Engineering graduates and diploma holders, who are streaming out of the Engineering colleges and Polytechnics in large numbers. It is estimated that over four hundred thousand Engineering graduates and diploma holders are being produced by the technical education institutions in India.

The present study relates to twenty five techno-entrepreneurs from the industrial and entrepreneurially developed region of Mumbai and Gujarat in Western India. The respondents for this study are technical graduates, selected at random, out of those who have survived the rigors of globalization, or are in the process of a change over to a new business, without abandoning their entrepreneurial approach.

Data for the study was collected through a structured questionnaire completed by the respondents, supplemented by detailed interviews with few respondents. Considering the number of techno-entrepreneurs studied, it may be considered to be an exploratory study which does throws up pointers to the growth strategies adopted by relatively successful techno-entrepreneurs in India.

The general objectives of this study are:

- (1) Assessing the role played by the SME Techno-entrepreneurs in the process of industrialisation in India.
- (2) Identification of the sources and modes for the contribution that SME Techno-entrepreneurs have made to the industrial development in India. Specially through technology innovation
- (3) Ascertaining the effect of technology policy of government towards Industrialisation at national and international levels with reference to the SMEs.

Data Analysis and Findings

Educational Profile

It will be seen from the table that diploma and degree holders account for 96% of the sample. Significantly this is fairly representative of the real life scenario of technical education in India, where number of post graduates in engineering/technology is indeed much smaller than graduates.

Education Qualification	Nos.	Percentage
Diploma	12	48.00
Degree	12	48.00
Post Graduate	1	04.00
Total	25	100.00

Nature of Enterprise

Nature of Enterprise	Nos.	Percentage
Job Work	4	16.00
Manufacturing Consumer Products	8	32.00
Manufacturing Industrial Products	8	16.00
Ancillary	1	4.00
Professional (Consultancy, etc.)	1	4.00
Service Industry	3	12.00
Total	25	100.00

The above table presents the nature/type of enterprise set up by the techno-entrepreneurs under study. It is seen that (16) entrepreneurs (64.00%) have selected manufacturing industrial and consumer products as their entrepreneurial activity followed by the job work activity (16.00%). They are direct participants in the process of industrialisation.

Most Significant Characteristics of Enterprises

The Respondents gave the characteristics as follow:

Characteristics	Nos.	Percentage
Lean production	12	16.00
Innovativeness	15	20.00
Readiness to take calculated risks	30	40.00
Flat organization hierarchy	06	8.00
Debt averseness	03	4.00
Employees close knit	09	12.00
Total	75	100.00

In terms of entrepreneurship readiness to take calculated risks is the most significant aspect of the participating entrepreneurs. Innovativeness accounts for 20% of the responses. Lean production for 16% of the responses and close knit teams 12% of the responses. This highlights not only the entrepreneurial quality of the participants but also the value on innovativeness reflected in the lean production and team building.

Recession – Opportunities/Benefits Offered

- (a) Weakened competition by reacting faster to market changes works in their favour - 15
- (b) Improved opportunities for acquisitions as valuations are lower. - 06
- (c) Ability to raise bank finance - 12

- | | |
|---|------|
| (d) Technology-friendliness | - 20 |
| (e) Opportunity to hire from larger companies as skilled people are laid off. | - 04 |
| (f) Availability of venture capital and private equity | -06 |

It would appear from the table that the participating entrepreneurs saw technology friendliness as a significant opportunity to tap in to the opportunities thrown up by recession. Further faster response time in reacting to the market changes also gave them an advantage. Some of them would hire from larger companies as they lay off their skilled people. In short, the entrepreneurs did not see recession only as a calamity but took the enterprising step of tapping the opportunities arising out of a crisis situation.

Choice of Technology for Innovation

- | | |
|--|------|
| (a) Mature and fragmented sector – local markets | - 11 |
| (b) Growing sector, dominated by large firms | - 12 |
| (c) Stabilized sector | - 04 |
| (d) Rapid growth sector | - 11 |
| (e) New sector with high technological opportunity | - 09 |

The choice of technology for innovation is indicated in growing sector, a sector with high technology, and mature but fragmented sector in the form of local markets reflects their upbeat attitude. Interestingly, stabilized markets did not attract the entrepreneurs for choice of technology.

Factors for the Main Types and Sources of Innovation

- | | |
|--|-------|
| (a) Innovation in machinery | - 10 |
| (b) Design modification | - 20 |
| (c) Incremental product innovation | - 25 |
| (d) Acquisition of patent and know – how | - Nil |
| (e) New product based on advanced technology | - 12 |
| (f) In-house R&D | - 08 |

In terms of types of innovation, most respondents reported use of incremental product innovation followed by design modification. Both the factors relate to improvements in manufacturing.

Strategies Adopted

- | | |
|---|------|
| (a) Survival in short term | - 12 |
| (b) Development of distinctive competence | - 10 |
| (c) Growth as strategic goal | - 15 |
| (d) Use of high technical – scientific skills | - 20 |

The most common strategy adopted by the respondent enterprises was use of high technology and scientific skills. Next came growth as a strategic goal and survival in the short run. This choice again; underscores the strategic bias for technology and innovation.

Business Results Achieved by the Enterprises

- | | |
|-------------------------------------|------|
| (a) Low manufacturing cost | - 14 |
| (b) High specialization | - 12 |
| (c) Flexibility and cost advantages | - 09 |

(d) Rapid growth	- 05
(e) Quality products/ services	- 15
(f) Ability to deliver quickly/ on time	- 05
(g) Distinct competitive advantage	- 06
(h) Employee motivation and productive	- 10
(i) Profits for last 3 years	Increased - 18 Decreased - nil

Most respondents reported that they had increased their profits for the last three years, had improved the quality of products and services and had cut down their manufacturing cost. This indicates that the entrepreneurs succeeded in their use of technology and innovation in terms of their business results.

Main Drivers for Successful Innovation:

(a) Availability of resources and infrastructural facilities	- 08
(b) Knowledge of market and technology	- 30
(c) Inventiveness and innovation	- 12
(d) Government policies and support from supporting agencies	- 06
(e) Competition	- 15
(f) Technology identification and up gradation	- 25
(g) Knowledge of acquisition, transfer and adoption of technology	06
(h) Availability of Technology Business Incubator	- 04
(i) Any other/s (Please specify)	- nil

The five most important drivers indicated by the participating enterprises for successful innovation are, knowledge of market and technology, and Technology identification and up gradation to innovate successfully. This highlights the entrepreneur's market sensitivity and technology related knowledge and skills as their use of technology in innovating and progressing

Problem Areas faced in Linking Entrepreneurship and Innovation to Business Growth

(a) Personal problems	- 12
(b) Limited internal resources and skills	- 15
(c) Lack of network support and connection with business colleagues	- 05
(d) Legal problems	- 05
(e) Lack of adequate speed to commercialize the innovative idea	10
(f) Lack of management of trade-offs	- 06

The main problem areas faced by the entrepreneurs in linking innovation to business growth were: Limitation, of resources including personal problems and inability to speed up the process of commercialising the innovative ideas. Given resource support and support in marketing; they could perform much better.

Factors for Growth Rate of Over 8 Per Cent

(a) Positive outlook towards their growth and business prospects.	- 15
(b) Overcoming the problems of sub-optimal scale of operation	- 15
(c) Removal of technological obsolescence	- 20

- (d) To adopt radical strategies for growth - 05
- (e) To attract venture capitalist and private equity investors - 05
- (f) Thinking out-of-the box to innovate - 10
- (g) To develop products with unique differentiators - 05

The respondent entrepreneurs felt that removal of technological obsolescence, overcoming the problems of sub-optimal scale of production and positive outlook towards growth and business prospects would be the main factors for achieving the growth rate of over 8% assuming the Indian aims at achieving the target of 8 to 9% at annual growth rate.

Analysis and Insights

The responses of the participants in the Survey do bring out their readiness to take calculated risks and to innovate to improve further on their business results. Their optimism is a positive sign for the growth of their enterprises as they appear buoyed by the positive business results already achieved by them.

It is heartening to note that most of the respondents saw opportunities in the recession and developed strategies to take advantages of the weakened competition. They went in for innovations in technology especially for new products, advanced technology, design modification and incremental product innovation. This is a good sign for the growth of small industries in India, as the future of SMEs as drivers of industrial growth will depend upon the positive enterprising spirit of the entrepreneurs and their reliance on innovation specially in technology, to tap the markets and hold their own in competing with large enterprises.

The limitations of entrepreneurs in the matter of resources and required supports are being addressed by the government through its policies and mechanisms, though legal formalities and bureaucratic tangles do often come in their way. To be active instrument of industrial development in India SMEs need technological support through research and development, and government support in promoting clusters, providing consultancy, and organising the availability of finance to them. Happily, SMEs are not only building their collective strength through clusters in India but have also been providing the needed support in ancillary role to the large scale enterprises. Facilitation of technology transfer and technology up gradation will perhaps hold the key to the development of SMEs and industrial growth in the country.

Implications of the Study to the Country and Industry

The study has thrown up useful pointers to the growth trajectory for SMEs and industrial growth. It has highlighted the need for the country to move from the second stage of Rostow's theory, where a society is in the stage of developing pre conditions for 'take off' to the third stage where the "old blocks and resistances to steady growth are finally overcome and growth becomes the normal condition of the society". Though agriculture still plays an important role in India's economy, an industry can have its due wider role in spreading the benefits of development across the country only by developing a network of SMEs acting in Symbiosis with large - scale industry. Innovation and technological change are the levers through which SMEs will be able to take the leap which gives them the power to provide the needed spur to industrial development and economic growth.

Conclusion

The references to technology and innovation and the processes involved in their incorporation in the industrial strategy for growth and development are brought out in this paper, especially to highlight the enhanced contribution that SMEs can make to the process of industrial development in India. This exploratory sample study seeks to highlight the thinking of techno-entrepreneurs who will be expected to spear head the process of growth for the industry and the economy in India. The good news from the study is that small techno entrepreneurs are technology oriented in their strategic thinking and are looking at avenues of growth through the process of technological innovation. That is how they are poised to lend their shoulder to the wheels of industrial development in India in the near future.

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Solidarity Economy: a Space for Social Experimentation

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Development of the “Active Employment Policy” in Luxembourg

At the start of the Eighties there was a real change in Luxembourg’s policy on combating unemployment. Support for “needy” persons, which until then had largely been provided by religious communities and other charitable institutions, was increasingly taken on by a policy which promoted the prevention of unemployment and reintegration into the world of work. The private sector left each and every responsibility to the public authorities and pressured them into responding ever more precisely to the phenomenon, in order in fact to undertake measures that responded to their own needs. However, improving the “employability” of the individual had the consequence that he or she became culpable for their economic situation and his or her democratic rights to participate in political and economic life were curtailed. In parallel, private institutions to fight unemployment were established, roughly following the logic of the above approaches, without challenging their dependency on public financing.

This is the context in which OPE’s work had to take place. In the mid-Eighties we started to develop our own project to integrate people who were seeking employment, and – given the political landscape at that time – had to do this under the following conditions:

- training, or rather conditioning, people unilaterally to enable them to find a job;
- including the social integration enterprise in the notions of the dominant economy, bearing in mind that the traditional solidarity economy, i.e. production cooperatives, was no real alternative to the capitalist enterprise;
- taking responsibility for the so-called vulnerable segment of the population, without engaging in any reflection with society as to the development of new social wealth;
- contributing blindly to the ongoing economic development and thus avoid any action as a “community of citizens” on the democratic development of society.

The socio-economic framework that we had to break down in order to be able to develop a new solidarity-economy model was therefore clearly defined. It robbed us of the opportunity of bringing in other, and in our view essential aspects to our work:

- taking into account the personality of the individual;
- scrutinising in-depth how the dominant economic system functions;
- identifying initial signs of new possibilities for solidarity based on citizens’ commitment;
- exercising democratic influence on the political guidelines.

Against this essentially antagonistic background, the defence and support of solidarity-economy thought or of a suitable project based on those values demanded a process, which informally had to be essentially subversive yet formally experience-based. This approach may appear

amoral, but we might refer to discussions on the potential relationships between the dominant and the dominated and argue that this way of working can be regarded as a legitimate defence of the dominated and therefore as morally justifiable. From our experience we had to assume that the solidarity economy movement is the dominant part. Furthermore we had to assume that the authority is represented by politicians, who adhere to a utilitarian socio-economy.

In order to denunciate the employment model in use in Luxembourg and to open up innovative paths, in 1994 we presented the “Objectif Plein Emploi” study. This study attempted to combine the strategies of local development with the concepts of the solidarity economy, which we had encountered for the first time at the start of the Nineties. It proposed a concrete model for the implementation of a policy that assumed social responsibility in Luxembourg.

Luxembourg – a Country with a Local Dimension

Luxembourg is a small country. Our decision-making processes are rapid, and this simplifies the implementation of projects. This apparently simple implementation of projects all too often hinders more in-depth discussion and consideration on the background to actual steps. Supporters of the solidarity economy therefore find themselves in a paradoxical situation, because although their progress in introducing concrete projects appears spectacular, the fundamental logic of their activities is not understood. They are therefore inevitably exposed to the demands of politics or of other interested groups and actors, who want to alter these supporters’ missions and philosophy to suit their own.

Terms such as solidarity economy, social economy or even social employment initiatives are imprecise and nebulous terms lacking nuanced interpretation in Luxembourg and are utilised in politics to foster the discussion about an active employment policy. This limited perception of the solidarity-economy approach leads to the ambitions of the institutional landscape in Luxembourg in the area of socio-economic activities still being based on assumptions that attempt to take care of people who are threatened by social exclusion with solely charitable methods.

OPE as an Important Actor in the Solidarity Economy

The OPE network consists of about 30 member associations, with permanent working links with 61 of a total 116 communities and with 400 locally socially-committed volunteers. The task of the OPE network involves introducing processes that improve the quality of life, implemented through new activities in the areas of community services, environment, culture, tourism and new information and communication technologies, where there is already demand for this locally. In this way OPE has created about 1 000 new jobs.

Through its involvement at a European level and through its cooperation with research institutes and colleges in neighbouring countries, OPE has contributed to the development of the concepts of local development and the solidarity economy. Implementing this is integrated into the economic activity of the country, however it does require other types of service and other organised forms of exchange, i.e. primarily volunteer activity, the principle of reciprocity and partnership.

Improving Functionality in an Ongoing Process

The OPE network is true to the roots of its projects in the '80s, which arose from the fight against unemployment. It has adapted to the concepts for employment and integration initiatives and continues to work on turning its goal into a project of consciousness-raising for social responsibility and in particular into a project of democratising the economy. In doing so, we

increasingly involve stakeholders in planning and implementing the general steps. Today, again through our stakeholders, we influence widely diverse areas of national politics, whether the active policies for employment, education, economic, environment, health and social insurance, or other areas which all in all include what one today calls the challenge of a perceived renewal of thinking with the introduction of the concept of sustainability.

In order to be able to finance the activities of the project we have introduced mixed financing. Typical of this is that everyone who is interested in the general strategies invests in the activities that concern them and in the projects and services that they need.

Today the income of OPE breaks down as follows:

- State: 56%
- Communities: 23%
- Public tenders: 14%
- Income from services: 5%
- Financing for European projects: 2%

The question of the freedom of choice of the individual, like that of the freedom of choice of the collective, is for us a central and essential question in the defence of democratic rights. Logically from this it follows that the crossover of new social needs into new essential jobs means that people who are currently unemployed become actors who are necessary to economic life and not benefit claimants. They are a resource, not an impediment.

Applied Research as Spearhead

As a socio-economic actor, OPE has a resource centre that meets the demands of constantly changing research and development work in the following areas:

- research into socio-economic and political strategies,
- research into planning environmentally-friendly and ecological programmes,
- research into the development of methods in the areas education, further education and the development of individuals and communities,
- research into the development of adapting basic legal, regulatory and administrative conditions,
- responsibility for methods to introduce, organise and manage projects.

Results which were especially important for Luxembourg and which can also be credited to the application of OPE research:

- 2004: in its coalition agreement the Luxembourg government recognises the solidarity economy as the third sector of the economy alongside the public and private sectors.
- 2007: after the report by OPE the Ministry of Work and Employment amended Draft Bill 5144 in line with our strategy and changed the title (the Law on social employment initiatives becomes the Law to restore full employment).
- 2008: in coordination with the Ministry of Work and Employment OPE developed a new legislative proposal within the framework of the Right of Establishment, establishing the right to create the new type of enterprise, a Vereinigung kollektiven Interesses/Association d'intérêt collectif (AIC) [Collective Interest Association].

- 2008: following OPE's creation of new assessment instruments which take sustainability into account as a criterion, the first public tenders placed more worth on the best offer, taking into account ecological and social criteria instead of just the price.
- 2009: the Luxembourg government is following its strategy consistently and has brought in a Minister for the Solidarity Economy.

The new space that we are creating is often called the third sector, in contrast to the two others, the public and private sectors. However it is particularly important to point out that according to its precise definition the term sector is a specifically defined, strictly limited and impervious space. Yet the three spaces by necessity require permeability and interactivity, as well as complementary effects and evolution by processes.

The stated political will in any case enables one to believe that the concept of the public space is regaining its real value as an essential element of our democratic system and as an indispensable place for a serious contribution to the process of social transformation in our societies.

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CREA-BUSINESS-IDEA: An European Project from the Public Sector to Promote the Creativity as Basis of Entrepreneurship

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Introduction

Along with the unstoppable process of globalization, new technological trends, the need to combine economies of scale, demand volatility and strategic uncertainties associated with the operation of the market economy, economies are facing increasing competitive pressure.

No one questions, that faced with the challenges of the XXI century the only possible way for developed economies to compete in global markets is differentiation through adding value, with creativity and innovation playing a fundamental role¹.

Also, in this competitive scenario it is necessary to add the current international financial crisis, which has affected significantly the labor market. The crisis has contributed more than ever to the need to create smart solid economies, more environmentally friendly and more competitive², through innovative product development, the future development of infrastructure, introduction to new markets and the creation of quality new jobs focused on knowledge.

Therefore, regions, especially those in areas dominated by traditional industry sectors, need to define new policies to impulse the competitiveness of their companies and respond well to the new challenges of the new global economy. In this context, the definition of policies designed to advance entrepreneurship as an asset that will encourage job creation, economic growth and improving regional competitiveness, are placed as a priority. The development of an entrepreneurial society where entrepreneurial spirit is the reference for the generation of a new economic dynamism, and in which the creation of innovative and or technology based businesses, and expansion of existing ones through processes of innovation or intrapreneurship

¹ Castillo, J. (2009), "Políticas de Innovación y Competitividad en la Economía Global". Seminario Hispano-Francés sobre Innovación. Sevilla

² European Commission (2010). "Europe 2020. A strategy for smart, sustainable and inclusive growth". COM final (2010).

appear as immediate requirements. This is progress in a process that seeks to increase job creation and improve quality of life and the welfare of the population.

Therefore, in the emerging knowledge societies, innovators and "creative" entrepreneurs have an ever more important role, however, this implies the need to implement actions that increase the ability to develop, attract and retain this talent. This asset is the main generator of knowledge and innovation and it is the basis for the creation of innovative and/or technology based companies. The creation of these companies also serves to both generate skilled jobs and regenerate the more traditional industrial sector.

Creativity, understood as the process for generating business ideas, needs an enabling environment conducive to both the development of ideas and their implementation³. This context requires the existence of a culturally diverse and open environment, adequate funding, and support for entrepreneurs, as well as knowledge transfer mechanisms. This environment is indeed a fundamental element where competitiveness through innovation, is the nurturing of the "best" combination of its assets⁴. It is no coincidence that in this context the regions (and in general the country) have emerged as a key elements in a matter of competitiveness⁵ and therefore should be taken into account in the approach to the design and implementation of the vast majority of support frameworks for innovation, entrepreneurship and creativity.

The CREA BUSINESS IDEA project aims to create an enabling environment in each of the participating regions, through the definition and implementation of several actions that encourage networking and allow the natural occurrence of a Virtual Cluster.

This cluster must be understood as a part of its own environment, through ICT, is configured as an integrated system to support the generation and implementation of business ideas. This system is horizontal in nature, made up of various intermediate infrastructure support and the advanced services companies existing in each of the regions participating in the project.

General Considerations on Innovation and Creativity

Traditionally, innovation has been understood in its technological sense⁶. But aspects such as the importance of services in the economy and their role in the growth of economies, new competitive models, the importance of customer value and differentiation from competition, have led to innovation to be understood in a broader sense; no longer limited to technology frame.

In this regard, by expanding the concept of innovation, it has become difficult in many cases to separate creativity from innovation. Creativity is linked to innovation in the sense that it offers the novelty of the application, while innovation also includes the value of its use.

Therefore, as an introduction to the CREA BUSINESS IDEA project, it is necessary to refer to "what is meant by innovation and in what is the context it fits."

³ Florida, R. (2005) "Cities and the creative class". Routledge.

⁴ Porter, M.(1998) "On Competition, Boston". Harvard Business School.

⁵ Porter, M. (2003) "The Economic Performance of Regions". Institute for Strategy and Competitiveness, Harvard Business School".

⁶ 1992. Oslo Manual 1st edith. 1997. Oslo Manula 2nd edith.

In Europe, the latest edition of the European Innovation Scoreboard states:

"R & D is not the only way to innovate. Other techniques include the adoption of technology, incremental changes, imitation, and combining existing knowledge in new ways. With the possible exception of the adoption of technology, all these methods require the creative efforts of employees of the company, and thus improving the innovative capabilities within it. It is likely that these skills lead to improvements in productivity, to higher levels of competitiveness, and also to new products and processes, with major impact on economies. For these reasons, the activities of the companies that innovate without developing R & D are equally interesting for policy action"⁷.

In Europe, this new concept of innovation puts creativity as a key element in all the people-driven innovation processes. Indeed, creativity is merely the individual's own ability to combine their different experiences and generate something new and useful.

In this new approach it is very important therefore to consider the elements of the context, the environment in which innovation is generated and the competitive advantages of companies, such as culture, quality of physical location, environmental sustainability, the general standard of living, personal and professional opportunities, etc⁸. Therefore, in Europe, it is understood that it is no longer traditional technology policies that affect the levels of innovation and competitive levels of the economy.

The renewed Lisbon Strategy, together with the Gothenburg strategy coincides precisely in this line of thought, highlighting the importance of the social and environmental dimension in the context of the knowledge economy.

Instinctively, the term creativity has been traditionally linked to artistic activity or, more recently, thanks to examples of companies like Apple or Google, to the innovation in technology sectors. In the latter, creativity and innovation are two concepts that go hand in hand. In other words, the creative capacity can be defined as "the ability to easily generate ideas, alternatives and solutions to a problem."⁹ Given this definition, and putting it in relation to the concept of innovation, creativity is the process of generating ideas. Somehow it is the inspiration that allows us to create new solutions. For its part, innovation is the ability to turn these ideas into something applicable, to give meaning and value within a context.

Defining further the concept of creativity, Richard Florida in his book "The rise of the creative class"¹⁰ identifies a number of defining characteristics:

- It is a multidisciplinary aspect of people.
- Involves different aspects of thinking, habits and experiences of the individual.
- It is broader than technological innovation or innovations in management and organization.
- It is cultivated through the individual but especially in its interaction with its social and economic environment.
- Summarizes and reflects the convergence of different areas of knowledge.
- Includes a component of "subversive", change and break with the above.
- It comes in different forms: technological creativity (innovation), economic creativity (entrepreneurship) and artistic and cultural creativity.
- It implies a proactive attitude to change.

⁷ European Innovation Scoreboard 2009. P R O I N N O E U R O P E P A P E R N ° 1 5. European Union. Enterprise and Industry

⁸ Garcia de Sola, A., Hinojosa, A., Castillo, J.(2009) "The role of the Knowledge city of Colmenar in the future of Madrid Region". XXVI IASP World Conference. Raleigh. North Carolina.

⁹ PONTI, F. (2001): "La empresa Creativa". Ediciones Granica. Barcelona.

¹⁰ FLORIDA, R. (2002)"The rise of the creative class". Basic Books.

According to Florida, “creativity is now the decisive source of competitive advantage” and from which “new technologies, new industries, new wealth and all other positive possibilities”.¹¹

Therefore, creativity as a source of innovation contributes to improving overall competitiveness. This is because creativity has a direct impact on improvement, increases the efficiency of production processes and services (process innovation) and on the other, the development of new products (product innovation and service). This eventually leads to generate added value for the customer, differentiating products or services from the competition.

New theories such as those from Richard Florida¹² have contributed to mix creativity to economic and business competition. Creativity is the trigger of the innovation process in the company. In this sense, creativity has become a key element within the company for several reasons:

1. The emergence and spread of ICT has eased access to information. Anyone can access information and maintain contact with other person, which, in turn, has altered the way they interact among agents, through the internet, a more flexible manner. However, information is not of great value if not treated creatively.
2. Companies are increasingly valued more for their knowledge, rather than the physical assets they possess. Knowledge is a result of connection continuous information that leads to new ideas and commercialisation. This process takes place through the creative use of knowledge, which in turn, becomes value for the markets.
3. Strategies for improving efficiency by adjusting the size, internal organization processes and reduction of costs limit the creative capacity of companies. The identification of new ideas and their implementation is the key to the future, and the implementation of this strategy at the domestic level is key to facing the future with success.
4. The expectations of new workers have changed. They demand jobs in which to develop their imagination, inspiration and ideas. If this is not the case, they seek new professional challenges in other organizations. The ability to attract and retain talent, therefore, lies in offering the necessary freedom to the worker to develop their creativity.
5. Currently, all areas covered by the company are subject to the design. The lack of attractiveness of a product design can lead to failure of marketing. However, the creative design addressed from a holistic perspective can lead to the differentiation of a product, brand or even the company with its competitors.
6. The success of a product or a service does not lie in the traditional concept of quality. Consumers, apart from the quality of the product, require a range of extras: novelty; fashionable and aesthetically attractive. That is, offering something extra characteristics compared to other products. This is something that requires high doses of creativity in its development.
7. Creative human resource management with new motivations in turn requires new methods of personnel management that allows the linking of the needs of talented workers to the needs of the company. The new formulas focus on providing greater freedom and responsibility to the talents encouraging a more flexible environment for the development of their creativity.

¹¹ FLORIDA, R. (2002) “The rise of the creative class”. Basic Books.

¹² Ibid.

The CREA BUSINESS IDEA Project: Virtual Business Creativity Cluster

It is in this context, the project CREA BUSINESS IDEA Project has been designed within the European Commission Programme INTERREG SUDOE IVB. One of its aims is to create tools and methodologies that support creativity and the valorisation of ideas for their transformation into business innovation and/or innovative start-ups. This will be achieved through trans-regional cooperation (the development of initiatives and common services) and the exchange of experiences between the partners in the project. In this way, the project seeks to consolidate a common space of cooperation in the areas of competitiveness and innovation through a solid network configuration for the generation, exchange and transfer of innovations and new knowledge.

The project is led by the Economic Development Agency of La Rioja (ADER), involving also the Madrid Development Institute (IMADE), the Foundation for the Advancement of Science and Technology in Extremadura (FUNDECYT), the Andalusian Institute of Technology (IAT), the Chambre de Commerce et d'Industrie du Gers (CCI GERS), the Centro for Business Innovation of Beira Interior (CIEBI) and the Regional Center for Innovation of the Algarve (CRIA). In this way the partnership encompasses entities such as Chambers of Commerce, universities and regional governments; as these entities are actively involved in the implementation of initiatives and working methods aimed at both promoting the generation of business ideas and increasing entrepreneurship support.

This partnership was formed with the objective of responding to the following requirements:

- need to generate business ideas
- need to support the creation of technology-based companies
- extension of support services to rural areas

Furthermore, the planning of content and tasks, and the selection of the partnership, has allowed the whole creative process to be covered, from the birth of a business idea to the creation of a new innovative company. Besides, this feature has without doubt contributed to the generation of a climate favorable to the emergence of networks based on creativity. This is environment in each of the participating regions, through the definition and implementation of several actions, encourages networking and allows the natural consolidation of the Creative Virtual Cluster. The specific objectives were the following:

- Lay the groundwork to create a comprehensive development of creativity which results in the generation of business ideas and their implementation, promoting incubators and university efforts etc.
- Exchange of experiences and knowledge from in-depth analysis of cases of good practice at international level, based on empowerment of entrepreneurial creativity.
- Establishment of networks and collaboration in business creation from regional environment to achieve a transnational dimension.
- Promote the generation of ideas that could lead to new economic activities.
- Valuing the entrepreneur both professionally and socially.
- Create a solid network of collaboration among project partners, to exchange experiences and knowledge about creation and business consolidation from the encouragement of innovative attitudes.

This cluster must be understood as an instrument to promote and develop new working techniques and new tools to be used for the boosting of creativity focused on creating

technology-based companies, so as to generate new working perspectives for the instruments and support infrastructure for the creation of existing enterprises. Specially, we have sought to lay the foundations for an environment conducive to the emergence of networks of creativity as a defining characteristic.

For the definition and implementation of the measures, the mechanisms and existing methodologies and measures have been studied at international level and at regional level along with the collaboration with existing support infrastructure.

The project also has counted on the use of ICTs to facilitate the spread and scope of the project outside the partner regions as well as offering services to businesses and entrepreneurs.

Both of them companies, especially the SMEs needing to incorporate innovations that need to be more competitive, and entrepreneurs, have been the objective of different initiatives. However, it has also been considered necessary that companies and entrepreneurs be aware of the need to undertake and innovate to be more competitive. With this purpose, the project has developed several tools for their disposal to achieve this, along with various manuals or specific support and advice services. The project has also encouraged the participation of enterprises and entrepreneurs in various activities such as seminars and creative workshops.

Practices Prior to the Project

The aim of this chapter is to describe the activities carried out during the CREA BUSINESS IDEA project, for which it has been used as base of information generated throughout the project, documents and publications resulting from the project, activity reports, web, etc.

The aim of this chapter is to describe the activities carried out during the CREA BUSINESS IDEA project. The base of information has been the documents and publications resulting from the project, as well as the activity reports, web, etc. generated throughout the project.

The project has focused on the Creation of a Virtual Cluster to Creativity Support where entrepreneurs have access to a Business Incubator, a Pull of Ideas as well as plenty of resources to support entrepreneurship, both generated under the project (Regional Maps of Creativity Support, International Benchmarking, Best Practices Guide, Handbook of Creativity), information on workshops and roundtable meetings held in the participating regions, as well as the resources incorporated in the Cluster by the users of the community 2.0 and 3.0. As already mentioned, this Cluster has the support of different intermediate entities from the participating SUDOE regions (chambers of commerce, business associations, universities, technology centres etc.) in order to offer advice to entrepreneurs on their initiatives.

The main project activities have focused on four main tasks:

1. *International benchmarking of mechanisms for enhancing business creativity, the support, creation and consolidation of technology companies and/or emerging sectors*

In the initial phase of the project, an international benchmarking study of successful initiatives to promote entrepreneurial creativity and innovation was developed. The case studies focused on initiatives in the United States, Ireland, Finland and Sweden, considering the following aspects:

- Mechanisms and working methods aimed at creating and motivation and entrepreneurial spirit.
- Training of new entrepreneurs and intrapreneurs.
- Support measures at the stage of business set up, technical level and development of specific infrastructure support.
- Financing mechanisms.
- The dynamics of public-private collaboration in the field of promoting the creation of new businesses.

This benchmarking study was used as the basis for developing a Good Practice Guide at international level on measures to promote entrepreneurial creativity and new business creation. In particular the work done in this guide was:

- The identification of 28 cases in Spain, France and Portugal (actions, measures, policies, projects, stakeholders, companies) as good practices in their respective areas.
- Documentation of good practice cases and analysis.
- Presentation of the main conclusions of the benchmarking analysis and recommendations with the aim of transferring the most important aspects.

The target audience for this Guide is focused on potential entrepreneurs, enterprises and intermediary organizations to support, with the aim of raising awareness about the importance of engaging in the broad sense of the word. In this framework, the dissemination activities carried out were:

- 1 day guide presentation in each of the participating regions, attended by entrepreneurs, enterprises, intermediary agencies, universities, etc.
- Dissemination of the Guide among entities such as chambers of commerce, local councils, local development agencies, etc.
- The development of an electronic version of the guide, to be downloaded from each of the website of the participating partners as well as the project website.

These tasks were designed to obtain the following results:

- A better understanding of the mechanisms and working methods aimed at generating business ideas through the work done in developing the Benchmarking and Best Practices Guide.
- An initial meeting with entrepreneurs, businesses, local and intermediate bodies in the context of, first, conducting in-depth interviews for the preparation of the Guide and on the other hand, in the days of presentation.
- Knowledge of successful initiatives to promote entrepreneurial creativity and support the creation and consolidation of companies, both public initiatives at the level of private initiatives.
- Identification of features and performance parameters in business creativity.
- Extraction of lessons towards developing public-private policy to support and encourage creativity and innovation

2. Assessment and enhancement of regional initiatives to generate business ideas, support entrepreneurship and the consolidation and expansion of existing enterprises, exchange of knowledge and experiences

Seven Regional Business Creativity and Entrepreneurship Support Maps were produced along with the creation of Technology Based Companies and expansion of businesses, identifying:

- Initiatives aimed at generating business ideas and business motivation
- Programs to strengthen and consolidate the entrepreneurial activity in existing companies (Intra spin-out, etc.).
- The services of incubators, technology parks, etc. in technical assistance, knowledge transfer, etc.

Regarding to this task, a common working methodology for all partners was established defining the questionnaires of the interviews to be performed (minimum 10) with both companies and intermediary agencies. Regarding the development of creativity and innovation regional maps, the partners carried out important desk work to identify measures, policies, initiatives and projects in each of its regions supporting entrepreneurs and fostering creativity.

From the development of the regional maps, a Global Map of Creativity was drawn up as a compendium of the individual regional maps. In addition, the Global Map reflects the various initiatives, particularly public, which are launched from the regional government, thereby constituting an important tool for the exchange of knowledge in this field.

Finally, as a result of the above, a Creativity and Entrepreneurship Manual was developed. It collects information and support services available in each of the participating regions to support entrepreneurship, creation and consolidation of companies as well as different techniques and working methods that encourage entrepreneurial creativity. This manual is intended as a reference tool for all those who have a business idea which may become a company or diversify into new business lines as it includes information on infrastructure and support services in each of the regions participants.

This task aims to obtain the following results:

- A more thorough understanding of the initiatives, programs and projects in each region of the project, in terms of creativity and innovation both public and private level.
- Interregional knowledge of the various initiatives and policies in other regions participating in the project.
- Identify weaknesses and needs that are common to all regions, and by extension the rest of the space SUDOE, in terms of creativity and innovation.
- Identification of a number of synergies and complementarities between different regions, allowing, as found in the proposal of the project, create a comprehensive support system to support creativity.

All these documents, as outputs of CREA-BUSINES-IDEA, are available on the project website for download in electronic format. Also, the Creativity Handbook is available in print and is being distributed during the various events being organized in the project (workshops, conferences for presentation.)

3. Feasibility analysis for configuring a virtual cluster of entrepreneurial creativity. implementation of experimental trans-regional

The most important activity of these tasks has been the creation of the CREA-BUSINESS-IDEA Virtual Community, where the creation of a virtual incubator and a pull of ideas have been

fundamental structures for the provision of a comprehensive support system for entrepreneurs within the cluster. (<http://www.creabusinessidea.net>).

With the objective of giving substance to the pull of ideas, we have developed several creative workshops in each of the participating regions, including in this bank all the ideas with high commercialization potential. The target audience for the workshops was:

- Students studying technical degrees in the last two years of training and doctoral students with technology-based programs.
- Vocational students.
- Small to medium companies with business lines likely to diversify into new areas emerging.
- SMEs: young and consolidation phase

Also, along with the workshops, various meeting spaces and round tables have been organized between entrepreneurs, enterprises and intermediary organizations to support innovation and entrepreneurship, in order to enhance the exchange of knowledge and the generation of new business ideas.

Finally, agreements between intermediary organizations and specialized companies in the participating regions have been established with the aim of setting up a comprehensive support system intended to promote creativity and support the creation and consolidation of technology companies, within the Business Creativity Virtual Cluster.

4. Promotion, Information and Capitalization

One of the main tasks of the project has been to promote CREA-BUSINESS-IDEA to entrepreneurs, enterprises, intermediary agencies and the society in general through; the publications of press releases: mailings and the organization of Project Presentations.

Furthermore, the project has been widely promoted (not just in the participating regions) through the project website (<http://www.creabusinessidea.com>) in different languages. The website not only displays activities and upcoming events of interest, but also gives access to all the tools and materials developed by the partners of the CREA-BUSINESS-IDEA project.

These communication and dissemination activities have also served to increase knowledge of creativity techniques and mechanisms to support entrepreneurship and innovation in the regions involved.

The specific activities or tasks working towards the dissemination of the project have been:

Promotion information and capitalization

Activity 1:

The Communication and Dissemination Plan Project has been developed, contemplating the actions of internal communication and external communication partnership project. As part of this Communication Plan, the corporate image of the project was designed and an Identify Manual defined which details specifically the logos to be used in all communications and tools developed over project.

It should be mentioned here that the Communication and Dissemination Plan for the Project CREA-BUSINESS-IDEA has been chosen as good practice in the framework of the INTERREG IVB SUDOE.

Activity 2:

The project website www.creabusinessidea.com has been designed and maintained, providing regular updates on news and events (carried out by each partner, specific to the information related to and produced in their region). This site includes each and every one of the tools and reports resulting from the work done by partners in the framework of the CREA-BUSINESS-IDEA project. All these contents are accessible to the general public.

Activity 3:

Design and publication of project communication tools. Concretely, and edited a generic brochure project has been designed and edited. The project partners have produced specific brochures for organized events following the guidelines established in the Communication and Dissemination Plan.

Activity 4:

A link to the Project website has been included in some websites related to members of CREA-BUSINESS-IDEA project.

Activity 5:

Press releases on the launch of the project have been edited. Information about the launch results and the documents and tools designed in the project has also been disseminated.

Activity 6:

Workshops have been held to present the project in the different participating regions.

Activity 7:

Posters have been developed for the CREA -BUSINESS-IDEA project the project using the corporate image and logos of ERDF and SUDOE, in order to be used in workshops, conferences, round tables meeting, etc.

All in all, CREA-BUSINESS-IDEA has been conceived as a project to build from the bottom up, beginning with the identification of existing actions, measures and policies and the observation of the gaps in the promotion of creativity as a prelude to entrepreneurship; to continue with awareness work at two levels: at the level of potential entrepreneurs and at the level of potential

support business innovation services providers. The last step is the creation of an integral support system called Virtual Cluster, based on a web 2.0 and a community 3.0, with the active participation of entrepreneurs, intermediate organizations and Public Administration, as the main driver of policies oriented to business creation.

The CREA-BUSINESS-IDEA Virtual Community

As mentioned above, the objective of CREA-BUSINESS-IDEA is to have a Virtual Community of reference for those interested in creativity and business innovation: a dynamic community with a brand recognized by users.

The short term objectives of this virtual community are:

- Activate processes of creativity, intelligence, deliberation and collective thinking among all users of the Community.
- Promote the use of Creabusinessidea.net so that users can interact, communicate, share views, interests, opinions or experiences and knowledge in terms of creativity and business innovation.
- Achieve national and international recognition for the web site www.creabusinessidea.net as a tool where users can share their experiences throughout their academic and professional career.
- Position the CREA-BUSINESS-IDEA Virtual community in the digital intellectual market (Creativity, Entrepreneurship and Innovation) encouraging conversation (professional network) as an alternative to other traditional methods of communication.
- Getting a critical mass of users by improving the network in the areas of online and offline media to communicate the results in the best cost-effective way during the medium and long term. (flickr, youtube, Twitter, GNOSS, etc).
- Create a meeting place for entrepreneurs, enterprises, intermediary agencies, etc. with the purpose of enhancing the exchange of knowledge and enable collaborative processes at regional and supra-regional level in terms of creativity and business innovation.
- Provide access to advisory services for entrepreneurs, existing in each of the regions participating in the project CREA-BUSINESS-IDEA.
- Become a "Pull of Ideas" where users can insert their creative and innovative ideas and create networks of agents to analyze their viability as a business.

Given the versatility and the applications available on GNOSS, this platform has been used as a basis for the creation of a Virtual Community Project CREA-BUSINESS-IDEA. Gness.com is an online internet company that enables all actors involved (individuals, corporate entities or other organizations) to connect, interact and work according to their interests and preferences. Gness.com provides the necessary tools that allow knowledge management, the sharing of collective thinking and the informal learning.

To this end, a social data network (web 2.0) has been developed, which allows 'gnossonauts' create their own communities, both public and private, and interoperate with its contents. More specifically, among the various activities possible in gness.com, are the following: create your personal identity, create communities and participate in existing ones, find and share content, make contacts and friends to exchange ideas and opinions and share their own experiences, work and think as a team, using widgets and tools and connect to other networks.

Through the use of this tool, the intended results are:

- Position the virtual community MAKE-BUSINESS-IDEA in the first pages of search engines thus constituting the communication and dissemination of virtual community.
- Achieve national and international recognition as a network for exchanging knowledge in creativity and business innovation.
- The construction of personal spaces for learning and working in the field of creativity and business innovation.
- Increase the training of entrepreneurs in terms of creativity, innovation and entrepreneurship, and the generation of ad hoc training environments.
- Set up a comprehensive support system intended to promote creativity and support for business innovation, counting with the participation of companies and intermediary bodies in at least each of the regions participating in the project and with the relevant participation of internationally renowned individuals and entities in the field.
- Wider dissemination of knowledge, especially in areas away from the usual core of innovation, as this is a virtual network, providing the extent of innovation on the areas of the project work.

Analysis of Project Results and Conclusions:

The Project results can be specified in three main areas:

- Create regional and interregional networks to support creativity and entrepreneurship. Encourage creative ideas to generate new business.
- The valuation of the entrepreneur at economical and social level.
- Impulse to the development of an economy an ever more creative and Innovative and therefore more Creative Society.

The activities undertaken have been the basis for creating a comprehensive system of support for creativity, i.e. a system that not only supports entrepreneurs, but also supports the generation of new business ideas, encouraging and facilitating creative talent, as a basis for innovation. These activities have contributed to the achievement of this goal:

- Through the regional map, global map and international benchmarking outlining in detail the measures, policies, infrastructure, initiatives, intermediate bodies and practices, both regionally and nationally and internationally, being developed in order to support the entrepreneurs and to foster creativity.
- The handbook of creativity is an important tool to inform entrepreneurs and business techniques that exist both for generating ideas and for their assessment and subsequent management through innovative projects.
- The project website, the pull of ideas and the support of the virtual incubator for entrepreneurs and creative, both in terms of assessing their own capacity to access relevant information or access to specific services in the regions involved.

Therefore, it can be said that the groundwork has been laid, both through knowledge of what exists as regional gaps and weaknesses in the launch of a comprehensive system that supports entrepreneurs and businesses wishing to innovate.

Also, the INTERREG Programme has arisen from its intermediate objectives as "a solid network configuration for the generation, exchange and transfer of innovations and new knowledge".

This objective is being met through the development of regional maps, especially the Global Map of Creativity and the configuration of the Virtual Business Creativity Cluster.

Given the project approach based on the use of new information and communication technologies (web platforms 2.0 and 3.0., dissemination of knowledge and the tools developed) the exchange of experiences and the provision services, one can conclude that the project has been successfully developed. These elements allow to achieve one of the main objectives of the OP, to achieve greater territorial cohesion through specialized services to support innovation and generators of knowledge.

Therefore, as a conclusion, CREA BUSINESS IDEA has succeeded in generating a greater understanding of the creative techniques not only by innovative companies, but also by companies in more traditional sectors that could use creativity to generate new products and services and also to solve problems related to processes, Human Resources, or their own business organization.

This increased knowledge, has also been strengthened by the project partners, linking the same to different intermediate bodies (universities, chambers of commerce, business associations, etc.), to offer their know-how and inform on support services for creativeness and entrepreneurship through the virtual tools developed.

Finally, CREA BUSINESS IDEA has helped to create a network in Southwest Trans-regional Europe, with all the partners' involvement through the development of methodologies and common tools. One of the solutions to addressing the economic crisis we are now facing is to promote business innovation from the creativity of individuals and organizations.

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Interlocked Boards of Directors in the Biotechnology Industry

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Objectives: The objectives of this paper are twofold: first, we investigate the network structure of interlocked boards in the biotechnology industry, and second we discuss the consequences fostering an effective knowledge transfer.

Approach/Methods: Starting from a concise literature review on learning, knowledge transfer and innovation in the context of the biotechnology industry, the conditions for effective knowledge transfer are derived: (1) the intention to cooperate (2) the absorptive capacity and (3) the existence of a shared knowledge base of the directors in the network. Based on these theoretically derived preconditions, we state our research question: Do the characteristics of the board of directors network in the Flemish and Brussels biotechnology industry meet the necessary preconditions for effective knowledge transfer? The BoD-network is analysed based on the method proposed by Robins and Alexander (2004), developed specifically for an extensive investigation of board networks. In addition, we analyse particular substructures of the network to gain a better insight in organisation-specific opportunities.

Results/Insights: Analysis shows that (1) distances between boards are short, (2) clustering in the whole network is high, and (3) central 'hubs' exist in the network structure. The board network thus meets important conditions for supporting effective knowledge transfer.

Implications for the Community/Industry: The findings of the study improve our understanding of the dynamics of knowledge transfer between organisations and underline the importance of networks within the industry.

Value to the Theme: Our analysis is novel as we use an advanced network analysis method developed specifically to investigate board network characteristics, a method that to date has not been performed on one single industry. The geographical location of the industry studied makes the results of particular interest for researchers active in the field of clustering and the spatial aspects of innovation. A better insight into the networking dynamics of an industry is useful for managers and policy makers active in the biotechnology industry.

Keywords: Networks; board of directors; knowledge transfer; biotechnology industry

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Introduction

Innovation and learning are critical in today's competitive global environment, without which a firm's chances of survival are slim at best. As a result, major scientific effort is undertaken to better understand these phenomena, as well as their drivers and obstacles. In this paper we make a contribution to this literature through the analysis of the characteristics of the network of directors in the biotechnology industry in Flanders and Brussels (Belgium).

We assume that a closely interlinked board of director structure is conducive to knowledge transfer between organisations and thus learning and innovation. In this paper we investigate whether the studied network meets the necessary preconditions for effective knowledge transfer to occur. Exploratory research into the exposed network and its characteristics provides deeper insight and formulate suggestions for future research.

The structure of this paper is as follows. After introducing the biotechnology industry in general and the industry in Flanders and Brussels in particular, a concise literature review on learning, knowledge transfer, innovation and boards of directors (BoD) in the context of the biotechnology industry is presented. From this, the preconditions for effective knowledge transfer to happen within a network are derived: (1) the intention to cooperate (2) the absorptive capacity and (3) the existence of a shared knowledge base of the directors in the network. Based on these preconditions and the characteristics of the board of directors of an organisation, we formulate our research question: Are the characteristics of the studied BoD-network¹³ supportive for effective knowledge transfer in the Flemish and Brussels biotechnology industry? The network infrastructure is then analysed use of the method proposed by Robins and Alexander (2004), developed specifically for the extensive investigation of board networks. In addition, we visually analyse particular substructures of the network to gain a better insight in organisation-specific opportunities. Finally, we explore and discuss some of the characteristics of the network infrastructure. The final section concludes and suggests possible avenues of future research.

The Biotechnology Industry

The OECD defines biotechnology as “the application of science and technology to living organisms, as well as parts, products and models thereof, to alter living or non-living materials for the production of knowledge, goods and services” (OECD, 2005). More commonly, the term “biotechnology” refers to applications of modern biotechnology, i.e. applications of recombinant DNA (rDNA) technology¹⁴. The scientific breakthroughs that led to the birth of modern biotechnology can be traced back to the unravelling of the DNA structure by Watson and Crick in 1953 (based on the work of Rosalind Franklin) and the development of rDNA-technology by Herbert Boyer and Stanley Cohen in 1972 in the San Francisco region. This technology allowed for the introduction of a gene or multiple genes from one organism into another. These genes code for specific proteins, each of which has a specific biological function. By introducing genes into other organisms, the receiving organisms are able to produce alien, i.e. non-self proteins. The number one example of a successful rDNA technology application is the production of human insulin by hamster ovarian cells. This product was developed by the (now) world-renowned biotechnology company Genentech (founded in 1976 in San Francisco, CA, by Herbert Boyer and Robert Swanson) and was marketed by Eli Lilly. During the late 70s and early 80s a number of highly successful companies were founded based on these newly developed technologies. Some of these first generation companies have grown into successful

¹³ If one director is part of more than one board, two firms are connected. All of these connections together make up the BoD-network infrastructure.

¹⁴ In order to exclude “traditional” applications of biotechnology from its study of modern biotechnology, the OECD has further refined its definition towards modern biotechnology. This list-based definition will be further explained in the section “Data”.

pharmaceutical companies, such as Amgen or Genzyme, while others have been acquired by established players in the pharmaceutical industry (e.g. the acquisition of Genentech by Roche in March 2009). As the technology matured, the nature of its applications began to diverge from the initial focus on health care and agriculture. The application fields of biotechnology are now commonly identified by their colour; red (health care), green (agriculture) and white (industrial) biotechnology.

Although several major scientific breakthroughs in the field of biotechnology were achieved in Europe –such as the development of the monoclonal antibody production technology by Kohler and Milstein in Cambridge in 1975– the continent’s biotechnology industry was unable to catch up with the United States. Despite huge government efforts, the European biotechnology industry cannot compete with its US counterpart in terms of revenue, R&D expenses or employment, as shown in table 1. In addition, only the US biotechnology industry generates a positive net income (Ernst & Young, 2009). Nonetheless, Europe has a higher rate (50%) of new company formation than the more mature US biotechnology industry, indicating a possible catch-up effect (Critical I, 2006, Ernst & Young, 2007). The OECD Biotechnology Statistics Report 2009 (van Beuzekom & Arundel, 2009) indicates that in term of absolute numbers of biotechnology companies, the EU leads with 3.377 biotechnology companies, closely followed by the United States with 3.301 companies. Japan (1.007), Korea (773) and Australia (527) complete the top five.

	Global	US	Europe	Rest of World
Revenues	86.648	66.127	16.515	7.006
R&D expense	31.745	25.270	5.171	1.304
Net income (loss)	(1.443)	417	(702)	(1.157)
Nr. of Employees	200.760	128.200	49.060	23.500

Table 1: Public Company Data (million USD), adapted from Ernst & Young, 2009

The Flanders and Brussels Biotechnology Industry

The history of the Flanders and Brussels (two semi-autonomous administrative regions in Belgium) biotechnology industry is closely entwined with the history of the global biotechnology industry as world-class research was undertaken in the region’s universities. For example, Walter Fiers of Ghent University and his team performed the first sequencing of a viral gene and of a complete viral genome in the early seventies. The first genetically modified plant in the world was grown in a greenhouse near Ghent in the early eighties using the technology developed by Marc Van Montagu and Jeff Schell of Ghent University. One of the first successful first generation biotechnology drugs was a biological molecule called tPA, which was developed by Genentech but discovered by Desiré Collen of Leuven University. The presence of this scientific excellence quickly resulted in commercial biotechnology activity. The founding of Plant Genetic Systems (the second green biotechnology company in the world) in 1982 and Innogenetics (the first European biotechnology company to go public in 1996) in 1985 are among the most remarkable success stories of the region’s biotechnology industry in the eighties. Despite these early successes, the formation of new successful biotechnology companies in Belgium declined to virtually zero at the beginning of the 90s, apart from the foundation of Thromb-X (now Thrombogenics) in 1991.

Only in the second half of the 1990’s did new company formation pick up again. One of the main drivers for this reversal was that government support for the biotechnology industry grew, resulting in several action programs aimed at supporting company formation (e.g. Biotech Fund Flanders, 1994) and the creation of a research institute, the Flanders Interuniversity Institute for

Biotechnology (VIB), in 1996. A noteworthy detail of the latter is that it is a virtual research institute grouping the top university biotechnology laboratories of Flanders. VIB provides these laboratories with structural funding for basic research and has a centralised management and technology transfer cell. Next to being a centre of excellence in biotechnology research, a number of highly successful spin-offs were created based on technologies originating from VIB laboratories. As a result, the Flemish biotechnology industry now boasts world-class research and is highly dynamic with thriving start-ups and spin-offs in a large set of biotechnology application fields. Furthermore, the region is home to subsidiaries of large international biotechnology (such as Genzyme and Amgen), pharmaceutical (such as J&J and Pfizer) and chemical (such as BASF and Bayer) companies and an extensive group of service companies such as specialised law firms, equipment and reagent vendors developed around the core biotechnology companies.

Knowledge Transfer and Innovation

To prosper in a changing environment, firms continuously need to learn and adapt. Firms outperform markets in the sharing and transfer of knowledge (Kogut and Zander, 1992) since, within organisations, hierarchical structures exist to guide and facilitate this interaction (see also Alavi and Leidner, 2001). Indeed, it has been argued that the principal role of the firm is as integrator of knowledge (Grant, 1996). To remain competitive, this learning should go beyond mere problem solving and should focus on creating new knowledge, i.e. innovation. In addition, learning and innovation occurs inside as well as outside the firm's boundaries (Cohen and Levinthal, 1990; Hitt, et al., 2000,). Indeed, for new biotechnology firms, it has been shown that the use of boundary spanning social networks increases the firms learning and flexibility (Liebeskind et al., 1996).

Rather than firms learning and innovating, knowledge originates with individuals. Learning occurs as people interact and validate or falsify their ideas. Before any learning, or interaction in general can take place, the intention to collaborate of all parties involved in the process should be present. Importantly, people differ in their mental maps and have acquired different experiences, which makes that, if they are allowed to interact autonomously, the probability of innovation increases. However, for meaningful interaction to occur actors should share at least some knowledge base (i.e. redundancy) and exhibit limited cognitive distance (i.e. absorptive capacity) (Cohen and Levinthal, 1990). Differently put, individuals need to share a common knowledge base without which no basis exists to mutually expand knowledge upon. Furthermore, for any learning to take place, the actors should exhibit similar absorptive capacities (i.e. low cognitive distance). This means that the actors should be able to recognize, exploit and utilize external knowledge for effective knowledge transfer to occur (Hitt, et al., 2000). Given the diverse knowledge base and absorptive capacities, some firms may become central nodes or gatekeepers in a hub and spoke system (Giuliani and Bell, 2005). A final, yet less critical, condition derived from the literature is that the number of actors should not be excessive (Kogut and Zander, 1992; Grant, 1996, Nonaka, 1994 estimate an upper limit of 30 individuals) in order not to hamper direct and continuous interaction. This limited size facilitates the build-up of trust between parties, an aspect considered vital for the exchange of tacit knowledge and for the creation of a shared culture that facilitates the knowledge transfer process (Grant, 1996). Furthermore, Singh (2005) looks at the role of interpersonal networks of inventors in determining knowledge diffusion pathways and finds that "the existence of a tie [formal link between two inventors, red.] is found to be associated with a greater probability of knowledge flow, with the probability decreasing as the path length (geodesic) [social distance, red.] increases" (Singh, 2005). Furthermore, literature on relational capital, geographical clusters and innovation systems emphasizes the importance of "proximity" from a social or

physical point of view (e.g. Maskell, 2001, Grant, 1996, Swann & Prevezer, 1996, Coenen et al, 2003).

This implies that knowledge exchange does not happen automatically, and that not all participating parties will contribute or profit equally. In summary, critical preconditions for effective learning and innovation to occur are (1) the intention to cooperate (2) the absorptive capacity and (3) the existence of a shared knowledge base of the actors (see also Alavi and Leidner, 2001).

As soon as a firm has decided that it is individually not capable (or willing) to undertake an innovation project alone, it has to seek an external partner and a method of (co)operating. In this paper, we focus specifically on proximate partners (geographically or relationally) to cooperate in a non-contract fashion. Thus, we exclude cooperation with a firm's headquarters, alliances etc. It should be noted that extra-firm innovation does not occur as a result of market forces only (Humphrey and Schmitz, 2000). Thus, unlike Marshall's agglomeration benefit of trade secrets being in the air (Marshall, 1920), Humphrey and Schmitz argue that a central actor (policy makers, a cluster organisation, lead firms) is crucial for meaningful innovation to occur. A strong BoD-network in the industry can be looked at as a central actor within an industry (Lyson and Raymer, 2000; Davis and Mizruchi, 1999) and thus is conducive for effective knowledge transfer.

The Board of Directors (BoD) Network

For the selection of board members, organisations often have to rely on a limited group of potential candidates already known to the organisation and its directors. Consequently, executive staff and board members of an organisation tend to address their personal and professional contacts to identify, motivate and select potential candidates. By inviting professional contacts from similar and linked organisations, an interlinking of organisations is observed. This phenomenon of 'interlocked boards of directors' (Dooley, 1969), referring to directors being member of at least two different boards, has been studied extensively (a.o. Lyson and Raymer, 2000; Davis and Mizruchi, 1999). Interlocking directors are argued to be the connections between boards, crucial for information exchange, diffusion of management and governance practices, and for the initiation and decision making on collaboration projects (Cohen, Frazzini and Malloy, 2008; Davis and Greve, 1997; Davis, Yoo and Baker, 2003). Furthermore, several authors have been studying the characteristics of interlocked board networks (Baum, Rowley and Shipilov, 2004; Conyon and Muldoon, 2006, 2008; Davis and Greve, 1997; Davis, et al., 2003; Watts and Strogatz, 1998).

In this paper, we choose to study the board of director (BoD) network of the Flemish and Brussels biotechnology industry in order to analyse knowledge transfer between biotechnology organisations in the region. This formalised network between organisations on a strategic level is crucial for knowledge transfer between organisations to occur in light of the necessary preconditions listed above. This network (1) formalises the intent to cooperate, (2) is built on a shared knowledge base and (3) induces a limited cognitive distance are present or shared among all actors in the BoD-network (see above). Firstly, the intention to contribute (1) is inherent to an interlocked board position. Sharing board positions indicates collaboration between two organisations on the highest strategic level, allowing for the transfer of strategic information between both organisations. Establishing the interlock and mutually allowing it shows the intention of the involved organisations to collaborate. Secondly, people in the board positions are chosen for their specific knowledge and reputation within an industry. In their paper, Audretsch and Lehmann (2006) introduce a new role for the Board of Directors as helping the entrepreneurial firm access and absorb external knowledge spillovers. The results

of their study suggest: “that a strategy deployed by entrepreneurial firms is to select boards and managers with the human capital and knowledge capabilities to contribute to the access and absorption of external knowledge spillovers” (Audretsch & Lehmann, 2006). This selection criterion used when attracting directors to the organisation results in a shared knowledge base (2) among the board members. This also indicates that the third precondition, the absorptive capacity of the board members (3), which relates to the capacity to express, convey and interpret signals of others, is assumed to be sufficient for knowledge transfer to occur. Since, as the ultimate goal of the board is to take decisions on strategic matters, directors are selected based on their capacity to make informed strategic decisions. The board of directors meets on a regular basis and face to face. These intensive contacts on biotechnology related topics, guarantees a limited cognitive distance between the directors in the network.

With the BoD-network as our focal base for the study of knowledge transfer, the network’s structural characteristics will be investigated in order to assess the potential effectiveness of knowledge transfer enabled through this network. In order to do so, three important structural network characteristics are studied, i.e. clustering, path lengths and the presence of hubs. Depending on the strength of these structural characteristics, and building on seminal contributions from literature related to these characteristics (Baum, Rowley and Shipilov, 2004; Cohen, Frazzini and Malloy, 2008; Conyon and Muldoon, 2006, 2008; Davis and Greve, 1997; Davis, Yoo and Baker, 2003; Watts and Strogatz, 1998), the potential effectiveness of knowledge transfer for the BoD network of the Flemish and Brussels Biotechnology industry is investigated. As a result the following hypotheses for the studied networks are formulated:

Hypothesis 1 (H1): Clustering is significantly strong in the BoD-network of the Flemish and Brussels biotechnology industry (or; Clustering is significantly higher than what would be expected compared to a randomly generated set of reference networks)

Hypothesis 2 (H2): The median path length is significantly short in the BoD-network of the Flemish and Brussels biotechnology industry (or; the median path length is significantly shorter than what would be expected compared to a randomly generated set of reference networks)

Hypothesis 3 (H3): There are a substantial number of hubs in the BoD-network of the Flemish and Brussels biotechnology industry (or; the number of hubs is significantly higher than what would be expected compared to a randomly generated set of reference networks)

Since the characteristics of the network are represented by the configuration counts and their extremeness (see further) of the studied network (which falls apart in a 2-mode network and two 1-mode networks), these parameters will be interpreted together. Being able to accept all three hypotheses would support the claim that the respective networks of the Flemish and Brussels biotechnology industry possesses the characteristics that enhance effective knowledge transfer among organisations in the network.

Methodology

In order to investigate the potential effectiveness of knowledge transfer in the studied BoD, and to test the hypotheses, three interlinked analyses are performed. Firstly, a visual representation of the network will be explored. Subsequently, we will look at the occurrence of several network configurations, based on the method of Robins & Alexander (2004). Finally, we will look at differences between linked and non-linked organizations.

Important contributions on the analysis methods for 2-mode board networks were made by Conyon and Muldoon (2006, 2008) and Robins and Alexander (2004). To objectively compare

different networks, Robins and Alexander (2004) provide a method for assessing specific network characteristics. Given our aim to gain insight in the biotechnology BoD-network as a whole, but also in its different subparts, the Robins and Alexander method is appropriate. This method enables conclusions on the 'extremeness' of observed network characteristics compared to averaged characteristics of a set of randomly generated networks with a similar number of nodes and ties. The method proposed by Robins and Alexander (2004) takes a more elaborate approach, compared to the methods developed by Watts and Strogatz (1998) and Conyon and Muldoon (2006, 2008), as it combines a set of network characteristics of the 2-mode network (board – director network) with those of the two 1-mode networks (board – board and director – director networks).

The method of Robins and Alexander (2004) allows for analysing clustering among actors, the median path length between nodes and the prevalence of hubs. Clustering can be considered as the probability of two nodes of the same type (boards or directors) being linked when they both share the same neighbour (Conyon and Muldoon, 2006, 2008). The median¹⁵ shortest path (also referred to as the geodesic) of a network is the median of all existing shortest paths between any possible combinations of two nodes in a network infrastructure. A hub is a node with a high number of connections to other nodes.

The director-board network studied in this paper consists of two separate levels: "boards" and "directors". This is referred to as a 2-mode network where directors and boards are linked through board memberships. The network at hand is an 'affiliation network' where actors on one level, i.e. the directors, are affiliated with actors on another level, i.e. the boards. Hence, such an affiliation network is a set of two kinds of nodes, with links between different kinds of nodes and no direct links between similar nodes. Furthermore, the board-board network and the director-director network are studied. The 1-mode board network is the network where boards are directly linked when they share at least one director. The 1-mode director network is the network where directors are directly linked when they are both part of the same board of directors.

Firstly, the network infrastructure is drawn (see figure 3) for the total population, based on the board composition of the population. Secondly, the method counts the prevalence of several network configurations within the observed network. An overview of the counted network configurations is presented in figure 1 and 2. These smaller network configurations are categorized as 'stars' (SXX), 'three-paths' (L3) and 'circles' (C4). These parameters on actually observed network configurations are interpreted in combination with each other to develop a better understanding of the properties of the total actual network.

¹⁵ Watts and Strogatz (1998) and Conyon and Muldoon (2004, 2008) use the average shortest path length instead of the median.

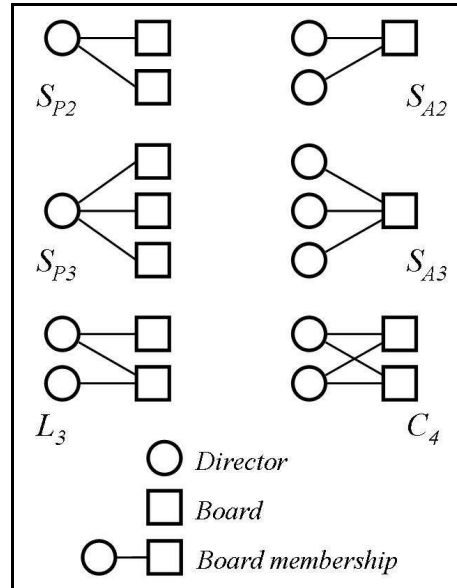


Figure 1: network configurations in the 2-mode network (Robins & Alexander, 2004)

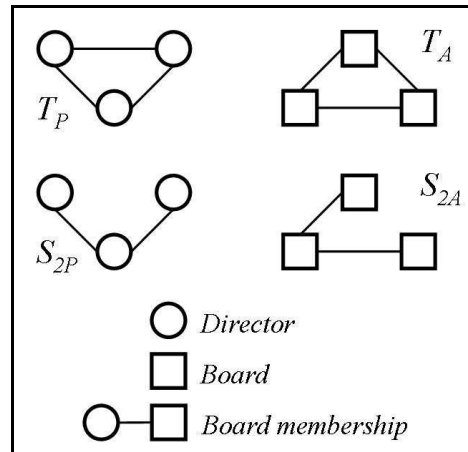


Figure 2: network configurations in the 1-mode networks (Robins & Alexander, 2004)

Robins and Alexander (2004) propose $C = 4 \times C4/L3$ as a clustering coefficient for affiliation networks. Thus, C indicates the proportion of multiple links between boards (and between directors) compared to the total number of times two boards and two directors are linked. This parameter enhances the understanding of the strength (or even of the redundancy) of relations between boards (or between directors). Finally, the median of all shortest paths (geodesics) between actors in the affiliation network is calculated. The differences in path lengths and whether they are odd or even¹⁶, clarifies the different kinds of flows and transition processes of practices and decisions through interlockers (individuals as the vehicle for practices and decisions on an organisational level; odd path lengths), or of information, knowledge and experiences of directors in board meetings (exchange on an individual level; even path lengths). Finally, the calculated parameters of the network infrastructure are tested for 'extremeness' by comparing them with the parameters obtained from a set of simulated reference networks. This set of reference networks is generated by a randomization procedure based on Snijders and van Duijn (2002). Based on a Z-test, the 'extremeness' of the configuration counts of the

¹⁶ Path lengths between any board and any director are always odd, while path lengths between the same type of nodes are even. Two steps between nodes of the same type in the affiliation network equal a single step in the corresponding 1-mode network.

observed network is compared to the distribution of configuration counts of the set of randomly generated networks.

In this study several parameters will be calculated according to the method proposed by Robins and Alexander (2004) and interpreted (together) in order to test the hypotheses stated above. For the 2-mode network (board – director), the following parameters are calculated and analysed; for clustering: SA2, SA3, SP2, SP3, L3, C and C4; for path length: L3 and the geodesic; and for hubs: SA2, SA3, SP2 and SP3. For the 1-mode board network (board – board), the following parameters are calculated and analysed; for clustering: S2A, CA and TA; for path length: geodesic; and for the hubs: S2A. For the 1-mode directors network (director – director), the following parameters are calculated and analysed; for clustering: S2P, CP and TP; for path length: geodesic; and for the hubs: S2P.

Data

The Flanders and Brussels Biotechnology Organisations

The focus of this research is on the core biotechnology players, i.e. biotechnology companies and academic institutions in the Flemish and Brussels region. The population used for this research is based on a list of biotechnology organisations in Flanders and Brussels composed by FlandersBio¹⁷, the Flanders biotechnology umbrella organisation. All organisations on the list are organisations involved in life sciences R&D and/or -production in Flanders and Brussels, as well as universities, research institutes and service providers (capital providers, lawyers, equipment sellers, etc.). The latter category was excluded from the list since it included only FlandersBio members and did not represent the whole industry. Biotechnology companies on the list were included based on the OECD list-based definition of the modern biotechnology industry used in the report “OECD Biotechnology Statistics 2009” by van Beuzekom & Arundel (2009) and developed in the paper “OECD Framework for Biotechnology Statistics” (OECD, 2005), “which proposes definitions, standards and a conceptual framework for collecting internationally comparable data on biotechnology.” (van Beuzekom & Arundel, 2009). The list-based definition narrows the more general definition of what biotechnology is (see above) and provides a list of biotechnology techniques as an interpretative guideline for reporting agencies¹⁸. This list-based definition was used to compose the population of biotechnology companies used in this paper, listing all modern biotechnology companies in Flanders and Brussels with modern biotechnology R&D and/or production (as 1-100% of their activities).

One company was deleted from the list since it had been acquired. Companies appearing on the list but not officially located in Flanders or Brussels were removed. One company was removed from the list because the identity of its directors could not be retrieved.

The literature (a.o. Liebeskind et al., 1996, Swann & Prevezer, 1996) stresses the importance of universities and non-for-profit research centres as drivers of innovations in the biotechnology industry. Therefore, the four Flemish and two Brussels universities were added to the list, as well as two relevant research centres, the VIB (Flanders Interuniversity Institute of Biotechnology) and IMEC. Regarding the VIB, which is a semi-virtual research centre with a central headquarter and research laboratories spread over four universities, the board of directors as well as the professors and principal investigators in different research departments were taken into account. In a last step, all the academic hospitals in the region were added.

¹⁷ <http://www.flandersbio.be>

¹⁸ The techniques included in the OECD list-based definition are: DNA/RNA techniques, proteins and other molecules, cell and tissue culture and engineering, process biotechnology techniques, gene and RNA vectors, bioinformatics and nanobiotechnology

One of the academic hospitals has no official board of directors as the hospital forms an integral part of the parent university and is therefore eliminated from our population.

This results in a population of 152 biotechnology organisations active in six sectors in the Flanders and Brussels region. The distributions of all organisations according to their sector can be found in table 2 below. Almost half of the organisations in our population are active in the healthcare industry.

Industry	Count	Relative
Healthcare	74	48,68%
Agro & breeding	17	11,18%
Industrial products, processes & bio refinery	33	21,71%
General	10	6,58%
Academic	13	8,55%
Academic Hospital	5	3,29%
Total	152	100%

Table 2: biotechnology organisations in the population by industry.

The Composition of the Board of Directors

The composition of the board of directors for all companies was retrieved from the most recent financial statements available. These statements were consulted online at the website of the National Bank of Belgium¹⁹. Regarding the universities and academic hospitals, the composition of the board was found online at the organisation's website or through direct contact with the institutions. All board memberships were assigned to "natural" persons, rather than to the organisation they represent. As stated above, this study aims at investigating knowledge transfer as a process of persons rather than as an inter-organisational process. This may have left out some connections between boards, such as an investment company investing in two different companies but being represented by two different investment managers in the boards of the portfolio companies. Although the authors readily acknowledge that the investor network is highly relevant in this industry and for knowledge exchange to occur, the methodological approach of this paper is less suited to include this industry. Since, in biotechnology, venture capitalists (VC) mostly act as a syndicate of investors with one lead investor. Often, there are less board seats available than there are investors investing in the company.

In some companies, a certain board member was represented twice in the board of directors (once as a "natural" person, once as representative of a company). In this case, that particular board member was included only once in the network.

The 152 companies in the population have in total 1127 positions on their boards (on average 7.4 directors per company), which are shared by 1018 persons. Table 3 shows the number of directors sharing multiple board positions in the Flemish and Brussels biotechnology industry. It can be observed that 85 out of 1018 (8.35%) individual directors are member of multiple boards and only 13 directors out of 1018 (1.28%) have more than two positions.

¹⁹ <http://www.nbb.be>

Board positions per director	Number of Directors	Relative
1	933	91,65%
2	72	7,07%
3	7	0,69%
4	3	0,29%
5	1	0,01%
6	2	0,02%
Total:	1018	100%

Table 3: number of directors having multiple Board of Directors memberships.

Results and Discussion

Visual Analysis

In figure 3, a visualisation of the biotechnology industry BoD-network infrastructure is given. Rectangles represent boards while the rounds represent directors. The connectors between rectangles and rounds represent the membership of the director to a certain board. As stated above, only those combinations where a director (rounds) had two or more memberships to different boards (network infrastructure) were taken into account when setting up this network infrastructure.

Ten independent network components are shown (numbered 1 through 10), with the largest connected component (LCC), component 2, incorporating 113 network actors: 50 boards, i.e. 70.42% of the boards in the network infrastructure, and 63 directors, i.e. 74.12% of the directors in the network infrastructure.

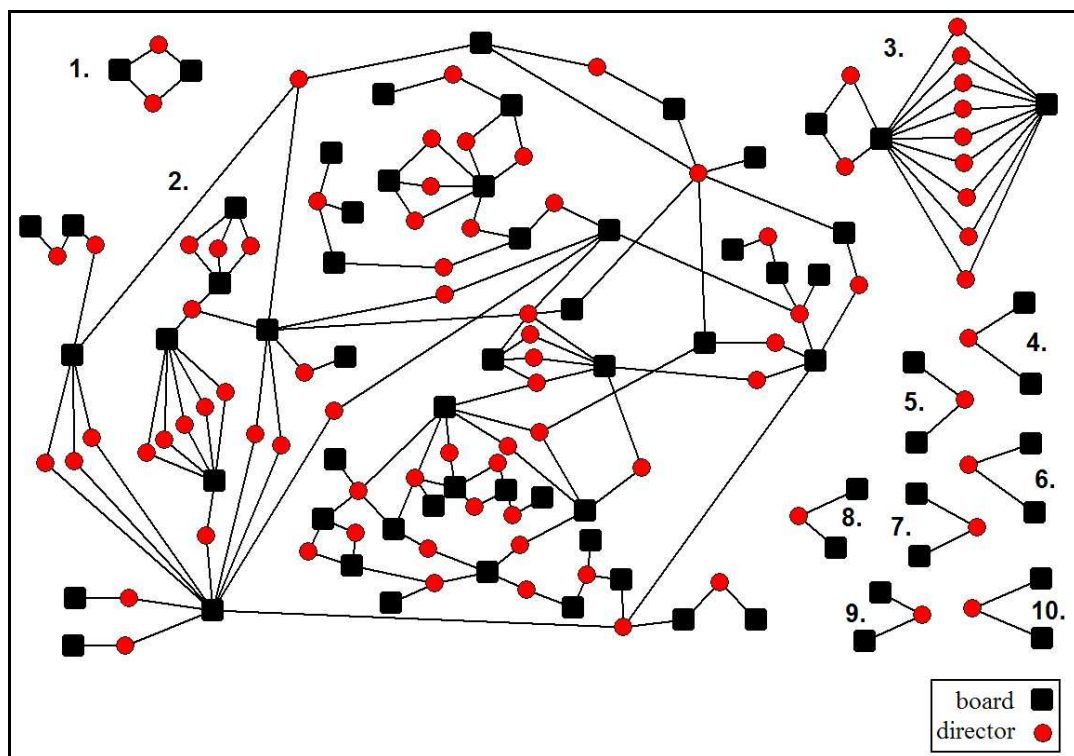


Figure 3: The Flanders and Brussels biotechnology industry network infrastructure²⁰.

²⁰ Figure generated with UCInet/NETDRAW

Several cases of ‘multiple linking’ are observed. Multiple linking occurs when a set of several directors are member of the same two boards. It should be noted that these infrastructures contribute to a large extent to the extreme values of the configuration counts observed and discussed in the next paragraph. For example, in component 3 we see two organisations (a university and its university hospital) sharing 9 directors, accounting for 37 of the 72 C4 configurations counted (see below).

Results according to the Robins and Alexander (2004) Method

Table 4 shows the configuration counts of the observed network (Observed), the distribution of configuration counts of the simulated reference networks (Simulated Distribution), i.e. mean and standard deviation, and the Z-scores (Z-score) for both the affiliation network (2-mode network, board – director) and the two 1-mode networks.

	Observed	Simulated Distribution	Z-score
Affiliation Network Statistics			
SA2	339	226,39 (11,99)	9,388***
SA3	574	177,17 (35,2)	11,273***
SP2	139	125,94 (1,9)	6,884***
SP3	53	25,25 (4,47)	6,211***
L3	905	602,77 (35,45)	8,526***
C4	72	2,52 (1,66)	41,927***
C	0,318	0,017 (0,01)	27,865***
Median Geodesic (Affiliation Network)	6	6,99 (0,24)	-4,024***
Derived Networks Statistics (1-m. Board)			
S2A	450	450,06 (35,9)	-0,002
TA	60	30,09 (5,45)	5,491***
CA	0,400	0,2 (0,03)	7,857***
Median Geodesic (1-m. Board)	3	3,88 (0,33)	-2,642**
Derived Networks Statistics (1-m. Director)			
S2P	2150	1210,94 (174,82)	5,372***
TP	489	182,23 (36)	8,520***
CP	0,682	0,448 (0,03)	8,146***
Median Geodesic (1-m. Director)	3	3,15 (0,36)	-0,420

** $p(Z > 1,645) = 0,05$

*** $p(Z > 3,09) = 0,001$

Table 4: Observed and simulated counts for the Flanders and Brussels biotechnology industry BoD-networks

Hypothesis 1 (H1): Clustering is significantly strong in the BoD-network of the Flemish and Brussels biotechnology industry (or; Clustering is significantly higher than what would be expected compared to a randomly generated set of reference networks)

All 'clustering' configuration (SA2, SA3, SP2, SP3, L3, C4, C) counts of the observed 2-mode network show extreme²¹ values compared to the set of randomly obtained counts. This means that all configurations occur in reality more often than what would be expected. This can be attributed to the fact that (1) some organisations have boards with a large group of 'strong networkers' among their directors and (2) in several cases 'multiple linking' is visible between sets of boards (especially between universities and their respective university hospitals, (Antwerp, Brussels, Ghent). For the 1-mode board networks, the vast majority of configuration counts for clustering, namely CA, TA, CP and TP, show extreme values compared to the generated reference networks, only the configuration count for S2A in the 1-mode board network does not show any significant deviation of what can be expected. In conclusion, Hypothesis 1 is accepted.

Hypothesis 2 (H2): The median path length is significantly short in the BoD-network of the Flemish and Brussels biotechnology industry (or; the median path length is significantly shorter than what would be expected compared to a randomly generated set of reference networks).

It is observed that for the distance indicator (geodesic) of the 2-mode network and the 1-mode board network, the actual counts are shorter than expected, indicating that path lengths are shorter than what would be expected from random simulation, which is the condition to consider actual path lengths 'short' (Robins and Alexander, 2004; Conyon and Muldoon, 2006 and 2008). For the 1-mode director network, the median geodesic shows no significant difference with the expected median geodesic. Nonetheless, since extreme values are witnessed in two out of three networks, Hypothesis 2 is accepted.

Hypothesis 3 (H3): There are a substantial number of hubs in the BoD-network of the Flemish and Brussels biotechnology industry (or; the number of hubs is significantly higher than what would be expected compared to a randomly generated set of reference networks).

Regarding the indicators to interpret in order to draw conclusions on the amount of 'hubs' present in the BoD-network, most indicators in the 2-mode network as well as in the 1-mode networks show extreme positive counts. Only the amount of stars (S2A) in the 1-mode board network shows no significant difference from what is expected. Nonetheless, since extreme values are witnessed for all but one indicator in the three networks, Hypothesis 3 is accepted.

Taking these results into account, we conclude that in general clustering is high and path length is short in the studied BoD-network. Furthermore there is a disproportionately high amount of important hubs in the BoD-network. Overall, it is concluded that the studied network infrastructure is strong and that there will be a high degree of effective knowledge transfer within the Flemish and Brussels biotechnology industry.

Largest Connected Component (LCC)

As noted in the visual analysis, component 2 is by far the largest component in the network infrastructure, warranting an exploratory investigation into its composition. In table 5 and 6, the results of a chi-square test that was performed in order to investigate the heterogeneity of the LCC with respect to the composition of the population (see table 2) are presented.

²¹ Counts are considered extreme when Z-scores are outside the range of [-2,2] (Robins and Alexander, 2004).
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Industry: LCC	Observed N	Expected N	Residual
Healthcare	33	24.3	8.7
Agro & breeding	4	5.6	-1.6
Industrial products, processes & biorefinery	2	10.9	-8.9
General	2	3.3	-1.3
Academic	6	4.3	1.7
Academic Hospital	3	1.6	1.4
Total	50		

Table 5: LCC chi-square test, frequencies

Industry: LCC	
Chi-Square score	13.074
Degrees of freedom	5
Asymptotic significance	.023

Table 6: LCC chi-square test, test statistics

When looking at the nature of the organisations (in terms of their main industry of activities), the composition of the LCC differs significantly from the composition of our population. Specifically, “healthcare” companies are overrepresented while biotechnology companies active in “industrial products, processes and biorefinery” are underrepresented. A possible explanation may lie in the fact that the Flemish healthcare biotechnology industry is more mature than the industrial biotechnology industry (indicated by the larger share of healthcare companies in the population). As a result, the former industry might be more induced to a sharing of board members and interlinking of organisations. Another possibility is that industrial biotechnology is mainly confined to larger corporations, and not a game of SMEs, which are typical for the healthcare biotechnology industry. Being larger, these industrial biotechnology companies may be able to draw from a larger pool of eligible directors. In addition, the biotechnology healthcare industry is strongly dependent on Venture Capital (private investors), which may result in several investors seating in multiple boards and thus in a more interlocked BoD-network. For reasons already stated above, the VC-network in the biotechnology industry cannot be studied through investigating the BoD-network. Further research into the board of directors’ network and its properties, using appropriate methodology, should be performed.

Future Research

Several interesting points of attention and directions for future research were identified. These include improving the understanding of the different roles of organisations and directors, especially the role of hubs, in the network. Also, the heterogeneity of our population related to the heterogeneity of the LCC indicates that the industry in which biotechnology organisations are active plays a role in whether effective knowledge takes place through the BoD-network. In general, a more complete view on the characteristics of the organisations in the network will gain further insight in the industry, innovation and clustering dynamics. Therefore, more networks, such as the investor network, physical distance network, social networks etc. should complement the current analysis. Several authors (e.g. Lundvall, 1992, Coenen, et al, 2003) mention that the innovation process is highly socially and spatially embedded and that looking at only one dimension in this process, as we do in this study, is just a first step in gaining a better understanding in the matter. An avenue of future research would be to relate the characteristics of the network infrastructure to the performance of the organisations in the network infrastructure.

Conclusions

In this paper the network characteristics of the BoD-network infrastructure of the Flanders and Brussels biotechnology industry were investigated. The aim of this paper was to investigate whether this network's characteristics meet the necessary preconditions to facilitate effective and efficient knowledge transfer and innovation between all biotechnology actors in the network. These necessary preconditions were derived from the literature on learning, knowledge exchange, innovation and boards of directors and are (1) the intention to contribute (2) a shared knowledge base and (3) the absorptive capacity of all parties involved. The board of directors network was chosen since the BoD-network meets these three preconditions. We then hypothesised that if the BoD-network studied would prove to be a strong network, it would meet the necessary preconditions to facilitate a high degree of effective knowledge transfer between the biotechnology organisations in the population. In order to investigate the relevant networks, the 2-mode and two 1-mode networks, the methodology developed by Robins and Alexander in 2004 was used. This analysis shows (1) that clustering in the whole network is high, (2) that path length between the boards is short and (3) that a disproportionately amount of central 'hubs' exists in the network infrastructure. Therefore, we conclude that the biotechnology board network meets the important preconditions for supporting effective knowledge transfer to take place. Since, the studied BoD-network is a strong network, and we assume that there is a high level of effective knowledge transfer between the actors in the network.

Furthermore, some exploratory research into the network infrastructure and the largest connected component (LCC) was performed. Several interesting points of attention and directions for future research were identified. These include improving our understanding of the different roles of the organisations and directors, and more specifically at central actors or hubs in the network. Also, the heterogeneity of our population related to the heterogeneity of the LCC indicates that the industry in which the actors in our network infrastructure are active might play a role. It seems for instance that Flanders and Brussels show a relatively high degree of interlocked boards of directors in the healthcare biotechnology industry, while companies active in industrial or white biotechnology are underrepresented in the LCC.

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The Impact of Economic Reforms on Entrepreneur`s Performance: A Study of Small and Medium Enterprises in Kaduna (Northern Nigeria)

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Abstract

The paper is a cross sectional study of small and medium (SMEs) firms operating in Kaduna-Nigeria. The research is grounded on the need to determine the impact of economic reforms policies and its effects on small and medium enterprise performance. The Study is qualitative in nature, therefore reviews the different reforms and its policy measures. The study notes that, these policies were drafted so as to enhance greater innovative skills improve productivity and increase SMEs accessibility to finance. Data were sourced from both primary and secondary sources. The population of the study is 350 SMEs. This represents all SMEs that survive the economic reform period in Kaduna, Northern Nigeria. Out of this, 180 registered entrepreneurs were sampled. Statistical forms of analysis were used to test whether the aspect of the economic reforms and its policies had any impact on SMEs growth in Kaduna- Nigeria. The study finds that, the greater impact of economic reform`s policies are yet to be felt by the small sized entrepreneurs despite the different draft of policies and guidelines by government and its agencies. This was as a result of inappropriate procedure that were not followed on the policies, lack of clear implementation of the guidelines, and more so, absence of planning and harsh operating environment. It is the recommendation of this paper that polices should not be on paper but in practice so as to improve and bring out the best of entrepreneur`s performance on skills and innovation which will be in line with fostering the economic growth of the country.

Keywords: Economic reforms, entrepreneurs, SME`s, growth and development

1. Introduction

Small and Medium Scale Enterprises (SMEs) have over the years attracted global interest. These include investors, academicians, government, consumers and researchers among others. The interest could be linked to the significant role they play in all economies of the world. SMEs are key generators of employment and income, drivers of innovation and growth. In the (OECD, 2007) area, “SMEs employ more than half of the labour force in the private sector. In the European Union, they account for over 99 % of all enterprises. Furthermore, 91 % of these enterprises are micro-firms with less than 10 workers”. Given their importance in all economies, they are essential for the economic recovery.

Many economies, developed and developing have come to realize the value of small businesses. They are seen to be characterized by dynamism, witty innovations, efficiency, and their small size allows for faster decision-making process (Akabueze, 2002). “Governments all over the world have realized the importance of this category of companies and have formulated comprehensive public policies to encourage, support and fund the establishment of SME's. Developments in small and medium enterprise are a *sin quo non* for employment generation, solid entrepreneurial base and encouragement for the use of local raw materials and technology”.

Given the seminal role of SMEs to the world economy, various countries have established reforms regimes to address their survival and contribution. SMEs have been fully recognized by those governments and development experts as the main engine of economic growth and a major factor in promoting private sector development and partnership. Their development is therefore, an essential element in the growth strategy of those economies. “They not only contribute significantly to improved living standards, but they also bring about substantial local capital formation and achieve high levels of productivity and capability. From a planning stand point, SMEs are increasingly being recognized as the principal means for achieving equitable and sustainable industrial diversification and dispersal” (Udechukwu, 2003).

Nigerian government since independence in the 1960, have developed various reforms programs and spent immense amount of money with the primary goal of developing these enterprises. However, there are complains going around challenging those reforms and/ or their implementations by not yielded any significant results as evident in the present state of the SMEs in the country. “Thus, in Nigeria they are generally very susceptible and only a certain number of them manage to survive due to several factors such as difficulty in accessing credits from banks and other financial institutions. Others are harsh economic conditions which results from unstable government policies, gross undercapitalization, inadequacies resulting from the highly dilapidated state of infrastructural facilities among others. Additionally, astronomically high operating costs, lack of transparency, corruption and the lack of interest and lasting support for the SMEs sector by government authorities are also reasons advanced” (Lamuel, 2009).

Our concern in this paper is the various reforms and its impact on the SMEs performance as pointed by Uniamikogbo (2006), “that Nigeria has a historic opportunity to lay the Foundations for a strong financial sector. Since 1986, there has been a tremendous focus on achieving growth in Nigeria so as to reduce poverty and boost living standards. To help achieve this goal, Nigeria has adopted policies known collectively as the Washington Consensus that is maintenance of macroeconomic stability, integration with the world economy, creation of a sound business environment among others”. These policies which were translated into programs and strategies comprise of the Structural Adjustment Programme (SAP), National Economic Reconstruction Fund (NERFUND), Small and Medium Enterprises Equity Investment Scheme (SMEEIS) and the National Economic Empowerment and Development Strategy

(NEEDS). These were all laid down policies which were expected to be implemented to engineer the drivers of the economy to move.

Successive governments over the years have all recognized that to survive and grow, SMEs need specific policies and programs. However, at the present time, SMEs have been especially hard hit by the global crisis in the country as in other countries world over. They are exposed to changes quickly for many reasons. Not only has the traditional challenge of accessing finance continued to threaten them, but the new supply-side difficulty is currently apparent. These crises affecting the SMEs can be understood from varying reasons among which are: difficulty for them to downsize as they are already small, they are individually less diversified in their economic activities and they have a weaker financial structure (lower capitalization). Others are they have a lower or no credit rating, they are heavily dependent on credit and they have fewer financing options.

In spite of the above, the problem that will be identified by this research therefore, is to assess the various reforms policies and its effect on entrepreneurs of small sized firms (SMEs) in Kaduna- Nigeria.

The main objective of this paper is therefore to analyze the different reforms, evaluate their impact on the SMEs performance. By this the outcome is expected to be of significant benefit to government, SMEs entrepreneurs, academicians, non-governmental organizations among others. To establish such the study covers a period of the policy drafts of economic reform that affect the small size entrepreneurs in Kaduna state from 1986 to 2009.

The methods in used in data collection were both primary and secondary source of data collection. Statistical form of Analysis was done using the quantitative technique. Due to nature of objectives set in line with paper, It analyzed the entrepreneurs that based their business existence in Kaduna state. Sample of 180 were selected, and drawn from registered and non registered entrepreneurs. The registered firms samples were captured from the corporate affairs commission (CAC –registrars of companies) and Small and medium enterprises development agency of Nigeria (SMEDAN).

The population of samples were distributed among the following areas of specialization: production, agriculture and service industry. Selection was based on equal number of the then random selection was made according to the age of the business. This selection was done basically for businesses that have experience life circle through the years of the economic reforms. This simply narrates the sequence of small sized firms entrepreneurs.

The research analyzed the hypothesis on whether the economic reforms process and its policy measures had not given a positive change on the growth and development of entrepreneurs in Kaduna state.

2. Conceptual Framework

(OECD, 2000) “The SMEs sector all over the world has been identified as the key driver and engine-room of all the major economies in the world. They make up the largest proportion of businesses and play tremendous roles in wealth creation, employment generation, provision of goods and services, creating a better standard of living, as well as immensely contributing to the gross domestic products (GDPs) of many countries”. However, the SMEs (subsector) in Nigeria was plagued by a plethora of problems and militating factors inhibiting its growth and development; thus hindering the country from deriving benefits from the successful performance and enormous potentials inherent in this sector, which have led to the development of all the

leading economies in the world. This paper aims at reviewing past government support for the small and medium entrepreneurs in Kaduna State.

An entrepreneur on the other hand has been defined by Casson (1993) as “someone who specializes in taking judgmental decisions about coordination of scarce resources”. As noted by Capati (1986), a question arising from this view concerns when entrepreneurial activity starts and stops. Casson (1993) seems to provide a satisfactory answer to this question. In his view, since in practice, judgmental decision-making about the coordination of scarce resources cannot be a “once-for-all” activity; therefore, entrepreneurship becomes a continuous process.

Entrepreneurship in Nigeria is perceived as a major avenue to increase the rate of economic growth, create job opportunities, reduce import of manufactured goods and decrease the trade deficits that result from such imports. (Onwubiko, 2009) “Two approaches have been used for Entrepreneurship in Nigeria. First approach is concerned with the provision of generous credit facilities for small and scale industrialist. The aim of the scheme was to give the entrepreneur seed money. The second approach was the establishment of the industrial development centres (IDC) with the intending idea to provide facilities for on-job training of entrepreneurs especially those in the informal sector which include petty traders, artisans, peasant farmers etc and train them in various aspect of industrial management”. Unfortunately due to factors like infrastructural amenities and other overriding policies did not achieve desired results.

SMEs entrepreneurs play a significant role in all economies and are the key generators of employment and income, and they are also considered to be drivers of innovation and growth. In Nigeria, SMEs employ more than half of the labour force in the private sector. In the European Union, they account for over 99 % of all enterprises. Furthermore, 91 % of these enterprises are micro-firms with less than 10 workers. Given their importance in all economies, they are essential for the economic recovery.

Analysis of Various Policies

2.1. Nigerian Government’s Efforts toward Development of Smes in Nigeria

Over the years, the Federal Government has taken various steps, including monetary, fiscal and industrial policy measures to promote the development of Small and Medium Scale Enterprises (SMEs). Specifically, the Government has been active in the following areas:

(i) funding and setting up of industrial estates to reduce overhead costs; (ii) establishing specialized financial institutions, including the Small Scale Industry Credit Scheme (SSICs), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) to provide long-term credit; (iii) facilitating and guaranteeing external finance by the World Bank, African Development Bank and other international financial institutions; (iv) facilitating the establishment of the National Directorate of Employment (NDE), which also initiated the setting up of new SMEs; (v) establishment of the National Economic Reconstruction Fund (NERFUND) to provide medium to long-term local and foreign loans for small, and medium scale businesses, particularly those located in the rural areas; and (vi) provision of technical training and advisory services through the Industrial Development Centres.

The review and appraisal of some of these government initiatives and policy measures are outlined as follows:

2.1.2 The National Economic Reconstruction Fund (NERFUND)

Following the adoption of the Structural Adjustment Programme (SAP) in 1986 and the subsequent tightening of monetary policy, many SMEs found it difficult to secure finance for their working capital and investment purposes. In order to bridge the observed widening resource gap for the SMEs, the Federal Government set up the National Economic Reconstruction Fund (NERFUND) 1989, and took effect 9th January, 1990 with the CBN as one of the facilitating institutions. Established as an apex institution to help catalyze the development of SMEs, such SMEs must be wholly Nigerian owned and engaged in the business of manufacturing, mining, quarrying and industrial support services, among others. The fund has disbursed about and N24.9 billion to 266 projects across the country, out of which it said loans granted 224 of them, have been fully re-paid. This scheme, which was facilitated by the Federal Government, is therefore aimed at providing affordable funding for the SMEs to enable them operate optimally thereby generating employment, creating wealth and reducing poverty in line with the seven point agenda.(NERFUND document 2009).

NERFUND lending activities were seriously constrained by the impact of Naira devaluation which worsened the burden of debt servicing under the programme in 2001. NERFUND was merged with two other DFIs to form the Bank of Industry.

2.1.3 SMEEIS Establishment of the Scheme:

In recognition of these potential role of the sector, successive governments in Nigeria have continued to articulate policy measures and programs to achieve industrial growth and development, including direct participation, alone or jointly with the private sector, interest groups, assistance from external agencies, provision of industrial incentives and adequate finance as stated in the 1988 industrial policy of Nigeria (FRN, 1988). However, the poor performance of the industrial sector, especially when emphasis was on medium and large scale enterprises in the course of implementing the import substitution strategy of the Nigerian government, led to the renewed emphasis or focus on the small and medium enterprises (SMEs) as the driving force in the industrial sector. This brought about the birth of “The Small and Medium Enterprises Equity Investment scheme” which is a voluntary initiative of the Bankers’ Committee of Central Bank of Nigeria approved in 1999. The initiative was in response to the Federal Government’s concerns and policy measures for the promotion of Small and Medium Enterprises (SMEs) as vehicles for rapid industrialisation, sustainable economic development, poverty alleviation and employment generation. The Scheme requires all banks in Nigeria to set aside ten (10) percent of their Profit After Tax (PAT) for equity investment and promotion of small and medium enterprises.

The purpose of the scheme is to set aside 10% of the Profit After Tax (PAT) to be set aside annually shall be invested in small and medium enterprises as the banking industry’s contribution to the Federal Government’s efforts towards stimulating economic growth, developing local technology and generating employment. The funding to be provided under the scheme shall be in the form of equity investment in eligible enterprises. This will reduce the burden of interest and other financial charges expected under normal bank lending, as well as provide financial, advisory, technical and managerial support from the banking industry. Activities Covered by the Scheme Every legal business activity is covered with the exception of Trading/merchandising and Financial Services.

The Definition of SMEs designed for the purpose of the scheme, has been defined as any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff. While to be eligible for equity funding under the Scheme, a

prospective beneficiary shall be) Register as a limited liability company with the Corporate Affairs Commission and comply with all relevant regulations of the Companies and Allied Matters Act (1990) such as filing of annual returns, including audited financial statements (SMEEIS document, 1999). Based on the non-performance of the scheme, the federal government revised the guidelines in 2006 with the following additional objectives: (i) Stable macro-economic environment; (ii) Stable and reliable regulatory and legal framework; (iii) Adequate Physical Infrastructure; (iv) Prudent fiscal regime; and (v) Capacity building.

Specifically, the responsibility of the Government with respect to the implementation of the SMEEIS is to pass the enabling legislation to provide the following tax reforms and incentives: Make the bank's contribution to the Scheme enjoy 100% investment allowance; Reduce tax paid by SMEs to 10%; Provide 5 years tax holidays to the SMEs under the Scheme; and Exempt divested fund under the Scheme from capital gain tax (SMEEIS document 2006).

2.1.4 NEEDS: national economic empowerment development strategies. (SMEEIS document 1999) is Nigeria's home-grown poverty reduction strategy (PRSP). NEEDS builds on the earlier two-year effort to produce the interim PRSP (I-PRSP), and the wide consultative and participatory processes associated with it. NEEDS is not just a plan on paper, it is a plan on the ground and founded on a clear vision, sound values, and enduring principles. It is a medium term strategy (2003- 07) but which derives from the country's long-term goals of poverty reduction, wealth creation, employment generation and value re-orientation. NEEDS is a nationally coordinated framework of action in close collaboration with the State and Local governments (with their State Economic Empowerment and Development Strategy, SEEDS) and other stakeholders to consolidate on the achievements of the last four years (1999- 2003) and build a solid foundation for the attainment of Nigeria's long-term vision of becoming the largest and strongest African economy and a key player in the world economy. NEEDS rests on four key strategies: reforming the way government works and its institutions; growing the private sector; implementing a social charter for the people; and re-orientation of the people with an enduring African value system (NEEDS documents, 2003)

Growing the private sector is a development strategy anchored on the private sector as the engine of growth--- for wealth creation, employment generation and poverty reduction. The government is the enabler, the facilitator, and the regulator. The private sector is the executor, the direct investor and manager of businesses. The key elements of this strategy include the renewed privatization, de-regulation and liberalization programme (to shrink the domain of the public sector and buoy up the private sector); infrastructure development especially electricity and transport; explicit sectoral strategies for agriculture, industry/SMEs; services (especially tourism, art and culture, and information/communication technology), oil and gas, and solid minerals. Other elements of this agenda include the mobilization of long-term capital for investment; appropriate regulatory framework; a coherent and consistent trade policy and regional/global integration regime; and specific interventions to encourage the development of some sectors. For instance, in order to enhance rapid industrial growth and efficient exploitation of resources, Government shall encourage strong linkage between Science and Technology Parks (STPs), industry and R&D Institutions. In addition, there shall be deliberate efforts made to promote technology acquisition from within as well as across national boundaries.

2.2 Some Other Related Initiatives and Strategies Done by the Government for the Benefits of Small Sized Entrepreneurs

2.2.1 Small Scale Industries Credit Scheme (SSICS)

In 1971, the Federal Military Government set up the Small Industries Development Programme to provide technical and financial support for the SMEs. That led to the creation of the Small

Industries Credit Fund (SICF), which was formally launched as the Small Scale Industries Credit Scheme (SSICS) in the third National Development Plan, 1975- 1980. The scheme, which operated as a matching grant between the Federal and State Governments, was designed to make credit available on liberal terms to the SMEs and was managed by the States' Ministries of Industry, Trade and Co-operatives. The success of the scheme was constrained by the dearth of executive manpower to supervise and monitor projects. Thus, many unviable projects were funded, leading to massive repayment default.

2.2.2 The Nigerian Bank for Commerce and Industry (NBCI)

The Nigerian Bank for Commerce and Industry (NBCI) was set up in 1973 to provide, among other things, financial services to the indigenous business community, particularly the SMEs. The NBCI operated as an apex financial institution for the SMEs and also administered the SME 1 World Bank Loan Scheme under which total credit amounting to N241.8 million were approved between 1981 and 1988 while actual disbursements were 36.5 per cent lower than the approvals during the period. The NBCI suffered from operational problems, culminating in a state of insolvency in 1989 and absorption into the newly established Bank of Industry in 2002.

2.2.3 World Bank –Assisted SME II Loan Project

In order to further expand credit allocation to the SMEs, the Federal Government, in 1989, negotiated a programme of financial assistance with the World Bank to complement other sources of funding the SMEs. Altogether, this facility involved a total of US\$ 270 million for on-lending to the SMEs through the participating banks. The credit components and other related activities of the World Bank loan were administered by the CBN, which in 1990 established an SME Apex unit for its efficient implementation. The SME apex office approved loans for 211 projects valued at US\$132.8 million between 1990 and 1994 when further approvals were stopped. A total disbursement of US\$ 107.1 million had been recorded as at June 1996 in respect of 102 projects.

2.2.4 International Financial Assistance

Governments have continued to approach international financial agencies such as the World Bank and its affiliates, United Nations Agencies and the African Development Bank (ADB) to source capital for the SMEs. The Federal Government often guarantees and agrees to monitor or co-finance the SMEs receiving such external financial support. For example, in 1988, the African Development Bank granted an export stimulation loan of US\$252 million repayable in 20 years with a concessionary interest rate of 7.3 per cent for SMEs in Nigeria.

2.2.5 Bank's Equity Holding in Companies

The 1988 Amendment to the Banks and Other Financial Institutions, Section 7.3 (f) lifted the provision that restricted banks from holding equity shares in non-banking related enterprises. The policy objectives were to stimulate increased availability of equity capital to SMEs and help in restructuring their capital bases for survival and growth. All the policies stated above have not yield and change on the entrepreneurs of small sized firms. The reasons behind some of the constraints were obvious as most of the entrepreneurs' capital base do not meet up to the requirement of the outlined policies.

3. Findings

Table 1: Distribution and retrieval of questionnaires of Entrepreneurs.

S/N	LOCATIONS	LODGEMENT	RETRIEVED	%RESPONSE
1	Kaduna Central Zone	100	80	44.44
2	Kaduna Southern Zone	60	40	22.22
3	Kaduna North Zone	80	60	33.33
	TOTAL	240	180	100

Field Survey 2010

Questionnaires were distributed based on how densely populated the entrepreneurs are located in the region.

Table 2: Registration of companies and age of Business.

S/N O	Nature of business	1– 5/ %	6– 10/ %	10– 15/ %	16 – 20/ %	21 & above/ %	Total/ %
1	Agriculture(poultry,fishiries, & farmers) Group A	26	15	10	7	2	60/33.3 3
2	Production(table water, cosmetics producers, carpenters) Group B	31	11	9	8	1	60/33.3 3
3	Services(welders,fuels stations,printers,auto assembly& repairs)GroupC	26	16	12	4	2	60/33.3 3
	TOTAL	83/46.1 1	42/23.3 3	31/17.2 2	19/10.5 6	5/2.78	180/100

Field Survey 2010

Table 2 Based on the above, the sample selected had 46.1% of the entrepreneurs have been in business and innovation for less than 10 years, 23.33% had their of business practice of 10 years, 17.22% with 15years of business practice while 2.78% have been entrepreneurs for 20 years and above. This had indicated majority of the business ventures had only witnessed one reform policy.

For the registration of companies, most of the enterprises are registered but majority of group A who happen to be agricultural based entrepreneurs are not educated, so the idea of registration is not known to them. Also as the cottage innovators and are not knowledgeable of the processes of making the businesses to be known since services are provided only within the locality (examples are the poultry farmers, fisheries, soap making and oil extracting ventures). While those 45% registered have partially complete documentation.

Table 3: Contribution of funds at start-up

GROU P	Government/bank s/%	Family friends/%	& Community/NGO/ %	Personal savings/%	Total /%
A	8	20	11	21	60
B	1	23	3	33	60
C	3	15	20	22	60
Total	12/6.67	58/32.22	34/18.89	76/42.22	180/100

Field Survey 2010

Table 3 shows initial investable capital. It had shown that most entrepreneurs started business with personal savings. Respondants of 42.22% were retrieved from personal investments. Interview source of data collected had most of this respondents saying they were engaged in informal method of contribution which they termed as “adashi, & esusu. This is a form of savings that contribution is done either monthly or weekly or daily for a certain period of time. While 6.67% had contribution from either government or bank, 32.22% was allocated to family and friends.

Table 4: Assets of business excluding land

Group	Less than N500,000- 1m	N1.5m -2. 5m	N3m – 4.5m	N5m –6.5m	N7& above
A	30	15	7	5	3
B	28	17	5	6	4
C	28	16	6	8	2
Total/%	86/47.78	48/26.67	18/10	19/10.56	9/5

Field Survey 2010

From what had been deduced from the questionnaire and interviewed section, 47.78% entrepreneurs business worth between the asset base of N500,000 to N1million excluding land and building. While 26.67% have assets between N1, 500,000 and only 9.5 % have asset above N7million. From interview only 3 respondents had asset worth between the limit of N100million to N150 million. This is an indication that only the 3 respondents qualify to participate in the SMEEIS initiative.

For NERFUND scheme it will not favour the sampled group since its activities are centred towards mining, quarrying and construction activities. Only in September 2010 that the NERFUND had come back with its disbursement of funds and it had widened its beneficiaries to productive and agricultural based entrepreneurs. For now no records had been found.

TEST OF HYPOTHESIS

Ho; Economic reforms and its policy measures had not significantly impacted on the growth of and development of entrepreneurs in Kaduna.

We utilized One-Sample t-test to test the hypothesis formulated.

FACTOR	FREQUENCY	T-VALUE	T-RESULT	SIGNIFICANCE
Impact of economic reform on SMEs performance	302	2.5	-7.659	.0001

SPSS Output: Field Study: 2010

Interview session:

Successive practice of business through the period of economic reforms.

Research had shown that 66% of the entrepreneurs are not aware of policies that had been taken place that will aid them in becoming better innovators of skills acquisition. This is perhaps due lack of awareness of different policy measures for the entrepreneurs to flourish their businesses. 34% have gone through the reform process but only 10 entrepreneurs out of this percentage had in one way or the other benefited through the economic reforms of NERFUND, SMEEIS, and NEEDS. Records from SMEEIS distribution as at 2009 indicated only 4 businesses from Kaduna state benefited from the scheme.

Non-governmental assisted agents: So many NGO's have assisted in finance and had organized symposium and workshops for better innovative technologies for these entrepreneurs. This information was captured based on the interview section made with the entrepreneurs covering response made of 43%.

Only 2 out of 7 of the entrepreneurs of the study that we had surveyed met the requirement and modalities of all the policies of the reforms as their capital base for instance for assessing of credit is below the set line for the programs. For example N500 million is the set line for an entrepreneur to have meet the requirement SMEEIS

4. Conclusion

An economic reform comes with changes which are intended to favour and enhance the growth in the economy. Therefore based on the foregoing, these small business entrepreneurs consider economic reforms to be reforms of the government and for the government which had not fit or suit the innovators they are. The categorization to fit into the government policy draft is too harsh for their operations.

“In reality, the desire of governments to promote SMEs is often based on social and political considerations rather than on economic grounds. Often SMEs are (or perceived to be) the domain of certain ethnic groups or political constituencies such as women in traditional societies, some society or family inherited traits in producing some goods like hide and skin in northern Nigeria, Iron smelting in the middle belt part of Nigeria” (Ekpenyong, 1997, Ogbore, 2005). Sometimes the growth of small firms is seen as part of a democratization process and increased social stability, or as an instrument of regional development.

Various government regimes had instituted programs and initiative aimed at tackling the constraints faced by the sub-sector of the economy but due to lack of continuity of designed programs, with inappropriate enlightenment campaign for skills acquisition, and proper implementation, these policy drafts had no optimal results that had been achieved. Access to finance, infrastructural defects and other necessities of the entrepreneurs survival support, continue to pose as a major constraint to the growth and development of the subsector.

International donors and NGO's have proven to be more accepted by the entrepreneurs in assisting financially. This had help in bring out the innovative skills of the entrepreneurs.

5. Recommendations

The need to protect and increase their longevity lies under the umbrella of the government. Efforts should be made to enlighten the entrepreneurs on the various policies which are designed to cater for their needs, and which are intended programs to make their business practically viable.

Government should give these entrepreneurs conducive operating environment by reducing high interest rate on loan able funds, reducing harsh procedures in assessing finance, providing and maintenance of amenities of usage by the SME's (for example , electricity, water, and good road linkages for transportation). This when provided should be compared with international standard.

Also government should extend the sub-sector to a sector and strengthen it as part of the sectors that drive the economy. This will help in making financial institutions to be comfortable in granting of financial assistance.

Lastly a code of corporate governance should be enacted for the SME's as the practice of governance will deviate the fair giving the formal assistance to finance.

It is the recommendation of this paper that policies should not be on paper but in practice so as to improve and bring out the best of entrepreneur's performance on skills and innovation which will be in line with fostering the economic growth of the country.

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The Role of Job Embeddedness and Leadership of the Development of Collective Entrepreneurship in Indonesia: A Proposal for the Development of Rural Entrepreneurs

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Introduction

Indonesian government has been trying to encourage entrepreneurship development by supporting the development of small and medium enterprises (SMEs) in the country. The number of Indonesian SMEs in 2008 was 51,257 million (99.66% of the total enterprises), but the number of micro enterprises covered 98.58% of the total enterprises. There are only 1.01% of the total enterprises in the level of small enterprise, and 0.08% are in the level of medium enterprise (Indonesian Bureau of Statistics, 2009). There have been many government efforts to introduce new technology and model for SMEs development in order to increase the level of micro enterprises to the level of small enterprise. But there is an increasing problem in the demographic features of the Indonesian population. Two-thirds of Indonesia's population live in rural areas, having weak economic appeals compare to urban areas. From time to time more people coming from rural areas to major cities due to various attractive opportunities offered by the big cities, leaving the rural areas undeveloped. Therefore, access to resources to support the development of SMEs in rural areas is increasingly difficult. One way to prevent future urbanization is to develop highly competitive SMEs in rural areas by managing them in the right way possible.

Management in the western world is more individualistic, as individuals' incentives are measured by individual performance. On the other hand, management of the eastern world, including Indonesia, is highly dependent on group performance. Conflict between individuals within a group is resolved by all members of the group, whereas conflict between individuals in different groups is resolved by the groups from both sides. Indonesian society also acknowledges the term gotong royong (mutual cooperation/mutual assistance), which in Javanese culture known as rewangan. In this mutual cooperation, all members of a community work together without financial rewards in a social context. Examples of this mutual work that are still prevailed both in rural and urban areas are improving public facilities such as cleaning the ditches, repairing roads, and mutual assistance in family celebration or disaster management. For the last example, the tradition gradually eroded in the modern and practical urban community. But in rural areas, rewangan can last for 10 days from morning until night that obviously would disrupt productivity. Even so, individuals remain obligated to participate if he/she does not want to be excommunicated from the society.

However, given the above knowledge of specific management requirement in Indonesia, many of entrepreneurial approaches are still more individualistic, emphasizing the characteristics and behaviour of individual entrepreneurs. Individualistic view of entrepreneurship has yet to recognize collective phenomenon of entrepreneurship (Yan & Sorenson, 2003). From the observation of entrepreneurial programs already developed in rural and urban areas of Indonesia, it seems that many of the entrepreneurial efforts by the educational institutions and

private sectors use the individual approach to entrepreneurship. Considering collective values held by most of Indonesian people, it is assumed that individualistic view of entrepreneurship is not the best prescription to entrepreneurial development in Indonesia, especially in rural areas. It is very interesting to know that Indonesian government especially Ministry of Cooperation and SME is beginning to realize the power of collective to entrepreneurial development. The new approach is termed collective entrepreneurship.

Collective Entrepreneurship Concept

Stewart (1989) was the first person to put forward the term “collective entrepreneurship” based on the result of his ethnographic research on high-performing work team. Collective entrepreneurship is a team-based effort that draws everyone's talent and creativity (Stewart, 1989). In this sense, collective entrepreneurship implies an increase in the ability of each member of the group whenever they are confronted by the continued demands and opportunities from the environment, which referred to as running hot (Stewart, 1989). On the other hand, Jan and Sorenson (2003), defined collective entrepreneurship as “synergism that emerges from a collective and that propels it beyond the current state by seizing opportunities without regard to resources under its control; the collective capability of both identifying and responding to opportunities are important components of collective entrepreneurship.” Collective entrepreneurship may exist in teams, organizations and networks of organizations (Jan & Sorenson, 2003). In this study, we will take both Stewart (1989) and Jan and Sorenson (2003) definitions as follows: collective entrepreneurship is a synergism of efforts exerted by team members that draws everyone's talent and creativity and propels them beyond the current state by seizing opportunities and continuous improvements.

The concept definition is obvious, that collective entrepreneurship focuses on the work team, and the fundamental aspects of the work team are creativity and innovation. Creativity is defined as the production of novel and useful ideas by individual (Amabile, 1988) whereas team innovation is understood as the combination of the quality and quantity of novel and useful ideas that are developed and implemented (Eisenbeiss, et al., 2008; Pirola-Merlo & Mann, 2004). Individual creativity is always limited; therefore good collaboration contributes to group innovativeness. However, there is no guarantee that individual level of entrepreneurship will be automatically transferred to a collective entrepreneurship.

In the social economy realities, collective entrepreneurship corresponds to a true desire of venturing and of pursuing a project coming from a common will, but it seems that the collective ventures have more a mission turned towards a group of people than towards the society in general. The best example here would be the cooperatives. The most successful cooperatives in Indonesia have been village unit cooperatives designed to meet the villagers need for credit and marketing aid.

According to Jan and Sorenson (2003), there are two major variables that contribute to collective entrepreneurship. The first variable is the attitudinal variables that provide "energy" for the group to "run hot" (Stewart, 1989). Running hot means to work sustainably that needs the sustainable energy from members of one group. The second variable is the behavioural variables that are essential to channel the "energy" into positive and synergistic results (Hackman, 1987). Without these two variables, a collective entrepreneurship will not be succeeded. Two attitudinal variables assumed to have a positive contribution to the development of collective entrepreneurship is commitment to the group and job satisfaction. Meanwhile the three behavioural variables assumed to play a role to decrease or increase collective entrepreneurship is communication, collaboration and conflict management. Both of these variables (attitudinal and behavioural) are strongly influenced by the role of a leader.

Below is the Jan and Sorenson (2003) model of collective entrepreneurship based on leadership, “energy” and “mechanism” variables.

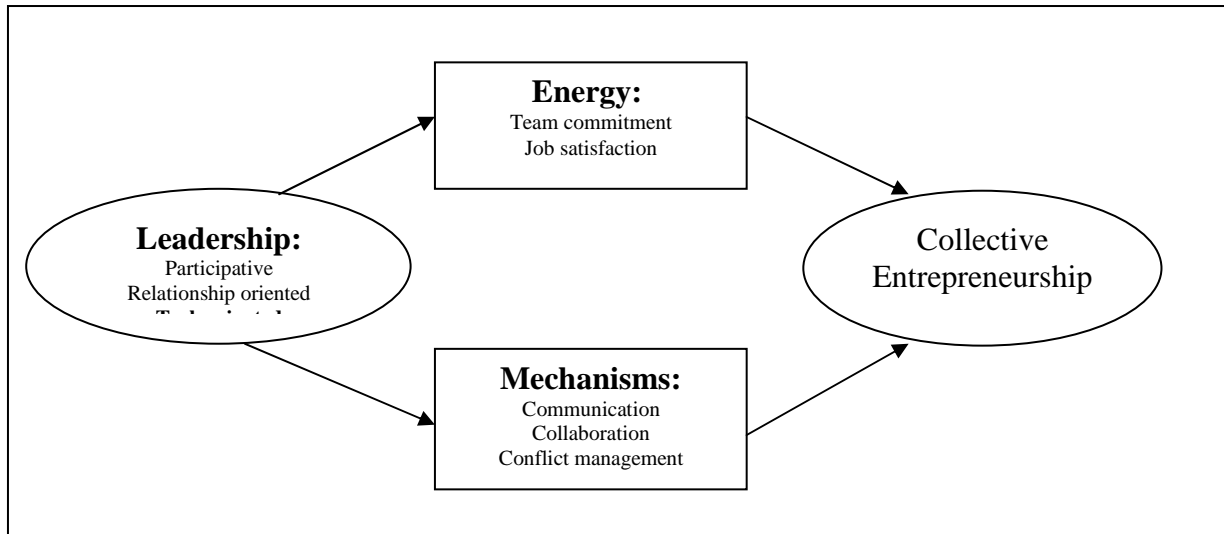


Fig. 1. Model of collective entrepreneurship development (Jan & Sorenson, 2003).

Methods

The study employs qualitative design using observation and interview techniques. The design is employed since it was just the beginning of the study, when we have yet to understand the phenomena. We interviewed groups of micro entrepreneurs in Boyolali and Salatiga, Central Java. The type of ventures observed are creative home industries using metal materials, garment, food & beverages, and toiletries. They are chosen since most of migrants in certain place of Jakarta who are unemployed came from both places.

Result

The idea of collective entrepreneurship came from a study we conducted for the last two years. It was a study designed to create intervention to unemployed migrants in a slum area of Jakarta. Many of the migrants came from Boyolali and Salatiga, both in Central Java. The intervention we came up with after studying the population was a model of partnership among the unemployed migrants and local government in Jakarta, and local government and entrepreneurs in Boyolali and Salatiga. University served as the broker among parties.

The partnership intervention generated some ideas on collective entrepreneurship. As we were working with groups of entrepreneurs in Boyolali and Salatiga, we realized about the power of group to enterprising. From interviews we found that all groups of entrepreneurs we encountered were initiated by them. Groups of entrepreneurs we observed were in creative home industry using metal materials such as copper and aluminium. We also interviewed entrepreneurs working on garments and food and beverages.

What we found from the observation led to the change of model Jan and Sorenson (2003) proposed earlier at least in Indonesian situation. There are two types of collective entrepreneurs; first type is groups of independent entrepreneurs with their own capitals, voluntarily forming a group to excel their creativity and innovation. They call their group as paguyuban, to describe informal group formed voluntarily by the group members. The working

mechanism of this type of group is different from other type of group, where members of the group meet together occasionally to solve problems faced by members or share information. Second type is a group of people intentionally formed either by the group itself or by other parties. Each of the group members does not run business independently. Sources of capitals include capitals from each member or other institutions (e.g. credit union or local government).

The difference between both types of groups lies in the leadership variables needed. In collective entrepreneurs type one, a leader is appointed by the group as a prerequisite of forming a group but the person does not necessarily take role as a true leader. Hence one could say there is no leadership in the group, or everyone is the leader of him/herself. However, having no true leader in the group does not withhold them from doing their jobs. Different from Jan and Sorenson's argument about the role of a leader in collective entrepreneurship (Jan & Sorenson, 2003), we assume that self-leadership owned by each of them control their own actions and thinking. Increased self-leadership in individuals leads to effective learning and applying specific behavioural and cognitive strategies necessary to their business venture. According to Manz (1990), self leadership is a process by which one exerts self-influence in a way that establishes the direction, intensity, and persistence of efforts needed to perform a task/achieve a goal. Manz and Neck (2004) describe self leadership as a self-influence process through which people can and do achieve the self-direction and self-motivation necessary to perform their tasks and work. Self-leadership consists of specific behavioural and cognitive strategies designed to positively influence personal effectiveness. These strategies are generally clustered into the three primary categories:

- behaviour-focused strategies, includes self-observation (focusing on an individual's awareness of how, when, and why they engage in specific behaviours), self-goal setting, self-reward or self-punishment (mentally congratulating oneself for an important accomplishment, or more concrete like a special vacation at the completion of a difficult project. Self-punishment or self-correcting feedback can consist of a positively framed and introspective examination of failures and undesirable behaviours leading to the reshaping of such behaviours, and self-cueing (lists, notes, screensavers, and motivational posters).
- natural reward strategies, involves building more pleasant and enjoyable features into a given activity so that the task itself becomes naturally rewarding and shaping perceptions by focusing attention away from the unpleasant aspects of a task and refocusing it on the task's inherently rewarding aspects.
- constructive thought pattern strategies, includes identifying and replacing dysfunctional beliefs and assumptions, and practicing mental imagery and positive self-talk. Individuals should first examine their thought patterns, confronting and replacing dysfunctional irrational beliefs and assumptions with more constructive thought processes (D'Intino, Goldsby, Houghton & Neck, 2007)

However, it is assumed that the participative leadership variable still plays important role in collective entrepreneur groups type two, i.e. groups that intentionally formed and each member does not have he/she's own business. Therefore, Jan and Sorenson's model of collective entrepreneurship still applies to the second type of collective entrepreneurship groups, especially the role of leader to influence each member's embeddedness.

In Indonesia, people tend to group based on their closeness to other people (i.e. family, friends and community), and decisions people take in their jobs almost always depend on forces they receive from them. As a result of these forces they are most likely being "stuck" or "embedded" in their current job. Therefore, embeddedness is assumed to play important role in their persistent to be entrepreneurs rather than "energy" and "mechanism" variables according to Jan and Sorenson's above, and this applies to both type of collective entrepreneurs.

Principle of embeddedness is understood within the social network research as the effect of social relationship on economic outcomes. Entrepreneurship is not merely an economic process but draws from the social context as well which shapes and forms entrepreneurial outcomes (Jack & Anderson, 2002). It is very important to study entrepreneurs using embeddedness approach since the approach view the entrepreneur as a whole person.

Being embedded in a local area enabled entrepreneurs to recognize and realise opportunities which fit the specific needs of the local situation. Research by Jack & Anderson (2002) on seven rural entrepreneurs pointed out the importance of examining the entrepreneurs within the context of rurality, since embeddedness is an important factor of entrepreneurship process in rural areas. The entrepreneurs were all embedded in their locals and this influenced the way in which their businesses were established and managed. Oyhus (2003) argues that entrepreneurs who identify themselves with the local community regard the whole local context as a resource bank, and then manage businesses by operating within this network. According to Oyhus (2003) the networks are important to provide four essential ingredients to entrepreneurship: support and motivation, examples and role models, expert opinion and counselling, and access to opportunities, information and resources. He conducted cross cultural research in Indonesia and Tanzania, and found that there was a difference between both countries. Indonesian entrepreneurs are found to be more locally oriented compared to Tanzanian entrepreneurs. He found that Tanzanian entrepreneurs could move out of their local place and got involved in business in an entirely new setting. They have to move out since kinship is regarded as an intrusion and as disrupting businesses. Generally, they cannot save money for business purpose if they stay in their community, since they have to shoulder a lot of social responsibilities and commitment. In Indonesia, though he found out from the interviews that the entrepreneurs theoretically treated kinship as something negative for their business, in practice the reverse were noted. They actually exploited kinship relationship to its potential (Oyhus, 2003).

According to Mitchell, Holtom, Lee, Sablynski and Erez (2001), embeddedness suggests that there are numerous strands that connect an employee and his or her family in a social, psychological, and financial web that includes work and non-work friends, groups, the community, and the physical environment in which he or she lives, (p.1104). The other term Mitchell, et.al come up with for the theory of job embeddedness is theory of staying (Mitchell, et al, 2001), describes that the greater a person's connections to an organization and community, the more likely it is that he or she will remain in the organization. Job embeddedness can be work related (positive attitudes towards aspects at work) or non work (such as family and friends) (Ramesh & Gelfand, 2010). Ramesh and Gelfand argue that these work and non-work domains can be further divided into three types of attachment – fit, links and sacrifice – thus forming six dimensions of job embeddedness. The six dimensions are: organization fit (fit with an organization), community fit (fit with a community), organization links (connections with people in the organization), community links (connections with people in the community), organization sacrifice (what the individual gives up when leaving the organization) and community sacrifice (what the individual gives up when leaving a community) (Ramesh & Gelfand, 2010).

A person's personal values, career goals and plan for the future must fit with the larger group culture and the demands of his or her immediate job (knowledge, skills and abilities). A person will consider how well he or she fits the group and the environment. Weather, outdoor activities, political and religious climates and entertainment activities are examples of the fit dimension. Job embeddedness assumes that the better the fit, the higher the likelihood that a person will feel professionally and personally tied to the group. As in the case of groups we observe in Central Java, those who stay in the group are more likely to have the same values both in work

and non work situations. Those who do not fit to the values of group leave the group voluntarily. An interesting reason we got from those who leave is that because they do not want others to copy their products. Ultimately they work alone and one of the disadvantages of working alone is that they cannot fulfil the demands of their customers for the long run. It is a dangerous situation in a sense that they would lose potential customers.

Number of links (formal and informal) a person has in social, psychological and financial web in a community determines their embeddedness, hence the likelihood that they will stay in the group (Mitchell et al, 2001). People who are older, are married, have more tenure and/or have children requiring care are more likely to stay than to leave (Abelson, 1987). Hobbies as well as social and religious-related activities are factors that can influence commitment of a person to stay. Thus, people have many links among the various aspects of their lives. Leaving their current jobs or community requires them to rearrange these links, and that could be the reason why they should stay. As in the case of the groups we observed in Boyolali and Salatiga, people who already are engaged in entrepreneurial work are most likely to stay in their community since they find most of opportunities and links are in their communities, whereas migrants from rural to urban areas are mostly unemployed people who are seeking better lives in urban areas. The concept of sacrifice represents the perceived cost of material or psychological benefits that are forfeited if they leave the group. The more a person will have to give up when leaving, the more difficult it will be to sever membership of the group. Community sacrifices are mostly an issue of relocation. Leaving an attractive and safe community where one is liked and respected can be hard. One must sacrifice their links also if he or she leaves community. The same with rural entrepreneurs, the possibility of leaving their status quo in rural communities to other new areas are too much for them, since they have built links and trust in the community.

People who are job embedded are most likely to exert efforts and provide energy sustainably for their collective entrepreneurial effort since they decide to stay in the organization and community. Thus, job embeddedness is assumed to predict collective entrepreneurship in Indonesia, better than the two attitudinal variables (team commitment and job satisfaction) offered by Jan and Sorenson (2003). This notion is supported by evidences from Mitchell, et.al. (2001) and Crossley, Bennett, Jex, and Burnfield (2007) that demonstrated the value of job embeddedness beyond that of job satisfaction, organizational commitment, perceived alternatives, and job search.

Given the above two types of collective entrepreneurship, I propose two models of collective entrepreneurship to explain both situations in rural areas of Indonesia:

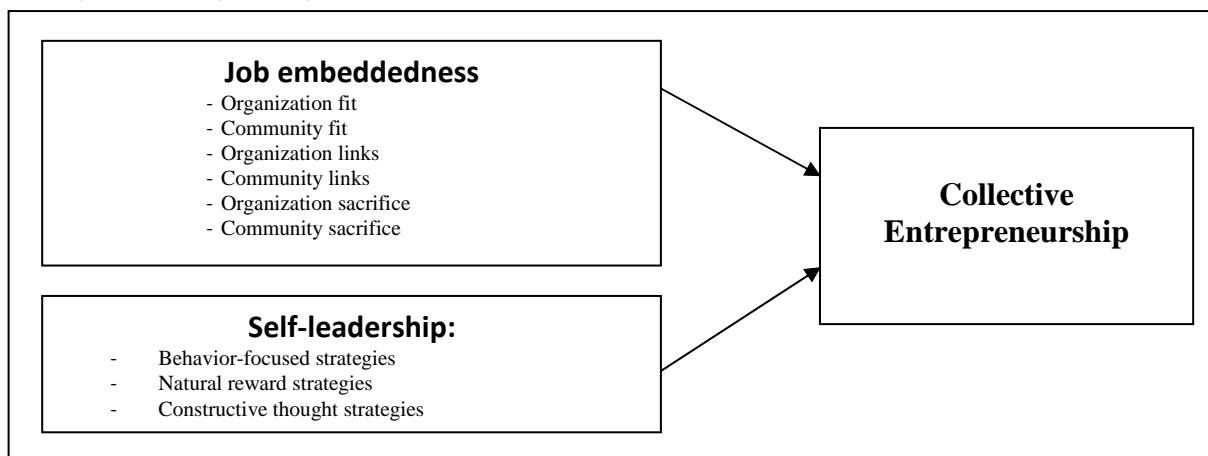


Fig.2. Model of collective entrepreneurship type one.

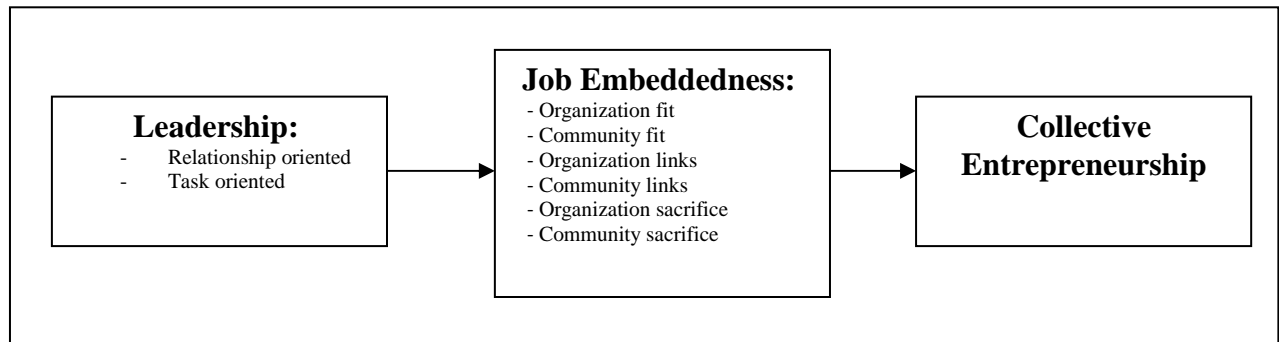


Fig.3. Model of collective entrepreneurship type two.

In both models, it is obvious that job embeddedness plays an important role for people in the group to be involved in collective entrepreneurship.

In the case of collective entrepreneurship type two described in Figure 3, leader plays an important role to keep members of the group to stay in the group and perform well. It is quite a challenge in Indonesia to appoint someone or to self-appoint oneself to be in a position of a leader, given the fact that most Indonesian people tend to have high level of followership. The advantage of this condition is that once leader is appointed, members of the group tend to model the leader.

From the broad arrays of leadership style and behaviour, I focus on the behaviour of team leaders. It is based on social learning theory (Weiss, 1977), where team leader affects the attitude and behaviour of the team members, creates the necessary conditions of relations and enables the transmission of the entrepreneurial spirit to the team. It is assumed that team leader behaviour would most likely to fit in Indonesian situation.

However, Soriano and Martinez (2007) posits that it should be stressed that different styles of leadership can have different influences on the capacity to transmit the entrepreneurial spirit. Soriano and Martinez (2007) compile some predominant leadership styles: relationship-oriented (such as doing personal favours for the subordinates, looking out for their welfare or accepting their suggestions), task-oriented (such as maintaining performance, asking subordinates to follow standard procedures and regulations and making them see the importance of meeting deadlines) and participative leadership (encouraging and facilitating the participation of subordinates in making decisions that would ordinarily be made by the leader alone (Morrison, 2000; Sorenson, 2000).

Leaders who adopt a relationship-oriented style are interested in people and their social interaction (Sorenson, 2000). Key behavioural components of a relationship-oriented leadership style are: support, development, recognition and consultation of other individuals (Yukl, 1998). Relationship-oriented leaders tend to influence an increase in collaboration and work team, have a strong identification with the group, and are committed to producing satisfactory outcomes (Soriano & Martinez, 2007). Weiss (1977) argues that it is possible that the subordinate will then imitate the leader's supportive behaviour, and so offer passive support and an efficient working relationship to others. Soriano and Martinez (2007) found that relationship-based leadership style positively enhance the chances of transmitting the entrepreneurial spirit to the work team. By applying relationship-oriented style, a leader develops, recognizes and rewards subordinates and in turn increases the likelihood of achieving greater commitment to the team and its tasks, as well as the willingness and satisfaction of contributing to the team's success. It is assumed that relationship-oriented style would be most likely to fit among

Indonesian people. It is also assumed that leaders who employ this style of leadership would be more likely to have group members who are job embedded in the group.

Task-oriented leaders structure and define rules that every members of the group has to adhere to. They set clear tasks of planning, coordinating, implementation, monitoring and evaluating. They will provide the necessary help, such as supplying equipment and technical assistance for subordinate to work adequately. Leaders who adopt a total task-oriented style like to keep psychological distance from their subordinates and often appear cold and distant (Blau & Scott, 1962). To some extent and in the beginning of group forming, this style is needed to make clear of dos and don'ts of every members of the group. Leader takes role to set standard of doing things in the group. But when the group is already working properly, leaders must change their style into relationship-oriented style. It is assumed that task-oriented leaders would be more likely to have group members who are embedded in the group at the first stage of group development.

Participative leadership is different style to the relationship-oriented and task-oriented styles (Bass, 1990). This is a style of leadership in which managers share the decision making process with other members of the group by motivating and facilitating the participation of members in making decisions (Harbe, Marriot & Idrius, 1991; Cole, Bacdayan & White, 1993). Participative leaders motivate subordinates to assume responsibilities for their own work, encouraging, favouring and rewarding all behaviour and ideas aimed at satisfying the needs of innovation (Bowen & Lawler, 1992), thereby improving the organization's performance (Hermel in Soriano & Martinez, 2007). Participative leadership at the highest level involves delegating decision making to subordinates. This style of leadership most likely does not occur in groups of entrepreneurs in rural areas of Indonesia. The different level of competencies the group members has is the cause to such condition, besides the high level of followership characteristic most Indonesian people have. It is assumed that this style of leadership does not influence group members' job embeddedness in a sense that they wouldn't like it if their leader always asks them about what to do next.

It is interesting to argue that collective entrepreneurship type one could be the next step of the collective entrepreneurship type two. When one decides to involve in a venture but one does not have capitals to do so, he or she must find group to start experiencing the venture. Ultimately, when one decides he or she has enough experience, it is possible that the individual would leave the group to do his or her own business and find other group, or the group would develop into first type of collective entrepreneurship.

Insights proposed

It is assumed that job embeddedness will influence collective entrepreneurship in a sense that people who are job embedded are most likely to exert efforts and provide energy sustainably for their collective entrepreneurial effort since they decide to stay in the organization and community. Leadership plays important roles in a situation where groups are formed intentionally either by the group members or by other parties, where each of group members does not own capitals. Self-leadership plays important roles in a situation where groups are consisted of independent entrepreneurs with their own capitals and businesses. In both groups, job embeddedness plays important roles in keeping them to work as collective entrepreneurs groups.

This paper aims at pointing the collective entrepreneurship as a method of developing entrepreneurial ventures in rural areas. From the literature review and observation of rural entrepreneurs, it can be noted that collective entrepreneurship is not a new method of doing business. To some extent, cooperative model of social economics in Indonesia serves as

collective entrepreneurship model. Unfortunately most of cooperatives do not serve as should be, since it does not increase the ability of each member of the group.

Implications to Community/Industry

Collective entrepreneurship implies an increase in the ability of each member of the group. This is very important, given the fact that the number of micro enterprises covers up to 98.58% of the total enterprises in Indonesia. This means the government has to find efforts to new model for SMEs development in order to increase the level of micro enterprises to the level of small enterprise. However, the government has attempted to develop micro enterprises in group. Unfortunately, the policy has not been spread well in rural areas. The local governments still manage micro entrepreneurs individually based on individual proposals. Best practices from groups of entrepreneurs type one and type two must be recorded and spread to other areas in Indonesia, to enhance collective entrepreneurship.

Keywords: collective entrepreneurship, job embeddedness, self-leadership.

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Appendix A

Interview Guidelines:

1. History of entrepreneurial ventures.
2. Demographic features of entrepreneurs.
3. Day to day interaction of entrepreneurs
4. People or parties to be consulted to
5. People who are involved in venture decision making
6. Financial aid and other forms of aids in every step of business development.

Innovation in Microentrepreneurship & Islamic Microfinance: The Model of Family Bank

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Abstract

Different definitions were given to what we call “Microentrepreneurship”, most of research link it with microfinance, self-employment and micro-enterprises development. It is globally admitted that micro entrepreneurs are the owners of very small businesses with very low start-up costs. Those microentrepreneurs are normally the owners of home-based businesses, bakeries, beauty shops, repair shops, arts and crafts shops, fishermen, family-owned shops, etc. The importance of supporting such type of entrepreneurs to start and grow is fundamental for the diversity and the social development in emerging economies.

Moreover, the need to develop innovative socially-oriented banks that care about the “unbankable” segment of the society is rather increasing. Family Bank is considered to be one of the “social businesses” which are based entirely upon the partnership as well as social corporate responsibility (CSR) of private sector.

Family Bank is established as the 1st Islamic microfinance bank in Bahrain with the prime objective to contribute to poverty alleviation and socio-economic empowerment through the provision of sustainable Islamic financial services to the underserved. The Family Bank is currently acting as a mechanism to guide and maintain programs aiming at enhancing microentrepreneurs training, counselling, marketing support and finance within a comprehensive approach.

The present paper will discuss the main concepts of the family bank as a social bank aims to support micro entrepreneurs to grow and develop their business beyond a microenterprise level in order to contribute to society by creating wealth, economic assets, and jobs.

Introduction

As described by a recent ILO's report, the world is now facing one of the most important challenges that has ever had. In the midst of an expanding socio-economic crisis, the likes of which the world has not known since the Great Depression, the ILO's preliminary estimates are that world unemployment could rise by 20 million reaching over 210 million during of 2009, Juan Somavia, (2008). Furthermore, the already poor are likely to see their very low incomes squeezed further by still high food and fuel prices. As a result of the food and fuel crises, the number of “extremely poor” was estimated to have increased by at least 100 million²². Informal activities and involved workers will increase. Middle classes throughout the world are also affected and uncertain, concerned particularly about the future of their pension systems, unemployment benefits and access to healthcare. As this situation in the world jeopardizes the

²²World Bank Report (2008): “Global Financial Crisis And Implications For Developing Countries”, G-20 Finance Ministers' Meeting São Paulo, Brazil, November 8, 2008.

efforts done for poverty alleviation, it gives another important dimension for the self-employment and microenterprise development programs.

Already ninety per cent of the world's self-employed poor – more than a billion people – lack access to basic financial services as explained by Richards (2006). In a country like Indonesia, more than 90% of its 50 million small businessmen have no access to regular bank financing (Soraya Permatasari, 2010). Hassan and Alamgir (2002) maintain that the roots of poverty lie in that the poor are 'systematically disorganized by economic, social and political relationships within which they are caught. The only long-term solution to the problem of poverty, therefore, lies in assisting the poor to challenge the relationships that improvised them. Microentrepreneurship plays a key role herein allowing the poor to unleash their potential and go beyond their dependence on welfare and social aides investing to create their own employment and/or income generating activities.

Successful programs in many countries demonstrate this fact not only in developed countries but also in industrialized ones. Amy Kays Balir & Joyce Klein (2001) revealed a creative initiative launched in 1998 by the Charles Stewart Mott Foundation, USA, to support ten microenterprise programs serving thousands recipients of their welfare program²³, through a program entitled "Welfare to Work (WTW)". Moreover, over the last two decades, the innovative microfinance programs run by Grameen Bank and hundreds of national and international NGOs have contributed to improving the quality of life of millions of people, mostly women. The progress of microfinance worldwide is phenomenal. In 1997 only 7.6 million families were covered; however in 2006 this number has reached 100 millions of families. Professor Muhammad Yunus who has received the "Nobel Prize" in 2006 for his work on Grameen bank in Bangladesh, and other parts of the world, expected that by year 2015 about 175 millions of families around the world will have access to microfinance.

While, conventional microfinance has been effective at supporting and uplifting the living conditions of the poor in many countries, it is not fully satisfying the cultural and spiritual aspirations of others. In some Muslim communities, conventional interest based microfinance has always been rejected due to its non-compliance with the Islamic principles, particularly on the issue of paying of interest or *riba*, which is forbidden. Moreover, Islamic microfinance has one major advantage, namely risks are shared between financial institutions and beneficiaries, which allow entrepreneurs to concentrate on what they do best. At the same time, the disbursement of collateral-free loans in certain instances reflects the sharing of common objective between financiers and enterprises, thus advocating entrepreneurship.

The present paper will try to enlighten the microentrepreneurship and Islamic microfinance development in the world with a special focus on Bahrain as an example of successful Muslim developed countries. Despite Bahrain's relatively high per capita GDP, a percentage of its population is in need of regular financial assistant. Currently a small portion of Bahrainis live below the national poverty²⁴ threshold. The government provides cash assistance to approximately 10,000 needy families, covering around 20,000 individuals in the Kingdom – especially women. The national economic vision 2030 has emphasized the need to enhance the Social investment services. These services target the reintegration of beneficiaries into society, eliminating their dependence on the state. Services provided by the MOSD include empowerment programs for the needy (e.g., the Productive Families program), rehabilitation and training programs for the disabled, and educational programs for women, as well as structural assistance, and capability-building programs to empower NGO's and its role in poverty alleviation. In 2010 the MOSD in partnership with five organizations established an

²³ "Temporary Assistance for Needy Families"

²⁴ National poverty threshold in Bahrain is of BD 337 per month for a family of six members

innovative microentrepreneurship development catalyst based entirely upon the social corporate responsibility. Family Bank is established as the 1st Islamic microfinance bank in Bahrain with the prime objective to contribute to poverty alleviation and socio-economic empowerment of the communities it serves through the provision of sustainable Islamic financial services to the underserved. The main objective of the present paper is to evaluate the potential of family bank as a microentrepreneurship development catalyst and its contribution to the Bahraini society by creating wealth, economic assets, and jobs.

Worldwide Growth of Microentrepreneurship

Different definitions were given to what we call “Microentrepreneurship”, most of research links it with microfinance, self-employment and micro-enterprises development. It is globally admitted that micro entrepreneurs are the owners of very small businesses with very low start-up costs. A microenterprise is essentially any business bringing revenue to a family. The term refers to both registered and unregistered businesses, including individuals working informally from the home or elsewhere. There is a significant overlap between micro-entrepreneurs and the poor although some micro-entrepreneurs are not poor and many poor are not micro-entrepreneurs. However, even those micro-entrepreneurs who are not poor tend to be particularly vulnerable to economic shocks and could easily become poor (Ala’a Abbassi et al, 2009). As a matter of fact, microentrepreneurship development is considered worldwide to be an income generating strategy that helps poor, low- to moderate-income, and other disadvantaged individuals start or expand microenterprises. The importance of supporting such those individuals to start and grow are fundamental for empowering tremendous number of families²⁵ and needy people in emerging economies.

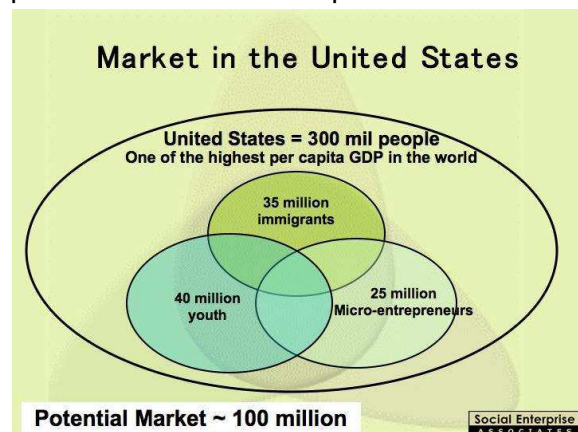


Figure 1 The potential market of microentrepreneurs in USA, Tulchin et al (2009)

Microfinance, where it encompasses the management of small amounts of money through a range of products, and a system of intermediary functions that circulates money in an economy, represents the main pillar of microentrepreneurship. It targets the low incomes individuals by providing mainly: loans, savings, insurance, transfer services and other financial products and services. Providers of microfinance include non-government organizations (NGOs), self-help groups, cooperatives, credit unions, commercial and state banks, insurance and credit card companies, wire services, post offices, and other points of sale.

Many successful programs in Asia, Africa and other parts of the world have shown that microenterprise development programs have been also serving welfare recipients with microcredit, training, technical assistance to help them start, formalize or expand very small business. Moreover, the need to have innovative socially oriented financial services that care about these micro businesses and the segment it composes in the society is rather increasing. Several studies provide great progress of microentrepreneurship worldwide, Drew Tulchin et al (2009), gave an estimate that the potential of microentrepreneur only in the US is about 100 million, see figure no. 1.

²⁵ Empowerment as a concept can be interpreted in different ways such as to express self strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one's values, capable of fighting for one's rights, independence, own decision making, being free, capacity building.

Financial Challenges Facing Microentrepreneurs

The lack of access to finance is perceived worldwide as a key reason for the poor to remain poor. As the entire financial system comprising of private commercial and semi private-semi public specialized banks, financial institutions leave a large chunk of population untouched by their activities as “unbankable”. In most developing countries, less than half the population has an account with a financial institution. In many countries, the ratio is less than 20%. Less than 20% of small firms use external finance, about half the rate of large firms²⁶. These are the poor, poorest of the poor and marginalized people who do not enter into the market at all²⁷. In fact, M Obaidullah (2008) pointed out that there are three blocks which hinder the access of poor to banking and financial system: high cost of financing, high cost of processing and the traditional system of collaterals.

In recent years, microfinance has emerged as an important instrument to help a large number of “unbankable” members of society, as a tool to help reduce poverty and encourage economic growth.

Microfinance is become a large industry comprising many sectors: microcredit, micro-housing loans, micro-insurance, micro-education loans, microfinance health protection systems, etc. Microfinance institutions (MFIs) reached 155 million clients by Dec. 31, 2007 of which 106.6 million were among the poorest affecting 533 million people. The data collected for 1,072 MFIs from 90 countries in 2007 shown: 67 million borrowers, 63 million savers, and gross loan portfolio of \$36 billion and voluntary savings of \$26 billion, R. Meyer (2010). As a result of the increasing professionalization and commercialization of microfinance, the field of microfinance, once dominated by small non-profit organizations, is now lead by formal financial intermediaries. Figure 2 gives a distribution of microfinance programs in the world.

Central & Eastern Europe (33.6%)
 South America (22.4%)
 Russia, Caucasus & Central Asia (14.3%)
 Central America, Mexico & Caribbean (11.7%)
 Sub-Saharan Africa (8.3%)
 East Asia & Pacific (5.8%)
 South Asia (3.8%)
 Middle East and North Africa (0.2%)

Figure 2 Geographical Distribution of microfinance programs, Cedric Lombard, (2009).

Are Microentrepreneurship is Only to Fight Poverty?

As mentioned earlier microentrepreneurship programs were implemented in many countries to serve microenterprise development, for many reasons: individuals seek additional ways to earn income, labour is become in surplus supply, jobs are hard to come by, wages are low, and many people are self-employed out of necessity, women with small children seeking greater flexibility, etc.

²⁶ World Bank Report (2008)

²⁷ According to the CGAP, the clients of microfinance—female heads of households, pensioners, displaced persons, retrenched workers, small farmers, and micro-entrepreneurs—fall into four poverty levels: destitute, extreme poor, moderate poor, and vulnerable non-poor.

Meanwhile and precisely microcredit is generally perceived as a tool for poverty reduction via self-employment and income-generating activities. M. Yunus (2008, pp 85) concluded “one of the significant social impacts of microcredit movement has been the realization that the key to alleviating poverty is often not the creation of “jobs”- that is, salaried work for large corporate employers- but rather the encouragement of self-employment for all individuals, particularly women, who create goods and services and market them on a local level”. Millions of such small-scale entrepreneurs are now active throughout Bangladesh, lifting themselves, their families and their communities out of poverty- and many owe their start to Grameen bank.

The efficiency of microentrepreneurship development programs in fighting the poverty and giving disadvantaged people second chance is worldwide recognized. A World Bank study dated to 1998 showed that in Bangladesh, Grameen Bank's clients were escaping poverty at the rate of 10,000 per month²⁸. Yunus (2008), elaborated on this: The problem I discovered in Bangladesh-the exclusion of the poor from the benefits of the financial system-is not restricted only to the poorest countries of the world. It exists worldwide. Even in the richest country in the world, many people are not considered credit-worthy and therefore ineligible to participate fully in the economic system, (pp 49).

From other hand, as the vast majority of poor households live in developing countries, poverty in industrialized countries is often neglected. Several reports focused recently on microfinance as a tool for pulling disadvantaged individuals out of poverty in industrialized countries. In particular, Armendáriz (2009) compared the experiences of two microfinance institutions in Belgium and France. He provided an analysis of microfinance programs in the world pointing out that the characteristics of those programs are fundamentally different. The first characteristic

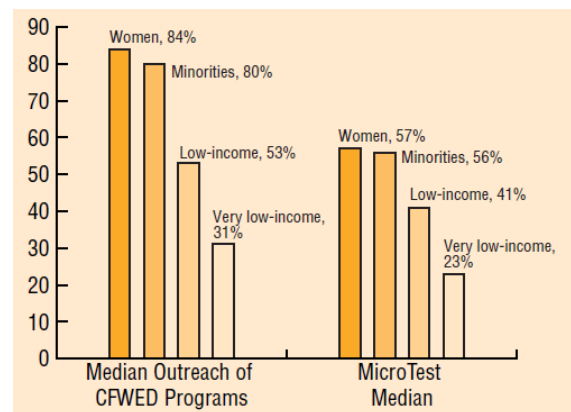


Figure 3 Analysis of 6000 participants in microenterprise development program, Jeremy Black (2004)

of microfinance in industrialized countries is that it focuses on poverty and social exclusion. The concept of social exclusion, combines factors such as lack of adequate education, deteriorating health conditions, homelessness, loss of family support, non-participation in the regular life of society, and lack of job opportunities (Levitas, 1996). Also Schmittand Zipperer (2006) focuses on the link with poverty in Europe. The second characteristic of microcredit in Europe, relative to developing countries, is that the latter countries review high rates of informal-sector/self-employed individuals. In contrast, industrialized countries tend to associate poverty with long-term unemployment which is often perceived as being positively correlated with the above-mentioned concept of social exclusion, an issue to which we will come back later in this report. Two additional observations deserve to be mentioned here. First, the average size of a microloan in developing countries ranges from about \$200 in South Asia to \$1,600 in Latin America²⁹. In comparison, average loan sizes in industrialized countries are considerably larger; with relatively small loan sizes reviewed in countries such as the United States -approximately \$6,500- to roughly \$25,000 in countries such as Belgium. Second, interest rates are considerably higher in developing countries, with low interest rates of about 17 % charged by, for example, Bangladeshi MFIs to approximately 70 % charged by Latin American MFIs. In

²⁸ Shahidur R Khandker, (1998) provides an estimate of 5% of the borrowers move out of poverty each year.

²⁹ Source: MixMarket data (2008)

contrast, average interest rates in industrialized countries range from 5 % – the lowest – in countries such as Belgium to 7.5 % in France³⁰.

Also as the Small Business Administration's Office of Advocacy reported; 84 % of women-owned enterprises were sole proprietorships with average annual business revenues of just \$31,000 in 1997 (compared to \$58,000 for all sole proprietorships). Eighty-seven percent of women-owned, sole proprietorships reported receipts less than \$50,000. Sole proprietorships operated by women in the United States increased dramatically from 1990 to 1998 in numbers, gross receipts and net income. The most common types of women-owned businesses are door-to-door sales and child day care. Jeremy Black (2005) provides a very interesting study on microentrepreneurship in USA with a detailed analysis of nine microenterprise development and microfinance programs in nine states.

Another study on developing welfare recipients in USA out of poverty undertaken by Peggy Clark & Amy Kays (1999) provides certain statistics confirming the tight relation between microentrepreneurship and what they called "progress out of poverty". Based on findings from the self-employment learning project which is a five year study of microentrepreneurs, they concluded that:-

A very large majority — 72% — of poor microentrepreneurs experienced gains in household income over five years. The average change in household income was \$8,484 — rising from \$13,889 to \$22,374 over five years.

More than half — 53% — of poor entrepreneurs had household gains large enough to move out of poverty. For these individuals, their move over the poverty line was an economic change of huge magnitude: in most households family income nearly doubled over the five year period.

For most of the individuals who moved their families out of poverty, the micro-business was a major source of earnings for the household. For this group of successful individuals, the business was critical to the family's ability to get out of poverty.

As a conclusion of the analysis of characteristics of microentrepreneurship and microfinance programs worldwide, one can admit that the perception of microentrepreneurship is widely different and its role is accordingly multiple. While marginalized or excluded individuals are forming the main basin of microentrepreneurs in industrialized countries, welfare recipients, poor, unemployed and low income families are the major players of microentrepreneurship in developed and underdeveloped countries. As a result, not only the microfinance stereotype programs will differ but also the training needs and non-financial services may largely vary from a country to another.

Microfinance in Muslim Countries: Fostering Islamic Microfinance

Despite being able to demonstrate successes, conventional microfinance is criticized to not fully reaching the poorest of the poor and loans are going to activities unrelated to entrepreneurs. In some Muslim communities, conventional interest based microfinance has always been rejected, principally of its non-compliance with the Islamic principles, particularly on the issue of paying of interest or *riba*, which is forbidden. Meanwhile, conventional microfinance institutions have often been criticized for charging the poor exorbitant interest rates and fees. This is largely due to the higher transaction costs incurred, including the provision of services such as monitoring, advice and health insurance.

³⁰ ACCION International USA, European Microfinance Network and Nantik Lum Foundation (2008).
10th International Entrepreneurship Forum, Tamkeen, Bahrain, 9-11 January 2011

Although the number of Islamic microfinance initiatives remains limited, less than 1% of total global microfinance outreach, there is an increasing interest in developing microfinance programs based on Islamic financing principles. Generally speaking, Islamic microfinance represents the confluence of two rapidly growing industries: microfinance and Islamic finance.

Many argued that Islamic finance could help correct the shortcomings as it focuses on achieving social justice, prohibits exploitation and battles poverty. This is further strengthened by the fact that the philosophical basis of Islamic financial system lies in 'adl' (social justice) and 'ihsan' (benevolence). During the past decade or so, the value of total assets held by banks complying with Sharia has grown more than 12 times. Having reached nearly \$ 1 trillion in value worldwide at the last count, the industry is set to continue growing strongly over the next ten years, (Abdulkarim Bucheery, 2010)

The involvement of Islamic banks can also help to increase the scope of Islamic microfinance, that can provide microfinance at lower operating and financing costs compared with MFIs as it can operate from existing branches and do not require a whole range of professionals/staffs and not incur extra fixed costs. Currently, there are not many Islamic microfinance institutions but their number is incessantly increasing. They largely use the lending format of the conventional MFIs and adapted Islamic principles and values. The table below illustrates full data collected by Nimrah Karimet al (2008) to evaluate the number, seize and types of Islamic microfinance programs working worldwide. The situation is certainly evolved since, as this table is dated to 2008. One can add different 100% shari'a compliant programs came up in Yemen, Sudan, Palestine and Bahrain.

Institution Type	# of Institutions	Total # of Clients		Total Outstanding Loan Portfolio (Islamic)		Avg. Loan Size (Islamic)
		#	% of Total	US\$	% of Total	US\$
Cooperative	1	6,671	2	926,251	<1	132
Village Bank (Syria)	1	2,298	1	1,838,047	<1	800
NGO	14	125,793	42	41,421,580	21	303
Rural Bank (Indonesia)	105	74,698	25	122,475,158	62	1,640
NBFI	3	4,293	1	1,893,207	<1	595
Commercial Bank	2	87,569	29	29,030,997	15	305
TOTAL	126	305,237	100	198,090,268	100	629

Table 1: Islamic Microfinance by Institution Type, Nimrah Karimet al (2008)

As a matter of fact, the major products developed in almost the majority of these institutions working in Islamic microfinance programs are three. C. Segrado (2005) described these instruments of Islamic finance as three: mudaraba, musharaka and murabaha, which are used to trying to use them as tools to design a successful microfinance program.

A mudaraba model: the microfinance program and the microenterprise are partners, with the program investing money and the microentrepreneur investing in labour. The microentrepreneur is rewarded for his/her work and shares the profit while the program only shares the profit. Of course the model presents a series of difficulties, given most of all by the fact that microentrepreneurs usually do not keep accurate accountability which makes it more difficult to establish the exact share of profit. As stated before, these models are complicated to understand, manage and handle which implies that those who are involved need specific training on the issues. For this reason, and for an easier management of the profit sharing scheme, the mudaraba model might be more straightforward for businesses with a longer profit cycle.

A murabaha model: under such contract, the microfinance program buys goods and resells them to the microenterprises for the cost of the goods plus a mark-up for administrative costs. The borrower often pays for the goods in equal instalments, and the microfinance program owns the goods until the last instalment is paid.

The procedure is as follows: upon receipt of the finance application, the credit officer investigates the group and does a feasibility study for their activities so the officer can estimate the precise finance amount. If the feasibility study is positive, the client should identify items (commodities/equipment) needed from the wholesaler and negotiate a price. The credit officer then purchases items from that source and resells them immediately at that price to the client. HMFP has two elements of accounting/finance, which differ from most microfinance organizations. Both have implications for content of financial statements. The first is capitalization of the service charge expected upon disbursement, which affects the balance sheet. The second is the absence of the "principle of interest" on outstanding finance balances affecting yield on the portfolio and thus income earned.



Figure 4 Map of Bahrain

More instruments for Islamic microfinance are recently developed like: Ijarah (leasing), Estissna (industrialize), Musharakah (partnership), etc, but their employment yet not generalized as the first three mentioned earlier.

Microentrepreneurship in Bahrain

Bahrain is a country in transition, where the economic reforms have resulted in the rapid liberalization of domestic economy and improvement in the business environment. Many economic sectors especially the service sector has been growing rapidly. But as evidenced in many countries, economic growth can bypass the poor whereas poverty can continue to coexist in certain social categories with the high growth of salaries and improving standard of living. That is why Bahrain has a strong social protection net that assists the poor and vulnerable groups. These programs include consumption subsidies and social safety nets in the form of cash transfers. The current research will discuss the major initiatives establish to develop the needy families' living standards through microentrepreneurship.

1. The Microenterprises and SME's

Since two decades, Bahrain is focusing on fighting unemployment, developing a competitive SME sector, delivering international quality products & services and contributing to quality employment opportunities. During 2010, official figures state that unemployment among Bahrainis is estimated at 3.8%, although other estimates suggest that the figure is closer to 15% for youth. Statistics show also that micro, small and medium enterprises represent a significant part of the Bahraini economy. As the Central Informatics Organization estimates, these enterprises contribute nearly 28% of total nominal GDP. Construction, manufacturing and trading are the three main industries within this sector. Figure 6 illustrates the distribution of MSME's in Bahrain as per the first quarter of 2010³¹.

Number of MSMEs in Bahrian Q1 2010

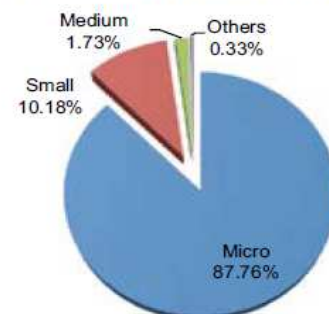


Figure 5 The MSME's in Bahrain, EDB 2010

³¹ Report on micro, small and medium enterprises in Bahrain economy, EDB-Bahrain, 2010.

Micro, small and medium enterprises also provide jobs for nearly 73% of private sector employees, only 14% of which are Bahraini employees, however, and 86% are non-Bahrainis, as illustrated on figure 7. Broken down by gender, 90% of these employees are male, and only 10% are female. These male employees tend to have higher wages than their female counterparts.

According to Husain Al Rabeei (2008) there are number of challenges affecting entrepreneurship in Bahrain, among them the development of specific policies and strategies, development of infrastructure and industrial areas, creating an encouraging economic and business environment, bringing a change in the socio-cultural attitudes at

the macro level, having enlightened approach to entrepreneurial financial services and development of training for existing SME's, etc.. To face such challenges, the government has taken several great steps like: enlarging the financial support, providing enhancement development programs, training of national workers and recently elaborate a national definition and classification of Micro, small and medium enterprises. The MSME's in the Kingdom of Bahrain will be defined as per the following (MOIC, 2006)

- Micro Enterprises –would involve Full time employment up to 10 persons and capital investment up to BD 20,000.
- Small Enterprises –would involve Full time employment more than 10 and up to 50 persons; capital investment more than BD 20,000 and up to BD 500,000.
- Medium Enterprise – Full time employment more than 50 and up to 150 persons (up to 300 persons for textile & garment sector as a special case); capital investment more than BD 500,000 and up to BD 2 million.

The elaborated definition will have certainly an important impact on the development of the microenterprise sector as the classes of companies will allow the government and other national assistance organizations to better target their support programs.

2. The Microfinance in Bahrain

The government in Bahrain provides the welfare support (Social Assistances) which have been delivered through since 1972. The annual welfare budget was doubled in 2006 to reach of BD 8,400,000³². The number of families benefited from the social grants until April, 2007 was 9827 families (e.g.: elderly, widows, divorced, etc.)³³. A detailed study elaborated in 2007 shown that over 93 per cent of families have been recipients for more than five years, moreover, it estimated that 4,623 households belong to the category “poor” despite they are all valid and in working age (between 18 and 45 years). This study presumed that: if proper economic empowering programs are provided to them, these households have a high probability to be good candidates for graduating out of poverty. The strategic objective of the MOSD then was to establish the suitable development instrument to design and implement such empowering programs.

Employees In the MSMEs Q1 2010

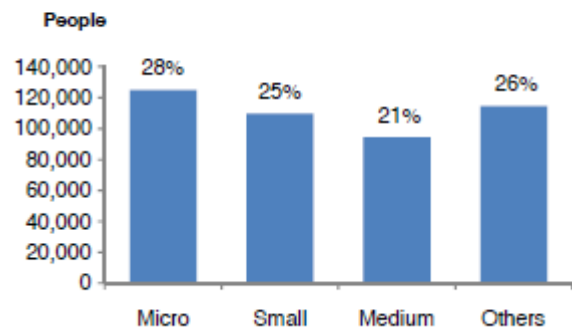


Figure 6 The working force distribution in MSME's, EDB 2010.

³² Source: www.MOSD.gov.bh

³³ Improving Services Rendered to the Families in the Fields of Social Assistances, MOSD, April 2007.

Meanwhile, the microfinance in Bahrain was initiated in 1999 by both of the United Nations Development Program (UNDP) and the Ministry of Labour and Social Affairs through a program entitled: MicroStart. This program was a highly successful microcredit instrument that providing small, short-term loans to low-income individuals, including women, while at the same time creating a system of sustainable credit delivery and management capacity in three national welfare non-governmental organizations, namely: Awal Women Society, Child and Mother Welfare Society and Al Islah Welfare Society. The total budget of the program amounted to US \$1.5 million, with US \$1 million contributed by the government and US \$500,000 provided by UNDP in the form of technical assistance. In addressing poverty and unemployment in the country, the program provided 7,637 short-term loans to 4,347 low-income individuals for a total value of US \$2,532,713. The number of beneficiaries (4,347 loan recipients) was equal to about 40% of the number of needy individuals on the social assistance rolls, or to almost 30% of the estimated numbers of unemployed nationals. Furthermore, the size of the individual loans ranged from US \$130 to US \$1,600, while the portfolio at risk was below the 3% acceptable level as set by the program. In fact, over 99% of all the loans paid out are on their prescribed schedule for repayment, which, in turn, has served to instil a discipline of loan repayment among recipients, thus encouraging attitudes of self-reliance rather than a habit of dependency (UNDP, 2008). As it will be discussed later, despite the success of the MicroStart, its ability to grow in term of provided loan sizes and tenure was limited. The very small amount of money provided by the program was great for some “very needy” but failed to fulfil the diverted needs of microenterprises particularly in the development stage where more money is needed to for the growth of microenterprises.

3. The Informal Microenterprises (Productive Families)

The efforts to develop welfare recipients in Bahrain dated to early eighties when the Ministry of Labour and Social Affairs launched the microenterprise and self-employment development program entitled “productive families” program. Recently, the establishment of the Ministry of Social Development in 2005 provides a new momentum to the program of microenterprises and self-employment development. In 2006 the MOSD has launched a national project aiming at achieve a radical change in the culture, quantity and quality of microenterprise particularly home-based businesses. The project has a general goal of creating a successful comprehensive model of support to productive families which not only stimulating a bigger number of families recipients of welfare to integrate income generating activity but also to grow the “matured ones” to become SME’s. Figure 8 provides the conceptual Framework for MoSD National Support System for Productive Families, which is based on best practices in training, finance, technical support, legal framework and rewarding of micro-entrepreneurs. It has several strategic goals as follows, A Elshabrawy (2008):-

- Shifting the charity spirit to focus on support the work done by needy,
- Shifting the involvement of sponsors/partners from donation to partnership,
- Shifting supporting development services to focus on value-added services,
- Shifting the microcredit NGO’s-based to create Microfinance Bank for “unbankable”.
- Shifting charity associations from exclusive charity works to turn into service providers to microentrepreneurs.

A creative implementation strategy was also elaborated in view of maximizing the outcomes of the project different elements. This strategy has the following targets:-

- Provide a legal umbrella for home-based micro-enterprises,
- Establish strong partnership between the program and private sector & NGO’s,
- Establish a modern & attractive infrastructure,
- Establish several specialized entities as service providers

- Provide training, technical & marketing support,
- Provide diversified financial services for different stages and requirements of microentrepreneurs.

As a result of this drastic shift, the number of registered productive families has drastically increased from 120 to about 600 families since the beginning of the project in March 2006.

Strong partnership	Marketing & outlets					Quality & branding	
	Services	Counseling	Workspaces	IT center	Design creativity		
	Funding	Micro-finance bank		Micro-start program			
	Training	Product develop	How to start Micro-enterprise		Specialized training		
	Infrastructure	jewelry center	Kitchen incubators	Ceramics center	Hand craft		
Home-based law	Supporting NGO's		HH Shkha Sabeeka Al Khalifa Rewards		International cooperation		
Adequate resources (financial & human)							
Governmental support & commitment							

Figure 7 Framework of National productive families project, MOSD- A. Elshabrawy 2006.

The Establishment of Family Bank

The significance of microfinance services in a society is accentuated by several features affecting the socioeconomic context and spirit of microentrepreneurship in this society. Bahrain has the required ingredients to make it an example of entrepreneurship development in the Middle East. It has business incubator, SME's financial and technical support, UNIDO programs, MOSD productive families programs, industrial zones, etc. Only microenterprise sector is still needs more development. This is one of factors that were behind the establishment of a microfinance bank which are mainly: the continuous increase in numbers of welfare recipients, and the gap in financial services for microentrepreneurs. Despite the successful implementation of the MicroStart project that is introducing the concepts and practice of microfinance to Bahrain by providing capacity building to participating NGOs serving as Microfinance providers, it does give micro loans up to only BD1000. Microentrepreneurs coming from home-based businesses and other microenterprises (most informal) are unable to obtain financial services particularly during their transformation into formal sector. Added to the complication raised by the need to have collateral and guarantee to cover the loans, there is a need to enhance the role of various agencies particularly NGO's in microfinance in Bahrain. Until the end of 2008, there was no formal microfinance institution/bank in Bahrain, except for the UNDP MicroStart program, that leaves a large gap in financial services.

The establishment of Family bank supposed to face challenges cited earlier by provide financial support between BD500 up to BD7000, and by engaging private sector and NGO's together with government as well as international agencies directly and in-directly in delivery of microfinance services. Family bank is established mainly to develop the microentrepreneurship in Bahrain. The Bank's underlying principles are broad community service outreach, maximal impact on the target clientele, and long term sustainability. The major strength of the plan of the MOSD to establish the bank was to make sure that the Bank will be licensed by the Central Bank of Bahrain as Islamic microfinance bank in order to ensure the highest level of

professionalism in all its operations. The paid up capital of the Bank is fixed to be BB5m but the allowed one is BD15m.

As a result of the several meetings, discussion, modifications the Bank was established through the partnership between the following stakeholders:-:

1. Royal Charity Organization
2. Bank of Bahrain & Kuwait
3. Ahli United Bank
4. Ethmar Bank
5. Kuwait Finance House
6. Ministry of social development

An agreement was signed with one of the pioneering microfinance organizations recognized worldwide, Grameen Trust, to implement a microfinance Grameen model-based program as one of the future bank programs. At present Grameen has replicated its model in 42 countries and more than 8 million borrowers only in Bangladesh are getting finance from Grameen bank. The Family bank was officially launched the Islamic microfinance program on January 14th 2010.

The Proposed Business Model of Family Banks

Family Banks is to be considered as development non-for-profit organization based on solid collaboration with different partners to achieve the following strategic goals:-

- Providing a better eco-system for microentrepreneurship, with focuses on very small businesses that may not be bankable, but are feasible,”
- Providing innovative banking services for “unbankable” such as:-
 - Shari’a compliant microfinance services
 - Collateral Free finance
 - No legal or formal entity required
 - Target the Financially Disadvantaged
 - The Bank will go to the poor
- Targeting Youth. In order to have a real and sustainable impact on unemployment, family bank will target the youth, as a large proportion of the youth are suffering from unemployment.
- Focus on Women. International experience has demonstrated that a high degree of female participation as borrowers in micro finance programs serves as a basement for the strong performance of the overall lending process. Moreover, women have proven in all cultures to be more responsive than men to the opportunities gained through micro-finance schemes, as well as more reliable regarding finance repayment.
- Focus on handicapped. A special program is to be arranged between the bank and MOSD to empower the disabled individuals who are currently listed and supported by the MOSD.
- Involve a sufficient number of NGOs in the lending process. In order to expand the positive impact of the bank services in reducing unemployment and developing the capacity of NGO’s in Bahrain, the total number of NGOs involving in the project will be gradually increased to cover the whole areas of Bahrain.

The Innovation in Family Bank

Facing the dilemma of self-employment and micro-entrepreneurship in a welfare-state like Bahrain where different SME’s players are providing competitive supporting schemes and where the needy families have mostly a previous banking experience (either for personal loans,

housing loans, auto loans, etc.) is not an easy task. These factors forced the family bank applying an innovative philosophy focuses on provide poor and micro-entrepreneurs with a comprehensive adopted financial and non-financial services to start and expand their very small businesses, at the same time working with all the instruments of professional banks operating under the supervision of the central bank. Several process and operations from banking side together form MFI's and entrepreneurship development side are married together to nurture a specialized Islamic microfinance bank. The main characteristics of the bank are as follows:-

1. Provide Full Fledge Programs & Services

The principal activities of bank are divided into four main programs as follows:

- A group finance through Grameen-based program: A collateral, guarantee and commercial registration free finances from BHD 500 to 3,000 to be repaid in 12-24 months with a subsidized rate of return and against no administrative fees. Repayment to be made in equated monthly instalment.
- Microenterprise development finance: A collateral, guarantee free finances from BHD 2,000 to 7,000 to be repaid in 36 months with a subsidized rate of return and against no administrative fees with a grace period of 3 months. Repayment to be made in equated monthly instalment.
- Finance schemes throughout the Non-Government Organizations (NGOs)/ Micro-Finance Institutions as well as Charity organizations in order to work as MFI, from BHD 50,000 to BD100,000. This program is designed to work in partnership with the bank to cover geographically the whole country. The program targets also certain disadvantaged categories like women, handicapped and youth.
- Comprehensive non-financial services for all clients (training on money management, how to start a business, counselling, marketing support, providing new business ideas).

As results of this range of services, family bank has a net advantage on other MFI's and microfinance organizations, and applying the philosophy that it's not distributing small amount of money agency, it's a full empowering organization.

2. Provide Max Supporting for First Steps

As microenterprise development has proven to be an effective method for fighting poverty and rising up entrepreneurs in the society, Family Bank is trying to maximize its efforts to be a real catalyst for Bahraini self-employment and microentrepreneurs who are entering the "business" world for the first time. Some of those individuals are already recipients of welfare support, undergoing a special program for "graduation out of poverty". Many clients are working currently in very small scale as home-based businesses; they are willing to get finance to shift to formal. For these reasons Family Bank ensures that the microentrepreneurs and their communities benefit now and in the future. Beside the major strengths to provide collateral, guarantee and commercial registration free finances, the bank provides also training on basic financial principles and general business training before providing finance.

3. Develop Islamic Microfinance Services

Islamic Finance has grown tremendously over the past 3 decades whereas an opportunity and need of Islamic Microfinance has been spotted. Hence, Family Bank has combined Grameen method and combined it with expertise in Islamic finance to re-structure the products to become 100% Shari'a compliant. The Islamic product development team worked on structuring under the supervision of the Shari'a Supervisory Board shown a real understanding for microfinance models specificity and elaborated a suitable instrument to finance needy. After implementing these products and proven its success, more microfinance models will be introduced to serve

Family Bank's clients in different life improvement and empowering aspects. Currently, the developed Islamic microfinance products in family bank are:

1. *Micro-Mudharaba*

Mudharaba is a trust based financing agreement whereby an investor (Family bank) entrusts capital to an agent (Mudarib) for a project. Profits are based on a pre-arranged and agreed on a ratio. This agreement is akin to the Western style limited partnership (or venture capital), with one party contributing capital while the other runs the business and profit is distributed based on a negotiated percentage of ownership. In case of a loss, the bank earns no return or negative return on its investment and the agent receives no compensation for his/her effort. Family bank is the first microfinance bank who designed a new type of Micro-Mudharaba. Basically the Islamic banks are not interested to provide finance thorough Mudarabah instrument where the bank is not generally the entrepreneur "Mudarib", as it is very risks (the banks are used to be "Mudarib"). However after several interactive sessions with the clients, their main request was that the family bank should provide cash funds to them within the shortest time and clients can utilize the funds as per their choice in any income generating activity.

2. *Micro-Murabaha*

A particular kind of sale, compliant with Shari'a, where the seller expressly mentions the cost he has incurred on the commodities to be sold and sells it to another person by adding some profit or mark-up thereon which is known to the buyer. As an Islamic Microfinance bank, Family Bank adds a mark-up that is very low, allowing citizens to have access to these commodities without needing to pay large amounts of mark-ups, and will ease the process for them through deferred payment. The bank doesn't incur any administrative fees on this process.

3. *Micro-Murabaha by Tawaraq*

As many clients are purchasing the items required for their micro-business outside Bahrain, the classical Micro-Murabaha is not suitable for them. Added to the fact that several businesses are required finance beyond the ceiling limits the bank fixed for Micro-Mudharaba. Accordingly, the Micro-Murabaha by Tawaraq product is particularly designed to suit the clients who have very special financial needs, small amount of money, various purchases, mostly buying form foreign markets, etc. the development of Micro-Murabaha by Tawaraq is very rare in the Islamic microfinance as it needs various arrangements with shari'a complaint financial agencies and commodities traders who execute the Tawaraq process.

4. *Adjusting a Grameen –based 100% Islamic Finance*

Grameen Foundation helps the world's poorest, especially women, improve their lives and escape poverty through access to microfinance and technology. By making very small finances to every determined people, we've seen millions of the world's poor pull themselves out of poverty. An agreement for implementing Grameen program is signed between Family Bank and the Grameen Trust, and two professional experts are employed as full time employee in the bank for the first years of operations. Grameen family bank program conducted a general feasibility study to check the suitability to the program to local culture. A detailed marketing plan was elaborated to identify the targeted customers & areas. A comprehensive survey is commissioned to have detailed and concrete idea on the proposed area where bank intends to work. As socioeconomic, demographic, political, marketing information are essential for the feasibility study, Grameen team worked to enable family bank department to analyze the local socioeconomic texture as well as getting familiar with the local communities. Once the customers identified and recognized the program immediately starts to educate them by

offering training in how to utilize the amount of money which they are asking and any amount that they would to raise in order to improve their living conditions. Since the launch of this financial instrument in the Kingdom of Bahrain it shows a great improvement and high responsibility in terms of the payments. To date more than 70 groups are formed and working in different sectors as it will be discussed.

5. Competitive Pricing Philosophy

Family Bank aims to enhance and improve the living standard of needy Bahraini by employing them in different areas of business within very socially oriented terms. Under the pricing methodology adopted by the Family Bank, the bank is charging the lowest cost on money available in Bahrain and may be in the region with a profit rate ranging around 1% per month. Since the launch of the Bank in January the bank has reach more than 350 investors with a different area of investments and other number is under the process of disbursing as the number is getting increase every day.

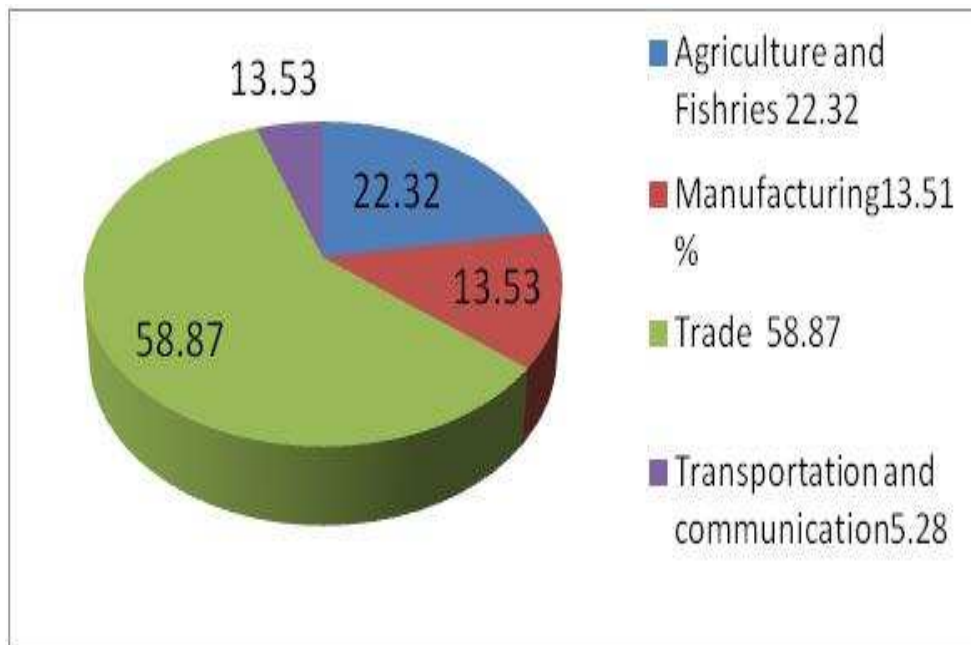


Figure 8 Sectors of investment of family bank customers

6. Provide a Takaful life Insurance for clients

As the mutual sharing of risk is based on the concept of Taawun (Mutual Protection), Family Bank has signed an agreement with one of the biggest Takaful insurance company to provide a protection for clients in term of the death and the disability. The insurance company will have the full responsibility to repay the finance amount to the Bank in case of death and the disability of the customer. The cost of this operation was agreed to be with nominal fees as the Takaful Insurance Company considered the agreement as part of its CSR activities.

The Diversity of Financed Microenterprises

Within an open economy like Bahrain economy, microentrepreneurs have a real opening to start microenterprise in much diversified business activities, more than the agricultural and rural activities based economies. Family bank is trying to guide microentrepreneurs to develop their ideas according to market potential and their experiences. The results of operations during the first three quarters reflected this policy. Some examples of the financed microenterprises are:-

10th International Entrepreneurship Forum, Tamkeen, Bahrain, 9-11 January 2011

Engine for Fishing Boat, Foodstuff (Food Processing), Clothing & Fabrics, Aluminum Workshop Motor, Vehicle & Parts (Buying& Selling Scrubs), Used Cars Spare parts& Accessories of cars, Departmental Store (Cold Store) ,Boutique, Cloths &Baby Wears, Gift Shops, Perfume, Beauty Saloon, DJ Equipment, Welding machine, Hijab & Jalabiah, Stationary tools, Transportation & Communication, as shown on figure 9.

Conclusion

We should admit that issues of social exclusion, social justice, and poverty and wealth redistribution are matters of great concern to the world; however, reasons for poverty in society are complex and historical. A significant dimension of these reasons is that many of the poor, who have the potential to work and get eventually better life, do not have the access to any financial services (neither the finance for their income generating activities nor the channels to mobilize their savings). As a result, access to funding has been identified as a major problem facing their empowering through self-employment and microenterprise development. Various studies showed that small and micro-enterprises are restricted in their ability to source funds from the “traditional” organized financial sector, arising from the perceived high risk of default and high administrative cost. Consequently, they resort to private moneylenders who charge substantially higher interest rates.

As a conclusion of the analysis of characteristics of microentrepreneurship and microfinance programs worldwide, one can admit that as the perception of microentrepreneurship is widely different and accordingly its role is multiple. While marginalized or excluded individuals are forming the main basin of microentrepreneurs in industrialized countries, welfare recipients, poor, unemployed and low income families are the major players of microentrepreneurship in developed and underdeveloped countries. As a result, not only the microfinance stereotype programs will differ by also the training needs, and non-financial services may largely vary from a country to another.

To a significant extent, conventional microfinance has been effective at supporting the development of very small and small enterprises and consequently uplifting the living conditions of the poor in many countries. However, this convention microfinance is not fully satisfying the cultural and spiritual aspirations of all needy. Potentially, Islamic microfinance can chart a rapid growth given the prevailing high proportion of poor population (particularly in Muslim dominant countries) involved in small and micro-enterprises that are not having access to formal banking system. Islamic finance and conventional style interest-based finance should not be viewed as competitors. Instead, the application of Islamic finance should be seen as a supplement to interest rate credit financing to help microentrepreneurs. The application of Islamic financing formula by Family Bank to small enterprises has not been without problems. These include difficulties in designing suitable Shari’a compliant finance instruments to satisfy client’s needs, the mark-up rates, the competition with other banks, as well as the nature of microenterprise within an open economy like Bahrain. The bank is yet in its first year of operation so one can’t undertake a serious evaluation. More time is needed to get deep evidences on the ‘appropriateness of its program and innovative approach. But generally the involvement of Islamic international financial institutions and Islamic commercial banks potentially is seen as a help widen the reach and scope of Islamic microfinance. Extensive research is also needed in the application of Islamic financing formula to small and microenterprises, if Islamic microfinance is to become more widely accepted and successful.

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Correlation between Anxiety to Retirement with Entrepreneurial Intention amongst Male Workers

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Sub theme of this abstract is entrepreneurship and value creation. We interest in this topic because of our concern in economic decrease that might caused bad effect, such as stress till depression to the retirement people. Especially for the men worker who will get their retirement soon as they get because of their lost of pay. It makes them get anxiety about their future. As an academician, orientation of the practice comes from our contribution from the study of the phenomenon. So, we want to know relation between anxiety about the retirement condition with a prospective solution that may help to solve this problem. The alternative comes with entrepreneurial intention. Our study is correlate anxiety with entrepreneurial intention. The study based on ex post facto study among 80 men who will get their retirement 2-3 years in coming (age range 51-53 years old). Result of the study shown that it has negative correlation between anxiety to retirement phase with entrepreneurial intention. This meant that we could do something to protect the negative impact because of retirement with get some activities in entrepreneurship. So it might concerned by organization that has problem with human resources who will get their retirement and worry about with fair and helpful HR system and policies. Entrepreneurship training will conduct to give and build the entrepreneurship values among worker to prepare their future after retirement.

Keywords: anxiety to retirement, entrepreneurial intention, men worker

Introduction

Job is one of the needs in people's lives. Job gives us opportunity to reach good quality of life. Job gives someone opportunity to fulfil their needs such as foods, clothes, house and everything, because job makes us have some money for our works. Psychologically, job also gives us social identity because of status and the social function, too (in Agustina, 2008). But, we have to realize that someday, workers have to finish their work because they have to retire from their job. This situation is not really good. Needed preparation and readiness to adapt with new situation, especially if the situation has bad impact for their future live.

For the worker, retirement phase has to be done because in the goes by time, age and physical condition will decrease, so it has impact in their work's performance. Retirement is the end of work phase and will stop the pay and all of benefit from the company for the worker (Baron & Greenberg, 2003). In Indonesia, the age for retirement has been mentioned in PER-02/MEN/1995 (Rule of Ministry of Labour Republic of Indonesia). It said that 55 – 60 years old is the age limit for someone to be retired from their job. Now, with the goldenshake policies, Indonesian government decided to give one year before retire as preparation period called MPP (Masa persiapan pensiun/the preparation period before retired). But for non government company, that period mustn't have given to their employee. So, the employees have to make their own preparation for the retirement phase. It is the reason why for private company, the retirement phase much greater cause the anxiety. Besides that, in the previous study in government employee found that there was no anxiety for them (Komalasari, 1995). The one reason is because they will get the pension fee after they retired.

So, the retirement phase isn't easy to cope and adapt. Davis & Newstroom (1985) said that in this term, is more difficult time than other term, so it need preparation to face the new condition after retired. From earlier studies shown that the impact become greater when it happens to men. In many traditions, like in Indonesia, men still have main role as a family funding contribution. So, when a man got his retirement phase, it will make them in the stress condition till depression. Lots of the fund sources sometimes make them get bad picture about their future. Besides that, after retire, people will lost their contact with colleague and all partner they have. Sometimes, it would not have impact for their life directly. But, lonely at home and lost of their activity that usually they have, also made they have to cope with that situation.

Related with the entrepreneurial intention, lost of connection with other people outside, it will make them worry to develop their intention become an entrepreneur. Because as an entrepreneur, they must think not only about something creative and innovative, but also need capability to distribute and gain attention from people outside. Bird (1989) said that networking also an important thing in entrepreneurship. The network provides the entrepreneur with access to resources, training and psychological release which are thought to be particularly important during start up and other periods of rapid change (Aldrich, Rosen & Woodwarth, in Bird 1989). Birds (1989) also said that networks composed of mostly business contacts (compared with family and friends) are thought to have more of the resources needed by an entrepreneur. Byers et al (in Remington et al, 2008) also emphasized that entrepreneurship is more social than individual activity: building a company entails hiring, organizing and inspiring a collection of people who typically need to get start-up funds from others, to buy things from people and ultimately flourish or fail together as a results of the ability to sell things to yet another group of people (in Remington, et al, 2008).

Referring that reason, this study focused on anxiety in social relation after men got their retirement phase. Because entrepreneurial intention might also influence by their perception about the opportunity to create network and prospect of their business in the social environment.

Literature Review

There are some explanations to give us understanding about what entrepreneurship is. Entrepreneurship, entrepreneur, entrepreneurial is common terms that mention when we talk about entrepreneur.

A: Entrepreneur and Entrepreneurship

An entrepreneur is an individual who set the process in motion and who direct the early stages of new ventures. An entrepreneur set up themselves to make a process that starting and growing a new profit making business. It is called entrepreneurship (Bird, 1989) More than that, entrepreneurship is ability to create new creature and different through creative thinking and innovative in the business opportunity. Hisrich and Peters (1998) said that entrepreneurship is one process to create new business with hard effort in time and sacrifice anything, including risk in money, physical effort and social matters in order the new business could be success and satisfy them.

Matthews (2008) unifies the particular mix of trait of an entrepreneur explored by other researchers in an “entrepreneurial syndrome”



Figure1. The nature of Entrepreneurial Syndrome
(Source: Matthews, 2008, p.22)

B: Entrepreneurial Intention

This study adopt TPB (theory of Planned Behaviour) to see how someone efforts become an entrepreneurs (Liñán and Chen, 2009). Kazt & Gartner (1988) explained that entrepreneurial intention is an information searching process that used to achieve goal to create an enterprise or business (in Indarti and Rostiani, 2008). Intention would predict whatever someone will start a business, so it could be predictor that became an entrepreneur (Choo & Wong in Indarti & Rostiani, 2008).

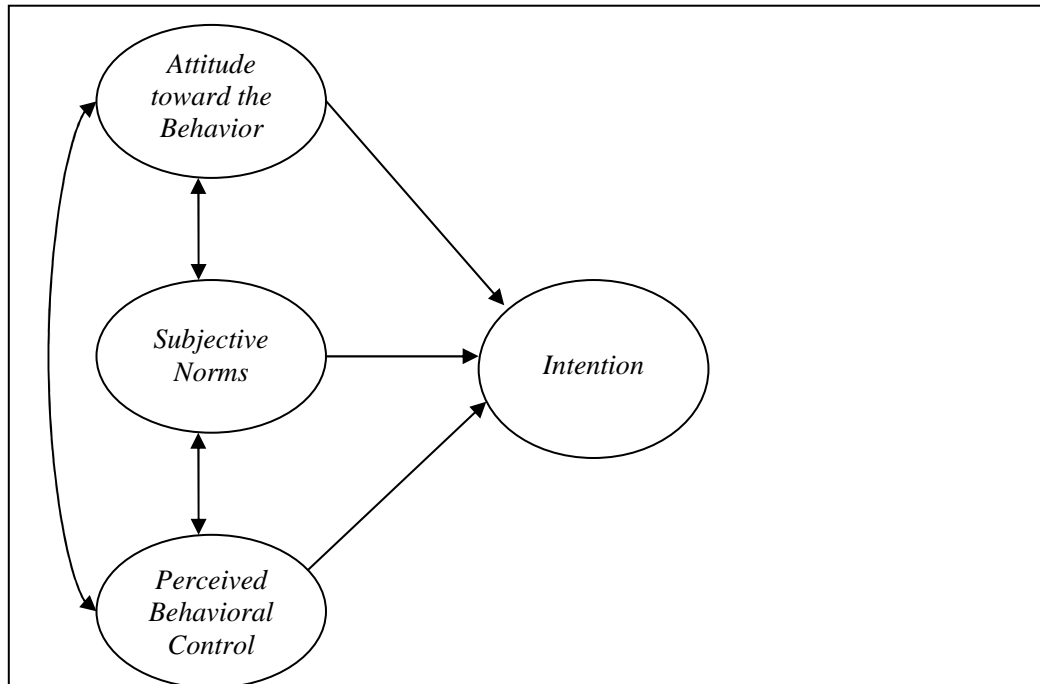


Figure2. Theory of Planned Behaviour

From his study, Liñán (2008) said that there are three motivational factors in entrepreneurial intention consist of:

- a. attitudes towards start up (personal attitude, PA)
It is about someone's perception about being an entrepreneur, including affective (like or dislike) and evaluative (prospective or not) judgement.
- b. subjective norms (SN)
It talks about how the social pressure that someone feels when they do something related with entrepreneur activities.
- c. perceived behavioural control (PBC)
It is about easy and not easy becoming an entrepreneur. It is about how someone perceived their capability to be able an entrepreneur and how they control the entrepreneur behaviour.

Liñán & Guerrero (2008) also put other factor that is environmental values consist of social values and closer valuation to complete the factors that has been mentioned above. Social values related to how the community see the career's choice as an entrepreneur. Closer values more focused on how people accept the values from their family or significant others, in order, it would be influence them in career choice, especially becoming an entrepreneur. Below, a model that explains about relation between variables that might build someone's entrepreneurial intention.

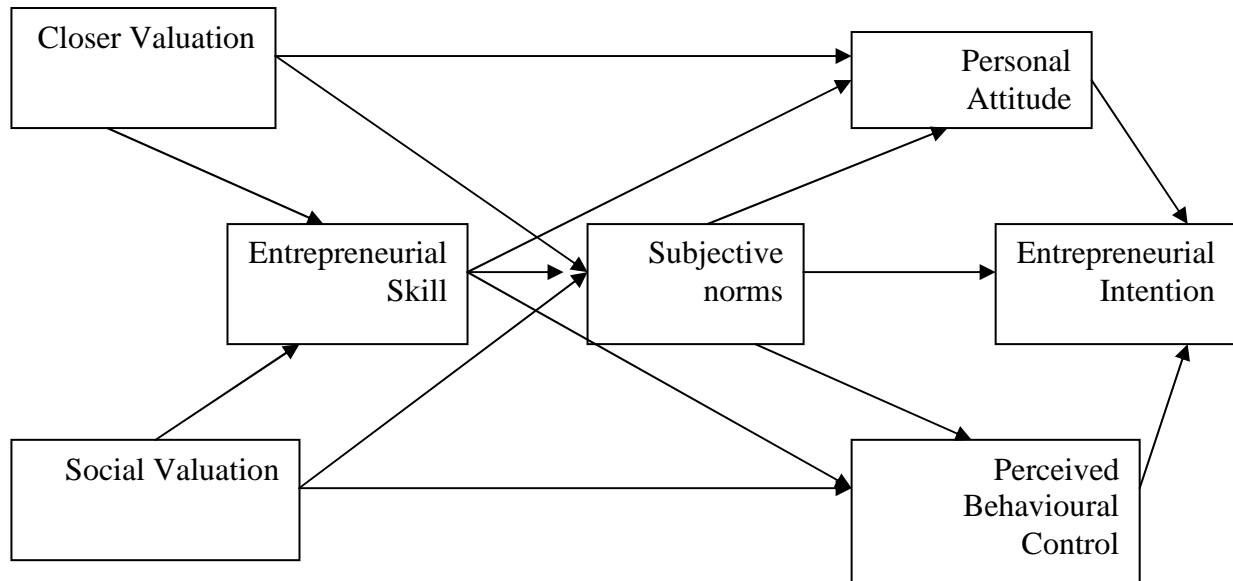


Figure3. Liñón's Entrepreneurial Intention Model (2008)

Therefore, Davidsson (1995) developed the following economics-psychological model that explains determinants of entrepreneurial intentions (in Remington, 2008).

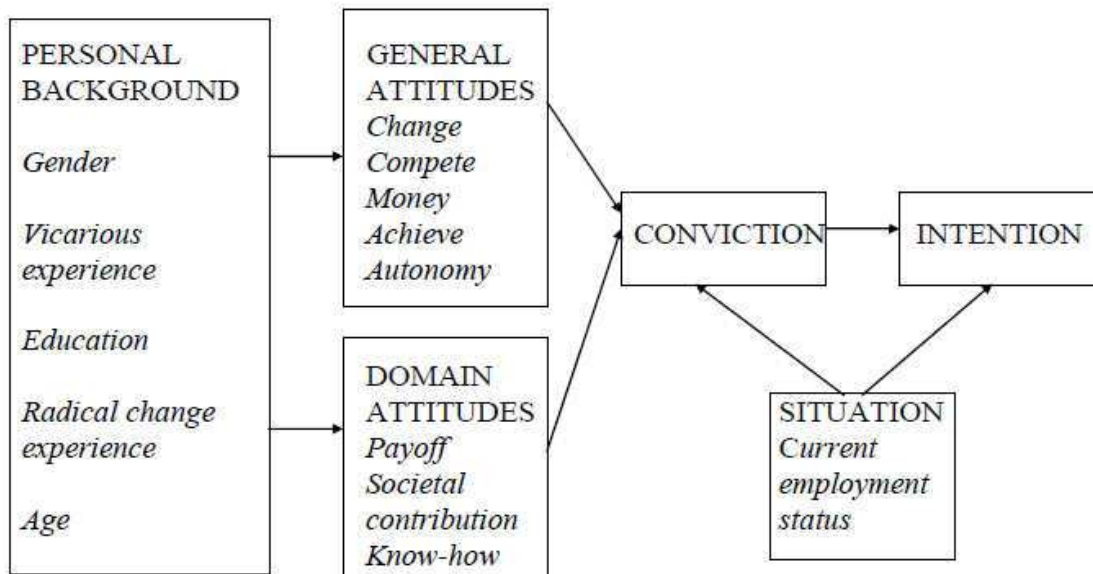


Figure 4: Economic-psychological model of determinants of entrepreneurial intentions
Source: Davidsson (1995, p. 5)

C: Retirement

Retirement is the phase when someone had to finish all their activities related with his job, that means as the end of his career and not accept salary from the company anymore (Baron & Greenberg, 2003). Turner & Helms (1987) said that retirement is the end of someone's activity in the formal job and beginning of the new phase in their life.

The ranges of age for someone get their retirement phase about 55 – 60 years old (PER-02/MEN/1995, Rules of Labour Ministry Republic of Indonesia).

Papalia et al (2007) classified this range of age into generativity versus stagnation phase. In this phase, Erickson has explained that the continuum of the generativity and stagnation phase comes from the will of self to become productive or stagnant. Generativity is being creative, role as a mentor, and willingness to self development. Kotre also mentioned that entrepreneurship as a way to make somebody become generate (Papalia, et al, 2007). But when feeling of being un-competence, powerless, and learned helplessness, so it makes somebody being stagnant.

Due to the retirement phase, in that range of age workers start to think about what next if they are getting retired. Commission of the European Community surveyed on employee at 50 -60 years old and found that since they at 45-50 years old, they start to think about the life after the retired and it caused the anxiety increased among workers (Zapalla et al, 2007).

D: Anxiety to Retirement

Anxiety is a response to a threat situation and it normally happen when someone have to cope with new situation, change or some condition that never face it before (Kapplan, Saddock and Grebb in Fausiah & Widuri, 2007). Anxiety to the retirement phase is general feeling that happens when someone go through the retirement phase that unpredictable and do not know beyond that (Fletcher & Hansson, 1991).

Research Method

Variables

There are two main variables: anxiety to retirement and entrepreneurial intention. Those variables will correlate to know how they are correlating each others.

Respondent

We tried to get at least 120 respondents in this study. But in the last minute, we only got 80 respondents that fit with characteristics and complete the questionnaires very well. The characteristics of respondent consist of : men workers, with age around 50 – 55 years old, and still work in private company. Sampling method used incidental sampling.

Instrument Development

In this study, we used two scales:

- a. SCRAS (Social Components of Retirement Anxiety Scale) by Fletcher & Hanson (1991). This scale consists of 23 items that has been constructing from 4 factors such as :
 1. Social Integration and Identity
 2. Social Adjustment/ Hardiness
 3. Anticipated Social Exclusion
 4. Lost Friendships

This scale used English language. So, we had to adapt the language into Bahasa Indonesia, in order the respondents who helps us in this study more understand about what the scale ask for.

The scale translated into Bahasa Indonesia by student who has at least 500 TOEFL Score and reviewed by expert judgement too. After that, we tried out the scale to some respondent to make sure that they understand what the scale asks and there are not misperception about the items want to assess. Then, we also counted the reliability of the scale and found $\alpha = 0,941$ (Alpha Cronbach coefficient).

b. EIQ (Entrepreneurial Intention Questionnaire) by Liñán & Chen (2006)

This scale constructed to have understanding about the impact of social environment and individual perception about their capability to be an entrepreneur. The item was 37 that constructed from factors consists of :

- Attitudes towards start-up (personal attitude, PA)
- Subjective norm (SN)
- Perceived behavioural control (PBC)
- Social values
- Social evaluation
- Entrepreneurial skill

In the process, just like SCARS, we have to adapted the scale into bahasa Indonesia and then we count the reliability of the scale and found $\alpha = 0,944$ (Alpha Cronbach coefficient). But, in this scale, from 37 items, we have to eliminated 6 items because that items have coefficient under 0, 3 (Kaplan & Sacuzzo, 1997). The validity of the items has not enough to assess the main construct that have to assess. After that, the reliability of the scale increased to $\alpha = 0,980$ (Alpha Cronbach coefficient).

Data Analysis Method

The methods that used to count the data included: frequency distribution, Pearson Product Moment Correlation and Partial Correlation.

Statistical Analysis

From the all data have been collected, 80 respondents help us to complete the all questionnaires. The results of the study shown there is negative correlation between anxiety to retirement and entrepreneurial intention ($r = -0,331$, $\text{los} < 0,01$). It means that if the anxiety to retirement is high, so the intention to be an entrepreneur is low. In the other hand, if the anxiety is low, so the intention to be an entrepreneur is high.

Specifically, from the data known that 54 respondents (67.5%) have low anxiety to retirement. In the other hand, 26 respondents (32.5%) have high score in anxiety to retirement. For the entrepreneurial intention, it found that 11 respondent (13.8 %) have low intention to an entrepreneur. So, 69 respondents (86.3%) have high intention to be an entrepreneur.

From the aspect of entrepreneurial intention, we also found relation between each aspect with anxiety to the retirement. With partial correlation, the results shown below:

- perceived behavioural control has negative and significant correlation with anxiety to the retirement with $r = -0,446$, $p = 0,000$ ($\text{los} : 0,01$)
- attitudes towards start-up have negative and significant correlation with anxiety to the retirement, with $r = -0,302$, $p = 0,007$ ($\text{los} : 0,01$).
- subjective norm has negative and significant correlation with anxiety to the retirement, with $r = -0,337$, $p = 0,002$ ($\text{los} 0,01$).

- social value has no correlation with anxiety to the retirement, $r = -0,050$ and $p = 0,659$.
- closer valuation has no correlation with anxiety to the retirement, $r = -0,167$ and $p = 0,142$.
- entrepreneurial negative and significant correlation with anxiety to the retirement, with $r = -0,035$ and $p = 0,006$.

Resume & Discussion

According to the statistical analysis, there is negative correlation between anxiety to the retirement and entrepreneurial intention. Anxiety to the retirement in this study specifically focused on social anxiety that come to the men worker after they have to retire from their job. This mean, if respondent show the high anxiety to the retirement, it will be make them have no intention to be an entrepreneur. In the other hand, if they didn't feel stress or depression when they have to face the retirement period, so the intention become an entrepreneur will increase. From this result, we try to explain this from Turner and Helms (1987) has been said that people need to adapt with retirement phase in their life, include adapting in psychological aspect, financial and social. Wirasasmita mentioned that there are some reasons why someone actually became an entrepreneur such as lack of income, social matter, service orientation and self-actualization (in Suryana, 2003). But, regarding this study, the anxiety to retirement phase in social relation is not seen as the cause of entrepreneurial intention. This result in line with Wolman & Striker (1994) that said if someone had anxiety, it will decrease someone's capability to think and do something. So, if the anxiety comes, people could not do anything to solve the problem. Even men, that more logic and reasonable than women, might failed to think clearly. But, in other side, if people in good condition, it will give more passion to think and do, that one of it is to be an entrepreneur.

There are also known by the data of respondent that 86,3% have high intention to be an entrepreneur. 77,5% from that, declare that they have been thinking to be an entrepreneur. 52,5% respondents even have previous experience in entrepreneurship. This result give us a picture about the main result that shown before that the low degree of anxiety might be give people energy to think and make a decision to solve their problem about preparation after retirement phase. And becoming an entrepreneur is one of their choices to maintain their financial problem after retirement. The respondent did not feel difficult in social relation so it possibility to make good networking give them confidentiality as an entrepreneur.

Regarding to the partial result has been found in this study, known that only perceived behavioural control, attitudes towards start-up, subjective norm, and entrepreneurial skill that has negative correlation with anxiety to retirement. Those results support the main results that there is a negative correlation between the two of variables. But, there is uniqueness in this study that social values and closer values had not any correlation with anxiety to the retirement. Explanation to this result might be correlates with personality factor. Independently and self confident might caused the respondents to choose and making decision to be or not become an entrepreneur. Further research may continue to correlate personality to entrepreneurial intention.

But, it still have to be consider that many factors may affect the decision to become an entrepreneur, since "the actual decision to pursue a new firm start up reflects a complex interaction between the individual's background, family and personal context and trends in regional or national economic situation that influence people to make their own decision (Global Entrepreneurship monitor, 2002, Bird, 1989).

Limitation of the Study

In this study, we just have 80 respondents. So, it needed more consideration if the result will generalize to the population. Comparison between men and women also will make comprehensive description and understanding about gender or personality variables that could be analyze in this study. Limitation in time and resources is other thing that we had in this study. So, if there is some doubt with this paper, we asking for apologize and suggestion that could be makes this paper much better.

Conclusion

From this study we can learn that anxiety is one aspect that we have to consider because the negative effect even in entrepreneurial intention. Anxiety must be manage in order the bad condition would not appear to distract people to solve the problem and make good decision. Be an entrepreneur is one of alternative to help men workers to make their preparation when they get retirement phase. Training or build entrepreneurial climate is the ways that can be suggest help and improves the ability as an entrepreneur. Networking and good relation between employee and company is also the advantage for the worker to still confident about their social relation and minimize the social pressure after the retirement.

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Development of Entrepreneurial Attitude in Iranian Elementary Literature Textbooks

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Objectives: The purpose of this paper is to analyze Iranian literature textbooks at elementary level, in order to study that to what extent is entrepreneurial attitude, from the aspects of cognitive, affective and behavioural, considered in these books and how can increase it.

Prior Practices: Although many researchers have analyzed textbooks but Content analysis of textbooks from the aspect of entrepreneurial attitude hasn't done yet in researches and the article is new in this field.

Approach/Methods: In this research, all the literature textbooks such as reading and writing books of five grades at elementary level in Iran that were published in 2010, was analyzed with qualative content analysis method. In this analysis entrepreneurial attitude was broke down to five categories with refer to entrepreneurship literature models such as Robinson's (1991). These categories are as follows: need for achievement, creativity and innovation, perceived self control, self efficacy and opportunity recognition. Validity of the content analysis tool, were confirmed by some specialists and reliability were estimated by pie-Scott coefficient over than 80%. Analysis of data gathered by content analysis, were done by descriptive and deductive statistics methods.

Results/Insights: Results show that in all reading textbooks, in sum total of text, question and picture, 24.8% of all units consider entrepreneurial attitude. In writing textbooks, this percent is equal to 54.9%. In the subjects of reading books lessons, 22.15% of all attend to entrepreneurial attitude categories. Creativity and innovation, among the other categories, has the most frequency in all books and opportunity recognition has the least and there was a significant different in frequency of five categories. On the other hand, textbooks of third grade had the most and first grade textbooks had the least frequency. In attitude components, including affective one in reading books and behavioral one in writing books was significantly higher than the others. Cognitive component had the least scale in all books.

Implications to Community/Industry: Population growth, local and global circumstances, technological changes and unemployment situation encounter the societies with some problems. Promote the entrepreneurship culture through education, can be a convenient way for developing entrepreneurship and dealing with these problems. In this way, formal education especially at elementary level is very important because elementary education affect one's life and future deeply. On the other hand, literature textbook that is one of the most important educational tools and transfer cultural concepts can play an important role in developing entrepreneurial attitude of the students. This article can stimulate promotion of entrepreneurial attitude in education systems and school curriculums.

Value to the Theme: In order to developing entrepreneurship, entrepreneurship education is such an effective way to reach this goal. This article relates to this topic and can have cultural and attitudinal effect.

Keywords: Entrepreneurial Attitude, Content Analysis, Literature Textbooks, Elementary level

Introduction

Entrepreneurship is 'at the heart of national advantage' (Porter, 1990, p. 125) and entrepreneurial people are a valuable asset for the government, most importantly because they create new jobs, take risks and are willing to take responsibility (Torokoff, 2006). Therefore, the encouragement of entrepreneurial activities is recommended as a way to stimulate economic growth (Harper 1991). Culture is an important topic in regards to entrepreneurship because it plays an integral role in determining entrepreneurial attitudes and intentions, and whether or not entrepreneurial behaviours are desirable (Morrison ,2000, Linsday,2005). Education is an important contributor to the development of an entrepreneurial culture (Burger, 2005). Therefore many governments are aiming to introduce entrepreneurial culture through education into the school system (Kyrö 2005; Carrier 2005; Mets and Andrijevskaia 2005; Venesaar et al. 2005). There would be an increase in the number of people whom would be successful entrepreneurs if they were identified, recruited, and nurtured throughout the educational process (Hatten and Ruhland, 1995; Ede, Pnigrahi, & Calcich, 1998) and empirical evidence supports entrepreneurial education as an intervention tool, which impacts adult attitudes toward entrepreneurship (Ede, Panigrahi, & Calcich, 1998; Hansemark, 1998; Hatten & Ruhland, 1995). Education can improve individuals' skill level and overall perceptions of business creation (Morrison, 2000; Gatewood et al., 2002), and that attitudes are likely to be influenced by education (Florin, Karri & Rossiter, 2007). In the education process, elementary stage is very important because the principles and values acquired at an early age or in the course of an individual's socialisation have a stronger influence than those adopted later in life (Vadi 2004). The general education system at elementary schools form and reinforce major values, knowledge, skills, and attitudes at the most susceptible age (Torokoff, 2006). There is significantly higher probability for start-up of new activities among people with entrepreneurial attitudes (Lunnan et al. ,2006) and empirical studies find that those enterprises adopting an entrepreneurial orientation exhibit superior performance (e.g. Wiklund,1999; Zahra, 1991). Therefore reinforcing entrepreneurial attitude of the students at elementary level in order to increase entrepreneurship activities is very important.

Key dimensions that play an important role in implementing entrepreneurial education through the curriculum area are textbooks. Textbooks clearly serve as a source of knowledge and understanding for school students and potential tools of education for teachers (Williams, 2001). Literature textbooks at the viewpoint of transferring cultural and attitudinal concepts can be an effective tool for developing entrepreneurial attitude among the students. Therefore, this research is conducted to assess whether and how elementary school literature textbooks helping students to present entrepreneurial attitudes.

Literature Review and Theoretical Background

Entrepreneurship Education

Current years have witnessed the ongoing interest in entrepreneurship, which is essentially understood as the emergence and growth of new businesses (Rosa et al., 1996). policy makers worldwide have now begun to recognize the instrumental role of entrepreneurship for economic

growth. New and growing businesses are seen as a solution to rising unemployment rates, and as a major catalyst to national economic prosperity (Acs et al., 1999; Bruyat and Julien, 2000). As a result of the proliferating emphasis worldwide on entrepreneurship as the catalyst for economic development and job creation, policy makers have developed a wide array of measures to support entrepreneurship (Gnyawali and Fogel, 1994; Maillat, 1998). Key among these is entrepreneurship education (Laukkanen, 2000). There appears to be a consensus that entrepreneurship education and training has a major role to play in the economic development of a country (Gibb, 1996).

Interest in entrepreneurship education grew rapidly in the late 1950s and early 1960s when some of the most well-known studies in entrepreneurship like McClelland's *The Achieving Society* (1961) and Collins, Moore, and Umwalla's *The Enterprising Man* (1964) were published. Over the years, entrepreneurship education has climbed the ranks in the business domain and was positioned sixth in importance out of the 60 recommendations on the solutions to the major problems facing small businesses (Solomon and Fernald, 1991).

Entrepreneurship education has been defined as education with the purpose of creating a new product or service that results in higher economic value (Hanesmark, 1998). Entrepreneurial education also focuses on knowledge of small business ownership and self-employment, as well as entrepreneurial skills and attributes. Formal entrepreneurial education has been found to affect attitudes of students toward entrepreneurship as a career option (Hatten & Ruhland, 1995; Hanesmark, 1998). It has been acknowledged that entrepreneurship education helps ignites the artistic, creative, and perceptual aspects of entrepreneurship (Shepherd and Douglas, *ibid.*). Indeed, recent evidence in the literature indicates that entrepreneurship education has a positive impact on perceptual factors such as self-efficacy (Cox et al., 2002/2003). Also it is proven that skills, knowledge and attitude may be modifiable by education (Tam, 2009). Kourilsky and Walstad (1998) suggested that stimulating entrepreneurial attitudes through education at the pre-collegiate level could encourage entrepreneurship as a career choice. The general education system, is the most important place outside their home for young people where, at the most susceptible age, major values, knowledge, skills, and attitudes towards targeted play and schoolwork are formed and reinforced (Vadi, 2004). A young person spends about 12-17 years within the pre-school and general education system, which is a long time – thus the experience forms beliefs which last for the rest of that person's life. Later life can only make some corrections in these beliefs, but the core remains unchanged. The foundation for business-minded and enterprising behaviour and attitudes is laid before university starts and a well-organised educational system is the best insurance for each individual seeking a good job (Torroff, 2006)

Entrepreneurial Attitude

Although prior research has debated whether entrepreneurial characteristics are innate, recent findings support the idea that psychological attributes associated with entrepreneurship can be culturally and experientially acquired (Vesper, 1990; Gorman, 1997). Individuals are predisposed to entrepreneurial intentions based on a combination of personal and contextual factors (Boyd & Vozikis, 1994). Personal and contextual factors attributable to entrepreneurs have generally been categorized as demographic characteristics and personality traits. A number of psychological attributes have been suggested as predictors of entrepreneurial behavior in the literature on of entrepreneurs, with some degree of concurrence.

According to Robinson, Stimpson, Huefner, & Hunt (1991) traditional approaches for studying entrepreneurship, have provided substantial background on entrepreneurship based on a psychological paradigm that assumes temporal and situational stability. The field has advanced within the limits of that paradigm to a point that further effort will yield diminishing returns. An acceptable alternative paradigm must be able to both include the strengths of the preceding

paradigm and overcome the deficiencies. It is proposed that the attitude approach fills both these requirements and offers substantial promise in advancing our understanding of the entrepreneur. An advantage of using an attitudinal approach is that it can be more domain-specific, which increases the correlation with actual behaviour and reduces unexplained variability.

Entrepreneurial attitudes can be seen as an individual's orientation towards future involvement in value-adding activities relating to self-employment in a small business (burgur,2005) and entrepreneurial attitudes can be associated with five main factors such as personal elements/traits factor (need for achievement, internal control, taking risk), personal environmental factor (family status, gender and having business-owning family), personal objective factor (being the owner of business, financial guarantee and vision), business environment factor (competition, societal attitudes towards new businesses and the accessibility of loan) and business idea factor (Naffziger, Hornby & Kuratko, 1994). Research conducted by Mazzarol, Doss & Thein (1999).

Attitudes have a behavioral component that consists of behavioural intentions and predispositions to act in a certain way toward some subject (Shaver, 1987). The Theory of Planned Behavior argues that intention is an antecedent to behavior (Ajzen, 1991), and intentions play a crucial role in understanding the entrepreneurial process (Krueger, 1993; Krueger & Brazeal, 1994). There are two fundamental approaches taken as to the nature of attitude. One approach holds that attitude is a unidimensional construct and is adequately represented by affective reaction alone (Fishbein & Ajzen, 1975). The other approach, known as the tripartite model, holds that there are three types of reaction to everything: affect, cognition, and conation. Attitude is a combination of all three (Allport, 1935; Breckler, 1983, 1984; Carlson, 1985; Chaiken & Stangor, 1987; Katz & Stotland, 1959; Kothandapani, 1970; Ostrom, 1969; Rosenberg & Hovland, 1960; Shaver, 1987). The cognitive component consists of the beliefs and thoughts an individual has about an attitude object. The affective component consists of positive or negative feelings toward the object. The conative or behavioral component consists of behavioral intentions and predispositions to behave in a given way toward the object.

Entrepreneurial Attitude Orientation (EAO) model developed by Robinson (1991), measure entrepreneurial attitudes. The subscales of the EAO measure individuals' attitudes on four constructs each of which consists of three components: affect, cognition, and conation:

1. Achievement in business (referring to the results of starting and growing a business venture);
2. Innovation in business (using innovative methods in business activities);
3. Perceived personal control of business outcomes (individual's control and influence on his/her business);
4. Perceived self-esteem in business (self-confidence and perceived competency in business affairs).

The EAO has been used in a number of prior studies was designed specifically to measure and compare entrepreneurial attitudes. Harris and Gibson (2007) used the EAO to identify differences between U.S. and Chinese business students, while Boshoff and Van Wyk (2004) used it to examine professionals in South Africa. Additional studies have used the EAO to examine entrepreneurs in India (Shetty, 2004) and Russia (Robinson, Ahmed, Dana, Gennady, Latfullin & Smirnova, 2001). Interestingly, Lindsay (2005) used the EAO to develop a cultural model of entrepreneurial attitudes specifically for indigenous entrepreneurs.

According to Robinson's theory (1991), the four subscales are not intended to be an exhaustive list of the attitudes associated with entrepreneurship and it is intended to be a starting place. In the opinion of McCline, Bhat, and Baj (2000) opportunity recognition has an important role in

entrepreneurship and should include to entrepreneurial attitude subscales of EAO model. As a result, they extended the work of Robinson, Stimpson, Heufner, and, Hunt (1991) by developing the entrepreneurial attitude opportunity recognition (EOR) scale which they found to be a more parsimonious scale in predicting entrepreneurial attitudes and differentiating entrepreneurs from non-entrepreneurs. Other researchers emphasize on relationship of opportunity recognition with entrepreneurial attitude, too. Ireland et al. (2003:965) state: "Exploring entrepreneurial opportunities contributes to the firm's efforts to form sustainable competitive advantage and create wealth." Lindsay (2007) identifies: 'exhibiting an appropriate entrepreneurial attitude would seem fundamental to being able to identify business opportunities'. Timmons and Spinelli (2007) express: 'Entrepreneurs exhibit an entrepreneurial attitude and entrepreneurial individuals are better at recognizing opportunities'. McCline, Bhat, & Baj (2000) stress: 'Successful venturing is linked to the entrepreneur's ability to distinguish an opportunity from an idea'.

According to Robinson's (1991) and Baj's (2000) studies, this research broke down entrepreneurial attitude into five categories that are as follows: need for achievement, perceived personal control, perceived self-esteem, Creativity and innovativeness and opportunity recognition.

Analysis of Textbooks

While textbooks are not singly to blame for all the problems in student learning, they largely determine what topics and ideas are taught in the classrooms and how these topics are taught (Association for Supervision and Curriculum Development, 1997; Tyson, 1997). A study found that 90% of all science teachers use a textbook 95% of the time (Harnes & Yager, 1981, as cited in Renner, Abraham, Grzybowski & Marek, 1990). More recent studies indicated that many teachers rely on curriculum materials to provide them with some or all the content or the pedagogical content knowledge (Ball & Feiman-Nemser, 1988; National Educational Goals Panel, 1994). Poor curriculum materials can deprive both students and teachers of ways that allow them to understand and implement effective teaching practices (Abraham, Grzybowski, Renner, & Marek, 1992). Nonetheless, when used properly, good curriculum materials can be a powerful catalyst for improving teaching and learning (Ball & Cohen, 1996; Schmidt, McKnight, & Raizen, 1997). Indeed, some studies have suggested that textbooks that use effective teaching strategies improve student learning and provide good models for teaching (e.g. Bishop & Anderson, 1990; Lee, Eichinger, Anderson, Berkheimer, & Blakeslee, 1993). While better curriculum materials alone are unlikely to improve student learning, we think that high-quality curriculum materials can positively influence student learning directly and through their influence on teachers. For these reasons, valid identification of curriculum materials that actually support learning of worthwhile ideas and help teachers builds their own content and pedagogical knowledge is essential. Therefore analysis and assess textbooks in order to improve the curriculum is very important and many researches analyze the content of textbooks.

Although many researchers have analyzed the content of school textbooks (Tommo,2000, Wilson,2000, Williams,2001, Razzino,2003, Lumbantobind,2005, Chan,2006, Hassan,2008, Erdogan,2009) none of them have done this from the aspect of entrepreneurial attitude. This research analyzes the content of Iranian literature textbooks from the aspect of entrepreneurial attitude in order to find that to what extent these books consider entrepreneurial attitudes. Also we want to realize that which component of attitude (cognitive, affective and behavioural) is included more in entrepreneurial related concepts.

Methodology

Content analysis method chose for answering the questions;

- How much does Iranian literature textbooks attend to entrepreneurial attitudes?
- Which component of attitude including cognition, affect or conation is considered more?
- Does there exist a significant difference between entrepreneurial attitude categories?

Sample

Elementary level in Iran include 5 grades (age group 7-11) and Iranian school textbooks are all publishing by education ministry and prescribe all over the country. Literature textbooks are called "Farsi" and classified into "Reading" and "Writing" books. Reading book contains text, coloured pictures and questions and writing book contains exercises for pupils to copy."Farsi" books of elementary level beside linguistic concepts contain attitudinal, cultural, historical concepts. Each reading book consists of 30 lessons with independent subjects. In this research literature textbooks of five grades include reading and writing books were analyzed. For more precise content analysis, we didn't sample and analyze all the textbooks that consist of 10 books (5 reading and 5 writing books).

Procedure

Content analysis uses the scientific process to identify messages relevant to a defined or evolving theoretical framework, recode the messages into a quantifiable form using explicit and objective processes and analyze the messages to draw conclusions that further understanding of theory (Holdford, 2008).

Analyzing process in this research included four steps:

- 1- Study the related references and categorize the entrepreneurial attitude concept.
- 2-Prepare coding procedure and define coding units.
- 3- Coding the content in the defined categorizations.
- 4-Analyze the gathered data.

In order to categorizing, entrepreneurial attitude in refer to Robinson model and other entrepreneurship literature, broke down to 5 categories such as: need for achievement, perceived personal control, perceived self-esteem, Creativity and innovativeness and opportunity recognition. For defining these concepts practically, some Indexes were derived from Robinson questionnaire and other related references. In order to securing the validity of the theme, 10 experts of the field reviewed and accepted it.

In writing books coding units was defined as: text, question and picture which text coded sentence by sentence and each picture and question were considered as a unit. For further analysis each lesson was coded according to its subjects too. In writing textbooks coding was done by the analysis unit of exercise. Analyzing the gathered data, were done by descriptive and deductive statistics methods. For examining the reliability of the research another researcher (a female university graduate working as a research assistant) was provided with the coding theme developed by the author and coded 10% of all content independently and the reliability were estimated by Pie-Scott coefficient over than 80%.

Results

Table1- results of content analysis of literature textbooks from the aspect of entrepreneurial attitudes

Book ↓	subcategory →	Perceived personal control	Need for achievement	Creativity and Innovativeness	Self Esteem	Opportunity recognition	Sum total	All units	Percent of all units
	Analysis unit ↓								
Reading	text	133	273	187	127	29	749	4396	11%
	question	56	103	561	65	11	796	1605	12%
	picture	8	7	98	3	1	117	700	2%
	sum total	197	383	846	195	41	1662	6701	25%
	percent	12%	23%	51%	12%	2%	100%		
	subject	6	9	12	7	2	36	164	22%
	percent	17%	25%	33%	19%	6%	100%		
Writing	exercise	29	51	756	12	7	855	1558	55%
	percent	3%	6%	88%	1%	1%	100%		

As shown in the table, 6701 units in sum total of text, question and picture and 164 lessons were analyzed in all reading books that 1662 units in sum total of text, question and picture and 36 unit of lesson subjects reinforce entrepreneurial attitudes. In writing books, 1558 exercises were analyzed and 855 of them have considered entrepreneurial attitudes. Inclusion of entrepreneurial attitudes in text is 11%, in questions this percent is equal to 12% and in pictures is just 2%. In lesson subjects, 22% of all lessons include entrepreneurial attitude in its subjects. Results of writing books show that in these books, 55% of all exercises attend to entrepreneurial attitude, but it is apparent that creativity and innovativeness possess 88% of this percent and other categories have very low scales.

Creativity and innovativeness possess 51% of all units that have entrepreneurial attitude aspect in reading books in sum total of text, question and pictures. In lesson subjects this percent is equal to 33% that indicates creativity and innovativeness have the most frequency in the books. Need for achievement has the second rank among the categories. Self esteem and perceived self control have the next grade and opportunity recognition has the least percent. Further analysis by chi-square test revealed that there is a significant difference between categories' inclusion in reading textbooks in sum total of text, question and pictures at $p \leq 0.05$. In writing books significant differences were observed at $p \leq 0.05$, too but in lesson subjects of reading books significant differences did not observe at $p \leq 0.05$.

Figure 1 indicates the inclusion of entrepreneurial attitude in five grade textbooks. This chart indicates that reading books have higher EA inclusion from writing textbooks and inclusion in 3rd grade textbooks in both reading and writing is higher than the other grades textbooks. It's also seen that inclusion of EA from first to third grade textbooks have an increasing trend but after that it decreases.

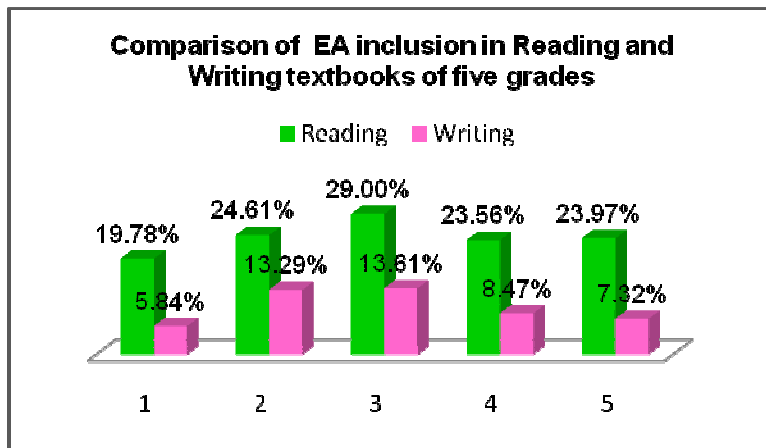


Figure1- Comparison of EA inclusion in Reading and Writing textbooks of five grades

Table 2 shows the results of assessing the textbooks from the aspect of attitudinal components.

Table 2- Inclusion of attitudinal components in textbooks

Book	subcategory	cognitive	affective	Behavioral	Sum total
	Analysis unit				
Reading	text	64	678	7	749
	question	13	159	624	796
	picture	0	38	79	117
	sum total	77	875	710	1662
	Percent	4%	53%	43%	100%
	subject	3	30	3	36
	Percent	8%	83%	8%	100%
Writing	exercise	3	72	780	855
	Percent	0%	8%	91%	100%

As shown in the table 2, in reading books, in the sum total of text, questions and pictures inclusion of the affective component has higher percent, in the subjects this status is seen but in writing books the behavioural component has the higher frequency. In reading books, questions and pictures have more frequencies in affective component but in text this rate is higher in affective one.

Discussion and Conclusion

Content analysis of Iranian literature textbooks at elementary level indicate that in 25% of all reading books units (text, picture, question), entrepreneurial attitude is reinforced. According to the variety of concepts that should include in the curriculum this rate seems not bad but there should be more attention to this category in literature curriculum in order to stimulate entrepreneurial attitudes in the students more and have higher entrepreneurial activities rate in future.

Lesson subjects have at least one frequency in each category and according to the limited number of lessons, it is satisfactory. In writing textbooks inclusion percent is 55% that is not bad

but when we have more precise attention, it is seen that over than 80% of this refer to creativity and other categories have low rates and they should be attended in the curriculum seriously. Among the categories creativity and innovativeness has the most frequency and this indicates curriculum administrators have tended to it. But other categories such as opportunity recognition that has an important role in entrepreneurial activities have low inclusion and should be more attended in the curriculum.

It is indicated that there are differences in the distribution of frequencies in the five categories (in reading books in the sum total of text, question and picture and also in writing books) and the distribution should be more dominant in order to have better affect. But in lesson subjects of reading books the difference wasn't observed and this indicates that entrepreneurial attitudes have more dominant distribution in this field and curriculum administrators had adequate attendance to them.

In reading books inclusion percent of text and questions is partly similar, this indicates that questions harmonize with text and can reinforce attitudinal concepts included in text but It seems that pictures should be revised in order to reinforcing entrepreneurial attitude; its inclusion percent is very low.

In inclusion of five grade books an increasing trend is seen up to third grade and after that trend is decreasing. According to more intellectual growth of the children of higher ages, it is expected that entrepreneurial attitude inclusion increase in forth and fifth grade but it is inverse.

In attitudinal component inclusion, text has more affective; questions, pictures and exercises have more behavioural components. It is expected that exercises and questions according to their nature be more behavioural but texts should have more cognitive and affective components, although for children of this age affective component is more impressive but both cognitive and affective components along with behavioural should be under consideration of curriculum administrators to have better efficacy.

Here are some suggestions in order to promote entrepreneurial inclusion in these books:

- Referring to GEM Global Report 2009, Iran's economy have raised from past decade but it still have to grow more. It also indicates entrepreneurship tendency and entrepreneurial activities is under growing there. Therefore it is expected that Iranian textbooks attend to entrepreneurial attitude more and policy makers should include it in their development plans.
- Concepts which reinforce entrepreneurial attitude should be included more in the curriculum; it is suggested that curriculum administrators define special part relating to entrepreneurship and entrepreneurial attitudes.
- Teachers' guide and teachers' qualification should also be updates in order to create stimulating learning entrepreneurship.
- It is suggested that memoirs of persons who have done entrepreneurial activities or have related attitudes include in some lessons.
- As the textbooks include some practical exercises or activities, adding games or activities in them in which stimulate children's entrepreneurial attitude is suggestive. Below are some examples of these activities or games:

- 1- Writing interview questions and conducting interviews of the entrepreneurs by the students. The information from those interviews can be compiled in a directory of the types of goods and services, locations, and hours of the businesses.

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- 2- Encourage the students to solve problems and make decisions by assign them the task of using the process for a family or school problem, such as where to eat dinner. The process can be adapted to come up with an idea for a business venture. Steps of Decision-Making Process are as follows: State the problem, List the alternatives, List the criteria for evaluating the alternatives, evaluate the alternatives, and Make a decision.
- 3- Have students look for businesses with interesting names.
- 4- Have students collect articles about persons with entrepreneurial attitudes such as self confidence individuals or achieved one and then make them read the article and answer such questions as: “How did the person succeed in his work?”, How did he face with obstacles?”, what was his new ideas, methods or ...?” ,”what risks did the person take? ,”Does this person have any competition? “
- 5- Put them in competitive positions for example in group game and encouraged them to be a winner.
- 6- Include few basic questions from a business plan and have students answer these questions for writing activities and projects. Ask each student to think of a project or product that others might be interested in buying: “Describe your project or piece”. “Who will be your audience?” “Who will look at this piece?” “How will you make (or produce) your piece or project?” “What do you need to make this a success?” “With what or whom will your project compete?”
- 7- Have the students evaluating their writings, projects, and reports by answering these questions from themselves: “What is positive or strong about your work?” “What is a minus or weak about your work?” “What needs to be changed?” “What needs to be stronger?”, “What makes you say "Ah...I wish I had thought of that!"”.

Research Limitations

The current study only investigates the entrepreneurial attitude presented in the textbooks. It did not study entrepreneurial attitude conveyed in other curriculum subjects, the interaction between teachers and students, and extra-curriculum entrepreneurial values of Iranian children in schools activities that students would participate. The study also did not measure how children response to the entrepreneurial values taught at schools. Further research is needed to explore to what extend Iranian children understand or believe in the entrepreneurial values taught at schools.

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Family Business Succession- Founders from Disadvantaged Communities: an Exploratory Study

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Abstract

South Africa is a land of opportunities for entrepreneurial and small business oriented persons. Many such people have been doing it very successfully for centuries, as evidenced from one the eldest farming family businesses in South Africa. This should not be a surprise as South Africa was a once an agricultural producing country, during the last five decades large businesses have become important actors in the industrial and service sectors with the necessary financial and non-financial incentives. The same treatment was not given to the small and medium-sized businesses. It was only the last 15 years that coordinated efforts were developed for this sector.

Statistically, it would appear if the SME policies and programmes which the government developed and implemented are working as the number of SMMEs have grown from 800 000 in 1995 to and 2.5 million small, medium and micro enterprises (SMMEs) and is growing at about 150,000 SMMEs per annum. It is estimated that between 50 - 70% of all businesses in South Africa are family-owned with more than 50% of these being classified as micro-businesses. Most of these businesses are borne out of necessity and often has no long-term survival prospects and will eventually leave their families destitute.

The reality is that family businesses are the backbone of the South African economy, and their qualities provide stability and resilience in the changing society. In the United States of America (USA) and Europe 70% to 90% of all businesses are classified as family businesses. This compares favourably with that of South Africa where it is 50% to 70%.

Succession is one the biggest challenges for family business owners, because families find it difficult to ensure the smooth transition from one generation to the next as there is often more than one family member who believes he or she is the most suitable person. This is in particular problematic where no formal governance structures, for example, a family business council is in place which is common amongst small and medium family businesses.

Only 33 percent of all family businesses progress from the first to the second generation and only 16 percent to the third generation. The owners should therefore aim to strengthened the family business culture and value system, ensuring that strong commitment from all family members are obtained, that all family members gain sound knowledge of the business, its products and customers, and implement sound management principles such as strategic planning and controlling; develop the human resource capacity; internal financial and auditing control measures; proper governance structures and a succession plan.

From the available databases a stratified sample of 91 businesses that were selected completed the structured questionnaires. The structured questionnaire was first given to a number of family business owners to review the questions for understanding and ambiguity. Those questions that were problematic were changed after which the field work started. The field work was conducted from February 2008 to April 2008 by two experienced field workers, who previously conducted similar interviews for the researchers. Each of these personal interviews was between 30 to 45 minutes and took place at the premises of the businessperson.

The primary aim with the research was to determine the extent to which succession is a planned activity in small and medium-sized family business in disadvantaged communities. This study was undertaken despite the fact that a large percentage articles in journals and other publications focused on succession. Succession still remains an under researched topic. It is with this in mind that this paper also included succession as one of the focused areas.

Our results show that 70% of the respondents chose succession, 9% leverage buyout and 21% will sell the business as the means of exiting from the business.

The respondents (70%) who chose succession has earmarked a potential successor but the person is unaware of the owner's decision, furthermore the person is also not actively involved in the current management of the family business. This could create problems of acceptance by other employees and also negatively impact on the overall management of the business. Fifty two percent of the successors will be selected from the immediate family, whilst fifteen percent will be selected from the extended family.

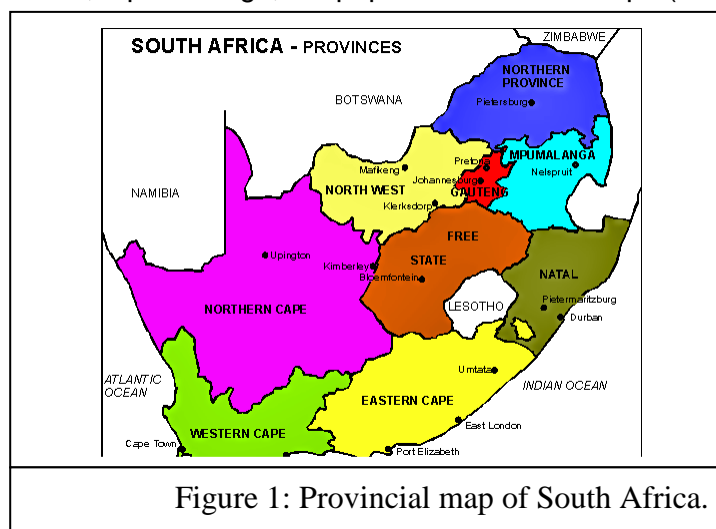
It is clear from our research that those founders' of family-owned businesses need education in retirement planning, determining the selling price of a business and assistance with the parallel family and business planning processes.

The researchers suggest that trainers and teaching institutions should stress the importance of succession in business as the research shows owners/managers resist discussing succession; in this regard Handler's model of resistance to succession could be a helpful training tool; teaching institutions could also place more emphasis on succession in family business courses including family and business governance. Resolving the issue of resistance is not a short-term means to solving the problem, this needs a longer-term approach, and in this regard a mentoring approach might be better option than a once-off training or workshop approach in dealing with the issue.

Background

South Africa is located on the southern most part of Africa, that is, latitudinally from 22° to 35° South and longitudinally from 17° to 33°, with a surface area of 1,219,090 km² and a population exceeding 45 million. It is regarded as a land of opportunities due to its vast array of natural resources (gold, copper, coal iron ore, manganese), good infrastructure, a strong agricultural sector and a pool of skilled and unskilled labour, yet it is badly affected through crime, HIV/AIDS and other diseases (Isaacs & Friedrich, 2006b).

South Africa is divided into nine provinces, namely Gauteng, Western Cape, Eastern Cape, North West, Free State, Mpumalanga, Limpopo and Northern Cape (See map).



This research was confined to the Province of the Western Cape, which is the third largest province. Thirteen (13%) percent of the total population of South Africa lives in this province of

whom fifty four (54%) percent is referred to as Coloureds³⁴, twenty seven (27%) percent Blacks³⁵, eighteen (18%) percent Whites³⁶ and one (1%) Asians/Indians³⁷. The GDP of the Western Cape is approximately \$3000 and is home to about 150 000 small and medium enterprises (SME), which equates to about 13.4% of the total businesses in South Africa (Department of Trade and Industry., 2003).

Since 1994, the democratically elected government has worked tirelessly to create an enabling environment in which small, medium and micro enterprises (SMMEs) can prosper (Marais, 2001). This has led to the development and implementation of various strategies and acts, of which the most important are listed below:

- National Strategy for the Development and Promotion of Small Business in South Africa in 1995 (Department of Trade and Industry., 1995);
- National Small Business Act (Department of Trade and Industry, 2006) as well as the Growth Employment and Redistribution Strategy in 1996 (Department of Trade and Industry., 1995; Marais, 2001);
- Skills Development Act; the Employment Equity Act and Preferential Procurement Act in 1998 (Co, et al., 2006; Maas & Diedericks, 2007);
- Skills Development Levies Act in 1999 (Chisholm, 2004); and
- Broad-Based Black Economic Empowerment Act in 2003 (Maas & Diedericks, 2007).

Statistically, it would appear that these policies and act are working as the number of SMMEs have grown from 800 000 in 1995 (Department of Trade and Industry., 1995) to and 2.5 million small, medium and micro enterprises (SMMEs) and is growing at about 150,000 SMMEs per annum (Department of Trade and Industry, 2008; Department of Trade and Industry., 2004). According to Balshaw (2003) family business constitute approximately 80% of all businesses in South Africa. Other South African authors (Maas, van der Merwe, & Venter, 2005; Venter & Boshoff, 2007) modestly estimates family business to constitute between 50% to 70% of all businesses.

Most of the family business research used samples from public companies (Rutherford, Kuratko, & Holt, 2008). This study was drawn from small and medium family businesses located in disadvantaged communities of the Western Cape. These businesses are registered with the relevant authorities and are therefore contributing to the fiscal. Unfortunately, these communities are plagued by unemployment, high crime rates and HIV/AIDS which constrain the sustainability of these businesses in these low-income townships and are associated with low entrepreneurial activity and necessity-based entrepreneurship (Capazorio, 2009; Isaacs & Friedrich, 2006a). These areas are further plagued by people with a job seeking culture was inculcated into learners and scholars from these areas. Therefore, those who have decided to become job creators often lack the managerial ability to own and manage a business, let alone a family business with all its family intricacies. Our sample therefore, includes those people who were prepared to take the risk, employed family and non-family and have benefitted financially from turning a seemingly 'hopeless' situation into a profitable business venture. In some cases

³⁴ Coloureds: persons of mixed racial descent or of certain other non-white descent, especially as distinguished during Apartheid from Blacks, Asians, or Whites.

³⁵ Blacks: people with a specific languages, cultures and traditions and for whom different homelands were established during the Apartheid era.

³⁶ Whites: people primarily from European descent.

³⁷ Asians/Indians: brought from various Asian countries but in particular from India as laborers on the cane fields on the east coast of South Africa, namely Kwazulu-Natal.

the founders or other family members will soon benefit as they are reaching the stage in the family life-cycle where serious consideration must be given to exiting from the business and hand-over to a capable person. Research shows that the decision to exit is not easy (S. van der Merwe & Ellis, 2007) but failing to do so, could mitigate the dynamic capabilities (Salvato & Melin, 2005; Teece, 2007; Teece, Pisano, & Shuen, 1997) or familiness (Habbershon & Williams, 1999) which the founder or current owner has built and has given it the competitive advantage it currently enjoys.

This article is structured as follows: a brief literature review covering family business in general and exit strategies; the research methodology and questions; the empirical results; a discussion thereof and concludes with summary and future research suggestions.

Literature Review

Family Business

According to Maas (2005, p. 6) and Leach (2007) a business is regarded a family business when a particular family holds more than 50% of the business (shares) and the family occupies the majority of the top management positions. It is evident from the research conducted by Maas et al. (2005) that family businesses can exist for longer periods such as the two Japanese family businesses which are currently managed by a 40th and 46th generation respectively. These two businesses are owned by the Kongo and Hoshi families respectively. In South Africa, the van der Merwe's farm, Boplaas, is believed to be the oldest family business. It was established in 1743 and is managed and owned by the 9th generation. The eldest recorded business is that of the Korean family who was brought to Japan by Prince Shotoku to build the Buddhist Shitennoji Temple and dates back to 578 (O'Hara & Mandel, 2003).

"Family businesses are the backbone of the South African economy, and their qualities provide stability and resilience in the changing landscape of our society" (Balshaw, 2003, p. 20) In the United States of America (USA) and Europe 70% to 90% of all businesses are classified as family businesses. This correlates favourably with that of South Africa.

In South Africa a number of empirical studies have been done. The samples were drawn from White-owned family businesses operating in more affluent areas or from listed companies (Maas, 1999; S. van der Merwe & Ellis, 2007; S. P. van der Merwe, 1998; Venter, 2003; Venter & Boshoff, 2006). The foci of these studies were strategic planning and succession. Our sample of family businesses are those operating in disadvantaged communities where lower levels of entrepreneurial activity are imminent (Maas & Herrington, 2006, 2007) and a high probability exists that the family owners display a small business orientation as opposed to an entrepreneurial orientation (Runyan, Droge, & Swinney, 2008) or family orientation (Uhlener, 2005). In addition these businesses are characterized by nepotism, conservative risk-taking and serving the local markets with limited growth potential (Timmons & Spinelli (Jr), 2009). Anecdotal evidence suggests that owners of small and medium-sized family businesses do not follow proper exit procedures and it is for this reason that this study will focus on this issue.

Exit Strategies

Founders have a strong commitment to the businesses, making exiting from it a 'painful' exercise. Research conducted by Davis and Harveston (1999, p. 314) revealed that:

- "Only 22% of the CEO's who approached retirement age, planned to retire and leave the business entirely;
- 60% planned to remain in the business but reducing their involvement level;
- 11% expressed no intention of retirement; and
- 7% was not sure what they will do."

It is imperative for founders to plan the exit from the business. According to Kuratko and Welsch (2004) only 34% of family owners develop succession plans. According to the authors (Kuratko & Welsch, 2004, p. 319) the reason for this anomaly is because succession is associated with “death anxiety, company as symbol (loss of identity; concern about legacy), dilemma of choice (fiction of equality) and generational envy (loss of power)”. For founders who choose to exit, there are two major exit options namely, ‘selling’ the business to insiders or selling to external interested parties. Selling to insiders can be through succession, leverage buyouts or employee share ownership plans (Baron & Shane, 2008; Hatten, 2006).

Succession ensures the smooth transition from an existing owner to another. It can involve transferring to another family member or selling the business to a third party.

According to Aronoff et al. (2003) succession is one the biggest and emotional challenges for family business owners. First generation founders find it difficult to ensure the smooth transition from one generation to the next as there is often more than one family member who believes he or she is the most suitable person. This is in particular problematic where no formal governance structures, for example, a family business council is in place which is common amongst small and medium family businesses (Poza, 2007; Venter & Boshoff, 2007). This could lead to a revolutionary rather than an evolutionary succession process (Fleming, 2000), causing the founders to adopt a monarch or general strategy as opposed to being an ambassador, governor or inventor (Poza, 2007). Table 1 provides the differences between evolutionary and revolutionary succession. Wrong succession decisions could lead to the adage “shirtsleeves to shirtsleeves in three generations” (Ward, 1997, p. 323).

Dimension	Evolutionary	Revolutionary
The reason for the succession	Succession is driven internally; the business is in control of the succession process, striving to maximize the potential benefits to all concerned.	Succession is imposed externally; the business is forced to react to events (sudden death or other forced eventuality), striving to minimize the potential damage.
Decision-making	Decisions are made after proper consultation, deliberation and evaluation of all options.	Decisions are made in haste under unfavorable conditions.
Participation	All key stakeholders participate fully in the succession discussions.	Few people are involved; the quality of their participation is questionable.
Development	Development activities are tailored to individuals’ needs.	People sink or swim on their own; any training provided is generic and of marginal value.
Succession selection	Selection is based on merit – the best potential successor is chosen – a proper SWOT analysis is done.	Someone is chosen because he or she just happens to be available or started the revolutionary process.
As viewed by outsiders	The process is seamless to outsiders and they seem to be happy the outcome of the process.	Outsiders can see the turmoil or other signs of distress.

Source: Adapted from Fleming, 2000: 162.

It is clear from table 1 that an evolutionary succession process should be followed to ensure a smooth transition from one generation to the next.

According to Stokes and Wilson (2006, p. 455) 33 percent of all family businesses progress to the second generation and only 16 percent to the third generation. It is therefore imperative that during the life of the business that the owners should therefore aim to strengthened the family business culture and value system, ensuring a strong commitment from all family members are obtained; that all family members gain sound knowledge of the business; its products and customers, and implement sound management principles such as strategic planning and controlling; develop the human resource capacity; internal financial and auditing control measures; proper governance structures and a succession plan (Leach, 2007). This will contribute to stable micro environment in which aspects such as growth of business, improved business performance, managerial independence on the owner and a natural family or other internal successor receives proper attention (Stokes & Wilson, 2006).

Leverage buyouts involve selling the business to a manager, which has been managing the business. This was to improve the professionalization within the business and also makes the exit easier. The owner reduced his direct involvement and was more active in strategic managerial issues (Hatten, 2006; Stokes & Wilson, 2006).

The founder can also decide to sell the business to the employees through an employee share ownership plan which can be realized through offering shares as a bonus to the employees or alternatively offering the shares at a very price to the employees. This might require that some employees will have to borrow money from a financial institution. This could create problems for potential interested employees (Baron & Shane, 2008; Kuratko & Hodgetts, 2007).

Selling the business to external parties necessitate that the business be evaluated. Business evaluation is a complex process. The balance sheet, earnings (income statement) and market evaluation methods are three most common methods used by business evaluators or financial advisors (Baron & Shane, 2008; Hatten, 2006).

Despite the fact that most of the family business articles, focused on succession, it still remains an under researched topic (Zahra & Sharma, 2004). It is with this in mind that this paper also focuses on succession.

This paper will firstly provide a brief profile of the respondents; secondly, the most common methods which founders contemplate using to exit from the business, and a more detailed discussion around the following succession issues, namely traditions around retiring in South African, the sustainability of the business after the founder has exited, the methods and value of the selling price of the business, additional income to supplement the income from the business, personal and business insurance policies; and the significance of succession.

Research Methodology

Currently, most SMEs belong to a recognized business or trade associations. In the absence of formal family business lists, the membership lists of the most influential business and trade associations in the Western Cape were used to select appropriate family businesses for the purpose of this study. To qualify for selection, three criteria was used, namely businesses should have been operational for at least one year, employed at least one non-family member and is categorized as an SME (Department of Trade and Industry., 1995). From the databases a stratified sample of 100 businesses were selected but the researchers only managed to obtain data from 91 businesses.

The data was collected using a structured questionnaire. The questionnaire was first given to a number of family business owners that is, pre-tested, to ensure that all questions are

understandable and devoid of ambiguity, after which the field work started. The field work was conducted from February 2008 to April 2008 by two experienced field workers, who previously conducted similar interviews for the researchers. Each of these personal interviews was between 30 to 45 minutes and took place at the premises of the businessperson.

Research Questions

The Research was built around the Following Four Research Questions, Which Are:

- Do family business owners plan to exit when they reach the planned retirement age?
- Will they be financially able to exit from the business at the planned retirement age?
- Will the selling price influence the owner's decision to exit from the business? and
- Is the survival and sustainability of the business secured once the owner has exited from the business?

Results

Profile of the Owners

Seventy four percent of the respondents were males and twenty six percent females; eighty seven percent of the males and eighty eight percent of the females completed their secondary schooling (grade 12) or obtained a tertiary degree or diploma, whilst all the respondents worked in other businesses prior to starting their own business. The average age of the businesses is 7.5 years, the youngest 6 and the eldest 105 years (see table 2). It is also evident that the owners worked long hours (48.29 hours per week), but surprisingly employed very few members from the extended family (0.06).

These owners also implemented the traditional business conventions such as preparing a business plan before starting the business, operating in a growth sector, attended an entrepreneurship training course, keeping a cash control book and proper inventory control records and proactively managing their debt.

The questionnaire included 22 items relating to determining the extent to which these family business owners display an entrepreneurial orientation. Using factor analysis, the number was reduced to 9 (Cronbach Alpha = 0.806). Despite the fact that the family business owners displayed an entrepreneurial orientation, it did not correlate with any of the performance variables such as employment, number of customers, value of sales or value of profit.

Profiling the Businesses

The average age of the ninety one businesses are 7.5 years, indicating that these businesses have overcome the first hurdle of the notorious first five years of being in business. These businesses have also done exceptionally well, employing on average 7.11 employees and managed average sales and profit of R1 210 602 and R187 721 respectively. During the first three years of the research the performance indicators showed an overall increasing trend. This coincided with the increasing trend in the economic growth rate. Since November 2008, the economic growth rate started to decrease and this might negatively impact on the performance of these businesses.

	Mean	Std. deviation
Owner		
Average age of the owners	45.4	1.330
Working hours per week	48.29	6.402
Years of education	12.46	1.608
# of members from the extended family	0.6	1.652
Businesses		
Average age of the businesses	7.5	3.874
# of full-time employees	7.11	7.249
# of part-time employees	2.88	3.711
# of customers	505	752
Value of sales	R1 210 602	R2 437 782
Value of profit	R187 721	R195 655

Exit Strategies

Our results show that 70% of the respondents chose succession, 9% leverage buyout and 21% will sell the business as the means of exiting from the business (see table 3).

The 70% of the respondents who chose succession has earmarked a potential successor but the person has not been informed as yet and is not actively involved in the management of the family business. Fifty two percent of the successors will be selected from the immediate family, whilst fifteen percent will be selected from the extended family.

In terms of the leverage buyout option, the founders must still develop the detailed plans how the transfer of ownership to the managers will take place. The managers are aware of the 'plans' of the owners but are waiting anxiously for the official announcement and offer to purchase. Delaying the decision could lead to managerial problems (Hatten, 2006; Poza, 2007).

Twenty one percent of the respondents thought it will be in the best interest of their families to sell the business as it will avoid potential conflict between rival successors and the family will have the financial resources to pursue their own objectives.

Type of successor	# of owners (Respondents)			%
	Male	Females	Total	
Succession:				
- Marital/relationship partner	2	1	3	3
- Direct descendants (Own family)	36	11	47	52
- Extended family	8	6	14	15
Sub-total: Succession	46	18	64	70
Leverage buyout	7	1	8	9
External partners	14	5	19	21
Total	67	24	91	100

In South Africa, retirement plans were designed to keep people at work until they reach the minimum age of 60 years and the maximum age of 65 years. Nothing prevents any person to retire before or after the stipulated age. According to our research, 23% of the respondents planned to exit between 45 and 55 years; with 33% between 60 and 65 and 14% anytime after

reaching the age of 65 years. One of the founders commented “I might even die in the business”. Thirty percent (30%) was not sure when they would retire. Upon further investigation, some of these businesses were not performing well (see table 4) and hence do not feel comfortable exiting from the business as it was not financially stable (Venter & Boshoff, 2006).

Retirement planning	Retirement age	# of business owners	%
Pre-traditional retirement age	45- 59	21	23
Traditional retirement age	60 – 65	30	33
Post-retirement age	66 – 80	13	14
Not sure when I will retire		27	30
Total		91	100

A 68-year old executive mentioned that he will leave when he reaches “room temperature” (Watkins, 1997, p. 314). It is clear from research that many founders are apprehended about retiring due to the potential conflict or the threat of long-term survival (Davis & Harveston, 1999; Harveston, Davis, & Lyden, 1997; Ibrahim, Soufani, & Lam, 2001). Similar comments were made by some of the South African owners who were cognizant of the fact that the next generation might not manage the business well and become part of the business failure statistics or as the adage goes from “shirtsleeves to shirtsleeves” in two generations and not even three.

Selling the Business – Is It Worth the Price?

On the question of whether they think the business will realize an acceptable amount upon the sale thereof; 30% said “yes”; 27% indicated “no” and the other 43% did not provide a response to the question. Only 19% of the respondents provided an estimated selling price for their business and is summarized in table 4.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
# of Businesses	Expected sales' value of the business	Profit Yr 3 (2008)	Average Profit last 3 years (2006 – 2008)	Column 2 as % of Column 3	Column 2 as % of Column 4
	South African Rand				
1	60,000	80,000	53,300	75	113
1	120,000	25,000	25,000	480	480
1	450,000	25,000	58,333	11,800	771
1	650,000	200,000	400,000	325	163
1	800,000	100,000	245,000	800	327
3	1,000,000	276,667	321,111	361	311
1	1,500,000	300,000	546,667	500	274
1	4,000,000	80,000	80,000	25,000	5,000

Table 4 shows the owners' expected selling price (Column 2); the profit that was realized during year 3 (Column 3); the average profit of the last three years (Column 4); the expected selling

price as a percentage of profit realized during year 3 (Column 5) and the expected selling price as a percentage of average profit for the last three years (Column 6).

It is clear from table 4 that the owners have high expectations. Based on columns 5 and 6, the expected sales value of two businesses (marked 1 and 2 in column 5) are extremely high. Of the three traditional methods of determining the value of a business, the respondents chose the market value method (Kuratko & Hodgetts, 2007; Stokes & Wilson, 2006).

The Sustainability of the Business after the Founder's Retirement

Sixty percent of the owners were adamant that the next owners should not have a sustainability problem, whilst 35% was not sure with 5% stating in no uncertain terms that the business would not be sustainable after they exited from the business. They were of the opinion that the business revolves around them and once they leave, the business will have no "life", hence their decision to remain in that business for as long as they can.

Income from the Business through Salary and Other Benefits

The owners were also asked whether they will continue to draw a salary from the business after retirement, 70% said "yes" whilst 30% said "no". Table 5 shows how the respondents will supplement their salaries. An astonishing eighty four percent will supplement their salaries through pension payments, annuities and insurance policies. With 16% who did not make any provision. It was very surprising when ninety two percent of female and only 81% of male respondents indicated they will supplement their salaries.

Category	# of owners			%
	Male	Female	Total	
Pension	9	2	11	12
Annuity	5	3	8	9
Personal insurance policies	19	9	28	31
Business insurance policies	1	0	1	1
Combination of above	20	8	28	31
Sub-total	54 (81%)	22 (92%)	76	84
No response	13 (19%)	2 (8%)	15	16
Total	67 (100%)	24 (100%)	91	100

The 16% no responses came from the owners who were in business for less than five years and as such were not thinking about retiring or succession.

Discussion

An analysis of the family owned businesses showed that 82% have implemented traditional business conventions. This is not surprising as approximately 87% had completed a grade 12 and higher educational qualification. Despite their compliance with traditional conventions and their good educational qualifications, strategic planning did not receive adequate attention. According to Runyan, Droge and Swinnery (2008) this is typical of owners who have a small business orientation and not an entrepreneurial orientation mindset.

Research conducted by Poza (2007, p. 139) also shows that chief executive officers of family-owned and controlled businesses “are prone to longer tenures and even entrenchments”. This accordingly, creates serious problems for the successful transfer of power to the next generations (Poza, 2007; Stavrou, Kleanthous, & Anastasiou, 2005). It is evident from the above that the respondents fit into two of the six types of exits, namely the monarchs and generals (Poza, 2007). It is without a doubt that none can be termed ambassadors, governors, inventors or transition czars. From discussions, some of the owners were adamant that some of the successors will not succeed and they will wait for that moment to step in and save the business from failure (generals), whilst the monarchs will attempt to stay in the business for as long as possible (post-retirement group) and will possibly not provide a date when they will actually retire which makes it extremely difficult for a successor to develop a family business continuity plan (Carlock & Ward, 2001). Stavrou et al. (2005) have identified a number of criteria for effective succession in family firms and which have not been properly addressed by our sample of businesspeople. These are:

- The top leadership position should be filled with care and after thorough planning;
- Hereditary succession should be seen as a long-term process, diachronic process of socialization and learning;
- Heirs should initially be monitored by a parent or senior member of the management team;
- Successors should show respect and trust and the ability to mutually work together; and
- Successors will also have to demonstrate that they have the ability to produce value adding results.

It is also evident despite the educational background of these respondents none had a clue how to determine the selling price of a business. The figure given was basically “thump-sucked” and not based on acceptable methods.

Unfortunately none of our respondents have thus realized that a board of directors or other governance structures could increase the intellectual capital, enhanced managerial capability and organizational performance (Abor & Adjasi, 2007; Bennett & Robson, 2004; Huse, 1990; van der Heuvel, van Gills, & Voordeckers, 2006; van Gills, 2005). It is probably not surprising that these respondents are not prepared to implement governance structures such as a board of directors. They are of the opinion that they will have to provide information to directors with whom they do not feel comfortable with sharing confidential information (Brunninge & Nordqvist, 2004). However, these owners are not realizing that their businesses are growing and sooner they will have to appoint people in senior positions. This could then lead to agency problems. It is therefore imperative for these respondents to critically think about the significance of implementing the desired governance structures to avoid future agency problems (Miller & le Breton-Miller, 2006). Research conducted by Brunninge and Nordqvist (2004) found a positive correlation between the existence and use of governance practices and longevity in family businesses and succession.

Summary and Conclusions

It is evident from the research that:

- All owners are aware that at some point they will have to exit from the business - 56% of the respondents planned to exit and do it before they reach the age of 65;
- Sixty percent of the respondents are confident that they will leave a sustainable business upon retirement;
- 37% of the respondents would consider selling their business when they reach exit age;

- Thirty percent are of the opinion that they will get an acceptable amount when they sell the business;
- That some of the respondents seem to have unrealistic expectations of the expected amount they will get when selling the business;
- Seventy eight percent of the respondents made provision for retirement through investing in retirement plans such as pension and annuity funds, personal and business insurance policies or a combination of the mentioned methods; and
- Seventy three percent of the respondents have identified a successor from marital/relationship partner, indirect descendants, family members and/or co-owner/business partner but that no formal succession is in place.

The primary question was “Do family business owners plan to exit from the business?” Fifty six percent of the respondents planned the exit.

The Four Secondary Research Questions Were:

- 1- Do family business owners plan to exit when they reach the planned age? Approximately 56% of the respondents plan to exit before they reach the planned retirement age;
- 2- Will they be financially able to exit from the business at the planned age? Seventy eight percent of the respondents made provision for retirement through investing in retirement plans such as pension and annuity funds, personal and business insurance policies or a combination of the mentioned methods;
- 3- Will the selling price influence the owners’ decision to exit? The thirty seven percent, who said they will sell their business, would not change their minds upon exiting. They will definitely exit from the business.
- 4- Do owners believe the business will survive after the owner has exited from the business? Sixty percent of the respondents are confident that they will leave a sustainable business upon retirement.

Based on the above analysis:

- Founders’ of family-owned businesses need education in retirement plans and determining the selling price of a business;
- Founder’s need assistance with family and business planning, Carlock and Ward (2001) refers to it is the parallel planning process;
- Founders’ also need training in overcoming resistance to succession. In this regard Handler’s model of resistance to succession could be helpful (Hilburt-Davis & Dyer, 2003); and
- Teaching institutions (universities, colleges and business schools) in South Africa should do more research on family business as they constitute 70-90% of all businesses within the country. Using models such as F-PEC (Astrachan, Klein, & Smyrnios, 2002; Klein, Astrachan, & Smyrnios, 2005), governance (Corbetta & Salvato, 2004), competitiveness, (Leenders & Waarts, 2003), family orientation (Bjönberg & Nicholson, 2007; Lumpkin, Martin, & Vaughn, 2008; Uhlaner, 2005), the Möbius strip (Litz, 2008).

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Conceptualizing Women Entrepreneurship in Household Institution: Lived Experiences of Women Entrepreneurs in Peshawar, Pakistan

(Work in progress)

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Abstract

Current paper is part of the ongoing PhD study, which aims to explore the lived experiences of women entrepreneurs in the institutional context of household. Entrepreneurial population comprises of one third women entrepreneurs and almost 80% of entrepreneurs establish home-based businesses (Capowski, 1992). In entrepreneurial processes, enterprises develop in interaction with institutions or institutional environment (Scott, 2001). Entrepreneurial process and entrepreneurs are influenced by the institutions in which they are embedded. Institutional approach to the study of women entrepreneurs in household suggests that household is embedded in the social, local and regional context. Entrepreneurs play main role in the entrepreneurial process by discovering and pursuing opportunities and creating the venture. They are agents of change but their context determine the circumstances under which they make entrepreneurial choices/ exercise agency (Jamali, 2009). Cultural cognitive pillar in a particular context establishes the reality or the shared beliefs of what does it mean to be a woman in a particular context while the normative pillar is salient in defining women by their role and in shaping what is considered desirable attitude for that sex (Neville, 1995). Women being a central part, being the home makers in Pathan society are hugely affected by the institutional forces at play within the household. Household, a specialized social institution, needs to be explored from institutional lens to uncover gender and power relations and their impact on shaping of entrepreneurial process.

Keywords: Household institution, Entrepreneurial process, institutional embeddedness, phenomenology.

Introduction

Female entrepreneurship matters, it matters to individuals, to families, to communities and to countries, and developing insights of female entrepreneurship by taking into account the contextual factors will enrich understanding of entrepreneurship, and human behaviour in general. Women's rates of new venture creation have surpassed that of men in both developed and developing world (Minniti and Naudé, 2010). Evidence shows that rates of women entrepreneurship are higher in developing countries (Koellinger and Minniti, 2006) as women in traditional or developing societies face additional barriers to join the work force as paid employee, they prefer to start small businesses of their own. Women's entrepreneurial activities are largely concentrated in the informal sector of the economy and according to a report almost 80% of entrepreneurs establishes home-based businesses (Capowski, 1992). Women entrepreneurs are playing critical role in developing countries due to their unique role in the household (Horrell and Krishnan, 2007). Female led micro enterprises have a significant impact on the overall welfare of the household (Minniti and Naudé, 2010), but little is known about how the household shape or impact their entrepreneurial process.

There is a growing recognition that the economic activity can only be understood within the context of its social relations as 'any business activity reflects a complex of socio-economic phenomenon', (Johannisson, Ramirez-Pasillas et al, 2002). Social context comprises of individuals and institutional actors, decisions made by the individuals who are embedded in and are influenced by institutional actors. Women entrepreneurs are highly dependent on the context where they are embedded, political, cultural, family or household. Women are dependent in their undertakings but they have the ability to cope and respond to the institutional pressures. Institutions confer rights and obligation to the social actors. Thus for women entrepreneurship institutional context can be a liability and asset, (Anne de Bruin et al, 2010) so greater need is felt to explore institutional impacts on women entrepreneurship. 'The study of institutions and how they promote or discourage female entrepreneurship is particularly needed for its policy implications, especially in developing countries where issues of institutional development have been emphasized in recent years', [Naude, 2010 as seen in (Minniti and Naudé, 2010)].

Gender in Entrepreneurship Research

It was in 20th century when the term and concept of gender was highlighted in literature. The 'gender' is a social construct and its articulation is context dependent. Gender is something that people 'do' in a relational context (Swidler, 2001), it is not about what someone is, or what someone possesses, it is the construction of men and women (Dhaliwal, 1998). Gender refers to the roles that a society and culture assign to both sexes (Birley, 1985; Goffee & Scase, 1985 and Birley, 1989).

In entrepreneurship literature, female entrepreneur signifies taking up an identity and performing a role that is supposedly different from the way it is performed conventionally. Till 80s career choices were based on the myth of male bread earner and female care taker, which portrays a naive construct of gender. Recent work stressed the multi-dimensional construct of gender which is shaped by and shaping the social context. The relationship of gender and entrepreneurship is much more complex than assumed by policy makers, and can only be explicated by acknowledging that entrepreneurs are embedded in the societal construction (Allen, Elam et al, 2008).

Female Entrepreneurs' Embedded in the Institutional Context

Entrepreneurship framework conditions focus on the contextual or environmental factors that affect the level and type of women entrepreneurship. Women entrepreneurs are present in all societies but the rate of business formations differ across societies. The variations in self-employment may indicate that context specific factors such as social institutions, religion, literacy rates and networks at play (Anne de Bruin et al, 2010). Embeddedness of entrepreneurial behaviour in a social context has implication on motivations of the entrepreneurs (Palich and Leslie, 1995), preferences of roles and personal values (Cooper, Woo William et al, 1988). The concept of embeddedness is deemed very fruitful to understand women entrepreneurship as it takes the interplay between economic, social and institutional context as well as the link between structure and agency. Anne de Bruin et al (2010) opined that it provides an interface to analyze social, economic and institutional influences on women entrepreneurship, as little is known about the factors that cause variation in women's self-employment rates and their business choices. The institutional theory provides an opportunity to explore the layers of women entrepreneurs' embeddedness, (Anne de Bruin et al, 2010) by looking at it through various institutional pillars. Taking into considerations the individuals' point of view will help explaining entrepreneurial behaviour. Institutions are social structures that matter most in the social realm: they make up the bits and pieces of social life (Hodgson and Calatrava, 2006) and are hugely affected by the social relations. Human actions are influenced by slowly changing attitudes which are shaped by the institutional context. Behaviour is shaped by norms and values which manifest itself in social institutions.

Institutional and legal context plays crucial role in female entrepreneurship because '.....enterprise develops in interaction with the institutions or so called institutional environment' Weber and Durkheim (Scott, 2001, pg. 9). Which not only influence the nature but the extent of economic contributions of women entrepreneurs (Achterthagen and Welter, 2003). Societal values and norms are slow to change and are of particular importance to women entrepreneurship as it draws attention to the cultural and spatial influences, (Anne de Bruin et al, 2010). Institutions set boundaries of enterprising behaviour, the formal institutions through regulatory framework while informal institution provide grounds on which an activity can be legitimized. Formal institutions create opportunities and the informal institutions determine the perceived legitimacy of the opportunities. Gender specific normative institutions, i.e. religion and traditions determine women's social and economic place in society. Women are more sensitive to the opinion of others when making career choices and opt for a career what society thinks as legitimate for their sex. Those societies which define women with their household responsibilities and look down upon their income generating activities in market economy discourage their entrepreneurial spirit, (Achterthagen and Welter, 2003). Another study conducted in Germany concluded that rigid social values that consider women entrepreneurship as less desirable negatively affect perceptions and attitudes of women towards women entrepreneurship, furthermore the discrimination against women in the tax system constrain women's entrepreneurial endeavours.

The concept of institutions as comprised of a set of pillars was proposed by Scott (2001, 2008) which appears to be the suitable theoretical framework to conceptualise the role of household in women entrepreneurship. He defined 'institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life', (pg 48, 2008). This framework draws attention not only towards the legal, normative and cognitive dimension influencing women entrepreneurship but the way the symbolic and material dimensions has been brought in to the concept of institutions provide starting point to see 'what actors can do, what is expected from them, or they must do, what is advantageous for them...', (Dallago, 2000, pg 305). The capacity of operation is not only determined by the normative structure of the institutions but the

availability of the resources will make it possible to take the action and carry it on. Scott's proposed pillars of institutions are:

Regulative Pillar: this institutional element consists of or represent the 'explicit regulative processes: rule setting, monitoring, and sanctioning activities', (Scott, 1995, p 35). Regulative institutions are those which are enforced, and codified in law, they manifest themselves in form of contractual laws. In the broader sense all institutions are based on rules and are working according to some rules but these institutions focus on the pragmatic legitimacy in continuing the demands of the regulatory authorities (Scott, 2008). Economists are largely concerned with this dimension of institutions. The regulative pillar of institutions is the conventional one and is based on the realist perspective considering individuals as maximizers and rational beings. Those who are working with this framework struggles to find answer to the question of where institutions come from but they are very much clear on the issue of why rules are followed (Scott, 1995, 2001). According to them norms and institutions affect individual's behavior by affecting their cost/benefit calculations (Hechter, Opp et al, 1990), to ensure personal benefit, individuals follow institutional rules.

Normative Pillar: it introduces 'a perspective, evaluative and obligatory dimension into social life', (Scott, 1995, p37). This pillar helps us to understand how 'values and normative frameworks structure choices' (p 38). Normative system is built on both values and norms, values represent the preferred and the desirable behavior. Norms are, how things should be done, how specific actors are supposed to behave in a particular circumstances and guide how to pursue the ends (De la Torre-Castro and Lindström, 2010). Norms leads to roles that is, which actors are supposed to perform what roles. Norms are normally considered as constraint on behavior but at the same time they guide and empower social actors in particular realm. If it imposes responsibilities it confers rights too (Scott, 2008).

Cognitive Pillar: the third set of institutions based on the 'shared conceptions that constitute the nature of reality and the frame through which meaning is made', (Scott, 2008; pg 57). The institutionalists take the cognitive dimension of the human existence seriously as it provide a mediating link between the internal symbolic representation of the internal and the external world. 'Although all components of institutions are intertwined with culture (Neale, 1994:404), cognitive institutions are arguably most closely associated with culture (Jepperson 1991)' as seen in (Kshetri). Shared meaning or mental frame work, shared interpretation of experiences make day-to-day activities as routine like and in a given social milieu actors behave in a certain way because their agency has been formed to do so, that is what expected from them, (the argument here is align to socialization theory; which argue that the process of socialization shape the perceptions of the world) hence support the social order and get conformity or legitimacy from the wider social structure. Although carried by individual members, cognitive programs are elements of the social environment and are thus social in nature (Berger and Luckmann, 1967)

Summary of Institutional Pillars

	Regulative	Normative	Cultural Cognitive
Basis of Compliance	Expedience	Social Obligation	Taken for grantedness shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules, laws, sanctions	Certification accreditation	Common beliefs, shared logics of action
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible recognizable and culturally supported

(Source: Scott, 2001, 2008)

Institutional theory acknowledges different levels of embeddness of women entrepreneurship which is highly influenced by the regulatory framework, social norms values and shared perception about women entrepreneurship. This warrant for further exploration of the institutional framework conditions for women entrepreneurship to explain differences in entrepreneurial process and their ways into entrepreneurship, influenced by institutional legacies (Welter, Smallbone et al, 2006). Interestingly no study so far has looked at the micro family or household level institution which every entrepreneur belongs to, only family embeddedness perspective provide a reference to fall back on. The family embeddedness perspective to entrepreneurship asserts that 'transformations in the institution of family have implications for the emergence of new business opportunities, opportunity recognition, business start-up decisions and resource mobilization process', (Aldrich and Cliff, 2003) proposing that context of family as a social structure where entrepreneurial activity is embedded is worth exploring.

This research emphasizes the institutional character of the household to explicate the interaction of normative and cognitive institutions and to highlight the role of household institution in women entrepreneurship. The household was selected as an institution as this micro setup present an interesting mix of three institutional pillars and forms the basic social structure which symbolizes the cultural organization of the family life in a particular context, and resources possession.

Household from an Institutional Theory Lens

Household is the framing context of the study and is defined as, the basic social structure (consist of individuals related by marriage or blood) performing a set of essential (reproduction, socialization, care and conferring identities (Mohiuddin, 2007) and non-essential functions (economic, provision of human and financial capital to the members, religion, and health, social, cultural and political), acknowledge a common authority in domestic matters and sharing of duties and resources.

While institutions are the social structures,'... comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life', (Scott, 2008, pg 48) and entrepreneurship refers to the process of venture creation or new business start-up which can be innovate or reproductive (Aldrich and Martinez, 2007; Baumol, Litan et al, 2007) subject to the external framework conditions.

The framework has been developed by using different theories which are

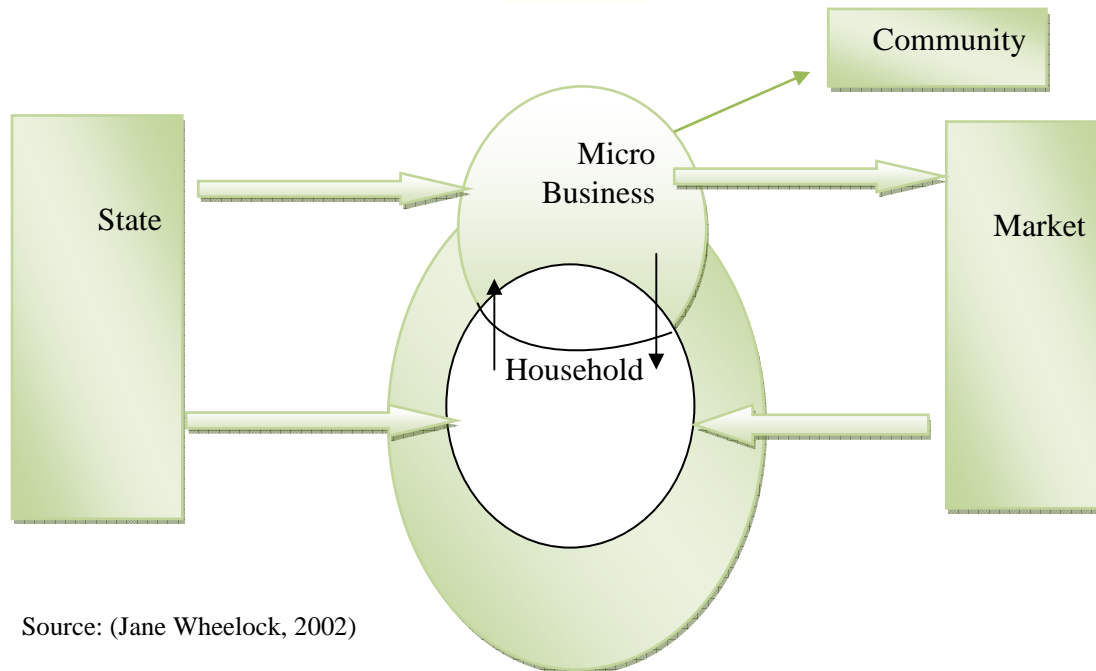
- Institutional Theory (W. R. Scott 2001, 2008)
- Structuration (A. Giddens 1984)
- A household based approach to micro businesses (Jane Wheelock)
- Theory of social class

Other perspectives that inform the research are

- Family embeddedness perspective of entrepreneurship
- Role socialization theories
- Social Construction of Gender (Nancy Folber)

Household not only represents the symbolic but relational dimension of the social life by performing a set of essential and non-essential functions. Reproduction, socialization, placement and care are the basic or essential function performed by family or household while on the other hand the non-essential functions are economic, provision of human and financial capital to the members, arranging for religious and practical education, arranging for marriage for the members of the household, looking after the issues of health and other social, cultural and political functions performed by the family (the social organization of household). The functions that families perform are shaped by the constitutive rules of the family and the household, which are connected to the wider social structures. The economic function of the household believes that it is a unit where incomes are pooled together for the purpose of reproduction, this function of the household is affected by the wider order they are connected to. The 'household' is an important familial structure, but familial institutions extend beyond specific households. These institutions prove remarkably resilient as people continue to rediscover and/or redefine and politicise their ethnicity and cultures in the face of powerful (and global) social and economic forces (Bingen, 2000). Building on this, Wheelock & colleagues proposed that household can only be appropriately defined as social institution in cultural context where it is situated. They recommended institutional framework in 'household as focus of comparative research', asserting that household is important and significant analytical point for studying small business which is intermingling point of formal and informal economy. These small businesses are viewed as response to socio-economic restructuring. To understand micro business it should be considered as household's undertaking rather than as individuals, keeping in view that household is embedded in web of family, market and state institutions and micro business is embedded in the household affecting by not only household but also from the wider social structure.

Household is a permeable unit with complex mix of gendered relations, reciprocity and loyalty, norms and values that people hold and bring with them to the household affects the socio-economic behaviour of members. All members of the household do not possess equal authority; carrying different identities make them responsible for different acts to play. The institutionalist framework is deemed reasonable and justified for the study of household as it not only takes the existing power relations within household but also considers the culture and social construction of knowledge & gender to analyse the interaction of household with the wider social network (multi-level institutional analysis). The third important justification is that it takes into account is the inter-dependence of the various levels of institutions and acknowledge that changes at one level have a significant impact on institutions at other level.



Source: (Jane Wheelock, 2002)

Structure & Composition of the Household Institution

The institutional character of the household is the mix of symbolic, relational and functional dimension of the domestic units. Nuclear and extended families are the most typical symbols of family formation and a reflection of family life of a place. The formation or the structure of the household is based on implicit and explicit rules. In certain parts of the world, only those who are related to each other either through marriage or blood can form a household mainly in Asia and some other parts of the world, while in other cohabitation or co-residence is defined as household not necessarily of relatives. But either relative or non relative, households are formed on marriage contract or co-residence or partnership contracts (formal written rules) and norms derived from culture and religion of the context where the household is to be formed. I am not going into the definitional issue of the household, rather here I want to stress on the formation of the household which is based on some laws, norms, rules and shared understanding. The structure of the household is based on the regulative and normative pillars, and the activities of the household members are shaped by norms, rules, resource possession and the cognitive abilities of the household members.

Based on family norms literature I was able to deduce that people either aspire to nuclear family or joint family norm. They do so as they want to have consistency of the family system and economic system for the maintenance of social order. Social order is strongly influenced by economic and technical systems. The main characteristic of which is change and according to Persona's perspective, those who accept change will implicitly or explicitly favor the nuclear form of the family relations. This is to build family on the patterns that is most suitable and consistent to the economic system. Values of life will build around the values of economic system, (Johnson and Kerckhoff, 1964). This view can be theoretically applicable but one cannot eliminate other social factors and the personal choice when discussing the norms of the family. This not only depends on the current economic system but the historical and cultural traces can also be seen in the process of family formation. Subject to the cultural and personal values and preferences some of the societies may prefer to have small family living in separate household while on the other hand some other places may see their legacy in the living together of the 2-3 generations of the family members.

Household is a historically created institution (Drobak, 2006) and its structure or boundaries are determined by a number of tangible and obscure non-tangible market forces, they respond to such forces by altering their mode of functioning and internal decision making. Some forces that affect the composition and structure of the household are political in nature affecting the possibilities and requirements of co-residence, financial and legal issues and responsibilities, rights to physical movements, prohibition on the economic activities in a location, working hours restrictions and rules about market behavior and several other (Smith and Wallerstein, 1992). The culturally specific and socially prescribed norms determine mode of co-residence (rules of marriage; polygamy, the formation of families based on patrilineal, matrilineal or bilineal), entry and exit from the household, and the fission and fusion of the entire household. This is with reference to the rules of marriage and divorce, forming an independent household, re-entry (divorce, widowhood, returning after migration) into the household and new entry (birth) in the household and about the entry and exit of the people into the household that are not related to the head of the household directly (De Vos and Palloni, 1989). The other factor that determines the structure of the household is the ethnicity that distinguish one from others, based on the same language or the some religious affiliation (which also subjective in nature) are the differences due to historical and contemporary factors including culture and economy (Coltrane and Adams, 2008). Household is not static or deterministic, rather it is permeable and react to the external situations, this perspective consider it as process than an institution (Wilk and Rathje, 1982; Allison, 1999). This view is based on the assumption that institutions are stable social structures, institutions do change but the change depends on the type of institution some institutions have the ability to respond very quickly to the external changes while some other, that are deeply rooted in culture takes some time to evolve (see Williamson, 1998 & 2000). Family household is an institution sensitive to minor, short term influences of socio-economic environment and a prime means to individuals adapt to the subtle shifts in opportunities and constraints that confront them (Netting, 1979). As already been stressed that household is embedded in the wider social institutional web which are slow to change. Household will accommodate the changes but in a way that are legitimized by the larger social structure.

Normative Structure of the Household Institution

Parson's argued that actors internalize norms which become the basis of the actions, he took a more subjective approach to institutions and said that the wider normative structure will legitimate the type of organizations, (Scott, 2008). As the central organization for internalizing the familial and cultural norms, household shape human behaviour, personality and capacity to act (agency), (Smith and Wallerstein, 1992). Proper behaviour is always defined in relation to the wider social structure and in the very place and situation where it is occurring. Rules of the household dictates us about our behaviour and etiquettes, we are told what is being rude or polite under what circumstances and in which social class. These rules are abundant in modern industrial society's households but even the tribal and traditional societies stand on the explicit and taken for granted traditions of how to behave in certain circumstances, (Coltrane and Adams, 2008). In childhood we learn norms of behaviour in the household and we are constantly observed by our household members. Human actions are constrained by these norms not only as child but also as an adult. These norms are related or are made for the entire life of the actors but the most primordial are those which are related to the functioning of the household itself, norms about household formation or what constitute a legitimate living unit and norms about legitimate sexual behaviour etc. It is in household that we learn or we are being told not to be economical or rational person (maximizing personal utility) all times in the intra household transactions, we are being told about the sharing of responsibilities and obligations (Smith and Wallerstein, 1992).

Normative system of the household define the goals and objectives for its members like a common observation that parents set goals for their children, boys are seen as earner on whom

the family will be financially dependent on the future while the girls are seen as future mothers so their goals are deemed different from that of boys, the household not only define the goals but it guide the proper ways for achieving these goals. The important point is that all norms are not equally applicable to all members (Scott, 2008) of the household; there are various factors that influence and determine the type of norms and the roles for which the norms are devised. Norms allocate identities to the members of the household and they allocate roles and responsibilities based on the identity. The identity is gendered; or in other words roles are assigned based on gender. The social construction of gender is the way society tag some people, some action and some occupation as masculine or feminine. Gender is perceived as a behavioral display (Goffman, 1977) but West and Zimmerman elaborated it further and argued that 'doing gender does not simply mean that through a set of behavioral displays (e.g. a husband helps his wife through carrying out heavy grocery bags and a wife 'nags' her husband cleaning the rain gutters), we affirm our status as male or female....the normative structures embedded in human activity (including household labor) become crucial' (Fenstermaker and West, 2002) to understand it, as this is place which starts doing and teaching gender. This gives primacy to the gender approach to the household, which supply labor to the market economy and to the social economy with abilities and talents that is deemed appropriate for their gender. The gender approach to economic issues is based on the grounds of equality, merit / efficiency, and need (Jaquette, 1990; Razavi, 1997). The approach rests on moral and philosophical assumptions of equal rights of men and women, the second one stands on the economic argument that discrimination in the labor market will result in inefficiency and the third and particularly important for developing countries is the social problem of unequal resource acquisition of males and females (Field, Jayachandran et al, 2010). In the context of developing countries literature has produced evidences of categorical gender differences in the allocation of resources relating to health and education and food (see, e.g. Duo, 2005, for a recent survey of literature).

Men and women act on the basis of what women feel and how men act, the gendered cultural identities of women and men are derived from their actions under historically specific circumstances, (Coltrane and Adams, 2008). Male and female experience the context of household and society differently; as they grow-up and socialize they develop different personalities based on their sexes. Women normally define themselves in-relation to others, they are less individuated as compared to men. The issue of individuated and dependency is tied up with the factors as masculinity and femininity. Household reinforce the masculinity and femininity which is reproduced and replicated in the daily life or the routine life of the social actors (Berk 1985; Fenstermaker and West, 2002). According to the psycho-analytic literature, the personalities of boys and girls are developed based on their social-relational experiences of their early life. The conscious personality and the self-concept depend on the consistency and stability of the household. Cultural accounts have shown that sons are treated differently within family household by emphasizing their masculinity and pushing them to take the male role while daughters are identified with mothers or are considered as 'double of themselves (mothers) or the extensions to whom were attributed the mother's bodily feelings and who become physical vehicles for their mother's achievement of autocratic gratification' (Chodorow, 2001, pg 48).

Women in the household perform the main function of the socializer of the family successor and marriage is a source of family continuation (Lupri, 1983).The socialization experiences of girls and boys are different based on their gender, right in the infancy girls are given stove and dolls to play with and are considered as finer, delicate and caring while boys are given vehicles and balls and they are engaged in rough games to develop them as a stubborn, aggressive and strong personality. If the norms of the household are strictly gendered the women within the household are given very low status and their chances and opportunities to grow are very limited, but if the household operate on gender equal norms women are given almost equal

chance to be educated and to take her career decisions. Girls are encouraged to go well in school and to develop a strong personality of their own.

The gender-based socialization of the children make women feel more responsible for family needs and taking care of household members. Difference in the family life and norms will produce different type of femininity, not all feminine models praise the domestic or maternal traits of women (Coltrane and Adams, 2008). Power dynamics within household are very complex, what makes someone powerful and decision makers within the household and others as subservient. According to some it is the financial control or access to resources as (Narayan and Bank, 2005) proposed that women access to resources, ownership and control facilitate their movement from lower to higher position and give them power. But (Tichenor, 1999) concluded that when the bread winner is male, the financial functions are deemed more important to the household than the caring one and when females bring the primary income to the household, her earning capability have relatively little impact on her control over resources or decision making. 'Stay at home father and husbands who contribute a smaller proportion of family income are accorded [the power of] of provider status that is unthinkable for women in similar circumstances', (Tichenor, pg 649). Tichenor further continued that much of the power within family is hidden power related to gender ideologies and family structure. The family norms will determine the power structure, in patriarchal families power lies with males normally father or grandfather, while in the democratic families the power is not accorded to any one member of the family rather all members but mainly both father and mother take decisions with consent (Chris Segrin et al, 2005), resource endowments like innate talent, education, or any other capital of the household members can also influence the power dynamics of the household.

Household headship is a clear indication of dependence and authority within the household and family. Most the time, particularly in less developed countries or more traditional societies households are headed by older male member of the family who serve as the official representative of the family or the household before he was a husband or a father (Lupri, 1983). The extended households are headed by both men and women while the nuclear households are by and large headed by men (Hareven, 1993). The social normative system will determine the criteria of headship. The head of the household has obligation on him/her to provide for the unmet needs of the entire household, and is the main provider for the entire household. Gender is an important determinant of the resource distribution in the household (Kanzianga and Wahhaj, 2010). The resource distribution within the household affect the outcomes as family relations and resource endowments will shape work and career choices, and gender norms of the family will determine the pattern of household employment, (Wheelock, 1990). The different preference of the household members affects the nature and the amount of work performed within the household for example the presence of children and elderly people have significant impact on the household chores and other tasks (Fenstermaker and West, 2002), not only by being dependent but sometimes they are a great resource by giving helping hand. The bargain power model of the household (Chiaporri, 2006; Basu, 2006) assumes that people negotiate about their preferences. The model is based on the assumption that household bargain over the individual decisions in the context of resources and division of labor inside the household. This model has reproduced the sexual norms and has attended gender subjectively.

The evolutionary character of the household or the life cycle approach add to the framework not only in terms of reaching from one stage of life (subject to cultural context) but also the entry and exist of members to and from the household result in transition of family and work role, which affect not only their personal lives but the organization of the household (Deiner, 2009). Leaving home, getting married, getting into the older age group and establishing independent households are the transitions that occur. Household will define the time of transition (Hareven , 1993), like the marriage age, the conditions under which a member can establish a separate

household. The traditional family life cycle focuses on the predictable changes such as birth and marriage of the child (Deiner, 2009). How household strategize such changes and how the addition and lose of the household members affect the normative system of the household, as those who are coming in to the household they bring in their own internalized norms with them.

Cognitive Aspect of Life in Household Institution

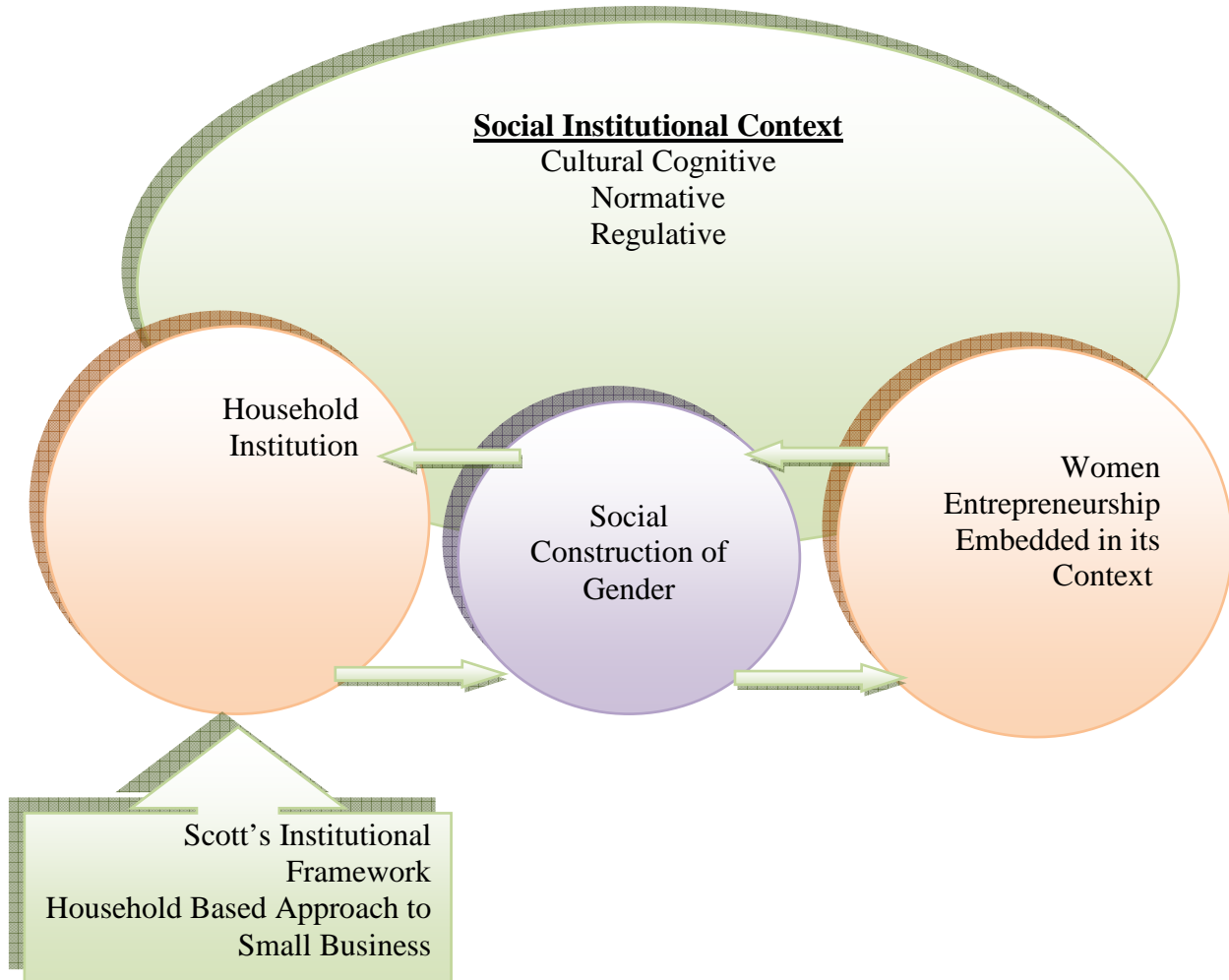
The cognitive function of the institution is to provide information to the individuals which indicate towards the most preferable action of the other actors in same circumstances. The cognitive institutions have a significant influence on the perception of actors about the reality, it influences the ontology of the social actors by affecting the ways people select, organize and interpret the information. This definition of the cognitive cultural institutionalization is too strong to conceptualize things institutionalize this way, people always have alternative with them, so saying that they are unable to think of the alternate is real limitation on the minds of the social actors and simply means he denial of actors' agency. The concept should be phrased as something is cognitively institutionalized when other ways of doing things becomes meaningless in that particular circumstances, (Lizardo, 2010).

The cognitive schema is how members of the household interpret and remember information, for example the cognition held about few groups, at their best in one task but not the others, e-g women are best in caring work while men better perform their breadwinner role. Research have shown that the family environment has a strong impact on the cognitive development of the family members, where in many cases parents' education is used as proxy to explore the cognitive enrichment of the family or that the family can provide to the children (Alison et al, 1994). Though the indicator may not always produce correct results, as the presence of business gurus in the world of business without any proper and formal business education is visible. In as study conducted in Caribbean showed that education is the single most power factor that affects the gender role perceptions, those who have higher level of education are positive about their gender ideology that give them the confidence to take-up income generating activities in formal or informal economy (Das and Gupta, 1995).

There are scholars from Piaget 1920 till date, who recognize the importance of the family environment in personal development, with the particular influence on the pre-school time, while in the adolescence the influence of peers in less than parents, so children from same parents experience different environment and bring different influences (Weiss, 2006). If family create a climate where every member is encouraged to participate in the interaction and discussion about various topics. These families provide the environment where the activities and plans are discussed as a unit and decisions are made with the consent of all members, (Roskos-Ewoldsen and Monahan, 2007). The simulative family environment will provide opportunities to every actor in the household irrespective of their gender to think big and achieve their goal; it will give them equal opportunities of learning and a healthy developmental environment.

There is a strong relation between the socio-economic status and the cognitive abilities, people belonging to the higher socio-economic status have higher levels of cognitive abilities. The types of the neighborhood where one lives affect both the normative and cognitive systems of the household. 'Children in higher income communities are more likely to receive positive peer influences that encourage achievement and pro-social behavior (McLanahan & Sandefur, 1994)' (as seen in (Carlson and Corcoran, 2001). As (Coleman, 1988) stressed the importance of social capital in the creation of human capital, the type of neighborhood one belongs to and the network one is part of will bring about changes in their knowledge and attitude towards life and will broaden horizon of life.

The cognitive aspects are more about the shared realities and perceptions, what family thinks of the gender roles, the gender role socialization and the status of household members in relation to the wider culture will determine the cognitive abilities and actions of the household members. Legitimacy is of importance in this context, as the actions are supposed to be in accordance to the social institutional structure. As Scott (1995, 2001) mentioned that cognitive institutions are the taken-for granted assumptions, beliefs, myths etc and families do have certain beliefs, it can be their aspiration towards family formation or role distribution and the gender construction within and outside the family (Hoffman, 2001).



Source: Author

Women Entrepreneurship in Household and Wider Institutional Context

Values and norms of the household emerge in response to the larger environment; norms are adopted in the quest of legitimacy. And this comes through social interaction which identifies the legitimate behaviour of the social actors (Lerner & Brush et al, 1997). (Aldrich and Fiol, 1994) discuss opportunities barriers to legitimacy in the context of emerging industries; their perspective is applicable to women entrepreneurs in those countries where normative support is not strongly established. While normative beliefs may have a direct impact on the intentions of individuals considering entrepreneurship (Begley and Tan, 2001; Krueger, 2005), normative support for entrepreneurship may shape the level of support that family and friends are willing to provide to women contemplating self-employment. Normative support may also be intertwined

with the presence of role models. A woman's knowledge of another entrepreneur is a strong predictor of her involvement in starting a new business (Arenius and Minniti, 2005). The role of family is acknowledged in the entrepreneurial process, but there is no thorough or detailed role of family in entrepreneurship process. Family is prominent in the financing of the ventures and studies showed that in most of the cases family is first and foremost source of financial capital (Alvarez and Busenitz, 2001; Chua, Chrisman et al, 2003). But expect finance family can be seen from the beginning to the end. Family can be a motivation to business creation as well as it can inhibit or delay the decision of starting a business in particular relation to women. Family can not only spot, rather it can create business opportunities but information about family system has been rarely mentioned in the opportunity literature (Aldrich and Cliff, 2003).

Values and traditions of the household and the attachment to the family wealth (which discourage women to take risk) have important implications for the entrepreneurial process. Change in the structure and compositions or life cycle transitions of the individuals within the household also has consequences for entrepreneurship, 'for individual and household movement through the life cycle of marriage, birth of children, and their leaving home, introduce a dynamic element into the family work strategies and household behaviour', (Wheelock and Oughton, 1996, pg 8). This reinforces the point that household is 'a locus of number of sets of relations; family, conjugal and economic' (p 3). Out of relations with in the household roles emerge which bring with it resources that can be used directly or indirectly in business. Family relations can assume multiple roles and can be a source of diverse set of resources, women entrepreneurs depends on the supportive environment created by family members through scarifies, help, support either physically or monetarily by subsidizing and investing in these enterprises, (Rowe and Hong, 2000) family members provide great emotional strength and encouragement to the entrepreneurs, (Firkin, Dupuis et al, 2003). Parents and other senior members of the household who may not be active in the daily operations economically but can exert a normative influence over entrepreneurs either through family codes of conduct, or through selection and provision of resources if they hold ownership of household resources.

Women make their career choices within the context of household, household norms will define the sphere of activity for its members and the codes of conduct, the category who can go for marriage with, the division of labour within and outside the household and the decision making power, (Agarwal 1997). In some parts of the world women entrepreneurs make a negligible proportion of the entrepreneurial population due to the fact the social traditions and the kinship system inhibit their entry into the business world (Tiwari and Tiwari 2007). Women entrepreneurship to a large extent is affected by the society, the value that society attaches to women entrepreneurship will determine the desirability of women being entrepreneurs not only at social but household level. In societies and household where women are defined through their role in households and families signify entrepreneurship as less desirable. Some societies value a housebound women more than the professional one. (Markovi 2007; Tiwari and Tiwari 2007). Women entrepreneurs have to strike a balance between work and family, in case of no helping hand to share family responsibility with, she might finds it hard start a business unless help by someone in household or wider social institutions with affordable child and elderly care facilities.

Human capital is one of the very important factors forming the cognition of women entrepreneurs. Educated entrepreneurs are more vigilant about the entrepreneurial opportunities and they discharge their job effectively and can have a greater access to information. Islam and Aktaruzzaman analyzed the problems of rural women entrepreneurs in Bangladesh and found that the lack of education is a major problem for them (2001). Lack of education also restrains access to information. Bringing it back to the level of household if the household environment is such that it encourages educational attainment of women and provide them facilities and chances to educational attainment will create positive contextual factors for

entrepreneurial undertaking. Lack of business training and business knowledge has an adverse effect on the ability of entrepreneur to identify and discover entrepreneurial opportunity. This is the existing culture in our society that the poor women of our society are the victims of deprivation. Women do not get enough training opportunities due to our social and cultural norms.

Social norms shoulders the financial responsibilities of the household to men (Nawaz, 2009) which means that male members of the family would take care of the financial issues and women are not concerned with the monetary side of the household. If this social norm is equally practiced within household, women suffer lack of finances for her venture (Koreen, 2001). This issue can be resolved, if the micro finance institutions provide support to women but again this is related to the household normative structure if women can opt for external finances or she press the male members hard to finance her venture.

Above all household shapes the process of gender, everyday life and home. Changing socio-cultural attitudes towards the family relations and family formations are of high significance to the formation of household. 'While discussing the role of the household in structuring women's employment, (Bencivenga and Smith, 1997) stresses that 'policies aimed at combating unemployment and the effects of social exclusion should be similarly orientated towards the household as well as the individual' (p. 1173).

Research Design

The study aims to explore the lived experiences of women entrepreneurs in the household institutional context and extract meaning to understand,

Q: How women make sense of their entrepreneurial experiences in the context of household institutions?

Rational for Qualitative Study

The study builds on qualitative research methodology and phenomenology as a research approach to uncover the lived experiences of women entrepreneurs. The approach is used partly due to the exploratory nature of the study and partly due to the lack of research culture and sampling issues in the context. Further more the approach gives an opportunity to explore meanings, situation and subjectivities of the individuals (Denzin and Lincoln, 2003) which is most suitable tool to understand the lived experiences. Qualitative methods provide that depth which is needed to capture the social impact of economic activities and the economic impact of the social activities, (Galindo Martin and Guzman Cuevas, 2010). Generally qualitative research approaches are rooted into interpretive paradigm; each paradigm has its own specific requirements in the type of interpretation. The interpretive research claims that 'knowledge of the persons can only be gained through an interpretative procedure grounded in the imaginative reaction of the experiences of the others to grasp the meaning of which things in their world have for them', (Hughes and Sharrock, 1990, pg 98). At the most fundamental level, my proposed research is an interpretive inquiry.

'Closely related to and inhabiting an interpretive approach is the phenomenological perspective,' (Steyaert, 2007, pg 9) which describe 'what people experience and how it is that they experience what they experience' (Patton, 1990, p71), or it is the study of interpretative practices based on the subjectivists assumptions about the lived experience. Phenomenological studies rooted in the work of German mathematician named Edmund Husserl (1859- 1938) whose work focused primarily on phenomenological philosophy. Although initially based on abstract ideation, phenomenology has evolved since its inception. There are different

perspectives and approaches to phenomenology, including reflective/transcendental, dialogical, empirical, existential, hermeneutic, social and psychological. I am primarily following the hermeneutic approach (Heidegger & Van Mannen) because it focuses on the interpretation of the individual's experiences taking the contextual factors, to help reach the essence of the phenomenon (Creswell, 1998).

Phenomenology is a rarely used approach in entrepreneurship research; at present the entrepreneurial inquiry is dominated by positivist paradigm, highly systematic methods are used to explore the entrepreneurial phenomenon. Entrepreneurship research should consider the emergent interpretations and interactions various kinds (Neergaard and Uihøi, 2007). Warren (2004) also support the shift from the positivist tradition, believing that the study of entrepreneurship as 'a complex, dynamic, lived experience might yield richer insights than the somewhat reductionist perspectives' (Warren, 200, pg 7). Phenomenology will give the opportunity to take an insider perspective to know 'the true personal experience of entrepreneurs based on their own stories, recollections and descriptions have yet to emerge (Bann 2009). As phenomenology proposes to return and re-examine the taken for grantedness of the life world and hence to uncover some new or forgotten aspects or meanings, household the female domain, present the normative context to human actions is among the taken for granted entities of the life world of those who inhabit it, how women lived and are living their entrepreneurial experiences and are making sense of their world in this context will be explored in the project. Phenomenological approach will help to understand how their behaviour and entrepreneurial actions are embedded in the household institutional context and the larger socio-cultural framework. Listening to the stories of entrepreneurs will help knowing about her knowledge, abilities, awareness and understanding of the situation or the life world which can be better explored through phenomenology.

Analytical Strategy

Qualitative studies give opportunity to 'intentionally select individuals and sites to learn or understand the central phenomenon' (Creswell, 2005, p. 204) through the use of purposive or criterion based sample. Qualitative researchers work with small number of people and in-depth information. Where they go back and forth which makes it an iterative process and inductive cycle (Smith, 2009), data collection process is closely linked to analysis/ interpretation. Data analysis begins soon after or during data collection, normally with the transcription of the interviews.

Phenomenology calls for small number of participants who have experienced the same phenomenon, in this study entrepreneurship, as the goal is to provide thick descriptions of the phenomenon investigated in a particular context. The existing literature on phenomenological analysis has not described any single analytical method. The most commonly and widely used techniques are that of Giorgi's method, (Giorgi, 1985; Giorgi, Giorgi et al, 2008) which has its roots in Husserl's phenomenology and is highly descriptive in nature, while the other is Interpretive Phenomenological Analysis (Smith & Osborn, 2008) with the aim to reach to the structure of experience, through thematic analysis (Van Mannen, 1990). My aim is not mere describe the experience; to understand something interpretation is important according to the contextual factors, I aim to interpret their stories to make sense of their experiences.

Conclusions and Implication

The paper has presented current work in progress, which outline an institutional theory framework to conceptualise household to understand women entrepreneurship as it is lived. The study has uniquely used the institutional theory to understand the black box of the household and to explicate the processes inside the household from the perspective of main

stake holders. The study has been conducted, in a culture where discriminatory attitudes are coated in religious misinterpretations coupled with cultural norms challenges the entrepreneurial spirit of Pakistani women. The research culture is very poor, and data about entrepreneurs and particularly women entrepreneurs is either non-existent or very patchy to be used. In such circumstances current project is a real step forward towards an entrepreneurial society in Pakistan.

The study not only informs the broader domains of female entrepreneurship and new institutionalism but it will serve as building block for the empirical work in other context. It has open an avenue to further explore the different types of household construct (nuclear, non-family) using institutional theory to see the dynamic impact of kin group on women entrepreneurial process. From policy perspective government and NGOs can use the findings for their policy purposes for micro-enterprise and micro credit programs. Women entrepreneurs can be provided for their needs, highlighted by the study and last but not the least, it was an opportunity a journey for the entrepreneurs to reflect back on their entrepreneurial life and to see what they could have done better.

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Torn in Two: Competing Discourses of Globalization and Localization in India's Informational City of Bangalore

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Abstract

Bangalore city saw unprecedented growth in the 1980s and 90s, in size, population and global importance. This derived chiefly from its positioning as a centre for Information Technology and associated industries. Even as the world watched this amazing growth in wonder, Bangalore's own response was typically dichotomous. On the one hand, there was a throwback to a mythicized past, a longing for the pensioner's paradise and garden city of old; there was also an aspiration for a neoteric future, a Singapore in Bangalore.

This paper studies the phenomenon of Bangalore's growth through a kaleidoscopic lens. It positions itself in the literary terrain of studies on Bangalore, deriving from three streams of literature: Bangalore –specific studies; scholarship on Bangalore as a typical Indian city; and Bangalore in a global context. Posing the question: How has growth affected and manifested in Bangalore's economy, society, politics, planning and spatial characteristics? It points that the corporate led development imperative has resulted in, and is partly sustained by, a concomitant growth of a working class, and assorted migrant and poor groups. So Bangalore's divided response to growth is in fact an inability of this erstwhile middle class city to accept the plebian democracy that threatens its cherished notions of restraint and order.

The consequence of growth is a fragmented and polarized society, partly a legacy of a divided history. In the economic sphere, the corporate neo-liberal ideology stands in contrast to small local economies of trade and textiles that are still major employers; socially, there is a nouveau elite who prefer to invisibilize the migrant and poor; politics and policy are handmaidens to either group, both of whom influence policy through very different political alliances and processes.

The paper leaves us with an open question: What is Bangalore's way forward? It solicits your opinion regarding the city's future agenda.

Introduction

In the 1980s, the city of Bangalore was shaken from a slumberous existence into a startled realization of its new-found destiny as a metropolis and 'the city of the future'. In the five decades since Independence, this small unremarkable town metamorphosed into an internationally known boom town, overtook Mysore as the urbs prima of the Karnataka region, and outdistanced its neighbours in Chennai and Hyderabad. No other contemporary Indian city allows us to track the passage from small town to metropolitan status within a few decades as well as Bangalore does (Nair, 2005; Heitzman, 1999).

The physical growth alone was striking. Between 1941 and 2001, the population of the urban agglomeration of Bangalore grew from 410, 967 persons to 5,686,844; the city expanded far beyond 66 square kilometers to become an urban agglomeration of 595 square kilometers. The increase of the built-up area of the city between 1945 and 1973 was three times that of the previous thirty-three years (1912-45), doubling in the seven years between 1973 and 1980 (Nair, 2005).

Largely unprepared for this hurtling destiny, Bangalore's response was characteristically dichotomous. On the one hand, there was a throwback to a nostalgic past, a longing for the good old days of a 'garden city' and 'pensioner's paradise'. A mythicized past, placid and restrained, offered an ideological refuge from the bewildering and dismaying onslaught of modernity. Juxtaposed with this was a futuristic vision of a global city that conformed to international standards, a veritable Singapore in the making (Nair, 2005).

These contrary imagings, whether of a romanticized past or a neoteric future, both represented an escape from a baffling present ; Bangalore's reluctant and ambivalent response to the developmental imperative that was at odds with its middleclass conception of orderly advancement. For alongside the prosperity, the city saw the emergence of a plebian democratic polity that accompanied its wake. The new economics had to contend not only with the traditions and formative cultures of the past, but with new definitions and styles of democracy from below that contrasted oddly with its consensual self-image of a haven of tranquility (Nair, 2005).

There was reason for this. Between the yearning for a Bangalore of a bygone era and the hankering for futurity lies a complex history of a city whose rite of passage to metropolitan status was marked by regional, national and global forces. Unlike presidency cities such as Mumbai, Chennai or Kolkata, Bangalore was denied the advantages of gradual growth; its transformation was crowded into a short span of just over a decade. Its meteoric rise to a globally integrated location of software and service sectors created, and masked, profound changes in the metropolitan socio-economic map, creating aggravating disparities and a highly fragmented and polarised urban society. Even as a narrow upper stratum of affluent urban elite realized the benefits of growth, new pockets of urban migrants and marginalised poor swelled its ranks. The trend for information technology expansion in Bangalore began with specialised self-contained IT Parks that were 'islands' of first world amenities. However, beyond these pockets of world class facilities, and partly because of them, the digital divide widened between the beneficiaries of the IT boom and those it hardly touched. The case of Bangalore poses the dilemma of whether developing the city, and by extension a region, space or nation, as an IT hub is the only dream worthy of pursuit; or should this yield to a balanced development plan benefiting a wider constituency (Ghosh, 2006; Nair, 2005; Yahya, 1-21 and Dittrich, 2007, p. 46).

Significance of Paper

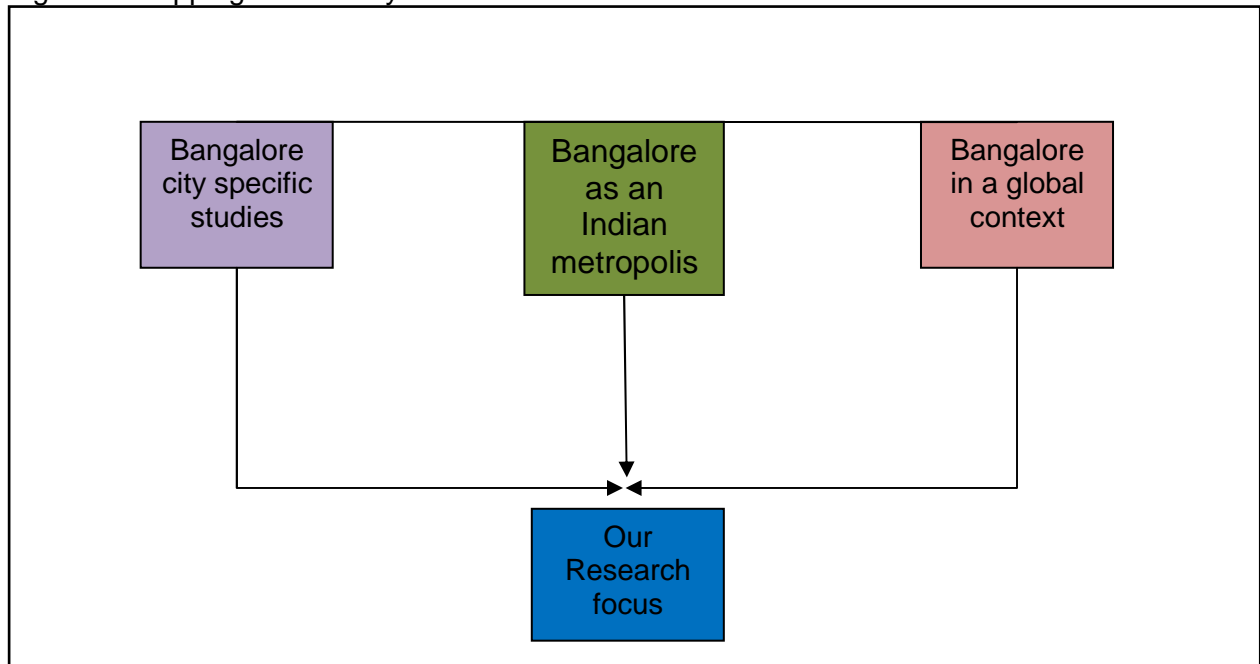
Different aspects of the new metropolitan experience, of which Bangalore is an exemplar, have been written about. This paper draws upon three different streams of urban literature. The first relates to specific studies on the city of Bangalore. Nilekeni (2008, p. 209) laments that the city never captured the Indian imagination in the way the village did, and Bangalore too has suffered from the general neglect of urban studies. However, a scholarly body of literature emerged over the years. Venkatarayappa (1957) and Gist (1986) made early attempts at defining the ecological zones of the city. R.L.Singh's (1964) monograph on Bangalore traced the city's geographic and economic systems; more ambitiously Prakasa Rao & Tewari (1979) used the sample survey method to relate Bangalore's social and economic structure to its spatial characteristics (Nair, 2005).

These studies converged into more recent literature on Bangalore's rise as a metropolis. Its internationally acknowledged status as a hub of IT, ITES and BT industries, attracted the attention of a range of scholars interested in the logic and potential of such growth (Heitzman, 1999) (Nair, 2005) (HEITZMAN, 2006) (Harikrishnan & Mahendra, 2008) (Sastry, 2008) (Nilekani, 2008 and Yahya, 1-21). In this corpus of work, the case of Bangalore becomes instructive of the inevitability facing Indian metropolises. Features of Bangalore's contemporary history, its extraordinary demographic growth, its difficulties with implementing planning law, and its engagement with ideologies of language or caste are read as a common post-colonial experience. Yet, the modes of civic engagement and spatial practices that the city developed are seen as distinct from the metropolitan experience of a Kolkata or a Mumbai.

A third group of literature places Bangalore in the context of global changes and their impact on the urban firmament. Many metropolitan cities in India are undergoing change; much of the change is driven by the needs of the internal economy. However, increasingly since the late 1990s, change has also been the result of a response to global markets. Hence the case of Bangalore has wider applicability to other developing cities in emergent economies. Urban theorists question the universalizing discourse of world city theories to point out significant differences in the local experiences of globalization. The confrontation and occasional conflict between the neo-liberal globalizing ethic and the counter-discourse of the local has been described in vocabulary that highlights the novelty of this phenomenon, such as 'reterritorialization' (Brenner), 'glocalization' (Swyngedouw, 1997). New institutional mechanisms are forged in a period of globalization with consequences for notions of citizenship and democracy. Bangalore becomes a contested terrain, where different social and political groups jostle against each other for state resources and state legitimacy. From this perspective, this paper has a larger significance; Bangalore becomes an exemplar to draw lessons as to how globalization impacts individuals, institutions and governance processes in ways hitherto unknown and unanticipated (Nair, 2005; Benjamin, 2000; Dittrich, 2007; Ghosh, 2006; Kamath, 2006; Menon, 2005; Shaw & Satish, 2007, p. 149).

These three groups of literature coalesce to inform this paper and provide it with a nesting place. While most corporate and policy discourse on Bangalore's rise is undilutedly positive, this paper tempers this optimistic perspective with a more sceptical point of view, focusing on the risks and negative effects of globalisation on the metropolitan social map. The central objective is to analyse the interrelations between globalisation, metropolitan living and the capabilities of the elite and vulnerable urban dwellers to secure their antithetical yet interdependent livelihoods in a sustainable manner.

Figure 9: Mapping the Literary Terrain



Segmented History: A Divided Legacy

The asymmetrical development of Bangalore begs the question whether the city might have inherited the development process from its past experiences of development. So it is worth reviewing the process and pattern of historical development of the city of Bangalore (Nair, 2005) (Sastry, 2008, p. 2).

The history of Bangalore is a tale of two cities, a western part or pete that dates back to at least five centuries; and the eastern part or 'Cantonment' that is no more than two centuries old. In 1949, the twin municipalities of Bangalore City and Cantonment were united into the Bangalore City Corporation. Bangalore was wrenched out of its existence as a divided town to become a big city in the 1970s. Yet the integration of these two distinct linguistic, political and economic cultures and their spatial identities remains an unfulfilled task (Nair, 2005, p. 26).

The differences began with layout and urban form. The old city epitomized the very worst in city planning, and nourished disease and death. 'Owing to the rapid growth of the town, and the various hands through which it has passed, the streets in the old part are often narrow and mostly irregular in appearance'(Lewis Rice); 'the houses of the natives are mean and poor, even those in larger towns such as Bangalore' (Mark Wilks); 'it will be an uphill task for any municipality to push back the projecting facades, straighten the roads which have been wriggling for ages, and clear away choking vermin-breeding buildings' (R.K.Narayan) (quotes from (Nair, 2005). There was no water supply in the old town; water was sold by the barrel or supplied through basins called Karanjis, in contrast to the Cantonment which had secure supplies of water. The less well defined City area absorbed the intensified migration from the neighbouring Madras Presidency in the war years which the influx strained municipal resources to the limits.

The Cantonment brought a new phase in city development. The street, hitherto understood to be a crooked default line left over after houses were set up, became a broad, straight tree-

lined avenue, a vital artery for wheeled vehicles, parading soldiers, polo playing officers, strolling couples, and leisure cyclists. The disparity spilled over into crucial areas of city life: per capita expenditures on public health, parks and playgrounds were significantly higher in the Cantonment compared with the City; between 1930-9 and 1947-8, expenditures on road construction and maintenance expanded by 300 percent in the Cantonment as against to a 50 percent decline in the City; the Cantonment had metalled roads whereas 33 percent of the roads in the City were unmetalled (Nair, 2005)

By the early twentieth century the two cities had developed as two distinct nodes, with their own central markets, railways stations, hospitals, and wholesale and retail areas. A swathe of parkland, the Cubbon Park, separated City from Cantonment, keeping the two areas and their respective cultures apart well into the twentieth century. The public life of the city was thus divided, between east and west, and not only in a spatial sense. The cantonment was peopled by those for whom British rule had spelt not just political certainty but unbridled economic opportunity. The traffic between the two areas was regulated as strictly as ideas between them.

Where the circumstances of elitism compelled, it was a wary interaction. Well-spaced European bungalows in Richmond and Langford towns existed in uneasy proximity to the 'native quarters' of Blackpally (later Shivajinagar), Ulsoor and Shoolay, which provided vital supplies of domestic and other labour. They remained in sharp contrast to the spacious and well laid-out compounds and gardens of the Cantonment area. Homes were built on sites of two or three acres, the gap signifying the social distance between ruler and the ruled, with a sense of space largely unhindered by any concern for the economies of land-use. The planning authorities also paid scrupulous attention to the social hierarchies within the city. Physical distance between homes considerably diminished the possibility of undesirable social contact, allowing for a new type of privacy. The Cantonment, and its provision of facilities for the European resident, was visible proof of what the independent nation state could achieve for its citizens; tree-lined streets, large compounds, faces that reflected prosperity, and a heightened respect for privacy (Nair, 2005).

On the eve of Independence, then, the city of Bangalore retained its divided character, with the two halves only weakly joined in the social, political or economic spheres. There was even some consternation on the part of the Cantonment's residents at the prospect of independence. In the immediate post-Independence years, the task of strengthening these bonds was left more or less entirely to administrative compulsions, with significant consequences for the contemporary design and social life of the city. History thus determined that Bangalore developed with dual characteristics since its foundation. As the city developed, the inter-mix of two cultures was overlaid with footloose IT professionals and migrant labour who swarmed into the city of opportunity (Sastry, 2008, pp. 2-3).

A Contested Terrain: the Battleground of Bangalore

Nonetheless, Bangalore's divide is not just a function of history; it is part of the urban present. Change in modern metropolitan cities has made them arenas of complicated and conflicting politico-economic processes both local and global. Planning and governance are shaped by the congruence and confrontation of interest groups with conflicting interests which compete over limited resources. These resources are not just physical; they encompass intangibles such as state power and legitimacy (Nair, 2005).

In its latest, metropolitan phase, therefore, Bangalore typifies a ground on which broadly two contending forces stake their claim: on the one hand are the newly renovated citizens, who are amply aided by a technocratic vision of change offered by the leaders of the new economy; on the other are those for who democracy has come to have a different meaning in the urban

setting: slum dwellers, unemployed young men, women's groups. Thus, not all changes occurring in Bangalore can be attributed to global forces/agency. There are significant local forces/agency, processes from below that have changed the city.

The current socio-economic fabric of the city has the following four categories-high income, middle income, low income, and slum households; each with its specific residential, educational, commercial, and recreational requirements. It is a challenge, at the best of times, to service these differing, at times conflicting requirements. This urban stratum is not homogenous, however. It is split into many reference groups with varying socio-economic backgrounds and interests.

The resulting conflicts are reflected in vigorous rivalries for access to prime land, to the best private colleges and to employment opportunities in the modern service sector. Because of this merciless competition, many of the lower middle-class families are doomed to economic failure, which leads to tendencies of political radicalisation. This trend of social fragmentation catalyses urban conflicts that find expression in an increasing number of crimes and communal clashes and in violent conflicts between the supporters and opponents of the globalisation project. During the last decade several anti-globalisation campaigns were fought in Bangalore, for example the campaign of the local farmer unions against the US-based multinational companies Cargill and Monsanto, the demolition of the Kentucky Fried Chicken branch, or the massive clashes during the Miss World campaign in the late 1990s. At the top end of the city's socioeconomic pyramid is a tiny but heterogeneous and competing urban elite. This mainly conservative core-elite traditionally holds many of the key positions in the politico-economic arena. But the newly established service elite, tied to foreign investors in a close coalition of interests, is attempting to achieve more influence and power resulting in aggravated conflicts over the utilisation of resources and power. Meanwhile, the well-off sections of society have lost any interest in tackling the problem of the appalling civic conditions of the urban poor. (Dittrich, 2007, p. 55) (Sastry, 2008, pp. 9-10).

The city stands re-territorialized today; a more assertive voice of the region is heard, not through a return to the name of an older settlement that was displaced as the city grew but through the production of a new linguistic and political cosmos. The period of growth that Bangalore witnessed has been characterized not only by the increasing preponderance of the market, but equally has seen the rise of social movements, processes which imagine democracy quite differently. For such groups, the struggle over entitlements to space in the city, whether material or symbolic, is a way of redefining their rights and claims. Such claims are increasingly being made in languages that are violent; they reterritorialize city space and redefine public life in ways that are a source of mounting anxiety to the middle class, dismayed by modes of plebeian democracy.

The discussion of these questions proceeds by analyzing specific elements of the cityscape of Bangalore where the divide manifests itself: economy, society, policy and politics and the designing of urban space.

The City that Beckons...

Bangalore is the fifth largest metropolis in India and forty-third in the world with a population of almost six million spread across five hundred and ninety-five square kilometres. It is a multifaceted city: at once the political capital of Karnataka state; a leading educational centre with scientific and research institutes; a hub for India's space research and aviation technology; the home of large public sector industries; and more recently the preferred destination of private electronic, infotech and garment industries. As one of the fastest growing cities of the world, with a population growth of 3.25 percent annually, (its population doubled during 198-2004) it is

poised to become a mega city with population ten million by 2021 and an area of 1,000 square kilometres by 2015. With less than 0.5 percent of the area of Karnataka, metropolitan Bangalore supports thirty per cent of the state's urban population. With over 125 multinationals, 1150 software exporters 1,20,000 IT professionals, and software exports estimated at US\$ 2.5 billion in 2003, its sobriquet of 'Silicon Valley of India' is well deserved. It is also an internationally recognized gateway to styles of globalized consumption (Heitzman, 1999; Nair, 2005; Narayana, 2008; Smitha & Sangita, 2008; Harikrishnan & Mahendra, 2008).

In its journey from a non-descript small town to a premier metropolis, Bangalore passed through several stages of industrial and economic history. Heitzman (1999) distinguishes four phases in the history of the city since independence, while Nair (2005, p81) delves into its pre-independence past to identify three.

Founded in 1537, the city had a long tradition of textile and silk production, first through a variety of non-mechanised and decentralised 'putting out' arrangements, then through the establishment of large mills; the old city today remains the oldest manufacturing zone of the city. The early twentieth century saw the setting up of three large textile mills, Binny Mills (1884), Maharaja of Mysore Mills (1887), and Minerva Mills (1920). The inter-war period led to the mushrooming of a number of woolen, cotton, and silk textile units, clustered on the eastern edge of the city. With encouragement of the Government of Mysore, other industries began to grow to the west; brick and tile factories nestled amidst textile mills and government-run porcelain and electrical factories. At the time of independence, Bangalore's industrial base was dominated by textiles and small scale industries (Karnataka State Gazetteer, 1989 and Nair, 2005, p81).

In the 1940s to 1960s, a policy of state-led industrialization transformed the rather sluggish profile of the city. India's first Prime Minister Jawaharlal Nehru sought to turn Bangalore into India's intellectual capital. The Union government established public sector research and production facilities, institutions that still have a major impact on the city in terms of production and employment. The city gained an image as a public sector city with the establishment of Hindustan Aircraft Factory (later Hindustan Machine Tools), Indian Telephone Industries, Bharat Electronics Limited, Bharat Earth Movers Limited, New Government Electric Factory, HMT Watch Factory and Bharat Heavy Electricals Limited. Industrial growth received a fillip from newly established technical and academic institutions; knowledge-based production facilities like Hindustan Aeronautics Limited, National Aerospace Laboratories, Defence Research and Development Organization, Electronic Research and Development Establishment, Indian Space Research Organization and Central Power Research Institute clustered around the public sector giants, staking a strong claim to Bangalore being a Science City. The industrial base of Bangalore thus rested on the two limbs of textiles and public sector enterprises, which remain even today the most important parts of the formal economy. The five largest public sector companies in 1991 officially employed over 81,000 people in their Bangalore plants. Their direct impact, including management of their own townships, housing schemes, and transport systems, was supplemented by the numerous subcontracting opportunities they provided for small and medium enterprises (Heitzman, 1999 and Nair, 2005).

The next phase, beginning in the late 1960s and running through the 1970s, witnessed the rapid growth of state government bureaucracy, employment and state-run businesses, helping to fuel the second largest spurt in the city's population growth. By the 1980s, Bangalore began to experience the effects of preliminary liberalisation and private enterprises, especially electronics based companies, became engines of growth (Heitzman, 1999 and Sastry, 2008).

The final phase, beginning in the late 1980s, took off under the impact of Rajiv Gandhi's policy of economic liberalisation. It brought major shifts under the impact of the new economy,

increased and more varied relationships with multinational corporations, the booming of private sector activities and associated job creation in the software sector. The first and most influential multinational corporation that invested in Bangalore was Texas Instruments; a choice motivated the availability of English-educated technical personnel to absorb training, a potential labour pool emerging from the Indian Institute of Science and other educational institutions, the already installed base of electronics industries and subcontractors, the attractive climate, and relatively cheap real estate (Heitzman, 1999).

Major milestones dotted Bangalore's journey to become the IT hub of Asia. The Software Technology Park scheme was announced in 1985 with special rules and concessions for hundred percent export-oriented units. The Bangalore ITPL was launched in 2000 at a cost of US \$ 480 million, a joint venture between the Government of Karnataka, the Tata Corporation and of Singapore consortium, built to international standards as a self contained facility with captive power supply and satellite links. It supports high-tech industries such as software development, electronics, communications, research and development and financial services. The ITPL remains the benchmark for IT parks in India with its world class infrastructure and has the highest number of occupants among Indian IT parks. Next came the Electronic City, also developed as an enclave to provide space for IT multinational and domestic companies such as Texas Instruments, Hewlett Packard, IBM, Infosys and Wipro. As the demand for associated services swelled, the sphere of the IT/ITES industry grew to nearly 3000 firms, including medical transcription, back office operations, and call centers. Emerging as a hot new tech city, a preferred location for high-technology industries and a globally integrated centre of high-technology research and production Bangalore absorbed about FDI US\$ 5 billion and the highest per capita income of any Indian city. Its software and service industries still grow at around 30% annually amazing compared to world standards. Out of the total software and services exports, almost sixty six percent were to the Americas (USA, Canada and Latin America), twenty four to Europe, and nine percent to the Asia-Pacific market. The USA continues to be Bangalore's largest export destination. For supporters of a deregulated and liberalised global economy, the city represents a positive showcase of the new opportunities for newly industrialising countries to benefit from recent trends in economic globalisation (Heitzman, 1999; Dittrich, 2003; Nasscom, 2004; Shaw & Satish, 2007, p153; Harikrishnan & Mahendra, 2008; Sastry, 2008, p13 and Yahya, 1-21).

The meteoric rise of Bangalore to a globally integrated 'e-region' was not a coincidence but the consequence of a combination of favourable enabling conditions: the city's reputation as one of Asia's leading locations of education and research; the presence of large-scale and knowledge-based public sector industries and the numerous small-scale workshops that service them; the availability of a labour pool of highly skilled English-speaking and relatively inexpensive young urban professionals; investor-friendly government policies; a stable and liberal socio-political environment with lower real estate prices and cost of living than in Mumbai and Delhi; and the salubrious climate of a Garden City.

The Changing Socio-economic Landscape

The growth phases that Bangalore passed through left their imprint on the, economic social and spatial landscape of the city.

1. The New Economy

The transformation of Bangalore began in the sphere of economy and employment. It corresponded to changes in the significance of the state as the prime mobilizer and distributor of resources; as the increasing command of the market eclipsed the developmentalist state and

its apparatus. Until the 1980s, private investment did not dim the presence of the state as the prime mover of industrial production in the city; only 2619 of over 3, 80,000 workers were employed in the hardware and software in 1991. Within a decade, this was to change drastically as IT/ITES accounted for 60,000 jobs distributed over 1400 firms by the late 1990s. Today, over 1,300 companies employ 170,000 people. Thus the phenomenal growth of the city initiated by governmental agencies and the public sector to was spurred on by a booming IT sector.

This has implication for future trends. The large public sector industries and the private textile and garment production units still have an important impact on the city's economy. The formal sector with the largest impact on employment is still textiles; followed by the public sector giants and the institutions of central and state governments. Together with all their subcontracting units these two pillars of the formal economy are employing approximately 250,000 people. Though business and employment opportunities across sectors remain in the foreseeable future, it is doubtful that they will generate employment or subcontracting arrangements that will keep up with the rate of population increase in the Bangalore metropolitan region. The public sector heavy industries are undergoing reorganisation processes that have resulted in substantial staff cuts. The downsizing programme under implementation by the state government has cut hundreds of office jobs. The size and visibility of the public sector has been overshadowed by the private sector, with the ICT-sector by far the most dynamic part of the city's economy. The growth of the economy will depend on the dynamism of private sector enterprises with high-value outputs, minimal environmental impact, and the ability to generate direct employment as well as indirect growth of services (Nair, 2005 and Dittrich, 2007, pp. 46-9).

2. Growth of Middle Classes

The spectacular boom in software brought increasing visibility to Indian information technology professionals. The societal impact of this was significant in its relationship to popular demand-making. Even as employment prospects in all other sectors were shrinking, the granite, steel and tinted glass offices in Bangalore posed a stark contrast to ill-maintained factories facing falling orders and tighter credit. Youth from middle-class families, encouraged by anxious parents, saw the software sector as the only destination with good prospects in an otherwise dismal scenario. Social circuits abounded with stories of high starting salaries and children who have been very successful abroad (Benjamin, 2000, p. 36). A promising new urban middle-class of the computer elite emerged in the city. This group, comprising about ten to fifteen percent of the urban population, profited from the new Bangalore, increasingly adopted westernised lifestyles and consumption habits and were now in the position to influence the city's political and development agenda.

3. Corporate Visions of Singapore

Figure 10: Bangalore skyline: artist's vision



Source: www.merlintravelcompany.com

Urban efficiency was the mantra of the nouveau elite, who saw Bangalore in a race not just with Hyderabad and Chennai but with Manila and Kuala Lumpur to sustain the city's competitive advantage and investment flows (Harikrishnan & Mahendra, 2008) (Shaw & Satish, 2007, p. 160). When the new Congress Government was sworn to power in 1999, these aspirations received forceful articulation. The then Chief Minister declared his intention of turning Bangalore into another Singapore. The Bangalore Agenda Task Force, set up in November 1999 under the leadership of Nilekeni of Infosys, was to be the vehicle of this transformation. The first public display of the corporate will to power came during the Bangalore Summit in 2000, where new plans for the coordinated development of the city were unveiled, promises extracted from the seven 'stakeholders' that is service providers of the city, and pledges secured from new economy corporate houses. The Summit represented a new stage in the public life of the city, bringing the private sector to the foreground in a place long been envisaged as the public sector city par excellence. Relinquishing its diffident presence in a city where the state has long been prime mover, the new corporate culture attributed the city's problems to inefficient management, and proclaimed plans to make possible a Singapore in Bangalore. This was a fresh attempt at moving to centre stage the economic and technological aspects of planning which may be at odds with social, community, and ecological uses of city land. At the Bangalore Summit, the corporates were in command; the elected corporators attended but remained spectators than genuine participants in the exercise (Nair, 2000; Menon, 2005 and Kamath, 2006).

BATF gave fresh impetus to the credit-card citizenry's desire for Singapore-in-Bangalore, expressing more than a hint of longing for that island nation's splendid geographical isolation. The aspiration was hardly new, it echoed a running theme in Bangalore's policy discourse; Singapore (as to a lesser extent London and Berlin) has long dominated Bangalore's imagination as the ideal of town planning. With its broad clean streets, elevated Mass Rapid Transit System, sleek downtown skyline, and theme park tourism, Singapore exerted a powerful hold on the imagination of town planner, CEO, politician, and citizen alike. The city-state shares the common legacy of colonial rule, is an Asian society with certain common social features, and has transformed its spatial and economic identity in less than 40 years; hence it appeared an achievable ideal, a realizable Utopia.

For all its enthusiasm, this obsession of technocrats, media, and policymakers is an inadequate response to the very real problems of metropolitan planning. Rather than building up a meaningful planning mechanism that takes account of the diversity of city economies and respects the multiplicity of claims to the city, it takes refuge in an imaginative bankruptcy that finds it difficult to separate the global and the local, and simplistically borrows ideals from other cultures. For a while now, Bangalore has been talked of as an enclave, a hi-tech island that must conform to internationally acceptable standards. The government has eagerly sought opportunities to welcome private investment, domestic and foreign. Being a part of the world city network brings in many advantages for cities in developing countries and the largest Indian cities have started competing with each other to gain a foothold into this network (Taylor et al, 2002).

Today, the dream of turning Bangalore into a 'city-state' is shared by the corporate sector, amidst the information technology industry's visions of 'spaceless' production. Cities are being increasingly claimed as independent spaces, integrated into circuits that are unconstrained by geography. Cities are today themselves 'national champions', in competition with other cities for investment and infrastructural facilities (Jessop, 1998). The reimagining of Singapore, often portrayed as a school boyish yearning of Karnataka politicians, conceals more important questions of the city's responsibilities to the hinterland, the region of which it is a part (Nair, 2000, p. 1512; Nair, 2005; Shaw & Satish, 2007, pp.160). As Mr. Deve Gowda former Prime Minister claimed when the political sparring over Bangalore was at its most strident: "Actually

the presentation was about urban-rural linkages," Deve Gowda told Frontline, "but by the end of the meeting all we heard about was urban linkages. Mr. Narayana Murthy has reportedly said that the Bangalore Metropolitan City should come directly under the Centre. God save democracy" (Menon, 2005).

The 'Other' Bangalore: Whose Growth is it Anyway?

Bangalore is the showpiece of the success of the new economy, defining the city as 'the site of a new and confident definition of urban space by capitalism' (Nair, 2005). Yet the shining city masks an unhealthy process of unplanned growth and development, and associated infrastructure and service deficiencies. Its integration into the highly competitive framework of inter-city linkages produced profound processes of urban restructuring creating new disparities and a highly fragmented and polarised urban society. While a relatively tiny stratum of affluent society benefits from the transformation, the living conditions of the majority of the urban population are subject to deterioration. The livelihoods of the most vulnerable groups are most exposed to risks and adverse future developments. The internationalisation of Bangalore has had mainly negative impacts on the urban poor. The transition from small town to metropolis is fitfully managed; the reforms undertaken since the 1990s, though resulting in a high economic growth, have also given rise to critical social and environmental concerns. These include unequal employment and income distribution, emergence of new forms of vulnerabilities, weakening state regulation, deteriorating governance, the paradoxical presence of poverty, imbalanced demographics and intra-city disparities. That the growth has brought with it a divide cannot be gainsaid (Benjamin, 2000). Given the unevenness of the economic and political transition, Heitzman challenges Bangalore's claim to the status of an 'information society' (Nair, 2005 and Sood, 2007).

The integration of Bangalore into the globalising network of trade and the highly competitive framework of inter-city linkages has induced unsettling changes in the habitation patterns, social relationships and political processes of the urban social setting. Issues of poverty remain submerged by the euphoria over the expansion of the information technology industry. The glass walled office complexes, exclusive shopping malls and entertainment facilities that rival the best in the country contrast with the dense squatter settlements and their very poor services in central areas of the city. Bangalore's urban periphery has also been transformed; an estimated 20 percent of Bangalore's population resides in slums, close to 70 percent of its employment is in the unorganized sector, and 60 percent of its population is ill served by a public transport network that challenges any proud claim that Bangalore is well on the way to becoming a network society (Benjamin, 2000, p. 38)

Public infrastructure was the first to feel the strain. It could not keep pace with the tremendous population growth and the requirements of the new globalising economic players. The consequences were frequent power cuts and a looming water shortage. Public tap water was highly contaminated; the better off neighbourhoods and service industries drew their water from private bore wells, resulting in a dramatic lowering of the water table. During monsoon, the city's insufficient and poorly maintained drainage system became overburdened. Excess surface water and sewage frequently overflowed onto the roads and flood low-lying residential areas. Bangalore generates about 3000 tonnes of solid waste per day, of which only about 1100 tonnes were collected and sent to composting units; the rest is dumped in open spaces or on roadsides outside the city. The unplanned nature of growth in the city resulted in massive traffic gridlocks. Bangalore's vehicular traffic with 1.6 million registered vehicles increased approximately 10% a year leading endure the highest level of air pollution in the country in a city formerly envied for its pleasant climate and fresh air. The gross deficiencies in civic infrastructure and the patent lack of coordination between six core agencies responsible for

urban development created a sense of disappointment among the modern service industries. The costs of doing business in Bangalore also increased (Jafri 2006 and Dittrich, 2007, p. 50).

Figure 11: Traffic Humour



Source: www.vasanth.in/.../bangalore-traffic-1.gif

Despite the concerns of the corporate sector, and the coverage in the media, substandard roads and traffic congestion are only one part of the infrastructure crisis facing the city. A study conducted by Solomon Benjamin reveals a startling picture of lopsided infrastructural development. Infrastructural investment in poor, working class slums in central, west and south Bangalore differs by a factor of 1: 40 when compared to Whitefield, an area with a concentration of software companies and large-residential layouts. With off-site investments such as dedicated expressways, the ratio becomes 1: 60. Benjamin says: "A key problem we witness today in globally connected cities such as Bangalore is that of unequal access to public investments for infrastructure and services. The vast majority of small firms and trades, despite providing almost 80 percent of the jobs, remain in 'shadow areas where residential and work environments lack even basic infrastructure and services. In contrast, the hi-tech areas have access to publicly provided and subsidized high-grade infrastructure, services and land. As important, such publicly serviced land shore up land values (Menon, 2005).

Unfortunately, poverty issues are seen as separate from the city by the elite. Most documents relating to the poor centre on the number of slums and estimates of their population. Official discourse distinguishes between slums on strictly legal terms: 'unmarked', 'notified', or 'declared'. Only the 'declared' slum successfully resists relocation; conversely, a slum may be demolished only after it is notified. Below the 'notified' slum is a range of informal arrangements which render the poor invisible in a city like Bangalore, and make a precise calculation of slum populations very difficult. These estimates range from 159 slums housing 10 per cent of the city population (Rao & Tewari, 1979); 287 declared slums accounted for 13 percent (Ramachandra); the official figure of 401 slums housing 1.35 million people or 25 per cent of the population; 464 slums accounting for 19 per cent of the population (STEM report, 1991); 770 according to recent health and education surveys; between 800 and 1,000 as claimed by activist groups. Slums, thus, have a clandestine presence in planning documents, their dubious legal status sometimes inviting 'clearance' as an official response.

Most slums are concentrated in the middle and peripheral zones of the city – areas experiencing very high growth rates. A sharper picture of inequality emerges from the data on access to services. In 2005, unexpectedly heavy rains exposed just how poorly serviced large

parts of Bangalore are in respect of basic infrastructure such as drainage and sewage disposal. Newly constructed apartment blocks and housing colonies in several areas were flooded. Slum residents bore the worst impact of the rains. Bangalore has a garment sector that employs 300000 workers, a number far greater than the IT/ITES sectors; most of these workers live in the 700 odd slums, grossly under-serviced settlements that have developed in the interstices of the big city. Much of the earnings of such workers go toward medical and hospital bills consequent to the unsanitary living conditions, lack of toilets and drainage (Menon, *The two Bangalores*, 2005).

Access to water is a useful indicator. At present, almost one-third of the population has only partial or no access to piped water. Poor groups in the central part of Bangalore face particularly serious problems. One recent study estimated that more than half of Bangalore's population depends upon public fountains, many of which supply contaminated water because of poor maintenance and broken pipes. This is exacerbated by serious land conflicts that make the extension of infrastructure very difficult. A 1996 study of five slums showed that two had no water supply, one had a well supplied via bore wells, and two had to depend on public fountains. One to two bore wells and one tap served a population of between 800 and 900. Slum residents walk between 20-1000 metres to fetch water – and women and children were particularly affected by the poor environmental conditions. Access to other services such as toilets is just as bad if not worse. An official report of 1994 stated there were some 113,000 houses without any latrines, while 17,500 had dry latrines. The fee charged for the use of public latrines was a serious constraint on the poor families, and a further serious problem in some of the public latrines was poor maintenance. Most women were forced to use open fields to defecate – but this often led to harassment. Not surprisingly, most of the diseases faced by the women and children related to contaminated water or inadequate supplies for personal hygiene – scabies, diarrhoea, cholera, typhoid and eye infections. In the face of such abysmal living conditions, the focus of public policy on the hi-tech growth sector has been termed perverse (Benjamin, 2000, pp. 38-41).

The economic vitality of slums has been recognized. These are areas that provide essential services to the city economy. Slums are also important centres of production and distribution; manufacturing is a characteristic of one-fifth of all slums. Notwithstanding this, the corporation regularly bulldozes self-built housing and work areas as part of its cleanup programs to upgrade favourable locations in the city centre. The population is forced to shift to undeveloped areas on the urban fringe. The campaign to 'Bring Back Beauty to Bangalore' made a further assault on those who lacked the power and the resources to resist involuntary dislocation. Those who had toiled to build the central administrative structures such as the Vidhan Soudha were regarded as a blot on the landscape: in the early 1980s three hundred families of construction workers near Vidhana Soudha were therefore evacuated to Laggere on the western edge of the city. The surge in the housing and real estate sector overburdens the financial capabilities of the lower middle-classes as well. They are gradually pushed from the formal to the informal housing market. The infiltration of lower middleclass people into many of the slum settlements that already give shelter to about 1.5 million people also compels the resident slum population is forced to leave their homes and to resettle in unexploited marginal settlements often located far away from the large urban labour markets where they make their living (Dittrich, 2007, p. 51).

Figure 12: Fragile livelihoods



Source: thehindu.com

The temporary nature of the slum, and the involuntary resettlement of its occupants, reveals certain powerlessness on the part of the inhabitants who constitute the bulk of the informal labour market. Most relocations are more like violent dislocations to the edge of the master-planned city, where the only marks of planning are the demarcations of sites. In Tilaknagar, the population was shifted from a prime location in a well serviced area, to agricultural scrub land which had none of the services that had been promised by the Government. This brought the slum dwellers into conflict with those of the local village Laggere whose water resources were severely strained. By far the most serious consequence of dislocation was its effect on work opportunities. Since the relocated areas are often on the outer fringes of the city, job opportunities were almost absent.

Small versus Big: A Fragmented Economy

There are two distinct economies in Bangalore, the corporate global and the small local economy. The former comprises the enclaved high-income neighbourhoods, the corporate business centres of MG Road, and the exclusive urban design mega-projects. The latter comprises a much more diffused set of services and small-scale manufacturing- centred local economies providing a bulk of employment generation. The local economies provide most of the population particularly poor groups with their livelihoods. They mostly develop outside the master planned areas, with diverse and complex economies and land tenure forms within which poor groups find accommodation and work. Their links with government are through local government, the City Corporation and its councillors and lower level bureaucracy. The corporate economies include the information technology industries for which Bangalore is well-known. Most of their links with government are with state and national parastatal agencies that control most of Bangalore's development functions and have access to most government funding. But there is little local representation in these agencies. The institutions and processes of governance in these two economic settings are quite different; so are their political and economic affiliations. Notwithstanding, there is an important relationship between the two. The corporate economy provides sustenance for the local economies in terms of employment. Conversely, the informal economies subsidise the corporate ones because of low wages and missing protective labour legislation and are thus preserve the position of the corporate economies in the highly competitive world market environment.

What really drives Bangalore's economy? The meteoric rise of a globally integrated e-region cannot obscure the fact that this development owed much to massive foreign investment, leaving Bangalore highly dependent on powerful global investors and vulnerable to crises in the global politico-economic environment (Dittrich, 2007, p. 56). Thus much of Bangalore's economy is centred on the public sector, the textile industry and distinctive local economies that

cater to poor and middle-income groups. Leveraging on its status as Karnataka's capital and its shared borders with Tamil Nadu, Andhra Pradesh and Kerala, Bangalore historically evolved a rich tradition of trading and commerce, fuelled by migrant groups bringing skills, capital and access to markets. Through the 1980s and 1990s, stability was provided by trade and commerce with 60 per cent employment and manufacturing with 37 per cent. There were also 20000 registered small-scale units which employed about 189,000 people, with many more non-registered units; 375 large and medium-scale industries; and 3,000 companies employing 100,000 people in the electronics industry – of which the corporate information technology sector was only a small component. The largest impact on employment came from the silk-weaving industries in different pockets of the city, and recently, the garment industry (Heitzman). At this time, Bangalore district had 3437 factories employing 365,000 people, 13 industrial estates, and 20,400 small scale units employing 194,000 people. As much as 63 percent of these organized sector jobs were in the public sector

Apart from this, a massive expansion of the so-called informal economies resulted from the large influx of migrant labour to the city and the rather restricted absorption capacity of the formal economy. These local economies evolved in the late 1970s to mid-1980s, spurred by public investment in industrial and defence establishments (Benjamin, 2000, p. 36) (Nair, 2005). The tendency of medium- and large industries to outsource more and more segments of their production work, the real estate boom, development of large scale middle-class housing, and new infrastructure projects also expanded opportunities for skilled and unskilled workers. The urban informal sector consists of the construction and transport sector, catering and craftsmen's trades, the petty trade and home-based fabrication system and a range of domestic helpers. Here employment opportunities are unregulated, mostly unhealthy, low-paid and often seasonally limited. However the urban informal economy is increasing and employs much larger numbers than all the formal sectors combined, amounting to about three-quarters of the urban workforce (Dittrich, 2007, p49). As Thippaiah's recent work workers in this sector accounted for 69.16 percent of the total workforce in 1991 with the annual average compound growth rate of over 5 percent in 1981-91, substantially higher compared to the growth rate of the formal sector at 2 percent (Nair, 2005).

Most local economies are located in two main areas: the two city centres housing the wholesale and retail markets) and the mid- and peripheral zones. These areas, serving as the city's employment nodes, are almost always non-master planned, which allows them to be of mixed use. The mid- and peripheral zones concentrate 70 percent of the industries, almost all in smaller privately created industrial estates or in mixed use residential areas. The peripheral areas, with basic levels of infrastructure and services, also serve as bedroom communities with residents travelling to the main city for employment. There is a startling scale and diversity of employment generation. The economies are constituted by small and tiny enterprises, distinctive in the range of products manufactured or traded. Enterprises cluster to share functional links. In contrast, higher end corporate economies locate in and around MG Road, Bangalore's corporate downtown, or within master planned enclaved neighbourhoods located mostly in the south and, more recently, in east Bangalore (Benjamin, 2000, pp38-40). The income gap between the two segments has tended to widen. While wage levels in the modern services rose annually, those in the informal sector stagnated; many even lacked a steady and sufficient income. Data on the nature of the disparities between rich and poor are not easily available and the subject is rarely discussed in public fora. But it is estimated that at the lower level, 24 per cent of households shared 8 per cent of total income, at the higher level, 4 per cent of the households shared 19 per cent. Half the city's households shared less than one-quarter of total income. If the non-slum poor were included, more than 40 per cent of the city's population would be defined as poor (Dittrich, 2007, p55). As Dittrich comments "The selective internationalisation of Bangalore produces 'winners' and 'losers' of urban society (Dittrich, 2007, p56).

Politics, Policy and Planning

- **The Politics of Infrastructure**

Understanding the divide in Bangalore requires an understanding of the governance processes through which different groups compete for public investments and support. The contestation of the groups is a highly politicized process. In considering the role of the state and political actors, it is important to note that (a) the role and priorities of the state have changed over the years keeping pace with Bangalore's transition (b) the state itself is not a unitary, homogenous entity. Even at the level of the sub-national state, it operates at the state government, local body and parastatal agency level, and each of these mediate with each other and in the lives of the citizenry with varying and differential impact (Benjamin, 2000, pp. 54-56).

Bangalore's transition to metropolitan status paralleled a shift in the character of the state. In the early phases of the city's economic history, the developmentalist role of the state was evident in the preponderance of the public sector, controls on consumption, and redistributive mechanisms. This began to change with state encouragement to private investment and the increasing influence of the private corporate sector in influencing state policy. Nair comments with intended irony that the state apparatus which restricted consumption in its redistributive role in the 1970s had sufficiently altered in 1996 as to put to use the police force to protect Kentucky Fried Chicken outlets from attacks of Kannada activists, thus 'protecting the rights of those who wished to consume branded chicken' (Nair, 2000). This change in state priorities mirrored a shift in the construction of electoral constituencies. In the 1970s and 1980s, the electoral representation of core city constituencies was the stronghold of left-wing trade unionists; a trend which gave way to those who founded their careers in the real estate business, a group that directly benefited from Bangalore's growth (Nair, 2005).

Thus the policy initiatives implemented entailed the danger that government policy might be held captive to the needs of a dominant corporate sector. The corporate vision for Bangalore received its most forceful articulation when the Congress party won power under a new leadership in 1999. The Industrial Policy of 1996, Information Technology policy in 1997, a Biotechnology Policy in 2001 and a BPO policy in 2002 were formulated with the objectives of attracting large scale domestic and foreign investment, create an enabling environment for the IT/ITES sector and establish exclusive industrial development zones by providing concessions and incentives. These included relaxations in labour laws, removing barriers to the employing of women in night shifts, flexible working hours, removal of the mandatory weekly day-off, establishing cyber parks, one-stop IT unit of approval, an international convention centre and fiscal measures such as exemption from stamp duty, 100 percent exemption from entry tax on computer hardware and other inputs. The image projected in the English corporate media was of a tight skein of corporate and bureaucratic icons revolving around the central figure of the Chief Minister working to overcome political and legal hurdles to the realization of the vision of a bright new metropolis.

The entry of corporate actors into the public sphere was not through the conventional electoral route but by a more nebulous route of governance. Home-grown Bangalore-based IT giants such as Infosys Technologies made their presence felt in the city's political environment. They became the driving force behind civic governance initiatives such as the Bangalore Agenda Task Force, which pressed for the implementation of a public private partnership model in areas of governance that were earlier under exclusive government control. That a positive political payoff was anticipated was evident; the chief minister did not hesitate to deploy the image of the most important icon, Mr. Narayanamurthy, in the run up to the prestigious Kanakapura bye election (Yahya, 1-21).

- **The Clamour for Megaprojects**

Figure 13: Bangalore International Airport



Source: noblemani.wordpress.com

The concept of the information technology sector as a basis for modernization captured the imagination of Bangalore's political and bureaucratic elite. Slogans claimed that Bangalore would compete not with its neighbour Hyderabad but with the real Silicon Valley in California. These slogans translated into large public investments and fiscal policy. The main justification is to make Bangalore 'globally competitive'. Corporate information technology groups were quick to point out the deficiencies in infrastructure in Bangalore and to demand ever more dedicated investment by the state to promote growth; their views were amplified, nationally and internationally, by the corporate media. It was pointed out that the hidden costs of operating in Bangalore made it more difficult for multinational corporations to move into Bangalore. Infrastructure issues were the big headaches, including poor water, irregular power, potholed roads, and non-existent parking spaces. State government response focused on instituting dedicated investment for mega-projects (Heitzman, 1999, pp. PE-8). "Let us go back to the basics in this controversy. . . The three major IT belts, the Hosur Road corridor, the Whitefield Road corridor and the Peenya corridor, support 2.5 out of the seven million residents of Bangalore. Sixty per cent of the State's revenues come from Bangalore. Shouldn't it get a part of that for its own improvement?"(Mohandas Pai, Chief Financial Officer, in an interview (Menon, 2005).

The official response to the IT lobby's demand for better roads and infrastructure was quick and generous. The Infrastructure Policy 2007 was launched 'to provide a fair and transparent policy framework that helps facilitate the process of economic growth and encourage public-private partnership in upgrading, expanding and developing infrastructure in the state'. It emphasised dedicated investments for mega-projects such as: the billion rupee 'mega-city project' which focuses on modernising Bangalore by urban renewal and urban design; a new international airport at Devanahalli; flyovers, ring roads and other grade separators, provision of fibre-optic services in high value industrial areas; of the six-lane high-speed corridor expressway between Bangalore and Devanahalli; upgrading airports at Hubli, Belgaum, Mangalore and Mysore; Greenfield airports at Hassan, Gulbarga, Bijapur and Shimoga; the Bangalore-Mysore Infrastructure Corridor, a six-lane 111-km highway connecting Bangalore and Mysore; the 138.9 square kilometre IT corridor; a 109 km long eight lane Rs. 1100 crore peripheral ring road which will be the longest highway in the country and the high-tech city beyond Sarjapur. Land for these projects was mostly acquired by the KIADB at very low rates.

These investments were exclusively responses to the demands of the corporate sector but had little value in the common residents' daily lives. The state government has also promoted several mega development projects, such as sports stadia and exclusive mass housing, which resulted in the demolition and resettlement of several poor settlements to distant peripheral

locations. These changes had other impacts on less well-off groups. Rapidly rising land prices pushed poor and middle-income groups to seek housing and work in even more distant locations, many of them unserved. A significant development here was the emergence of large financing institutions such as IDFC and HUDCO that drew on national funds and funds from international bilateral and multilateral agencies. To take advantage of this trend, the Karnataka Government set up the Karnataka Urban Infrastructure Development and Finance Corporation to channel institutional finance for large infrastructure projects. The funds do not necessarily go towards improving conditions within the towns but, rather, towards acquiring land to promote large corporate residential and work environments and related infrastructure such as multi-lane highways and dedicated water supply and electrical power systems. The funding is focused on metropolitan cities but for infrastructure projects that do not conventionally fall within municipal authorities' jurisdiction. There is also the development of private enclaves, sponsored by state government at the highest level. Again, public sponsorship is not through direct development but through the acquisition of land under 'eminent domain', off-site infrastructure development, dedicated civic amenities, as well as larger infrastructure works such as the promotion of an international airport; all of these would be unaffordable by the private sector without state backing (Benjamin, 2000, pp. 37-8).

Meanwhile, the publicly sponsored mega-projects do little to support the local economies; and may even serve to disrupt them (Benjamin, 2000, p. 35). In order to make way for the newly constructed elevated expressway, many of the specialized trades operating in the vicinity were moved out in order to de-congest the roads and increase traffic speeds. What used to be an intensive support system is rapidly becoming disbanded with serious consequences for the poor. The disruption in the local economy has also meant that remittances to rural areas have fallen. Walking around the pathways that have been disrupted by the construction and demolition, a common refrain from squatters: "most now realize that they are the dirt to be cleaned off" (Benjamin, 2000; Dittrich, 2007; Menon, 2005 and Sharma, 2009).

The financial implications of mega-project funding on local bodies are severe. The future burden of maintaining what was constructed by these funds falls directly on local bodies. This would have consequences for funds meant for upgrading basic infrastructure like drinking water, sewage lines, drains and basic roads which would be reduced as a consequence. Meanwhile governmental investments in providing shelter and affordable housing to the urban poor have been substantially reduced and the protection of tenants gradually removed (Dittrich, 2007, p. 51 and Benjamin, 2000, p. 36).

This is important because Karnataka is one of the highest recipients of development aid from international agencies and central government institutional structures. Karnataka is the focus of large amounts of international assistance. There is a real danger of such funding substantially biasing the development process against poor groups and in fact reinforcing an authoritarian type of politics with widespread economic impacts. There is little possibility for Bangalore City Corporation to make funding for large-scale infrastructure projects more responsive to local needs; indeed, the very terms for such funding mean they cannot be used for smaller level schemes. However, there is a realization now that the Asian "urban authorities have found it difficult to integrate ... (the)...efforts of the urban poor into mainstream metropolitan water, sanitation, solid waste management and transport systems. Worse, in the adoption of infrastructure and urban services programs, the real needs of the urban poor have been overlooked as urban authorities have focused on high prestige and high-technology options that are often beyond poor people's capacity to pay" (pp xvii-xviii.).

The scale of these mega-projects also varies. While some are urban renewals like the flyover, others are proposed as entire townships that involve very large amounts of land and funds. The city corporation operates in an arena with seventeen parastatal agencies. The mega-projects

interlink the various parastatal agencies. Falling under five ministers and their various administrative departments, including the office of the chief minister. While the KUIDFC channels capital for development, the Bangalore Development Authority or the Karnataka Industrial Area Development Board acquires land. Other line agencies are instrumental, providing dedicated water and electricity off-site infrastructure. For instance, the KIADB has notified some 3,238 hectares of land for townships to fund the expressway between Bangalore and the city of Mysore. It is this larger institutional structure that directly or indirectly affects urban development in Bangalore (Benjamin, 2000, pp. 51-2).

- **The Political Backlash**

Notwithstanding the underpinnings of links between government and the new economy, the corporate-driven program of governance and infrastructure development experienced setbacks. The excessive attention the then government paid to the urban sector, particularly the demands and requirements of the information technology industry, at a time when agriculture was going through a serious crisis, cost the Congress dearly in the 2004 elections. The State faced a severe drought in three out of the five years of Congress rule, but drought relief was inadequate and mismanaged. The government's attitude towards the phenomenon of farmers' suicides is seen as callous, particularly the delay in payment of compensation to the families of suicide victims. The extent of popular disenchantment with the government's performance found expression in the voting. The Janata Dal (S) carried the mantle of the 'third front' in Karnataka, and consolidated its position. The coalition political leadership that came to power did not intend to repeat the mistakes of surrendering policy-making to the corporate sector or diverting civic resources to build infrastructure (Menon, 2004 and Yahya, 1-21).

The heavy rain that lashed Bangalore in 2005 exposed the cracks not only in the city's shaky infrastructure but also in the political coalitions in the state. By this time, the Congress government had given way to the Janata Dal (S)-BJP combine. A number of people were killed in rain-related accidents, entire housing layouts went under water, major roads were inundated, and traffic was thrown out of gear for several hours in the city. The deterioration of the city's infrastructure did not happen overnight. It was the result of long years of faulty planning, which assumed crisis proportions. Political sparring between Deve Gowda and Krishna, traditional rivals from opposing parties was not new. What was new was the entry of Mr. Narayana Murthy the chief mentor of Infosys Technologies into the row. The exchange was bitter and resulted in the latter's resignation as Chairman of the Bangalore International Airport Limited. With the differences between Infosys and the government out in the open, the most-favoured-sector status that the IT industry enjoyed appeared to have changed. As M.P. Prakash former Deputy Chief Minister said: "We cannot have islands of prosperity in an ocean of poverty" (Menon, 2005). Still, the neoliberal outward oriented discourse of the corporate sector, and the counter-discourse from below, are recurrent, at times simultaneous phenomena in Bangalore's public domain.

- **Local Politics and Agency**

There is a close connection between the local economies and local politics. Conventional public policy perceives 'the poor' as passive recipients of good or bad legislation. But, as we have seen, poor groups operate in the same arena as wealthier groups; both attempt to shape economic settings and institutions to benefit themselves. Poor and rich groups equally evolve complex political alliances, and in doing so influence institutional structures and policy.

Messy chaotic settings where small informal economies flourish generate employment for the poor, provide proximity to demand, markets and suppliers, and open up opportunities for financial and sub-contracting links. Social connections are built, enabling demand-making

discourse; local society evolves apace with the local economy; which in turn, shapes local politics' (Benjamin, 2000, pp. 38-9). The political setting for such settings for local economies is provided by the municipal corporation, with councillors and lower level bureaucracy playing a key role. The conventional middle-class, as well as bureaucratic view, tends to dismiss local political processes as 'vote-bank' politics, centred on patron-client relationships, exploitative of poor groups by the local elite, non-transparent, corrupt, and feudalistic. But to a politically trained eye, the direct exchange between a slum dweller and her councillor or MLA (member of the state legislative assembly) is a give and take relationship, an instance of direct democracy at work. "It might be more productive to rethink the workings of democracy under conditions of extreme poverty and differences of wealth, where the democratic processes are decidedly different from the ones these observers are used to..." (Dewit in Benjamin, 2000). This is because of the representation system, and the ethnic and social connections that exist between the lower level bureaucracy, local polity and local economic interests.

Even where higher level political agents play a role, their actions are in the context of influencing decision-making in higher political circuits and councillors usually form key mediating agents. In many instances, politics is centred on an individual political base created by building local alliances rather than party affiliations. This helps to maintain political accountability. A large percentage of Bangalore's major squatter settlements are concentrated in two adjacent wards of the KR Market. Local politicians move up the political ladder on the basis of the high density of votes, as well as funding from local trade. As a political worker explained: "If the councillor can get them a space to sell, his name will be on their lips when they go back to home... after all, their day's livelihood is more important than their shack. His action will have a wider effect (Benjamin, 2000, p. 50).

This complex of alliances makes the municipal corporation a critically important in the demand making and policy making discourse of the poor, reinforcing also the concept of locality. The 74th constitutional amendment of 1993 therefore increased the powers of the municipal government and developed structures below the city level for decentralized governance. Into this setting, the sub-national state introduces a techno-managerial or administrative view of governance. State governments use a variety of means, parastatals, ward committees and politics, to relegate local governments to secondary status (K.C.Sivaramakrishnan, 'Municipal and Metropolitan Governance: Are They Relevant to the Urban Poor' in (Mahadevia, 2008, p. 44). In contrast to the messy settings of local political economies, the setting for corporate-centred economies is linked to party-centred political structures at the state and national government. These tend toward centralized forms of governance via institutional processes centred on parastatal agencies. Almost all settings for corporate economies are products of the master planning process promoted by parastatal institutions such as the Bangalore Development Authority and the Karnataka Industrial Area Development Board.

There is also an important political aspect. Public interventions via parastatal agencies are useful for state level political parties to ensure local political compliance or subvert local political opposition. Municipal bodies and politics tend to be across party lines and are more accommodating to complex local level coalitions. Political parties in Karnataka have a low level of internal democracy for grassroots workers with the party system seriously undermining local interests. This situation is particularly conducive to corporate groups competing with more local alliances of interests over public investments and shaping public policy. In the corporate enclaves, rigid land use controls exclude almost all pro-poor economic activity and threaten poorer groups' fragile claims to land. These all weaken poor groups' potential for more proactive political action (Benjamin, 2000, pp. 46-7).

- **The Role of Parastatals**

A second critical issue relates to the relationship between parastatal agencies and local bodies. Several scholars of public administration have written extensively on how local bodies are disempowered by parastatal agencies such as development authorities who take over prime development functions that were previously at the local level, leaving local bodies with maintenance functions. Parastatal agencies have a formative role in the shaping of corporate settings, and have little or no local representation. The Bangalore Development Authority and the Karnataka Industrial Area Development Board have practically no local level representation; their governing committees are constituted mostly of bureaucrats under the direct control and supervision of the state and national government. The political representatives are appointees of the state level party in power; and they do not necessarily represent the constituency under the jurisdiction of the development authority. Irrespective of political affiliations, various chief ministers have maintained a direct control over these key developmental agencies. One Chief Minister was quoted as saying that if it was not for the constitutional protection to local bodies, he seriously considered superseding the city's elected body, so as to get on with his job of modernizing the city. Along with this centralized control comes access by the elite to key decision making. Perceiving a major problem as one of 'political interference' from lower level political circuits there is an active effort to de-politicize urban management, alienating local society and distancing decision making from poorer groups, while opening a direct channel to corporate interests. For instance, as part of an effort to shape Bangalore into a Singapore and as a setting for a Silicon Valley, specific organizational interventions such as recruiting senior people from the IT industry to head a newly constituted committee called the Bangalore Metropolitan Task Force to decide on infrastructure and other key city management issues; and emphasising e-governance to reduce corruption. An urban management structure centred on parastatals is most conducive to this effort (Benjamin, 2000, pp. 44-5).

The Karnataka Industrial Area Development Board has played a significant role in creating industrial infrastructure in Bangalore (Shaw & Satish, 2007, p. 155). Lawrence Liang, lawyer and civil activist, says: "Under the S.M.Krishna government, a major change took place in the way the KIADB Act was implemented. A high-level committee set up a single-window clearance agency. This enabled companies to approach directly the committee, which could then sanction the acquisition of land by the KIADB for the company. Large blocks of land were cleared for acquisition by individual companies. The Bangalore Development Authority reserved 2,500 hectares of additional land in the city for the IT sector and 1,500 hectares for all the other industries till 2015. Land developers had the potential to create dummy software companies which could acquire land that was used for real estate and speculative purposes" (Menon, 2005). But land use planning remained largely inaccessible to the majority of the population, since they could neither rely on the master planning process nor on local politicians to stake claim to land (Ghosh, 2006).

The City Corporation is only a vehicle to implement such proposals rather than having a more autonomous role in deciding interventions. The lack of political autonomy is highlighted by the fact that the Mayor of Bangalore City Corporation has tenure of only a year. Moreover, her election is largely shaped by state level political functionaries and particularly the chief minister. If that is not enough, key operational decision-making in the city council is supervised by the state government and instituted via an administrator whom it appoints. The lack of local autonomy due to party politics is reinforced by the possibility of underhand benefits from civic works. An efficient and remunerative way for councillors to rise up the system is to attempt to gain the confidence and support of members of the state legislative assembly. This is especially in order to get nominated onto the important municipal committees like the works or finance committee (Benjamin, 2000, p. 50).

Poverty and wealth relate to ways in which different groups influence public policy. If poorer groups find it difficult to influence the actions of parastatals, their ability to moderate the regressive impacts of these larger institutions seem remote. Poor groups are hit in different ways- demolition, re-settlement, increased land prices, poor quality of services- in an exclusive governance system where access to public decision making is more difficult when local representative structure is relatively powerless in a larger political arena (Benjamin, 2000, pp. 52-3).

In particular, the control and regulation of land is now under the state (provincial) government. This means that local bodies find it very hard to decide on key economic and political futures for their constituent electorate. Indeed, local bodies are burdened with substantial financial liabilities that arise from investment decisions made by development authorities. For instance, in Bangalore, as in urban areas all over India, development authorities develop land on the urban periphery and recoup real estate surpluses to fund their operations. These are later handed over to the local bodies for the purpose of maintenance, leaving them with the politically and financially difficult decision of sustaining the high levels of infrastructure installed (Benjamin, 2000, pp. 45-6).

- **Map or Territory? Master Planning and Unplanned Growth**

The evolution of urban planning in India was similar to the development in other parts of the world. In early days of independence the accepted paradigm was that India lives in villages; urban planning was more a reactive response to the needs of refugee resettlement and construction of a few new cities as capitals and industrial towns. As urbanization was progressed and urban economy became an important driver of economic growth India was expected to have the second largest urban system in the world, planning became a bridge between the domestic and the global economy (Harikrishnan & Mahendra, 2008).

Relative to most Indian cities Bangalore enjoyed a longer history of public planning. The City Improvement Trust Board set up in 1945 produced an Outline Development Plan from 1961 to 1976 for 500 sq km including 220 sq km of compact development. The Bangalore City Corporation founded in 1949 united the City and Cantonment areas and created its own City Planning Board. In an attempt to co-ordinate the efforts of these two bodies, they were brought together into the Bangalore Development Authority in 1976, which came up with a Comprehensive Development Plan for 1986-2001(revised in 1994). By this time the urban area had expanded to include almost all of the original 500 sq km of planned space. In response, the Bangalore Metropolitan Region Development Authority was set up in 1985, with authority to plan for a 'metropolitan region' including Bangalore urban district, Bangalore rural district, and one taluka in Kolar district; in practice this included areas not already covered by the planning activities of the BDA and BCC. BMRDA generated a preliminary 'structure plan' for the region in 1995.

The master plan particularly facilitates delivery and regulation of public services through partnerships with the private and civil society groups. It adopts equitable user-to-pay principles for various services and approvals. The master plan also has innovative means of delivering public goods and services through management contracts and public private partnerships to promote integrated, inter-sectoral planning and management of the city's development. The plan gives special emphasis on a fair and predictable legal and regulatory framework that encourages commerce and investment, minimizes transaction costs, and legitimizes the contributions of the informal sector and also adopts enabling provisions for the delivery of public services with a view to maximize the contributions of all sectors of society to urban economic development and also attempts to encourage volunteerism in the development of Bangalore city. The restriction of planning activities within three agencies, each geographically nested

within a higher office, should in theory simplify decision-making and lead to coordinated policy and vision. But this has not always happened (Harikrishnan & Mahendra, 2008) (Sastry, 2008, p. 2) (Heitzman, 1999, pp. PE-9).

First, despite the efforts at planning, the actual spread of the city reveals a pattern of 'leapfrogging and infilling' rather than orderly expansion. Thus the map of the city reflects the three phases of development that shaped its industrial structure. The early focus of industrial activity was to the west of the old city area; followed by residential leapfrogging and infilling. Institutional leapfrogging occurred with the Indian Institute of Science, and gradual infilling of residential neighbourhoods like Malleshwaram, Srirampuram, Vyalikaval, Sheshadripuram, and Sadashivanagar. The public sector units leapfrogged the boundaries of the city to occupy sites along highways to the north and east; followed by a process of residential in-filling which made it a contiguous tract of the city and its industrial suburbs. Institutional leapfrogging also happened with the Agricultural University campus at Hebbal, Bangalore University campus at Nagarabhavi, and new industrial extensions (Rao and Tewari, 1979). Similarly, of the new economies consolidated in the 'IT corridor between International Tech Park in Whitefield and Electronic City to the south-east guided once again by availability of land. Most recently this has again repeated with the Devanahalli airport.

Hence historically Bangalore's physical spread happened more due to the location decisions of certain important industrial and institutional activities, rather than an outcome of any city planning exercise. Though infilling was guided by some form of planning exercises by the planning institutions, this was not a complete exercise, and simultaneous unplanned exercises also occurred. Each time the pattern repeated, state-led planning alternated between a period of intense focused activity (leapfrogging) followed by laxity and laissez-faire (infilling). Because of this dual policy the city grew haphazardly, with private interest increasingly overriding public interest. Meanwhile, there were three chief ministers of the state within a three-year period, resulting in a discontinuity in leadership. The result of these political changes was a period of five years in which there was little overall management of planning or vision for the long-term development of Bangalore.

The struggle between the planned area and the unplanned developments that it had spawned resulted in 'haphazard and uncoordinated developments of the fringe areas of the city'. The city expanded and took over agricultural lands for the creation of layouts, so that literally hundreds of villages have technically ceased to exist. Enclaves of planned privilege had little power to control or limit the kinds of changes that were wrought on the agricultural areas around. The 1981 census lists nearly 180 villages that have been absorbed into the Bangalore Urban Agglomeration. The village is effaced in many ways, and the mutation of its name into an urbanized form is just one indication: Gangenahalli thus became Ganganagar, and Binnamangala yielded place to Indiranagar (Ramachandran, 1985; Nair, 2005; Sastry, 2008, p. 4; Sastry, 2008 and Heitzman, 2004).

The tenuous existence of the small scale sector thriving in the interstices of the planned city has led to a general perception that the small informal economy is to blame for the unplanned growth and illegal land regimes; but the new economy equally shows scant regard for zoning laws, with software firms spilling out of the IT corridor and sprouting in nearly all residential areas of the city. For instance, the IT industry has seen zoning norms as a needless restraint on the growth the city economy. In the early 1980s, a US AID team specifically recommended the 'possibility of allowing small scale and good neighbour high tech activities into residentially zoned areas'. It suggested that 'unless high tech activities are permitted within the city centre or in residential zones it seems likely that they will not easily find locations nearer than 10 kms or so from city centre'. The demand of high-tech industries for 'easy in, easy out terms' and the attractiveness of Bangalore as a location for appropriate 'footloose enterprise' was emphasized.

By the late 1990s, such a suggestion had been translated into practice, though less as a result of policy decisions and more as a result of the need for affordable commercial space. Hundreds of IT firms are tenants of residential buildings. A survey by the BDA in 2001 Koramangala found that IT companies accounted for 70 of 132 violations, in which 'neither the owner nor the tenant had applied for change in land use all of which violated the rules governing the CDP'. In at least one case, indya.com had usurped BDA property 'which amounts to encroaching Government land' (Nair, 2005).

The state government established a variety of agencies for the provision of basic services such as the Bangalore Water Supply and Sewage Board, Karnataka Housing Board, and Karnataka Electricity Board, and a separate series of agencies for the encouragement of industrial development such as BIAPPA and BMICPA. These agencies have developed their own agendas, exercised independent control over sections of the urban periphery, and attempted to cut special deals with the service agencies. Fixing potholes in the road outside one's office became a tangled problem resolvable only at high levels in the state government.

The concentration of decision-making within state government agencies, a 'colonisation' of public institutions by the state, divorced public policy from local conditions and from local constituencies. For achieving higher efficiency, the master plan should proceed from an understanding of the current spatial issues and infrastructure requirements along with a strong anticipation of the various social and economic needs and requirements of the multi-dimensional society. Though conventional policymaking sees master planning as a politically and socially neutral framework, determined by economic or technological considerations, in Bangalore we see a sobering view of the way in which the planning or administrative apparatuses have been transformed through the use of the very technologies that have brought it fame (Harikrishnan & Mahendra, 2008). A range of critiques of urban planning have therefore emerged, that suggest greater public participation as 'not even the immense possibilities of information technologies have triumphed over profoundly local patterns of political authority (Heitzman, 1999); 'social planning' which places greater emphasis on practical wisdom to access 'other ways of knowing such as intuitive and experiential knowledge of communities' (Lakshmi Venkatachalam, former commissioner of the Bangalore Development Authority and the more radical view that argues against the very concept of master-planning itself as being anti-poor and exclusive (Benjamin, 2000).

These critiques see master planning in Bangalore as increasingly becoming captive to corporate interests and inimical to smaller local economies. The city is a dichotomous space, with master-planned areas corresponding to the needs of the corporate/middle class elite for single use zones and clarity of land titles. Tiny and small enterprises that thrive in unplanned or even illegal layouts with mixed use patterns, account for a substantial portion of the city's economy and are directly affected by master-planning processes: 'master planning promotes dualistic structures of legal and illegal tenures, forcing the relocation of industries and placing such economies at a disadvantage. Master Planning opens up institutional space for higher income groups and corporate economies, while closing options for poorer ones and economies that support them (Benjamin, 2000).' In the current socioeconomic order, less planning and the multiplicity of tenures that it fosters, has usually worked to the advantage of the poor.

The uneven access to the master planning process seriously disadvantages poorer groups. These groups, linked most closely to local economies, do not exist in isolation but face competition from higher income groups on two important fronts. The first is over central city locations bestowed with high levels of infrastructure and, consequently, greater economic productivity. The second is for public investments especially in infrastructure and services. Such investments stimulate land markets act as force-multipliers on productivity. It is important to note that different types of infrastructure investments have differential impact on different social

groups. Clusters of small enterprises that form part of a local economy may benefit merely from the upgrading of a road. In contrast, larger corporate groups seek public investments in enclaved neighbourhoods and dedicated infrastructure (Benjamin, 2000, pp. 45-7).

All this has a direct bearing on issues of poverty and governance in the following ways: interconnections between enterprises help build up political alliances; access to land, infrastructure and civic amenities are key issues. In the central city areas, the main issues are access to drinking water and locations with secure tenure due to the competition from richer groups. In the peripheral areas, the main issues are obtaining public investment in basic infrastructure and civic amenities in competition with investments in master planned areas; since almost all of the local economies are in non-master planned areas, much of local politics is shaped by land and infrastructure issues. Exclusion from the formal planning system politicizes this process.

As in other cities, master planning has a substantial impact on the structure of Bangalore. The development authority can acquire land under 'eminent domain' at below market prices and develop it with publicly subsidized off-site infrastructure. The developed land is then allocated to groups that conform to its criteria. Richer groups, with their higher level bureaucratic and political connections, influence development policy. Often, the politicians are of the same class and caste backgrounds as the elite and share similar social circuits – making access to decision-making much easier. It is hardly surprising that standards, forms of planning and allocation criteria used by the master planning process reflect the interests of higher-income groups. The lack of local level representation ensures little opposition by poorer groups to this takeover. Thus, the diversity of tenure regimes that characterize non-master planned areas makes land and locations accessible to poor groups. Reducing the diversity of tenure weakens the ability of poorer groups to gain access to land. It also leaves them at the mercy of those with connections in development authorities' bureaucracy, where their elected representatives have little influence. The approach of the development authorities reduces employment opportunities and increases the severity of poverty (Benjamin, 2000, pp. 45-7).

The life of the poor becomes fragile because their work cum living areas can be demolished even if they are significant employment nodes, and poor groups resettled away from employment opportunities on the grounds that their neighbourhoods are illegal. The day-to-day demolition and the insecure environment for poor groups promote an enclaved city (Benjamin, 2000, p. 48). This disadvantages poor groups and the local economies in the competition for land, infrastructure and services. Rigid land use controls in the expanding corporate enclave areas exclude most pro-poor economic activity and threaten poorer groups' fragile claims to land. Poor groups suffer demolition, resettlement, increased land prices and a governance system in which their local representative structure has little power.

Within these localised economic coalitions there is a between those areas closely tied to the corporate sector economies through supplementary functions and those areas that are left on their own such as illegal slum settlement. With the exception of the largely excluded socio-economic zones, the other sectors of this highly fragmented urban system are closely connected by various asymmetric linkages. In line with the new politico-economic paradigm, the globally integrated economic sector plays a prominent part in reorganising the utilisation of land, capital, public investments, production processes and labour. This fragmented and polarised urban structure follows the trend of heightened wealth inequalities.

Urban Spatial Architecture and Design

In this section we examine the spatial aspect of Bangalore's transformation; how the socio-economic changes have impacted on the cityscape, thus making city architecture and land developments reflective of the changing profile of the city.

- **Real Estate**

The dramatic transformation of the low rise, expansive city occurred with the emergence of the real estate developer. Parts of the city that housed the modern private service sector showed a massive expansion, benefiting both from the software boom and the growing purchasing power of the newly emerging middle-classes. The South and South East areas became increasingly attractive for the setting up of new economy industries - IT, ITES, automobiles and their components, pharmaceuticals and biotechnology, garments, hotels and recreation services, film and media, and specialty hospitals. This fuelled the demand for office space and technology parks. As noted by Nair, "Major cities are witnessing a sustained real estate demand that has largely been a result of growth spearheaded by a spurt in the knowledge sector largely comprising the IT and BPO led businesses' (Nair, 2005, p. 237). Within one year the price per hectare of land in Sarjapur, a little town located about 30 km from Bangalore's CBD increased more than ten times. Large numbers of ICT and business parks, commercial complexes, malls, upmarket townships and stylish apartment blocks came up in the urban mid-periphery.

- **City Architecture**

Figure 14: High Tech City



Source: ieee-tsec.org

In a judgment suffused with nostalgia, Justice Chinappa Reddy deliberated on the finality of the Outline Development Plan of 1972 by saying, 'Gone are the flowers, Gone are the trees, Gone are the spaces' of Bangalore. Instead, 'we are now greeted with puffing chimneys and high rise buildings both designed to hurt the eye and the environment and the Man.' Privately built shopping and new economy workplaces, displayed a new aesthetic. The most distinctive feature was the spacious atrium, an enclosure of carefully tended nature which provides an illusion of outdoors with none of its discomforts. Cocooned from noise, heat and dust in polished granite, it was an urban still life of sorts, one that allows only a distilled air of privilege to circulate keeping out the public life of the street, with its unexpected and perhaps unpleasant encounters of plebeian crowds. The demand for international architectural styles led to the widespread use of steel and glass, resulting in a shiny skin that celebrates the surface. The glass curtain wall that has become the supreme symbol of an internationalized corporate identity and proclamation of privilege the glass serving simultaneously as invitation and denial to those in the street (Nair, 2005).

- **A High Rise City**

Apartments recast the concept of the ideal home as a standalone house on a site. Developers from India's two wealthiest cities, Mumbai and Delhi entered Bangalore's real estate market to convert large plots with colonial bungalows into multi-storey apartment blocks. They emphasized the attractions of apartment-style living in terms of a centralized location and enhanced safety. Apartments were increasingly sought as an investment by many who saw Bangalore as a possible refuge from the pressures of metropolitan life elsewhere in the country, or sometimes as a second home. Bangalore's high-class residential neighbourhoods, rather than catering to elderly elite from the senior bureaucracy and manufacturing industry, housed much younger information technology couples.

City based global real estate consulting and brokerage firms acted as intermediaries between MNCs and local developers and influenced design standards based on the space requirements of MNCs and thus bringing in a global character to the new economy built space of Bangalore (Shaw & Satish, 2007, p.155). These were specifically aimed at high-income groups from other metropolitan areas investing for the purpose of future resale, although they were sold also to the local elite (Shaw & Satish, 2007, p. 151). Local developers with inputs from international architects and designers created spaces at par with global standards. Housing became a means for the display of newly acquired notions of taste and of unrestrained consumption, both in the design of residential, commercial and recreational space, and in the choice of building materials. For the first time, the homeowner enjoyed freedom to choose materials of construction, leading to chaotic designs which vary from site to site at the cost of city aesthetics.

Every builder of upper middle class housing in Bangalore promoted the idea that what he is offering on sale is not mere housing but a 'lifestyle'. The conveniences and luxury services offered by builders evoke a variety of images that would appeal to the city elite. First, there is the invocation of a pastoral idyll in such names as 'Whispering Meadows', 'Whitefield Bougainvillea', 'Laughing Waters', or 'Nisarga'. Then there are images of lush green meadows, babbling brooks, and nature apart from toil in the city. Second, there is the invocation of European history, in such names as 'Belvedere', 'Windermere', or the classic 'Prestige Acropolis'. Finally, there is the evocation of sentiments of peace and tranquility (Nair, 2005).

- **Occupants of Fear: Gated Communities**

Builders now offer privatized luxury and a satisfactory negotiation of scarce public goods in the city, such as power or water supply, while guaranteeing new standards of safety. Beneath the list that bundles several services and conveniences together are the unspoken advantages of paying up for these gated cities. They are an escape from the travails and sheer unpredictability of plebeian democracy, and provide for new modes of sociality centered on the clubhouse, gym, swimming pool, and shops where there is a guarantee of homogenous social class and undisturbed enjoyment of privilege. The image of the white middle-class person is conspicuous in the lavish real estate brochures, at once the ideal consumer of these living pleasures and a reminder of the ideal towards which successful housing must strive. What is therefore offered here is a further item of consumption, relieving the middle-class buyer from the tedium of seeking permissions, negotiating bribes, or securing licences. Banished from these locations are the footpath encroachments, the occasional intrusive noises of street festivals or protests, and the untidy life of the street corner. The 'archisemiotics of class war' Mike Davis says, keeps out the masses by a number of visual, legal, and physical signs. Protected by architecture of fear-high walled compounds, 24-hour security, and restricted single point access-occupants find a refuge from the hurly-burly of political or social life, and a retreat into uninterrupted consumption (Nair, 2005).

The late 1990s dream of Bangalore as Singapore therefore turns on the 'six lane roads, flyovers, ring roads, municipal bond roads and many more projects'. But no real estate developer or state planners, has dared to dream of the heroic scale of public housing for which Singapore is equally well known. The new housing colonies promised enclaves of privileged consumption of public and private goods, while offering to eliminate all aspects of urban reality. An exaggerated privacy and social homogeneity keep plebeian democracy at bay. The unwillingness to participate in the uncertainties of common life, and to secure oneself from such contamination in physical ways, are a signs of a beleaguered existence, representing privatized solutions to intractable social and public problems. Therefore, these dreams are always haunted by the fear that the future may not be Singapore, as what lies beyond these walls is the same deeply segmented social and economic life from which they offer temporary escape.

Privilege in the city wears a guarded look, so that a new architecture of fear is materialized in the gated, high-security enclaves which guarantee its occupants of life safe from the disorders of the streets, 24-hour security systems, and high and impenetrable walls with only one point of entry, once more reducing the occupants encounters with the unexpected. It is a city of fear, not unlike Night Shyamalan's images of imagined terror in 'The Village' (Dittrich, 2007, p. 51) (Benjamin, 2000, p. 38). Robert Sommer's words are worth recalling in this context: 'the deterioration of dominance relationships within a social system leads to a greater reliance on territorial rights. A society compensates for blurred social distinctions by clear spatial ones-physical barriers, keep out signs and property restrictions'.

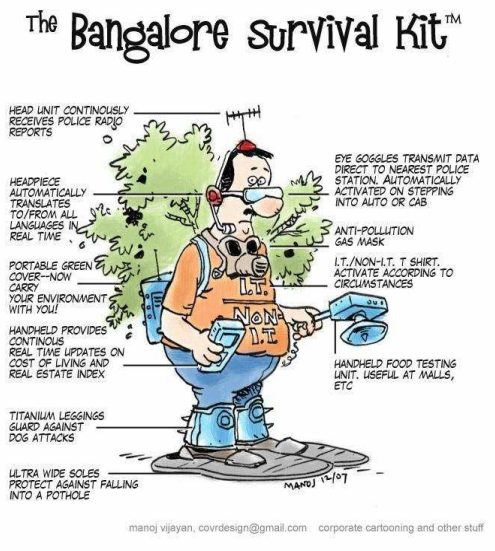
The same spirit has of exclusivity that began in the corporate enclaves and apartment complexes has infiltrated public spaces as well. The gradually restrictive uses of public space around Vidhana Soudha appear to confirm the same fear of plebeian democracy that haunt the elected representatives and the middle-classes alike. Plebeian rights to the park and its environs have been gradually eroded through the late 1980s and in the 1990s on a variety of aesthetic and environmental grounds. This public utility had been more or less 'privatized' or made an 'elite space' with the installation of chain link fences and large gates which, though aesthetically pleasing, keep all except the jogger or walker from the use of the park. The historical uses of the Cubbon Park area as a whole and its centrality to the civic culture of the city have been transformed by the fears that an increasing fear of plebeian democracy. The fencing of an area that once was open parkland amounts to a privatization of a public space that bestows 'user rights' on the individual pleasures of joggers and walkers. This 'ownership of rights' over a public space replaces all public collective uses with strictly privatized ones, and represents a triumph of the discourse on the environment. In such discourse, the environment is defined as a general public good, indiscriminately benefiting rich and poor alike. Here the ideology of beauty enjoys high visibility though it has been allowed to be overwhelmed by the logic of the real estate market. In the name of the aesthetic then, a range of plebeian practices was rendered unacceptable, such as the wall poster or cinema culture. However, here too the vision of a public life remains restricted to modes of consumption that have been nurtured in the advanced capitalist world rather than the untidy democratic occupations of space that are a hallmark of Indian public life. If the controls on the use of public space have been most effective in areas around the control administrative district, and plebeian occupations have been removed from the space.

- **Citizens and Stakeholders**

Karnataka's eminent and visionary engineer Visveswaraiya referred to the citizens of Bangalore as 'stockholders of the city corporation', suggesting that only an 'enlightened and forceful public opinion' would help the executive in its daily administrative tasks. This appeal inaugurated a tradition of middle class engagement with municipal concerns; beginning with The Gokhale Institute of Public Affairs (1965), and continued by a host of organizations such as Swabhimana,

Public Affairs Centre, CIVIC, Janaagraha and Bangalore Agenda Task Force These organizations are involved in civic advocacy, community empowerment and developmental activities towards a better planned, administered and managed Bangalore.

Figure 15: The 'vigilante' citizen



Source: crapbook.wordpress.com

The flowering of associations based in the neighborhood since the early 1990s occurred at a time when concerns about service delivery in the city crowded out any other definition of political involvement by the middle classes. This form of political activism privileged the private home owner and taxpayer as the quintessential citizen, and energized hitherto apolitical sections of the city, such as women and retired people, to take an interest in maintaining a vigil over the problems of the neighborhood. Such associations were formed in newer middle-class localities, and numbered about 150 at the end of the 1990s. This was in contrast to civic activism which was more closely tied to electoral politics: indeed these associations eschewed any such link by describing their work as apolitical. They distanced themselves from the more contentious issues among the urban poor that deploy electoral politics to their advantage, and also from modes of civic mobilization in the past that involved modes of mass agitation. Combined with the legal activism of the 1990s, which literally dragged a reluctant city into a metropolitan existence, placed controls on agitational modes of seeking redress, and recast the meaning of urban citizen, these new institutional structures represent a step towards asserting a place for the middle-class resident in governmental discourse. Good governance, as Ramesh Ramanathan defined it, eliminates much of the political noise that now occupies the airwaves (Nair, 2005).

In these ways, an active civil society in Bangalore facilitated urban restructuring, but such interventions by 'extra-governmental' organizations; it laid them open to criticism of having ignored the needs of the poor and serving private corporate sector and middle class interests (Ghosh, 2005) (Shaw & Satish, 2007, p.160). This was evident as newer groups made their voices heard in the city; and the liberal hand-wringing at the fate of democracy among those unaccustomed to it: "The problem is to bring democracy to realize that to weaken the aristocracy of culture and character is to impoverish its own sources of strength and vitality" (GIPA, 1970s).

Further, the attractions of local body elections are undiminished by the activities of PAC or CIVIC. The reasons are not far to see: the BMP council has expanded from 63 (up from 50 wards after independence) to 87 (in the early 1980s), and now 100 wards (since 1996), with populations between 35,000 and 50,000 residents. Its budget runs into 938 crores (according to the 2002-3 figures), and the attractions of large infrastructure projects for the accumulation of both money and prestige are considerable. They cannot easily be replaced by non-elected or parallel supervisory bodies.

Hence the civil society initiatives, despite the print-space devoted to them and their visibility, have developed as an exclusively middleclass preserve. The opportunity for any real engagement on an egalitarian and inclusive scale is lost owing to the same fear of plebian democracy that spawns the gated communities of Bangalore (Harikrishnan & Mahendra, 2008) (Shaw & Satish, 2007, p. 156).

- **Invisibilization of the Other**

For all the culture of distance, the two worlds of Bangalore are interdependent, tied together by economic ties. Migrants are the mainstay of the boom in housing construction and infrastructure development and a necessary complement to the general expansion of the city economy. The unwelcome flow of large numbers of casual and skilled workers cannot be stopped except at the expense of affecting the more welcome influx of corporate headquarters, banks, and the IT and electronics industry. When the Cauvery riots broke out, large amounts of garbage remained uncollected in the posh sections of the city, as the garbage collectors who hailed from Tamilnadu had fled fearing repercussions (Nair, 2005).

The elite Bangalorean has learnt to deal with this dependence by denial. Just as she retreats from the plebian classes into his glass and steel offices and enclaved neighborhoods, so also she has evolved techniques to invisibilize the poor. This too has proceeded in stages. In the decade after Independence it was the industrial worker who dominated the planning imaginary. Since the 1970s, the industrial worker was invisibilized at a number of material and ideological levels. This was possible because Bangalore largely bypassed the brick & mortar stage of industrialization, leapfrogging straight into 'cleaner' forms of industrial production. The result is the absence of a proletarian culture in the city, since industrial labour has not carved out a distinct space for itself. The location of the public sector units in planned enclaves on the outskirts of the city physically isolated these centres of production from the rest of the city. However, perhaps the most important reason for the invisibility of the worker is the ideological definition of the public sector worker as middle class. The public sector produced an enclave of privilege in which workers adopted the lifestyles and aspirations of the middle class.

The work culture of the new economy has strengthened the middle-class link, to foster a self image that is far removed from any concept of a laboring self, emphasizing work as a lifestyle whose goal is enhanced consumption. Notwithstanding the massive presence of workers, and informal workers in particular within the metropolis, labour is thus invisibilized and subordinated to the image of the city as an elitist zone. The real danger that this consciousness has entered government and policy discourse. Recent government documentation on city development plans has renamed slum settlements as 'shadow areas'; half of Bangalore's population lives in such shadow areas. A quote from a resident of one such shadow area points to the acuity of the problem: Nobody gives their daughters in marriage to our families as there are no toilet facilities for women. We have to find places to relieve ourselves in the darkness, either very early in the morning or late at night. When you write, please say that our main demands are toilet facilities and good drainage" (Menon, The two Bangalores, 2005).

Illegalities by State and Citizen: Acquisition, Occupation and Grabbing

Although expropriation of land is enabled by law, the porous boundaries and competing legal jurisdictions in Bangalore have produced a whole range of illegalities that have decisively shaped the city and are a perpetual source of anguish to town planners and development authorities alike. The map can, therefore, never be an authoritative version of the territory: below its well defined features and lines lies a tangled skein of negotiations between politics, law, court and legislature, which render no territory absolutely inviolate, and constitute the city as a far more disturbed zone than that envisaged by its planners.

- **The Attrition of the Green Belt**

Dramatic spatial and demographic changes occurred in less than half a century of development, with important social and economic consequences for existing and immigrant populations alike. The maps of the late 1880s and the 1980s provide visual clues to this century of change. The dense blue network of lakes, tanks, and channels interspersed with green vineyards and gardens, which was the dominant feature Bangalore in the 1880s, progressively yielded to a dense network of roads and highways. The two maps signal a shift away from the meaning of land as a productive agricultural resource to land as blocks of real estate. The drying tank-became one of the most contested sites in post-Independence city history, sealing the fate of erstwhile market gardening communities while simultaneously opening up opportunities for a new middle-class and working class immigrants alike.

Until the late 1950s, no other Indian city had such wide open areas as the city of Bangalore. Venkatarayappa's division of the city into seven zones acknowledged the existence of an agriculture zone. With the growth of the corporate economy, the annexation of large swathes of agricultural land for clubs, resorts, and farmhouses offered large sections of the burgeoning middle-class population an escape from the city. As many as 52 clubs and resorts were identified as violating land laws, whether in their use of non-converted private land or in encroaching on government land. To the extent that the green belt existed at all, it was in privatized forms: with evocative names such as Sun Valleys, Tulip Resorts, and Laughing Waters they were nearly all exclusive housing developments or farm-houses which doubled as restaurants or clubs. In the late 1990s, the other girdle that had been thrown around the city, the Ring Road, has enabled even more rapid occupation of lands within the green belt. Indeed, the rapid automobilization of the city since the late 1970s has enabled greater occupation of lands which provide enclaves of privilege and shelter from the unpredictability and noise of contemporary urban Indian life. The attrition of the green belt has happened as a result of the vast appetite of the middle-class for new and more exclusive lifestyles.

The requirement for housing was another causal factor. The agricultural zone within and on the periphery of Bangalore was largely dependent on the demand of the city, but the demand for housing sites was even greater (Nair, 2005). The role of the state as the principal provisioner of housing, was gradually replaced by private house building societies wishing to build housing for profit. By the mid-1980s it was amply clear that the house-building co-operative societies were functioning as major players in the real estate market by securing land at low rates through state acquisition procedures, and selling them to the public at higher prices. The G.V.K. Rao Committee Report of 1988, which looked into the functioning of 98 societies established after 1984, uncovered a wide range of illegalities. The submission of bogus lists of members, acquisition of lands which were beyond their jurisdiction, and most telling, the appointment of agents who would undertake acquisition of land and negotiation with the government were some of the more striking illegalities. The report established that a range of intermediaries had become important to the functioning of the real estate market.

By 1997, the court-appointed commissioner investigating a public interest petition filed against the BDA found a green belt full of security gated, stone wall compounds, enclosing potential cities. There were 336 layouts, 13 resorts and 42 crushers and quarries. Only 120 villages of the 392 villages that constituted the green belt area escaped the speculative gaze of the real estate developer. Most of the land was barren and well on the way to becoming developed real estate. The lands that had been built up comprised of gomala land that had previously been allotted to the poor. Reflecting on the process by which lands of a village are annexed by the formation of layouts, BDA Commissioner Lakshmi Venkatachalam admitted in 1999 'don't think in a single BDA scheme we have attempted to rehabilitate the village... this transition has never been properly addressed'.

Since the late 1990s, Bangalore's high visibility as the capital of India's Information Technology sector has tipped the balance of forces in favour of the needs of private industry for infrastructure. Farmers, whose land was acquired for the 12.2 km stretch of the proposed Outer Ring Road, were outraged when part of the acquired land was offered to private developers by the Bangalore Development Authority. In the sense, the needs of those who 'moved through' the city were placed above those who 'lived in' it. Those who are materially and symbolically affected by such progress, such as farmers, are usually considered no more than a frustrating ideological drag.

- **The Illegalities of the State**

"The illegalities of the state gained greater visibility when compared with the puny illegalities of revenue site holders or housing cooperative societies" (Nair, 2005). This was manifest in the mutating meaning of the notion of public purpose, which enabled the state to exercise its acquisitive rights under eminent domain. Public purpose had come to mean the 'BDA exercising their special powers to deprive one section of the public to favour another section of the public'.

The growing attractions of Bangalore city as a site for altogether new kinds of industry, such as the leisure industry, and the urgency of building up facilities to meet new international standards called for land acquisition on a large-scale. There was also a growing demand for land for new infrastructural facilities, such as airports, roads, and industrial estates, entailing appropriation of land from the agriculturist. Land acquisitions for purposes such as airports and golf courses and technology parks, even within designated green belt areas, were declared as falling within the definition of 'public purpose'. Despite periodic references in BDA documents that the policy of land acquisition must give way to a policy of land purchase, compensating the landowner in adequate measure for yielding her land to the city, only small moves were made in this direction. What is striking is the role of the government in enabling large scale acquisitions in an economic setting which called for new laws. The argument given is that in projects like this to justify the use of eminent domain is that the airport would begin the development of the region around it. Therefore the pain of some people is worth it for the greater common good. The existing capital structure and the compensation regimes for acquisition of land ensure that small and marginal farmers are penalised while a private company manages to gain a substantial subsidy. The current regime provides for a lump sum payment just before a spike in property prices (John, 2005, pp. 1015-7).

When it came to large and prestigious projects which involved international capital flows, or more generally the scope and direction of economic development, the judiciary was unwilling to contradict the wisdom of government decisions. In 2000, the high court decided in favour of the RBI Colony Welfare association, and the area will finally become a park, upholding the rights of middle-class apartment owners to a 'lung space', an environmental good which will enhance the economic value of their property. These are public goods, whose improvement is made to

confer equivalent benefits on all users. An improved road, a beautified park, or a nicely maintained monument, however, is valued only by those sections for whom city life is less uncertain. Those for whom the city is a space of toil, and for whom the rights of residence are far more precarious will attach a different meaning to urban space.

The multiple levels at which a vigorous market in illegalities is sustained, and not least the illegalities of the state itself, points to the impossibility of a perfect market in land/housing in a society that is deeply stratified and segmented. In effect, the state, as we have previously seen, remains only one of the forces that shapes urban territory. It alternately acquiesces to the growing demands of a developer-dominated market in land, on the one hand, and, on the other, to pressures from below, as some sections of society use a mixture of illegal or informal measures to remain outside the domain of regulation.

- **Subverting the Law: Illegalities by the Citizen**

There was a period when top-down technocratic planning was a realizable ideal, compared with a later period when planning processes came to grief, undermined by developments from below. From the late 1950s, unauthorized constructions compensated for woefully poor public provision of housing for workers. Unauthorized layouts emerged as a category in the reports of the Bangalore City Corporation in the 1950s; by 1960, they had already become a cause for anxiety. Workers spilled over into neighbouring villages, revenue and gramthana sites where land was available at affordable prices. In order to regularize their illegal status, revenue site-holders formed themselves into associations beginning in the 1960s.

Figure 16: An Example of Space Appropriation



Source: en.wikipedia.org Ref: (Nair, 2005)

The desacralizing of space by secular planning apparatuses has been mirrored in the past few decades by a phenomenon from below. The appropriation of land by the law of eminent domain is resisted in ways that subvert this logic: either grabbing land or resisting its takeover by the agencies of the state. Landowners whose property has been notified for acquisition and those wishing to lay fresh claim to city property, frequently resort to attaching extra-economic meaning to space. Antiquity, religious sentiment, or respect for the resting place of their ancestors are claimed by people as reasons for exempting land from acquisition. There are also public occupations of space by religious structures. Shrines, and related profitable ventures such as Kalyana Mantapas, have unhesitatingly occupied streets, civic amenity sites, and disputed properties. Especially since the 1980s, an increasingly contentious and communalized public sphere has developed alongside an upsurge in popular religious practices. The state, which fears 'interference' with the 'religious sentiments' of the people, frequently permits the violation of the law in the interests of order. The cleavage between law and order has repeatedly been upheld by city authorities as a way of lowering the risk of disruption which has been exploited by vested interests.

For the urban poor, the neighborhood is a space of work, a node of sociality, as well as a place of dwelling; unlike the middle-class persons' more diversified spatial identity. The neighborhood rarely fulfils all the needs of a middle-class resident, and is therefore ideologically zoned as exclusively residential. An open or unoccupied space may thus represent very different values to different social groups, and such differences are exaggerated at moments which bring these two notions of value into conflict.

Conclusion

Bangalore's unprecedented rise to metropolitan status fired the technocratic and political imaginations to dream of a brave new world. Yet, even as the city grew, it was evident that its growth needed much more than the English educated netizen to sustain it. The compulsions of development necessitated a concomitant growth of migrant working class to keep it going. This offshoot altered the previously strong middleclass homogenized profile of the city. These groups not only nurture small localized economies that are in contrast to the global corporate IT led economies; they also bring a whole new range of political practices, processes and discourse that are at variance with the neo-liberal agenda.

The reaction of the corporate led economy to this threat has been diverse. On the one hand, there has been an assertion of the corporate imagination and dominate policy by access to state level polity. At no stage in the economic history of the city has industry aspired to redefine the image of the city, manage its services, and streamline its finances with as much confidence as the captains of the new economy, represented by the BATF and its subsidiary Janaagraha. On the other hand, it homogenizes the space of the city to one that is free of the preoccupations and problems of the Indian village; and seeks a redefined role for the state in urban India where the regulatory and redistributive presence of the state is reduced and private investment in all aspects of the urban economy is enhanced. The emerging hegemony is achieved precisely at a conjuncture where the leading icons of the new infotech industries have gained high visibility in a range of fields, that extend well beyond the boundaries of the purely economic to build up a persuasive ideology of success.

This denotes a refusal to recognize the city as a deeply divided space, and as a far more disturbed zone than is normally acknowledged. The city is envisaged as a space that is free of politics recognizably global and free of responsibilities to the region. Yet what is missed is that the previously homogenized civil society is replaced by a new political society. The aspirations of the managerial and technocratic elite have done nothing to displace or even challenge the forces from below that make the city responsive to democratic demands. Urban democracy is being defined in ways that were not anticipated in classical definitions of the term. The disruptions caused by politics and political actions in the city, ranging from bandhs and strikes to riots and demonstrations, cannot be as easily overcome as the disruptions presented by the poor availability of power, water or infrastructure. Political interventions may be the only available recourse for large sections of urban society who cannot participate in visions of 'silicon valleys' and 'biotech capitals', and who are ill served by both the legal machinery and the processes of policy making. Nor has the managerial elite been able to translate the opportunities offered by the new technologies into a program of economic development, one that will homogenize or at least subordinate the heterogeneous composition of power in the city to produce a new urban culture.

The city of Bangalore has, over the past forty years, been swiftly remapped as a territory for accumulation of economic power on an unprecedented scale. It has also served as a site for newly defined notions of citizenship. Only in some instances do these notions of citizenship

conform to the liberal desire for peaceful and orderly development. Cities are increasingly the site for the assertion of new and empowering identities, which, in striking contrast to the forms of collective action in the past, re-territorialize urban space in ways that challenge the functional logic of the market or the economic uses of time. These are claims, moreover, on a different kind of city space and express a different kind of attachment to the city. As such, they are not readily neutralized by planning apparatuses nor domesticated by economic interests that are not their own. For many such groups, the city becomes the theatre on which to stage the claim to a redefined citizenship. For many such groups, moreover, the local assumes greater importance than the production of global space in the city.

In its new metropolitan phase, therefore, the city has become the ground on which broadly two contending forces stake their claim: on the one hand are the newly renovated citizens, who are amply aided by a technocratic vision of change offered by the leaders of the new economy. On the other hand are those, including citizens-in-the-making such as women, for whom democracy has come to have a different meaning in the urban setting. There may perhaps be no decisive victory for either of these forces in the short run given the heterogeneous composition of power in the city, although the well planned, legally unambiguous and increasingly legible city will gain visibility in the decades to come.

The urban poor have been excluded from various infrastructure and services in the cities of developing Asia. For example, Singapore, Bangalore's dream, is more inclusive in housing; and there are no bicycle lanes in Indian cities when most Chinese cities still have them. Multiple and more local solutions are required if the urban poor have to be reached. It is unlikely that special poverty reduction schemes would be able to address or even alleviate the poverty generated. There are a few cases where international agencies have focused their efforts at the municipal level and specifically on upgrading of basic infrastructure on a city-wide basis. However, in the context of local economies and the larger and serious political and institutional issues outlined in this paper that they are likely to be much more sensitive and directly responsive to poverty issues. Such a modest approach is pertinent given the complex economic and institutional processes flavoured by ethnic aspects that constitute local economies.

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Taking the Lead: Innovation and Higher Education Institutions in Bahrain

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Objectives: In August 2010 the Knowledge Commission Chairman for India urged the Prime Minister of Bahrain to work towards becoming a Knowledge City. Our objective was to look at the criteria for a knowledge city, which included knowledge and innovation for the public good set within the knowledge economy. This naturally evolved into a focused enquiry on the interface between business, education and policy-makers in developing societal competitive advantage. Our research is based in the Kingdom of Bahrain (Bahrain), but we contend that the findings and recommendations contained in the paper have the potential for transferability to other regions. The question posed by this paper focuses on how universities in Bahrain are being encouraged to engage with industry in order to develop national competitive advantage and to what extent is that engagement being realised.

Prior Practices: Our paper focuses on innovation practice emerging through the concept of knowledge cities, such as Manchester and Dubai. It also focuses on prior research into the link between education, societal knowledge and societal, competitive advantage.

Approach/Methods: We conducted a literature review into knowledge, innovation, the knowledge economy and knowledge cities, and, guided by the findings, we described the concept of Mode 2 research in Higher Education Institutions. With the research team having experience of working in the region, we were able to identify Bahrain as a suitable lens for enquiry. It was also decided that limitations of geographic location and time would not allow for interviews at this stage of research. Document analysis was therefore selected as an appropriate method for this research.

Results/Insights: Our research demonstrates the need for a triumvirate of education, business and policy-makers if societies are to innovate and in doing so create or extend existing competitive advantage. The findings show Bahrain to be in an embryonic stage of innovation development. However, the government acknowledges this and there are green shoots appearing in what has traditionally been a desert of innovation; hydrated by new policies aimed at transparency of practice and robust quality assurance and control programmes.

Implications to Community/Industry: We present recommendations for practitioners and policy-makers. For practitioners we contend that there is a mutual need for businesses to engage with universities, in order to access the latest knowledge and improve their adaptive capacity, and there is a need for university researchers to engage with the business community to ensure the relevance and application of their research. We also suggest that external stakeholders, looking to operate in Bahrain, need to recognise the need to establish examples of good practice in the areas of collaboration and clustering; using concepts such as Communities of Practice. In this way knowledge transfer and exchange can be facilitated, which will have a positive impact on the sustainable development of Bahrain as a knowledge intensive country. For policy makers within Higher Education Institutions and government, we recommend the need to raise awareness within their spheres of influence with regard to the importance of research to innovation and the competitive advantage of society as a whole.

Value to the Theme: The paper illuminates the critical need for a partnership approach between education, business and policy-makers. It also demonstrates the importance of societal engagement in the areas of knowledge and innovation in order to develop sustainable competitive advantage for public good. The paper then uses Bahrain as a lens through which a wider audience can understand these needs and the implications of policy upon practice.

Keywords: knowledge city, innovation, Bahrain, mode 2 research

Introduction

Knowledge, innovation and adaptive capacity are seen as important drivers for societal competitive advantage as nations transact within the knowledge economy. This paper explores the link between knowledge economy drivers, innovation and societal competitive advantage through education and particularly Mode 2 research.

Our paper uses the Kingdom of Bahrain (Bahrain) as the context for its enquiry. However, when considering the manner in which society utilises knowledge as it seeks competitive advantage, the literature discussed has the potential for wider relevance and transferability. For example, Griffiths and McLean (2010) utilised a similar method to examine the contribution of education institutions to societal knowledge and development in Wales.

Our enquiry has been stimulated by the Economic Vision 2030 for Bahrain (Bahrain Government, 2009) as the country attempts to move towards a knowledge-based economy. The particular locus for our interest was a statement in the Gulf Daily News (Baby, 2008), "Bahrain is the most ideal place in the Gulf to develop a Knowledge City...As a pioneer in education in the region, Bahrain has all the ingredients to make the knowledge concept a reality" (www.gulf-daily-news.com).

This paper will first introduce a working definition of knowledge before progressing to develop an understanding of how it can be applied for public good. Examining the concept of the knowledge economy we progress to show how this can lead to societal competitive advantage through knowledge cities and regions. We then explore the role of education in the development of innovation and knowledge; illuminating the need for a triumvirate approach,

linking education, business and government, if societal competitive advantage is to be developed. This leads to Mode 2 research as a point of interface between Higher Education Institutions and the wider business community.

We then apply the literature against current practice in Bahrain using a document analysis method. Our findings are presented along with recommendations for practitioners and policy-makers.

Bahrain Overview

Bahrain has a population of approximately 1,235,000. The country occupies 717 square kilometres and the capital city, the densest area of population, is Manama. Traditional industry has been in petroleum and petroleum based products, as well as aluminium and financial services (www.bahrainembassy.org).

Defining Knowledge

From a societal perspective, Hess and Ostrom (2006) suggested that knowledge exists as both an economic resource and a basic human need. It is the concept of knowledge as a resource that is of interest to us in this paper. Wiig (2007) suggested that societal knowledge consists of three components: “knowledge-as-object”; implicit knowledge that is available through stories or embedded processes; “knowledge-as-process”, where “individuals apply tacit [know-how] knowledge to explore, engage in conceptual blending, and seek explicit knowledge from available sources to handle challenges” (p. 147); and “metastrategic knowledge,” seen as a metacognitive perspective that governs the manner in which an organisation or individual approaches a given problem.

Wiig’s (2007) perspective on knowledge is interesting, but it brings into question how value is created through these definitions. It could be said that, if the definition is ambiguous, then the operationalisation of knowledge as societal or organisational concept could contribute to dissatisfaction or confusion.

Our position is that knowledge could be better classified by what Holsapple (2004) referred to as the primary types of knowledge: know what (explicit), descriptive knowledge; know how (tacit), procedural knowledge; and know why, reasoning knowledge. Holsapple’s approach appears to originate from the work of Ryle (1949) who suggested that knowing what is the declarative knowledge that provides an understanding of facts, and knowing how is the procedural knowledge that provides understanding of how to do things. Ryle’s work is expanded upon extensively by Mingers (2008) in his discussion of the multiple forms of knowledge and truth – in which he moves beyond the discussion of know what, know how, know why’ knowledge to discuss propositional knowledge (“generally explicit and propositional,” p.71), experiential knowledge (“memories, some aspects of which may be tacitly embodied,” p. 71), Performative knowledge (personal experience or embodied knowledge), and epistemological knowledge (“explicit, discursive, objective, open to debate,” p. 71). We will refer in this paper to knowledge in terms of these primary types of knowledge.

Literature Review

Theorists, including Spender (1996), have argued that knowledge exists for the public good:

While land, labour and capital are private goods, knowledge is often said to be a “public good,” meaning that it is infinitely extensible and its use by one person does not deprive others of its use. (p. 48)

The definition of public good is based on it being non-rivalrous and non-excludable (Olson, 1971). But tacit knowledge would appear to be an excludable resource in the knowledge based view of the organisation, where knowledge is developed for rivalrous advantage, thereby depriving others of its use (Spender, 1996). However, in a societal view, it is necessary to speak of knowledge-based processes in non-rivalrous and non-excludable terms. Using this view, Hess and Ostrom (2006) suggested that intangible knowledge exists as a public good, as, once a discovery emerges, it exists as part of the public domain for use by all.

Complicating this issue is Reichert (2006), who claimed that the tacit dimension of knowledge is excludable, through society and its supporting framework, to geographic location; whereas the explicit dimension exists as an accessible resource unbound by geographic location. A possible foil to this argument could be societal migration, where, for example, an organisation relocates from one geographic location to another, thereby making tacit knowledge transient.

Knowledge, such as scientific knowledge, has also been recognised as what is termed a “common-pool” resource (Dietz et al., 2002, p. 3); a concept informed by economic, behavioural, sociology and social science studies. Hess and Ostrom (2006) explained that the idea of common-pool resources has traditionally been applied to natural resources such as fish or water. However, it has grown in recent times to encompass the concept of knowledge through the term “knowledge commons” (p. 3), reflecting the complexity and variability of modern knowledge-based resources and the KE.

The roots of common pool resources are entwined around what the OECD terms “The Four Pillars of the KE”: innovation, technology, human capital, and adaptive capacity (Asgeirsdottir, 2005, p. 2). Figure 1 demonstrates an adaptation of these four pillars as a pyramid from the founding blocks of human capital and technology towards value creation through innovation and adaptive capacity.

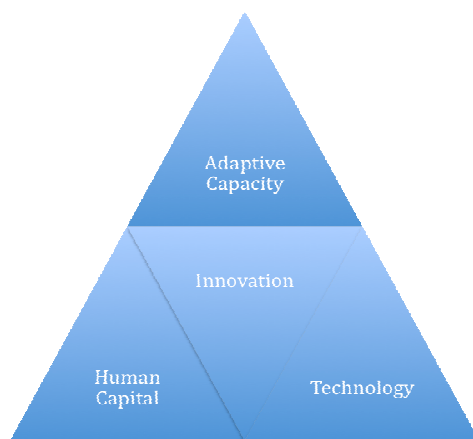


Figure 1. KE drivers

What seems to be universally agreed is, “knowledge is the driver of growth” (Wiig, 2007, p. 142). Furthermore, knowledge drives a knowledge-based society (Wiig, 2007), organisations operating within the knowledge-based view of the firm and individuals looking to improve their personal capital (Spender, 1996). The management of this resource as a common commodity has been of interest to economists and behavioural and social scientists (Hess & Ostrom, 2006).

Wiig (2007) wrote extensively on requirements for successful participation in the KE, stating that it requires an organic stock of intellectual capital, the motivation of the individual to participate in

the needs of society, and the societal culture that feeds the individual's motivation. The argument is that these elements need to be in place for a society to innovate. However, we contend that an additional driver, the capability of people to contribute to society, is also needed. In comparing Wiig's work to the OECD's Pillars of the KE, we identify that another aspect for successful participation is under-defined: adaptive capacity. For if knowledge resources are to be applied for public good, there would seem to be a need to address sustainability, which, following the pyramid in Figure 1, requires society to address evolving links between innovation, technology, and human capital. Richerson et al. (2002) observed that sustainability is embedded in the culture of the situated context, which impacts the affective and cognitive styles of the individual and the collective. Wiig (2007) missed this; he did allude to the need for adaptive capacity, but couched it in terms of diversity, where "diversity drives the city's industries and commercial establishments in new directions...to deal with changes in technology and the economy" (p. 149). A simplified approach to successful societal participation in the KE could be to evaluate societal strategy, policy, and activity against the four pillars of the KE. If this could be agreed, then concepts, such as adaptive capacity, become not only pillars for the KE, but also pillars for knowledge for the public good.

Knowledge Regions and Cities

A knowledge region or city is seen as a network of places, people, processes, and purpose that are enabled by knowledge moments, being essential conversations between actors. They are seen as a form of competitive advantage (Dvir, 2005). Reichert (2006) spoke of a sense of place that brings advantage through the exploitation of geographically embedded tacit knowledge. This position is supported by Richerson et al. (2002) who stated, "people from different societies behave differently because their habits have been inculcated by long participation in societies with different institutions" (p. 405). This reinforces Reichert's (2006) claim, made earlier, that knowledge can be bound to a geographic location. Wiig (2007) echoed the pivotal nature of cities as catalysts for knowledge generation, while introducing a caveat that cities often have a surplus of human capital in relation to employment opportunities and infrastructure capabilities, causing slums to develop. Extending this strand of thinking, it could also be suggested, as implied later in this article by NESTA (2007), that slums can occur through a disconnect between the indigenous population and economic demands. For example, if the population is under-skilled, they are, therefore, incapable of attracting knowledge intensive employment opportunities that would allow the city or region to prosper. This opinion is supported by Pranab and Dayton-Johnson (2002) who stated, "common-pool resources play a decisive role in determining the livelihood of the poor" (p. 87).

The idea of knowledge cities or regions has been propagated for several years by theorists (Wiig, 2006; 2007) and institutions, such as the city of Manchester (www.manchesterknowledge.com). Manchester has focused on becoming a knowledge capital, transforming the region through an innovation network that includes regional universities, councils, government agencies, and the airport. Its success in this area has been acknowledged with a global award for "Most Admired Knowledge City Region 2009" (www.manchesterknowledge.com).

Knowledge regions place a city at its hub with outlying towns acting as tributaries that feed the heart of the region. It is through this clustering or network of practice of self-similar industries that innovation is stimulated in the region (Reichert, 2006). Regardless of the locus of discussion, being regions or cities, the common theme in theory and practice is the drivers of the Knowledge Economy, supported by theorists such as Bounfour and Edvinsson (2005) in their work on intellectual capital and innovation within communities. It is also emphasised by Scott (2010) in his Times newspaper article in which, when discussing the strategy for Manchester as a knowledge capital, he reported:

The city decided that it needed to focus on the new, knowledge-based economy...this means a focus on digital, creative, new media and science based activities, along with financial and professional services and advanced manufacturing...to build on [the] past but at the same time move into a new era (p. 11).

However, Reichert (2006) positioned the power of clusters as the driver for innovation in the KE:

A knowledge intensive firm benefits from the proximity to a cluster of related firms because it can exploit...the competitive advantages provided by critical mass. Knowledge industries are thus more likely to locate to cities in order to achieve these advantages. Hence, city-regions have become the main drivers of the knowledge economy (p. 8).

It would, therefore, seem that the Knowledge Economy and Knowledge Regions act in a reciprocal relationship through which they drive and are driven by knowledge. According to the National Endowment for Science Technology and the Arts (NESTA, 2007), this network of people, education, and commerce is key to an adaptive society where a reciprocal relationship of attraction builds between skilled people and businesses. However, NESTA issued a warning that “in isolation and without intervention, cities that are not part of this [relationship] may fall victim to a downward spiral of economic stagnation and declining skills base” (p. 2). NESTA also linked Knowledge Cities to improved cultural variables through cultural actors, such as higher skilled workers or the creative classes, who attract enhanced cultural and consumer standards, as well as an improved quality of life. The strength of education as an actor in the societal KM network is succinctly ascribed to by NESTA who moved the case for knowledge cities beyond innovation to one of knowledge usage:

Those cities hosting higher education institutions (HEI) have an inherent advantage as a source of knowledge production. However, an HEI’s primary contribution to its local innovation system is not knowledge, but a workforce capable of exploiting knowledge. Accordingly, the creation and retention of high-quality graduates should form a policy priority (p. 3).

NESTA emphasise the primary role of universities in providing a skilled workforce. However, this should not diminish the responsibility of universities to generate, disseminate and store knowledge for the development of societal competitive advantage. This is put forward by the OECD (2003) amongst others and is discussed later in this paper.

In a global economy where competitiveness is heated by technology that brings disparate societies closer together, it is the situated culture of the society that brings competitive advantage to the region or city (Dicken, 2007). Indigenous geographic advantage through variables, such as inward investment in education, taxation policy, skills base, historic culture, tradition, and links between business and education become the currency for innovation and national competitive advantage (Reichert, 2006).

The more implicit “tacit” forms of knowledge have a geographic dimension which can be positively influenced by policies and framework conditions. Moreover, it seems that for knowledge economies the dimension of “place” has gained importance in recent years, even or especially in an age of globalisation. (p. 8)

This reaffirms the ability of a region or city to inform competitive advantage for a wider society.

Global strategies, such as The Europe 2020 Strategy (Barroso, 2010), The Lisbon Strategy (www.ec.europa.eu), and The Economic Vision 2030 For Bahrain (2008) have been formed to emphasise the importance of knowledge growth and provide direction for national and regional

governments. But it is the management of common-pool resources at a local level that economics theorists have targeted as being pivotal to the adaptive capacity and productivity of the nation (Agrawal, 2002).

National governments in nearly all developing countries have turned to local-level common property institutions [local councils and organisations]...as a new policy thrust to decentralise the governance of the environment... Resource management can never be independent of collective human institutions that frame governance, and local users are often the ones with the greatest stakes in sustainability of resources and institutions (p. 41).

It is this view, driven by economic, behavioural, and social theorists, that is used as currency for this research in examining the management of macro-level edicts within micro-level institutions, such as Higher education Institutions.

Education, Innovation and Knowledge

Education resonates throughout the literature on knowledge regions and cities as a key component for innovation (Barroso, 2010; Wiig, 2007). Wiig (2007) stated:

People are society's basic knowledge agents and their knowledge growth through formal and informal education are required for competence to tackle challenges in the private and public sectors and are central to function and progress (p. 147).

Wiig (2007) linked the complexities of a knowledge-based society to the need to develop higher order reasoning. This could be seen as acknowledging the need for a society to develop adaptive capacity, though this is not explicit in Wiig's text. The emphasis on education as a stimulus for developing knowledge for public good is signalled in the Europe 2020 strategy for smart, sustainable, and inclusive growth (Barroso, 2010):

Smart growth means strengthening knowledge and innovation as drivers of our future growth. This requires improving the quality of our education, strengthening our research performance, promoting innovation and knowledge transfer (p. 9).

The Europe 2020 strategy explores the need for national and regional governments to improve innovation capability by maximising education opportunities for society as a whole. Spender (1996) saw education as a process whereby previously discovered knowledge can be communicated to mass society. This was acknowledged by the OECD (2008) that tertiary education is a pivotal element in the development of human capital, the development of knowledge stores, the sharing and use of knowledge, and the maintenance of knowledge. The OECD posited that the diversity of education institutions, such as polytechnics, colleges, and universities, are necessary "to develop a closer relationship between tertiary education and the external world, including greater responsiveness to labour market needs" (p. 2). The OECD also stressed the need for tertiary education institutions to become partners in the strategic development of economic competitiveness in order to ensure the responsiveness of the skill base to community needs.

The importance of innovation, beyond being integral to the OECD's Four Pillars of the Knowledge Economy is supported through the findings of the Premier League of Innovative European Regions, a project conducted by the European Commission and concluded in December, 2008 (www.ec.europa.eu). The list confirms the work of theorists, such as Antonacopolou (2006) and Chiva and Alegre (2005), among many others, who have suggested that knowledge and learning are aligned, in that the vast majority of the top 22 innovative regions in Europe are linked to universities with strong research traditions. This is demonstrated

in the United Kingdom's three representative regions in the top 22, all of which have established old and ancient universities: Oxfordshire, Cambridge, and Edinburgh. This would seem to suggest that, if knowledge is to be harnessed and utilised for societal good, then there will need to be education partners within knowledge networks. A point highlighted by Scott (2010) in his Times article in which he cited the Chief Executive of the award winning Manchester Knowledge Capital project in stating that "Education is a key selling point for the city as it bids to attract more business to the area" (p. 11).

The responsibility of societal institutions, such as local governments, to safeguard the discovery process afforded by education is a point of emphasis for Hess and Ostrom (2006): "The discovery of future knowledge is a common good...the challenge of today's generation is to keep pathways to discovery open" (p. 8). It is, therefore, clear that any enquiry into innovation must focus on feedback from educational institutions; this has informed our research approach.

Harloe and Perry (2004) conjoin innovation and the development of a society's competitive advantage to the work of universities. The authors suggested that higher education institutions have a duty to transform knowledge production into economic competitive advantage; "...to fulfil this role, universities must produce exploitable knowledge and facilitate its diffusion" (p. 214). This would not appear to be an unreasonable position, for if the university is treated as an entity for the development of societal resources then it must surely lead to the development of societal competitive advantage. If this can be agreed then there would seem to be a necessity for universities to engage with industry in order for knowledge to be disseminated, developed and exploited for the wider good of the society to which they serve. This is a position championed by the OECD (2003; 2009), in their report entitled, "Knowledge Management: New Challenges for Educational Research" (2003) and "Education today" (2009). In both reports the OECD advocate the need for a research portfolio that can acquire, store, generate and share knowledge with the wider business community as a way to develop capacity building within society. For this to happen the OECD recommended a triumvirate of researchers, practitioners and policy-makers, in order to develop knowledge that can contribute to the needs of society. Though this research is slightly dated at this point, it still provides a valuable insight into the embryonic state of applied research, even in countries that might be perceived as economic super-powers.

Some of the problems identified...were that a great deal of the educational R&D was seen as fragmented, politicised, irrelevant, and too distant from practice...Such a strong critique is still relevant today [2003]...[where] educational research is uncoordinated, rarely used, not evaluated systematically and not sufficiently international. This is not to say that educational researchers have not produced new insights, but they have, in general, been less successful in synthesising this knowledge for application and action by practitioners and policy makers (2003, P. 10)

This is a fairly damning assessment of practice from the not too distant past and would seem to serve as a warning for societies looking to engage with the knowledge economy and particularly with aspects of innovation. As such this progresses our narrative towards the emergence of Mode 2 research.

Mode 2 research gained prominence through, "The new production of knowledge" (Gibbons et al. 1994). This was brought about by a shift in thinking, where the ability of universities to breach the resisters of theory and practice was questioned. Basically, Mode 2 came to the fore through the perceived lack of knowledge being produced by higher education institutions that related to the problems being experienced by the practitioner in reality. The concept of Mode 2 research was conceived to close the space between theory and practice, bringing an applied, cogenerative approach to knowledge generation, where knowledge could be created in tandem

with practitioners, thereby allowing for wider exploitation for national competitive advantage (Maclean et al., 2002). Mode 2 is not without its critics. It is said that Mode 2 merely brings a new name to a process that was already in existence, the argument being that basic theoretical knowledge, or Mode 1 research, could not exist without the knowledge of reality, as being experienced in reality. It is also said that Mode 2 is one popular concept in a field of alternatives, such as, “Finalistic Science, Strategic Research, Positivistic Science, Innovation Systems, Academic Capitalism and Triple Helix” (Hessels & Lente, 2008, p. 741). However, according to Hessels & Lente (2008) it is the most visible concept and as such is adopted in our research.

This point towards a pivotal role for universities, where research can inform national competitive advantage. If this can be accepted as correct then it would seem necessary to enquire into the relationship between universities and industry in order for policy makers to direct the development of a society’s competitive advantage.

The Problem Statement

If knowledge is of value to society, then the analysis of the processes supporting its development is a significant issue for policy makers. If current provision proves inadequate for the task, then an alternative solution needs to be offered in order to support policymakers in developing knowledge for the public good.

Therefore, the question for this paper is: How are universities in Bahrain being encouraged to engage with industry in order to develop national competitive advantage in Bahrain and to what extent is that engagement being realised?

Methods

We set out to explore the literature on innovation, the knowledge economy and knowledge cities, and, guided by these findings, we described the link between national competitive advantage and Mode 2 research in Higher Education Institutions. With the research team having experience of working in the region, we were able to identify Bahrain as a suitable region for enquiry. It was also decided that limitations of geographic location and time would not allow for interviews at this stage of the research. Document analysis was selected as the method for the research. Document analysis is supported by Dew (2006) for ease of access, repeatability of the process, and the wealth of information available to the interrogation of documents. He stressed that such analysis could be subject to the cultural and historic bias of the researcher. Dew (2006) also recognised that documents are created to achieve an end and are embedded within their own social, historical and cultural processes.

We attempted to overcome these biases through the shared understanding of two of the researchers, who have worked in the higher education sector in Bahrain and are familiar with local custom and practice. The lead researcher provided an external third-party view of the process. Only documents generated by the national and local governments and Higher education Institutions in Bahrain were used.

Findings

Bahrain sets out its strategy for the development of societal knowledge and competitive advantage through the Economic Vision 2030 for Bahrain (Bahrain Government, 2009). The following extracts demonstrate the direction being given in the areas of concern to this paper:

“Bahrain’s economy will attain increasing levels of sophistication and innovation, enabling the country to claim an attractive position in the global value chain. As a result, we will capture emerging opportunities, particularly by expanding to knowledge-based sectors...” (p. 16)

“Education empowers people to reach their full potential in business, government and society. It will shape and develop the successive generations of leaders that our country needs...” (p. 21)

“The strategy will need to....Encourage research and development in universities to create a platform for a knowledge-based economy” (p. 22)

Bahrain is ranked 49th in the 2009 World Bank Knowledge Economy Index (KEI), which takes into account weighted scores for innovation and education; being the fourth highest ranked Middle East country, with only Israel (26th), Qatar (44th) and United Arab Emirates (45th) ranking higher. However, Bahrain ranks 80th in the innovation table (based on patents applied for, and granted articles in scientific journals and royalty payments), 8th in the Middle East region, and 60th in the education table. Of concern is, that in comparison with the KEI data from 1995, Bahrain is regressing. It should be noted that this could be said for all Middle East countries, with the exception of Qatar, United Arab Emirates and Oman (<http://info.worldbank.org>).

According to the World Economic Forum (WEF) the quality of higher education is seen as a core element in determining a country’s ability to compete globally (www3.weforum.org). According to the WEF’ Global Competitiveness Report (GCR) (Schwab, 2010), Bahrain was ranked 44th in the world in the area of education, rising from 49th in 2007, this takes into account not only enrolment in education institutions, but also the view of wider industry. Of significance, the third most problematic factor for doing business in Bahrain was an inadequately educated workforce. Unpacking the WEF findings further it becomes apparent that there is a shortage in research and training services, where Bahrain ranks 81st globally. The quality of management schools in Bahrain reflects a ranking of 45th, compared with their neighbour, Qatar, who rank 1st. This is supported by Tamkeen (2009) who note that Bahrain ranked 96th in 2007 for availability of research/training facilities. It also directed the need for universities to engage in applied research across sectors, focused on solving practical problems, which will contribute to innovation, value and national competitive advantage. However, the report highlights the challenges facing higher education institutions in pursuing this objective:

“The role of research universities derives from a unique capacity to combine the generation of new knowledge with the transmission of existing knowledge. Pressures to expand higher education, may, in many cases divert such universities from pursuing research” (p. 85)

Tamkeen (2009) made a crucial recommendation for the development of research capacity in Bahrain, suggesting that career progression in the higher education sector be linked to research output aligned against timelines for promotion.

Overall the GCR (Schwab, 2010) observes Bahrain as being in a state of transition from “factor driven”, having unskilled labour and a reliance upon natural resources, to, “efficiency driven” developing efficiency and quality processes within their labour markets. However, they are still seen as being a far way off the desired state of, “innovation-driven” with companies possessing mature adaptive capacity processes that allow them to compete in the global knowledge economy. This intelligence appears to suggest that education is a concern for the Bahraini government if they are to meet their goal of a transformation towards a knowledge based economy. This is represented by the GCR (Schwab, 2010) in the area of “innovation”, where

Bahrain ranked 59th. This ranking took into account aspects of competitive advantage derived through collaboration between universities and industry.

While improvement is evident when comparing findings from 2007 to 2009, there still appears to be significant work to be done if Bahrain is to meet its stated aim of developing a knowledge driven economy. Of interest to this paper is the lack of availability of research services, which would seem to be required if the nation is to become more innovative. This is further compounded by the closure in 2010 of the government funded Bahrain Centre for Scientific Research (BCSR) (www.bcsr.gov.bh), the centre tasked with economic and science research for the country – The centre is to be replaced, but details of the remit for a new centre could not be attained for this report (BCSR, personal communication, September 2010). It should also be noted that the Bahrain Institute for Public Administration (www.bipa.gov.bh) has noted this gap and has moved to address research issues in the areas of knowledge management and human resource development. However, this research is conducted internally and does not include research partnerships with Bahraini universities. The Bahrain Quality Assurance Authority for Education and Training (QAAET) Annual Report (2009) found critical deficiencies in the area of research within Higher Education Institutions, citing deficiencies in research initiatives, planning and strategies; research was found to be underfunded and only afforded status within universities that offered postgraduate programmes. However, there was, “a growing recognition by management of the need for institutions to undertake research” (p. 57).

In 2009 Moulton & Waast conducted a report for UNESCO into the performance of national research systems. The findings placed Bahrain 10th in the Middle East region, with an output of 55 in 2006 and a growth factor of 1 for the period between 1987 and 2006. The median score for Asia and the Middle East was an output of 350. Moulton & Waast (2009) criticise Higher education Institutions in the Middle East for not developing a clear research strategy.

Countries relying on income from natural resources (for instance the oil economies) do not really need science and research. They may maintain universities, invite top-flight teachers, and support the research they pursue for their own career and prestige of sponsors (as in some Gulf countries until recently), but their commitment is unclear (p. 153).

The authors do progress their analysis, noting that oil producing countries have under invested in research in the past, but are now beginning to prepare for a transformation brought about by the looming “post petroleum era”. Bahrain has recognised the deficiencies in its research output, addressed in the “Economic Vision 2030 For Bahrain” (2008); where it is stated that, “On a global scale, Bahrain’s innovation output is currently negligible” (p. 9). The national strategy challenges the country, through government and the private sector, to develop new economic advantage, which will improve the country’s position within the global value chain. There is a clear mandate for change in order to improve the country’s competitive advantage and, in doing this, there is recognition that, “...innovation and productivity have become crucial sources of competitive advantage” (p. 9).

If there were to be an addition that could be made to the Bahrain 2030 strategy, it would be raising visibility for third sector involvement with human resource development and education. The focus is on the role of government and the private sector, but a positive contribution is also possible within the third sector. The role of NGOs are seen as vital to the development of society due to their exclusive values-based vision and mission (Edwards and Sen, 2000). This is evidenced in the work of the National Society for the Support of Education and Training (NSSET). NSSET are a NGO who deliver education and vocational training programmes to align the skills of the available workforce with the needs of Bahraini organisations (www.career-expo.net).

An area of particular interest that emerged during the enquiry was the Bahrain QAAET review of twelve undergraduate programmes in the business subject area. The QAAET findings revealed “no confidence” in four programmes and “limited confidence” in four other programmes (<http://en.qaa.edu.bh>). This is of concern as these business programmes are the foundation tools for the management and development of Bahrain’s future competitive advantage, which, according to NESTA (2007), means that universities are failing in one of their primary functions, being the provision of a skilled workforce for deployment in the knowledge economy. The significance of this issue is revealed in the Tamkeen (2009) report into education in Bahrain, where, “48% of graduates who qualified in 2007 were not working 3 months after graduating, which is a serious concern...” (p. 75). These findings support the WEF view of quality in higher education in Bahrain. This said, the QAAET report has been embraced by Bahraini policy makers for its thorough review and recommendations for improvement, “[Quality improvement] has been achieved through solid bases and persistent efforts that aim to promote education, encouraging all those responsible to identify shortcomings and to reflect on the observations and recommendations” (QAAET, citing His Royal Highness, Prince Salman Bin Hamad Al Khalifa, 2009, p.6). The QAAET report also recognises the need to improve education provision in Higher Education Institutes in order to improve innovation and the competitive position of the nation in the Gulf States region, which will begin to address Bahrain’s position KEI and WEF rankings.

The Kingdom of Bahrain has chosen education as the path through which it will overcome various obstacles and be at the cutting edge of development in every aspect of Bahraini life (QAAET, citing His Excellency, Shaikh Khalid bin Abdulla Al Khalifa, 2009, p. 8)

This recognition of Bahrain’s deficiencies and willingness to reflect and address issues in the education sector demonstrates Bahrain’s appetite to improve its adaptive capacity and should serve the country well as it looks to increase innovation capacity and enhance national competitive advantage. This is perhaps reflected in the increase in the absolute contribution of the education sector to GDP, which grew by 10.2% between 2004 and 2008. Investment in the education sector also appears evident, with the sector experiencing employment growth of 19.4% between 2002 and 2007.

Limitations

In developing this paper it became evident that there was a need to progress research to an interview based method, as, for example, literature pertaining to the research activity of Bahraini universities was difficult to acquire. The researcher also found English language versions of government and higher education institution strategy difficult to obtain. However, a member of our research team, being a Bahraini national employed within the Ministry of Education, assisted in overcoming some of these barriers. These shortcomings accepted our belief is that this should not detract from the fact that there was sufficient evidence from numerous credible sources to support the recommendations put forward.

Discussion and Recommendations

Our research shows Bahrain to be in an embryonic stage of innovation development. However, the government acknowledges this and there are green shoots appearing in what has traditionally been a desert of innovation, hydrated by new policies aimed at transparency of practice and robust quality assurance and control programmes. It would seem that the government is providing the motivation to participate in a knowledge society, which is seen in the literature review by Wiig (2007) as being an important success factor.

However, there are lessons to be learned from the OECD (2003) report into educational research and there appears to be a need to address the relationship between the triumvirate of universities, practitioners and policy-makers in Bahrain. The existing relationship seems detached, where the direction for the initiatives appears to be unidirectional, with Higher Education Institutions being challenged by the government, when perhaps, for more organic growth to take place, there is a need for the universities to challenge themselves. This is evidenced by the lack of confidence in the Kingdom's indigenous business centric higher education programmes and the apparent lack of self-directed applied research on the part of the universities. In the opinion of the researchers engaged with this paper, Bahrain is in a position of strength, in that it has the ability to acquire the amassed knowledge and lessons learned of more mature knowledge-centric economies and in doing so expedite the growth of their own knowledge based economy. However, for this to happen there must be open engagement between the three key partners: universities, businesses and government. It is the lack of direction within Bahrain universities that emerged as a concern in researching this paper and it is therefore recommended that the Ministry of Education work with Bahrain universities to engage in a programme of education leadership development in order to progress the strength of the triumvirate required to progress the knowledge-based aspect of the Bahrain economy. This recommendation provides the clustering and local knowledge base that Dicken (2007) and Reichert (2007) suggested to be necessary in developing societal competitive advantage.

A key recommendation of this paper would be for Bahraini Universities to develop internal policies that support the application of their talent pools to applied research. In this way the universities could become change activists, meeting the needs set out by Argawal (2002), pushing the adaptive capacity of the country, in this way they could influence Bahraini culture as well as economic transformation.

It appears that if Bahrain is to experience what Borroso (2010) termed as, "smart growth" then there is an immediate need to tackle the issues surrounding the quality and leadership of education and research. This is emphasised by NESTA (2007) who note the potential for societal degradation if the gap between the capacity of society's existing skills and the needs of the economy are not recognised. This will also impact the ability of the country to attract creative classes, the societal actors who can help stimulate the growth promoted in the 2030 Economic Strategy (Bahrain government, 2009).

This also establishes a signpost for foreign intuitions that partner Bahraini universities, in that there should be a focus on transferring knowledge to Higher Education Institutions in the region in the area of applied research. In this way external partners can assist Bahrain towards their stated aim of becoming a self-sustained force in the knowledge economy.

Recommendations for Practitioners

There are lessons to be learned in highlighting the need to develop education partnerships for any organisation transacting within the knowledge economy. Universities provide a valuable research contribution to the development of new knowledge that can be applied for competitive advantage. However, there is a mutual need for businesses to engage with universities, in order to access the latest knowledge and improve their adaptive capacity, and there is a need for university researchers to engage with the business community to ensure the relevance and application of their research. In Bahrain there is a need for an awareness raising campaign that encourages the business community to use the knowledge available through university research. However, in the first instance, there must be a willingness on the part of Bahraini Higher Education Institutions to become a cogenerative partner in this process. This must be a multidirectional process and not one dictated by policy makers.

External stakeholders looking to operate in Bahrain need to recognise the need to establish examples of good practice in the areas of collaboration and clustering, using concepts such as Communities of Practice. In this way knowledge transfer and exchange can be facilitated, which will have a positive impact on the sustainable development of Bahrain as a knowledge intensive country.

Recommendations for Policy-Makers

Policy makers within Higher Education Institutions and government need to raise awareness within their spheres of influence with regard to the importance of research to innovation and the competitive advantage of society as a whole. The Bahrain example used in this paper provides a signpost for the need for educational leadership if the triumvirate of partners highlighted in this paper are to be effective.

Conclusion

We began with the Baby's (2008) call for Bahrain to become a knowledge city as the stimulus for our research. Our literature review found successful societal knowledge and innovation processes to be closely linked to education. This led to the exploration of Mode 2 research as a point of engagement between Higher Education Institutions and the wider business community. From this point we developed a problem statement that focused on the relationship between universities, research and the Bahraini business community.

Using document analysis as a method we applied the literature to current practice in Bahrain; though we contend that the findings are transferable and lessons are there to be learned by practitioners, education institutions and policy makers within the wider global community. This is evidenced by the fact that much of the literature has emerged out of what could be termed, Western society and yet it has been successfully applied in a Middle East setting.

We found Bahrain to be a country in the embryonic stages of innovation development. The relationship between government and Higher education Institutions appears to be a unidirectional one, driven by the government, which needs to be addressed by the universities, who need to become willing partners in the innovation process. Similarly, the relationship between universities and the wider business communities can only be described as fragmented at best.

While these negatives cannot be ignored, and there has to be acceptance that they hinder Bahrain's current ability to become a knowledge region, the government is motivated to address these issues and there is evidence of change that could not only impact Bahrain, but the region as a whole. Closing at the point from which we started, the statement by Baby (2008) of Bahrain being an education pioneer in the region appears to be overstated. However, if the issues highlighted in this report can be addressed there would seem to be no reason why Bahrain cannot achieve the aspiration of becoming a knowledge city.

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The Impact of Banking Sector Reforms on Growth and Development on Entrepreneurs in Nigeria

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Abstract

This study examined the impact of Nigerian Banking Sector Reforms on Small entrepreneurial finance. Its main objective was to compare accessibility to financing by small entrepreneurs prior to, and after the bank reform. Both primary and secondary sources of data were utilized to obtain data. The primary source of data used is collected through interview conducted to the entrepreneurs of MSME's and questionnaires distributed within the five selected Local Governments Areas of Kaduna State Nigeria. There were two different sets of questionnaires: the first set solicited information from the entrepreneurs and the second set, from the providers of finance. The questions on the latter were set to provide relevant information that could help in answering the research questions. It was found that the entrepreneurs have difficulty in sourcing finance from the banks because they cannot afford to meet up with the conditions of such source. Despite the various steps taken after the reforms, entrepreneurs finance needs are not yet met. The informal source of finance is still commonly used. The conclusion to be drawn from this is that micro-enterprises in the sample used largely obtained their initial capital from informal sources. It is the recommendation of the paper that government must create avenues through which funds could be provided for the development of small scale enterprises, especially, if it can be achieved at a low interest rate.

Keywords: Banking Reforms, Entrepreneurs, MSME, Kaduna State, Nigeria

1 Introduction

In the attempt of the Nigerian economy to integrate with the global economy, various reform programmes have been introduced in the banking system. These reforms have naturally had impact on the domestic entrepreneurs as they must have also impacted on other nationals and varied sectors of the Nigerian economy. This study seeks to investigate the impact of the various reform measures on this important sector of the national economy.

The main objective of this research is to find out the effects of various banking reforms especially the consolidation of banks undertaken in 2005 and its aftermath on entrepreneurs as characterised by micro entrepreneurs and small scale enterprises in Nigeria. The study is also to identify problems still faced by the financial institutions in granting credit access to the Micro, Small and Medium enterprises (MSME's) and offer recommendations on how to tackle the problems so as to improve the sector's performance and thereby, the nations economy.

The research would seek to address the following research questions:

- Are government policies on banking reforms favourable to the MSME's in Kaduna State, Nigeria?
- Is there improvement in access to funds by the MSME's?
- What are the effects of banking reforms and especially bank consolidation on access to credit and financing for the MSME's in Kaduna State, Nigeria?

2 Conceptual Framework

'Small and medium enterprises', 'Small and medium scale enterprises', 'Small and medium industries', are terms used interchangeably to describe this group of business organizations. A universally acceptable definition has remained difficult. In their various country studies, Koshiro (1990), Loveman and Sengenberger (1990) Amadiue (1990) and Marsden (1990) more or less confirm the concept to be elusive. The studies undertaken by these scholars tend to vary. And as Obadan and Agba (2004) notes, depending on the institutional and historical contexts, major criteria for structuring SMEs sector are legal status (as in France), the ownership status (Hungary), the distribution between "craft" and "industrial" firms (Germany) or independent and subordinate firms (Japan), or small firms in industries where large enterprises dominate or where there is a mixed sized composition.

Even in Nigeria, the definitions of the concept appear to be dynamic as Badayi (2004) claims different government agencies define it from different perspectives. Some of them defined SME's based on annual turnover and other based on total number of employees. For example, the Central Bank of Nigeria (CBN), the Nigerian bank for Commerce and Industry (now Bank of Industry), the National Economic Reconstruction Fund, the Federal Ministry of Industry, etc all adopted different differing definitions of SMEs from their own point of views. Badayi (2004) reports an attempt by the National Council of Industry to harmonize it by giving classification based on assets size in 1992. In 1996, this was adjusted to take cognizance of the number of employees among other factors. For this paper, we shall adopt the Bank of Industry's categorization as presented by Osa-Afiana (2004) which classifies the MSMEs into four groups: Micro or cottage, small-scale, medium and large scale.

Micro/Cottage industry - Those enterprises with with capital of not more than N1.5 million (or \$11,278) including working capital but excluding cost of land and/or labour size of not more than 10 workers;

Small-Scale - Those with capital investment in excess of N1.5 million but not more than N50 million (US\$375,939) including working capital but excluding cost of land and/or labour size of not more than 11-100 workers;

Medium-Scale – Those with investment worth over N50 million but not more than N200 million (US\$ 1,503,758) including working capital but excluding cost of land and/or labour size of not more than 100-300 workers;

Large enterprises – Those with assets in excess of N200 million (US\$1,503,758) including working capital but excluding cost of land and/or labour size of over 300 workers.

As reported by Boswell (1973) regarding developed countries, generally and particularly those countries where there has been rapid urbanization, a conspicuous and pervasive phenomenon has been the increasing importance of the small-scale enterprise. Small-scale entrepreneurs have made immense contributions to the development of today's developed nations, although there are varying degrees of contributions from country to country (Solze, 1996).

2.1 Nature, Potential and Challenges of MSME's in Nigeria

Ojo (2004) rightly characterised the sector in Nigeria as largely informal with ease of entry by any aspiring entrepreneur. It is also largely dominated by family owned enterprises, rely heavily on indigenous resources-finance and materials and skills to operate the business are largely acquired outside the formal school system. Other major characteristics include the fact that these businesses are mostly small scale operations; are labour intensive depending largely on family labour and adopted technology and there exists for this sector, an unregulated and competitive market. Most, if not all of these characteristics are common to this sector are common in Nigeria and other sub-Saharan African nations.

Several studies locally and globally have clearly demonstrated the significance of the MSME sector to the global economy and the economy of both developed and developing economies. For example, Kwanashie (2004) puts the sub-sector's contribution to total organized manufacturing at 95 percent. This is significant. In addition, the sector provides huge employment avenue for people who desire to work in smaller units; provides an essential source of specialists suppliers to meet the demand of large firms; provides variety of choice for the customer and offers an essential source of innovation. The sector also serves as a veritable training ground for budding entrepreneurs, assist as a major source of capital formation, as an important catalyst for technological development, assist in poverty reduction, and is the most effective means of bringing structural transformation in the rural areas.

Despite the above potentials of the MSME sector, Ojo (2004) identifies quite a number of challenges and problems facing the sector in Nigeria. He categorized these into behavioural, political, cultural, socio-economic, environmental and training related. Of the economic problems, he confirms that MSME's face problems raising finance for their operations. Among these problems is that of obtaining finance at the right time, right type (e.g. maturity) and that of obtaining satisfactory terms. There are also the problems of high risk of default in the context of a not very conducive operating environment and lack of adequate required collateral security. Of all these problems, inadequate financing is the most limiting factor in the view of Olowu, (1993), Oresotu, (1995), Lewis (1996) and Oguntoye, (1987). This is because finance is strategic to any industrial setup. Finance is the hub around which a business flourishes. Lack of it, through mismanagement or misappropriation, could hinder any business venture.

2.2 Banking Reforms in Nigeria

In the opinion of Yauri (2006) and Ango (2006) Nigeria's banking reforms and especially the recent bank consolidation exercise is a fall out of the global trend. In addition, Ango (2006) was of the opinion that banking reform in Nigeria started from 1952 when the first Banking Ordinance was enacted through to the 1959 when the CBN was established all through to the Structural Adjustment Programme (SAP) of 1986. In fact Hesse (2005) saw 1986 as a watershed in Nigerian banking industry. He agreed that SAP was a World Bank/IMF prescription which comprised of currency devaluation, trade liberalization and privatization of state enterprises among other measures. During the post-SAP period, financial liberalization led to the entry of many new financial institutions. For instance Hesse (2005) reported that the number of banks rose from 40 in 1985 to over 100 in 1990. He attributed this to the new opportunities-arbitraging opportunities in the newly introduced foreign exchange market.

Yet another major reform for the banking industry which Ango (2006) considered very far reaching was the reforms that followed the enactment of the Banks and Financial Institutions Act (BOFIA) of 1997 (as amended in 1998 and 1999) as well as the reviews of CBN Act during the same periods. With these, the CBN was given the powers of issuance and revocation of bank licenses without recourse to Federal Ministry of Finance and to act generally in management of the sector. It was as a follow-up to that that the CBN issued its circular BSD/DO/CIR/VS1.L/10/2000 which gave commercial and merchant banks the option of converting into universal banks. The CBN powers to increase the size of capital for Deposit Money Banks (DMBs) was derived from the various Acts mentioned above.

3 Financing of Small Scale Enterprises

The two main channels that have been used to increase credit for small and medium enterprises are the formal and informal sources. The formal sources include banks, other financial institutions, government loan agencies and cooperative credit societies. While the informal sources include owners' savings/retained earnings, friends and relations, clubs, "esusu" and money-lenders, among others. On the part of the government in Nigeria, various steps were taken over the years including monetary, fiscal and industrial policy measures to promote the development of Small and Medium Scale Enterprises (SMEs). For the purpose of this effort we can classify these into two time periods: Past and Contemporary Approaches.

3.1 Past Approaches

Some of the efforts made towards enhancing funding for micro, small and medium enterprises involved direct granting of credits to the sector while in some other circumstances, it involved formulation of policy measures that were meant to make access to credit easier for the MSME's.

3.1.1 Rural Banking Scheme

Commercial banks were mandated and indeed given target locations to establish branch offices in rural areas with the view of bringing banking services, including intermediation services to the rural sector of the economy. The aim was to introduce micro-credit assistance to the poor people residing in rural areas. Osa-Afiana is of the opinion that the policy failed as a result of the low income, low savings, low investment syndrome amongst the poor people on one hand, as well as the failure of the commercial banks to sustain interest in a programme they considered unprofitable.

3.1.2 Poverty Alleviation Efforts

Government also, created especially as a palliative measure after deregulating the economy in 1986, various poverty alleviation entities and policies. Among these were the Family Economic Advancement Programme (FEAP), the Family Support Programme (FSP), the National Directorate of Employment (NDE), the Peoples Bank of Nigeria (PBN) and the Community Bank initiative. These schemes also failed due to the absence of accountability, existence of crippling bureaucratic practices and high loan default among others.

3.1.3 Direct Funding

In the past emphasis was on the use of Development Finance institutions (DFIs) to lend to specific sectors including the MSME's. Two reasons were adduced for this. Firstly, the regular commercial banks do not have capacity or are rather not interested in providing long-term finance for SMEs as most of their funding resources are short term and secondly, because of the desire for the country to emulate what Osa-Afiana (2004) refers to as the global practice whereby government deliberately establish schemes for providing concessionary finance for SMEs in recognition of their highly disadvantaged position in open market competition for finance and other resources. Consequently, the Nigerian Bank for Industry (NBCI) was established in 1973 to provide financial assistance to SMEs. This was followed with the setting up of NERFUND, the National Economic Reconstruction Fund in 1989 more or less for the same purpose.

These bodies obtained some credit lines from multilateral bodies like the World Bank for on-lending to MSME's. Examples of this was the case of the World Bank Schemes, SME I (1985) operated by the NBCI and SME II (1992) operated by the Central Bank of Nigeria (CBN). These initiatives also failed because of a variety of problems. The DFIs like NBCI and NERFUND were weakened and became unable to discharge their responsibilities due to low capitalization, inefficient operations, poor loan portfolio quality, poor liquidity and inability to access further external lines of credit. This was not surprising considering the fact that the DFIs operated more or less with a philosophy that they were agents for disbursement of government funds.

3.1.4 Central Bank of Nigeria (CBN): Credit Guidelines to Commercial Banks

Besides direct funding of MSME's by the government owned DFIs, Government had also tried to direct the flow of credits to MSME's by the commercial banks. The CBN had through Credit Guidelines issued from time to time to the banks stipulated sectoral lending limits to commercial banks. Banks were, under this arrangement, required to allocate a certain proportion of their credit portfolios SMEs. This scheme was only partially successful (Osa-Afiana 2004) because of the reluctance of the banks to assume such credit risk without an appropriate credit guarantee scheme. Some banks were more comfortable paying the penalty for default than comply, and the regulations were eventually abolished in 1996.

3.2 Contemporary Approaches to Financing MSMEs

The failure of past approaches to the financing of MSMEs has made it imperative that new approaches be adopted if the objective of promoting SME development in Nigeria is to be achieved. The new measures took cognizance of the differences between the MSME and larger companies, the inherent weaknesses of the SMEs and the need for support programmes, financing programmes and services that are unique to SMEs. Some of the approaches included the restructuring of the DFIs, the Small and Medium Equity Investment Scheme (SMIEIS), the introduction of the Second Tier Security window for smaller firms to part-take in the capital market, refocusing of the DFIs among several other measures.

3.2.1 The Small and Medium Industries Equity Investment Scheme (SMIEIS)

This was an initiative of the Bankers' Committee (consisting of the CBN and all deposit money banks (DMBs). The scheme requires all dmbs 10 percent of their annual pre-tax profit to the funding of equity investments in MSMEs. Though the policy suffered from policy summersault and inconsistency, as at 2008, the sum of N28, 204,078,292 was invested by the banks in 333 projects all over the country. With a total of 7 projects with investment value of N247,731,000. This was a mere 2% of the projects and 0.88% in value.

3.2.2 The Second Tier Securities Market (SSM)

In order to address the peculiar financial needs of MSMEs, the Second tier Securities Market was established. This gives SMEs a chance to source funds from the market, an impossibility hitherto. The benefit from this is the possibility of accessing funds at much cheaper rates than could have been possible. The recent massive crash of the capital market in Nigeria has however dampened the markets vibrancy.

3.2.3 Restructuring the Development Finance Institutions

Government has taken steps to merge of its DFIs. In particular, the Nigerian Bank for Commerce and Industry (NBCI), the Nigerian Industrial Development Bank (NIDB) as well as NERFUND have been merged to form the Bank of Industry. In addition, Nigerian Agricultural and Cooperative Baank (NACB) has merged with Peoples Bank and some poverty alleviation institutions have merged to form Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB). The aim is to enhance the capacity of these firms to provide long term finance at concessionary terms to MSMEs.

3.2.4 Microfinance Policy

The CBN in 2005 developed a Microfinance Policy, Regulatory and Supervisory Framework. The policy enhanced the capital requirement for community banks and relicensed those that could meet the capital requirement to Microfinance Institutions. This is an important turning point in the industry, as part of the Microfinance Policy Framework, the CBN in collaboration with the Bankers Committee has created the Micro Credit Fund (MCF) to partner with state governments to channel credit to the microenterprise sector. The major challenges of these banks include problems of staffing, capital adequacy and risk management capacity.

4 Methodology

The research made use of primary and secondary sources to collect data. The primary source of data used is collected through interview conducted to the entrepreneurs of SME's and questionnaires distributed within the five selected Local Governments Areas. There were two different sets of questionnaires: the first set solicited information from the entrepreneurs and the second set, from the providers of finance. The questions on the latter were set to provide relevant information that could help in answering the research questions.

The study was situated in Kaduna State, the third most populous and central state of Nigeria. Five (5) Local Government Areas in the state: Kaduna South, Kaduna North, Igabi, Kajuru and Chikun were selected for the purpose of administering questionnaires and interview. These were selected using the purposive method of research selection (Osuala 2001). As the local governments have high density of population with much commercial activities taking place. The study covers a period of two years from 2006 to 2007.

The questions were distributed on the (5) five selected Local Government Areas in. The secondary sources used included the records of some of the micro-enterprises under study, as well as publications of the CBN and other development finance institutions as well as research works on related areas.

The data collected were analyzed using descriptive statistics such as frequency and percentage distributions, and tables. Specifically, we tested the adequacy of the following variables; maximum number of paid employees, maximum total assets (excluding land), and a maximum annual turnover.

5 Results and Discussions

Results regarding the structure and characteristics of entrepreneurs in the study were analyzed. Table 1 and 2 below shows the results of the structural characteristics from the primary data collected on the survey conducted. From these results, it can be deduced that in terms of both material and structural definitions given in this study, all the enterprises included in our survey are truly micro-enterprises.

The average number of paid employees is between 4 and 10 which works out to a total average of 6 employees per enterprise. This tallies very well with the maximum of 15 of such employees in our definition of a micro-enterprise as presented in the literature. The total assets range averagely between N50,000 and N180,000 which is within the definitional limit of N250,000 for a micro-enterprise. Similarly, the maximum average annual turnover is N400,000 compared to N1 million stated in the definition. The total average turnover of N250,000 per enterprise confirms the sampled enterprises as truly very small enterprises.

Structurally, the surveyed enterprises also meet the definition of micro-enterprises. The enterprises are urban-based in terms of ownership structures, level of entrepreneur's formal education and formality of business shows that only 12.61% of all the respondents claimed to have no formal education, while the rest 87.39% have gone to and beyond primary education. What this means is that about 87% of the entrepreneurs have either primary education or beyond secondary education. They are also mostly engaged in activities which serve the needs of the urban-based people.

On the score of formality, only 24% of all the surveyed enterprises are not registered with the necessary agencies. The remaining 19 representing 76% of the total sample size are registered.

It could be deduced from the data available in Table 1 below that a large percentage of micro-enterprises in the selected areas of this research have low-capital invested businesses. About 80% of them started with a capital of not exceeding N200,000. For 56% of the enterprises, the initial capital did not exceed N150,000. Over 20% half of the enterprises started with less than N100,000. This indicates that they are very small enterprises as well as that they could not raise enough fund at start up capital.

Table 1: Capital of SME's

(N'000)	Number of Enterprises and their capital base					Total	% of Total	Cumulative % of Total
	Bakery	Fishery	Poultry	Pure Water	Livestock			
Up to N50	-	-	-	-	-	-	-	-
N50 – N1000	1	2	1	1	-	5	20.00	20.00
N100 – N150	1	1	2	3	2	9	36.00	56.00
N150 – N200	1	2	2	1	2	8	32.00	88.00
N200 – N250	1	-	-	-	1	2	10.00	98.00
Above N250 (but under N500)	1	-	-	-	-	1	02.00	100.00

Source: Field Survey, 2009.

Table 2 below indicates the sources of finance that are available to entrepreneurs are very personal because there is no opportunity for recourse to the capital market/money market. The entrepreneurs cannot source financing from the banks because they cannot afford the conditions of such sources. These conditions include collateral securities, business registration certificate and certified statement of affairs.

Majority of the enterprises (72%) depend on their proprietors' personal savings for their capital or wholly on this source of finance of all the enterprises, only 42% obtained their capital from commercial bank loans. None of the 25 respondents claimed to have obtained their capital from the relevant government agencies. The conclusion to be drawn from this is that micro-enterprises in the sample used largely obtained their capital from informal sources. This means there have not been affected in terms of their financing by the consolidation exercise.

Table 2: Sources of Capital

Sources (of all or part of Initial Capital)	Frequency before consolidation	scores	Frequency after consolidation	scores %
Commercial Bank Loan	1		1	4
Community Bank Loan	1		1	4
GOVERNMENT AGENCIES				
NIDB	-		-	-
NDE	-		-	-
OSSADEP	-		-	-
Cooperative Society Loan	3		3	12
Personal Savings	18		18	72
Friends and Relatives	1		1	4
Other Sources	1		1	4
Total	25		25	100

Source: Field Survey, 2009

On the issue of adequacy of initial capital obtained, Table 3 indicates that almost all micro-enterprises in the sample used were inadequately financed at the initial stage of their establishment. Less than 1% of all the surveyed enterprises had up to 71% of their required

initial capital. This is considered very inadequate adequate. Furthermore, On the other hand, as much as about 50% of the enterprises started business with grossly inadequate capital.

Looking at the foregoing, analytically it is right to deduce that micro-enterprises for the sample used were inadequately financed at inception.

Table 3: Adequacy of Capital

% obtained of initial capital required	Average maximum percentage shortfall on required initial capital	Number of Enterprises	% of total sample	Degree of adequacy
91-100	-	-	0	Very Adequate
81-90	-	-	0	Adequate
71-80	-	1	4	Almost Adequate
61-80	-	1	4	Barely Adequate
51-60	-	3	12	Inadequate
41-50	-	8	32	Very Inadequate
40 & Below	-	12	48	Grossly Inadequate
Total		25	100	

Source: Field Survey, 2009

An analysis of the responses of providers of fund table 4 below presented the outcome of the respondents

Table 4: Factors Influencing Banks Financing Of Micro-Enterprises

Factors	Banks		
	Commercial (%)	Community (%)	Peoples (%)
Existing account	75	80	100
Applicant's gender	0	0	0
Type of business	0	0	0
Age of business	80	80	0
Formal Registration of business	100	50	0
Viability of business	100	100	100
Urban location of business	80	30	0
Government policy	100	100	100
Repayment ability	100	100	100
Availability of funds	100	100	100
Preference for micro-enterprises	10	80	100
Collateral/guarantor	100	100	0
Financial Management Ability of Applicant	100	50	0
Applicant's ignorance of procedure	20	10	0
Profitability of business	100	100	100
Cost of loan administration	100	100	10

Source: Field Survey, 2009

Banks generally rely on objective factors like existing customers, age of business, business, and business amongst others to guide them in considering loan applications for business purposes. They are more confident to give loans to their existing customers than to non-customers. They also prefer to invest on established enterprises than on newly established ones or very recently established ones. This, perhaps, is because older and on-going

businesses are generally more able to meet the loan conditions, apart from their viability and profitability being more easily determinable than for new businesses.

Deposit money banks and Community Banks are equally (fully) influenced by the financial standing of the applicant, government policy on investments, the availability of funds to invest, applicant's provision of acceptable collateral and/or guarantor; they are also equally influenced by the profitability of the business seeking finance, as well as the cost of administering the loan if granted.

One other condition that makes it difficult for micro-enterprises to source their finance from the banks is the requirement that they should be registered firms. 100% and 50% of deposit money banks and community banks respectively, require this, whereas by the nature, scope and structure of ownership, most micro-enterprises cannot be bothered about this condition. Owners of micro-enterprises understand this requirement of business registration as part of the reluctance of sources of funds to grant them loans or as part of the stringent conditions for bank loans. Rather than formally register their businesses, most micro-enterprise owners therefore seek their finance from other sources.

The formal sector financing institutions have thus not been of much help to the micro-enterprises. The micro-enterprises have continued to perform poorly, and thus, will continue to be unqualified for substantial bank assistance.

5.1 Summary, Conclusion and Recommendations

The banking sector reforms was intended to help ensure longevity of the small scale enterprise by specifically, ensuring higher returns to the owners and proprietors of such enterprises overtime and generally creating greater impacts on the Nigerian economy. This study investigated whether SME's are financed better after the reforms process. The study will be of benefit to the entrepreneurs of SME's, researchers and prospective investors into the SME business by outlining the effects and problems of the consolidation as well as offering recommendations.

The research made use of primary and secondary sources to collect data. The primary source used data are collected through interview conducted to the entrepreneurs of SME's and questionnaires distributed within the five selected Local Governments Areas. There were two different sets of questionnaires: the first set solicited information from the entrepreneurs and the second set, from the providers of finance. The questions on the latter were set to provide relevant information that could help in answering the research questions.

It was found that the entrepreneurs cannot source financing from the banks because they cannot afford the conditions of such sources. These conditions include collateral securities, business registration certificate and certified statement of affairs.

Majority of the enterprises (72.00%) depend on their proprietors' personal savings for their initial capital or wholly on this source of finance at start – up of all the enterprises, only 0.42% obtained their initial capital from commercial bank loans. None of the respondents claimed to have obtained their initial capital from the relevant government agencies. The conclusion to be drawn from this is that micro-enterprises in the sample used largely obtained their initial capital from informal sources.

On the issue of adequacy of initial capital obtained, Table 4 indicates that almost all micro-enterprises in the sample used were inadequately financed at the initial stage of their

establishment. Less than 1% of all the surveyed enterprises had up to 71% of their required initial capital. This is considered very inadequate. Furthermore, On the other hand, as much as about 50% of the enterprises started business with grossly inadequate capital. Looking at the foregoing, analytically it is right to deduce that micro-enterprises for the sample used were inadequately financed at inception.

It is the recommendation of the paper that government should revised the scheme created for the benefits of the entrepreneurs of this subsector so as to motivate them in bring out the hidden innovative skills in them. This can be done by reducing the asset base that makes eligible to assess the government scheme, through which funds could be provided for the development of small scale enterprises, especially, if it can be achieved at a low interest rate. Further development of the enterprises through seminars to improve their knowledge of their business could go a long way to help. It could also be that they are not aware of the existence of government effort and provisions. This could be solved through enlightenment campaign of the existence of government provisions for the enterprises.

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Entrepreneurial Success with the Use of Online Social Networking – an Evaluation

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Objectives: To evaluate the effectiveness of online social networking by entrepreneurs in the Arabian Gulf.

Prior Practices:

Approach/Methods: A descriptive research is conducted, by interviewing a number of entrepreneurs in Arabian Gulf who use online social networks as a method of promoting their products.

Results/Insights: Social networking is a cheap and easy method of advertising and gives all entrepreneurs a better chance of reaching their target market and, thereby, in succeeding in their ventures.

Implications to Community/Industry: With the rise in the use of social networking, entrepreneurs can now target their markets using online social networks. Social Networking websites allow businesses to introduce their products to specific market segments, with low expense, and with a low chance of failure. This rising phenomenon of web-based social interaction can change the way businesses operate, in future.

Value to the Theme: Exploring the possibilities of entrepreneurial success with this new element, in electronic media, within Integrated Marketing Communications.

Keywords: Bahrain, Entrepreneur, social networking, advertising, Integrated Marketing Communications.

Introduction

The growth of online social networking websites such as facebook, twitter, LinkedIn, MySpace and Orkut reflects the age-old social need of humans to communicate and connect with one another. Being social is fundamental to the nature of human beings. We want to use whatever channels we have to communicate, whether it is smoke signals or the Net (Daley, 2010).

And if businesses have to reach their customers effectively, they must do so through the media that customers actively use. If newspapers, radio and television were the traditional media vehicles, it is now the online social media. This highly interactive social media cannot be ignored by businesses aiming to target specific market segments.

Topping the online social networks is 'Facebook' which alone has a staggering half a billion users worldwide - 585,968,680 users, as on 14 December 2010 (Socialbakers, 2010). Still, many of the smallest businesses don't believe their customers can be marketed to on such sites, according to an August 2010 survey from customer review platform RatePoint. (eMarketer, 2010).

There are 7,044,400 members on facebook from GCC countries alone as of 14 December 2010 (Socialbakers, 2010) and the number is growing fast. Gulf Cooperation Council consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, and together GCC supplies 1/3 of U.S. oil, and owns up to \$500 billion of U.S. capital (Amadeo, 2010). It is therefore relevant for us to understand how online social networks are being used by entrepreneurs in this fast-growing Arabian Gulf region.

Social Networking

Online Social Networking refers to 'web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system' (Boyd and Ellison, 2007).

Social networking sites started as early as 1997 with "sixdegrees.com" (Cassidy, 2006), and they grew on. Notable among them are six degrees, Live Journal, Friendster, LinkedIn, Hi5, MySpace, Orkut, Facebook, Yahoo!360, twitter etc. Some endured. Some did not. See Figure A1, for the timeline of various social networking sites launched and re-launched by different companies on the Internet (Boyd and Ellison, 2007).

Facebook, currently the most popular with half a billion users, began in early 2004, initially only for Harvard University students. It then expanded to include other universities and high schools, then corporate bodies, and eventually was opened to public in 2006.

The initial popularity of Facebook made it spread so fast that the number of members reached 100 million users in just 9 months. According to a popular social media blog called "Socialnomics", it was stated that if "Facebook was a country it would be the third largest country in the world" (Qualman, 2010).

Facebook members consist of different races, sexes, and age groups with the fastest growing segment being 55 – 65 year old females (Qualman, 2010).

With this easy access to so many people, businesses have started to realize that there is great potential in Facebook, this is a huge socio-economic shift that is changing the way consumers and companies communicate and interact with each other.

By using social media, consumers, have a profound influence on our economy and the businesses that operate within it. Online word of mouth and the powerful influence of peer groups have already made many traditional marketing strategies obsolete. Today's best businesses and marketers are learning to profitably navigate this new landscape (Qualman, 2010).

The popularity of social networks, was investigated by PR firm Burson Marsteller, which studied the 100 largest companies in the Fortune 500 list, 79% of them use some form of social media. Social networking has become so popular that many international companies are now hiring social media analysts, along with their standard marketing team. Social media has now created a shift in traditional marketing, allowing companies to create lasting relationships and one-on-one relationships, as opposed to a one-many relationship, for a very low cost (Gordhamer, 2010).

Facebook statistics show that out of its 500 million active users, 50% are active users who log on to Facebook every day, with people spending over 700 billion minutes per month on Facebook. A growing number of businesses are making facebook an indispensable part of hanging out their shingles. Small businesses are using it to find new customers, build online communities of fans, and dig into gold mines of demographic information (Pattison, 2009).

Social Networks and Business Revenue

According to a research by eMarketer, Facebook is expected to earn roughly \$1.3 billion in revenue in 2010, which is 50% more than \$665 million it brought in, in 2009, and it is further projected to earn nearly \$1.8 billion in 2011 (Zaky, 2010).

To others seeking business revenue, Facebook is no longer considered just a social network; it is considered a gold mine. It has become so popular as a marketing tool, that books and articles in prestigious magazines such as PC World, The Entrepreneur and TIME have articles like "Facebook Ads: Success Secrets from a Facebook Insider", "How to market your Business with Facebook" and "Boosting Business with a Facebook Fan Page - Starting a Facebook" which are all helping companies maximize profit through using Facebook.

A growing number of businesses are making facebook an important channel to communicate with customers. Large and small businesses alike are using Facebook as part of their marketing strategy. Given below are six examples/case-studies of how social media is helping businesses.

Chris Meyer: The wedding photographer, Chris Meyer found women aged 22-28 in his local area in Minneapolis, and spent \$300 on Facebook ads targeting them in the past two years and has generated more than \$60,000 in business" (Pattison, 2009).

Emerson Salon: In 2008, when co-owners Matt Buchan and Alex Garcia decided to buy and makeover a hair salon in Seattle, Washington, which they renamed Emerson Salon after Ralph Waldo Emerson, they decided that the Internet would be an important focus for their business.

Little did they know that two years later, 75% of their business would be sourced from Facebook, Twitter and their blog (Swallow, 2010)

Butter Lane: This is a cupcake bakery with a knack for social media. Not only are they on Facebook and Twitter, but they also run a Yelp offer and manage their Yelp venue page, maintain a blog on Tumblr, run group-buy specials on Groupon and LivingSocial, and have a special on Foursquare. How do they keep up with all of it? Co-Owner Maria Baugh said she and her team are avid users of Postling, a social media management tool that allows businesses to see all of their brand activity on various social media platforms all from a single interface (Swallow, 2010).

The Social Man: Jonathan Christian Hudson, founder of The Social Man, a small social coaching business based in New York City, explained the dynamics between coaches and clients. “Our clients have to trust us and like us in order to work with us,” he noted, “and there’s no better way I know of to demonstrate that than by putting our faces out there and having a real dialogue with them.” Videos sites Blip.tv and YouTube have allowed The Social Man to get personal with clients and prospects. Through their channels on both sites, they run a series called “Ask the Social Man,” in which Hudson and his colleagues answer questions from ‘dating’ to ‘doing well in job interviews’, and their clientele is growing (Swallow, 2010)

Liberty Bay Books: It is an independent bookstore located in Poulsbo, Washington that specializes in Scandinavian and nautical books. Owner Suzanne Droppert places a very high value on conversation and the exchange of intellectual ideas. Social media, then, is a natural outlet for a community thought leader like Droppert. Droppert began experimenting with social media after attending an educational seminar early last year. The presenter absolutely insisted the attendees join Twitter immediately. Droppert believes it is important to stay connected with online social conversations regarding your business’ space. She stays abreast on books, travel, food and local events via her store’s Facebook and Twitter pages. She also keeps the community up-to-date on book signings and in-store events on the company blog and YouTube channel (Swallow, 2010).

Feather Your Nest: Set in the tourist destination of Eureka Springs, Arkansas, ‘Feather Your Nest’ is a specialty shop for homemade and vintage-looking gifts. You can find them on Facebook, Twitter, Etsy and their blog. Owner Gina Drennon, a web designer and self-starter, is a gem in the rough when it comes to Internet-savvy small business owners in her neighborhood. Eureka Springs is a town where not even use of the Internet has begun to blossom among small business owners. In that type of environment, an entrepreneur like Drennon is positioned to pull ahead. She made a name for her shop, and she has had tremendous success. Says Drennon: “I’ve seen our web stats increase, followers increase, interactions increase, and most importantly, sales increase. But not only that, I’ve made many meaningful connections with bloggers and magazine editors that have featured our products and our store, which bring us huge amounts of attention that you really cannot put a price on. I can positively say that at least half of the national press we’ve received is due to contacts we’ve made over social media.” (Swallow, 2010)

Entrepreneurship in GCC

The rapid growth of the GCC economies over the last decade or so has seen a surge in entrepreneurial activities by the nationals. Mostly in the start-ups of small businesses which support larger organizations in these countries.

However, only Saudi Arabia and UAE are included, from among the GCC countries, in the '2009 Global Report' of the Global Entrepreneurship Monitor (GEM), which is the world's leading research consortium dedicated to understanding the relationship between entrepreneurship and national economic development. The report shows a positive outlook from UAE entrepreneurs on nascent entrepreneurship, and new markets (Bosma and Levie, 2009). But entrepreneurial activity in the other countries may not have been significant enough to be included in the sample of 54 countries that this monitor surveys.

According to this Global Entrepreneurship Monitor, the entrepreneurial activity is low in Saudi Arabia. "Among factor-driven countries, for example, Saudi Arabia, a rich state with a high reliance on income from oil extraction, has a very low TEA (Early stage Entrepreneurial Activity) rate at 4.7%, and the proportion of necessity-driven entrepreneurship in TEA is also low at 12%. Few Saudis are compelled to create new economic activity out of necessity. But (contrast that with) Uganda, the poorest country in the sample, has a high TEA rate (34%), a high proportion of necessity entrepreneurship (45%), and a high discontinuation rate (20%)" (Bosma et al, 2009).

In the GCC countries, apart from the local governmental organizations, the international bodies are also encouraging entrepreneurship by funding, training and developing entrepreneurs and their ventures. Organizations like United Nations Industrial Development Organization (UNIDO) have helped in empowering GCC entrepreneurs with knowledge and skill needed to become effective with their new businesses.

Since its inception, UNIDO/ITPO-ARCEIT has conducted 18 Entrepreneurship Development Programmes (EDP) in Bahrain, which had participants from Kuwait, Qatar, UAE and Saudi Arabia attending (UNIDO, 2010) and learning about investing and managing small businesses.

In Bahrain, an Entrepreneurship Development and Investment Promotion Programme (EDP) is regularly organized by UNIDO through its Arab Regional Centre for Entrepreneurship and Investment Training (ARCEIT) in association with the Ministry of Industry & Commerce, the Bahrain Development Bank, the Bahrain Businesswomen's Society and Bahrain Young Entrepreneurs Association. The programme, which focuses on the SME sector, consists of classroom training followed by business counseling, during which entrepreneurs receive support in project planning and implementation. ARCEIT has so far trained some 200 Bahraini entrepreneurs, which has resulted in the establishment of 96 small and medium enterprises. About 270 potential Bahraini entrepreneurs were given advice on business opportunity identification, market analysis, business plan preparation and technology tie-up, which may lead to full-fledged joint ventures and financial support by the Bahrain Development Bank (UNIDO, 2010).

In Bahrain, Tamkeen was established in 2006 with a mandate to develop the private sector as the engine of growth while enhancing the productivity of the Bahraini labour force as the employees of choice. According to its Annual Report 2009, on financing entrepreneurs, 209 beneficiaries obtained loans from Shamil Bank, and 1380 beneficiaries obtained loans from Bahrain development bank with an allocated budgets of BD 3.5 million BD 12.4 million respectively (Tamkeen, 2010).

In Oman, the 'Sanad' programme was established by Sultan Qaboos Bin Saeed to increase employment opportunities and to encourage young entrepreneurs in Oman. The Sanad Programme has so far provided financial support to 28,000 Omanis. Shaikh Abdullah Bin Nasser Al Bakri, the minister for manpower, speaking at the function of Sanad Entrepreneurs Award 2010 explained that the programme will provide loans of between Dh5, 000 and Dh10,

000 Omani riyals for individual projects and Dh20, 000 to 50,000 riyals for group entrepreneurial projects (Gulf News, 2010).

In UAE, there is even a special focus on women entrepreneurs. According to Raja Al Gurg, President of the Dubai Businesswomen's Council, 'Two new initiatives have been launched (in 2006) in the UAE to encourage business women to invest in funds that are run by recognized banks and highly recommended investors. 'Forsa' is a fund that caters for wealthy women who would like to invest amounts over AED 1 million and 'Enmaa' is a fund for investors from the business community that wish to invest amounts starting from AED 1000'. (UAE Country Report, 2007). These funds are used to encourage women entrepreneurs in start-ups.

Among the women entrepreneurs in UAE who gained success in the recent past with their businesses are Reem Khalifa Al Mowaiji (Gulf Gifts), Suha Wilson (I quit smoking) Hiba Shata (Specialized dental clinic), Rania Al Bastaki (Ateej Al Souf fashions), Michelle Krugar (Al Hessa marketing), Huda Serhan (Huda Serhan Event Organizing), Hamdeh Harizi (C Food, Dar Zafaarane, Black Pearl, caviar) and Suad Al Halwachi (Education Zone), who have all been quoted as having determination to succeed (UAE Country Report, 2007).

Howard E Reed, Director of Dubai Women's College says "our 3,000 working graduates are changing the self perceptions and aspirations of young Emirati women, and of course the perceptions held by the rest of the UAE population about these capable young women. The next logical phase is to increase the number of Emirati women entrepreneurs". He also adds "An impressive 48% of the UAE's women entrepreneurs that we surveyed are sole owners and although they have only been in business for an average of 5.9 years, they are on average larger than similar ventures in the USA (UAE Country Report, 2010).

In Kuwait, an interesting case in point is 'Pink Taxis'. When Bedoor al Mutairi waited for an hour for a lift from her brother after getting a flat tyre in the summer of 2008, she began to question Kuwait's cultural aversion to women riding in taxis. And she came up with a plan for 'Eve Taxis', or 'Hawaa Taxis' in Arabic. She needed capital to start a service. And Kuwait Small Projects Development Company (KSPDC) liked her idea and agreed that demand for a women's taxi service existed. KSPDC encourages entrepreneurs in Kuwait by providing them with a maximum of 80 per cent – up to 400,000 dinars – of the capital they need to start a business. Ms al Mutairi said it invested "less than 100,000 dinars" in her venture. Eve Taxis now has 10 pink cabs and plans to operate them on two eight-hour shifts each day. She says, "Now we have six drivers. I need 20 drivers." She gets an average of 20 calls a day from Kuwaiti women for taxis (Calderwood, 2010).

"Here in Qatar, we have already seen many success stories as well. One of such is the founder of the \$400mn iGate Corporation Suni Wadhvani who is a graduate of the programme," said Mohamed Dobashi, the Associate Professor of CARNEGIE Mellon University in Qatar in 2008 during a graduation event of "Corporate Innovation and Entrepreneurship Programme" (Olayiwola, 2008). The Qatar Development Bank, a major financial arm of the government, has recently been restructured in order to encourage Qatari nationals to establish small businesses. The Qatar Development Bank (QIDB) was founded in 1997 and specializes in the promotion and financing of small and medium enterprises (Shachmurove, 2009).

Overall, across GCC, we can see a great pitch in the entrepreneurial activity in the region and can be assured that, with the tremendous changes taking place in the GCC economies, the need for entrepreneurs to support various economic sectors is unlikely to diminish in the near future.

Social Networking and GCC Entrepreneurs

LinkedIn and Facebook seem to be at the top of the social media sites when it comes to the entrepreneurial networks that enable entrepreneurs to communicate and share with one another in the region. While there are some Orkut groups and Yahoo groups, it is these two social media sites that many people seem to favour.

Like some large organizations, many small businesses and new ventures have also set-up their company profiles and group profiles on LinkedIn or Facebook or some such similar websites. These business pages will be update their group's members - 'fans' or those who 'liked' their page - on the company's (or their group's) activities, events and promotions by figuring in the individual's newsfeed.

That most companies are embracing social media is evident from the fact that a simple search, done on 10th December 2010, for general companies, and not entrepreneurs, on LinkedIn have yielded results like : Bahrain (667 companies), Kuwait (734 companies), Oman (607 companies), Qatar (846 companies), Saudi Arabia (1,263 companies), and UAE (1971 companies). So, it is clear that several companies, from these countries have posted their profiles on this network.

LinkedIn also has 'groups', which help the entrepreneurs, like : the GCC Investors & Entrepreneurs Forum (1960 members), Saudi Startup Community (375 members), Saudi Entrepreneurs (13 members), Kuwait entrepreneurs (39 members), Qatar Investors, Innovators and Entrepreneurs Forum (381 members), Dubai Entrepreneurs Group (40 members), Indian Entrepreneur Network for MENA (7 members)

With 7,044,400 members on Facebook from GCC countries alone as of 14 December 2010 (Socialbakers, 2010), it is a number that cannot be taken lightly. Thousands of Facebook Business Pages are set up by established businesses as well as entrepreneurs across the GCC, and can tap into its 7 million Facebook users.

Facebook has all these groups for entrepreneurs: Kuwait entrepreneurs (3,678 members), Future Gulf Entrepreneurs Club (17 members), Entrepreneurship Institute of the AMIDEAST/Oman (32 members), Leaders and Entrepreneurs of Saudi Arabia (115 members), Bahrain Entrepreneurs (5 members) Entrepreneurs in the kingdom (495 members), Saudi Startup Community (86 members), Saudi Fast growth 100 (437 members), The Arab Young Entrepreneurs Society (149 members), Dubai Entrepreneurs Business Network (DEBN)/Women Entrepreneurs in UAE (100 members), Lebanese Entrepreneurs in Qatar (14 members), PEISA (Pakistani Entrepreneurs in Saudi Arabia) (5 members), SMU Business Study Mission (BSM5) - Saudi Arabia, UAE, Qatar & Oman (80 members).

All the above are indicative of the already existent social media networks that entrepreneurs of the region are exploiting, hopefully, to gain business advantage by connecting with prospects and customers.

Questionnaire Analysis and Results

In order to assess the number of entrepreneurs using Facebook as a method of advertising and to identify the success level of their usage, a questionnaire was administered to over 150 entrepreneurs in the Gulf region. A personal email was sent to each business owner discussing the questionnaire and its relevance to its business. UNIDO (United Nations International Development Organization) which conducts was also contacted and the questionnaire was sent

to their mailing list. A third of the chosen entrepreneurs responded to the questionnaire, making our sample size 50 businesses from the Gulf region.

Our Sample consisted of entrepreneurs from different parts of the Gulf region; however, those that responded were mainly from Bahrain, Kuwait and UAE (Figure A2, Appendix), with nearly 20% being a Single person company, and the remaining being Limited liability, with limited Liability, partnership or others (Figure A3, Appendix).

The respondent's kind of businesses varied from retailers, service providers, manufacturers, distributors and others (Figure A4, Appendix). Showing the diversity of our sample and how social networking is not specific to one type of industry, but can be used for all. A total of 61% of the businesses opened their Facebook account in 2010, thus having an account for less than one year, making them primarily new on Facebook (Figure A5, Appendix), for example Diva Beauty Saloon and of S.H. Copywriting who have recently started their practice on Facebook, but yet S.H. Copywriting has already got clients through their Facebook page.

Table 1.1 shows the popularity of Facebook in the GCC, targeting a total of 6,955,880 potential customers. All of our sample use Facebook as a method of advertising, other social network websites like Twitter (24%), LinkedIn (10%) and others (12%) were also used (Figure A6, Appendix). Those that do use Facebook have a chance of targeting over 30% of the population of the GCC, by simply creating their Facebook page.

GCC Countries	Population on Facebook	Penetration of Population	Penetration of Online Population
Bahrain	277,560	37.61%	42.65%
Kuwait	625,140	22.41%	56.83%
Saudi Arabia	3,274,360	12.73%	33.41%
United Arab Emirates	2,135,960	42.93%	56.64%
Qatar	512,060	60.89%	117.45%
Oman	219,320	7.39%	17.73%
Total	7,044,400		

(Table 1.1 Source: www.socialbakers.com)

The popularity of each business and the evidence of success of their business page are apparent from the number of people who have "liked" their business. Figure A6 in the appendix shows that the majority of the respondents have over 1000 "likes" with 17%. Allowing each of these businesses to have access to over 1000 customers and provide them with updated information about their offers, services and products. It also gives the opportunity for interactive marketing, for example businesses take advantage of the football fever, and ask their Facebook followers to guess the final score of a match giving the fans a chance to win a prize and write on the business's wall. Local businesses like "Choowy Goowy" and "Betty Boop Saloon" used this method during the final match of the Gulf Cup 2010, and received over 70 competition enterers, and over 30 likes each.

The respondents were also asked if they believed Facebook is helping their business, 87% believed so, 13% were unsure and none of the respondents answered "no" (Table 1.2). The fact that none of the respondents denied Facebook's help with a definite "no" is indicative of their confidence on success through this media at least in the future; this is further evident when they were asked if they believe that online social networking websites help entrepreneurs in general and 98% agreed.

	Yes	No	Unsure
Do you think that Facebook Business Page is helping your business?	87%	0%	13%
Do you believe that online social networking websites are helping Entrepreneurs?	98%	0%	2%

Table 1.2: Facebook helping Businesses

The concept of Return on Investment (ROI) assesses the company's ability to earn an adequate rate of return (Friedlob and Plewa, 2006). For example, in marketing ROI could mean the amount of money spent on advertising also known as Return on Ad Spend (ROAS), which is used to calculate the revenue from sales minus advertising costs, all divided by the cost of advertising (ww.brickmarketing.com).

Many marketers argue that the return on investment is zero for Facebook, as it is not possible to calculate. Saying the relevance of people talking about the brand, has no metric value (Fou, 2010)(Chong, 2009). However, it also can be argued that the ROI can be derived from the replacement value, for example the cost of direct marketing, which was possibly through direct contact, email or sms, has now been replaced with zero cost through using Facebook.

In our research the sample was asked their approximate revenue generated from Facebook. Over one third of the respondents replied. The average respondents revenue yearly was BD3,434 (USD \$9,109), in comparison to the cost of opening a Facebook page which is zero. When questioned further it was identified from the data that these companies were small with under 5 employees and their main method of advertising is personal selling, giving them a personal connection with their customers. This enabled the companies to know how their customers heard about their business, and in return knowing the number related to their revenue through Facebook, and there were businesses like "Pretty Little Things" that use only Facebook to advertise.

According to a research conducted by Go To Market Strategies 30% of companies spend between 3-5% of revenue on marketing, with 45% spending over 6% (mainly 6-10%). The sample were also asked what they believe to be the percentage of revenue generated from Facebook, 42% said that 11-25% of their revenue is generated through Facebook, while 23.4% of the respondents said over 25% of their revenue was generated through Facebook, returning a high number in comparison to the zero spending (Figure A8, Appendix).

The owner of KeepitSimple, Hussain Ismail one of our respondents who only uses social networking sites and word of mouth to advertise says "Social Networking specifically Facebook and Twitter is the future of advertising... it's the new and FREE method for all business to jump on and squeeze to it's full potential... the amount of opportunities these services offer are limitless. A two way communication where the businesses get direct and immediate honest feedback is priceless, no personal selling, TV, magazine ad, or survey's can achieve this as accurately."

Limitations

Among the limitations of this study are the following:

- 72% of the respondents were only from Bahrain, which could prevent a well-balanced GCC-wide perception, which was expected.

- 61% of the entrepreneurs who responded started their business in the last one year itself, which means they could not have had a real long term experience on the social network's advantages or disadvantages.
- 40% of the respondents had marked 'others', and gave no clear indication on what kind of business they are in. More clarity on what kind of business they are doing would have been useful.

Conclusion

The findings of this study have clearly shown that (1) over 87% of the entrepreneurs felt that their social media profiles have been helping their businesses and (2) over 98% said they believe that online social networking websites are in fact helping all entrepreneurs.

The fact that 98% of our sample believe that social media is going to help new businesses is, however, a perception itself. And a perception need not necessarily be the reality. One must understand that attempting to promote on social media alone, in an isolated manner, is not going to yield results. Entrepreneurs would need to take social media as a part of the 'Integrated Marketing Communications' which must be employed to promote their products and services.

Undoubtedly, online social networking websites such as Facebook have created a new generation of entrepreneurs, allowing their businesses to be set up and be promoted with a very low cost, giving everyone an equal opportunity to succeed.

However, some businesses like Silly Billy Games believe that "Facebook is being used widely because its free, but main users are younger and not the target market for my business. It's good to get the name recognized, but hasn't had a major effect in generating me revenue." This is evident from statistics obtained from Socialbakers.com were the majority of Facebook users are between the ages of 18-24 or 25 to 34 in the GCC countries.

A great advantage, we believe, is that by attracting attention to their social network business pages, the new companies will have the member who 'joins' or 'likes' or 'becomes a fan' onto their database, without even asking for it. Then the social media website does the task of updating or feeding the member on whatever news the company publishes. So, not only is the member's 'like' informed to his/her friends, but the member can even recommend the company/products to others. Thereby, without spamming, the company's information is reaching many people. After all, other people advocacy is the best for any business. As Edelman says "Up to 90% of spending goes to advertising and retail promotion. Yet the single most powerful impetus to buy is often 'someone else's advocacy'" (Edelman, 2010).

On the one hand social networking websites help entrepreneurs to connect with one another, and on the other hand they help in connecting with prospects and customers, a very unique platform to gain competitive advantage. Some have argued it away as frivolous and only for the young. But the growing number of older members and the growing business pages is indicative of the fact that this new marketing tool has come to stay. Perhaps, for a long, long time.

Whatever the differing opinions, not only is the online social media giving the connectivity and interactivity, but also enabling display advertising and social discussions on these pages possible which could eventually lead to good profits. The entrepreneurs can choose their target market segments this way, more effectively than through many other elements of the 'Integrated Marketing Communications'.

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Appendices

Figure A1: Timeline of the launch dates of many major SNSs and dates when community sites re-launched with SNS features (Boyd & Ellison, 2007).

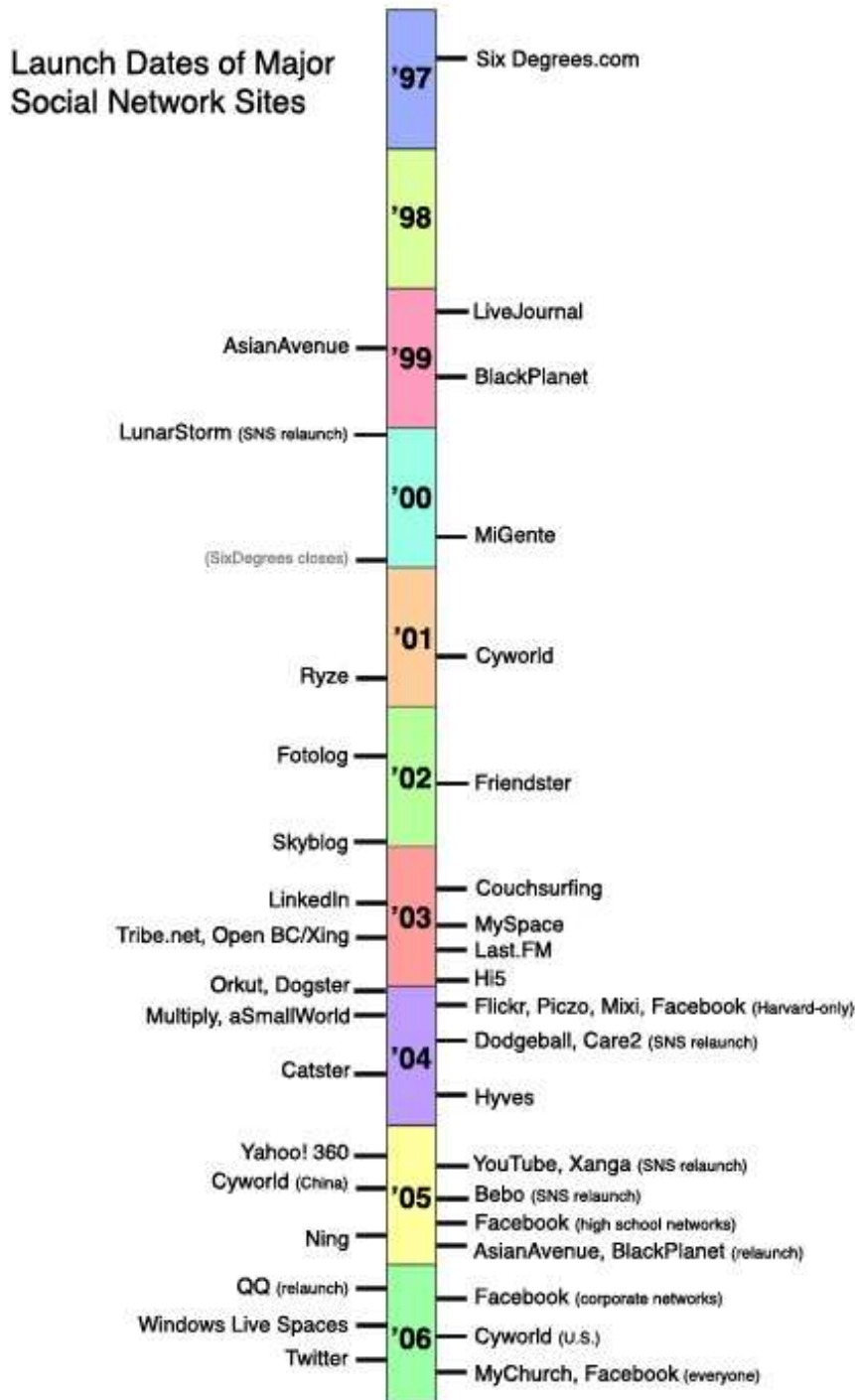


Figure A2: The Respondents Country

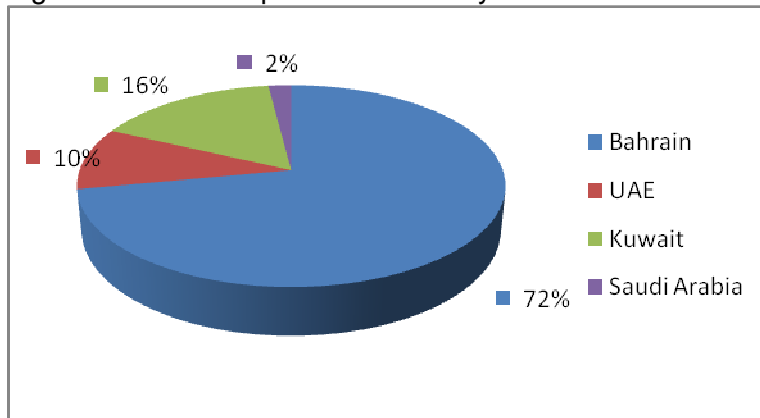


Figure A3: The Type of Business

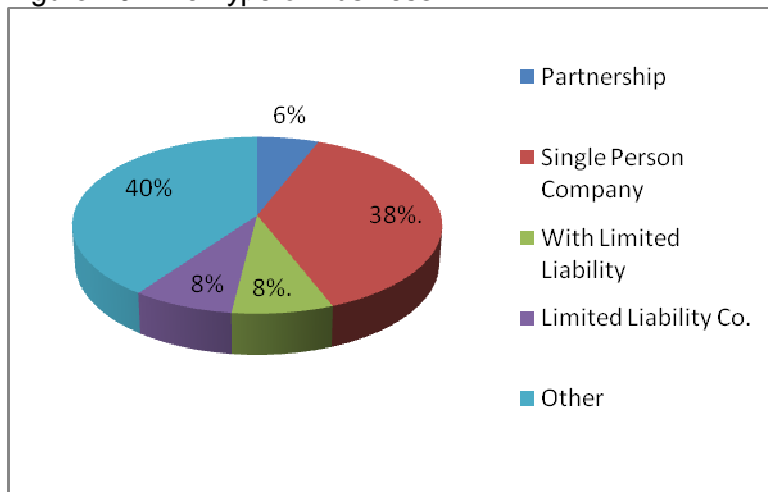


Figure A4: Kind of Business

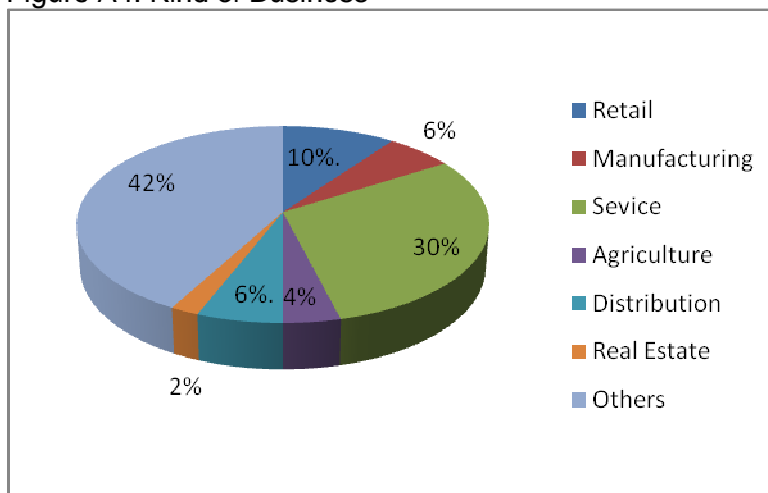


Figure A5: The year the Businesses opened a Facebook Business Page

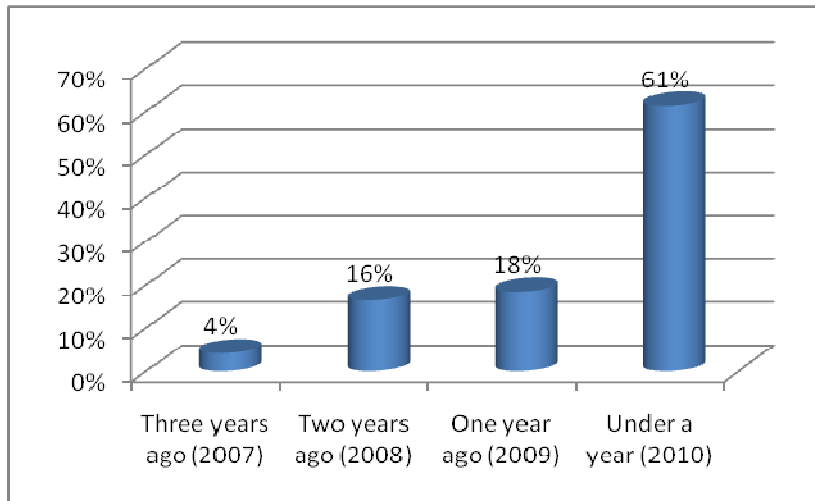


Figure A6: Social Networks used by the Entrepreneurs

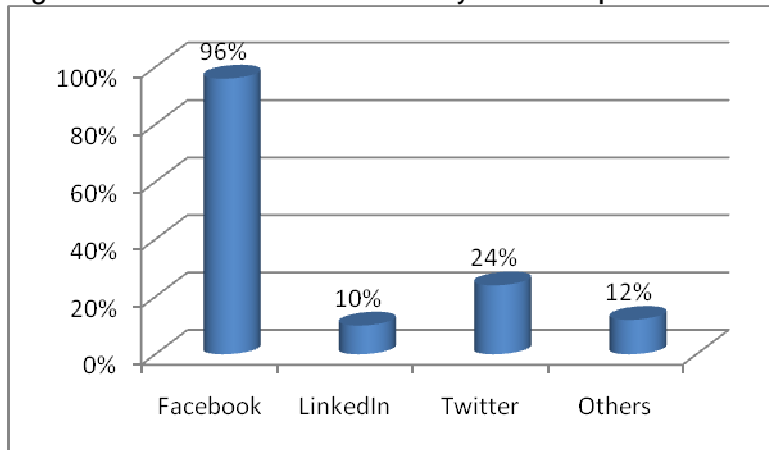


Figure A7: Number of “likes” each business has.

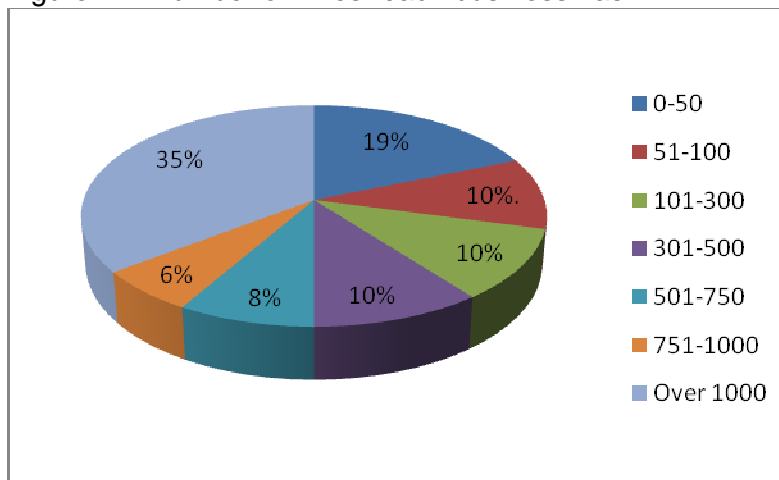


Figure A8: Percentage of revenue Facebook members are contributing to total revenue.

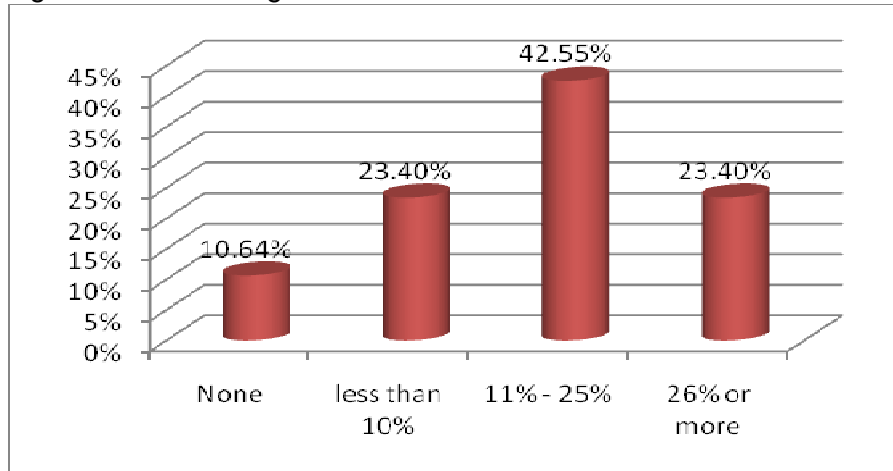


Table A1: List of Companies participated in the research

1	Leaves Wedding
2	IMPACT Events Management
3	Craig Consultants
4	Clever Cupcakes Bahrain
5	Mine Co W.L.L
6	MJ
7	KEEPITSIMPLE
8	Let Them Eat Cake
9	Cuppycakez
10	SPUD
11	Lavanda Spa
12	Silly Billy Games
13	Nosa cuppies
14	SMS Design & Performance
15	BlackBerry Shop Arabia
16	Hembish
17	Designers lounge bahrain
18	Loolas
19	A Little Sugar
20	S.H. Copywriting
21	Jewels by Sogol
22	102 Beauty Salon
23	Masahati.com
24	Colour Sugar
25	Diva Beauty Salon
26	Me Time Nail Spa
27	Turathi Sweets
28	Lightspeed
29	Wall Sticker it!
30	ARAM
31	B.Special

32	DarUSHA
33	Victus Food Development Company
34	Balloonee
35	Btuboutique
36	Frescato Sweets
37	@bahrain
38	SN Collection
39	Mariana aquarium & Chocolates
40	Hexa Vision
41	Organika food co
42	DETALING KING'S CENTER
43	Loyalty Palace
44	Quantum Dynamics
45	Personal
46	Reina Creations llc
47	KFAA Public Relations
48	Curve Jewellery
49	Pretty Little Things
50	United Nations Development Program

Role Efficacy a Means to Enable the Entrepreneurial Role

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Objectives: Enhancing Self & Role Efficacy of Entrepreneurs wherein entrepreneurs perceive Role Stress as an opportunity or challenge rather than a disabling factor.

Prior Practices: In the past any stress was dealt with by teaching to cope with stress after the stress is experienced which is a reactive strategy.

Approach/Methods: The study focuses on building theoretical linkages between Role Efficacy as a means to proactively deal with potential role stress. It further uses the primary data analysis of 200 women entrepreneurs to find the actual impact of role efficacy on experience of role stress in dealing with womens entrepreneurial role.

Results/Insights: The paper concludes that Role Efficacy can indeed be a vehicle for entrepreneurs to become effective in their entrepreneurial role. Entrepreneurial Associations can organize workshops for budding and existing entrepreneurs in learning to enhance personal and role efficacy which will help in resolving the various role stresses in a proactive manner by empowering and enabling the entrepreneurs.

Implications to Community/Industry: The major contribution is to prevent premature closure of enterprises and develop resilience in entrepreneurs to achieve their goal, sustain their business and reinforce belief in own potential and own role. In developing own role the entrepreneurial role will also evolve.

Value to the Theme: The paper brings out the importance of evolving efficacious entrepreneurial role which is in the direction of entrepreneurial development.

Keywords: Role Efficacy, Role Stress

Introduction

The performance of multiple roles is part and parcel of an individual's professional life. As employees perform multiple roles, they have to face multiple demands put on them by others – both within and outside the organization. The natural consequence of this is the experience of role stress by employees. Since modern organizations and the tasks that people have to do in their jobs have become more complex, the potential for stress has increased manifold. It is a known fact that stress is an inevitable consequence of socio-economic complexity and role complexity. However, to some extent, stress is a stimulant for individual efficiency as well. People experience role stress when they can no longer have complete control over what happens in their work lives. Work life itself has become a process wherein roles have linkages with other roles. As there is no escape from role stress, there is a dire need to find ways of using stress productively and, thereby, reducing dysfunctional stress.

Today, women are increasingly becoming an integral part of the modern managerial work force. In recent times, the percentage of women in India's work force has been increasing and scientific studies have revealed that there is no appreciable gender difference in skills, abilities, knowledge and temperament. Off late, Indian women are turning to unconventional employment and self-employment. Indian society is gradually moving away from sex typing and is rapidly moving towards egalitarian roles wherein women are emerging as an important economic force to reckon with in this age of economic liberalization. Scientific understanding of the changing roles of women is important for political, economical and social development. For some, the transition has been smooth, but for others it has had its share of problems. Some of the problems are related to the different role demands in the work place and the demands placed on them at home. Both these demands are only conceptually independent but in reality are complementary to each other. Some of the challenges are related to the different role demands and it is time proper cognizance is taken of the same.

A "role" is the position one occupies in a social system, and is defined by the functions one performs in response to the expectations of the significant members of a social system and one's own expectations from that position or office. Role has two subsystems: (i) Role Space – the individual's relationship with own / intra roles) and (ii) Role Set – the individual's relationship with other /inter roles. Role, Role Space and Role Set have a potential for conflict and stress. Role Space is the dynamic relationship between the various roles an individual occupies and his self. Role Space Stress has the following main variables: (i) Self-Role Distance, (ii) Intra-Role Conflict, (iii) Role Stagnation, (iv) Inter-Role Distance, and (v) Role Irrelevance. Role Set consists of important persons who have varying expectations from the role that an individual occupies. Role Set Stress has the following main variables: (i) Role Ambiguity, (ii) Role Expectation Conflict, (iii) Role Overload, (iv) Role Erosion, (v) Resource Inadequacy, (vi) Personal Inadequacy, (vii) Role Isolation, (viii) Result Inadequacy, (ix) Role Inadequacy, and (x) Challenge Stress.

Role Efficacy is the potential effectiveness of an individual occupying a particular role in an organization. Role Efficacy can be seen as the psychological factor underlying role effectiveness Pareek (1997). Role Efficacy has three subsystems Role Making, Role Centering, and Role Linking. Role Making is an active attitude towards the role, to define and contribute to it while Role Taking is passive acceptance of responding to others' expectations. Role making have the following variables: (i) Self-Role Integration, (ii) Pro-activity, (iii) Creativity and (iv) Confrontation. Role Centering is an active attitude towards the role to define and make the role central to the organization by increasing its importance as opposed to role entering, which means accepting the role as is and performing it. Role Centering has the following main variables: (i) Centrality, (ii) Influence and (iii) Personal growth. Role Linking is an active attitude towards the role to find linkages with other roles through interaction, while Role Shrinking is a

passive acceptance of narrow boundary of role. Its main variables are: (i) Inter-Role Linkage, (ii) Helping Relationship and (iii) Super-ordination.

Studies were undertaken to determine the relationship between role stress, gender and marital status. Role stress was the second best determinant of organizational commitment in working women (Bhagat & Chassie, 1981). Findings also suggest that role conflict decreases both sexes' job satisfaction and men's marital satisfaction and increases women's psychophysical symptoms (Coverman, 1989). Gadzella et al (1990) investigated differences in stress by sex and suggested that women reported more stress than men did. In another study, female executives showed greater stress, suggesting that the difference in work stress was a consequence of work-family conflict, societal expectations, and behavioral norms that women face as they occupy a combination of roles (Beena & Poduval, 1992; McDonald & Korabik, 1991). Babin and Boles (1998) suggested that role stress affected female service providers' job performance more negatively than it did males', and that job satisfaction was related more highly to quitting intent among males. The study of Eckman (2004) indicated that there were differences between female and male high school principals in their personal and professional attributes as well as in role conflict. There were similarities between female and male high school principals in terms of role commitment and job satisfaction. On the contrary, Aziz (2007) found similar level of stress for male and female employees on the overall organizational role stress. Similarly, Van-der-Pompe and De-Heus (1993) did not find that the women experienced more stress and strains than men did, which contradicts the findings of McDonald and Korabik (1991). Role involvements and conflicts are generally greater for working women than housewives, although full-timers differ greatly from part-timers and seem to be the most satisfied of the three groups (Hall et al, 1973). Also multiple roles are associated with competing demands that can lead to role overload and the resulting strain. Role Strain has been measured in such terms as somatization, depression, anxiety, obsessive compulsiveness, discomfort, anger/hostility, and dissatisfaction (McBride, 1988). With respect to female entrepreneurs, Stoner, et al (1990) indicated that female small business owners experience significant conflict between work and home roles.

Individual differences in stress within the group are brought out by one study in which the highest stress group included women who put the job above all else, the second highest group had a high propensity for job achievement, and the lowest stress group represented women who placed a high emphasis on self-actualization and outside the job considerations (Rogers et al., 1994). With respect to organizational commitment, women may feel particularly conflicted about trying to be a good organizational citizen, while at the same time, still fulfilling their obligation to their spouse or family (Bolino & Turnley, 2003). On the contrary, Holahan and Gilbert (1979) compared role conflict experienced by career and non-career women. Contrary to prediction, greater role conflict was reported by the non-career group than the career group. Similarly, successful professional women did not exhibit higher levels of anxiety, depression and hostility, nor did these outcomes increase for women in higher-level executive positions in this study. Negative outcome measures were not higher for women with children, nor did work stress and work-family conflict interact to produce more negative health outcomes (Beatty, 1996). Kahn and Cuthbertson (1998) found that working mothers and mothers who are full-time homemakers, when tested on three aspects of mental health (viz., free-floating anxiety, somatic anxiety and depression, and stress-coping strategies utilized); few differences were found between the two groups of mothers.

A study conducted to make the workplace friendlier and effective for women states that more flexible workplace rules for female executives to eliminate stress associated with work-family conflict as well as improved effectiveness of social support and person-organization fit based on individual bureaucratic orientation would help dealing with the problem of workplace stress (Conner & Douglas, 2005). Also according to Khetarpal and Kochar (2006), the key stressors

which affected maximum number of women were poor peer relations, intrinsic impoverishment and under-participation. Studies also looked into the relation between role stress and some psychosocial variables as also role stress and work family conflict. Intolerance of ambiguity does moderate the impact of role ambiguity (Das, 1984; Frone, 1990). Occupational demands in the form of interpersonal conflict, work overload, and role conflict contributed to the experience of emotional exhaustion (O'Driscoll et al., 1992). Further a narrower research demonstrated that female small business owners experienced significant conflict between work and home roles. Younger, more recently married women, with lower levels of life satisfaction and lower levels of marital happiness experienced the highest levels of work-home role conflict (Stoner, et al 1990). With respect to children, the experience of role conflict correlated most strongly with bullying (Einarsen et al., 1994). Pandey and Kumar (1997) conceptualized role conflict as consisting of four dimensions: intra-sender, inter-sender, inter-role, and person-role conflict, respectively. Boles et al (1996) have tested the hypothesis that role conflict and role ambiguity are positively related to work family conflict. According to McKay and Tate (1999), higher levels of role conflict and work overload result in higher levels of family conflict. A study by Stoner, et.al (1990) indicated that female small business owners experience significant conflict between work and home roles. Strazdins and Broom (2003) concluded that high emotional workloads in the family and at work were associated with increased psychological distress, goal loss, and role overload.

Research on Role Efficacy indicates that persons with high role efficacy experience less role stress (Sen, 1982; Surti, 1983), less anxiety (Deo, 1993), and less work related tension (Sayeed, 1985). They effectively cope up with problems (Sen 1982, Surti, 1983), and use more purposeful behavior (Das, 1984). The overall Role Efficacy Index was most significantly and negatively correlated with Self-Role Distance, Role Stagnation, and Role Erosion. It was interesting that the Role Efficacy Index was un-correlated with Inter-Role Distance, Role isolation, Role Ambiguity, Role Overload, Resource Inadequacy, and Personal Inadequacy. The Role Efficacy Index was significantly correlated with the Total Stress Score. Results show that individuals who had lower burnout scores were high on role efficacy scores. A high role efficacy seems to develop some degree of resilience in individual to cope up with various types of stresses (Das, 1984). This appears to be in line with the past researches where role efficacy was found to have negative relationship with job anxiety and job related stress (Sharma & Sharma, 1983). More specifically, burnout was found to have a significant negative correlation with role linking. Inter-role linkages and helping relationships act as buffers preventing burnout phenomenon to occur with its usual intensity. Stress proneness variable related negatively with Integration, Proactivity, Super-ordination, Influence and overall Efficacy scores, thereby suggesting that low stress proneness contributes to role development and one's being efficacious on the job, whereas high stress proneness does not go well with the role efficacy. Increased role efficacy results in lower experience of stress or stress proneness. Stress proneness and role efficacy have emerged to be inversely related (Sayeed, 1985).

In their study on role efficacy and women, Poole and Langan Fox (1992) have studied managerial and professional women about the stress and rewards associated with their work and family roles. Although no significant differences were found between managerial and professional women, the mean scores indicated that the role of employee was both the most rewarding and the most stressful. Karve (2006) showed that role linking subscale was significantly high for women executives. The results showed that there was no significant difference on total role efficacy score or on role efficacy index. In another study with respect to women, self-efficacy in work and parental roles proved to be a significant predictor of these women's work-family conflict and role overload, respectively (Erdwins, 2001).

Scope of the Study

This study has attempted to understand certain psychological variables which impact role of women entrepreneurs in their work arena. This can help understand the challenges that women face in their role, the leverages that women have in their role and in turn help in strengthening the role by gradually changing where required or adopting new interventions. The study of role may reveal areas where women entrepreneurs need to evolve their respective role to increase effectiveness and efficacy as also identify areas where the organization that they are part of can contribute to their role. The present study aims to examine the types of role stress, and to examine the level and dimensions which contribute to role efficacy and suggest means to increase role efficacy.

The following hypotheses were examined in the study:

1. Role Stress will positively influence Role Efficacy.
2. Role Efficacy will positively influence Role Stress.
3. Role Space Stress and its Dimensions will positively influence Role Making, Role Centering, Role Linking and Role Efficacy.
4. Role Set Stress and its Dimensions will positively influence Role Making, Role Centering, Role Linking and Role Efficacy.
5. Role Making and its Dimensions will positively influence Role Space Stress and Role Set Stress.
6. Role Centering and its Dimensions will positively influence Role Space Stress and Role Set Stress.
7. Role Linking and its Dimensions will positively influence Role Space Stress and Role Set Stress.

Methodology

The methodology adopted for carrying out this study involved the use of the self-report method to assess the levels of role stress and role efficacy in the sample of women entrepreneurs. Data in the form of quantitative measures on the two variables were obtained using standardized questionnaires and then statistically analysed to verify the hypotheses.

Sample

The sampling method used in this study was purposive sampling. The sample consisted of 200 women entrepreneurs in the age range of 25-60 years. This age group has been selected because in this age group, individuals would have already settled in their chosen vocation. The primary source for the sample of women entrepreneurs was the National Small Industries Corporation (N.S.I.C.) Maharashtra Industrial Developmental Corporation (M.I.D.C.), Association of Women Entrepreneurs, Karnataka (AWAKE), Women Entrepreneurs of Maharashtra Association (WIMA), etc. Hereinafter in the text, the term “entrepreneurs” refers to women entrepreneurs.

Instruments

The instruments/scales used in the study to measure the variables are described below:

1. Entrepreneurial Role Stress Scale (ERS) developed by Pareek (1997).
2. Role Efficacy Scale (RES) developed by Pareek (1997).

Administration and Scoring

The entrepreneurs were contacted by the investigators during their association meetings to seek their consent to participate in the study. As per mutually decided date and time, the tests were administered to the select group of women entrepreneurs in group settings. The tests were later scored as per the scoring procedure described by Pareek (1997).

Results and Discussion

Table 1: Correlations between RS and REI for women entrepreneurs

	Centrality	Integration	Pro-activity	Creativity	Inter Role Linking	Helping Relationship	Super-ordination	Influence	Growth	Confrontation	Role making	Role Centering	Role Linking	Role Efficacy score	Role Efficacy Index
Role Efficacy															
Role Stress															
Inter Role Distance	-0.05	0.02	0.11	0.10	0.34*	0.06	-0.15*	0.16*	-0.04	0.10	0.12	0.02	0.17*	0.14*	0.13
Role Inadequacy	-0.01	-0.23*	-0.20*	0.02	-0.04	0.05	-0.08	0.11	-0.17*	0.08	-0.16*	-0.05	-0.05	-0.12	-0.10
Result Inadequacy	0.00	-0.05	-0.04	0.03	0.19*	-0.01	-0.21*	0.07	-0.07	0.05	-0.01	-0.01	0.00	-0.01	-0.01
Challenge Stress	0.12	0.01	-0.01	-0.17*	-0.02	0.01	-0.06	0.00	-0.01	0.20*	0.01	0.05	-0.05	0.00	0.00
Role Overload	0.09	-0.17*	-0.18*	-0.11	-0.11	-0.01	-0.20*	0.04	-0.05	0.15*	-0.15*	0.03	-0.18*	-0.14*	-0.13
Role Isolation	-0.04	-0.11	-0.04	0.01	0.17*	0.01	-0.06	0.11	0.01	0.03	-0.06	0.03	0.08	0.02	0.02
Role Irrelevance	-0.06	-0.14	-0.14	0.06	0.14	0.09	-0.06	0.10	-0.08	0.14*	-0.06	-0.03	0.10	0.00	0.02
Self Role Distance	-0.05	0.06	0.07	0.12	0.23*	0.05	0.01	0.04	-0.01	0.00	0.10	-0.01	0.18*	0.12	0.12
Resource Inadequacy	0.00	0.13	0.11	-0.01	0.32*	0.01	-0.08	0.08	0.14	0.08	0.13	0.10	0.17*	0.18*	0.16*
Role Space	-0.01	0.12	0.13	0.09	0.30*	0.05	-0.01	0.06	0.06	0.05	0.16*	0.05	0.22*	0.20*	0.18*
Role Set	-0.02	0.10	0.04	0.01	0.25*	-0.01	-0.05	0.04	0.12	0.05	0.08	0.07	0.13	0.13	0.11
Role Stress	-0.02	0.11	0.08	0.04	0.29*	0.01	-0.04	0.05	0.10	0.05	0.12	0.06	0.17*	0.16*	0.14*

* p<0.05

Table 1 which depicts correlation results show that role inadequacy (-0.23) and Role Overload (-0.17) have a significant negative correlation with Integration. This implies that, when entrepreneurs are lacking in their role or have excesses in their role, their self role integration reduces. It also means that if their special strengths, skills and talents are underutilized, it may result in Role Reduction and Role Shrinkage, which may reduce their efficacy. To increase efficacy, they will have to use Role Slimming and Role Linkages. Correlation results show that Role Inadequacy (-0.20) and Role Overload (0.18) have a significant negative correlation with Pro-activity. This implies that, when pro-activity reduces, they do not respond to others' expectations nor take initiatives which may affect their efficacy negatively. This may result in Role Reduction and Role Shrinkage. To increase efficacy, they may use Role Slimming and Role Linkage. Inter Role Distance (0.34), Result Inadequacy (0.19), Role Isolation (0.17), Self Role Distance (0.23), Resource Inadequacy (0.32), Role Space (0.30), Role Set Stress (0.25), and Role Stress (0.29) have a significant positive correlation with Inter Role Linkage. This implies that the efficacy of the entrepreneur will increase and the entrepreneur will find solutions through joint efforts due to Role Integration, Role Negotiation, Role Development, Role

Enrichment and Resource Generation. Inter Role Distance (-0.15), Result Inadequacy (-0.21) and Role Overload (-0.20) have a significant negative correlation with Super ordination. This will lead to alienation of the entrepreneur with the outside world. For any entrepreneurial venture, it is important for the entrepreneur to have linkages with the outside world, work in collaboration and have a larger goal beyond his organization. Entrepreneur may face Role Partition, Role Elimination and Role Reduction. The entrepreneur can counter this with Role Slimming and Role Negotiation. Inter Role Distance has a significant positive correlation with Influence which implies that entrepreneur will be having more roles to play and hence will be more powerful and influential through Role Negotiation which in turn increases the efficacy. There exists a significant negative correlation between Role Inadequacy (-0.17) and Growth meaning that the person may feel inadequate to play the role which adversely affects her growth and it may lead to Stagnation and Role Shrinkage, which are bad for any entrepreneur. To counter this, the entrepreneur may attempt more Role Linkages. Challenge Stress (0.20), Role Overload (0.15) and Role Irrelevance (0.14) have a significantly positive correlation with Confrontation which implies that if a person faces increased role overload and challenge stress along with increased role irrelevance, she confronts the problem rather than avoid it, which leads to increased efficacy. Results show that Role Inadequacy (-0.16) and Role Overload (-0.15) have a significant negative correlation with Role Making which means that if an entrepreneur cannot design own role then it would result in a failure of entrepreneurship. This may result in Role Reduction and Role Shrinkage and the entrepreneur needs to focus on Role Slimming and Role Linkages. Role Space Stress (0.16) has a significant positive correlation with Role Making. This is contradictory to expectations as to how role making increases as Self Role Distance, Inter Role Distance and Role Stagnation increase. It is possible that the entrepreneurs are using these stresses to catapult themselves into a bigger role or as an opportunity to redefine their present roles.

Role Linking has a significant positive correlation with Inter Role Distance (0.17), Self Role Distance (0.18), Resource Inadequacy (0.17), Role Space Stress (0.22) and Role Stress (0.17). Maybe the entrepreneurs perceive these stresses as useful stresses and an opportunity to seek collaboration with others. Role overload (-0.18) has a significant negative correlation with Role Linking, which means that the demand of one's own entrepreneurial role is so much that it will not allow the person to link to the other roles outside her sphere wherein, the entrepreneur may either indulge in dysfunctional strategy of Role Reduction or functional strategy of Role Slimming to counter this. Inter role distance (0.14), Resource Inadequacy (0.18), Role Space Stress (0.20) and Role Stress (0.16) have a significant positive correlation with Role Efficacy Score. This is due to Role Integration and Role Linkage. Role Overload (0.14) has a significant negative correlation with Role Efficacy Score, implying that entrepreneurs are indulging in Role Reduction instead of Role Slimming. Resource Inadequacy (0.16), Role Space Stress (0.18) and Role Stress (0.14) have significant positive correlations with Role Efficacy Index. If this is not looked out by the entrepreneurs, it may lead to Role Atrophy.

Further, the data was subjected to Multiple Regression Analysis (MRA), wherein dimensions of both the variables of Entrepreneurial Role Stress (ERS) scale and Role Efficacy Scale (ERS) were treated as both independent variable (IV) and dependent variable (DV).

Table 2: MRA of RES, its Sub scales, its dimensions and ERS, its Sub scales and its dimensions

Dependent Variable	Independent Variable	Beta (significant)	T value	R2
Centrality	Self Role Distance	-0.14	-2.02*	0.020*
	Role Space Stress	-0.354	-3.11**	0.049**
	Role Set Stress	0.328	2.88**	0.049**
Integration	Role Inadequacy	0.22	-3.27***	0.051***
	Role Overload	-0.17	-2.55**	0.031**
	Role Irrelevance	-0.13	-1.98*	0.019*
	Self Role Distance	-0.25	-3.74***	0.066***
Pro-activity	Role Inadequacy	-0.19	-2.77***	0.037**
	Role Overload	-0.17	-2.57**	0.032
	Self Role Distance	-0.22	-3.19***	0.049**
Creativity	Challenge Stress	-0.16	-2.42**	0.02**
Inter Role Linkage	Inter Role Distance	0.342	5.13***	0.11***
	Result Inadequacy	0.190	2.72**	0.036**
	Role Isolation	0.186	2.66**	0.034**
	Resource Inadequacy	0.190	2.72**	0.036**
	Role Space Stress	0.391	3.46***	0.064***
Super-ordination	Inter Role Distance	-0.14	-2.058*	0.04*
	Result Inadequacy	-0.21	-3.44*	0.020*
	Role Overload	-0.19	-2.82**	0.038**
	Resource Inadequacy	-0.21	-3.04**	0.044**
	Role Set Stress	-0.24	-2.09*	0.033*
	Entrepreneurial Role Stress	-0.16	-2.30	0.026*
Influence	Inter Role Distance	0.16	2.32*	0.026*
Growth	Role Inadequacy	-0.16	-2.32*	0.026*
	Self Role Distance	-0.13	-1.98*	0.019*
Confrontation	Challenge Stress	0.202	2.89**	0.040**
	Role Overload	0.150	2.13*	0.022*
	Role Irrelevance	0.145	2.06*	0.021*

*p<0.05, **p<0.01, ***p<0.001

Firstly, MRA was done, taking all the dimension of RES as dependent variable and other nine dimensions of ERS as Independent variables., it can be inferred that 02% (R2: 0.020) of times Integration is explained by all the nine dimensions of ERS. Table 2 indicates that When Centrality dimension is a DV the beta weights of Self Role Distance(-0.14) is negative, which means that the more the entrepreneurs feel a distance between self and role, the less they are likely to feel central in their own enterprise. This may hamper the entrepreneurial role and is against the grain of entrepreneurship as entrepreneurs are the focal point in their own venture. Further, if Centrality is DV and subscales of ERS is IV then from Table 2 it can be inferred that 04% (R2: 0.049) of times Centrality is explained by the subscales of ERS. Further, the beta weights of Role Space Stress (-0.35) is negative, which means that the more the entrepreneurs feel a distance between self and role, the less they are likely to feel central in their own enterprise. This may hamper the entrepreneurial role. The Entrepreneurs need to do some introspection and integration of their self concept. Table 2 shows that the beta weights of Role Set Stress (0.32) is positive which means that the entrepreneurs use Role Set Stress to feel central in their own enterprise and it indicates that they are capable of handling their own and others' expectations.

Taking Integration as DV from the beta values, it can be inferred that among all nine variables Role Inadequacy with 05% ($R^2: 0.05$), Role Overload with 03% ($R^2: 0.03$), Role Irrelevance with 01% ($R^2: 0.01$), and Self Role Distance with 06% ($R^2: 0.06$), are explained by all the nine dimensions of ERS. The beta weight of Role Inadequacy (0.22) shows that the more the entrepreneurs face inadequacy, the more they are able to use their special skills and talents at their workplace, probably because when they become aware of their inadequacies, they capitalize on their strengths to increase their integration to increase efficacy. This is a positive step that the entrepreneurs take which will help them in defining their roles. Further, the beta weights of Role Overload (-0.17), Role Irrelevance (-0.13) and Self Role Distance (-0.25) are negative which means that the more the entrepreneurs have conflicting expectations or demands by different role senders and the more they feel that there are too many expectations from 'significant' others in their role set, the less they will be integrated and less they will be able to use their talents and special skills in their roles.

If Pro-activity dimension is DV, it can be inferred from the beta values that among all nine dimensions of ERS, Role Inadequacy (-0.19), Role Overload (-0.17) and Self Role Distance (-0.22) have negative beta weights. This means that, the more an entrepreneur has conflicting expectations and demands, the more she feels that there are too many expectations from 'significant' others and from the self. Therefore, the more time she spends in a particular role, the less proactive she will become. An entrepreneur may feel that her role is inadequate, sometimes overloaded and at times distant from own entrepreneurial role which works against the demand to be proactive in the entrepreneurial role and may result in missed opportunities. This might happen in cases when she is spending most of her time satisfying the conflicting demands and too many expectations of people and doing her routine work and is finding no time and peace of mind to initiate new activities.

Taking Creativity as DV, it can be inferred that 2% ($R^2: 0.02$) of times Creativity is explained by all the nine dimensions of ERS. The beta weights of Challenge Stress (-0.16) is negative, which means that the more an entrepreneur has challenge stress in terms of performance or because of her personal inability and inadequacy to perform her role effectively, the less she will be creative and less she will be able to introduce and implement innovative ideas at her workplace. The role of an entrepreneur has to be dynamic and responsive to the changes in the environment. The entrepreneur should make a special effort to nurture creativity and innovation and attempt to use these traits in dealing with the challenges that she encounters.

Further, taking Inter Role Linkage it can be inferred from the beta values that, Inter Role Distance (0.34) has positive beta value, which means the entrepreneur will seek linkages to resolve the incompatibilities between various roles. Result Inadequacy (0.19) has positive beta which means that the entrepreneur will seek linkages with others to resolve issues related to lack of results in her role. Role Isolation (0.18) has positive beta, which means that an entrepreneur will seek linkages if she feels isolated to increase her efficacy. It is also seen that, Resource Inadequacy (0.19) has positive beta weight which means, if an entrepreneur does not have proper and enough resources then she will seek cooperation and will try to find linkages with other roles, probably because sharing of resources will help her perform her role effectively. From Table 2, it can be inferred that 6% ($R^2: 0.064$) of times Inter Role Linkage is explained by the subscales of ERS. As is evident from Table 2, the beta weights of Role Space Stress (0.39) is positive which means that the entrepreneurs use Role Space Stress to increase Inter Role Linkage amongst self, entrepreneurial role and other roles that they occupy. This is a very positive sign in the evolution of entrepreneurial role.

In addition, taking dimension Super ordination as DV, it is evident from Table 2 that Inter Role Distance (-0.14), Result Inadequacy (-0.21), Role Overload (-0.19) and Resource Inadequacy (-

0.21). have negative beta weights. This means that if the situation is not adequate for the entrepreneur or when there is some ambiguity about what she is performing and the more she thinks that there are too many expectations from her role then, she will not feel super-ordinate, i.e., she will think that she is not able to serve a larger group of society. Further, from Table 2 Role Set Stress (-0.24) and Entrepreneurial Role Stress (-0.16) have negative beta weights, which means that if an entrepreneur has more of Role Set Stress and overall Role Stress then, she will not feel super-ordinate, i.e., she will think that she is not able to serve a larger group of society.

When Influence is considered as DV, it can be inferred that 2.6% (R²: 0.02) of times Inter Role Distance is explained by all the nine dimensions of ERS. It is also seen that Inter Role Distance (0.16) has positive beta weight which means the Entrepreneur feels that the more the role distance between her different roles, more is the influence she wields. Differentiating between various roles and maintaining them distinct by wearing the hat of the role she is playing at the moment may be helping the entrepreneur to use power in her role to her advantage. This is a good strategy for a new enterprise when the entrepreneur is getting acquainted in the entrepreneurial role; over a period of time, this may be a hindrance.

Further, taking Growth dimension as DV it is evident from Table 2 that Role Inadequacy (-0.16) and Self Role Distance (-0.13) have negative beta weight which means the more an entrepreneur feels that she is less demanding of self, feels alienated from her role, and feels distance between various roles that she performs, the less she will be able to grow and learn in her role.

Lastly, taking Confrontation as DV, it can be inferred that among all nine variables only from Table 2 that Challenge Stress has positive beta weight (0.202) which means that the more an entrepreneur feels Challenge Stress or feels that she is lacking in personal adequacy or abilities, the more she confronts and likes to resolve problems than to avoid the same. Role Overload (0.15) and Role Irrelevance (0.14) have positive beta weights which mean that entrepreneurs use overload in a positive manner to confront issues and increase their efficacy.

Therefore, hypothesis 3 which states that Role Space Stress and its Dimensions will influence Role Making, Role Centering, Role Linking and Role Efficacy and hypothesis 4 which states that Role Set Stress and its Dimensions will influence Role Making, Role Centering, Role Linking and Role Efficacy are partially sustained.

Table 3: Results of MRA between Sub Scale of RES and Dimensions of ERS

Dependent Variable	Independent Variable	Beta (significant)	T value	R ²
Role Making	Role Inadequacy	-0.15	-2.20*	0.023*
	Role Overload	-0.15	-2.13*	0.022*
	Self Role Distance	-0.17	-2.41**	0.028**
Role Linking	Inter Role Distance	0.173	2.47*	0.03**
	Role Overload	-0.18	-2.64**	0.03**
	Role Space Stress	0.37	3.31***	0.053**
	Role Set Stress	-0.33	-2.92**	0.053**

*p<0.05, **p<0.01, ***p<0.001

MRA was done, taking Role Making (Sub scale of RES) as DV and all nine dimensions of Role Stress as IV. It can be inferred from the beta values given in Table 3 that, Role Inadequacy (-0.15), Role Overload (-0.15) and Self Role Distance (-0.17) have negative beta weights which suggests that the more an entrepreneur feels stressed out due to Role Inadequacy or conflicting expectations that various roles have from her and the more an entrepreneur feels stressed out

because of too many expectations and the more the distance between various role she straddles, the less she will be able to make or define her role; rather, she will be in the mode of Role Taking.

MRA is done, taking Role Linking (Sub scale of RES) as DV and all nine dimensions of ERS as IV. From Table 3, it can be inferred from the beta values that, Inter Role Distance (0.17) has positive Beta weight which suggests that the more an entrepreneur feels stressed out due to various roles she performs in her Role Space Set, the more she will be able to find linkages with other roles. This is a very positive outcome of this finding. This suggests that when women entrepreneurs feel conflicts between various roles they perform, they negotiate with those roles through Role Linkages. It is also seen that Role Overload (-0.18) has negative beta weight which suggests that when an entrepreneur has too many expectations from various roles the less she will be willing to link her role with others to solve the problems jointly, less she will be able to help and seek help from others and the less she will feel that she is serving a large group of society.

MRA is done, taking Role Linking (Sub scale of RES) as DV and the Sub scales of ERS (Role Space Stress and Role Set Stress) as IV. From Table 3, it can be inferred that 5.3% (R2: 0.053) of times Role Linking is explained by the Sub scales of Role Stress. However, from the positive beta values of Role Space Stress (0.37), it can be inferred that the more an entrepreneur feels stressed out due to her role space set the more she will be able to find links with other roles and attempt to resolve role space stress. Sub scale Role Set Stress (-0.33) has a negative beta value which means that if an entrepreneur feels stressed from within the varying demands of self and significant others from her roles she will avoid linkages with other roles.

Therefore, hypothesis 3 Role Space Stress and its Dimensions will positively influence Role Making, Role Centering, Role Linking and Role Efficacy and hypotheses 4 Role Set Stress and its Dimensions will positively influence Role Making, Role Centering, Role Linking and Role Efficacy are partially sustained.

Table 4: Results of MRA between RES and Dimensions of ERS

Dependent Variable	Independent Variable	Beta (significant)	t value	R2
RES	Inter Role Distance	0.149	2.13*	0.022*
	Role Overload	-0.14	-2.04*	0.020*
Role Efficacy Index	Role Inadequacy	0.19	-2.74**	0.036**
	Role Overload	-0.25	-3.64***	0.063***
	Self Role Distance	-0.19	-2.79**	0.038**

*p<0.05, **p<0.01, ***p<0.001

MRA is done, taking RES as DV and all other dimensions of ERS as IV. From the above table, it can be inferred that 2.2% (R2: 0.022) of times Role Efficacy is explained by all the nine dimensions of ERS. The sign of the beta Inter Role Distance (0.14) is positive which indicates that women entrepreneur feels that the distance between the various roles that she straddles may hamper her potential effectiveness. Therefore, it is imperative that the entrepreneurs resolve issues impacting self, entrepreneurial role and other roles to gain clarity and integration which will enhance efficacy. The sign of the beta for Role Overload (-0.14) is negative, as if a women entrepreneur feels that the loadings on her various roles foster potential effectiveness. This is a positive sign where the stress enhances the efficacy of the entrepreneur.

MRA is done, taking Role Efficacy Index as DV and all nine dimensions of ERS as IV. From Table 4 it can be inferred that 3.6% (R2: 0.036) of times Role Efficacy Index is explained by all

the nine dimensions of Role stress. The sign of the beta value of Role Inadequacy (0.19) is positive which indicates that women entrepreneur feels that the limitations of her role may hamper her potential effectiveness.

From Table 4, it can be inferred that 6.3% (R²: 0.63) of times Role Efficacy Index is explained by all the nine dimensions of Role stress. The sign of the beta for Role Overload (-0.25) and Self Role Distance (-0.19) is negative, which indicates that women entrepreneurs feel that the loadings on their role and the distance from their role foster potential effectiveness. This is a positive sign where the stress enhances the efficacy of the entrepreneur.

Therefore, hypothesis 1 which states that Role Stress will influence Role Efficacy is partially valid because some dimensions of RS impact some dimensions of REI as is evident from the results of Table 4. These findings are consistent with that of Sen (1982), Surti (1983), Sharma and Sharma (1983), Das (1984), Ford Jr. and David (1985), Sayeed (1985), Jex and Gudanowski (1992), King and Sethi (1998), Pestonjee and Mishra (1998), Swanson and Power (2001), Tidd and Friedman (2002), and Stamper, et al., (2003).

Table 5: MRA of Level of REI and ERS, its Sub scales and its dimensions

Dependent Variable	Independent Variable	Beta (significant)	t value	R ²
High Efficacy	Role Overload	0.39	2.92**	0.15
Low Efficacy	Self Role Distance	0.20	2.08*	0.043

*p<0.05, **p<0.01, ***p<0.001

MRA is done, taking High Efficacy as DV and all nine dimensions of Stress as IV. From the above table, it can be inferred that 15% (R²: 0.15) of times Role Overload is explained by all the ten dimensions of Efficacy. This suggests that under role overload stress, high efficacy may be a useful tool to deal with stressors. MRA is done, taking Low Efficacy as dependent variable and all nine dimensions of Stress as Independent variables. From Table 5, it can be inferred that 4% (R²: 0.043) of times Self Role Distance is explained by all the nine dimensions of Stress. However, from the beta values, it can be inferred that among all nine variables only Self Role Distance ($\beta = 0.29$, $p < 0.05$) of Stress significantly affects Low Efficacy. When entrepreneurs perceive more distance between self and entrepreneurial role their efficacy is low which is but natural as identification with entrepreneurial role is limited.

Therefore, hypothesis 1 which states that Role Stress will influence Role Efficacy is partially valid because some dimensions of RS impact some dimensions of REI.

Table 6: MRA of ERS, Sub scales, dimensions and RES, Sub scales, dimensions

Dependent Variable	Independent Variable	Beta (significant)	t value	R ²
Inter Role Distance.	Inter Role Linking	0.342	5.13***	0.117***
	Super-ordination	-0.144	-2.05*	0.020*
	Influence	0.163	2.32*	0.026*
	Role Linking	0.177	2.47**	0.030**
Role Inadequacy.	RES	0.149	2.13*	0.022*
	Integration	-0.226	-3.27***	0.051***
	Pro-activity	-0.193	-2.77**	0.8037**
	Growth	-0.162	-2.32*	0.026*.
	Role Making	-0.15	-2.20*	0.025*

	Integration	-0.226	-3.27***	0.051***
	Growth	-0.162	-2.32*	0.026*
	Role Making	-0.15	-2.20*	0.025*
Result Inadequacy.	Inter Role Linking	0.190	2.72**	0.036**
	Super-ordination	-0.211	-3.04**	0.044**
Challenge Stress.	Creativity	-0.169	-2.42**	0.028**
	Confrontation	0.20	2.89**	0.040**
Role Overload	Integration	-0.17	2.55*	0.031**
	Pro-activity	-0.17	-2.57**	0.032**
	Super-ordination	-0.196	-2.82**	0.038**
	Confrontation	0.150	2.13*	0.022*
	Role Making	-0.150	-2.13*	0.022*
	Role Linking	-0.184	-2.64**	0.034**
	RES	-0.144	-2.04*	0.020*
Role Isolation.	Inter Role Linking	0.186	2.66**	0.034*
Role Irrelevance.	Integration	-0.139	-1.98*	0.019*
	Confrontation	0.145	2.06*	0.021*
Self Role Distance	Centrality	-0.142	-2.02*	0.020*
	Integration	-0.257	-3.74***	0.066***
	Pro-activity	-0.221	-3.19***	0.049***
	Growth	-0.139	-1.98*	0.019*
	Role Making	-0.169	-2.41**	0.028**
Resource Inadequacy	Inter Role Linking	0.190	2.72**	0.036**
	Super-ordination	-0.211	-3.04**	0.044**

*p<0.05, **p<0.01, ***p<0.001

MRA was done, with all the dimension of ERS as dependent variable and dimensions and Subscales of RES as Independent variables. When Inter Role Distance is a DV it can be inferred that 11% (R2: 0.117) of times Inter Role linking; 2% (R2: 0.020) of times Super-ordination; 2% (R2: 0.026) of times Influence; is explained by all the ten dimensions of RES. Table 6 shows that the beta weights of Inter Role Linking (0.34) and Influence (0.16) are positive, which means that the more the entrepreneurs feel that they have linkages with other roles and have the power to influence other roles, the less they are likely to experience Inter Role Distance within their own roles. This is a very positive sign and may result in reducing Inter Role Distance stress. It is evident from the above table that the beta weight of Super-ordination (-0.14) is negative, which means that the more the entrepreneurs feel super-ordinate, the more they are likely to experience Inter Role Distance within their own roles. This may hamper the entrepreneurial role and increase Inter Role Distance stress. From Table 6, it can be inferred that 3% (R2: 0.3) of times Role Linking and 2% (R2: 0.22) of times Role Efficacy is explained by all the ten dimensions of RES. The beta weights of Role Linking (0.34) and Role Efficacy (0.14) are positive, which means that the more the entrepreneurs feel they have linkages with other roles and have efficacy, the less they are likely to experience Inter Role Distance within their own roles. This is a very positive sign and may result in reducing Inter Role Distance stress.

Taking Role Inadequacy as DV, it can be inferred that 5% (R2: 0.051) of times Integration, 80% (R2: 0.80) of times Pro-activity, and 2% (R2: 0.026) of times Growth is explained by all the ten dimensions of RES. The beta weights of Integration(-0.22), Pro-activity (-0.19) and Growth (-0.16) are negative, which means that the less the entrepreneurs feel integrated, the less they are proactive; and the less they are growth oriented, the more they are likely to experience Role Inadequacy within their own roles. This may hamper the entrepreneurial role and increase Role Inadequacy stress. Further, it can be inferred that 2% (R2: 0.25) of times Role Making is

explained by all the ten dimensions of RES. However, from the beta values, it can be inferred that among all ten variables, Role Making ($\beta = 0.15$, $p < 0.05$) affect Role Inadequacy significantly. As can be seen in Table 6, the beta weights of Role Making (-0.15) is negative, which means that the more the entrepreneurs feel limited in designing and contributing actively to their entrepreneurial role, the more they are likely to experience Role Inadequacy within their own role. They may be forced in the direction of Role Taking. This is a very negative sign and against the entrepreneurial nature and may result in increase in Role Inadequacy stress.

If Result Inadequacy is a DV, it can be inferred that 3% (R2: 0.036) of times Inter Role linking and 4% (R2: 0.044) of times Super-ordination is explained by all the ten dimensions of RES. The beta weight of Inter Role Linking (0.19) is positive, which means that the more the entrepreneurs feel they have linkages with other roles, the less they are likely to experience Result Inadequacy because they may leverage on these linkages to attain the desired outcomes. This is a very positive sign and may result in reduced Result Inadequacy stress. In Table 6, the beta weight of Super-ordination (-0.211) is negative, which means that the more the entrepreneurs feel super-ordinate, the more they are likely to experience Result Inadequacy within their own roles. The entrepreneurs may perceive that if they are super-ordinate and are more focused on the society at large, they may lose focus on their own business. This may be so because the enterprise may not have reached a maturity level. This may hamper the entrepreneurial role and increase Result Inadequacy stress.

Taking Challenge Stress as DV, it can be inferred that 2% (R2: 0.028) of times Creativity and 4% (R2: 0.040) of times Confrontation is explained by all the ten dimensions of RES. The beta weight of Confrontation (0.20) is positive, which means that the more the entrepreneurs feel they confront problems, the less they are likely to experience Challenge Stress. This is a very positive sign as entrepreneurs approach problems in a positive way and deal with them head on and may result in reducing Challenge Stress. As given in Table 6, the beta weight of Creativity (-0.16) is negative, which means that the more the entrepreneurs feel creative, the more they are likely to experience Challenge Stress within their own roles. This may hamper the entrepreneurial role and increase Challenge Stress. This is an unexpected finding because entrepreneurs by their very nature are creative and innovative and ideally should be able to use this trait to deal with the challenges in their roles. Maybe the entrepreneurs are so full of novel ideas that at times they feel overwhelmed because they perceive that they do not have enough knowledge, skills, personality, disposition or training to undertake a role effectively. Also, if they have not had the time to prepare for the assigned role, they may experience stress.

When MRA was done, taking Role Overload as DV, it can be inferred that 3% (R2: 0.031) of times Integration, 3% (R2: 0.032) of times Pro-activity, 3% (R2: 0.038) of times Super-ordination, and 2% (R2: 0.022) of times Confrontation are explained by all the ten dimensions of RES. As the beta weights given in Table 6 for Integration (-0.17), Pro-activity (-0.17) and Super-ordination (-0.19) are negative, which means that the less the entrepreneurs feel integrated, the less they are proactive and the less they are Super-ordinate the more they are likely to experience Role Overload within their own roles. This may hamper the entrepreneurial role and increase Role Overload stress. From the above table it is seen that the beta weight of Confrontation (0.15) is positive, which means that the more the entrepreneurs feel they confront problems, the less they are likely to experience Role Overload Stress. This is a very positive sign as entrepreneurs approach problems in a positive way and deal with them head on and may result in reducing Role Overload Stress.

Further, from Table 6 it can be inferred that 2% (R2: 0.022) of times Role Making, 3% (R2: 0.034) of times Role Linking, and 2% (R2: 0.020) of times Role Efficacy are explained by all the ten dimensions of RES. The beta weights of Role Making (-0.15), Role Linking (-0.18) and Role Efficacy (-0.14) are negative, which means that the less the entrepreneurs feel they have scope

for making their role, have limited linkages with other roles and have less efficacy, the more they are likely to experience role Overload within their own roles. This is a very negative sign and may result in increasing Role Overload Stress. This may be the result of entrepreneur attempting to do everything personally and getting overwhelmed in the process. Entrepreneurs will experience more of Role Taking and Role Shrinking in the long run which may be detrimental to entrepreneurial activity.

In addition, it can be inferred that 3% (R²: 0.034) of times Role Isolation is explained by all the ten dimensions of RES. The beta weights of Inter Role Linking (0.18) is positive, which means that the more the entrepreneurs feel they have scope for linkages with other roles, the less they are likely to experience Role Isolation within their own role. This is a very positive sign and may result in reducing Role Isolation Stress. This may be the result of entrepreneurs attempting Role Linkages which in the long run may be an asset to entrepreneurial activity.

When Role Irrelevance is considered as a DV, it can be inferred that 1% (R²: 0.019) of times Integration, and 2% (R²: 0.021) of times Confrontation are explained by all the ten dimensions of RES. From the table the beta weight of Integration (-0.13) is negative, which means that the less the entrepreneurs feel integrated, the more they are likely to experience Role irrelevance within their own role. This may hamper the entrepreneurial role and increase Role Irrelevance stress. The beta weight of Confrontation (0.14) given in Table 6 is positive, which means that the more the entrepreneurs feel they confront problems, the less they are likely to experience Role Irrelevance Stress. This is a very positive sign as entrepreneurs approach problems in a positive way and deal with them head on and may result in reducing Role Irrelevance Stress.

Taking Self Role Distance as a DV, it can be inferred that 2% (R²: 0.020) of times Centrality, 6% (R²: 0.066) of times Integration, 4% (R²: 0.049) of times Pro-activity, and 1% (R²: 0.019) of times Growth are explained by all the ten dimensions of RES. The beta weights of Centrality (-0.14), Integration (-0.25), Pro-activity (-0.22) and Growth (-0.13) are negative, which means that the less the entrepreneurs feel Integrated, the less they are Proactive and the less they are Growth oriented, the more they are likely to experience Self Role Distance within their own roles. This may hamper the entrepreneurial role and increase Self Role Distance stress. The entrepreneurs over time may feel alienated from their entrepreneurial role which may lead to role atrophy.

Further from Table 6, it can be inferred that 2% (R²: 0.028) of times Role Making is explained by all the ten dimensions of RES. The beta weight of Role Making (-0.16) is negative, which means that the less the entrepreneurs feel they have scope for making their role the more they are likely to experience Self Role Distance within their own roles. This is a very negative sign and may result in increasing Self Role Distance Stress. This may be the result of entrepreneur attempting to do everything personally and getting overwhelmed in the process. Entrepreneurs are likely to experience more of alienation in the long run which may be detrimental to entrepreneurial activity.

When Resource Inadequacy is a DV, it can be inferred that 3% (R²: 0.036) of times Inter Role linking and 4% (R²: 0.044) of times Super-ordination are explained by all the ten dimensions of RES. The beta weight of Inter Role Linking (0.19) is positive, which means that the more the entrepreneurs feel they have linkages with other roles, the less they are likely to experience Resource Inadequacy because they may leverage on these linkages to attain the desired resources to realize their outcomes. This is a very positive sign and may result in reducing Resource Inadequacy stress. As can be seen from Table 6, the beta weight of Super-ordination (-0.21) is negative. This means that, the more the entrepreneurs feel super-ordinate, the more they are likely to experience Resource Inadequacy within their own roles. The entrepreneurs may perceive that, if they are super-ordinate and are more focused on the society at large; they

may lose focus on their own business. This may be so because the enterprise may not have reached a maturity level. This may hamper the entrepreneurial role and increase Resource Inadequacy stress.

Therefore, hypotheses 2 which states that Role Efficacy will positively influence Role Stress, hypotheses 5 which states that Role Making and its Dimensions will positively influence Role Space Stress and Role Set Stress., hypotheses 6 which states that Role Centering and its Dimensions will positively influence Role Space Stress and Role Set Stress., and hypotheses 7 which states that Role Linking and its Dimensions will positively influence Role Space Stress and Role Set Stress, are partially sustained.

Table 7: Results of MRA between Role Space Stress and Dimensions of RES

Dependent Variable	Independent Variable	Beta (significant)	t value	R2
Role Space Stress.	Integration	-0.148	-2.10*	0.021*
	Inter Role Linking	0.215	3.09**	0.046**
	Role Linking	0.164	2.09*	0.024*
Role Set Stress.	Super-ordination	-0.177	-2.53**	0.031**

*p<0.05, **p<0.01, ***p<0.001

MRA was done, taking Role Space Stress (subscale of ERS) as DV and dimensions and subscales of RES as IV. From the above table, it can be inferred that 2% (R2: 0.021) of times Integration, and 4% (R2: 0.036) of times Inter Role Linking are explained by all the ten dimensions of RES. In Table 7, the beta weight of Integration is found to be negative, which means that the less the entrepreneurs feel integrated, the more they are likely to experience Role Space Stress within their own roles. This may hamper the entrepreneurial role and increase Role Space stress. As is evident from Table 7, the beta weight of Inter Role Linking (0.21) is positive, which means that the more the entrepreneurs feel they find linkages with other roles, the less they are likely to experience Role Space Stress. This is a very positive sign as entrepreneurs approach linkages with others within the enterprise in a positive way which may result in reducing Role Space Stress. From Table 7 it can be inferred that 2% (R2: 0.024) of times Role Linking is explained by all the three subscales of RES. The beta weight of Role Linking (0.16) is positive, which means that the more the entrepreneurs feel they have linkages with other roles the more they are likely to experience Role Space Stress within their own roles. This is a very positive sign and may result in decreasing Role Space Stress. This may be the result of entrepreneur getting confused about their own self concept, own entrepreneurial role and other roles that they play in the long run and seeking help from others through role linkages which may result in Role Clarity.

MRA is done, taking Role Set Stress (subscale of ERS) as DV and dimensions of RES as IV. From Table 7, it can be inferred that 3% (R2: 0.031) of times Super-ordination is explained by all the ten dimensions of RES. The beta weight of Super-ordination (-0.17) is negative, which means that the less the entrepreneurs feel they are Super-ordinate, the more they are likely to experience Role Set Stress within their own roles. This may hamper the entrepreneurial role and increase Role Set stress as they will be preoccupied with meeting demands from significant others in their own enterprise.

Therefore, hypotheses 5, 6, and 7 which state that Role Making as also Role Centering and Role Linking and their Dimensions will influence Role Space Stress and Role Set Stress) are partially sustained because some dimensions of RES impact some dimensions of RS as is evident from the results of Table 7.

Table 8: MRA of levels of ERS and RES, Sub scales and dimensions

Dependent Variable	Independent Variable.	Beta (significant)	t value	R2
High Stress	Centrality	0.44	2.89**	0.57
	Inter Role Linkages	0.34	2.22*	0.57
	Helping Relationship	0.36	3.23**	0.57
	Super-ordination	0.28	2.52**	0.57
	Influence	0.30	2.69**	0.57
	Confrontation	0.36	3.00**	0.57
	Role Making	0.31	2.01*	0.09
	Role Efficacy	11.04	2.20*	0.13
Low Stress	Inter Role Linkage	0.38	3.28***	0.33
	Super Ordination	0.30	-3.27***	0.33
	Confrontation	0.24	2.53**	0.33
	Role Efficacy	7.58	2.29*	0.05

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

MRA was done, taking High Stress as DV and all ten dimensions of Efficacy as IV. From Table 8, it can be inferred that 60% (R2: 0.57) of times Centrality, Inter Role Linkages, Helping Relationship, Super-ordination, Influence and Confrontation, 9% (R2: 0.09) of times Role Making and 13% (R2: 0.13) of times Role Efficacy is explained by all the nine dimensions of Stress. However, from the beta values, it can be inferred that among all ten variables only Centrality ($\beta = 0.44$, $p < 0.01$), Inter Role Linkages ($\beta = 0.34$, $p < 0.05$), Helping Relationship ($\beta = 0.36$, $p < 0.01$), Super-ordination ($\beta = 0.28$, $p < 0.01$), Influence ($\beta = 0.30$, $p < 0.01$), and Confrontation ($\beta = 0.36$, $p < 0.01$), Role Making ($\beta = 0.31$, $p < 0.05$), and Role Efficacy ($\beta = 11.04$, $p < 0.05$), of coping significantly affect High Stress. This is the most significant finding of this study as it suggests that under high stress centrality, inter role linkages, helping relationship, super-ordination, influence, confrontation all aspects of efficacy are used by entrepreneurs to deal with high role stress and resolve it. Role making strategy is also found useful in dealing with high role stress. Overall role efficacy is also found useful in dealing with role stress. Therefore, increasing all aspects of role efficacy seems to be the solution to deal with role stress. MRA is done, taking Low Stress as dependent variable and all ten dimensions of Efficacy as Independent variables. Looking at Table 8, it can be inferred that 33% (R2: 0.33) of times Inter Role Linkages, Super-ordination and Confrontation, 5% (R2: 0.05) of times Role Efficacy is explained by all the nine dimensions of Stress. However, from the beta values, it can be seen that among all ten variables only Inter Role Linkages ($\beta = 0.38$, $p < 0.001$), Super-ordination ($\beta = 0.30$, $p < 0.001$), Confrontation ($\beta = 0.24$, $p < 0.01$), and Role Efficacy ($\beta = 7.58$, $p < 0.05$), of coping significantly affect Low Stress. Even under low role stress entrepreneurs attempt to resolve it by using inter role linkages, super-ordination, confrontation and overall efficacy. The solution to dealing with role stress seems to be in role efficacy.

Therefore, hypothesis 2 which states that Role Efficacy will influence Role Stress is partially sustained because some dimensions of RES impact levels some dimensions and subscales of RS.

Conclusions

On examining the relationship between Role Stress and Role Efficacy among women entrepreneurs it was found that there exists a reciprocal relationship, between Self Role Distance Stress and Integration; Role Inadequacy Stress, Role Overload Stress, Self Role

Distance Stress and Pro-activity; Challenge Stress; Role Stress and Creativity; Inter Role Distance Stress, Result Inadequacy Stress, Role Isolation Stress, Resource inadequacy Stress, Role Space Stress and Inter Role Linkage; Inter Role Distance Stress, Result Inadequacy Stress, Role Overload Stress, Resource Inadequacy Stress, Role Set Stress, Role Stress and Super ordination; Inter Role Distance Stress and Influence; Role Inadequacy Stress, Self Role Distance Stress and Growth; Challenge Stress, Role Overload Stress, Role Irrelevance Stress and Confrontation, Role Irrelevance Stress, Role Overload Stress, Self Role Distance Stress and Role Making; Inter Role Distance Stress, Role Overload Stress, Role Space Stress, Role Set Stress and Role Linking; Inter Role Distance Stress, Role Overload Stress, Role Inadequacy Stress, Self Role Distance Stress and Role Efficacy; Role Space Stress and Role Set Stress leads to Centrality. Therefore it appears that women entrepreneurs use Role Stress to increase their Role Efficacy and Role Efficacy leads to optimization of Role Stress. These are examples of how Role Stress is useful stress and leads to entrepreneurs recognizing and realizing their potential capability.

Further Growth, Role Making result in Self Role Distance Stress which is positive wherein the role incumbent has taken charge of designing own role.; Inter Role Linking and Super-ordination lead to Resource Inadequacy this is an expected outcome wherein the demands are more than the available resources and the entrepreneur needs to rationalize/prioritize or face the consequence of overextending self and result in distress ; Integration and Inter Role Linking may also contribute to Role Space Stress the entrepreneur is evolving in the role by redesigning it consciously to changing reality which is an positive indicator. Role Overload Stress leads to high Role Efficacy the perception of overload is opportunity rather than unwanted demands which is positive for achievement; while Self Role Distance Stress leads to low Role Efficacy wherein the entrepreneur feels alienated. Centrality, Inter Role Linking, Helping Relationship, Super ordination, Influence, Confrontation, Role Making and Role Efficacy leads to high Role Stress which means that the Role Stress experienced under conditions of potential effectiveness is useful Role Stress but is intimidating because at times the networking may be too demanding on time and other resources wherein there might be fear of neglecting primary role. Inter Role Linkage, Super ordination, Confrontation and Role Efficacy may lead to Low Role Stress therefore the factors of efficacy help in alleviating role stress because the connect with outside agencies result in the entrepreneur feeling of comfort that help is available.

There are a few implications of this study. Entrepreneurs use Inter Role Linking and Confrontation Dimension of Role Efficacy to optimize the impact of stressors like Inter Role Distance, Result Inadequacy, Role Isolation, Resource Inadequacy Role Space Stress, Challenge Stress, Role Overload, Role irrelevance; this indicates that these types of Role Stress can be eustress. Some dimensions of Role Stress can lead to distress. Role Efficacy is an important means to optimize impact of Role Stressors in a positive manner .Therefore, it would augment well for the entrepreneur to learn methods to increase role efficacy which will help them in perceiving Role Stress as an opportunity rather than a threat and preempt coping with role stress. Role Efficacy will be enhanced and the perception of the entrepreneurial role would be in terms of opportunities rather than as threat. Additionally, the entrepreneurs will perceive the self as a strength which can deal with all the challenges associated with the entrepreneurial role and work towards minimizing the impact of weaknesses.

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Optimizing Human Capital and Entrepreneurship: a Case Study of Nigerian Women

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Abstract

Human resource development in any nation embraces both the men and the women counterparts. Neglect of women in the development process constitutes a great deal of human waste. Studies have shown the gross underestimation and under-utilisation of the tremendous socio-economic potentials of Nigerian women towards the overall national economy development. Such neglect cum discrimination impacts negatively on economic, social and political well-being of the nation.

This study critically examines the causes, consequences and the cure of such factors militating against the active involvement of women entrepreneurship in Nigeria. The study was undertaken in Osun State, Nigeria. The subjects of the study were drawn from female graduates of various Nigerian Universities battling with economic survival, using cluster strata sampling method. Both primary and secondary data were used. A total of one hundred (100) respondents were interviewed with the use of questionnaire survey and structured interview. Descriptive analysis method was employed.

Special attention was on recognition, access, participation, control and reward. The result showed that as the best and unutilized brains are found at the graveyards, unutilized business growth potentials in women are concealed by gender marginalization. Recognition of women for distinguished entrepreneurship was low. Access to critical resources like education, land, services, and credit was low; however, access to personal initiatives and skill was high and are therefore confined to micro-enterprises. Control is low as women are traditionally rated as subordinate to men regardless of their educational or professional status. The study showed inexhaustible socio-economic reasons why women should be encouraged to demonstrate their entrepreneurial prowess. The Federal Government of Nigeria should lighten the ordeal surrounding women's access to credit and financing their enterprises by providing training courses, networking opportunities, access to credit and raw materials.

Key Words: Women, Entrepreneur, Capital, Nigeria

1. Introduction

In most cases, the first step taken when dealing with any concept is the definition of that concept. But in the case of entrepreneurship this appears a difficult task as various authors keep giving differing definitions. Over time, “some writers have identified entrepreneurship with the function of uncertainty-bearing, others with the coordination of productive resources, others with the introduction of innovation, and still others with the provision of capital” (Hoselitz, 1952). Even though certain themes continually resurface throughout the history of entrepreneurship theory, presently there is no single definition of entrepreneurship that is accepted by all economists or that is applicable in every economy (Burnett, 2000).

An entrepreneur could be described as an ambitious business leader who combines land, labour and capital to create and market new goods or services for profit making. He/she could also be described as a person who has decided to take control of his/her future by becoming self employed through the creation of is/her own unique business. The key issues in entrepreneurship are creativity, initiative and ambition for growth and development of one’s owned business.

At present, out of the 149,229,090 population of Nigeria, of which the percentage of those that fall within the age range of 15-65 accounts for 55.5% of the entire population, the number of female stands as 40,566,672. This active female population is in ratio of 1: 1.04 to men within the same age bracket. The current trend in population growth with the growing rate of female to male necessitates that the government of Nigeria takes a drastic step in ensuring the productivity of the female towards the growth and development of the nation.

In many developed countries of the world, a potential female entrepreneur can get business support through networks dedicated for that purpose and benefit from peer-led mentoring relationships. Over the last decades, there has been tremendous transformation in the business landscape of many African countries in term of expansion, progressive involvement of men and increasingly women venturing into more challenging areas of economic activities.

Entrepreneurship is often overlooked in development economics due to its elusive nature; it is a necessary ingredient for stimulating growth Burnett (2000). Although, the representation of female entrepreneurs in the informal sector is higher than that of male entrepreneurs in Nigeria, their participation is however underestimated and overlooked (Berger and Byvinie, 1989). Such under-estimation and neglect is inimical to national economic contributions and productivity. To achieve successful economic development, Gillis (1996) argued that a country must experience both economic growth and fundamental changes in the structure of its economy. These transformations are orchestrated by the entrepreneurs who create new channels for economic activity and employment (Burnett, 2000).

In the face of the current economic meltdown with its indescribable and unimaginable depression coupled with the resultant effects on virtually all sectors of the economy, it is expedient and imperative for each country to optimize her human capital (being the most important and valuable resource capable of manipulating all other resources for the advancement of the nation.

The objectives of this study are to highlight the great under-estimated socio-economic potentials of female entrepreneurs; to investigate the constraints of women entrepreneurs; to analyse the factors motivating women into entrepreneurship and to examine the importance of the economic contributions of women with relevant education and training toward national growth and development. In addition to this introductory section, the paper contains five other sections. Section two examines the conceptual framework and literature review, while section three deals

with the method of analysis. Section four presents results and discussion, while section five deals with implications of the study. The last section contains the conclusion and recommendations.

2. Conceptual Framework and Literature Review

2.1 Concepts of Entrepreneurship

Foss and Klein (2004) present a plausible outline of the concepts of entrepreneurship. A summary of their outline is presented below.

Entrepreneurship as management: The phenomenon of entrepreneurship has often been seen as “small-business management” in the curriculum of many business schools. Entrepreneurs are pictured as the managers of small, family-owned businesses or start-up companies.

Entrepreneurship as imagination or creativity: It is common, particularly within the management literature, to associate entrepreneurship with boldness, daring, imagination, or creativity. These accounts emphasize the personal, psychological characteristics of the entrepreneur. Entrepreneurship, in this conception, is not a necessary component of all human decision-making, but a specialized activity that some individuals are particularly well equipped to perform.

Entrepreneurship as innovation: The best known concept of entrepreneurship in economics, as earlier said, is probably Joseph Schumpeter’s idea of the entrepreneur as innovator, who introduces “new combinations” shaking the economy out of its previous equilibrium through a process Schumpeter termed “creative destruction.”

Entrepreneurship as alertness or discovery: Entrepreneurship can also be conceived as “alertness” to profit opportunities. The source of entrepreneurial profit is superior foresight – the discovery of something unknown to other market participants.

Entrepreneurship as charismatic leadership: Another strand of literature, incorporating insights from economics, psychology, and sociology associates entrepreneurship with charismatic leadership. Entrepreneurs, in this view, specialize in communication – the ability to articulate a plan, a set of rules, or a broader vision, and impose it on others. Such entrepreneurs are also typically optimistic, self-confident, and enthusiastic (though it is not clear whether these are necessary conditions).

Entrepreneurship as judgment: Entrepreneurship consists of judgmental decision-making under conditions of uncertainty. Judgment refers primarily to business decision-making when the range of possible future outcomes, let alone the likelihood of individual outcomes, is generally unknown. Judgment is different from boldness, innovation, alertness, and leadership. While alertness tends to be passive, judgment is active, and it is exercised even in mundane circumstances, for ongoing operations as well as new ventures.

2.2 Theoretical Framework and Literature Review

Human capital theory posits that the development of skills is an important factor in production activities. It focuses on the knowledge and skill sets that human has rather than their capacity to perform basic labour tasks. It rests on the assumption that formal education is highly instrumental and even necessary to improve the production capacity of a population Sakamoto

and Powers (1995). Psacharopoulos and Woodhall (1997) emphatically declared that human resources constitute the ultimate basis of wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agencies who accumulate capital, exploit natural resources, build social, economic and political organization and carry forward national development.

Odekunle (2001) asserts that investment in human capital has positive effects on the supply of entrepreneurial activity and technological innovation. The countries that are at the forefront of technology also have the most educated population (Van-Den-Berg 2001).

Economists regard education as both consumer and capital good because it offers utility to a consumer and also serves as an input into the production of other goods and services. As a capital good, education can be used to develop the human resources necessary for economic and social transformation. The focus on education as a capital good relates to the concept of human capital, which emphasizes that the development of skills is an important factor in production activities Olaniyan and Okemakinde (2008) The duo argued further that positive social change is likely to be associated with the production of qualitative citizenry.

The adoption of Human Capital theory is precipitated on its major problems which are true reflection of the Nigerian situation. The problems include its non accountability for the gap between people's increasing learning efforts and knowledge base and the diminishing number of commensurate jobs to apply their increasing knowledge investment especially in developing nations. Babalola (2003) expresses concern on maintenance of equilibrium position as excess supply of educated people might create unemployment and thus limit economic growth and development.

Schumpeter's (1911) aimed at investigating the dynamics behind empirically observable economic change. He called the explanatory element innovations and the economic agent to bring along innovations he called the entrepreneur. In *The Theory of Economic Development* (1911), Schumpeter outlines a theory of endogenous change in which the entrepreneur, the underlying force in economic development, breaks away from the path of routine. According to Schumpeter, under constant conditions consumers' and producers' goods of the same kind and quantity would be produced and consumed in each successive period, with people abiding by their previous experience and following established methods in familiar ways. Schumpeter then questions what would happen if change occurs, disturbing the smooth flow of economic life. Thus, it is the spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previously existing.

Economic development is defined by the implementation of new combinations (Schumpeter identified five types of new combination: the introduction of a new good; the introduction of a new method of production, not yet tested by experience; the opening up of a new market; the conquest of a new source of supply of raw materials or semi-manufactured goods; and the implementation of a new organisation of industry, such as the creation or breaking up of a monopoly position) and it is in this context that Schumpeter emphasises the importance of the entrepreneurial function.

Schumpeter's entrepreneurial concept is a synthesis of, firstly, Say's (1823) and Budeau's (1771) work and, secondly, the critique associated with the Austrian school. Schumpeter's entrepreneur was and still is the most renowned concept. Say (1823) paved the road for Schumpeter's theory on entrepreneurship, and Schumpeter's entrepreneurial concept has to be seen as the pivotal point in this field of research. Most of the economists before Schumpeter - with some exceptions - worked within equilibrium theory and most of the theories on entrepreneurship after Schumpeter are built on his ideas (Hebert and Link 1982).

2.3 Relative Economic Importance and Potentials of Women Entrepreneurs

Women Entrepreneurs are resourceful and creative and they can create customers, thereby creating new markets. They are different from ordinary businessmen who only perform traditional functions of management like planning, organization, and coordination. Aside from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities, and transform these into profits. So, they introduce something new or something different. Such entrepreneurial spirit has greatly contributed to the modernization of economies. Every year, there are new technologies and new products. All of these are intended to satisfy human needs in more convenient and pleasant way.

As a result of their innovative nature, they persist on discovering new sources of materials to improve their enterprises. Entrepreneurs are never satisfied with traditional or existing sources of materials. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

Women Entrepreneurs engage in serious mobilization of capital resources and are the organizers and coordinators of the major factors of production, such as land labor and capital. They properly mix these factors of production to create goods and service. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.

Entrepreneurship creates jobs for the unemployed and this with its multiplier and accelerator effects in the whole economy because more jobs mean more incomes. This increases demand for goods and services and invariably production is stimulated. Again, more production requires more employment. Women are naturally active when it comes to Self-employment, offering more job satisfaction and flexibility of the work force.

3. Methodology

This study examines the constraints encountered by Nigerian female Graduates with business aspirations in their struggle to attain true entrepreneurship of their dream. It also analyse the grievous consequences as well as identifying measures to be adopted in combating them. The choice of graduates is informed by their youthful undeterred aspirations to becoming business tycoons in the nearest future which factor propelled them to acquire of additional degree especially in business administration. Some of them even went as far as getting professional qualification as a weapon of prominence in business world.

The samples of the study were drawn from female graduates of various Nigerian Universities pursuing additional professional qualification. The group comprise of those that have secured jobs as executive trainees and those battling with economic survival as job seekers. The study made use of structured questionnaire as data collection tool and administered to 100 female members of the prospective entrepreneurs from both classes in the group, using cluster strata sampling method. Both primary and secondary data were used. Descriptive analysis method was employed.

4. Results and Discussion

Table 1: Percentage Distribution of Respondents' Academic Qualification and Ownership of a Private Business

Questions	Responses (%)			
	OND	HND	B.Sc	M.Sc/MA
What is your highest academic qualification?	-	1.0	80.8	18.2
Do you have any professional qualification?	Yes		No	
	29.0		71.0	
Do you have a personal business?	Yes		No	
	41.0		59.0	
If yes, what is the nature of your business?	Service	Manufacturing	Trading	
	37.5	5.0	57.5	
What is the size of your business?	Small	Medium	Incorporated	
	71.1	23.7	5.3	
What is the type of your business?	Sole proprietorship	Partnership	Private Limited Company	
	80.5	17.1	2.4	
How many employees does your business have?	1 – 3	4 – 6	Above 6	
	63.0	30.0	7.0	
When was the business established?	Before 2000	2000 – 2005	2006 – 2010	
	2.6	12.8	84.6	

SOURCE: FIELD SURVEY 2010

The above table gives the summary of the academic and professional qualifications of the respondents as well as their personal business ownership. At the First Degree level, 99% of the women in this study hold a Bachelor of Science (B.Sc.) Degree and 1% holds a Higher National diploma (HND) which is equivalent to B.Sc. Degree. In addition to this, 18% of them already hold a Masters degree while the others are still in the pursuit of acquiring the Second Degree. To consolidate their academic qualifications further, 29% of the respondents have relevant professional qualifications to make them fit for the prospective current and/or future businesses while the other respondents are yet to have. Despite all the qualifications as possessed by the respondents, only 41% of them have a personal business at present while the larger percentage (59%) of the women have not.

On the nature of their business, about 58% of the women are engaged in trading, 37% in services, and 5% in manufacturing outfit. Also from the table, the size of the business of the respondents varies as follows: 71% small, 23% medium and 5% incorporated companies. In relation to this, 81% of the women are Sole Proprietors, 17% run a Partnership business while the remaining 2% are private Limited Companies. The number of the employees is in the following ranges and percentages: 63% of the business owners have between one to three (1-3) workers; 30% have in-between four and six (4-6) workers and the remaining 7% have more than six (6 and above) workers.

Table 2: Percentage Distribution of Respondents' Opinions on Factors Influencing Women's Entry into Business

Factors motivating women's entry into business	Strongly Agree (%)	Agree (%)	Indifferent (%)	Disagree (%)	Strongly Disagree (%)
Desire for independence	46.5	33.3	8.1	10.1	2.0
Business offers more career opportunity	27.3	45.5	10.0	15.2	2.0
To support family	56.0	35.0	6.0	2.0	1.0
Lack of promotion in the paid job	12.1	17.2	24.2	38.4	8.1
Desire to make money	55.0	38.0	4.0	2.0	1.0
Joblessness	25.0	30.0	11.0	22.0	12.0
Self satisfaction	54.0	43.0	1.0	2.0	-
My spouse is in business	9.1	11.1	35.4	25.3	19.2
Death/loss of job by spouse	14.3	33.7	21.4	17.3	13.3
Being a house wife can be very frustrating	43.4	26.3	10.1	12.1	8.1

SOURCE: FIELD SURVEY 2010

Table 2 above gives the Percentage Distribution of Respondents' Opinions on Factors Influencing Women's Entry into Business. In interpreting the Likert's five points measurement as in the table, the columns for "strongly agree" and "agree" are compressed to mean agree; likewise, the columns for "strongly disagree" and "disagree". The most prominent factor that influences women into entrepreneurship is self satisfaction with 97% of the women under study expressing similar opinion. Only 2% disagree with this view while the remaining 1% is indifferent.

The strong desire to make money by women is expressed by 93% of them. Just 3% do not agree and the other 4% of the respondents indifferent. Next on the hierarchy of the influencing factors in the study is the quest of women to support the well-being of their family financially. This is evidenced by the opinion of 92% of the respondents while only 3% of them disagree and the remaining 6% neither agree nor disagree. Another driving force behind women entrepreneurship as attested to by almost 80% of the subject under of the study is the urge to be independent. 12% do not agree and the other 8% are undecided.

Entrepreneurship as a career opportunity is supported by about 73% of Nigeria business oriented Graduates in the survey. 17% of them do not share this view while the other 10% is indifferent. About 70% of the respondents also express that being just a housewife could be highly frustrating, hence, the quest to be engaged in profitable economic activity in order to contribute their quota towards economic growth and development. 20% of the women disagree and the other 10% are unresponsive.

Moreover, 55% of the subjects under study see joblessness as the reason for becoming an entrepreneur; 34% of the women express contrary opinion and 11% are apathetic. The death of the spouse could also drive a woman to venture into commercial activities. This is the view expressed by 48% of the women in the study whereas; about 31% of them disagree in their view while the remaining 21% do not share either of these compressed views.

Lack of promotion as a reason for women' entry into entrepreneurship for the women who are gainfully employed, only account for about 29%. Whereas, about 47% of the women in the study deny that it would move a woman into business ventures, the other 24% are indifferent. The last factor in the study is the spouse being in the business activities as a reason for a

woman' participation in entrepreneurship is supported by only 20% of the respondents. About 45% of them express contrary opinion while the other 35%, as could be reasonably estimated, neither agree nor disagree.

Table 3: Percentage Distribution of Respondents' Opinions on Constraints of Women in Entrepreneurship

Constraints of women's entry into business	Strongly Agree (%)	Agree (%)	Indifferent (%)	Disagree (%)	Strongly Disagree (%)
Socio-cultural factors	16.8	47.4	21.1	14.7	-
Lack of fund / access to capital	42.4	49.5	2.0	6.1	-
Low skill acquisition	12.2	48.0	11.2	20.4	8.2
Lack of mentors	15.5	39.1	13.4	26.8	5.2
Poor networking	22.4	37.8	12.2	26.5	1.0
Low level of encouragement from spouse	16.2	41.4	17.2	19.2	6.0
Family commitments	18.4	45.9	11.2	19.4	5.1
There is discrimination against women	10.0	26.0	22.0	29.0	13.0
Lack of career guidance	17.2	35.4	12.1	26.3	9.1

SOURCE: FIELD SURVEY 2010

The table 3 above gives the percentage (%) distribution of respondents' opinions on Constraints of Women in Entrepreneurship. It is clear from the table that the most critical factor restraining the most active Nigerian women from venturing and/or sustaining a meaningful entrepreneurial activity is lack of fund / inaccessibility to capital as indicated by about 92% of the respondents. Next to this are the Socio-cultural factors ranging from non-recognition of natural capability of women as to making any meaningful or spectacular achievement in the society to preference for men on virtually every public financial commitment as men are generally seen as superior to women. These factors accounted for 64% level of constraints.

As expected, the commitment of women to their family always poses a challenge to their job. The result of this study shows that 64% of the women agree that family commitment is a constraint; about 25% of the women disagree while 11% are indifferent. Poor networking proves to be unfriendly with the learned women who are striving to attain successful entrepreneurship as 60% of them account for it as constraint on them; about 28% of them do not agree while 18% of them did no express specific opinion.

Nigerian women also suffer from low skill acquisition as indicated by 60% of the women under study; about 29% of them do not accept it as a constraint, while only 11% remain indifferent. Another limiting factor is the level of encouragement from spouse. The survey shows that about 57% of the women express low level of encouragement from spouse.

Another problem militating against women entrepreneurs as attested by about 55% of the respondents is lack of mentors. Because there are not many career women entrepreneurs in Nigeria, this majorly accounts for the dearth of resourceful Guides and business Counsellors for women. 32% of the respondents do not reckon with it as constraint while the other 13% of the women do not feel concerned about it. Similar to the above is lack of career guidance which about 53% of the respondents recognise as a constraint; 35% of them do not see it as a constraint while the remaining 15% are unresponsive.

Lastly, the constraint of discrimination against women as a constraint has only 36% recognition. This is rather a sharp contrast to the results of previous studies on women entrepreneurship in Nigeria. There seems to be a new orientation especially among the educated women on the fact that “what a man can do, a woman can do better”. Hence the reduction in the percentage (%) of those that feel there is discrimination against women. 42% of the respondents disagree that there is discrimination against women entrepreneurs and the other 22% are indifferent.

Table 4: Percentage Distribution of Respondents’ Opinions on the Strength of Factors Motivating Women in Entrepreneurship

	High	Average	Low
Use of personal initiative	82.0	16.0	2.0
Personal managerial skills	65.0	33.0	2.0
Level of personal control over the business	56.0	40.0	4.0
Opportunity for self training	55.0	36.0	9.0
Availability of free training by the government	19.2	21.2	59.6
Support of the spouse	49.0	46.0	5.0

SOURCE: FIELD SURVEY 2010

Considering the strength of the factors motivating Nigerian Women into entrepreneurship as presented in table 4 above, the strongest of them, that is, the use of personal initiative, has 82% of the women rating it as high while 16% rating it average and the remaining 2% as being low. Next to this is the use of personal managerial skills with 65% high, 33% average and 2% low. The level of personal control over the business takes 56% high, 40% average and 4% low. 55% of the respondents claim that entrepreneurship offer people the opportunity for self training; the average is 36% with 9% low. The support of the spouse enjoyed the women as a motivator takes 49% for high rating, 46% for average and 5% as low.

However, the rating for the availability of free training by the government fails to follow the above order of rating. About 60% of the respondents rate it low, 21% rate it average, and only 19% of them reckon it as being high.

5. Implications of the Study

Nigeria is consistently experiencing brain drain as the highly educated people who are not properly compensated for their human capital effort leave the country for other countries of the world where they are better compensated for their skills. There is a continuous cycle of dependency on foreign aids and support as the country cannot manage her wealth of human resource optimally for economic growth and development.

It becomes apparently and technically difficult for the nation to be able to compete successfully at the world market as a result of deficiencies in the expected contributions of the total human capital. The resultant effect of the under-utilisation automatically reduces the total national output.

Fifty-nine percent (59%) of the respondents cannot lay claim of any personal business, especially because of lack of capital, this would invariably lead to a continuous discouragement for the women who have given all their living to study so as to gain relevant knowledge that would qualify them to be entrepreneur. In the same vein, the younger generations would as well be discouraged as all hopes for the graduates are not brightened.

Five percent (5%) of the few women with personal business are engaged in manufacturing outfit which represents only 2% of the entire sampled population. This implies that the nation would

experience static growth in industrial sector for a prolonged time if the active and able bodied women remain technically unengaged to contribute their quota towards economic development as a result of financial constrains. Seventy-one percent (71%) of the women in business are restricted to a small operational scale as 81% of them are sole proprietors while only 5% of the businesses are incorporated including the 2% private limited companies. This is quite revealing in that it can be deducted that the 5% representing only 2% of the studied sample are those that could manage to get sufficient funding to expand their operation beyond the ordinary level of sole proprietorship.

Sequel to the limitation posed by the small scale operation by most of the women entrepreneurs, there is a limit to the number of employees each of them could employ, hence, slowing down the rate of employment. Only 7% of them could employ 6 or more workers in their businesses while the majority could take between 1 to 3 staff.

Self satisfaction is the most prominent factor that influences 97% of the women into entrepreneurship. This is fuelled by strong desire to make money by women with 93%. Failure to satisfy their desire naturally allure some women into social vices such as prostitution, drug pushing, children trafficking and several other vices while some others live in abject poverty as evident in the Nigerian social setting.

Most women (92%) have strong passion to support the well-being of their family financially, while very many (70%) of them are living with the feeling of frustration and lack of fulfilment by just being ordinary house wives.. This is always the case especially when the spouse is not gainfully employed or underemployed and therefore the family suffers from protracted financial difficulties. Women sometimes suffer from untold family disasters brought about by untimely death of their spouses. If such women have not learnt to be financially independent (80%), the sudden departure of the spouse could reduce such woman to nothingness (48%).

Entrepreneurship is seen as a career opportunity by about 73% of Nigeria business oriented Graduates while 55% of them see joblessness as the reason for becoming an entrepreneur most probably because unemployment has become a great monster that has cowed most Nigerian graduates in the labour market.

Lack of fund / inaccessibility to capital as indicated by about 92% of the respondents as well as the negative effects of socio-cultural factors ranging from non-recognition of natural capability of women which accounts for 64% are strong indications that the economic development of the nation would persistently be retarded because these would necessarily hamper the vital contributions of the zealous and educated women to the national economy. Other strong factors militating the relevant participation and active operation of the prospective Nigerian women entrepreneurs as revealed in this study include poor networking (60%); low skill acquisition (60%), low level of encouragement from spouse (57%), family commitment (64%), lack of mentorship(55%) and career guidance (53%).

However, it is noteworthy that the women who have their higher education and training mainly in business oriented field have a distinct orientation in their perception of discrimination. From the result of this study, it is realised that discrimination is no longer a critical factor in limiting women entrepreneurs as found by most of the related past studies on this issue. As against the (36%) of the respondents, 42% of them disagree that there is discrimination against women entrepreneurs.

6. Conclusion and Recommendation

Having examined the various aspects of this study, it could be seen very clearly that most of the active, qualified and eager women with high potentials for successful entrepreneurship who are necessary catalysts of economic advancement of Nigeria are experiencing serious technical redundancy amounting to manpower wastage with its attendant severe consequences on their households, the local community and the nation at large.

There is the need for the government as an institution to intervene at this crucial period when the world's economy is at the mercy of economic melt-down, to facilitate the active participation and contribution of the women entrepreneurs toward the economic progress of this nation. The most critical constraint as identified in the study is finance which has always been the persistent limiting factor to women in business and also to those aspiring to uphold the dignity of labour by diligently contributing their quota to their household and the community.

To serve as encouragement for the young women who have invested their lives into long studies and training in a bid to attaining productive entrepreneurship, there is need to create a functional budget for the purpose of assisting the women graduates to commence their business so as to enable them focus on their career. There is also the need to put in place necessary arrangement to ensure the cooperation of financial institutions in making funds available with minimum collateral for the women graduates who are in pursuit of entrepreneurship. Emigration of talent may be stopped by a better domestic entrepreneurship climate.

With the intervention and promotion of learned women entrepreneurship, the use of modern technology in small-scale manufacturing to enhance higher productivity is a possibility. More research on enhancing the quality of domestic consumption would be a common practice. Finally, it is expedient that the policy makers realise the essence of the education sector and its intended contributions toward the overall economic growth and advancement of Nigeria and therefore need to eradicate all forms of neglect or marginalisation against the learned women entrepreneurs in order to guide against human resources wastage.

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Lithuanian and Norwegian SMEs: Comparison of Internationalization Patterns

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Abstract

Presented paper aims to compare internationalization of Lithuanian and Norwegian SMEs by exploring the main motives and barriers restricting internationalization process. The authors strive to reveal the patterns of internationalization taking into account the aspects of main theoretical models. The research is based on the main ideas of stage, network and international entrepreneurship approaches. The main motives and barriers restricting internationalization process are based on the previous studies. In order to compare internationalization patterns of Lithuanian and Norwegian SMEs quantitative research has been performed. The quantitative research is based on responses to a questionnaire embracing various aspects of internationalization. The sample of 300 SMEs was selected taking into considerations previous research. The survey allows concluding that Lithuanian SMEs emphasise geographic proximity as the most important criteria for international market selection. On the other hand Norwegian SMEs perceive variables of international entrepreneurship theory as the important contributory factors in internationalization process. The authors conclude that Lithuanian SMEs rely on exporting; meanwhile Norwegian SMEs choose subcontracting/licensing or own representative abroad. Hence, Norwegian SMEs are seen at the more advanced stage of internationalization. Authors of the research have elaborated proposals, which are useful for further development of Lithuanian SMEs and take into consideration experience of Norwegian SMEs. The presented paper will contribute to the International Entrepreneurship Forum by providing new insights into further development of SMEs of Lithuania and Norway taking into consideration opportunities and threats.

Keywords: internationalization patterns, internationalization motives, internationalization barriers, Lithuania, Norway.

Introduction

Globalisation of economy and intense competition stimulate companies to seek ways of internationalization and significantly contribute to the economic development of nations, industries and productivity. Hence, during last few decades internationalization as a phenomenon has been researched by various scholars and from different points of view. Small and medium sized enterprises (SMEs), playing a significant role in the growth and change of economy, are confronted with international competition and are forced to compete in international markets. Therefore internationalization of SMEs has attracted significant attention of researchers in scientific literature and remains one of the important areas.

Given the situation of today's marketplace the contribution of SMEs in Lithuania's and Norway's economies is seen as increasing and important. Despite some claims that the internationalization of Norwegian firms is seen as a relatively new phenomenon (Hodne 1993), the research has shown that "the late 1960s should be regarded as the turning point that paved the way for a new strong internationalization wave from the 1980s" (Amdam 2009). On the other hand research findings related with SMEs activity conclude that context matters as it shapes the role, structure and performance of small firms (Karlsson & Dahlberg 2003). Comparing to Norway SMEs sector in Lithuania has been developing from 1990s, i.e. the period of transition from a system based on state planning to a system characterized by decentralized market allocation and is seen as relatively new. Hence, taking into consideration different development paths of both countries, the attention to the internationalization of SMEs raises an array of questions about motives, barriers and criteria which determine environment selection. The focus of this paper is to compare internationalization patterns of Lithuanian and Norwegian SMEs by exploring the main factors impacting internationalization process. The authors strive to reveal the patterns of internationalization taking into account the degree of internationalization and the aspects of main theoretical models.

SMEs Internationalization Theories and Models

The researches linked to SMEs internationalization are seen as relatively new in comparison with internationalization of multinational companies. Notably, a lot of attempts were made in order to clearly define SMEs "internationalization" concept.

Some scholars claim that internationalization means a changing state. Hence, the growth of firm provides a background to internationalization and the concepts of internationalization and growth are interrelated (Buckley and Ghauri 1993). However, Ruzzier et al. state that "some features are unique to internationalization or, at least, there are significant degrees of difference between growth at home and growth internationally" (Ruzzier et al. 2006).

One stream of scholars, striving to define internationalization, put emphasis on process, through which firms are increasingly involved in international markets. (Johanson & Vahlne, 1977; Welch & Luostarinen, 1988). For instance, Welch and Luostarinen state, that the internationalization process is seen as gradual and sequential, through which firms become increasingly committed to, and involved in, international markets.

Meanwhile, Johanson and Vahlne emphasise development of "networks of business relationships in other countries through extension, penetration and integration" (Johanson & Vahlne 1990). Hence, a network analysis is seen as another point of view to firm's international activities (Johanson and Matson, 1993).

Calof and Beamish, defining internationalization, emphasise the adaptation of firms operations to international environments (Calof & Beamish, 1995). However, Ahokangas, inspired by resource based view, claim that internationalization is seen as "the process of mobilizing,

accumulating, and developing resource stocks for international activities” (Ruzzier et al, 2006). Despite the various approaches to the definition of internationalization, the authors of this paper adopt the view that internationalization is the expansion of firm’s operations to foreign markets and agree with the notion that internationalization could result from punctual and independent actions. On the other hand, in order to show the complexity of phenomenon, it is important to discuss the main internationalization theories and models.

It should be noted that internationalization studies are based on several approaches to internationalization, namely stage, learning, contingency and network approaches. Stage approaches are seen as the earliest group of theories explaining internationalization process. The scholars supporting this approach state that firms start with the mode of entry which require the least commitment of resources and with experience in the market increase their commitment of resources to international activities. For instance, this approach was supported by Cavusgil (1980) and based on progressive reduction of uncertainty. Additionally Reid (1991) has stated that the firms moved from awareness (of export potential) to evolution (of the result of initial exporting) and to acceptance (of exporting as a good thing).

Another group of scholars apply learning theory and state that internationalization is a dynamic process. The studies of Johansson and Wiedersheim-Paul (1975) have laid theoretical framework for the Uppsala model, proposed by Johansson and Vahlne (1977). The model highlights the resource commitment to the foreign markets, market commitment, decisions to commit resources and the performance of current business activities (Johansson and Vahlne, 1977). On the other hand, the model has highlighted the relevance of psychic distance in international business decisions. The psychic distance concept was defined as “the sum of factors preventing the flow of information from and to the market” (Johansson and Vahlne, 1977). The scholars based on learning theory have focused on an evolutionary and sequential building of foreign commitments over time (De Burca et al, 2004). According to Wiedersheim-Paul et al. firms start their international activities in nearby markets via an intermediary and then on a direct basis. The establishment of a sales subsidiary could be followed by some form of production in international markets (Wiedersheim-Paul et al, 1978).

Contingency approach to internationalization assume that the firm evaluates and responds to an opportunity as it occurs, regardless of weather the market is close in psychic distance terms or weather an advanced mode of entry is required (Okoroafo, 1990). Network approaches emphasise the role of linkages and relationships in the internationalization process (Johanson and Matson, 1993). Chetty and Blankenburg-Holm (2000) state that internationalization takes place in three ways: through creating relationships with partner in new countries, through rising commitment in already established foreign networks and through integrating their positions in networks in various countries. Hence, the success of the firm in entering new markets depends on its position in the network and relationships within current market.

However, in order to explain the phenomenon of SMEs internationalization, the studies support the integration of several approaches. According to scholars, the integration of stage approach, network approach and foreign direct investment theory (including transaction cost analysis) allow us better understand SMEs internationalization (Coviello and McAuley, 1999; Coviello and Martin, 1999). In the same way, Etemad and Wright suggested combining a variety of theoretical models, including stage approach, FDI theories and network approach (Etemad and Wright ,1999). Bell et al. incorporating stage and network approaches recognise “the explanatory value of contingency approach and allied resource-based theories” (Bell et al. 2003). Likewise, Ruzzier et al. have proposed the integration of process models, innovation models, network approach, resource-based view and international entrepreneurship theory (Ruzzier et al, 2006). Hence, an integrative approach is seen as a new stream in the research of SMEs internationalization.

Internationalization and Entrepreneurship

Studies focusing on explaining SMEs internationalization demonstrate an agreement that SME internationalization is an entrepreneurial activity (Knight, 2000; Lu and Beamish, 2001). Additionally, scholars considering internationalization of SMEs put emphasis on importance of entrepreneurs, who are seen as the main variables in SMEs internationalization. According to McDougall and Oviatt an increasing number of scholarly investigations into entrepreneurial firms that compete across national borders have enriched and broadened both international business and entrepreneurship research (McDougall and Oviatt, 2000).

The shift of interests toward international entrepreneurship has impacted the need to define the concept of international entrepreneurship in more precise manner. Notably, McDougall and Oviatt have proposed the most frequently used definition and described international entrepreneurship as a combination of innovative, proactive and risk – seeking behavior that crosses national borders and is intended to create value in organizations (McDougall and Oviatt, 2000). Later on, they have proposed to define international entrepreneurship as the discovery, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall and Oviatt, 2005). Notably, the two parts of entrepreneurship are distinguished: 1) opportunities and 2) individuals who strive to exploit these opportunities. Hence, individual and firm entrepreneurial behavior is seen as the basis of foreign market entry. The studies of internationalization and entrepreneurship have inspired the shift toward on ‘born global firms’ which adopt the international focus from the beginning and start rapid and dedicated internationalization. Notably the researches, focusing on the born global phenomenon, concentrate on whether the firms are exporting versus nonexporting and provide empirical evidence of more rapid international activities. For instance researches carried out in Finland, Norway, Sweden and Denmark proved that the firm’s domestic markets no longer seem to be as important as “learning place” (Moen and Servais, 2002). The scholars state that the stage models fail to explain why such firms operate in international markets rather than just in home markets (McDougall et al, 1994). Additionally Bell concludes that existing internationalization models do not adequately reflect the underlying factors of the internationalization process in these firms (Bell, 1995).

Despite the prevailing critics, the analysis of already established and newly established firms can not ignore the assumptions of stage models. Therefore, the authors of this paper agree with the notion, stating that the firms which do not start international activities after establishment will develop more in line with the stage models of internationalization (Moen and Servais, 2002).

Factors Impacting Internationalization

Expanding to international markets presents an important opportunity for growth and value creation and exposes unique challenges in addition to common challenges in domestic markets (Lu and Beamish, 2001). Therefore the scholars focusing on the issues of internationalization have strived to define the main stimuli and barriers of internationalization.

The scientific literature concerned with the main motives of internationalization distinguishes several broad areas: decision-maker characteristics; firm-specific factors, environmental factors and firm characteristics (Katsikeas and Piercy, 1993). Notably, internal and external stimuli in the decision for internationalization of SMEs are emphasized (Cavusgil and Godiwalla, 1982). It is agreed that firms are likely to be motivated by different stimuli that depend on the stage of internationalization.

Lu and Beamish emphasize that many challenges of internationalization are associated with liability of foreignness and newness (Lu and Beamish, 2001). These challenges are seen of

higher importance if the target market is dissimilar to the domestic market and if new subsidiaries are established. Hence, SMEs are fostered to acquire new resources and capabilities when entering a foreign market. On the other hand firms face higher political and operational risks arising from the foreignness of the new environment. Notably, smallness is seen as disadvantage in internationalization, as SMEs often lack resources and capabilities that restrict possibility to capture business opportunities.

Studies focusing on barriers of internationalization by exporters and/or non-exporters distinguish such broad areas: financial, managerial, market – oriented (including both national and international markets), and characteristics of industry and firm (Leonidou, 1995; Morgan, 1997). It is agreed that barriers of internationalization exist at any stage of internationalization process. On the other hand barriers may differ in intensity depending on the level of internationalization of the individual firm (Cavusgil, 1984; Katsikeas and Morgan, 1994).

Fletcher concludes that scientific literature focusing on the main factors impacting internationalization is exhaustive and distinguishes management characteristics, organization characteristics, external impediments or external incentives to engage in business overseas (Fletcher, 2001). The researches concerned with management characteristics emphasize knowledge of international business, international transactions experience, planning orientation or having strategic approach (Cavusgil and Godiwalla, 1982; Fletcher, 2001). Meanwhile, the focus on the organizational characteristics embraces willingness to develop products for overseas markets, technological advantage, and willingness to research overseas markets (Bilkey, 1985; Evangelista, 1994; Cavusgil, 1984). Notably, external impediments are marketing activities by competitors in overseas markets and perception of higher risk in overseas markets, knowledge of the market and how it operates, cost issues, lack of export training and government assistance (Johnston and Czinkota, 1985; Bilkey, 1985). Finally, the most important external incentives are availability of export incentives from government, overseas demand factors, fall in domestic demand or excess capacity and reduction in costs of production (Kaynak and Kothari, 1984; Johnston and Czinkota, 1985; Reid, 1983).

Methodology

The above discussion leads to several research questions. The first relates to the factors impacting internationalization of Lithuanian and Norwegian SMEs. The second relates to the main variable determining internationalization of Lithuanian and Norwegian SMEs from the point of stage, network and international entrepreneurship approaches.

The REM model developed by Liuhto allows us to set a framework for the analysis of internationalization (Reiljan, 2004). The model consists of three dimensions – reason for internationalization, environment selection and modal choice. The reason for internationalization in the original model has strived to compare pro- and anti- internationalization arguments. Meanwhile, environment selection has focused on the comparison between environments (incl. home environment). The modal choice has sought to compare advantages and disadvantages of operational modes. However, striving to reach the set above objectives, the authors have modified the model (Fig. 1). Hence, the reason for internationalization will compare internal and external motives and barriers of SMEs internationalization in Lithuania and Norway. The environment selection will seek to compare the main criteria, determining environment selection, derived from the stage, network and international entrepreneurship theories. The modal choice will strive to compare operational modes from the point of stage theory.

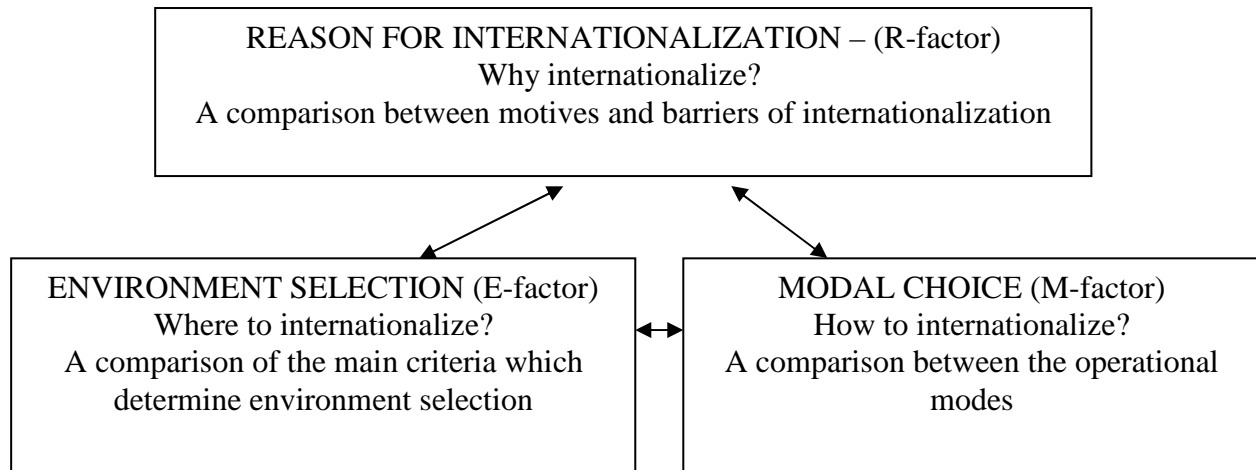


Fig. 1 Internationalization process

In order to develop a questionnaire, the structured interviews were conducted by interviewing international business experts, representatives of national agencies for development and CEOs of internationalized companies in Lithuania and Norway. The results of interviews allow concluding that Lithuanian SMEs prefer the internationalization into Baltic countries, Russia and Central and East Europe. Meanwhile, Norwegian SMEs prefer to internationalize into Nordic countries, Central and East Europe. The questionnaire was developed and the pilot testing was conducted in 2009 by mailing to 20 international business executives. In 2010 the updated questionnaire was mailed to the population of firms from Lithuania and Norway. The firms were selected according to the Gazelle company list developed by business journal “Verslo zinios” in Lithuania and Dagens Næringsliv in collaboration with credit rating agency Dun & Bradstreet in Norway. Gazelle Company is a term for the firms with strong finances and a steady increase in turnover over a period of several years. The questionnaire was sent to 300 firms from Lithuania and Norway. Completed questionnaires numbered 75 which is a response rate of 25% from Lithuanian firms and 86 which is a response rate of 29% from Norwegian firms. The biggest percentage of respondents was from firms which have 51-250 employees (respectively 46% from Lithuania and 32% from Norway). Twenty-four per cent of Lithuanian SMEs and 26% of Norwegian SMEs were not engaged in some form of international activity. However, their responses were analysed in order to detect motives and barriers of internationalization. Notably, the firms which have filled questionnaires are attributed to different business sectors. However, SMEs which represent furniture and wood processing industry (21%), food industry (14%) and construction (10%) industry compose the biggest part of respondents from Lithuania. Meanwhile SMEs which represent information and communication technologies (19%), machinery (10%) and oil and gas industry (9%) compose the biggest part of respondents from Norway.

Results

The first stage of analysis is related with the factors impacting internationalization of Lithuanian and Norwegian SMEs. These factors were derived from previous research on motives and barriers of internationalization. Questions relating to the internal and external motives were included in the survey instrument. The respondents were asked to rank internal and external motives using Likert scale (where 1 – the least important and 5 – the most important). The results of findings are presented in Table 1.

Table 1. External and internal motives of internationalization

Motives of internationalization	Lithuanian SMEs		Norwegian SMEs	
	Mean	Stand. deviation	Mean	Stand. deviation
Small domestic market	4,57	0,78	4,49	0,76
Competitive pressure	4,48	0,87	4,40	0,85
Proximity to customers and suppliers	3,87	1,01	3,81	0,98
Psychological distance	3,49	0,86	3,43	0,84
Unstable business environment in home country	3,15	0,94	3,10	0,92
Profit goals	4,16	0,84	3,29	0,85
Availability of skilled labour	4,12	0,86	4,05	0,84
Availability of unique product/technological competence	3,60	0,88	3,54	0,85
Desire to reduce risk	3,35	0,87	4,09	0,82
Foreign ownership's decision	3,09	1,04	3,09	1,01

The obtained results about external motives of internationalization do not indicate differences in attitudes of Norwegian and Lithuanian respondents. It should be noted that the most important external motives impacting internationalization of Lithuanian and Norwegian SMEs are small domestic market, competitive pressure and proximity to customers and suppliers. Notably, small domestic market and competitive pressures that result fall in profit margins are seen as a powerful inducement impacting firms to enter foreign markets. On the other hand, these motives influence strategic decisions of firms to maintain or enhance competitive position in the market or industry. The standard deviation of small domestic market (respectively 0.78 of Lithuanian SMEs and 0,76 of Norwegian SMEs) is the lowest among other external motives, pointing out the agreement between respondents on its importance.

Meanwhile, the most important internal motives impacting internationalization of Lithuanian SMEs are profit goals, availability of skilled labour and availability of unique product/technological competence. These findings are in accordance with previous research findings, stating that the profit advantage is one of the most stimulating proactive motivations of the firm to be involved in international activities (Cavusgil and Godiwalla 1982). The standard deviation of profit goals (0.84 of Lithuanian SMEs) is the lowest among other internal motives, pointing out the agreement between respondents on its importance. On the other hand Norwegian SMEs distinguish such important internal motives as desire to reduce risk, availability of skilled labour and availability of unique product/technological competence. According to international entrepreneurship theory, the motive for internationalization is not necessarily immediate financial gain, but risk avoidance (Prefontaine and Bourgault 2002). The standard deviation of desire to reduce risk (0.82 of Norwegian SMEs) is the lowest among other internal motives, pointing out the agreement between respondents on its importance.

Evaluating external and internal barriers of SMEs internationalization, it was taken into consideration that SMEs are less competitive in comparison with large firms. Notably, internal barriers included in the survey allow to make a judgement about capabilities of Lithuanian and Norwegian SMEs related to the competitive threat or a belief what ought to be. The respondents were asked to rank internal and external barriers using Likert scale (where 1 – the least important and 5 – the most important). Possible external and internal barriers of internationalization and findings are listed in Table 2.

Table 2. External and internal barriers of internationalization

Barriers of internationalization	Lithuanian SMEs		Norwegian SMEs	
	Mean	Stand. deviation	Mean	Stand. deviation
Inaccessible market information	4,38	0,91	3,14	0,75
Bureaucracy (long administrative procedures, laws and regulations)	4,38	0,74	4,46	0,83
Intense competition abroad	4,04	0,71	3,37	0,99
Foreign government restrictions	3,82	0,91	3,11	0,72
Differences in consumer habits and standards	3,51	0,96	3,12	1,18
Start-up costs	4,00	0,81	3,09	0,72
Limited financial resources	3,96	0,83	3,10	1,17
Limited management skills	3,46	0,85	4,43	0,82
Lack of marketing knowledge	3,22	0,84	3,12	0,74
Communication issues (foreign language)	2,97	1,01	3,35	0,98

The analysis of survey results allows concluding that the most important external barriers for Lithuanian SMEs are inaccessible market information, bureaucracy and intense competition abroad. Meanwhile, the respondents from Norwegian SMEs indicated bureaucracy, intense competition abroad and inaccessible market information.

The responses of Norwegian SMEs to questions about internal barriers impacting internationalization let us to reveal that the firms indicate limited management skills, communication issues and lack of marketing knowledge. Evaluating the most important internal barriers, the respondents from Lithuanian SMEs distinguished start-up costs, limited financial resources and limited managerial skills. Notably, a lack of financial resources restricts the possibility to capture business opportunities abroad. The obtained results correspond with the findings of other researches investigating factors restricting internationalization of SMEs (Johnston and Czinkota, 1985). The lack of resources is seen as one of the main factors impacting firm's activities abroad. However, international entrepreneurship theory emphasises that the discovery of opportunities involves knowledge which the entrepreneur uses striving to make own decision. Furthermore, this knowledge is derived from former information and experience in local and foreign markets. Hence, limited managerial skills as one of the main barriers for internationalization, indicated by respondents, allow claiming that the firms do not acquire learning abilities which might transform into international growth. To conclude, limited managerial skills are seen as one of the restricting factors for both Lithuanian and Norwegian SMEs.

The international environment selection of Lithuanian and Norwegian SMEs is based on the main criteria, derived from the stage, network and international entrepreneurship theories. The respondents were asked to rank these criteria using Likert scale (where 1 – the least important and 5 – the most important). The results of findings are presented in Table 3.

Table 3. The main criteria which determine environment selection

The main criteria of environment selection	Lithuanian SMEs		Norwegian SMEs	
	Mean	Stand. deviation	Mean	Stand. deviation
Geographic proximity	4,8	0,41	3,75	0,87
Potential growth of markets	4,4	0,49	4,3	0,46
Formal relationships with industry's partners	4	0,67	4,44	0,86
Accumulated knowledge and varied experience of entrepreneur	4,2	0,61	4,53	0,77
Informal relationships with family members and friends	3,81	0,60	3,83	1,00
Ability of entrepreneur to gain support and mobilise resources	3,45	0,85	3,11	0,92

The obtained results about the main criteria which determine selection of international environment allow concluding that Lithuanian SMEs distinguish such criteria as geographic proximity, potential growth of markets and accumulated knowledge and varied experience of entrepreneur. Meanwhile, the respondents from Norwegian SMEs distinguish the most important criteria as accumulated knowledge and varied experience of entrepreneur, formal relationships with industry's partners and potential growth of markets.

Notably, Norwegian SMEs do not emphasise "psychic distance" as the most important criteria for international market selection. Hence, these findings correspond with the claims that "psychic distance" is becoming less relevant as markets become homogeneous and communication and infrastructure improve (Bell, 1995). On the other hand, taking into consideration that behaviour of entrepreneur influence the behaviour of the firm, accumulated knowledge and varied experience of entrepreneur is seen as one of the most important criteria in selection of international market.

Responses of respondents to the question how to define the internationalization process of their firms led us to reveal that 32% of Norwegian SMEs prefer entering new markets through networks, personal contacts and partners. To conclude, collaboration relationships with various partners in the industry are seen as the way to acquire knowledge and experience and to become the entrepreneurial firm. Meanwhile, 38% of Lithuanian SMEs indicated their internationalization process as step-by-step, risk averse, slow and cautious, i.e. characteristics common to the stage theory.

Questions relating to the operational modes derived from the stage theory were included in the survey instrument. The respondents were asked to rank operational modes using Likert scale (where 1 – the least important and 5 – the most important). The results of findings are presented in Table 4.

Table 4. The operational modes

The operational modes	Lithuanian SMEs		Norwegian SMEs	
	Mean	Stand. deviation	Mean	Stand. deviation
Exporting	4,2	0,85	3,81	0,90
Own representative	4,15	0,87	4,36	0,92
Subcontracting/licensing	3,63	0,89	4,4	0,88
Joint venture	3,38	0,88	3,54	0,91
Own investment abroad/ own production unit	3,12	1,05	3,09	1,09

Responses of Lithuanian SMEs allow concluding that the most common operational modes are exporting, own representative and subcontracting and licensing. The standard deviation of exporting (0,85 of Lithuanian SMEs) is the lowest among other operational modes, pointing out the agreement between respondents on its importance. The obtained results correspond with the assumptions of the stage theory, stating that exporting is the first choice to gain internationalization experience. Meanwhile, subcontracting and licensing, own representative and exporting are the most common modes for internationalization of Norwegian SMEs. The standard deviation of subcontracting and licensing (0.88 of Norwegian SMEs) is the lowest among other operational modes, pointing out the agreement between respondents on its importance.

Conclusions

The above research indicates that international decision making of Norwegian and Lithuanian firms are impacted by external and internal motives. Taking into consideration size of both countries the obtained results of the research allow to claim that small domestic market and competitive pressure from local and international competitors are seen as the main external motives for internationalization. However, the difference of attitudes toward internal motives allows raising the assumption that international entrepreneurship approach prevail in the behaviour of Norwegian firms. Hence, the desire to reduce the business risk and availability of skilled labour are the main internal motives to internationalize.

On the other hand, international decision making of firms is impacted by external and internal barriers. As to differences between countries, since the market economy is much younger in Lithuania than in Norway, inaccessible market information and high start-up costs are seen as the main barriers of Lithuanian SMEs. Notably, Lithuanian SMEs emphasise geographic proximity as the most important criteria for international market selection. Hence, psychic distance and market knowledge which are defined as the common features of stage model influence the internationalization behaviour of Lithuanian firms. Taking into consideration the main criteria which determine environment selection of Lithuanian firms, the emphasis on exporting seems to be more than justified. The focus of Norwegian firms to subcontracting and licensing allow claiming that Norwegian firms are seen at the more advanced development stage.

The findings of research allow elaborating proposals for decision makers of Lithuanian SMEs. The internationalization of firms should combine features of stage, network and international entrepreneurship theories. In the early stages of internationalization geographic proximity has to be seen as the proper way to enter foreign markets. Taking into consideration the experience and more stable performance of Norwegian firms, the barriers of internationalization, namely start up costs and inaccessible market information can be overcome by forming business networks allowing to acquire limited resources and to benefit from the size of networks. The formation of networks expedites the internationalization efforts of SMEs and improves their

success rate. On the other hand entrepreneurial efforts should be taken into consideration as the factor impacting performance of firms. Notably, entrepreneurial efforts are impacted by the most important competences which lay in entrepreneurial knowledge, experience, capabilities and motivation. Management and inter-personal skills are seen as the most important in networking and cooperation with other partners and influence the success of networks' formation. Hence, the competences of entrepreneurs should be developed through training, continuing learning, creating and maintaining networks and relationships. Taking into consideration the experience of Norwegian SMEs, close relationships among government, education institutions and business are vital in exploring business opportunities abroad. From the perspective of government, the assistance to SMEs through various initiatives allowing acquiring information about international markets has significant implications.

The limitations of the presented study were connected with the low response rate of respondents and the fact that SMEs included in the sample represent different business sectors. Further research should therefore concentrate on a deeper analysis of differences between countries and business sectors.

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Financing of Entrepreneurs: Problems and Prospects

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Abstract

This study seeks to evaluate the financing options available to entrepreneurs in Nigeria. Entrepreneurship encouragement benefits include among others the greater likelihood of solving unemployment problem as it has the potential ability to utilize labour intensive technologies. However, the sector is constrained by a number of factors which include among others difficulty in accessing credit facilities, high cost of credit; poor infrastructures, that is, power, transportation, telecommunications; poor linkages among the enterprises, poor technology; poor implementation of government programs and policies towards the development of the enterprises. Random Sampling technique was used to select a total of 114 entrepreneurs selected from a cross section of a population spread across Nigeria. The study thus investigated the performance of entrepreneurs, their problems and prospects with regard to financing and recommended measures to make the sub-sector virile and vibrant in order for it to play the crucial role of sustainable economic development. Findings reflect problems of Interest rate, .the central problem of financing among others.

Introduction

Finance has been identified in studies by Ogboru, (2005), Onugu 2005, Hussaini (2009) as one of the most important factors determining growth and survival of entrepreneurial ventures both in developing and developed countries. It is no secret that Entrepreneurs play a crucial role in driving economic growth in both developing and developed countries. Nigeria has formulated comprehensive public policies to encourage, and support Entrepreneurs especially with regards to financing. Entrepreneurial development is linked with benefits such as employment generation, contribution to the economy, innovation and competitive encouragement for the use of local raw materials (ECA and AU, 2008). Therefore it is very crucial for these Entrepreneurs to have access to finance for growth and development of both the Entrepreneurs and the economy of the country.

The start up and effective management of any enterprise depends heavily on the provision of funds for its capitalization, working capital and rehabilitation needs as well as new investment. The main focus of this study is the financing options available to Entrepreneurs and why they did not fulfil their roles of financing Entrepreneurs. Therefore the main objective of this study is to identify the most significant problem relating to financing of Entrepreneurs and prefer possible solutions. The specific objectives are ranking of the problems in decreasing order of importance and finding out which financial package is most preferable to Entrepreneurs.

This paper uses secondary and primary sources for data collection. Primary data was drawn using questionnaires. Questionnaire was administered on 114 sampled entrepreneurs. The sample cut across the major commercial centres of northern Nigeria. A sample size of 114

enterprises cutting across three major states in the northern part of Nigeria was selected. The sampled states are Kano state, Kaduna state and Bauchi state. These states were selected because these states symbolize the commercial centres of the northern part of Nigeria.

The hypothesis to be tested is which of the problems associated with financing is the most troubling of all on the growth and development of Entrepreneurs in Nigeria. So our null hypothesis is high interest rate, Collateral, and interest rate are not the most important obstacle to external financing of entrepreneurial ventures and profit and loss sharing financing is not the most preferred financing package by Entrepreneurs in Nigeria.

This study should be useful to policy planners, Government agencies, Business consultants, Entrepreneurs and Banks that need a better understanding of the main challenges facing Entrepreneurs with respect to financing in Nigeria.

Literature Review

The word entrepreneur coined from the French word “entreprendre” which when translated means “to do something” or to “undertake” is association with risk bearing activities. According to Drucker (1985) an entrepreneur always seeks for change, responds to it and exploits opportunities seen.

Hisrich and Peters (2002) in kurya and kurfi (2010) believe Entrepreneurship is a process of creating something new with values by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence.

An entrepreneur can be said to be a person who assumes the financial risk of setting up a new business venture, and/ or buying an existing one and managing it. The business could be a new idea or an old one but a new way of doing it, new location etc.

Meredith, Nelson and Neck (1991) view Entrepreneurs as people who have the ability to see and evaluate business opportunities, gather the necessary resources in order to take advantage of them and to initiate appropriate actions to ensure success. Saidu (2010) cited Kirzner (1973) who described the entrepreneur not primarily as someone who initiates change but who facilitates adjustment to change by spotting opportunities for profitable arbitrage.

Nigeria interest in Entrepreneurship is relatively high. A gall up poll conducted in Nigeria by Rheault and Tortora (2008) shows 67% of Nigerian have thought of starting a business in that year which is one of the highest in West Africa.

Onugu (2005) and other reviewed literature reveals that problems relating to Nigerian Entrepreneurs include, inadequate, inefficient and at times, non-functional infrastructural facilities which tend to escalate cost of operations; bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the government; lack of easy access to funding/credits which can be traceable to the reluctance of banks to extend credit to Entrepreneurs; high cost of packaging appropriate business proposals; uneven competition arising from import tariffs.

Other problems highlighted are lack of access to appropriate technology as well as near absence of research and development; high dependency on imported raw materials with the attendant high foreign exchange cost and scarcity at times; weak demand for products; unfair trade practices characterised by the dumping and importation of sub standard goods; weakness in organisation, marketing, information usage, processing and retrieval, personnel management,

accounting records and processing etc arising from the dearth of such skills in most Entrepreneurs and their staff due to inadequate educational and technical knowledge; high incidence of multiplicity of regulatory agencies, taxes and levies that result in high cost of doing business; widespread corruption and harassment of Entrepreneurs by some agencies of government over unauthorised levies and charges; absence of long-term finance to fund capital assets and equipment; lack of initiative and administrative framework or linkage to support and sustain entrepreneur development, and lack of appropriate and adequate management and entrepreneurial skills.

Inang and UKpong (1993) and Hussaini and Liman (2010) highlighted the major problems associated with financing which have constrained the ability of Entrepreneurs to play the pivotal role expected of them. According to them these problems include undercapitalization, the small sizes of enterprises, dearth of tangible assets, high risk rating, tariff policy, low productivity among Entrepreneurs, high mortality rate, lack of infrastructural facilities and access to finance. This paper will look closely at problems emanating from lack of access to finance. Economic literature on enterprise financing has identified four main obstacles that may prevent Entrepreneurs from obtaining adequate financing. These obstacles are discussed below.

According to Beyene (2002) one of the obstacles is information asymmetries which can lead to two problems when trying to screen a prospective loan seeker. One of these problems is the lender may not be able to differentiate between high quality and low quality enterprises. Therefore setting a high interest may lead to excessive risky portfolio (adverse selection problem) while on the other hand, once the lenders have supplied the funding, they may not be able to assess whether the enterprise is utilizing the funds in an appropriate way or not (the moral hazard problem). This problem is particularly acute in developing countries as most of Entrepreneurs have low level of education and information supplied is often not fully accurate and realistic.

Because of these problems, lenders/investors tend to be very cautious toward Entrepreneurs and either reduce the amount financing sought or refuse it altogether (Kaufmann, 2005). The second crucial problem associated with access to finance is risk profile. (Anon, 2010) stated that the reason why suppliers of external funds find entrepreneur as risky especially those that fall under the small and medium classification of firms, include that enterprise face a more uncertain competitive environment than larger companies and they experience more variable rates of return and higher rates of failure. They also believe that Entrepreneurs are less equipped in terms of both human and capital resources to withstand economic adversities (Anon, 2010; Olorunshola, 2001). Others include inadequate accounting systems, which undermines the accessibilities and reliability of information concerning profitability and repayment capacity and volatile operating environment which has a negative impact on the security of transitions.

The third problem has to do with transaction cost. Cost like administrative cost, legal fees, cost relating to acquisition of information and after disbursement cost like field inspection cost, attendance of board meetings make the cost of appraising a loan application expensive business (Anon, 2010).

Just as a coin has two sides so do the problems associated with financing of Entrepreneurs. So far we have looked at problems arising on the demand side. We are going to look at problems arising from the supply side. Problems like poor quality of projects submitted for financing, inability for Entrepreneurs to make the best possible use of available sources of funding, and the negative attitude displayed by Entrepreneurs towards equity financing. Poor quality of projects (visibility reports etc) which is most often below minimum standards is a problem

connected to financing. Banks find these projects unloanable projects therefore they are rejected (Beyene, 2002).

The second demand constraint is that promoters are often unable to make the best use of available opportunities irrespective of the inherent quality of the projects (Anony 2010). Many small Entrepreneurs are unable to deal with finance institutions which they find as waste of time. To gain access to external financing, one needs to follow up on application which will involve both time consumption and human endeavour.

The third demand side constraint which specially deals with equity financing and it relates to the unwillingness of Entrepreneurs to relinquish control of the company to any one (Onugu, 2005). This is due to the fear entertained by Entrepreneurs that the external financier is trying to take over the company from him. These constraints both on the supply and demand side have in no small measure contributed to problems associated with financing of Entrepreneurs. However, the government and other financial institutions did not fold their arms and allow the Entrepreneurs to find their feet. There were a number of policies, measures, incentives and establishment of support institutions specially structured to render assistance and succour to minimize the constraints faced by Entrepreneurs (Anyanwu, 2001; Nnanna, 2001). Prospects according to Wikipedia is “chances” or financial expectations, especially of success of Entrepreneurs can be measured by the sources of financing options available to them and how suitable the options are for use by the Entrepreneurs. The extent to which these (chances) opportunities by Entrepreneurs are exploited and their contributions maximized in any economy depends on the enabling environment created through the provision of requisite infrastructures. These include roads, telecommunications, power, ports, finance facilities and the introduction and pursuit of policies such as concessionary financing to encourage and strengthen their growth (HPACI, 2002). In order to encourage the growth of Entrepreneurs, successive administrations have over the years employed monetary, financial and industrial policy measure of the macro level and financial arrangement at the micro level to assist the development of Entrepreneurs in Nigeria.

Some of the steps taken by government as stated by Aruwa(2004) include merger of all SME/industry financing agencies comprising the Nigerian bank for commerce and industry (NBCI), NERFUND, and Nigerian industrial development bank (NIDB) into one agency—the bank of industry—to administer loan schemes to Entrepreneurs at lower than commercial rates. Others are setting up an agency SMEDAN which focuses on small and medium industries. This agency is to coordinate the development of the SME sector, establishing a National Guarantee Credit Scheme for SME's to facilitate their access to credit without stringent collateral requirements, revive the Entrepreneurship development programme, and increased budgetary allocations for SME's development.

In the recent past schemes like SMEEIS which is a voluntary initiatives of bankers committee which required all licensed banks to set aside 10% of their profit before tax (PBT) for equity investment was set up (Adelaja, 2001). Over the life time of its existence (2000-2008) funds accumulated to N42.02 billion while only N28.20 billion was disbursed (SMEEIS 2009). The scheme was abolish because funds were not being accessed. The accumulated funds were to be transferred to micro finance outlets.

Nigeria Entrepreneurs tend to rely heavily on retained earnings and their own funds (70%) for financing while bank lending is very low, (1%) (CGAP, 2009). A comparison of sources of financing to Entrepreneurs in Nigeria revealed that percentage of financing from own funds / retained earnings stood at 70%, from borrowed from banks and other financial institutions at 1%, purchases on credit from suppliers and advances from customers at 25% and borrowed from family friends and other informal sources at 4% (CGAP, 2009).

This reveals that most Entrepreneurs rely more on own fund / retained earnings than any other source of finance. This may be due to fears of business takeovers and seizure of assets pledged as collateral in case of default of loans.

Another reason that can be attributed to low interest rate is the facts that interest rate are prohibited. Hussaini (2010) cited udovitch (1990) as having observed that the modes of profit loss financing modes (Mudarabah and Masharaka) helped mobilize the entire resources of monetary resources of the medieval Islamic world for financing agriculture, crafts, manufacturing and caravan trade.

These financing arrangements were equally accept by Jews and Christians to the extent that its usage suppressed thee patronage of interest bearing loans and other overly usurious practices. Goiteit (1966) observed that Jewish, Christians and Islamic laws against interest were found only once in the record of the judgements, even though an unusually large amount of deniza documents deal with credit.

Hussaini (2010) pointed out that Schatzmiller (1994) reinstated the notion of interest free capital when he noted that financial capital was developed during the early period by a considerable number of owners of monetary fund's and precious metals without the supposed interdiction of interest, usury hampering it in any way.

The Methodology and Model

A simple random sampling was employed in the selection of the sample for the study concentrated on the Northern states of Nigeria choosing three major commercial cities in the North. The judgemental sampling technique was used to select these cities. The cities are Kano (the commercial centre of the North), Kaduna and Bauchi representing the North. The statistical instrument of measurement was the Questionnaire. 114 questionnaires were distributed into 40, 38, and 35 for Kano, Kaduna and Bauchi respectively. The questionnaire was close-ended structured. Both primary and secondary sources of data collection were used for this study. The research design used is descriptive and the statistical techniques used in analysis is qualitative description applied in form of analysing data by the use of simple tables and percentages. This chi-square was used in testing of the hypothesis. The justification for the use of the chi-square distribution, with $k-1$ degrees of freedom, where k is the number of categories, is derived by the fact that the responses fall into categorical data. This means that once a respondent has chosen an option from that category, he cannot choose another option from that group again. They have a mutually exclusive relationship.

Data Presentation and Analysis

The main objective of this section is to present and analyse the data collected in the field. 40, 38, and 35 questionnaires were administered in Kano, Kaduna and Bauchi respectively. However 37, 36, and 31 were retrieved from Kano, Kaduna and Bauchi respectively. Out of the 114 questionnaires administered, 104 were retrieved fully answered.

The results are presented in tables with frequencies and percentages, and the analysis of each table follows closely beneath the given table. The tables are presented in sections in line with the objectives of the research.

Table 1.1 Line of Business

S/N	Line of Business	Frequency	Percentage
1	Manufacturing	14	13.5%
2	Telecommunication	17	16.3%
3	Services	18	17.3%
4	Retailing	55	52.9%
	Total	104	100%

Source: SPSS Output, 2010

The data in table 1.1 shows that 14 (13.5%) of Entrepreneurs in Kano, Kaduna and Bauchi are manufacturers, while 17 (16.3%) are into Telecommunication. 18 (17.3%) are services delivery based while 55 (52.9%) are retailers. The data shows us that the bulk of Entrepreneurs in Nigeria are Retailers. This is evident from the fact that more than half the respondents are retailers. This shows that Entrepreneurs in Kano, Kaduna and Bauchi to a large extent have greater preference for retailing.

Table 1.2 Do you operate a bank account?

S/N	Response	Frequency	Percentage
1	Yes	63	60.6%
2	No	41	39.4%
	Total	104	100

Source: SPSS Output, 2010

Table 1.2 depicts that 63 (60.6%) of the respondent within the three state operate a bank account, while 41 (39.4%) do not operate bank accounts. This shows the researcher that most of the respondents are aware of the advantages of operating a bank account. Some of the advantages include access to finance. This could be loans both short term and long term as well as equity financing as evident from the SMEEIS scheme.

Table 1.3 If yes, is the account operated in the Company's name?

S/N	Responses	Frequency	Percentage
1	Yes	20	31.7%
2	No	43	68.3%
	Total	63	100%

Source: SPSS Output, 2010

Table 1.3 shows that most of the respondents operate accounts in their names rather than in the company name. Only 20 (31.7%) respondents have bank accounts in their company names while the balance of 43 (68.3%) respondents operates their bank accounts in their names.

Table 1.4 Have you tried to collect loans from the bank

S/N	Responses	Frequency	Percentage
1	Yes	40	63.6%
2	No	23	36.5%
	Total	63	100%

Source: SPSS Output, 2010

Table 1.4 depicts that 40 (63.6%) respondents from the three states have tried to collect loans from their banks while the balance of 23 (36.5%) have never applied for a loan. The results

show that a large number of respondents have tried to access loans from the banks they operate with.

Table 1.5 Major problems affecting Financing of Entrepreneurs in Nigeria.

S/N	Problems	Frequency	Percentage
1	Higher interest rate	15	14.3%
2	Lack of Collateral	21	20.3%
3	Interest rate	49	47.1%
4	Transactional cost	6	5.8%
5	Poor quality of products	6	5.8%
6	Inability to use sources of finance	1	1.0%
7	Information Asymmetries	6	5.8%
	Total	104	100%

Source: SPSS Output, 2010

Table 1.5 is a tabulation of problems that affect financing of Entrepreneurs in Nigeria. It can be seen clearly that 15 (14.3%) respondents agree that higher interest rate is the major problem of Entrepreneurs; 21 (20.3%) believe that it is lack of collateral; 49 (47.1%) insist that interest rate is their major problem while 6 (5.8%) are of the opinion that transactional cost is their major problem of financing. Poor quality of products is seen by 6 (5.8%) as the major problem associated with financing while 1 (1.0%) and 6 (5.8%) respondents believe it is inability to use sources of finance and information asymmetries respectively as their major problem in financing.

The research shows that the financing problem that is ranked 1st is interest rate (47.1%) while lack of collateral (20.3%) and higher interest rate are ranked 2nd and 3rd respectively. This table reveals that most Entrepreneurs are faced with the problem of interest rate as a barrier to them accessing loan from the bank. Therefore we can infer that the top most problems affecting the financing of Entrepreneurs in Nigeria are interest rate, Collateral, and higher interest rate in descending order of intensity

TABLE 1.6 If looking for long time financing which would you prefer.

S/N	Options	Frequency	Percentage
1	Interest /Collateral based Financing	20	19.2%
2	Profit and Loss Sharing Financing	65	62.5%
3	Equity Financing (SMEEIS)	19	18.3%
	Total	104	100%

Source: SPSS Output, 2010

The table 1.6 above shows that 20 (19.2%) of Entrepreneurs would go for interest/collateral based financing while 65 (62.5%) of Entrepreneurs would go for profit and loss sharing financing. 19 (18.3%) respondents choose equity financing as their preference. This to a large extent has prove the fact that Entrepreneurs in kano, Kaduna and Bauchi would rather prefer or have preference for interest free loans with profit and loss sharing formula, based on the response they gave.

Table 1.51 Chi Square Test for Table 1.5

1	Chi- Square	109.769
2	Degree of Freedom	6
3	Asymp of Significance	0.000

Source: SPSS calculations 2010

A Pearson chi-square test has been obtained from the table 1.51 from the result of table 1.51 the value of chi-square calculated $X_c=109.769$ and the value of chi-square tabulated $X_t=16.812$ the result shows that $X_c > X_t$ at 1% level of significance. The implication is that we reject the null hypothesis and accept the alternative hypothesis. Concluding that at 99% confidence interval, the top three problems affecting Entrepreneurship financing in Nigeria are interest rate, lack of collateral and high interest rate.

Table 1.61 Chi-Square Test for Table 1.6

1	Chi- Square	16.962
2	Degree of Freedom	2
3	Asymp of Significance	0.000

Source: SPSS Output, 2010

A chi-square test has obtained for the table 1.6 above. From the result obtained the value of calculated chi-square $X_c=16.962$ and the value of tabulated chi-square $X_t=9.210$. Therefore, the result shows that the value of $X_c > X_t$. The implication is that we reject the null hypothesis and accept the alternative hypothesis.

The result presented by many tables of frequencies, percentages and charts are hereby analysed by drawing inferences from the results, with respect to the stated objectives. Table 1.1 shows major line of business that is the various areas of interest by the Entrepreneurs, and this table was able to address and clearly show the major line of business and reveals that Entrepreneurs in Kano, Kaduna and Bauchi are mostly retailers and this as a result of the financing they have. To this government has to come in and see how this line can be improved. Analysis table 1.2 and 1.3 operating a bank account/ account registered in company's name. Having gone through the research, it reveals that most Entrepreneurs operate a bank account and the account is registered in the company's name.

Table 1.4 deals with the question of trying to get loan from the bank. This has dully proven that most of the Entrepreneurs have bank accounts but only a third of them have tried to collect loan from the bank. Also table 1.5 proved that the problem perceive to be the most important by Entrepreneurs is Interest Rate. This is evident by the total number of respondents who regard it as the paramount problem they are facing. Table 1.6 which asked the question of mode of long term financing that Entrepreneurs prefer shows us that most of the Entrepreneurs prefer to collect loan without interest because of their believe that interest rate is prohibited. Therefore a preference for long term financing on the condition of profit and loss sharing financing other than interest collateral based financing and Equity Financing hypothesis testing.

Testing the hypothesis for this research work, chi-square (X) test with confidence interval of 99% was used. The hypothesis is tested at 1% level of significance as obtained from the field. Null hypothesis- $H_0: 0 \neq 0$, the top three (3) problems affecting the financing of Entrepreneurship development in Nigeria are not interest rate, lack of collateral and higher interest rate.

Alternative hypothesis- $H_1: \neq 0$, the top three (3) problems affecting the financing of Entrepreneurship development in Nigeria are interest rate, lack of collateral and higher interest rate.

Thus, testing the null hypothesis at 1% level of significance and a degree of freedom of 6 ,we find out that the critical value from our chi-square at table is $X_t=16.812$ while the computed chi-square test using Statistical Package for Social Sciences is $X_1=109.769$. Decision rule assert that we reject null hypothesis, and accept the alternative hypothesis, if the critical value, is less than the computed chi-square value, otherwise we accept the null hypothesis and reject the alternative, hypothesis.

Following the decision rule, and given that the computed chi-square value (109.769) is greater than the critical value (16.812) we reject the null hypothesis and accept the alternative hypothesis and this conclude that the top three (3) problems affecting the Entrepreneurship financing in Nigeria are interest rate, lack of collateral and higher interest rate.

The second null hypothesis which states that Profit and loss sharing financing is not the preferred form of financing by Entrepreneurs in Nigeria was also tested.

Thus, testing the null hypothesis at 1% level of significance and a degree of freedom of 2 ,we find out that the critical value from our chi-square at table is $X_t=9.210$ while the computed chi-square test using Statistical Package for Social Sciences is $X_c=16.962$ Decision rule assert that we reject null hypothesis, and accept the alternative hypothesis, if the critical value, is less than the computed chi-square value, otherwise we accept the null hypothesis and reject the alternative, hypothesis.

Following the decision rule, and given that the computed chi-square value (16.962) is greater than the critical value (9.210) we reject the null hypothesis and accept the alternative hypothesis and thus conclude that profit and loss sharing financing options is the preference of Entrepreneurs in Nigeria. The belief is that the banks will not risk a loss therefore the banks will only invest where they are sure of returns.

Findings

The responses generated from the questionnaires were analyzed using the Statistical Package for the Social Science (SPSS). chi-square, was the statistical tools used to test the hypotheses formulated. The inferences drawn from the findings are:

- 1- Entrepreneurs consider interest rate in choosing where to source funds for their businesses;
- 2- There is a relationship between availability of collateral and accessibility to funds;
- 3- Entrepreneurs in Nigeria are prepared to access funds through the Profit and Loss Sharing Financing Policy;
- 4- Most enterprises are mainly concern with retailing that are consumable goods this is as a result of the fact that they don't have enough finance to expand;
- 5- The survey also reared that most Entrepreneurs have a bank account and this account are registered in the name of the company;
- 6- Going through the tables in line with the data obtained and presented it showed that most of the enterprises have tried to collect loan from the bank they operate with;
- 7- They also admitted what hinders them from collecting loan is the fact that it attracts interest and collateral;
- 8- Using the chi-square (X^2) test, the alternative hypothesis which states that the top three(3) problems affecting Entrepreneurship financing are interest rate, lack of collateral and higher interest rate. Therefore we accept the alternative hypothesis and reject the null hypothesis.
- 9- Using the chi-square (X^2) test, the alternative hypothesis which states that Entrepreneurs prefer Profit and Loss Sharing financing to Collateral/ interest based financing and Equity financing. Therefore we accept the alternative hypothesis and reject the null hypothesis.

Summary and Conclusions

Accessibility to finance is a persistently problem that inhibits entrepreneurship in Nigeria. Various programmes/assistance were instituted to ameliorate this problem. Constant policy summersault often times prevent achievement of desired goals of these programmes. The inherent risk in entrepreneurial finance forced financial institutions (especially banks) to charge high interest rate and collateralise loans, so as to secure the funds provided, but these are inimical to the growth and survival of entrepreneurial drive of Nigerians. The financing source of profit and loss sharing financing should be considered as alternative financing source for business transactions with Entrepreneurs in Nigeria.

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Societal Entrepreneurship for Sustainable Development of Society

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Objectives: In the Swedish context, “Societal Entrepreneurship” has recently emerged as a specific formulation of a broadened and socially concerned understanding of entrepreneurship as creative agency in community and societal improvement. The paper aims to conceptualize and clarify the specific character of Societal Entrepreneurship in relation to the internationally fast growing field of “Social Entrepreneurship”, and develop a strategic framework for Societal Entrepreneurship.

Prior Practices: Development partnerships for social, community and regional development, as well as university-society collaborations in developing soci(et)al entrepreneurship and innovation in different forms.

Approach/Methods: The paper is based on action research collaborations and projects in developing soci(et)al entrepreneurial understanding, capacities and education, where a complexity framework is used for framing experience and reflection.

Results/Insights: Clarification of the complexity of strategic orientation and dimensions in societal entrepreneurship, and ways to grasp and deal with it in terms of the 7P framework - product, process, person, platform, partnership, performance and propagation.

Implications to Community/Industry: An important implication is recognition and development of Societal entrepreneurship as a force and practice for sustainable social and societal development.

Value to the Theme: The value of the contribution is conceptual clarification of Societal Entrepreneurship and the development of a strategic framework for dealing with the complexity of its performance.

Keywords: Social Entrepreneurship, Societal Entrepreneurship, Entrepreneurial strategy, Complexity, Social development

Introduction

The field of entrepreneurship has traditionally been restricted to the business development domain and commercial relations. Today there are movements in entrepreneurship research and practice of opening up for broader spectrum of entrepreneurship, reclaiming it as societal phenomena and as social forces for change (Steyaert and Katz, 2004; Spinosa, Flores, and Dreyfus, 1997; Gawell, Johannisson, and Lundqvist, 2009). The point of departure is the enterprising and constructive efforts of a broad range of agencies in society, also including supportive contexts like personal networks and communities. The broadening of entrepreneurship perspectives in recent years towards social and societal perspectives open up potentials of building and recreating community relations and societal institutions through entrepreneurial initiatives in order to create value.

Social entrepreneurship is a rather confusing variety of types of entrepreneurial activity with a social mission. There are a number of different efforts at definition. An early clarification of a leading researcher as a starting point to describe it is: Social entrepreneurship is about innovative, market-oriented approaches underpinned by a passion for social equity and environmental sustainability (Dees, 1998). Social entrepreneurship is a varied blend of the spirit of enterprise and the spirit of social concern. An early and leading social entrepreneur is Bill Drayton originator of the Ashoka organization of Fellows that he is gathering. The task of this new breed of entrepreneurs is according to Drayton to reintegrate the business and the citizen sectors. For him, social entrepreneurs are those who “recognize when a part of society is stuck and provide new ways to get it unstuck. They envisage a systemic change, identifying the jujitsu points that will allow them to tip the whole society onto this new path.... [They have a] a powerful, new, system-change idea’ (Drayton, 2002, p. 123, italics in original). They also have an entrepreneurial spirit to drive change across society.

In the Swedish context, “Societal Entrepreneurship” has recently emerged as a specific formulation of a broadened and socially concerned understanding of entrepreneurship as creative agency in community and societal improvement. Societal entrepreneurship can be seen as breed of social entrepreneurship. On the wide scale of social entrepreneurial varieties from using entrepreneurial and business methods and activities also for social purpose to increase efficiency and innovativeness, to developing agency for communal and societal development, societal entrepreneurship is more to the later end of the scale compared to mainstream social entrepreneurship. The paper aims to conceptualize and clarify the specific character of Societal Entrepreneurship in relation to the internationally fast growing field of “Social Entrepreneurship”, and develop a strategic framework for Societal Entrepreneurship.

Conceptualizing Societal Entrepreneurship – a Swedish Perspective

The international debate, practice and movement in “social entrepreneurship” have been growing rapidly in recent years. In the Scandinavian, particularly Swedish, context, the debate and development on social entrepreneurship has been slower than in e.g. England and US. Furthermore, social entrepreneurship has in many contexts been translated into “sambhällsentreprenörskap”, which literally means “societal entrepreneurship”. But this concept is as far as unused in the English language. Also “public entrepreneurship” has been used as alternative to social entrepreneurship in Sweden in the special meaning of initiatives growing from the citizen sector. It can be linked to a strong tradition of social movements and organization of special interest groups in this sector. One reason for the belated interest in social entrepreneurship may be the existence of a strong welfare state as well as particular democratic tradition. Discussion and debates on social problems is generally referring to

“society” for recognition and appropriate action. The underlying meaning, if not explicitly stated, is that appropriate public authorities as well as the democratic political system should take care of issues. An underlying assumption seems to be that “society” should take care of social welfare as a right of citizens. Social entrepreneurship from this perspective tends to have a ring of charity and the uncertain provision of social values based on the generosity of the richer. In practice, social and societal entrepreneurship overlap to a considerable extent. Some researchers do not want to draw lines and instead talk about them interchangeably, and prefer to use “social entrepreneurship” as the general concept in English. There is a plurality of meaning of social in social entrepreneurship, which means that there is also space for societal entrepreneurship. It might for example involve commercial entrepreneurs providing particular products or services with higher performance in social problem solving. It might also involve grass root entrepreneurs empowering excluded groups to work for the own development.

In the context of the Swedish research network on Societal Entrepreneurship – OSIS (Organizing Societal Entrepreneurship in Sweden, www.osinsweden.com) – the development of the concept as well as initiation of research on and in interaction with different societal entrepreneur actors has been performed since 2008. A point has been to study a number of entrepreneurial initiatives of different shapes from the perspective of a broad understanding of entrepreneurship going beyond the business sector. Studies have been done in areas like fair trade, social service in the public sector and in the social economy, incubator and science park development, cultural entrepreneurship etc. In the successive conceptualization and clarification of the concept, the motivation of understanding (and constructing) the distinctiveness of the concept has been growing. One step has been to use the expression “Soci(et)al entrepreneurship” in order both to indicate some distinction as well as communality at the same time. In this context, from the point of view of the purpose of this paper I would like to focus explicitly on societal entrepreneurship and clarify some of its basic features. I am here leaning on the insights developed together with my colleagues in the OSIS network.

Social entrepreneurship is often emphasizing some non-commercial features of the venturing, e.g. individuals doing good by helping some people or groups with basic unfulfilled needs. Often it is a matter of employing business method traditionally used by entrepreneurs in areas of social problem solving and innovation. Thus making broader use of entrepreneurship as efficient methods and practices for problem solving and innovation. Instead of starting from individuals and people wanting to do good, the emphasis in societal entrepreneurship tend to be more related to societal or communal contexts, and the focus on improving these contexts in certain ways. It is “Entrepreneurship in the name of society” as the title of the first book in English is saying in the title (Gawell, 2009). This is not only entrepreneurship in the name of certain individuals or non-profit organizations aiming at doing good, but also a matter of building and transforming societal contexts, seen as a continuous project for all citizens to take part in. As Schumpeter say, one motivation for entrepreneurs is building a “private kingdom”. It is certainly an important motivation. Social and societal entrepreneur may often in practice focus on the same issues, but there is a different in organizing orientation if the focus is a private social kingdom that is built or rather a social innovation republic. In the international discourse on “social entrepreneurship”, Alex Nicholls, a leading researcher in the field, has recently made an overview of streams and driving forces. Nicholls points to resource-rich actors, often with a business background, tends to dominate and take over the agenda and concept. He recognizes the trend that; “the logics of the hero entrepreneur working within a business (or business-like) setting will come to dominate the paradigmatic development of the field, while the logics of communitarian action linked to social justice and empowerment will become marginalized” (Nicholls, 2010: 624). It may be that this tension, this struggle over concepts and practices, indicate a possible relevance and meaning of societal entrepreneurship. It may point to a reason for focusing on societal entrepreneurship in distinction to social entrepreneurship, in highlighting what Nicholls sees as marginalized in the international social entrepreneurship field.

Table 1 is an effort to recognize some differences in emphasis between social entrepreneurship and societal entrepreneurship.

	Social entrepreneurship	Societal entrepreneurship
Source of motivation	Personal social intentions of doing good	Public values and interests
Concern	Unmet needs of individuals and groups	Contextual and communal values and problem
Aims	Need satisfaction of beneficiary group	Institutional impacts for improving societal context
Legitimacy	Problem solving capacity of more efficient solution	Partnering, democratic relations
Emergence	Non-profit sector with a stronger business method or business sector developing social services and business models or doing CSR	Intersectorial, can emerge in all sectors
Relating to others	Collaborative for mutual benefit	Federative for common purpose
Orientation	Business orientation in social sector	Active citizen orientation
Organizing orientation	Private social kingdom	Social innovation republics

Table 1. Comparison of tendencies in emphasis in social and societal entrepreneurship

Agency and actorship is a constitutive feature in any understanding of entrepreneurship. So is opportunity (Shane & Venkataraman, 2000, Shane, 2003). While social entrepreneurship focuses on social – non-commercial – intentions and mission of entrepreneurial actors, societal entrepreneurship tend to start from a social context. As Johannisson & Nilsson (1989) say concerning community entrepreneurship, it is a form of “contextual entrepreneurship”. The context provides a third dimension of entrepreneurship. Societal, communal, civic and public entrepreneurship all in different ways relate to this additional nexus of entrepreneurship. The “societal” emphasizes a point of departure in an institutionalized social context – a society. Society refers to the aggregate of people living together in a more or less ordered community, including values and institutions. The entrepreneurial activity both take a point of departure and generates its mission related to particular societal contexts. Furthermore the idea of greenfield society making, utopian engineering, is elusive as we are all part of existing conditions in term of human relations and network, as well habits, rules, distributed resources and interests.

The emphasis on public/civic dimensions can also indicate how the social dimension can be distinguished from the societal, see figure 1.

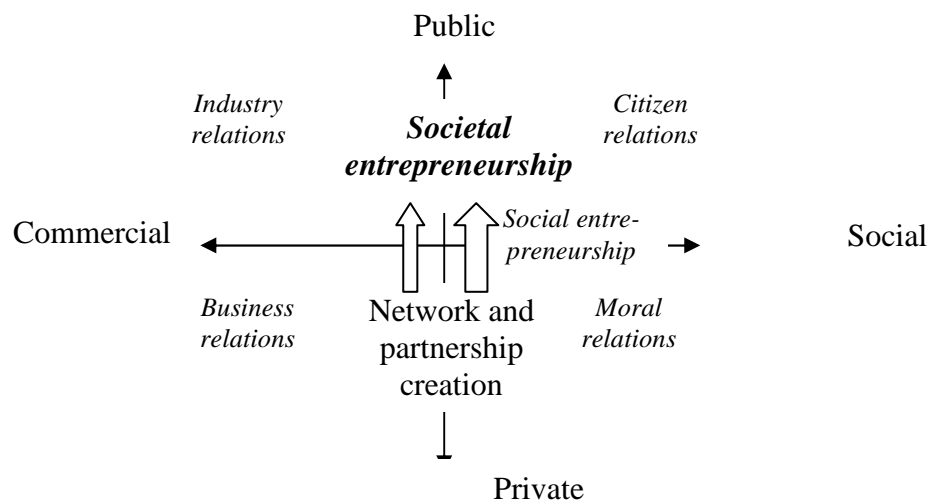


Figure 1. Societal entrepreneurship, social entrepreneurship and different relations

The dominant understanding of social entrepreneurship compared with traditional commercial entrepreneurship is that the focus and purpose are social - not profit-oriented. Societal entrepreneurship may instead be linked to the dimension private-societal/public, where the societal element is determined by the extent to which entrepreneurship is based on and focuses on the creation, recreation and transformation of "society". The context of entrepreneurship is seen here as organized in communities, social institutions and more or less formal organizations, where entrepreneurship is aimed at the creation, modification and improvement of this society. The "public" in the entrepreneurship is not in the first place that it is included in the public sector, but that it is aimed at activities concerning everyone in a particular social context (for example, a district, region or association of people) or is considered of common/public interest for the social context considered.

There is as need for further theoretical development in many respects. A crucial aspect is how society and the social is conceptualized and integrated with entrepreneurship. Societal entrepreneurial venturing dealing with broader range of social dynamics adds complexity in a number of respects to the efforts. We see it as useful to theoretically develop an understanding of societal entrepreneurship in complex system terms. Complexity theory has been used to some extent in the area of entrepreneurship theory (McKelvey, 2004). Recently it has also been introduced in the area of social entrepreneurship, particularly in a special issue of *Emergence* (2008, vol 10:3). We see this as a promising theoretical perspective to develop further.

Towards a Strategic Framework for Societal Entrepreneurship

A way to making the concept of societal entrepreneurship more concrete and useful in practice is to clarify strategic dimensions as a point of departure for societal venturing. A step in this direction is the 7P framework which will be clarified in this section. The framework has successively been developed, firstly during an investigation of practical conceptual frameworks of experienced business coaches and innovation advisors in providing business development support to entrepreneurs (Lindhult&Höglund, 2009). Secondly through interactive research in the course of a collaborative, EU-financed development project (PRIM) involving eight incubators and science parks in the middle of Sweden. Here particularly conceptualization focused interviews has been used, where managers has together with the researcher been active in identifying and formulating characteristics of societal entrepreneurship based on their

learning from managing incubators and science parks. These ventures are very clear examples of Societal Entrepreneurship in many respects (Lindhult, 2009b). Thirdly in the course of an education in societal entrepreneurship in Nacka, Sweden during autumn 2010, where the framework has been used and tested as a guide for venture planning (Lindhult, Höglund, Hamrefors, Rådmark, Ståldal, 2010).

I presuppose that the reader is familiar with “traditional” commercial entrepreneurship. The table below is an effort to clarify some basic features of the seven P’s by a comparison with commercial entrepreneurship.

	Commercial entrepreneurship	Societal entrepreneurship
Product	Customer offering	Value improvement/problem solving for society, e.g. job creation, growth, welfare
Process	Business development	Value network and movement development
Person	Market or. competence (e.g. marketing of business idea and offering)	Collaborative competence, sector linker
Platform	Business case/model	Legitimation, credibility, competence, network (basis for creating impact)
Partners	Business Alliance (win-win)	Federate and mobilize around societal vision
Performance	Value for entrepreneur/investor: Sales, ROI	Value for societal context, e.g. welfare, job creation, tax return
Propagation	Market share, company growth, sustainable competitive advantage	Satisfaction of societally significant needs, disseminate social service/product package, System and institutional change

Table 2. 7P framework for societal entrepreneurship compared to commercial entrepreneurship.

Product refers to opportunity, new value offering, and ways of bringing new value to the existing context. It is not only products in the sense of new goods and services to be introduced in the context. Social innovation cannot always be objectified in this way. It is also value creating interventions which can creatively reorganize existing relations and conditions, that is, more contextual innovation. It can take the shape of policy innovations, method innovation, organizational innovation, or cultural innovation.

Inspired by Goldsmith (2010), different types of value creating “products” can be identified:

- New methods or packages with potential for improved performance. This is the area where entrepreneurs feel most at home. This may also provide technological glue between involved actors. By standardizing the package the product is more easily scaled up and distributed more widely in the context or in a number of contexts. This is clearly an approach to social innovation for transformative change that involvement of entrepreneurial dimension suggests.
- Civic realignment of the network of actors – government, business, civic - involved in the provision of certain assistance, aid or service. By creatively reorganizing the network, more effective coordination and collaboration can be achieved leading to heightened performance.

- Filling the management gap – taking a particular role in the network. There may be weak spots in terms of activities and roles in existing systems. By providing for these bottlenecks, performance can be improved.
- New vehicles for community engagement where citizens in different ways can engage in innovative activity or influencing the conditions for innovation. It may be groups experiencing exclusion becoming active through entrepreneurial activity in improving their own situation as well as their peers.
- Improved condition for innovation through openness for and support/incubation of entrepreneurial initiatives of different kind. It may imply introducing more space for market processes – often emphasized from an entrepreneurial position. But it may also mean creating an innovative climate and structure in the community that is enabling for new ideas to grow and for people doing something different (“positive deviants”).

Process entrepreneurial knowledge in how to develop opportunity in terms of products, services and creative organizing is essential for creating a forceful and effective business model for social problem solving and change. All entrepreneurial processes involve networking but it is particularly crucial in social innovation process and community oriented venture creation (Haugh, 2007, Goldsmith, 2010, Lindhult, 2008, 2009). In social venture creation there is a need of engaging citizens and stakeholders. Haugh’s description of entrepreneurial process for community-led venture creation is illuminating, including the clarification of the use of formal and tailor-made networks.

Opportunity identification	Recognition of a felt need within a community/society—one, or more, person(s) perceives that a need/opportunity exists. This might arise from internal and/or external sources: personal experience, local knowledge, formal analysis, stakeholder suggestions, action from local people, and intervention by local authority.
Idea articulation	The idea is verbalized and people begin to talk about it informally. Alternative ways of developing the idea to benefit the community/society are discussed. Tacit knowledge is drawn on to focus ideas. The threads of a network begin to take shape as ideas are discussed with others, e.g., community development workers, business advisers
Idea ownership	A group takes ownership of the idea, actively sharing information. Formal meetings begin to take place. A decision is made to act together as a community group (intentionality). The vision/purpose/mission of the social venture is determined. The first documents of the venture are created, e.g., minutes of meetings. Bank account opened.
Stakeholder mobilization	Gathering of human, physical, financial, and technological resources. People and organizations are mobilized. A tailor-made network takes shape as some network members exit and others expand their greater role. Commercial ideas are formally evaluated. Additional documentation created, e.g., feasibility study.
Opportunity exploitation	The venture is created as a legally identifiable enterprise (boundaries) and begins business activities. Contracts are arranged with providers of resources (exchange). Decisions on responsibilities

	and allocation of tasks are made. Any training Necessary to turn the idea into practice is organized and implemented. Professionalization of roles, responsibilities, structures, procedures and management. Control and accountability measures are established. Venture financing arranged: sources of finance identified, approached and secured.
Stakeholder reflection	Collection of performance indicators, outcomes evaluated, and feedback to stakeholders through multiple media. Strategic decisions made concerning future direction of venture. At the end of venture—recycling and redeployment of any residual resources.

Figure 2. The process of community-led social venture creation (Haugh, 2007)

An addition that can be made is that entrepreneurial initiatives can also be more contextually oriented, not necessarily involving starting a specific venture by creating a new organization for it. Focusing on opportunities for realignment of networks, taking on specific roles, finding new ways of engaging citizens or improving condition for innovation tend to lead to rather different types of processes.

In societal entrepreneurial activity, an important part of the process also is legitimation. Besides showing disinterested purpose, legitimation also furthers credibility and authorization. This is a much studied area in the social science. We will here only point out the multiplicity of ways of achieving legitimation. As Schumpeter says, entrepreneurs are often rule breakers or rule stretchers rather than conformers to rules. This is a way of creating leeway for innovative problem solving. A common motto in the entrepreneurial field is that it is better to ask for excuse afterwards instead of permission in advance. On the other hand, not understanding the game of legitimation can cause rejection of otherwise viable opportunities and leading to a halt in the processes.

Legitimation by result is the way entrepreneurs normally try to achieve legitimation. Or rather go about practicing entrepreneurship without being aware of the issue of legitimation. The assumption is that having an offer that is better than alternative providers, the better performance for users will make “society” choose it. Having a better product might work for commercial entrepreneurs operating in a free market. But it is naïve to believe that social contexts wholly function as free markets. Playing by the market rules is not enough. The point of legitimation is that you have to play by (or sometimes play with) the norms and rules of the social context you are engaged in. As Habermas say, the market as system open up spaces for more norm-free sociality where people can interact on the basis of self-interest/private interest and search for the best deals for satisfying these interests. This is generally very favorable for innovative entrepreneurs as they are provided action space for introducing more efficient means to create value for users and achieve pecuniary and other forms of success through it. It contributes to an innovative dynamics of creative destruction (Schumpeter), as the innovation is allowed to contribute to the destruction of existing conditions that the new means are making obsolete.

Thus it is not strange that entrepreneurs coming to the social area would like more of the type of freedom, resource acquisition possibilities as well as competitive performance norms that a market is offering. E.g. Goldsmith (2010) sees an important category of civic entrepreneurs not only in solution providers but also in “market makers” as a way of opening up for entrepreneurs and innovators to do their job. In some situations this is a way of improving problem solving capacity of a community. But the domain of social problem solving and transformative change is only to some extent regulated by market norms and institutions. And it is a contested issue how

far market norms and institutions is helpful for social problem solving and value increasing social change. The area of socially oriented entrepreneurship may run a risk of being a naïve instrument for neoliberal ideology in privatizing and commercializing social change if it is not sufficiently reflective and balanced in its approaches.

Instead the value rationality (*Weberian wertrationalität*) of societies and communities, and their established social institutions, has to be taken in account in the entrepreneurial activity. Some specific points of departure for legitimation are the following. Process legitimation: legitimation through the design of the process in normatively “appropriate” ways. Participatory legitimation: legitimation through involving stakeholders in the process so they are given a voice, a say, an influence on the outcomes. Creative legitimation: legitimation by how solution and interventions is created. Procedural legitimation: often there are established procedures and rules, e.g. legal, organization and cultural, how to carry out certain activities. Following these procedures gives the process legitimacy of having done it the right way. Position legitimation: by having a certain position in the social structure, you are legitimated to do certain things, but may have difficulty in receiving legitimation for action in other areas. Association legitimation: by associating with particular persons or agencies, doors may open for action that otherwise would not be possible. On the other side, sometimes there is illegitimacy by association. Political legitimation: by involving and achieving support of power holders, decision makers or the democratic system.

An important aspect of what we see as system smartness is the clever use of legitimation tactics. It builds credibility, authorization as well as power. At times there may be need for Machiavellian moves for overcoming different sources of resistance. Furthermore, there may be situations where innovative and transformative solutions cannot achieve broad legitimation, or too much of legitimating may level out the radicality of the innovativeness of the solutions. Still in the long run Rousseauian moves for building “power-with” as Follett say power through inviting and engaging people as allies and partner in the entrepreneurial venture tend to be preferable and more sustainable.

The processes in most cases begin small, but in order to achieve more significant impact and transformative change through the entrepreneurial endeavors, the process also need to having or reaching a broader scope. From a common entrepreneurial perspective scaling is often done by developing an effective social business model, packaging a more standardized product or service and growing an organization that can implement it. But wider significance when dealing with disruptive innovation and transformative change often moves through mobilization of people, networks and partners. These two options point to different views and approaches to innovation – interactive and object oriented (Lindhult, 2008).

Person: Entrepreneurial action is made by certain individuals, implying that the person as an agent in entrepreneurial and innovation processes is crucial to clarify and develop. It is a matter of a degree of creative, social intelligence to construct opportunity as well as empowerment to act on opportunity by intervening to initiate processes and design solutions for improving community performance.

We are emphasizing the capacity to take the lead in innovation and system transformation as prime mover. Being first mover does not only involve coming up with new ideas and propose new innovative solutions. The more challenging feature in a social context is provoking the status quo and prevailing systems of thinking and acting, to unfreeze the situation pushing it to move towards an improved state. Being first mover involves the challenge of taking the role of an outsider and “deviant” in some situations and personally being able to handle the consequences. Also the identity and recognition of the entrepreneurial person is at stake, as well as the ability to take on diverse roles and identities. Being a first mover also involves

supporting the building of a broader movement through interaction and networking, as well as supporting other to take on prime mover roles.

Although action capacity is crucial in order to be a prime mover, even more fundamental, particularly in the area social innovation and societal entrepreneurship, is the capacity for *interaction* and dealing with various social responses. Considering the role of interaction, networks and networking, even more pronounced in societal and communal types of entrepreneurship, *communicative leadership* is fundamental in this type of endeavor (Hamrefors, 2009). It also involves contextual leadership in influencing and reorganizing networks and influencing the context to open up for innovation. Furthermore, it involves ideological leadership in providing concepts and vision for stabilizing mutual understanding. An implication is that competence for collaboration and partnering is often required (Svensson & Nilsson, 2008).

Platform: Entrepreneurs can be found in all sectors of society – business, government, civic. A common factor is a drive to develop and realize opportunity to meet social needs and solve social problems. The origin is their drive, vision, ideas and innovative solutions, but only seldom do they have the position from the start to actually realize these potentials in practice. Initiating change may be possible, but to achieve consolidated and broader results there is a need to successively building a platform from which the capacity for entrepreneurial action is heightened. It involved building openness for innovation, networks, legitimation and resource acquisition as an organizing context for entrepreneurial (inter-) action. Building such platforms for innovation also involves influencing the context to develop conducive elements for innovation. Platform refers to the organizational capabilities and resources that need to be built in order to having sufficient power to influence conditions and accomplish the missions that a societal entrepreneurial agency is striving to accomplish. Often there is as need for a long term effort over many years, sometimes even decades, to successively build an enabling and empowering platform for the enterprising efforts. The platform must be sufficiently strong so that the entrepreneurial efforts can overcome different kinds of institutional and organizational barriers.

Partners: Social and societal entrepreneurship often involves networking and partnerships across sectors of society. Network and partnership has additional significance for socially oriented entrepreneurship. One major reason is that the sources of financing entrepreneurship with the purpose of creating social value, not providing return on investment, is more limited. This leads to resource mobilization by means other than buying them in a market becomes more important. Many stakeholders that in different ways contribute resources are also supporters of the social vision and purpose that the entrepreneurial activity is focused on. It is also common that it is a major reason that they contribute. It is not primarily a return on their resource input, but rather a "moral" return to certain values and practices promoted. In this way, many actors contributing to a socially oriented entrepreneurial initiative are more or less active partners in the entrepreneurial activity. Societal entrepreneurship implies a movement towards public dimensions, contextually anchored in a communal setting. Societal entrepreneurs need to convince others of the public interest, or federate to, "communalize" the venture. It is important to involve others as partners, supporters or donors of resources. Here federating and partnership creation is a key strategy to "communalize" and legitimize societal entrepreneurial "ventures". Partnering implies establishing relations between actors. Societal entrepreneurship involves a movement towards the public by the driving agencies, where private relations of a moral character is complemented by relations among actors as concerned citizens partnering to improve the social context they are part of and identify with. The efforts of movement towards the public also implies that business relations are complemented by industry relations where companies and other economic actors are considering the public role of economic activity in contributing to community values or societal institutions in order to build a better society.

Societal entrepreneurship with its need for building relations and partnering is a quite complex and demanding task. But it is often the only way to successfully deal with complex, societal problems and building better societies.

Performance: A point of infusing entrepreneurship knowledge and agency into the domain of social development and problem solving is to revitalize it with new approaches and methods the can, it is hoped, significantly improve social performance. Entrepreneurship is today arguably the foremost domain of hope, optimism and confidence in society that there are always opportunities for improvement. Social/societal entrepreneurship express optimism, maybe also over-optimism, in seeing existential human conditions as areas of innovation through which problems are to be solved or systems to be transformed. We can look forward with optimism and excitement, says Chand (2009), to key features of socially entrepreneurial behavior, particularly “*social innovation—new ways of solving social problems, resourcefulness, larger scale and wider impact and solutions that are transferable, scalable and cost-effective*”. Thus there is a valuable preoccupation with creative resource acquisition, sustainable business models and measuring outcomes in the engagement of new entrepreneurial capacity.

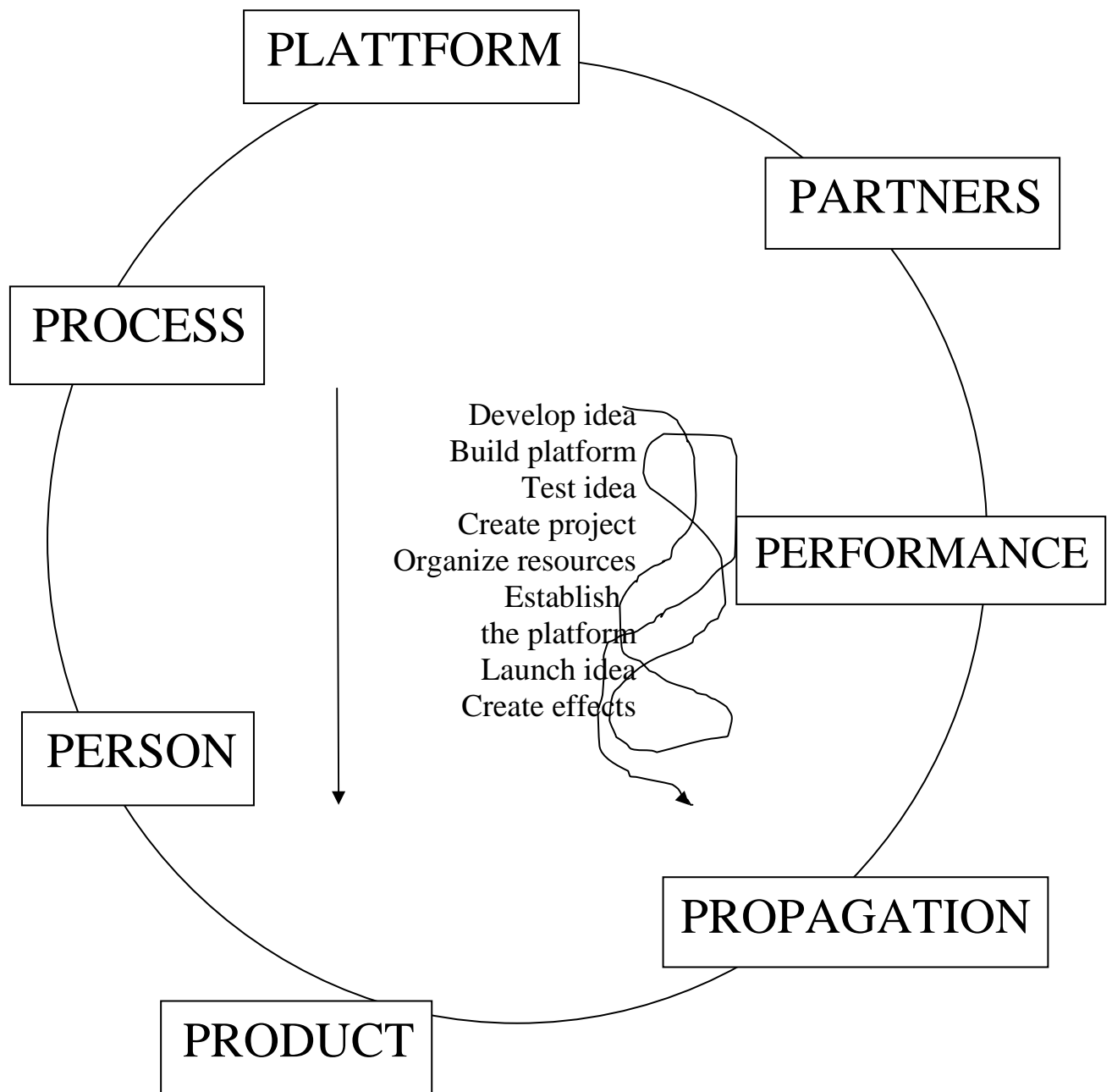
As the context is networks and dimensions of society, performance has to be related not only to direct beneficiaries of the innovative efforts, e.g. disadvantaged youth. Societal entrepreneurial effort need to consider and deal with risk, cost and rewards for a broader spectrum of stakeholders in order motivate them to engage in the venture instead of maybe blocking it. There are also civic dimensions of performance to be considered in terms of public value generated, an increased openness and supportiveness for innovation as well as engagement of citizens in both their own and community development.

Propagation: The rationale of societal entrepreneurship is to create impacts recognized as improvement somewhere in society. Often the starting point is the design and experimentation with ideas and practices at a smaller scale, as test cases, in order search for and stabilize positive effects and prove the worth of certain solutions. In order to realize and heighten improvement effects, there is a need for breeding valuable changes (“products”) and disseminate them more broadly in the societal contexts focused on. By scaling up, the value of products will be reaching more people increasing the value of the venture. Scaling up can be done in different ways, e.g. by offering a package of services/products/method which is distributed more widely through market channels or social channels or by partnering and building a movement of supporters that builds momentum to the change. Sometimes it is important to achieve a critical mass, e.g. of supporters or visibility, where the change and transformation is self-sustained and can be institutionalized. Here we believe complexity theory can be helpful for understanding and potentially guiding these processes of propagation to sustainable societal development.

In order to achieve significant change, societal entrepreneurs often need to influence and transform systems and institutions. Integrating system understanding and the social factor of networking is thus important. A point of departure in societal entrepreneurship is that society – social contexts – already exists, and that this context is crucial in several respects for the entrepreneurial processes. As societal entrepreneur, you have to recognize that you are part of and linked to larger social contexts in several ways. A profile of a societal entrepreneurship education we are developing is to breed first movers in sustainable transformative change, with potentials for leading innovation and act as system transformers, even “system busters”. And as first mover and prime mover being able to identify, develop and take crucial new roles in the network for the delivery of improved solutions to social problems. As social context is important, system understanding and system smartness is crucial for developing forceful interventions. System smartness in the sense of developing an understanding and capacity for judgment

where innovative interventions can be set in to trigger transformative system change instead of being resisted and out defined by the prevailing system.

Below is the 7P framework visualized as a roadmap for societal entrepreneurs, used as a guide for development of societal entrepreneurial ventures during a education in autumn 2010 in Sweden.



Conclusion

We have in the paper made a conceptual clarification of Societal Entrepreneurship and presented a development of a strategic framework for dealing with the complexity of its performance. Strategic orientation and dimensions in societal entrepreneurship has been discussed, as well as ways to grasp and deal with it in terms of the 7P framework - product, process, person, platform, partnership, performance and propagation. We believe this can contribute to recognition and development of societal entrepreneurship as a force and practice for sustainable social and societal development.

One might ask what entrepreneurship and its move into the social and societal development domain is actually adding to discourse and practice to a field already occupied by a multiplicity of practitioners and researchers. In an insightful critical reflection on the value in the field for NGO's of social entrepreneurship, Chand (2009) comes to the following judgment: "For the mix of non-governmental organisations (NGOs), especially those which have political goals like empowerment and social justice, social entrepreneurship, in its strict form, seems to have little to offer. But key features of the social entrepreneurial process, namely socially entrepreneurial behaviour, and more importantly social innovation—new ways of solving social problems, resourcefulness, larger scale and wider impact and solutions that are transferable, scalable and cost-effective—are important future directions" (ibid: 139). But in order not to privatize social and community development "it needs to remain alert to constant reaffirmation of the primacy of the civic in its purpose. It needs to be aware and positively critical of the ideological undercurrents that influence and shape its responses. It needs to ensure that it derives its inspiration from civil society. Then one can wait with optimism and excitement for the next new terrain" (ibid: 164). This focus on the public and civic dimensions in order to develop, legitimate and maintain an orientation towards common interests and common wealth is an emphasis in societal entrepreneurship. This may be seen as the development of a pragmatic, problem solving politics. It is not only a matter of depoliticizing social issues by replacing politics by entrepreneurial means, but hopefully a contribution to creative, problem solving democracy.

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The Correlation and Impact of Uncertainty Avoidance to Innovative Behaviour

(A Study among Minangkabau Entrepreneurs)

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Objectives: The objectives of this study are: (a) to identify the relationship between culture and entrepreneurship in general and in particular to identify the relationship between uncertainty avoidance and innovative behaviour among Minangkabau entrepreneurs. (b) Identifying areas and research questions that deserve attention in future research in the field of role of culture in entrepreneurship and innovation.

Prior Practices: Prior studies have shown that there is an influence of culture on entrepreneurship, and based on the researches about the relationship of Work Related Values in many ethnics in Indonesia (Javanese, Minangkabau, etc) with organizational behaviour and entrepreneurship, the issue of relationship between uncertainty avoidance and innovative behaviour among one of ethnic in Indonesia (Minangkabau) were studied.

Approach/Methods: Many researchers have shown that innovation is related with culture, such as Hofstede (1980, 2005) with his five work related values have tried to demonstrate how societies around the world differ in terms of their work related values as well as innovativeness. Nevertheless, little is known about ethnic differences in relation with entrepreneurship and work related values in Indonesia. Using the concept of Hofstede & Hofstede (2005), the quantitative study will identify the impact and correlation between Uncertainty Avoidance and Innovative Behaviour.

Results/Insights: The research shows that the profiles of Minangkabau's entrepreneurs are high in Innovative Behaviour and Low (weak) in Uncertainty Avoidance. The results also show that there is a positive and significant correlation between uncertainty avoidance and innovative behaviour ($r = 0.479$, $p < 0.01$), and Low Uncertainty Avoidance has contributed 22.9% to the emerging of Innovative Behaviour among entrepreneurs.

Implications to Community/Industry: The results of the study can be used for business people in relation with Minangkabau Entrepreneurs, and to provide information in relation with development of Innovative Behaviour.

Value to the Theme: Discussion about Innovative Behaviour in relation with Creative Societies.

Keywords: Entrepreneurship, Uncertainty Avoidance, Innovative Behaviour

Introduction

Entrepreneurship is becoming a very relevant instrument in promoting economic growth and development in a country. However, in Indonesia only 0.18 percent from approximately 20 million people is entrepreneurs. On the other hand, entrepreneurship itself is a complex and multi dimensional process. There are many perspectives which try to explain about the process of entrepreneurship namely: 1) The more traditional groups of researchers have focused on the personality characteristics of the individual, such as risk taking and innovativeness and work values, and 2) The second group of researchers has taken social cognitive approach, looking at the relationship between and individual and his or her environment (Kapp, 2003). The relationship between entrepreneur, personality characteristics, values and other dimensions will help why some entrepreneurs become and others do not.

Furthermore, conceptual arguments for the association between cultural characteristics and entrepreneurship have been existed for decades. The influence of culture on entrepreneurship has been of continued scholarly interest for over three decades. Researchers have explored the effect of national, regional, and organizational cultures on wealth creation through new venture creation, innovation, and risk taking (Zahra, 2002).

In relation to this, an accurate understanding of the local culture and local environment can give people an advantage in understanding and developing intercultural knowledge and skills, which at present has become most critical for a productive and successful life in this challenging global world. On the other hand, in today's competitive business environment, innovation is very important factor in enterprising activities. In this regard, many researchers have shown that innovation is related with culture, such as Hofstede (1980, 2005) with his five work related values have tried to demonstrate how societies around the world differ in terms of their work related values as well as innovativeness. Nevertheless, little is known about ethnic differences in relation with entrepreneurship and work related values in Indonesia.

This study will address the quantitative studies on the relationship between work related values of Uncertainty Avoidance (based on Hofstede concept) and Innovative Behaviour with focus on Minangkabau ethnic group as they represent entrepreneurs' ethnic group in Indonesia. The researcher using Hofstede's concept to discuss about entrepreneurship as there are some of the characteristics of entrepreneurs can be discussed through Hofstede's work related values, including discussion about Innovative Behaviour and culture.

Objective of the Study

The influence of culture on entrepreneurship has been of continued scholarly interest for over three decades, however limited studies have been done about the role of ethnicity (sub culture) in relation with entrepreneurship and work related values in Indonesia.

To address the above gaps in the literature, the proposed study aims to achieve these objectives:

- 1- To identify the relationship between culture and entrepreneurship; in particular the relationship between Uncertainty Avoidance and Innovative Behavior at Minangkabau entrepreneurs
- 2- To examine the profile (level) of innovative behavior and uncertainty Avoidance for Minangkabau entrepreneurs
- 3- To identify areas and research questions that deserves attention in future research in terms of entrepreneurship, innovation and culture.

Entrepreneurship and Entrepreneur

- **Entrepreneurship**

Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence. (Hirsch, Peters, and Shepherd; 2002). Furthermore, Price (2000) stated that: entrepreneurship means the exciting process of putting together a unique team of creative individuals in pursuit of a limited opportunity before anyone else does.

- **Entrepreneur**

An entrepreneur is someone who perceives a new idea and creates an organization to harvest the opportunity (Price, 2000). An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them (Zimmerer & Scarborough, 2008).

Entrepreneur is an individual who takes initiative to bundle resources in innovative ways and is willing to bear the risk and/or uncertainty to act (Hirsch, Peters, and Shepherd, 2010).

Entrepreneurs as the person who destroys the existing economic order by introducing new products and services, by creating new forms of organization, or by exploiting new raw materials (Schumpeter in Alma, 2008)

Based on the definitions above, it can be concluded that in the process of entrepreneurship there is always creating something new, as well as creative individuals involved in it.

- **Characteristics of Entrepreneurs**

There are many characteristics of entrepreneurs, and some of those are:

- 1- Internal Locus of Control, Rotter (as cited in Chell, Haworth and Brealey in Kapp, 2003), believed that the need of achievement is related to the belief of internal locus of control. People with an internal locus of control are those individuals who also believe themselves to be in control of their destiny (Chell et al. in Kapp, 2003);
- 2- Need for Achievement, Mc Clelland on his work suggested that the key to entrepreneurial behavior lie in achievement motivation, and concludes that a high need for achievement drives people to become entrepreneurs. (McClelland, 1961). Value of Achievement and high degree of commitment, in this regard money is simply a way of keeping score of accomplishments, as symbol of achievement. Entrepreneurship is also a hard work, and launching a company successfully requires total commitment from an entrepreneur (Zimmerer Scarborough, 2008). These kind of characteristics if we relate it to Hofstede concept is under Masculine;
- 3- Risk Taking, whether financial, social or psychic, is a distinguishing characteristic of entrepreneurship. In this regard, Hull and colleagues (in Kapp, 2003) found that personality characteristics most important in identifying entrepreneurial types are (1) functional task preference, and (2) personality constructs of creativity, risk and flexibility. In this regard, Kapp (2003) suggested that the level of uncertainty involved in an

entrepreneurial venture indicates that individuals drawn to such lines of business will possess a certain level of risk taking propensity;

- 4- Tolerance for Ambiguity, entrepreneurs tend to have a high tolerance for ambiguous, ever-changing situations, the environment in which they most often operates. This ability to handle uncertainty is critical because these business builders constantly make decisions using new, sometimes conflicting information gleaned from a variety of unfamiliar sources (Zimmerer Scarborough, 2008);
- 5- Innovative, being entrepreneur has come to mean more than having innovative ideas, and encourage experimentation (Innovativeness) (Price, 2000);
- 6- Future Orientation, entrepreneurs have a well-defined sense of searching for opportunities. They look ahead and are less concerned with what they did yesterday than with what they might do tomorrow. (Zimmerer Scarborough, 2008);
- 7- Desire for Responsibility, entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals. (Mc Clelland in Zimmerer Scarborough, 2008) or it can be categorized as Individualism; and
- 8- Relationship with Others, is more transactions and deal making as basic relationship achievement and no concern about status symbols (Low Power Distance).

Entrepreneurs and Innovative Behaviour

Entrepreneurs cannot be separated with innovative behaviour, as according to Drucker (1985), innovation as the specific tools of entrepreneurs by which they exploit opportunities. In this regard, Bird (in Thomas Mueller, 2000), mentions that innovation is involves the commercialization if ideas, implementation, and the modification of existing products, systems and resources. Furthermore, Harvard Business Essential, (2003:11), defined innovation as the embodiment, combination, or synthesis of knowledge in original, relevant, valued new products, processes, or services. It then described the two major categories within which innovation fall: incremental and radical. Incremental innovation exploits existing forms or technologies; it either improves something that already exists, making it new and improved, or reconfigures an existing form or technology to serve some other purpose. While, a radical innovation is something new to the world. Many radical innovations have the potential to displace established technologies. In this regard, when compared with radical innovation, incremental innovation takes less time and involves less risk, which explains why managers favour it. Incremental innovation alone, however, cannot ensure a company's future competitiveness. Radical and incremental innovation often operates hand in hand. (Harvard Business Essential, 2003: 11).

Innovativeness can be described as a person's willingness and interest to look for novel ways of action, which in this regard have some connection with creativity, as McGartland (2000) states that Change + Creativity = Innovation. This conceptualization does not imply the introduction of innovative products, rather that more preference to engage in creativity and experimentation (Rauch 2010 in Lukes, 2010). In this regard, innovativeness helps entrepreneurs to recognize valuable opportunities and to search for new ways of completing tasks (Ward 2004 in Lukes 2010). Furthermore, Rosenfeld and Servo (in West and Far, 2000), stated that the challenge is to transform creative ideas into tangible products or processes that will improve customer services, cut costs and/or generate new earnings for an organization. In this regard, there are

conditions that will block the creativity process as well as develop creativity process on the person as shows in Table 1.

Based on that, Farr Fod (in West and War, 2000), suggested that there are 4 factors that influence innovative behaviour of the people namely: 1) perception of the need to change, 2) perception of self ability (self efficacy) to implement the changes, 3) perception about the result of change and 4) the ability to create new ideas.

Table 1: Managing Blocks to Creativity

Stumbling blocks to Creativity	Building Blocks to Creativity
Resource myopia (nearsightedness).	Resourcefulness.
Following the rules... too closely, too often.	Ability to think outside the rules.
Seeing play as only frivolous.	Playfulness.
Focusing on just the right answer.	Focus on exploring possibilities.
Discomfort of taking risks	Being accepting.
Difficulty hearing another perspective or opinion	Ability to accept failure and learn from it.
Lack of openness to ideas	Intelligent risk taking
Difficulty hearing another perspectives or opinion.	Active listening, acceptance of differences.
Lack of openness to ideas.	Receptivity
Political problems and turf battles	Collaboration, focus on mutual gain.
Avoiding ambiguity	Tolerance for Ambiguity
Intolerance	Tolerance
Lack of flexibility	Flexible
Giving up to soon	Persistence
Worrying too much about what people will think	Having an inner focus
Thinking you're not creative	Recognizing creative potential in self

Source: HMM Managing for Creativity and Innovation (in Harvard Business Essential, 2003:45).

In relation to this, West (1997) also mentioned that in general individuals who have innovative behaviour usually have the characteristics as follows: 1) Tendency to create new and better ideas, 2) have ambiguity tolerance, 3) Effective self motivation, 4) Innovative orientation, and 5) Goal Orientation.

From the above discussion, it can be concluded that tolerance for ambiguity (or according Hofstede's concept called as Low Uncertainty Avoidance), is one of the factor that should be there in order to become creative and innovative.

Culture and Innovativeness

Researcher have studied about the relationship between culture and innovativeness, for example Shane et al (1995 in Juri and Idris, 2008), demonstrate in a study involving thirty countries that uncertainty avoidance, individualism and power distance affect the choice of innovation championing strategies. For example in high uncertainty avoidance societies, members prefer leaders to work through organizational norms, rules and procedures to promote innovations. Furthermore, in another study across nine countries, Mueller and Thomas (2000) find that innovativeness increases with decreasing uncertainty avoidance. However, individualism has reverse effect on innovativeness. Those studies indicate that business may

not be able to increase their rates of innovation simply by increasing the amount of resources on research and development and industrial infrastructure, that other more fundamental forces than just economic conditions must be improved to increase innovativeness (Juri and Idris, 2008).

Culture and Uncertainty Avoidance

In relation to culture and values, Hofstede and Hofstede (2005), mention that there are five cultural dimensions (values) that play important roles in the society and individuals behaviour, namely Uncertainty Avoidance, Individualism/collectivism, Power Distance, Masculinism/Feminism and Time Orientation, in which according to the previous findings by Hofstede (Hofstede and Hofstede, 2005), Indonesian people can be regarded as Collectivist, High Power Distance, Low Uncertainty Avoidance, and Feminine. In this regard, in relation with the entrepreneurship, the focus of discussion will be about Uncertainty Avoidance.

Uncertainty Avoidance

Uncertainty Avoidance can be defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations (Hofstede Hofstede, 2005). Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man search for Truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual. Furthermore, Furnham, (2006), mentions that Uncertainty avoidance, the extent to which a society feels threatened by unsure and ambiguous situations and consequently searches for statutory structures. Moreover, Harris and Moran, (20 relating the condition of uncertainty avoidance with Tolerating Ambiguity, which refers to the ability to react to new, different and at times, unpredictable situations with little visible discomfort or irritation. Excessive discomfort often leads to frustration and hostility and this is not conducive to effective interpersonal relationships with persons from other cultures. Learning to manage the felling associated with ambiguity is a skill associated with adaption to a new environment and effectively working with managers who have a different set of values.

High Uncertainty Avoidance cultures try to minimize the unstructured conditions and situations by strict laws and rules, safety and security measures, as well as and on the philosophical and religious level by a belief in absolute Truth; there can only be one Truth and we have it. A society with high uncertainty avoidance contains a majority of people who do not tolerate risk, avoid the unknown, and are comfortable when the future is relatively predictable and certain. (Achua and Lussier, 201p. 346). In High Uncertainty Avoidance, managers prefer well-structured and predictable situations (for example Japan), (Achua and Lussier, 201p. 346). On the other hand, in Low Uncertainty Avoidance culture, most people in this culture are comfortable with accepting of the unknown, tolerate risk and unpredictable. The explanations about Uncertainty Avoidance can be seen in Table 2.

Table 2: Key differences Between Weak and Strong Uncertainty Avoidance

WEAK UNCERTAINTY AVOIDANCE	STRONG UNCERTAINTY AVOIDANCE
General Norm and Family	
Uncertainty is a normal feature of life, and each day is accepted as it comes.	The uncertainty inherent in life is a continuous threat that must be fought.
Comfortable in ambiguous situations and with unfamiliar risks.	Acceptance of familiar risks, fear of ambiguous situations and of unfamiliar risks.
Lenient rules for children on what is dirty and taboo.	Firm rules for children on what is dirty and taboo.
Similar modes of address for different others.	Different modes of address for different others.
What is different is curious.	What is different is dangerous.
The Workplace, organization, and Motivation	
More changes of employer, shorter service.	Fewer changes of employer. Longer service.
There should be no more rules than strictly necessary.	There is an emotional need for rules, even if these will not work.
Hard-working only when needed.	There is an emotional need to be busy and an inner urge to work hard.
Time is a framework for orientation.	Time is money.
There is tolerance for ambiguity and chaos.	There is a need for precision and formalization.
Beliefs in generalists and common sense.	Belief in experts and technical solutions.
Top managers are concerned with strategy.	Top managers are concerned with daily operations.
More new trademarks.	Fewer new trademarks.
Focus on decision process.	Focus on decision content.
Intrapreneurs are relatively free from rules.	Intrapreneurs are constrained by existing rules.
There are fewer self-employed people.	There are more self-employed people.
Better at invention, worse at implementation.	Worse at invention, better at implementation.
Motivation by achievement and esteem or belonging.	Motivation by security and esteem or belonging.
Tolerance, Religion and Ideas	
More ethnic Tolerance	More ethnic prejudice.
Positive or neutral toward foreigners.	Xenophobia.
Lower risk of violent intergroup conflict.	High risk of violent intergroup conflict.
If commandments cannot be respected, they should be changed.	If commandments cannot be respected, we are sinners and should be repent.
Human rights: nobody should be persecuted for their beliefs.	More religious, political, and ideological intolerance and fundamentalisms.

Source: Hofstede and Hofstede (2005, p171,189, 203)

Indonesia and Minangkabau People

- **Indonesian People**

Indonesia consists of all or part of some of the world's largest islands – Sumatra, Java, most of Kalimantan (Borneo), Sulawesi (Celebes), Halmahera, and the west half of New Guinea (Papua) – and numerous smaller islands, of which Bali (just East of Java) is best known. The cultures of the inner islands are more homogeneous, with only four major cultural groups: the Sundanese (in West Java), the Javanese (in Central and East Java), the Madurese (on Madura and in East Java), and the Balinese (in Bali).

In Indonesia most islands can be considered as multiethnic, which large and small groups forming geographical enclaves. In multiethnic areas, disputes between members of different ethnic groups may be settled by leaders of either or both groups, by a court, or by feud. In many regions with settled populations, a customary settlement is honoured over a court one, and many rural areas are peaceful havens.

Many of Indonesia's ethnic groups have strong kinship groupings based upon patrilineal, matrilineal, or bilateral descent (Collectivist). In Indonesia, in general seniority and elderly people play important role in the society and community; people usually respect the elderly as well as value their social status in the community (High Power Distance). Moreover, Indonesian people in general are also more comfortable with stable and predictable conditions. For example, they prefer to become civil servants rather than to become entrepreneurs (High Uncertainty Avoidance), although in some cases they prefer to leave everything to Allah (God), for the situations that they cannot control and manipulate anymore. In general, although there are traditional roles for women and men in the society these roles sometimes overlap. In addition, Indonesian people are very much characterized by many ritual activities, both in relation to culture and religion, but not by thinking about the future (for example at present future planning with insurance is not yet popular (Short Term Orientation). (Mangundjaya, 2010)

- **Minangkabau People**

Minangkabau people are characterized with Matriarchate, which means that women are the ones who play important role in the family (Feminine). They also value their elderly very much. The elderly or so called Mamak are very important and play a major role in people's lives, and Minangkabau people very much respect to the elderly and seniority (Amir, 1983) (High Power Distance). Men usually leave the town after they graduate from the University or High School, in order to earn a better living outside their village. In this regard, they prefer to become entrepreneurs, or traders (Long Term Orientation). However, they never forget their family (or as we call it, their Big Family), as family and Big family, as well as key persons in the culture, play an important role in their life (Collectivist). Minangkabau people also perceive the environment as unstable and want to adjust to the environment (Low Uncertainty Avoidance). In this regard, they are not afraid of ambiguous situations and conditions, and they quite comfortable with the uncertainty condition (as it can be seen from their jobs mostly as entrepreneurs). In conclusion, it can be said that Minangkabau people are Collectivist, High Power Distance, Feminine, Low (Weak) Uncertainty Avoidance, and have a Long Term Orientation. (Mangundjaya, 2010)

Methods

Research Design

Using non-experimental and ex post facto field study.

Sampling Method

This research used non-probability sampling, with convenience/accidental sampling, with the characteristics of Respondents as follows: Entrepreneurs from Minangkabau origins, located at Jabodetabek (Jakarta, Bogor, Depok, Tangerang) area, with minimal age 20 years old. The numbers of respondents are 100, with the profile of respondents as follows: 64% were Senior High School graduated, 42% are in the age between 20-25 years old, 57% are male. The location of business is mostly in Jakarta area (54%), their lengths of business are mostly between 1-5 years, and the majority of their lines of business are in textile (45%) (Wisnuwardhani, 2008).

Tools of Measurement

Using two modified types of questionnaires namely: a) Uncertainty Avoidance b) Innovative Behaviour. The questionnaire of Uncertainty Avoidance was developed from Hofstede's concept (Hofstede & Hofstede, 2005). Its validity was checked with construct validity and reliability with Cronbach's Alpha coefficient. The questionnaire of Innovative Behaviour is derived from West's concept of innovative behaviour (West, 1997). Responses were made on a 6 point scale. The results of the reliability analysis are shown in Table 4.

Table 3: Reliability and Validity of the Instruments

Name of the Instrument	Reliability	Validity
Uncertainty Avoidance	0.692**	0.746*
Innovative Behaviour	0.895**	0.869*
*Significance at $p < 0.05$; ** Reliability > 0.7		

Results

The result shows that Minangkabau entrepreneurs can be categorized as Low Uncertainty Avoidance and on High Innovative Behaviour (see Table 4).

Table 4: Descriptive Statistic

Variable	Mean	Standard Deviation	Categorization
Uncertainty Avoidance	3.65	0.68	Low UA
Innovative Behaviour	4.83	0.39	High

This result is in line with the characteristics of Minangkabau people discussed above, which mentions that Minangkabau people are Low on Uncertainty Avoidance.

Furthermore, the results also show that there is a positive and significant correlation between Uncertainty Avoidance and Innovative Behaviour ($r = 0.479$, $p < 0.01$), in which can be said that the lower of the uncertainty Avoidance (or the Higher of the Individual Tolerance with Uncertainty condition) will increase the Innovative behaviour of the person (Table 5) (Wisnuwardhani, 2008).

Table 5: Correlation & Regression between Uncertainty Avoidance and Innovative Behaviour.

Variable	R	R Square	Sig
Uncertainty Avoidance	0.479	0.229	0.000**

*Significance at $p < 0.01$

Moreover, the results also show that Low Uncertainty Avoidance has contributed 22.9% to the emerging of Innovative Behaviour among Minangkabau entrepreneurs, which means that there are 77.1% contributed by other factors than the Low Uncertainty Avoidance work related values.

Discussion and Conclusion

This research presents interesting findings about the relationship between culture (in this regard sub culture, Minangkabau ethnic) entrepreneurship and innovative behaviour. In this regard, although there is positively significant correlated as well as there is also an impact on the emerging of Innovative Behaviour, however further research needs to be done, in order to identify other variables that possibly contributed on the innovative behaviour of the person.

The findings also show that; there is a need for greater attention to theory building in future studies on the link between culture (or sub cultures) and entrepreneurship. In this regard, further studies can be done at different cultures, sub cultures and ethnicity in order to get the wider picture. In this regards, according to Zahra (2002), the sub-regional cultures that exist within a nation also pose an interesting research question. These sub-cultures influence decision making about types of businesses to be created, how these businesses are managed and financed, and how these firms join and leverage their network position. Attention to regional differences can help address gaps in the literature regarding the differences that exist across regions in the rates of venture creation and organizational mortality.

This study was using Hofstede's measures that have served the cultural issues well. However, there is a need to explore the use of other measures to fully capture the rich variety of the dimensions of national cultures. Other measures can help also in validating prior findings using Hofstede's measures. Similarly, other measures of entrepreneurship such as self-employment growth, corporate entrepreneurship, new venture formation counts, and employment growth in businesses provide metrics that could establish differential relationships between the dimensions of culture and of entrepreneurial behavior or outcomes (Zahra, 2002).

There is still much to be learned to really understand the process leading to innovative behaviour, namely demographical factors such as age, position, personality factors, as well as external factors. In this regard, future research may benefit from a closer examination of the context of the culture-entrepreneurship relationship. This relationship has an important temporal dimension and researchers would benefit from exploring the strength and direction of this relationship at different points in time. Also, changes in the political, technological, and economic environments might co-influence this dynamic relationship. Therefore, researchers need to consider these variables in their analyses and further research with larger and variation samples are recommended.

The study has some limitations as follows: the sample size is small; as a result the results cannot be generalized. Furthermore, the nature of survey-based data collection restricts analyses to modest sample sizes. In these studies, analyses are limited to simple correlations, and regression models. Consequently, analyses of the influence of the various cultural dimensions cannot be taken into account. Secondly, the data in this study was collected

through self-reports, which creates the potential for common-method bias. The data should be collected, in future studies, at different times in order to reduce the potential for bias.

Despite the limitations above, the study has several practical implications too. Findings on the level of Innovative Behaviour as well as Low Uncertainty Avoidance at Minangkabau entrepreneurs emphasized the characteristics of innovative and Tolerance for Ambiguity (Low Uncertainty Avoidance) possessed by the entrepreneurs. Furthermore, the results of the findings may also serve as a benchmark for other studies in relation with entrepreneurship, innovation and culture.

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Labour Productivity and Investment in Education in Small and Medium Enterprises in the North West Region of Croatia

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Objectives: The aim of this paper is to explore the amount of investment in human capital in small and medium enterprises in the North West region in Croatia and to look into the extent to which the SME sector builds their competitiveness by investing in entrepreneurial training and education programs for their employees and how it influences labour productivity.

Prior Practices: Our innovative approach is related to the chosen theme itself. There is no relevant data on labour efficiency in the SME sector and we want to give greater importance to these issues.

Approach/Methods: Empirical research will be based on a questionnaire consisting of 11 questions regarding education programs for employees. The sample used will be a random choice of small and medium enterprises registered in the chosen geographical area. Collected data will be analysed with methods of descriptive statistics and regression analysis.

Results/Insights: The results will enable a clear analysis of the investment in human capital in SMEs in the chosen area of study. We expect that investment in additional education and training of employees will have a positive impact on labour productivity.

Implications to Community/Industry: Stakeholders and local and national education institutions will benefit largely from this research as it will be a starting point for developing new education and training programs for the SME sector.

Value to the Theme: The research will give an insight into the education and labour productivity dimension and trends in the SME sector in Croatia as a country currently dealing with a changing environment considering the preparation for the EU accession.

Keywords: Croatia, Human Capital, Training, Labour Productivity, Entrepreneurship

Abstract

The paper presented is a valuable attempt to provide an insight into education, training and labour productivity and a starting point for further research. The main focus is to explore the amount of investment in human capital in small and medium enterprises in the North West region in Croatia in order to examine the extent to which the SME sector builds their competitiveness by investing in training and education programs for their employees and how it influences labour productivity. Empirical research is based on a questionnaire and the sample comprises of small and medium enterprises registered in the chosen geographical area. Data was successfully collected from 10 per cent of the companies in the sample and after performing descriptive statistics and regression analysis the conclusion that there is a positive and significant relation between human capital investment and labour productivity. Also, the research showed that managers have a positive attitude towards additional education programs, which challenges prior research insights. However, the amount of human capital investment is still at a low level.

1. Introduction

Contemporary research seems to agree that human capital is a vital factor of, on one hand competitiveness of a company and, on the other development of an economy. Both are due to high returns on investment in education, proven by literature to be higher than that of any other investment.

In order to portray the strengths and weaknesses of the human capital in Croatia it is essential to mention that the country seems to show high levels of innovation capability, but also suffers from a paradox of entrepreneurship and a lack of an efficient lifelong learning framework.

Moreover, the human capital in Croatia is characterized by controversies. The most relevant to refer to related to this research is the one concerning employee skills and managerial attitude towards education programs. There appears to be a conflict of views on the knowledge and skills of the labour force in Croatia on the macro and micro level. The Poloski Vokic and Frajlic (2004) research showed disappointing levels of firm human capital, the average educational level in one quarter of companies is less than secondary school level. Also, on average three fourths of companies do not have employees with a college degree and the labour market itself calls for employees who are highly educated, particularly in specific professions or specialized areas. The aforementioned authors also indicate a controversy within the companies, related to the attitude of the managers, showing that 59.9 per cent of managers believe that their employees are competitive. Consequently, the managers do not place importance on further education and training of their employees. The attitude of the managers, stressed as a point of interest in previous studies, is therefore also discussed in this research.

The main focus of this paper is to explore the amount of investment in human capital in small and medium enterprises in the North West region in Croatia in order to examine the extent to which the SME sector builds their competitiveness by investing in training and education programs for their employees and how it influences labour productivity. The link between human capital investment and labour productivity provided is a vital one since it appears that no research has been conducted in this particular area, even at the country level. The OECD (2010) report for Western Balkans also stresses a need for a more comprehensive understanding of human capital within enterprises since workforce statistics are generally concerned with the unemployed. The mentioned report recommended a systematic tracking of enterprise human capital in forms of training needs. Taking this into account, the paper presented is a valuable attempt to provide an insight into education, training and labour productivity and a starting point for further research.

The paper is organized as follows; a brief literature review is given in the beginning, succeeded by a discussion on the methodology of the research. Results and concluding remarks are presented in the final two sections.

2. Literature

Productivity is a term that is used very often. Apart from the increase in resources that an economy holds and changes in the terms of trade, productivity growth is the main determinant of economic growth and prosperity of an economy (Diewert & Lawrence, 1999). However, the meaning of the concept is diversely interpreted. As a phenomenon, it ranges and varies from efficiency to effectiveness, a rate of fluctuation and absenteeism, a measure of output, a measure of customer satisfaction and also intangible measures such as disruption of the work process, morale, loyalty and work satisfaction (Oyeranti, 2000).

Productivity can be defined as the ratio of some measure of output by an index of inputs. That is, productivity is nothing more than an arithmetical relationship between the quantity produced and quantity of resources used in production. This concept implies that productivity can be viewed as output per unit of input or efficiency by which resources are used (Samuelson & Nordhaus, 2007).

The most commonly used measure of productivity is labour productivity. The reason is that labour productivity is important for determining the potential for living standard growth since the higher level of per capita income or output requests more produced output per worker (Sharp, 2000). Labour productivity is used to determine the efficiency with which an economic system transforms labour into output.

One of the key determinants of labour productivity is human capital. In his work Barro and Lee (2001) reported on how human capital, especially the one created by education, contributes to economic progress. A larger number of educated people accounts for more skilled and productive workers, which in turn increases the output of the economy. Highly trained human resources assist in the adoption of advanced technology from more developed countries. The level of education has a strong impact on the social picture of a society such as child mortality, the number of births, children's education and income distribution.

The central role of human capital in contributing to the growth of productivity has been accepted as a key recommendation for the European economic policy. Further advances in knowledge and innovation remain key areas for further progress according to the Lisbon Agenda.

This particular study investigates human capital in the form of company investment in employee training. Human capital in the form of employee training in Bartel (1992) significantly increases the productivity of companies in the U.S. A positive impact of former, not current investment in training was recorded. The importance of training for productivity was investigated also in Barrett and O'Connell (1999) in 642 companies in Ireland (1993 and 1995).

Barrett and O'Connell (1999) used in their study detailed information on education policy of companies, including the days spent on general and specific training, according to well-known distinction between forms of training introduced by Becker (1975). Although this method of differentiation is well developed in the literature, empirical studies that rely on that division are extremely rare. Information on output, capital and employment in two different years is also incorporated. This allows the assessment of the impact of general and specific training on productivity growth. Additional variables are considered which include structural modifications of

the enterprises and organizational and personnel policies alterations. Therefore, by assessing the effects of general and specific training, it was possible to control the effects of these changes on productivity growth.

A part of the studies on the effects of training refer to the analysis of the impact on wages using data employees data. Other studies used a case study approach which examines the relationship between training and productivity in a limited number of companies. Barrett and O`Connell (1999) used enterprise level data to determine the effect of training on productivity.

The study is also particularly significant because of the distinction between general and specific training. Becker (1993) defines general training as a type of training that increases the productivity of the company in which the training was provided as well as in other businesses. In contrast, specific training raises productivity only in the company where it is implemented. Under specific conditions, these definitions might imply that companies will not invest in basic training. Since that raises the productivity of workers in other companies, it will increase the supply of alternative wages. If an employer who provides basic training wishes to retain an employee, he would have to compete with alternative offers, which would result in the disappearance of return on investment in training. The employee will then solely bear the entire cost of general training by receiving reduced pay during training time or otherwise.

Becker`s arguments were recently challenged because there is evidence that companies invest in general education (Bishop, 1991; Ballot & Taymaz, 1993; Acemoglu & Pischke, 1996; Acemoglu, 1997). There are several potential reasons for such behaviour such as asymmetric employee training information (Katz & Ziderman, 1990), the complementarities between general and specific human capital forms or race for monopoly and the rent it brings (Ballot, 1994).

Specific training is also not immune to under-investment. Companies will reduce their investment when facing increasing fluctuations induced by exogenous reasons. A situation where there are a large numbers of skilled workers in relation to the demand in the labour market may lead to reduced incentives for investments in education. Additionally, there is also a certain polarity in this case, a trap of low skills and poor work, which means that there are so few skilled workers that firms have little incentive to create higher skilled positions. Companies may not be innovative because they lack skilled workforce, and workers will not invest in education because there are a small number of innovative companies.

Complementarities between labour and capital are another potential source of low level investment. If the workers are educated seldom, companies will not invest in high technology equipment and will find themselves in the trap of low skill and low technologies.

The failures of the market listed above suggest that government intervention is justified. Different categories of market failure will require different measures. Under-investment can be reduced if there is a minimum mandatory training period that companies must provide. Some other measures could for example include a system of apprenticeship, which may not necessarily be based solely on state aid.

The Ballot and Taymaz (2002) research has shown that firms subventions and required minimal training have opposite effects on enterprise budget constraints. Minimum mandatory training causes inefficient allocation of resources in many companies which nullifies the effect of training productivity.

Furthermore, the timing of subventions seems to be important for achieving growth. Training should occur just before major technological changes or in the early stages. Subventions should

not refer to any particular type of education but on both general and specific training considering they are complementary factors of growth.

The system of subventions for hiring and training of the unemployed is effective to stabilize the unemployment rate. Training and innovations do not react to the system, probably because the grants are limited to engagement of unemployed workers and therefore, the effect of productivity is low. This causes low unemployment grant elasticity.

An additional implication of the general and specific training definition arises if there is a restriction on the ability of the employer to offer a lower salary during training. If, for example, the wage is related to the job through an agreement with the union, the company will not be able to shift the costs of training on employees. This situation leads to market failure in providing training. Failure is more likely in general training provision due to the switching cost demand.

After Becker introduced this distinction, there were some doubts about the implications related to the source of financing for training. Bishop and Kang (1996) point out that Becker's theoretical predictions seek three conditions, primarily a perfectly competitive labour market, secondly the workers are able to finance general training on their workplace by borrowing at a fixed interest rate and third general skills are easy to signal towards potential employers. The aforementioned authors develop a model in which they remit these assumptions and predictions where employers share the cost of general training occur. Their empirical analysis shows no major effects of general education on wage growth, only, as Becker's theory predicts, on productivity growth.

The authors shifted their focus from the above mentioned problems related to the distinction of general and specific training, on the impact of different types of training on productivity growth. To form a hypothesis, training can be viewed as a productive activity whose output is a higher level of human capital. Instead of looking at the output as the product of a single input, such as the expenditure of the employer, the output can be seen as produced by joint efforts of both employees and employers. While an employer may provide facilities or demonstrations, the measure to which these activities will transform into human capital depends on the extent of effort employees are willing to make concerning learning new skills and applying them. Once we look at training in this way, the question of whether employees are motivated differently when subjected to various forms of training arises.

Employer's motivation for the effort in training stems from the benefits that the training provides. In both cases of general and specific training, increased productivity due to training will result in higher wages at the current employer. However, since general training raises productivity and wages also elsewhere, it provides an additional benefit that can be viewed as insurance. If the employee was made redundant or wanted to leave the current employer, the general training received can be used elsewhere, while specific cannot. In this way, as long as there is a positive probability of leaving the current employer, even the employee neutral toward risk will have greater expected benefits from general training. As such, employees are more likely to devote more effort to general training.

The study was conducted on two occasions, first in 1993 and the second in 1995 with a sample of 1000 companies with more than 10 employees in manufacturing, construction and service industries. The focus of the questionnaire was continuous training on the job, not the initial training so that trainees are excluded from the study. Responses were obtained from 654 companies. The information collected includes the activity of each enterprise, number of employees and the distribution of employees in five broad categories. Questions regarding the training were about the type of training such as training in job-related situations, workshops,

seminars, exchange of work and self-study. Questions were asked about the number of employees who have received training of any type and how much was spent on training, including the cost of time spent in training for the employees. Questions about the number of days that employees spent in training were also asked. The measure of general and specific training is derived from a series of questions. A task was assigned to the individuals who are responsible for training within the company to distinguish the total number of days of training in, first, seven categories of general training followed by four categories of training specific to the company's activities, and other training. This task was appointed to officials in charge of training because the authors believed that they are more competent in distinguishing general and specific training.

Productivity is calculated as output divided by the total number of employees. The results showed that although general training has a statistically positive effect on productivity growth, this effect was not observed in specific training. What is even more important, the effect of general training remains positive when controlled by other personnel policies and company restructuring, size and level of human capital, and the interaction of general training and employment growth.

The results show a crucial distinction between general and specific training regarding the impact on productivity growth. Employees are not mechanical boxes that are injected with training. They are rational players who choose the amount of energy they wish to devote in transferring the training received into the increase of their human capital level. Training that enhances individual wages both with existing and potential employer provides greater motivation for training than the one that increases only benefits with the current employer. This view of the training process is accurate when the cost is assumed by the employee solely, such as Becker predicts, but also in cases where it is paid by the employer.

Human capital complements technology and since these skills are required for the adoption of technology companies are motivated to educate their staff. Companies that will most likely offer education are usually innovative, involved in research and development activities, established, foreign and fast growing companies. Thus, the link between training and productivity is not only strong but also complex, especially in terms of causality. Hall and Karamariz (1998 according to Isaksson, 2002) have, after exploring 12 countries (10 of which were OECD), come to the conclusion that innovative companies have shown tendencies of change in the composition of the workforce to a highly educated one and by that increased overall employment. More supplied education leads to wage increase, the correlation between the usage of advanced technology and productivity is strong, but the evidence that the adoption of advanced technologies results in the increase in productivity is difficult to find.

Conti (2005) explores the impact of on the job training on wages and productivity in Italy. The survey is based on an original database, created by aggregating data on productivity at the enterprise level to the level of industry for the period 1996-1999. The study found that training has a positive and significant impact on productivity. The effect of training on wages is much smaller, which means that most of the return goes to the enterprises.

Konings and Vanormelingen (2009) also examined the impact of training on productivity and wages in Belgium. In their study a database of more than 170 000 companies active in Belgium was used. It was possible to measure the number of employees who received some type of formal training, training costs and the number of working hours spent on training for every company in the period 1997-2006. With control of possible endogeneity of the training, they found that training increases the marginal productivity of workers more than it increases wages. More specifically, their results indicate that the productivity of skilled workers increases by 23% while wage only increases by 12%. The results also show that training has more impact on the

service sector than on productive activities. These results were solid even with different specifications and definitions of the variables of training. The main findings remained unchanged also after the control of various types of heterogeneous workers. However there is great divergence of the impact on productivity and wages due to different sectors.

The results are consistent with those of Ballot and Taymaz (2001) analysing imperfect labour markets, which in turn led to under investment in training from the social point of view. For example, when a company makes decisions about training it does not take into account the possible externalities for future employers and skilled workers. This opens the possibility of subsidizing the training by the government.

In a study Ballot, Fakhfakh and Taymaz (2002) empirically examine the role of human and technological capital on the productivity among a group of large French and Swedish companies. The study constructs a measure of human capital of the businesses according to past and current expenditure on training. The results confirm that the training and R&D financed by enterprises are significant inputs in both countries, although appearing in various levels, and achieving high returns. Evidence of interaction between these two types of capital has not been found. The effect of growth at the enterprise level also has not been taken into account.

In addition, the studies of Acemoglu (1997) and Redding (1996) examine what happens when individuals choose investments in education and training, while firms invest in research and development. Some parameter values can have a variety of equilibrium levels since the initiative of workers to invest in human capital and companies to invest in research and development are somewhat interdependent. This provides a way to formalize the previous ideas about the possible existence of a "low skill, low-quality trap" in which low skills and slow rate of innovation reflect a failure of coordination. Models suggest that, at the aggregate level, greater investment in education or training can rise spending on R&D and vice versa.

3. Methodology

This paper, by examining and relating SME investment in education and training with labour productivity provides a contribution to the existing literature. The research differs from the present literature analysing labour productivity in the selected geographic area due to its focus on the additional education and training programs provided by the employing company for their employees. It appears that research of this type has not yet been conducted in Croatia; there is a lack of data about how companies utilize education and training to enhance their productivity in this particular country.

The geographic area of focus is the North West region in Croatia and the research examines the extent to which the SME sector builds their competitiveness by investing in training and education programs for their employees and how it influences labour productivity. The hypothesis is that additional education and training programs will have a positive impact on labour productivity.

The empirical research is based on a questionnaire consisting of 11 questions regarding additional education and training programs for employees (See Appendix 1).

The primary sample used is the small and medium enterprises registered in the chosen geographical area, which was then filtered by the following criteria:

- SMEs who submitted the 2009 annual report to the Chamber of Commerce
- SMEs with 20 or more employees

After filtering, the sample included 192 enterprises in various sectors. The companies were contacted and the research produced a 10% usable response rate for the analysis. The data collected is analysed with methods of descriptive statistics and regression analysis.

The model

The model used for the analysis is derived from the Cobb-Douglas production function, also used by Bartel (1992) and Black and Lynch (1997):

$$Y = AK^\alpha (Lh)^\beta \quad (1.)$$

where L is the number of employees and h represents human capital in the form of investment in adult education.

The linear form is:

$$\ln Y/L = \ln A + \alpha \ln K + (\beta - 1) \ln L + \beta \ln h \quad (2.)$$

And the regression equation derived from the above is:

$$(Y/L) = \beta_0 + \beta_1 (K/L) + \beta_2 (h/L) + \varepsilon \quad (3.)$$

where the dependant variable is the output per employee, the independent variables are capital per employee and the human capital while ε represents the error variable.

The key variable for this research is the human capital measured as the amount of investment in additional education and training programs for existing employees on all levels in the considered small and medium companies.

4. Results

The summary statistics for our data is provided in Table 1. As portrayed in the table, the companies on average have 63 employees with an average of 131,417 HRK (Croatian kuna) of capital per employee. The key variable, average investment in human capital in form of education and training is 783.6 HRK per employee in the selected period.

Table 1- Summary statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
revenue	19	2.92e+07	2.74e+07	1200000	1.31e+08
k	19	6822528	7501621	85024.3	3.35e+07
l	19	63.21053	49.01879	22	230
k/l	19	131417.7	134966.7	1371	441588
h	19	38718.42	55785.21	0	219000
h/l	19	783.5789	1220.691	0	4866
y/l	19	665390.7	722438.5	30000	2920000
firm	19	10	5.627314	1	19

The regression analysis results are presented in Table 2 and correlation in Table 3. Our key variable, human capital in form of investment in additional training and education shows expected behaviour in relation with labour productivity. We find a positive and significant link between the two variables according to the t and P value generated. Every one unit increase in human capital results in 347.1 increase in output per employee. The coefficient of determination, the R squared value is 0.366 for the year 2009 which means that the regression equation is significant in predicting the value of Y and, in other words well explains the relationship between variables. This analysis therefore confirms our hypothesis about a clear and positive influence of human capital upon labour productivity in the selected region of Croatia.

Table 2 – Regression analysis

Number of obs = 19
 F(2, 16) = 4.63
 Prob > F = 0.0260
 R-squared = 0.3664
 Adj R-squared = 0.2872
 Root MSE = 6.1e+05

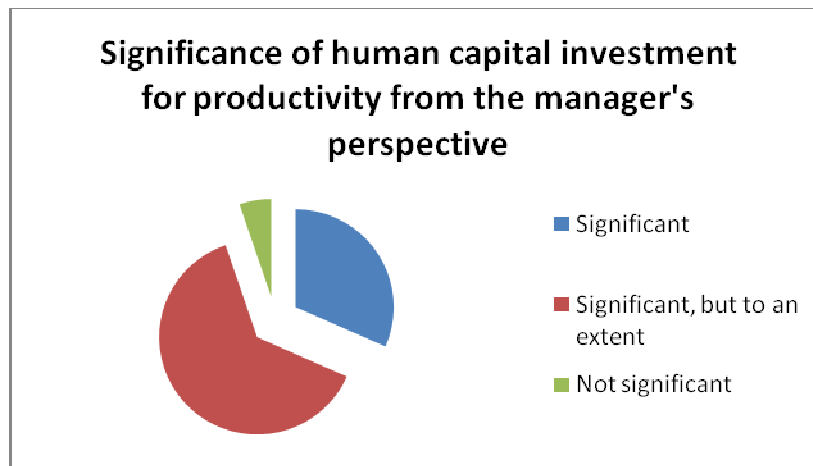
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
y1						
k1	.7946418	1.065174	0.75	0.466	-1.463426	3.05271
h1	347.083	117.7718	2.95	0.009	97.41787	596.7482
_cons	288993.7	218235.9	1.32	0.204	-173645.7	751633.1

Table 3- Correlation between labour productivity, output per capital and human capital investment

	y1	k1	h1
y1	1.0000		
k1	0.1499 0.5401	1.0000	
h1	0.5868* 0.0083	0.0025 0.9919	1.0000

Apart from the human capital and productivity connection, this research also examined the attitudes of managers when comparing these two instances (Figure 1). The majority of managers (64 per cent) seem to believe that investments in education and training have a positive impact on labour productivity, but only to a small extent. 32 per cent is of the opinion that productivity is strongly connected with training, while only a small portion considers the two are not related at all.

Figure 1 – The significance of investment in human capital for labour productivity from the manager's perspective



The findings above challenge to an extent the research of Poloski Vokic and Frajlic (2004) where it is stated that managers find further education not necessary for their employees. However, only impressions concerning this particular region can be made because all of Croatia is not considered in this research. Moreover, this paper shows that only 15 per cent of the companies did not invest in additional education in 2009 at all, which is much lower than the 46 per cent given in the Poloski Vokic and Frajlic (2004) research. Also, the average investment of 783.6 HRK per employee is almost three times higher than the national level given in the aforementioned research. It can be deduced from the former statements that this particular region is in a more favourable position when compared to the country level data.

All of the positive indications stated above are being challenged when comparing the human capital investment with output per employee. The research showed that on average companies invest a mere 0.12 per cent of their revenue on additional education and training programs despite their positive attitude towards the cause effect of the two. If the workers are educated seldom and the investments levels are too low, companies may not be willing to invest also in high technology equipment and will find themselves in the trap of low skill and low technologies.

This unfavourable underutilization of the human capital can be caused by a range of different factors. Primarily, the macroeconomic environment considering that real GDP declined by 5.8% in 2009 causing pressures for SMEs to combat insufficient liquidity and other challenges such as a strong fall in domestic demand, private consumption and total investment (European Commission, 2010). Also, as pointed out by other researchers (Poloski Vokic and Frajlic, 2004; Babic, 2005) Croatia does not have a coherent and consistent framework for lifelong education and an efficient financial plan to support it. The aforementioned researchers also stress the issue of quality and supply of the existing education and training programs, stating that adult education is the most neglected part of the whole education system. Moreover, lifelong learning seems to be a disappointing and non-existent discipline in Croatia, a country which demands entrepreneurial knowledge. Human capital is therefore highly underutilized. According to the Global Report on Competitiveness 2010-2011 survey the availability of education and further training have been assessed less favourably than the assessment of the overall Croatian national competitiveness with an average ranking of 61 (Schwab & Sala-i-Martin, 2010). The report also shows that the extent of staff training is very unfavourable compared to other Central and Eastern European countries with the ranking of 128. For instance, Hungary is ranked 88 and Lithuania 64 for this indicator, clearly showing a disadvantage and deficiency Croatia is

facing. This conclusion points to the observation that in fact the formation of a more efficient additional education framework needs to be a priority for future research and policy. If an attempt to relate the pitfalls of the existing education framework with some of the relevant indicators for Croatia was made (European Innovation Scoreboard, 2009 GEM report) the conclusion is that the country strives for entrepreneurial skill training programs. The intrapreneurial skills of the employees need to be developed in order for the companies to raise their productivity and market their innovation potential.

The limitations of this particular study are incorporated in the number of observations and the region level constraint of the sample used. Also, a panel trend analysis of the human capital investment is needed in order to make fundamental conclusions about the contributions to labour productivity. In addition, this research has not put other factors of labour productivity into consideration. The future extension of this research will focus on other possible factors affecting productivity and will, with a larger sample, perform robustness checks related to the sectors in which the companies are engaged in. It is also welcome to further define the distinction between general and specific training in SMEs in Croatia and examine the impact on productivity growth.

5. Conclusions and Recommendations

This paper presented an insight into the amount of investment in human capital in small and medium enterprises in the North West region in Croatia and provided a contribution to the literature which appears to lack information about this particular topic. After performing descriptive statistics and regression analysis it was shown that there is a positive and significant relation between human capital investment and labour productivity. Also, the research demonstrated that managers have a positive attitude towards additional education programs, which challenges prior research insights. However, the amount of investment is still at a low level drawing up a conclusion that the human capital is underutilized which inevitably has a negative impact on the competitiveness of companies. The reasons for under investment can be numerous, from the unsatisfactory level of social capital and insufficient supply of educational programmes to the economic environment at hand.

Stakeholders and local and national education institutions will benefit from this research as it is a starting point for developing more specific SME sector education and training policies with clear budgetary allocations. Also, as proposed by OECD (2010), a more efficient targeting of investments in training is needed taking into account the significance of an enhanced human capital as an essential element in the recession recovery plan.

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Appendices

Appendix 1 – The questionnaire used in the survey

QUESTIONNAIRE

for the purpose of "Labour productivity and investment in education in small and medium enterprises in the North West region of Croatia" research

International Entrepreneurship Forum, Bahrain, January 2011

Note: Please bold / highlight/ circle the response that relates to your organization. If you want to choose multiple responses, include all that apply to your organization.

- The principal activity of your company is:
 1. Agriculture, hunting, forestry
 2. Fishing
 3. Mining and quarrying
 4. Manufacturing
 5. Electricity, gas, water
 6. Construction
 7. Wholesale and retail trade
 8. Hotels and restaurants
 9. Transport, storage and communication
 10. Financial services
 11. Real estate
 12. Other (public administration, social insurance, education, health and social care, other community, social and personal services, private households with employed persons).

- The legal form of your company is:
 1. Sole proprietorship
 2. Limited Liability Company
 3. Joint Stock Company

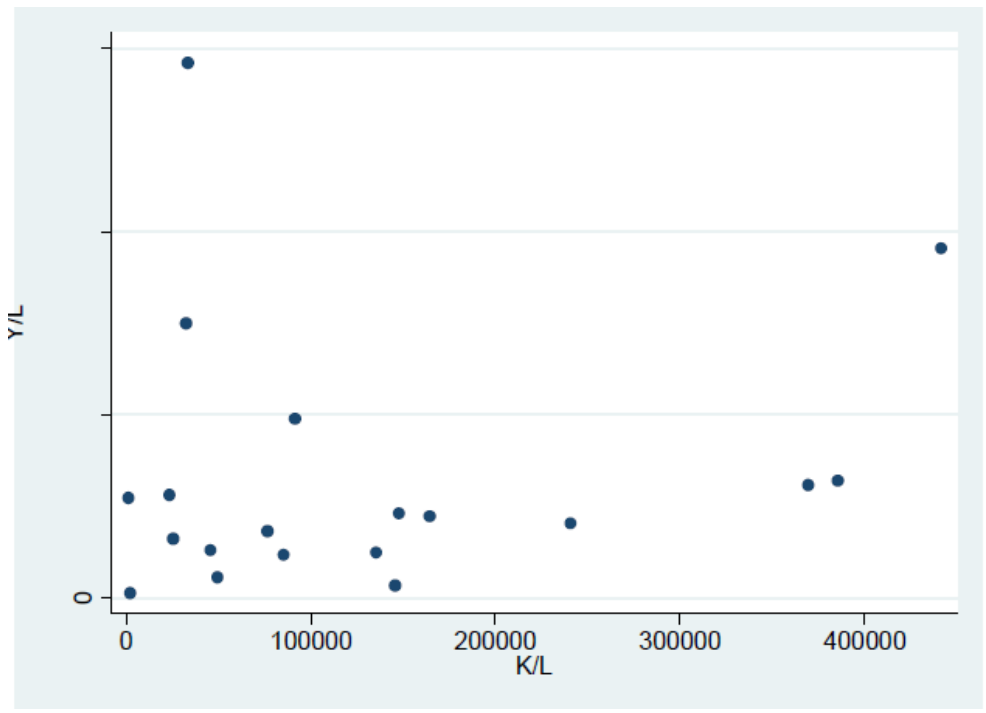
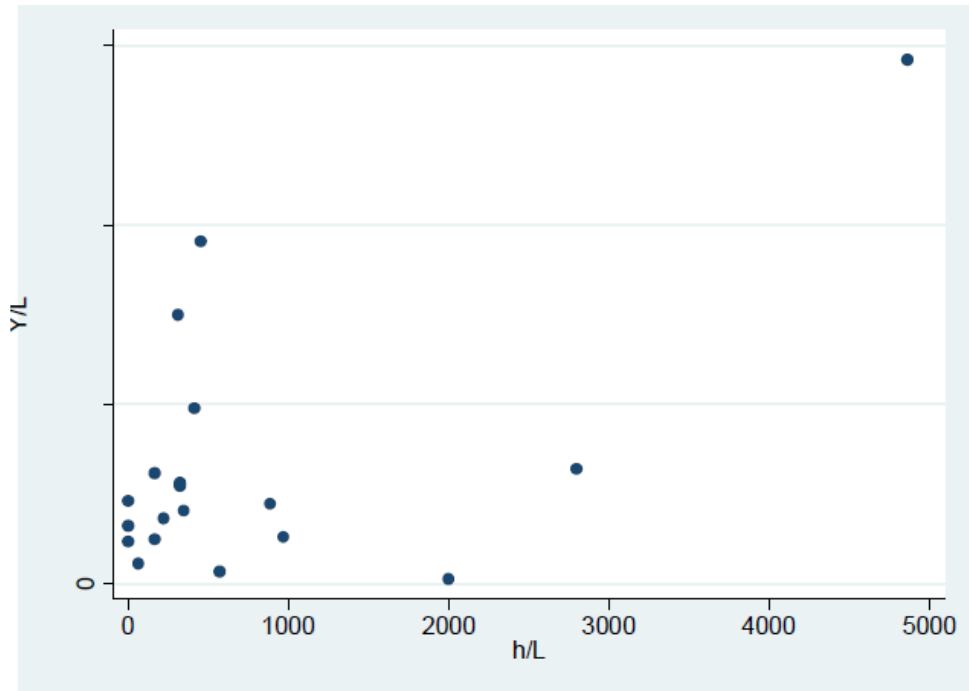
- The ownership structure of your company is:
 1. State ownership
 2. Majority state-owned

3. Private domestic ownership
 4. Majority domestic private ownership
 5. Private foreign ownership
 6. Majority private foreign ownership
- Revenue generated in 2009:
 - Number of employees in your organization:
 - Do the employees receive additional training or education, either inside or outside of your organization? (not including learning through work or training of trainees)
 1. Yes
 2. No
 - Do you believe that education and training increases the productivity of your employees?
 1. Yes, significantly
 2. Yes, to an extent
 3. No
 - The amount you invested in training or education of employees in 2009:
 - The number of employees who participated in training or education programs in 2009:
 - The total number of days spent on additional education programs:
 - Your function in the organization:
 1. CEO/Owner
 2. Board Member
 3. Head of Human ResourcesOther (specify) _____
 - NOTES (in case you want to add something):

END OF THE QUESTIONNAIRE

We would like to sincerely thank for your cooperation
and support to our research mission.

Appendix 2 – Labour productivity, capital per employee and human capital



‘U-preneurs’: Value Creation and the Student Entrepreneur

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Objectives: The purpose of this study is two-fold. First is to assess the formal and informal college and/or university interventions that encourage entrepreneurship in Georgia. Second is to explore the economic outcomes of student entrepreneurship in Georgia.

Prior Practices: Entrepreneurship is on the rise. In 2009, U.S. entrepreneurial activity reached its highest levels in 14 years. Further, Georgia experienced the largest increase in its rate of entrepreneurial activity over the past decade among all fifty states (Fairlie, 2010). At the same time there has been an increase in entrepreneurship education programs and courses across many U.S. universities dedicated to producing new venture firms (Clark, Davis, & Harnish, 1984; Kuratko, 2005; Weaver, Turner Jr., McKaskill, & Solomon, 2002). The economic impact on entrepreneurial activity has also been well established (Acs, 2009; Gries, 2010). This increase in U.S. entrepreneurial activity may be due to either an individual's perception of a high potential opportunity or necessity-based enterprise creation 'forced' on an individual as a result of sluggish present-day economic conditions. Regardless of these conditions, previous studies have suggested that new ventures created after entrepreneurship course interventions contribute substantially to the economic sector in terms of new jobs and overall sales (Clark et al, 1984).

Entrepreneurship education is still relatively new to higher education. In 1985 there were 250 entrepreneurship courses in the U.S. and now there are over 5,000 such courses offered in two and four year universities (Schramm, 2006). In fact there has been a 38% increase in freshman student interest in business since 1976 (CIRP data 2008) and over a 400% increase in entrepreneurship courses offered in the U.S. (Gartner, 1994). Not only can entrepreneurship be taught, but it is a worthwhile endeavor to teach for students and their institutions.

Formal entrepreneurship education interventions aimed at promoting entrepreneurship among students have mixed results (Clark, et al., 1984; Oosterbeek, 2009; Pittaway, 2007). However, these formal interventions do attract students with strong interests in entrepreneurial activities and supply students with a much more hands-on approach than that of traditional management programs (Weaver et al, 2002). Informal entrepreneurship interventions are used in entrepreneurship curricula to supplement the formal curriculum based courses typically taught in departments and schools. Recent studies also found that formal education alone is not sufficient to developing purposefully coordinated actions. They found rather, that mentorship, a network of advisors as well as advisory boards with a wide range of experiences were instrumental in entrepreneurship success (Mitchell, 2009). Researchers also state very strongly that entrepreneurship is different from management and that business school educators, need to focus more on the experiential / practicum experience of management education students to achieve greater success with their classrooms (Carsrud, Brannback, Nordberg, & Renko, 2009). It has been shown that in order for entrepreneurship education to be successful, instructors must incorporate some elements of practical and experiential elements to their intervention techniques including business plan writing and internships (Weaver et al, 2002). In fact,

10th International Entrepreneurship Forum, Tamkeen, Bahrain, 9-11 January 2011

according to Chell & Allman, it is the less tangible personal aspects of an entrepreneurial education that are at the crux of the knowledge transfer of enterprise development, quality mentoring and mentoring network support, and critical to the success of experiential learning (2003).

Entrepreneurship education straddles the line between formal and informal instruction methods. A mixed methods analysis of some highly regarded entrepreneurship programs that incorporated findings from the SBA 2000 National Survey of Entrepreneurship Education found that all institutions agree that the essential foundation courses in entrepreneurship include new venture financing, business plan writing introduction to entrepreneurship, small business management and new venture growth (Weaver et al, 2002). The most popular teaching methods include: creation of a business plan, case studies, lectures, discussion and guest speakers among others (Weaver et al, 2002). Other studies also implied that networking between entrepreneurial students and faculty is a possible pathway for diffusing any number of valuable outputs (knowledge, information, human capital) into the market; while still others emphasized student based entrepreneurial programs (e.g. MIT Venture Mentoring), and business plan competitions (Mitchell, 2009).

In addition to attracting students with entrepreneurial interests, entrepreneurship courses have also been shown to positively impact student attitudes toward new venture creation (Clark et al, 1984). Students overwhelmingly perceive entrepreneurs favorably despite not knowing enough entrepreneurs personally or really being aware of their work (Henderson & Robertson, 2000). Determinants of entrepreneurial activity however are still not easily deciphered. One study found that psychological factors are the most important positive determinants in determining student entrepreneurial intent across disciplines. The authors also found that older students are more entrepreneurially driven than younger ones and that males are more entrepreneurially driven than females, in all fields except “other health” courses. Surprisingly, the health sports and humanities fields presented significantly higher entrepreneurial potential than other traditional business management fields while technological professional experience increased student propensity towards entrepreneurship (Teixeira & Forte, 2009).

Although the entrepreneur who starts a business while in college has historically been the exception (Lüthje & Franke, 2003), both the demand and supply of high quality entrepreneurship education programs are on the rise. In the 2008 alone, business ownership ranked second to business executive among overall business career aspirations among incoming freshmen (Pryor & Reedy, 2009). Despite these findings, however, entrepreneurial students are often overlooked if not ignored in the research literature. There is a general consensus that entrepreneurship education has the potential to create successful companies that provide substantial indirect benefits to colleges and universities such as creating a culture of entrepreneurship on campus, increased regional economic development, increased donor support and recruitment of other entrepreneurially minded students (M. M. Mars, Slaughter, & Rhoades, 2008). However, not much is known about what types of economic outputs are possible with student entrepreneurial efforts. Georgia is a particularly interesting case as it has been touted as being one of the top entrepreneurial states in the country (Fairlie, 2010). This paper seeks to fill the research gap by investigating the relative importance of formal and informal entrepreneurship education interventions used by Georgia institutions of higher education and assessing the potential economic outputs of Georgia’s student entrepreneurs.

Approach/Methods: Combinations of quantitative and qualitative measures were used to conduct this study. National and state level figures allowed for the assessment of the impact of formal entrepreneurship education interventions on colleges and university campuses. The author also conducted interviews and profiles cases of successful student entrepreneurs to explore the economic impact of student entrepreneurship in Georgia.

Data Collection

Data was collected on both the formal and informal entrepreneurship interventions used among U.S. colleges and universities. I gathered formal data from the U.S. Department of Education's National Center for Education Statistics (NCES) Integrated Post-Secondary Data System (IPEDS Database) as well as the NCES College Navigator Database (2010a). IPEDS provided data on formal entrepreneurship degree and certificate majors at national and state levels. The Classification of Instructional Programs (CIP) codes were used to establish the presence or absence of an entrepreneurship major within an institution. Table 1 illustrates the list of CIP codes used in this study. These codes were used to capture classification and ranking information on the U.S. institutions based on number of major completions for the 2007-2008 fiscal year.

I also used the U.S. Department of Commerce's Reference USA database to assemble company data (2010b) on student entrepreneurial ventures. Up-to-date company profile information (as recent as January 2010) was gathered on company sales and revenues figures, total number of employees, year established, parent company information and current ownership of the companies profiled in this study.

Cases of successful student entrepreneurs, newspaper and magazine articles, social networking groups such as Linked-In and Facebook for interventions dedicated to promoting student entrepreneurship among Georgia universities were surveyed. These online resources allowed for the investigation of both the formal and informal entrepreneurship related degrees, courses, groups and other university related programs found among select Georgia colleges and universities. These findings were supplemented with profiles of successful high profile student entrepreneurs across the country and within the state.

Sample Selection

According the NCES College Navigator database, there are a total of 182 accredited colleges and universities in Georgia. Data was collected on seventeen of these institutions. These seventeen colleges represent all of the Georgia Research Alliance institutions, the Atlanta University Center institutions as well as the top five Georgia colleges and universities identified by the IPEDS database for the presence of an entrepreneurship and small business operations (CIP Code 52.07) major.

After collecting the data, Georgia's formal interventions were compared to the U.S. as a whole, and both formal and informal interventions within the state were analyzed. Finally, a cross case analysis of successful Georgia student entrepreneurs was conducted and some concluding recommendations for Georgia's colleges and universities were provided.

Results/Insights:

National Level: Formal Interventions

Most U.S. universities do not offer entrepreneurship as either a first or a second major. Of the approximately 7,000 higher education institutions in the U.S. only 419 and 59 respectively offer entrepreneurship as either a first or second major (less than 6 percent). The top 10 U.S. institutions offering the entrepreneurship major (FY 2007-2008) are presented in Table 2A on the left. They are ranked based on the number of student completions for the major achieved for that year. University of Iowa tops the list with 225 student completions (FY 2007-2008). Three of the top ten colleges that offer the entrepreneurship major are based in Florida and one Georgia institution made the list. Just two of the top ten universities offer second majors in

entrepreneurship. Despite these preliminary results, these colleges and universities do not represent what are known as the 'best' colleges and universities for entrepreneurship. Table 2B (on the right) displays the 2010 U.S. News and World Report on Entrepreneurship. Not one top ten university from either list overlaps. In fact, the closest 'Best College' for entrepreneurship, which ranked in 15th for the entrepreneurship major was Syracuse University with a total 47 student completions in FY 2007-2008.

State Level: Formal Interventions

Figure 1 shows the top ten states for the total number of institutions which offer the entrepreneurship and small business operations major. Georgia ranks fifth in the nation. When you compare Georgia to the rest of the U.S., there are a number of similarities (See the Chart in Figure 1). Of the 182 Georgia colleges and universities, less than 14 percent offer the entrepreneurship major. What is unique, however, is that of these twenty-four Georgia institutions, most are small (with student populations of under 6,000 students), rural, two year or less institutions. Only one university enrolled students above the undergraduate level: Southern Polytechnic State, which had one student complete an MBA in entrepreneurship for FY 2007-2008.

Georgia's Colleges and Universities: Formal and Informal Interventions

Figure 2 shows an alphabetical listing and map of the seventeen Georgia colleges and universities used in this study. There are a variety of formal and informal interventions being used in Georgia. Most colleges and universities in Georgia do offer formal courses in entrepreneurship (54 percent), and approximately sixteen percent offer degrees or certificates in entrepreneurship in our sample. This is twice as high as the formal state level data gathered from the IPEDS database which showed that the entrepreneurship major (degree / certificate) is only offered in 8 percent of all Georgia institutions for FY 2007-2008. Formal entrepreneurship interventions include courses, departments, degrees and certificates. Informal entrepreneurship education interventions include programs, business plan competitions, student-led organizations, institutes and centers, scholarships and alumni groups. In our sample entrepreneurship education courses come from a variety of disciplines including traditional management schools, the social entrepreneurship and non-profit management fields, construction management programs and culinary arts. Among the seventeen institutions surveyed, Georgia Institute of Technology offered the most entrepreneurship interventions (27), followed by Georgia State University (24), the University of Georgia (19) and Kennesaw State University (14). Most Georgia institutions in our sample supply students with a good mix of informal and formal entrepreneurship offerings. The University of Georgia, for example, provides students with entrepreneurial opt-in programs, student-led clubs, a business plan competition, workshops and events and courses. Collectively, Georgia institutions offer entrepreneurship education interventions that are 70 percent formal and 30 percent informal.

National Level: Student Entrepreneurs

Popular media has profiled several high profile student entrepreneurs. Some of the most well-known are presented in Table 3. The students represent some of the most prestigious academic institutions. They have founded multi-billion dollar corporations; collectively they provide hundreds of thousands of jobs in the U.S. and abroad. Several of them have never completed their degrees. Most of these high profile student entrepreneurs found success in the within the high-tech information technology (IT) industry, particularly surrounding the then newly emerged internet and computer technology fields. Many of them are also housed in or around the Silicon Valley corridor. All are highly influential individuals and many are known not-only for their massive corporate revenues, but also for their philanthropy (e.g. Bill and Melinda Gates

Foundation; Michael and Susan Dell Foundation). Although slightly beyond the scope of this paper, the propensity of these notable student entrepreneurs towards incomplete degree completions merits further investigation. In my conclusion, I will address potential solutions to avoid this trend in Georgia.

Georgia's Student Entrepreneurs: Case Profiles

Student entrepreneurs in Georgia are showcased in Tables 4, 5, 6 and 7. One of Georgia's most notable student entrepreneurs is Christopher Klaus (Table 4.) Mr. Klaus was enrolled in the College of Computing when he founded Internet Security Systems in 1994. In 2006, he sold his company to IBM for \$1.3 billion dollars. Currently, IBM-Internet Security Systems (as it is now known) is headquartered in Atlanta, employs over 350 people and generates over \$55 million per year in revenue. Mr. Klaus has continued his entrepreneurial efforts and founded Kaneva, a virtual reality social networking company also based in Atlanta, Georgia. Although Mr. Klaus never officially completed his degree, one of his recent charitable acts included donating \$15 million dollars to Georgia Tech for the construction of the new 'Klaus College of Computing' building on main campus.

Patrick Whaley is another Georgia Tech student. He founded Omega Wear, Inc. in 2006 while working with the Advanced Technology and Development Center (ATDC) on campus. After suffering from a heinous attack in which he was shot several times in the back, he was able to utilize his own clothing line (Omega Wear apparel) to rebuild his strength. He competed in the 2010 InVenture Prize Business Plan Competition at Georgia Tech and won 1st place as well as the People's Choice Award. Patrick Whaley is currently a 5th year mechanical engineering student and is planning on completing his degree (See Table 5).

Sean Belnick founded BizChair.com in 2001 at the age of thirteen. BizChair was one of the first online retailers of office furniture. The company is located in Canton, Georgia and currently generates over \$37 million per year and employs approximately 110 people. One of Sean Belnick's reasons for going to college after founding a highly successful business was to obtain a better understanding of his company's financial and accounting records. Sean obtained his Bachelor's Degree in Business Administration from Emory University in 2009 (See Table 6).

Jasmine Lawrence is an African-American who started her own hair and body care corporation at the age of 13. After losing most of her hair from a poorly administered chemical perm treatment at age 11, she developed her own line of herb based hair growth treatments to reverse the damage. She later founded Eden Bodyworks, LLC in 2004. Jasmine utilized and credits much of her success to the nationally acclaimed Network for Teaching Entrepreneurship (NFTE) program which provided an opportunity to develop high quality business plans to students at her high school in New Jersey. Jasmine has been featured on the Oprah Show™, and has product distribution contracts with Walmart® and Whole Foods Market®. In her spare time Jasmine is a motivational speaker and writer for teen magazines on the subjects of success, business ownership and finance. Eden Bodyworks, LLC generated over \$1,000,000 in 2008. She is currently a sophomore at Georgia Tech. Jasmine is also the first person in her family to attend college. Her current major is computer science and her goal is to graduate and possibly continue on for her PhD and then work for a major government agency in IT. Her plans are to focus on her academics and her computer engineering career in government and not necessarily continue on with managing her bath and body care business (See Table 7).

Cross-Case Analysis

Georgia's student entrepreneurs represent a range of disciplines, levels of motivation, academic, socio-economic and entrepreneurial backgrounds. Student entrepreneurs also see

dual value in having both strong academic and entrepreneurial futures. Some use academic interventions to guide their success, while others utilize family and friends or fish it out on their own. Most high profile student entrepreneurs occupy the high tech / innovation fields. Georgia's student entrepreneurial ventures, on the other hand, reflect an array of technology use and scientific knowledge. Personal tragedy and family support are more often than not influential factors for student entrepreneurs. Jasmine and Sean are particularly grateful to their families for their support. Georgia's student entrepreneurs also utilize both domestic and academic resources around them to propel their businesses forward and achieve varying degrees of success. Consequently, although I profiled successful student entrepreneurs in this paper, many (if not most) students, will not be successful entrepreneurs at least once in their careers. If that is the case, then future research is merited into the varying determinants and outcomes of student entrepreneurial success.

Implications to Community/Industry: This study constitutes a preliminary analysis of the formal and informal entrepreneurial interventions used among Georgia's colleges and universities and the potential impact of student entrepreneurial behavior on Georgia's economy. The findings demonstrate that student entrepreneurs in many ways chart their own path. Although students are not majoring in entrepreneurship in high numbers, there are still far more students seek out entrepreneurship as a career than the numbers accounted for in the research literature. In Georgia, colleges and universities as a whole do invest in a variety of entrepreneurial interventions. The link, however, between the student, the university and the start-up venture is in many ways still incomplete. It is not clear whether these institutional investments are sufficient to generate long term successful entrepreneurs. And although most Georgia institutions promote courses on entrepreneurship, it still remains to be seen how much of an impact these formal interventions have on student entrepreneurial intent as opposed to the more informal entrepreneurship interventions like student networking groups, business plan competitions or even specialized semi-formal programs like the TI:GER® (Technological Innovation Generating Economic Results) program at Georgia Tech. Nevertheless, by encouraging these entrepreneurs to begin their ventures as students, responsible institutions must respond with solutions that allow students to be successful at both academics and enterprise. The risk of failure at the entrepreneurial and academic levels is not one that any institution would want for their students. The hope is that at the very least, student entrepreneurs will have completed their studies and obtained degrees that merit recognition from employers and investors alike while they decide whether to pursue their entrepreneurial interests concurrently or at a later date.

Many top research institutions in the U.S. are experienced in technology transfer and in the commercialization of university innovations (Daley, Hughes, Moran, O'Shea, & Lindahl; Mitchell, 2009). Faculty and graduate students have been encouraged to utilize technology transfer offices and university incubators to commercialize their technological innovations. However, most U.S. post-secondary institutions including those in Georgia, do not provide the same level of support and encouragement to nascent entrepreneurs at the undergraduate level. As this study shows, that time is now upon us all. In addition to promoting entrepreneurship to students of all demographic backgrounds, both on campus and on-line, institutions must promote entrepreneurship to students of all disciplinary backgrounds not just those in the technology or management fields. Despite their selective absence in this study, I was intrigued at how many students demonstrate an interest in entrepreneurship from the humanities, health and social science fields (Teixeira & Forte, 2009; Weinrauch & Liska, 2006). In fact, I spoke with several students not explicitly profiled in this paper whose entrepreneurial motivations were not based on the profit factor, but rather were socially driven. Also known as social entrepreneurship, this form of enterprise creation is very appealing to young students who see themselves as the future agents of change in the world (Cutrer, 2005; Matthew M. Mars, 2009; Weinrauch & Liska, 2006; Winfield, 2005). At the Georgia Institute of Technology, students from management,

international affairs, economics and even public policy have started businesses that serve the double (social and financial) or even triple (social, environmental and financial) bottom lines (Tilley, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Social entrepreneurship was not the focus of this paper, but the mere presence of this kind of student venture on Georgia campuses warrants future investigation. Georgia institutions would do well to create a kind of 'bridge program' that not only takes into consideration the entrepreneurial interests of students, but considers wholeheartedly the fact that students by their very definition are academic beings as well. The goal would be to serve two interests, that of the student (personal) and the university (institutional), in a way that can serve the greater community as well as state level economic interests.

Value to the Theme: From this analysis, it is clear that student entrepreneurs are more plentiful on university campuses than the research literature would suggest. The variety of both for- and not-for-profit student founded enterprises may or may not be tied to students' academic interests. Student motivations, fears and aspirations may be subject to the same variables as those of traditional entrepreneurs with the exception of one additional constraint – the classroom. Students utilize both formal and informal entrepreneurship interventions to the extent that they are made available to them and students may even create interventions where none existed before. The current and future economic impact of these student entrepreneurs on the state are yet to be fully measured. However, the potential exists for Georgia to not only to become one of the most entrepreneurial states in the country, but also the most entrepreneurially savvy. This investigation forms the basis of a discussion on the student entrepreneur, as well as the role that colleges and universities can play in in terms of cultivating long term sustainable entrepreneurs.

Keywords: student entrepreneurship, university interventions, value creation, entrepreneurship education

Table1: *CIP Code Classifications*

CIP Code ¹	Description
52	Business, Management, Marketing, and Related Support Services. Instructional programs that prepare individuals to perform managerial, technical support, and applied research functions related to the operation of commercial and nonprofit enterprises and the buying and selling of goods and services.
52.0701	Entrepreneurship/Entrepreneurial Studies. A program that generally prepares individuals to perform development marketing and management functions associated with owning and operating a business.
52.0702	Franchising and Franchise Operations. A program that prepares individuals to manage and operate franchises. Includes instruction in legal requirements, set-up costs and capitalization requirements, financing, and applications to specific franchise opportunities.
52.0703	Small Business Administration/Management. A program that prepares individuals to develop and manage independent small businesses. Includes instruction in business administration; enterprise planning and entrepreneurship; start-up; small business operations and problems; personnel supervision; capitalization and investment; taxation; business law and regulations; e-commerce; home business operations; and applications to specific sectors, products, and services.
52.0799	Entrepreneurial and Small Business Operations Other. Any instructional program in enterprise management and entrepreneurship not listed above.

Source: Classification of Instructional Programs (CIP 2000)
<http://nces.ed.gov/pubs2002/cip2000/ciplist.asp?CIP2=52>

Table 2A & 2B: *US Based Entrepreneurship Interventions*

Table 2A: The top 10 US institutions offering entrepreneurship as either a first / second major (FY 2007-08):¹

- University of Iowa, IA (225)
- American intercontinental, FL (191)
- Northwestern, IL (146/43)
- University of LaVerne, CA (168)
- Valencia Community College, FL (146)
- Indian River State College, FL (127)
- Central Michigan University, MI (106)
- University of St Thomas, MN (79)
- Chattahoochee Technical College, GA (77)
- Southern Methodist University, TX (34/40)

Table 2B: US News & World “Best Colleges” Report on Entrepreneurship (2010):

- Babson College, MA
- University of Pennsylvania, PA
- University of Southern California, CA
- Indiana University- Bloomington, IN
- Massachusetts Institute of Technology, MA
- Syracuse University, NY
- University of Arizona, AZ
- UC-Berkeley, CA
- University of Texas--Austin, TX
- Ball State University, IN

¹ Source: IPEDS Database (FY: 2007-2008), by number of completions

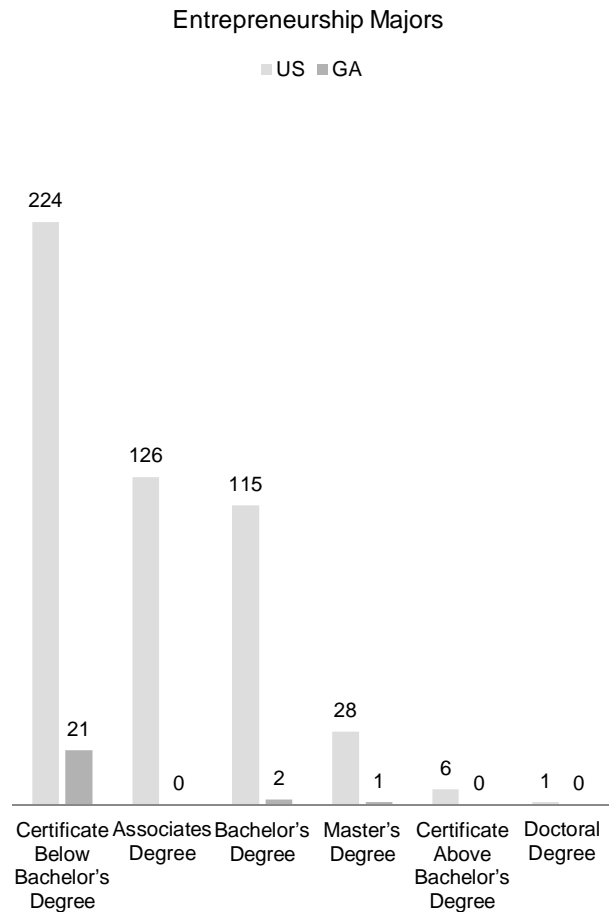
Figure 1: US State Rankings

State Rank: The top 10 states for number of institutions offering the entrepreneurship major

Award Rank: Institutions offering the entrepreneurship Major (1st or 2nd) classification by degree type

1. California
2. Michigan
3. Florida
4. Pennsylvania
5. Georgia
6. New York
7. Illinois
8. Ohio
9. Washington
10. Minnesota

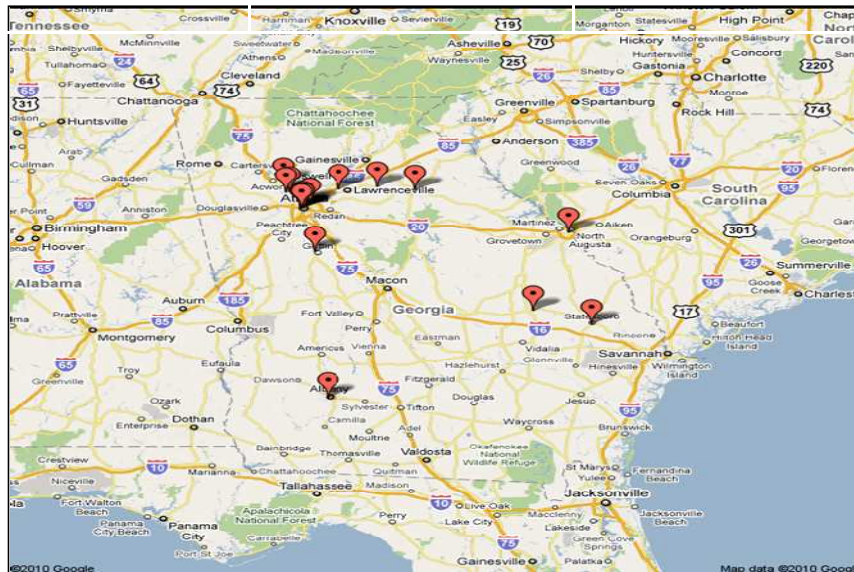
- Under 14% of all Georgia institutions offer majors in entrepreneurial and small business operations.
- Most are small, rural, 2-year institutions.



Source: IPEDS Database (FY: 2007-2008)

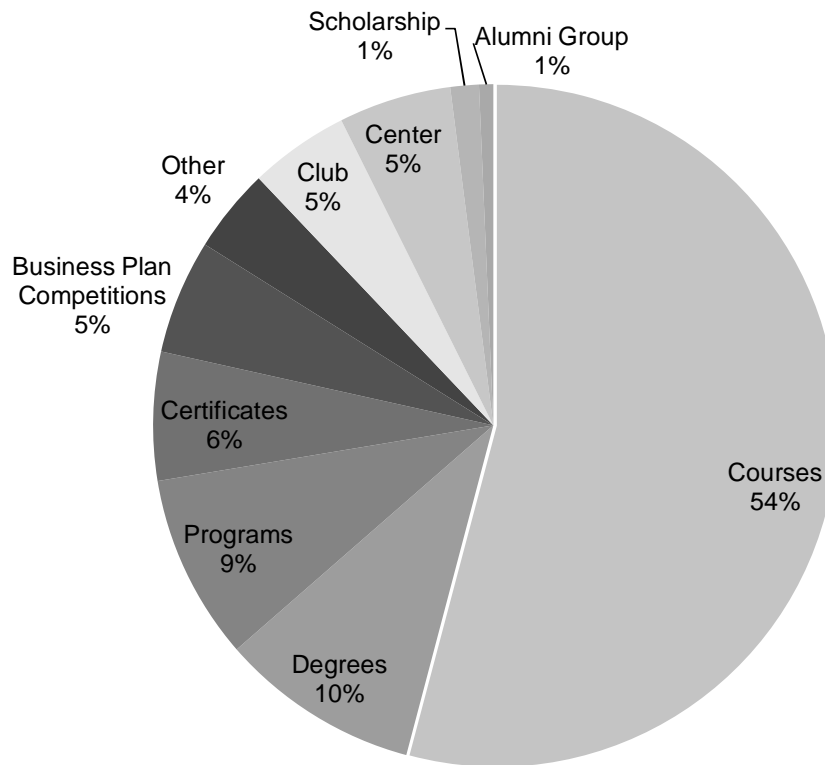
Figure 2: Alphabetical List of Georgia Institutions and Map

Albany State	Georgia State University	Medical College of Georgia
Chattahoochee Technical College	Georgia Southern University	Morehouse College
Clark Atlanta University	Griffin Technical College	Southern Polytechnic University
East Georgia College	Gwinnett Technical College	Spelman College
Emory University	Lanier Technical College	University of Georgia
Georgia Institute of Technology	Kennesaw State University	



Source: Google Maps, created July 5th, 2010

Figure 3: Georgia Entrepreneurship Interventions



- *Programs*: e.g. TI:GER (GT), Start Me Up! (UGA)
- *Other*: e.g. Symposiums, Conferences, Workshops, Camps, Speaker Series
- *Clubs*: All student based organizations

Source: 17 Georgia college & university websites

Table 3: *Successful US Student Entrepreneurs*

Company Name	Student Name	State	Year Est.	University Attended	Sales Volume	Employee Size	Enrollment Status
Facebook	Mark Zuckerberg	CA	2004	Harvard	\$500 million	1,201	Dropped out
Google	Sergey Brin & Larry Page	CA	1998	Stanford	\$24 billion	19,835	Dropped out
Yahoo!	David Filo & Jerry Yang	CA	1994	Tulane & Stanford	\$7 billion	13,900	Graduated
Dell	Michael Dell	TX	1984	University of Texas	\$53 billion	96,000	Dropped out
Apple	Steve Wozniak	CA	1976	Univ. of California	\$43 billion	34,300	Stopped & came back
Microsoft	Bill Gates	WA	1975	Harvard	\$59 billion	93,000	Dropped out
FedEx	Fred Smith	TN	1971	Yale	\$35 billion	280,000	Graduated

Source: ReferenceUSA, last updated January 2010

Table 4: *Georgia's Student Entrepreneur: Case Profile #1*

Name:	Christopher Klaus
Institution:	Georgia Institute of Technology
Enrollment Status:	Dropped out
Degree / Major:	Computing
Company Name:	Internet Security Systems
Year founded:	1994
No. of Employees:	350
Financials:	Sold in 2006 to IBM for 1.3 billion
Sales Volume:	\$55 million
Intervention:	unknown
Product or service:	Internet Security

Source: ReferenceUSA, last updated January 2010

Table 5: Georgia's Student Entrepreneur: Case Profile #2

Name:	Patrick Whaley
Institution:	Georgia Institute of Technology
Enrollment Status:	5 th year Undergraduate
Degree / Major:	Mechanical Engineering
Company :	Whaley Ventures, LLC / Omega Wear, Inc.
Year founded:	2006
No. of Employees:	4 partners
Financials:	1 st Place and People's Choice Award in the Georgia Tech InVenture Prize competition He won: \$15,000 for his invention and also received the People's Choice Award of \$5,000
Intervention:	Advanced Technology Development Center (ATDC) @ Tech
Website:	http://patrickwhaley.com/
Product or service	OmegaWear Apparel

Source: www.PatrickWhaley.com & www.gatech.edu

Table 6: Georgia's Student Entrepreneur: Case Profile #3

Name:	Sean Belnick
Institution:	Emory University
Enrollment Status:	Graduated 2009
Degree / Major:	Business Management
Company Name:	Belnick, Inc. / BizChair.com
Year founded:	2001
No. of Employees:	110
Sales Revenue:	\$37 million
Intervention:	unknown
Website:	http://www.bizchair.com/
Product or service	Office Furniture

Source: ReferenceUSA, last updated January 2010

Table 7: Georgia's Student Entrepreneur: Case Profile #4

Name:	Jasmine Lawrence
Institution:	Georgia Institute of Technology
Enrollment Status:	Sophomore
Degree / Major:	Computer Science
Company Name:	Eden Bodyworks, LLC
Year founded:	2004
No. of Employees:	8
Sales Revenue:	Over \$1 million (2008)
Intervention:	Network for Teaching Entrepreneurship (NFTE)
Website:	www.edenbodyworks.com
Product or service	Hair Care Products (developed when she was 11 years old)

Source: Personal Interview Conducted on July 19th, 2010

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A Conceptual Framework for Examining Selection Practices of Business Incubators

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Objectives: The importance of business incubators is associated with their value creation by nurturing and growing innovative and generally high growth small and medium enterprises (SMEs), which contribute to the development of the regional economy. Whilst literature points to the importance of selection in the business incubation process, the extent to which the business incubator's selection criteria impacts on the attainment of the business incubator goal of new venture creation remains unclear. Do the selection practices of business incubators affect, directly or indirectly, the performance of business incubators measured in terms of successful new venture creation? Are there other factors impinging on the success of incubating firms and if so to what extent does the selection process make a contribution to such success? These are some of the questions that the authors attempt to answer by developing a framework that will enable us to ascertain and evaluate the importance of selection in the incubation process.

Prior Practices: There is generally paucity of empirical research on the role and effect of selection in the business incubation literature. The business incubation industry has relied on selection criteria used by venture capitalist. Notwithstanding that, recent studies are gaining interest in the selection practices of business incubators. However, save for Hackett and Dilts (2008), most of these studies only describe the selection criteria adopted by business incubators when selecting new ventures for business incubation. Hackett and Dilts (2008) develop scales for measuring business incubation performance, inclusive of selection.

Approach/Methods: The authors develop a conceptual framework for examining the role of selection in the business incubation process as well as the effects of selection practices of business incubators on successful new venture creation among business incubators. The measures of the conceptual framework are tested for reliability through a pilot quantitative study on the United Kingdom business incubators.

Results/Insights: The paper finds that most of the measures for selection test for reliability and are consistent with previous studies. However, some of the measures that were used in previous studies such as financial characteristics failed the reliability test. The proposed new measures also tested for reliability. However, our results are based on a small sample size.

Implications to Community/Industry: The paper contributes to the literature on business incubators and in particular explains the significance of the selection in the business incubation process for which there is currently little empirical evidence. A framework for examining the effects of the selection practices of business incubators could be useful for researchers interested in explaining the success or failure of business incubators. An examination of the selection practices of business incubators could also help managers of business incubation environments and policy makers to determine the specific selection factors that they could focus on, if they are to enhance the performance of their incubators. This is important since currently the incubation industry relies on the venture capitalists' selection criteria despite differences in objectives and focus.

Value to the Theme: The paper attempts an explanation of the factors that are critical for promoting entrepreneurship, more especially new venture creation through business incubation environments.

Keywords: Business incubation; Selection criteria; New venture creation

1. Introduction

Business incubators are deemed important to local economy because of their perceived value creation that emanates from nurturing and growing innovative and generally high growth small and medium enterprises (SMEs). However, the current problem facing policy makers and practitioners is the dearth of research on business incubation process (Bergek and Norrman, 2008, Hackett and Dilts, 2008, Albert and Gaynor, 2001). The problem is even more compacted by the fact that incubation process is characterised by an array of value creation activities. These are selection, business development, access to networking opportunities, access to finance and the intermediary role played by business incubators. This paper seeks to contribute to business incubation literature by developing a framework for examining the role of selection in the business incubation process and the effect of selection to the attainment of business incubator objective of new venture creation.

Business incubators are often seen as competitive agents in the way they select the type of incubating venture for their centres in order to take them through a successful business incubation process. The selection criteria they employ is based on factors that are associated with the success of a new venture such as the characteristics of the entrepreneur or his or her team; market conditions, financial inputs and robustness and ability to attract external investment (Fritsch and Schroeter, 2009). However, there are other pressures that impact on any selection criteria. More especially, as managers of centres are expected to demonstrate successful outcomes and reduce possible failures, the management team competencies could have an impact on the selection practices of the business incubator.

Whilst literature (UKBI, 2009b, Bergek and Norrman, 2008, Hackett and Dilts, 2008, Aerts et al., 2007, Clarysse et al., 2005, Lumpkin and Ireland, 1988, Merrifield, 1987) points to the importance of selection in the business incubation process, the extent to which the business incubator's selection criteria impacts on the attainment of the business incubator goal of new venture creation remains unclear. This paper seeks to provide answers to two questions with a view to develop a framework for ascertaining and evaluating the importance of selection in the incubation process. The questions are: (a) Do the selection practices of business incubators affect, directly or indirectly, the performance of business incubators measured in terms of successful new venture creation? (b) Are there other factors impinging on the success of incubating firms and if so to what extent does the selection process make a contribution to such success?

To provide answers to the above questions, the authors develop a conceptual framework for examining the effects of selection practices of business incubators on successful new venture creation among business incubators. The conceptual framework is validated through a pilot quantitative study on the United Kingdom business incubators. Section 2 reviews literature with a view to generally provide background information to business incubation and specifically to develop hypothesis for the study. Section 3 outlines the methodology whilst section and discusses the results of the reliability tests whilst section 4 concludes the paper suggestions of future research questions.

2. Theoretical Background

2.1 Rational for Selection in Business Incubators

2.1.1 *Economic Perspective*

It is widely accepted in literature that new venture creation contributes to economic development through job creation (Chandra, 2007, Echecopar, 2004, Glancey and McQuaid, 2000), advancement of technological progress, increase on competitiveness, economic revival of regions, innovation and technology transfer (Sternberg and Wennekers, 2005, Tilley and Tonge, 2003). As new ventures introduce new knowledge or utilise new knowledge produced by others to develop new products and services, they contribute to economic growth through innovation and competition and consequently restructuring through exits and mergers (Sternberg and Wennekers, 2005). Furthermore, new ventures mitigate market failures as they address societal problems at their cost (OECD, 2003). They develop and launch 'generic' new technologies that provide solutions to societal problems (Garnsey et al., 2007). Moreover, the benefits of new venture creation in a locality accrue even to those who do not create new ventures (Echecopar, 2004, Glancey and McQuaid, 2000). In view of the above, new venture creation is viewed as critical to entrepreneurship and therefore economic development (Brush et al., 2008, Sternberg and Wennekers, 2005).

In spite of the general agreement on the importance of new venture creation to economic development, recent debates suggest that not all new venture creation contribute to economic growth (Fritsch and Schroeter, 2009, Shane, 2009, Acs and Stough, 2008, Atherton and Price, 2006, Sternberg and Wennekers, 2005, Tilley and Tonge, 2003). Recent evidence suggests that new ventures' impact on the economy differs with the quality of the new ventures. Quality new ventures are those which have the potential to exert competition on existing firms (Fritsch and Schroeter, 2009, Shane, 2009) as well as contribute to economic growth and job creation (Shane, 2009). According to Shane (2009) economic growth and job creation are a function of high quality, high growth companies. Therefore, to have an impact on economic development, policy interventions aim to promote formation of high quality new ventures as opposed to attainment of high numbers of new ventures (Fritsch and Schroeter, 2009). In fact, evidence suggests that new ventures that are supported for the purposes of generating more jobs through new venture creation tend to experience stunted growth (Clarysse et al., 2005). Hence, economic development policy instruments such as business incubators (Bergek and Norrman, 2008, Aaboen et al., 2006, Bhabra-Remedios and Cornelius, 2003), have to be selective in nature if they are to impact on economic growth. We examine the importance of selection in the next section.

2.1.2 *Importance of Selection*

Business incubation provides new ventures with resources that could minimise their chances of failure and lead to their speedy growth. As a result most new ventures aspire to grow in the protective environment of a business incubator. Because of the incubators' limited resource base, business incubators strive to ensure that only deserving high growth potential new ventures are supported by the business incubator (Atherton and Price, 2006, Lofsten and Lindelof, 2002). Three types of firms could apply for admission into the business incubator (Hamdani, 2006). The first kind is new ventures that are already strong. This kind of new

ventures may not benefit from the business incubator. The second are those that are too weak to benefit from the business incubation process. The third kind is weak but has a high growth potential. If helped through business incubation, the weak but strong could reach their potential and contribute to economic growth of the locality. Hence business incubators have to be selective in nature so they could channel their resources to the most deserving new ventures (Hackett and Dilts, 2004b, Hannon, 2004, Lumpkin and Ireland, 1988). Albeit, at different degrees of selectivity depending on factors such as stage of development of the incubator, sponsorship of the incubator and objectives of the business incubator.

Notwithstanding, given that new ventures have no trading history, it becomes difficult to judge the quality of the new ventures before they start trading (Atherton and Price, 2006), debates have ensued on whether policy interventions should be selective or not. On one hand, those who do not support policy interventions to be selective, due to the difficulty in identifying potentially high growth new ventures for policy support, call for policy interventions to be open for all new ventures (Sternberg and Wennekers, 2005). In this case, new ventures are to be provided with indirect support by establishing favourable conditions (Sternberg and Wennekers, 2005). On the other hand, those arguing for policy interventions for promoting new venture creation find it wasteful to provide support to all new ventures, inclusive of those that will not impact on economic development (Atherton and Price, 2006). The latter argument is consistent with the economic development argument on the importance of business incubation which posits that business incubation could only contribute to economic development when they assist high growth potential new ventures (Fritsch and Schroeter, 2009, Shane, 2009, Acs and Stough, 2008, Atherton and Price, 2006, Sternberg and Wennekers, 2005, Tilley and Tonge, 2003). The need to be selective, it could be argued, is felt even more for policy interventions that attempt to support new ventures from a meagre resource base such as business incubators.

The purpose of selection is to assess the new ventures' potential capabilities to attain successful new venture creation (Lumpkin and Ireland, 1988). Efficient screening ensures that those who cannot be helped and those who do not need help are excluded from receiving support from the business incubator, hence support is only accorded deserving applicants (Hamdani, 2006). Additionally, the factors considered when selecting new ventures for assistance provide a predictive signal for new venture's future success (Baum and Silverman, 2004). Also, through selection business incubators ensure that they help new ventures that are aligned to the business incubator's objectives (Centre for Strategy and Evaluation Services, 2002). Consequently, efficiency of selection practices of business incubators is one of the critical business incubation success factors.

Most studies acknowledge the importance of selection for successful business incubation, whereby selection is not only identified as a component of the business incubation process but as a critical success factor (Sun et al., 2007, Becker and Gassmann, 2006, Aaboen et al., 2006, Peters et al., 2004, Bizzotto, 2003, Lalkaka, 1996, Lumpkin and Ireland, 1988). However, in spite of the importance attached to selection, only a few studies examine the relationship between selection practices of business incubators and their performance in relation to new venture creation. Compared to studies on venture capitalists selection, selection in business incubators has received very little attention from researchers. This could be due to the fact that business incubation researchers have accepted the venture capitalists selection criteria as ideal for business incubation (Hackett and Dilts, 2008, Hackett and Dilts, 2004b) despite the difference in the two industries' objectives.

Whilst there is paucity of empirical evidence on selection practices of business incubators, an interest in selection practices of venture capitalists points to the potential for similar studies in business incubation as a field of study. Specifically, studies in selection practices of venture capitalist have highlighted differences in focus and practices among the venture capitalists (Kollmann and Kuckertz, 2009, Cooper, 1993). This suggests that similar studies from the business incubation industry perspective could help explain differences in practice and performance within the business incubation industry. It could also serve as a springboard for discussions on the suitability of use of venture capitalists selection criteria by the business incubation industry.

Recently, a few studies have started to focus on selection practices of business incubators, (Aerts et al., 2007, Lumpkin and Ireland, 1988, Macmillan et al., 1987). A few others examine selection as part of the business incubation process (Bergek and Norrman, 2008, Hackett and Dilts, 2008). Specifically, Lumpkin and Ireland (1988) and Aerts et al. (2007) examine the extent to which business incubators employ the selection criteria in the US and the EU respectively. However, these studies only catalogue the selection criteria used among business incubators and do not examine the relationship between selection practice and successful business incubation as defined by successful new venture creation. Hackett and Dilts (2008) improve on these studies by examining the impact of selection, as one of the business incubation elements, on tenant firms' performance. However, they realise their research is wanting on the relationship between business incubation process and new venture creation and call for future research to use their scales to test hypothesis on new venture creation. Bergek and Norman (2008) develop a framework for identifying best practice incubators which they validate through a study of 16 Swedish business incubators. However, their results were descriptive and also they concluded that because of the small sample size they could not be generalised. Consequently, the authors attempt to contribute to research in this area by developing a framework which will help address the following questions:

- Do the selection practices of business incubators affect, directly or indirectly, the performance of business incubators measured in terms of successful new venture creation?
- Are there other factors impinging on the success of incubating firms and if so to what extent does the selection process make a contribution to such success?

In the next section we examine selection practices of business incubators.

2.2 Selection Practices of Business Incubators

2.2.1 Selection Practices of Business Incubators Defined

There is not much evidence on the attempt by the business incubation literature to define selection from the business incubation perspective. Most of the business incubation literature defines selection as the degree to which the business incubator behaves like a venture capitalist in selecting new ventures for business incubation (Shane, 2009, Colombo and Grilli, 2009, Hackett and Dilts, 2008, Hackett and Dilts, 2004a, Macmillan et al., 1987, Duff, n.d.). A few studies that define selection from the business incubation perspective define selection as 'decisions to admit' (Bergek and Norrman, 2008). The Oxford Learners Dictionary defines 'selection as the process of choosing something/somebody from a group' (Hornby, 2005, p1376). We define selection criteria as the yard stick used to back up the decision to admit

entrepreneurs, their teams and ideas for business incubation whilst selection practices refers to the inclination of business incubators to use certain selection criteria in selecting businesses for incubation.

2.2.2 Selection Factors

As highlighted above, business incubators tend to emulate venture capitalists by using similar selection criteria when selecting new ventures for incubation. Venture capitalists specifically seek to identify new ventures with high growth potential to support (Colombo and Grilli, 2009, Shane, 2009). According to venture capital selection practices literature, venture capitalists focus on the entrepreneur and their entrepreneurial skills, return on investment, products' patentability, market acceptance and whether the product could be developed into a prototype as well as the products' potential market growth rate (Zhutshi et al., 1999, Macmillan et al., 1987). Like venture capitalists, selection criteria used by business incubators are management team characteristics, financial characteristics, product differentiation characteristics and market characteristics (Ratinho et al., 2010, Bergek and Norrman, 2008, Hackett and Dilts, 2008, Aerts et al., 2007, Lumpkin and Ireland, 1988). Consistent with the venture capitalists literature, which suggests that selection factors are important signals for growth potential start ups, the new venture creation literature argue that the factors stated above define the quality of the new venture (Fritsch and Schroeter, 2009, Gartner, 1985).

Both venture capital and business incubation streams of literature find that selection of quality start ups, that is new ventures with high growth potential, could increase the chances of success (Staf et al., 2008, Atherton and Price, 2006, Bizzotto, 2003, Zhutshi et al., 1999, OECD, 1997). This is due to the fact that being selective ensures that only high quality start-ups are assisted to start-up and grow (Staf et al., 2008 p 25). The venture capitalists literature posits that selection criteria enables for the 'exceptionally' promising start ups' to be selected for assistance (Baum and Silverman, 2004). Similarly the importance of selection for business incubator lies in that it enables for identification of new ventures with potential for growth and success (Patton et al., 2009, Soetanto, 2006, Bizzotto, 2003, Etzkowitz, 2002, Hackett and Dilts, 2004b, Hannon, 2004, Lofsten and Lindelof, 2002, Lumpkin and Ireland, 1988). Because new ventures are selected on the basis that they display potential capabilities to attain successful new venture creation (Lumpkin and Ireland, 1988, Merrifield, 1987), we argue that selection criteria could be associated with successful new venture creation.

One of the selection criterion used by business incubators, which has emerged from literature, is selection based on management team characteristics (Hackett and Dilts, 2008, Bergek and Norrman, 2008, Aerts et al., 2007, Lumpkin and Ireland, 1988). The importance of the team characteristics is premised on the fact that successfully creating a new venture requires more skills than could be embodied in a single entrepreneur, hence the new venture creation becomes a collective effort (Wright and Vanaelst, 2009). Selection of new ventures based on management team characteristics enables for entrepreneurs and their teams to be assessed on their managerial and technical experience, which are essential for growing a successful new venture (Bergek and Norrman, 2008).

Management teams' characteristics have also been previously used to explain differences in growth among firms (Fergusson and Olofsson, 2004). We therefore argue that management team's characteristics could explain successful new venture creation among business incubators. In their study of selection practices of business incubators, Lumpkin and Ireland

(1988) argue that management team's capabilities are essential for success of new ventures. They measure the management team characteristics using skills for (management, marketing, and financial skills), experience and growth rate projections. Others have correlated education and work experience with survival (Brudel et al, 1992 in Tornikoski and Newbert, 2007). Also background, skills, technical and business competencies have been found to influence firm growth (Ferguson and Olofsson, 2005). In fact, both educational attainment and experience are important for successful new venture creation.

Furthermore, evidence associates successful new venture creation with the entrepreneur attributes of experience and level of education (Chan and Lau, 2005, Peters et al., 2004, Ferguson and Olofsson, 2004, Colombo and Delmastro, 2002, Phillips, 2002). It has been suggested in literature that new ventures started by highly educated entrepreneurs who have little business experience tend to fail if they are not assisted with managerial issues (Chan and Lau, 2005, Ferguson and Olofsson, 2004). According to Peters et al. (2004) entrepreneurs' lack of management skills account for about 90% of the failure rates in the first five years of new ventures. Notwithstanding, there is evidence to suggest that highly skilled entrepreneurs are better able to explore technology transfer (Phillips, 2002). Conversely, some studies suggest that the entrepreneur attributes such education, work experience and industry specific experience are not important for the new venture creation process (Tornikoski and Newbert, 2007). With the amount of evidence that associate human capital with new venture creation, it could be argued that studies that have not found association between management team human capital and performance have examined the effect of these factors where there is no possible association. For example, Tornikoski and Newbert's (2007) study did not find association between entrepreneur human capital and new venture creation process because they examined the effect of these factors on conferment of legitimacy for new ventures.

The management team selection factors alluded to above define the new ventures' human capital. Human capital is defined as knowledge, skills, abilities and capacity to develop and innovate that are possessed by individuals in an organisation (Baron and Armstrong, 2007, Colombo and Grilli, 2009). Human capital is embodied in the competencies possessed by individuals (Colombo and Grilli, 2009) and are acquired from education, training and experience (Baron and Armstrong, 2007). New venture selection using management team characteristics criterion is based on competence, the characteristics of the team of entrepreneurs starting the venture and the idea (Bergek and Norrman, 2008). From the human capital perspective, such competencies confer to the new venture a competitive advantage as it enables the new venture to better exploit opportunities (Colombo and Grilli, 2009) as such they are critical intangible assets for business success (Baron and Armstrong, 2007). Furthermore, management team characteristics are important because a competent management team will be able to mitigate external risk factors such as market, financial, technical and IP risks (Goddard and Chouk, 2006b). In addition, diverse educational backgrounds and skills enable the team to develop problem solving capabilities (Wright and Vanaelst, 2009). Also a competent management team will be able to utilise incubator resources which could facilitates successful business incubation (McAdam and McAdam, 2008). Moreover, prior work experience facilitate speedy decision making since the team members do not waste time building trust and bonding as they already know how the other member thinks and operates (Wright and Vanaelst, 2009). Along the same lines, previous studies on new venture creation have associated teams' relevant education, work experience and industry experience with successful new venture creation (Gartner, 1985). We therefore argue that entrepreneurs' selection using management team characteristics is important for the entrepreneurial process. Consequently we expect to find that:

H1 Business incubator selection of new ventures for business incubation based on management team characteristics would be positively associated with successful new venture creation

To successfully launch a venture, an entrepreneur needs to have access to other sources of finance such as venture capitalists and business angels. The extent to which the new venture is able to attract such investors shows the confidence investors have on the success of the business (Hackett and Dilts, 2008). Business incubators assess new ventures on their potential to attract investors as well as the new ventures' ability to demonstrate profit potential based on the business plan (Hackett and Dilts, 2008, Aerts et al., 2007, Clarysse et al., 2005, Lumpkin and Ireland, 1988). The new venture's potential financial strength is therefore important as it demonstrates the new venture's potential to be successful. We therefore expect to find that:

H2 Business incubator selection of new ventures for business incubation based on financial characteristics would be positively associated with successful new venture creation.

Also, to be successful new ventures out to have access to have a larger market share than the competitors as well as a market with purchase capabilities (Roure and Maidique, 1986). Specifically, the extent to which the product has a high market growth potential, a larger target market with purchasing power has been previously found to lead to growth of new ventures (Hackett and Dilts, 2008). We therefore expect to find that:

H3 Business incubator selection of new ventures for business incubation based on market characteristics is positively associated with successful new venture creation

In addition, the extent to which a new venture is able to differentiate its products from the existing ones could ensure new venture success (Hackett and Dilts, 2008, Roure and Maidique, 1986). Differentiation pertains to the extent to which the new venture is able to set apart its products, services and practices from its competitors (Hackett and Dilts, 2008). When new ventures introduce a new product, they attain a first mover advantage which accords them competitive edge over the existing firms and as such ensure their success. We therefore expect to find that:

H4 Business incubator selection of new ventures for business incubation based on product differentiation characteristics is positively associated with successful new venture creation

Furthermore, it has emerged from the qualitative strand of this research that some business incubators provide pre-incubation, which is utilized as a means to select new ventures with high growth potential into the main incubator. This is consistent with nascent literature which points to the importance of pre-incubation stage in the incubation process as it facilitates the emergence of startups (Silva, 2003) and focuses on the development of the idea to enter the market (Bajmocy, 2006). Furthermore, new ventures that go through pre-incubation are assisted to 'clarify their concepts, find partners and raise funds' (Etzkowitz, 2002). Consequently, pre-incubation is viewed as a tool for training potential entrepreneurs (Silva, 2003, Costa-David et al., 2002, Centre for Strategy and Evaluation Services, 2002). It could as such facilitate development of potential entrepreneur and help them to consolidate their new business (Silva, 2003). Thus, from the client's perspective pre-incubation helps new ventures deal with the

problem of turning their business idea into market success whilst on the incubator's side it helps to create a steady flow of clients into the business incubator (Bajmocy, 2006, Etzkowitz, 2002, Costa-David et al., 2002). We therefore expected to find that:

H5 Business incubators which pre-incubate new ventures generate successful new venture creation more than those which do not

In the next section we examine business development services and business incubator management competencies as other factors that could have an effect on successful new venture creation.

2.3 The Effect of Business Development Services and Incubator Management Competencies on Successful New Venture Creation

2.3.1 Business Development

Business development is an important activity because it allows for entrepreneurs and their ideas to develop into a real business (Campbell et al., 1985). The reviewed literature attributes differences in attainment of successful new venture creation in business incubators to the type of services the incubator focuses. Specifically, provision of tangible and intangible services has been found to have a role in the facilitation of attainment of business incubator goals (Chandra, 2007, Grimaldi and Grandi, 2005, Lalkaka, 2002, Lofsten and Lindelof, 2002). Evidence suggests that most of the tangible services provided by business incubators are standard for all business incubators due to benchmarking efforts within the business incubation industry (Chandra, 2007, Peters et al., 2004, Costa-David et al., 2002, Centre for Strategy and Evaluation Services, 2002). However, what makes the difference among business incubators performance is provision of value adding intangible services (Chandra, 2007, Goddard and Chouk, 2006a, Grimaldi and Grandi, 2005).

Furthermore, previous studies have found that coaching and mentoring make a difference in new venture creation, for example Bizzotto (2003) argues that although financial support, infrastructure and services are important for business incubation, 'they are not [as] essential for generation and development of companies' (Bizzotto, 2003 p8) as coaching and mentoring. Also, Hackett and Dilts (2008) measure business development by looking at 'the degree of comprehensiveness and quality with which the business incubators assist the incubatees' the intensity of monitoring and business assistance as measured by the extent to which the business incubators validate the quality of service providers, the extent to which the business incubators undertake regular reviews of their services. They conclude that business incubation services are associated with business incubation performance. Consistent with these findings, the qualitative study that was undertaken to inform the development of the quantitative study finds business development services and the extent to which the business incubators make continuous improvements to their services most important for successful business incubation. Hence the quality and range of business support services provided by a business incubator are essential for successful business incubation (Hackett and Dilts, 2008, Chandra, 2007, Costa-David et al., 2002). This is consistent with the findings of a recent study comparing between technology incubators and non technology based incubators in North European Union countries (Ratinho et al., 2010). Therefore we expect to find that:

H6 Effectiveness of service provision, based on self assessment, is associated with successful new venture creation

Incubator Management Competencies

Human capital is not only important at the level of the tenant firms' selection. Human capital issues also impact the level of operations of the business incubator, rendering the management team's competencies more important for successful new venture creation (Becker and Gassmann, 2006). The quality of service providers, as measured by the characteristics of the management team in relation to the management team's educational background, industry experience, functional expertise and skills (Buys and Mbewana, 2007, Voisey et al., 2006, Grimaldi and Grandi, 2005, Hannon, 2003) as well as networking skills (Buys and Mbewana, 2007, Grimaldi and Grandi, 2005) is important for successful business incubation.

The qualitative strand of the research on which this paper is based, finds policy awareness as an important competency for business incubation success. This is due to the fact that policy initiatives help the new ventures with support either in the form of finance or for activities that could facilitate research and development to meet the enterprise needs (Vojnovic and Riznic, 2009, O'Gorman, 2003). Policy support could therefore enable new ventures to generate sales and take up opportunities much faster leading to increased profits and consequently access to external finance (O'Gorman, 2003). We argue that if the business incubator team is aware of policy and the support initiatives available under such policies, they could ensure their clients gain access to such policies. In view of the above we expect to find that:

H7 Business incubators' management team competencies, as defined by policy awareness, qualifications, experience and skills are positively associated with successful new venture creation

2.4 Measurement of Business Incubation Success in Relation to Successful New Venture Creation

Evidently, there is no agreed upon standard for measuring business incubation success. Literature suggests for business incubation success to be measured at multiple levels, more especially at the incubator related and firm level related impacts (Hamdani, 2006, Voisey et al., 2006). In his conceptual paper Hamdani (2006) proposes 8 measures for business incubation success, of which 7 are at the level of the firm and only 1 at the level of the incubator. Along the same lines, Voisey et al. (2006) categorise incubator impacts also suggesting incubation success measures at both the incubator and incubatee levels. However, these measurements have not been empirically tested. Recently, Hackett and Dilts (2008) systematically develop scales for measuring the incubation process. Albeit, from the perspective of the tenant firms. Success in business incubators, measured from the point of view of the tenant firms, is viewed as continuation of operation after the venture leaves the incubator whilst failure to survive is viewed as unsuccessful (Hackett and Dilts, 2008, Stuart and Abetti, 1987). Some of the measures used are survival, development of product or service with a strong market potential (Ferguson and Olofsson, 2004). Whereas these measures capture the impact of the business incubation process on the tenant firms, they do not fully capture the impact of business incubation activities at both the incubator and tenant levels.

In the absence of standardised scales for measuring business incubation success we conducted a semi-structured interview with 9 business incubator managers to understand how they measure business incubation success. The following table outlines the issues that emerged from the interviews with business incubator managers. Table 1 below shows that business incubation success could be measured in relation to the performance of the business incubator itself, the impact of the incubator activities on the tenant firms or at the level of the property owner. The factors that emerge from the data in relation to definition of business incubation success could therefore be summarised as in the Table 1 below:

Table 1: Business Incubation Success Measures Emerging from the Qualitative Strand of this Research

Business Incubator Performance	Impact on Tenant Firm	Property Owner Based
Number of businesses supported per year Number of firms ready to move out within the minimum incubation period Rate of tenant firms graduation per year	Growth dimensions Growth in sales turnover Growth in space requirements Growth in number of employees Acquisition of company, Ownership by large company Achievement of full potential	Economic return to property owner
Financial viability of BI	Sustainability dimension Financial sustainability continued operations after exit Progress towards becoming a sustainable businesses, Sustainable business	quality of building
Profitability of BI	Technology Dimensions New product development Type of technology/product Licensing of Technology, Growth in technology advancement Finance Dimension Ability to raise funds innovation grants accessed, levels of funding from equity	

Source: Authors, developed for this study

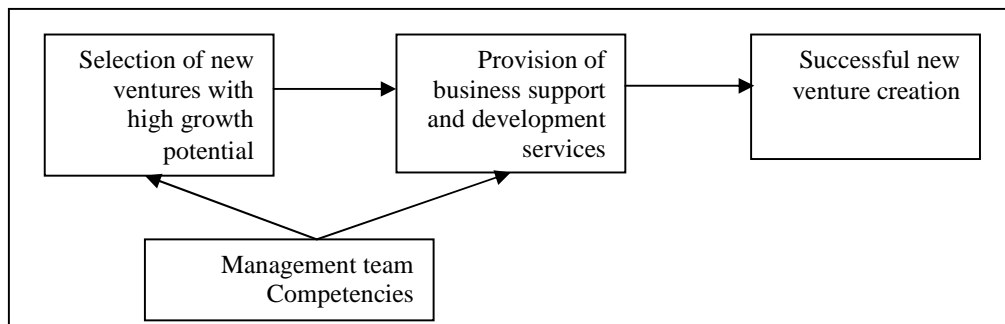
For this paper we propose to measure new venture in terms of growth in tenant firms' growth in employment. Growth as measured through job creation is important for two reasons: Firstly, business incubators are supported by governments because they could contribute to economic development by creating jobs (Chandra, 2007, Echecopar, 2004, Glancey and McQuaid, 2000). Secondly, business incubators could contribute to economic growth if they generate high growth new ventures. The United States National Commission of Entrepreneurship (2001) defines high growth companies in terms of 'creation of jobs at an extra ordinary pace'. We preferred to define high growth new ventures in terms of growth in tenant firms employment creation as opposed growth of high technology new ventures since evidence suggests that few new ventures are involved in the introduction of new knowledge (Eckhardt et al., 2006, Sternberg and Wennekers, 2005). In a study of 221 Swedish new ventures it was found that 46.6%, 39% and 14.3% of new venture founders pursue low tech, high tech and manufacturing respectively (Eckhardt et al., 2006).

2.5 Control Variables

We control for level of development of the incubator, that is whether is at the concept stage, start-up stage, development stage or mature stage as control variables (UKBI, 2009a, Hackett and Dilts, 2008). This is due to the fact business incubators tend to have different objectives and offer different types of services at each stage (Atherton and Price, 2006). Also business incubators at development stage are less selective than those at maturity stage due to the laws of supply and demand. The levels of development of the business incubator would also have an impact on the requirements for business incubator management team competencies, as managers strive to meet the operational requirements of the business incubator as the business incubator grows.

Given the above, we present the conceptual framework below. The conceptual framework brings together the business incubation activities of selection and business development. It also acknowledges the role of management team competencies in the business incubation process. The model, presented in Figure 17 below, depicts that the business incubation activities of selection and business support together with business incubation management team competencies could explain successful new venture creation in business incubators.

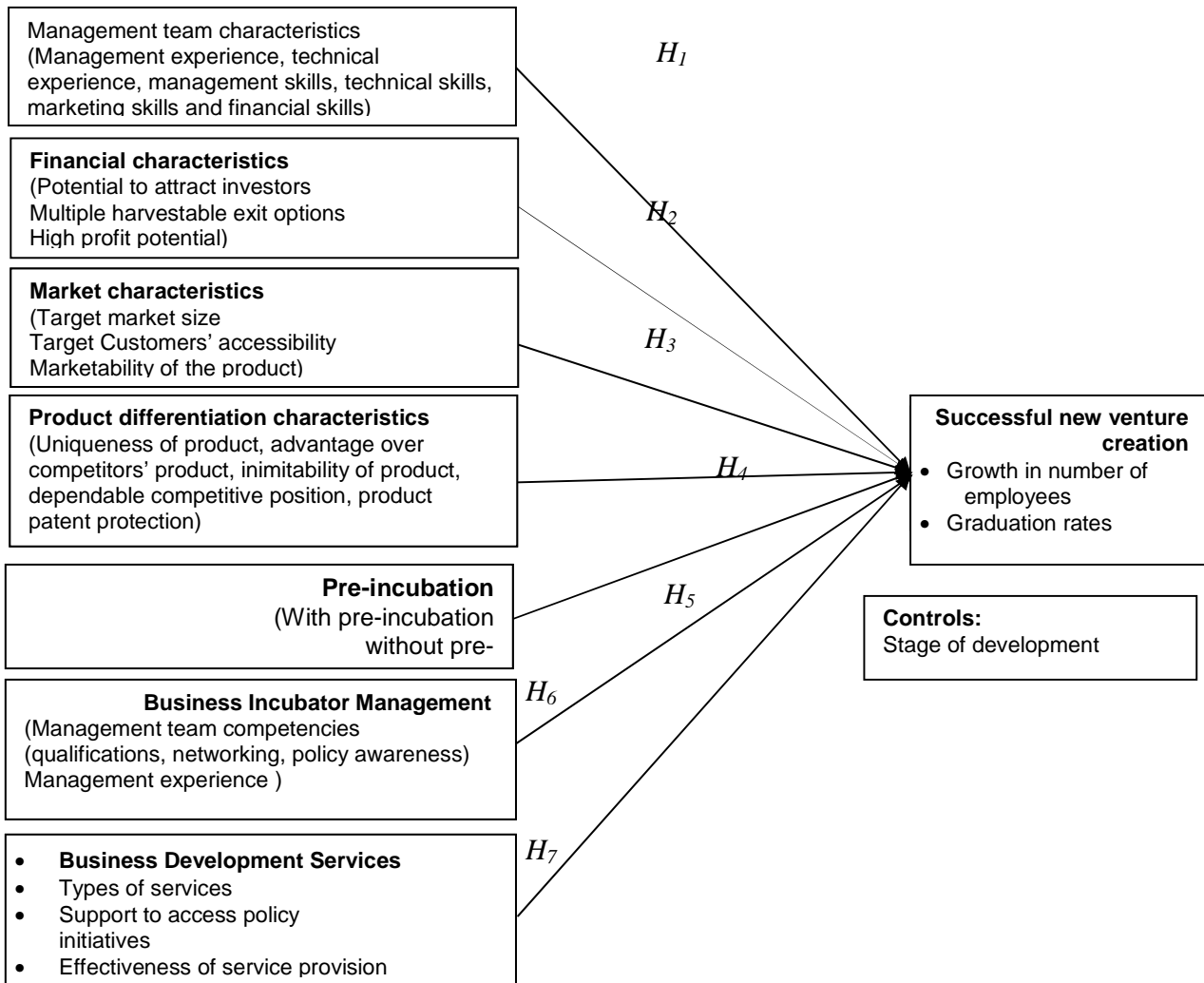
Figure 17: A Model for New Venture Creation in Business Incubation Environments



Source: Authors, developed for this study

In view of our conceptual framework and the hypothesis stated above we propose our testing model as outlined in Figure 18 below:

Figure 18: Hypothesis Testing Model



Source: Authors, developed for this study

3. Methodology

3.1 Methods Followed for the Study

This paper is based on two pilot studies, a qualitative strand of a mixed method research that informed the design of the quantitative study and the quantitative pilot that was used to test the reliability of the scales developed for the survey of business incubator managers. Hence the study which informs this paper adopts a sequential mixed methods research, with quantitative as the main strand of the study. The two studies were completed in May 2010 and October 2010 respectively.

The qualitative study set out to explore the important business incubation elements for successful new venture creation. The study also undertook to define successful business

incubation in relation to successful new venture creation. Being an exploratory study, semi-interviews were used to collect data for the qualitative strand of the research (Punch, 2005, Oppenheim, 1992). Exploratory interviews do not seek to gather facts and statistics, but aim to gain an understanding of how interviewees think about the phenomena being studied (Oppenheim, 1992). The researcher collects information on the respondents' perspectives, their meanings and definitions of situations and the reality they construct about the situation (Punch, 2005, Sekaran, 2003, Jankowicz, 2000). Respondents were selected on the basis of their having been nominated to receive an award for successful business incubation. It was felt that the experiences of the respondents could provide insightful information on the critical business incubation elements for business incubation success. 23 business incubators were contacted to participate in the study and only 9 accepted and were interviewed. The interviews were transcribed and analysed using semi-structured template analysis informed by King (2004).

Following the qualitative strand of the study, the quantitative study design was finalised and the quantitative research objectives further clarified. Following the completion of the questionnaire, a stratified random sample was drawn from an accessible sampling frame of 253, totalling a sample of 38 business incubators. Fourteen responses were received and 4 of those could not be used, giving an adjusted response rate of 23%. Low response rates are not uncommon in mail questionnaires which could be as low as 30% (Sekaran, 2003). Response rates of 28% have been reported in studies of European business incubators (Aerts et al., 2007). Specifically business incubation studies currently record low response rates to as low as 20% from a high of 70% in the 1990s (Knopp, 2006). Notwithstanding, some recent studies give hope that it is possible to attain a higher response rate, with a possibility of about 67% (Hackett and Dilts, 2008). However, this was attained by researching business incubators that were in the states that have not been over researched (Hackett and Dilts, 2008). The next section outlines the reliability tests for the proposed scales.

4. Reliability of the Scales

Good quality data calls for data to pass both the credibility and validity tests with a view to sufficiently answer the research questions (Teddlie and Tashakkori, 2009). Quantitative research approaches data quality issues from the perspective of representativeness of the constructs by the collected data (validity) and consistency and accuracy of the data in representing the construct being studied (reliability) (Teddlie and Tashakkori, 2009). Both reliability and validity are used in quantitative research as tests for goodness of measure, that is does the instrument measure what it is supposed to measure and whether all the elements and dimensions of measuring the concept are included in the instrument respectively (Saunders et al., 2009, Sekaran, 2003, De Vaus, 2002).

Whereas content validity of the data collection instrument could be met by drawing from literature as well as gaining of insights from the business incubation practitioners, further test for the validity of the scales (construct validity) could be attained using factor analysis (Hackett and Dilts, 2008). However, the data at our disposal was not adequate to conduct any meaningful statistical analysis. We were therefore not able to carry out a factor analysis.

Notwithstanding, most of the questions in the survey instrument have been previously used in other studies. For example, the questions on selection criteria and business development and performance measures are based on Hackett and Dilts (2008), a United States study that was

geared towards developing performance measures for the business incubation process. Some questions have been adapted from Molner et al (1997), a United States study on the impact of business incubation impacts whilst others were adapted from the Canadian business incubation survey of 2007. Whereas measures and concepts have been previously defined could improve the validity of the instrument, we further tested the scales for reliability.

To test for reliability, measures for the main construct that the study seeks to examine were grouped under their underlying dimensions, consistent with the subheadings of the questionnaire, with a view to test if the constituent dimensions within the groupings are unidimensional in testing a construct. Cronbach's alpha (α) was employed to measure the scales reliability using SPSS (Field, 2009, Bryman and Cramer, 2009, Pallant, 2007). Our reliability tests generated results similar with those attained by Hackett and Dilts (2008) on measures for team characteristics, market characteristics. However, we also propose to measure for support provided to tenant firms to access policy, effectiveness of policy provision and the effect of incubator management team competencies. Table 2 below presents the results of the reliability tests and shows that our measures were satisfactorily reliable save for selection based on financial characteristics. We were not able to measure the reliability of management competencies due to the ordinal level of measurement.

Table 2: Reliability analysis for scales

Dimension	Cronbach's α	Hackett and Dilts (2008) scales
Support for clients to access policy is reliable at.	.854 ^a	-
Selection based on management team characteristics	.714 ^b	.728
Selection based on market characteristics	.944 ^c	.814
Selection based on financial characteristics	.208 ^d	.806
Selection based on product characteristics	.707 ^e	.703
Effectiveness of service provision	.892 ^f	-
Growth Measures (cumulative employees per annum over 3 years – 2008, 2009 and 2010)	.997 ^g	-

N=8

- Reliability improves to .954 if support to access tax credit is deleted
- Marketing skills has a corrected inter item correlation of .250, reliability slightly improves to .726 when the item is removed
- All items have high inter item correlations, with the lowest at .750
- Potential to attain breakeven has an inter item correlation of -.234, reliability improves to .426 when item is deleted
- Inimitability of product and dependable competitive position have a corrected inter item correlations of .270 and .130 respectively. If deleted, reliability improves to .716 and .752 respectively
- Access to capital has a corrected inter item correlation of .328, if deleted there is no effect on the reliability of the scales

From the figures presented in Table 2 above, we could conclude that most of the measures proposed for the study are reliable and consistent with previous research. The management characteristics attain a similar Cronbach's α with Hackett and Dilts (2008). Management team characteristics are viewed as important factors for selecting high potential new ventures because among the key factors that could determine new venture performance such as market

conditions and competition, management team composition is the only factor that could be internally controlled by the firm (Wright and Vanaelst, 2009).

Similarly, market characteristics attained the same level of reliability with a Cronbach's α of more than .8. The market characteristics criterion is measured using previous measures such as target market size; target market customers' accessibility (Hackett and Dilts, 2008). Also Lumpkin and Ireland (1988) measured the market variable by marketability of the product.

Product differentiation criterion also yielded the same level of reliability with previous research with a Cronbach's α of .7 measuring for uniqueness of product, product's advantage over competitors' products, product substitutability, product dependable competitive position and product patent protection (Hackett and Dilts, 2008). Similar attributes are used in Lumpkin and Ireland (1988) and those who adopted their variables such as Bergek and Norrman (2008) and Tornikoski and Newbert (2007). However, our result show that inimitability of product and dependable competitive position are not strong measures for product differentiation as evidenced by a corrected inter item correlations of .270 for inimitability of product and .130 for dependable competitive position. When the two items are deleted, reliability of the criterion improves to .716 and .752 respectively.

Financial characteristics has been previously measured by potential to attract investors, demonstration that the project has multiple 'harvestable exit options' and that the project has high profit potential (Hackett and Dilts, 2008). We have adopted the same measures for our scales. Interestingly, our reliability tests for this criterion show that financial characteristics is a weak measure for business incubation selection practices as evidenced by Cronbach's α of .208. This is consistent with the venture capitalist empirical evidence which suggests that the projected financial strengths does not explain the differences between successful and unsuccessful new ventures (Roure and Maidique, 1986).

The new measures also have tested for reliability with a Cronbach's α of over .8.

5. Conclusions

We set out to develop a conceptual framework and a hypothesis testing model with a view to provide answers to two questions:

1. Do the selection practices of business incubators affect, directly or indirectly, the performance of business incubators measured in terms of successful new venture creation?
2. Are there other factors impinging on the success of incubating firms and if so to what extent does the selection process make a contribution to such success?

We have argued that selection is the most important activity in the business incubation process. This is due to the fact that selection enables for high growth potential new ventures to be identified and supported to start up and grow. Promotion of high growth ventures and not of creation of new ventures in general has a high potential to impact on economic development of a locality. Notwithstanding the importance of selection to both the incubation process and economic development, there is paucity of empirical evidence on the role and effect of selection criteria used by business incubators.

Whilst the business incubation industry has adopted the venture capitalists' selection criteria, we emphasise the need for use of business incubator specific selection criteria. This is due to the fact that one of the critical selection criteria that is emphasised in venture capitalists literature, the financial characteristics, has failed our reliability test. This could point to the differences in objectives and emphasis in practice between the business incubation industry and the venture capitalist industry. Our results on this factor also differ with Hackett and Dilts (2008), possibly pointing to differences in objectives and practice in business incubators across countries.

Furthermore, our framework does not only depict the importance of selection in successful new venture creation, consistent with Hackett and Dilts (2008) we also acknowledge the role played by other factors such as support, management team competencies in successful business incubation.

Our points of departure from the previous studies and therefore our contribution to knowledge are three fold. Firstly, that reliability test suggests we could drop the financial characteristics from our scales. Secondly our scales suggest that previous studies had omitted other important variables that could explain the role of management competencies in the business incubation process. We have included in our scales policy awareness as a necessary skill for incubator management team and also assistance to clients to access policy initiatives all which improved the reliability of our scales.

However, whereas the results of the tests have been instrumental in refining our hypothesis testing model and the questionnaire for a full scale survey, we acknowledge that due to the small sample size, which has resulted from the use of a pilot study and a low response rate, our results could not be generalised. Also because of the small sample size our paper only partially answers the research questions we had set out to address. The data generated was not enough to allow for a more stringent analysis to test the hypothesis and answer the research questions we set at the onset of the paper. Consequently, we have only been able to demonstrate a possibility of relationships between the independent variables of selection, business support and management team competencies and successful new venture creation as measured by growth in employment of tenant firms and the graduation rates of new ventures. In this case assuming a direct relationship as depicted in our testing model. We have as such, not been able to establish the nature of these relationships and the roles of the variables in the relationships.

Furthermore, to address the limitations pointed to above, we are yet to address the following questions in the papers that will follow: Do the variables outlined above play a moderating or an intervening role in the process of generation of successful new venture creation in business incubation environments? Do the selection practices of business incubators affect, directly or indirectly, the performance of business incubators measured in terms of successful new venture creation? To what extent is the selection process influenced by the need to be 'safe' in terms of real estate imperatives? To what extent does the selection process make a contribution to success of incubating firms? Does the selection process vary according to the type of incubator, their main sponsors, public policies they are aligned to and their location in specific environments?

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Fifty Years of Entrepreneurship Development in Nigeria: Challenges and Prospects

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Abstract

Entrepreneurship has been globally taunted as a means of promoting economic growth and development. This is achieved through the generation of greater employment opportunities, the development of local technological base, import substitution and sources of foreign exchange earnings. It is in recognition of these immense contributions that successive Nigerian governments since independence have made several attempts at promoting entrepreneurship and small business development. The study focused on the entrepreneurship and small and medium enterprises (SMEs) initiatives of successive Nigerian government. With the aid of structured questionnaires and personal interviews, relevant information was elicited from respondents' academia entrepreneurs and investment experts. The study revealed that such initiatives failed abysmally due to over bearing bureaucracies, corruption, inadequate and inefficient infrastructural facilities and maladministration. The government was admonished to show greater commitment to entrepreneurship and SMEs programs. The appointment of proven men of integrity and expertise is a sine qua non for effective implementation of such initiatives devoid of undue political interference and corrupt tendencies.

Keywords: Entrepreneurship, Employment Generation, Economic Development, Corruption

Introduction

Nigeria celebrated her 50 years of independence and nationhood on October 1, 2010. As expected, the drums were rolled to mark this landmark achievement. However, there is the need for a sober reflection to determine whether the celebrations were worth while in the light of the hopes and aspirations of the founding fathers of Nigeria. To be meaningful, political independence must be matched with economic development. Thus it is the primary responsibility of governments to preoccupy themselves with the quest for economic development to ensure the overall improvement in individual wellbeing of her citizens (Onwumere, 2000).

Granted that Nigeria had made giant strides in certain aspects of national endeavors but can a nation with about half of its productive population out of formal and informal employment with the attendant poverty said to have developed economically? There is no gain saying that Nigeria have achieved little economically given the fact that nature has endowed her with abundant resources. The world over, entrepreneurship and Small and Medium Enterprises (SMEs) have provided effective means of greater employment and improving the standard of living for people. (Zimmerer & Scarborough 2006, Kuratko & Hodgetts 2001, World Bank 1995)

It is in recognition of the immense contributions of entrepreneurship and Small and Medium Enterprises (SMEs) to national development that successive Nigeria governments have made efforts at promoting and strengthening this sector of the economy. The strategies for promoting this sector centered on institutional support for the former and policy initiatives and financial support for the latter. However, it is regrettable that despite the huge human and financial resources invested in these initiatives, they have abysmally failed to produce the desired results. There is an urgent need to investigate the problems and challenges of the past initiatives as the basis for improving existing and new ones. The study is a critical examination of the past initiatives of successive Nigeria governments.

The objectives include;

- 1- To identify the nature of these initiatives
- 2- To identify the factors that have inhibited the success of these initiatives
- 3- To proffer suggestions on how future initiatives could be successively implemented to obtain value for the resources to be invested.

Conceptual Issues

The word entrepreneurship is derived from the French word "entreprendre" meaning to "undertake". To this end, entrepreneurship is commonly defined as the process of creating a business. But as noted by Zimmerer and Scarborough (2006), although the creation of business is certainly an important facet of entrepreneurship, it is not the complete picture. The characteristics of seeking opportunities, taking risks beyond security and having the tenacity to push an idea through to reality combine into special perspectives that permeate entrepreneurs. For Hisrich and Peters (2002), entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence. Entrepreneurship is the practice of starting new businesses or revitalizing matured organizations, particularly new businesses generally in response to identified opportunities (Potekar, 2009).

There is hardly any unique and universally acceptable definition of Small and Medium Enterprises. This is because the classification of business into small or large-scale is a subjective and qualitative judgment (Epenyong & Iyang, 1982). In accordance with the above, the definition of SMEs varies with time industry nations/states individuals or bodies. In the USA (United States of America) a small business is defined as an enterprise having less than \$18 million in net assets and/or less than \$6 million in net income (SMA). The EU (1996) defined an SME as a business with not more 250 employees and turnover of not more than forty million two, a balance sheet total of not more than 27 million Euro and not more than 25% independence criterion.

In Nigeria, several attempts have been made to define SMEs. Some of the definitions are given below:

The Companies and Allied Matters Decree of 1990 defines a small company as one with an annual turnover of not more than ₦2 million and net assets value of not more than ₦1 million. The (CBN) Central Bank of Nigeria defines SMEs as an enterprise whose total asset excluding land but including working capital is above ₦1 million but not exceeding ₦10 million. The National Council on Industry (2001) gave the following definitions of industrial enterprise. Micro/Cottage Industry: An enterprise with total capital employed of not more than ₦1.5 million; including working capital but excluding cost of land and a labour size of not more than 10 workers.

Small Scale Industry: An enterprise with total capital employed of over ₦1.5 million but not more than ₦50 million including working capital but excluding cost of land and/or a labour size of 10-300 workers.

The Role of Entrepreneurship in National Development

Entrepreneurs have led and will continue to lead to the economic revolution that has proved repeatedly to improve the standard of living for people everywhere (Zimmerer and Scarborough, 2006).

1. Economic Development: The profits made by entrepreneurs, payments for the various factors of production by the entrepreneur flow as an increase into the National Income. Increase Gross Domestic Products, National Income etc. help in improving the standard of living of the citizens of the country. The contributions of the SMEs in industrial sector to the Nigeria's Gross Domestic Product (GDP) are valued at about 37% there by making it the second largest contributor to the Nation's GDP after the oil sector (SMEDAN, 2009).

2. Employment Opportunities: Entrepreneurship results in the creation of small businesses. The labour intensive nature of small businesses enables them create more jobs than the big businesses. In Columbia, India, Indonesia, Kenya, Tanzania and Zambia, SMEs employ more than 50% of the workforce. Similarly they accounted for 99.9% of the 11.6 million enterprises created in the European Union. (Deloitte Touche Tohmatsu, 1995). Small Businesses created 75% of the new jobs in the USA and accounted for over 40% of GDP. Equally about 80% of Americans find their first jobs in Small businesses (US World Report, 2000).

3. Improvement in the Standard of Living through Innovation. The introduction of high quality goods and services has transformed our lives.
4. Reduction in Rural-Urban Drifts: One of the primary objectives of promoting entrepreneurship in developing countries is to mitigate Rural-urban drift syndrome. The migration of rural dwellers to cities in search of 'white-collar' jobs has resulted in congestion, high incidence of crimes, etc.
5. Development of Local Technological Base: The development of indigenous technological base in all countries of the world has been championed by native entrepreneurs; this will help in transferring the much needed technology needed for the rapid transformation of the country.
6. Conservation of Foreign Exchanges: This will result from reduced importation of machineries and equipment, raw materials and payment to foreign experts. (Oghojafor, Kuye, Sulaimon & Okonji, 2009).

Government`s Past Entrepreneurial and SMEs Support Initiatives

The history of entrepreneurship and SMEs Small and Medium Enterprises development initiatives in Nigeria can be traced to 1964 when the Federal Government set up several institutions and agencies to aid the development of entrepreneurship and SMEs, which are listed below:

- The Nigerian Industrial Development Bank (NIDB).
- Industrial Development Centres
- Second Tier Securities Market
- World Bank SME I AND II Loan Schemes
- NERFUND (NATIONAL ECONOMY RECONSTRUCTION FUND)
- People's and Community Banks
- Fiscal and Monetary Policies such as:
 - Pioneer status or income tax relief act
 - Import Duty Relief
 - Capital allowance to aid capital formation
 - Tax relief for investment in economically disadvantage local government areas.
 - Imposition of tariffs on foreign goods to ensure effective patronage of locally made goods.
 - Export promotion incentives
 - Foreign exchange facility
 - Mandatory credit allocation of between 10% and 20%)
- National Poverty Eradication
- Advisory Agencies
- Bank of Industry
- Micro Finance Banks
- SMIEIS (Small and Medium Industries Equity Investment Scheme)
- The Nigerian Agricultural and Rural Development Bank Credit Scheme and the Seed Capital for Small Business (The sums of N200b and N75b have been set aside respectively under these schemes)

Constraints to Entrepreneurship Development in Nigeria

Adewumi (2009) opined that apart from the unhelpful government policies, there are unfortunately a number of other constraints that inhibit the growth of entrepreneurship in Nigeria. These include

- Lack of and/or poor access to credit facilities,
- Unstable and largely uncondusive macro-economic environment heavily beclouded by uncertainties in the political and policies environments.
- Poor infrastructure and lack of basic utilities - water, electricity, telecommunication etc.
- High cost of basic equipment due to low international value of the naira.
- Near complete absence of advisory services
- Lack of support for the development of technical and managerial capabilities
- Lack of information on markets
- Lack of focused government policies to promote and drive the patronage of local products by the government, its agencies, business organisations and citizens
- Widespread fraud that leaves little trust between persons and make simple small exchange of goods and services difficult and/or cumbersome.
- Widespread and all present corruption that makes the procurement of licenses, permits, goods and services from government agencies and even the payment of taxes and levies difficult without playing the game i.e. paying bribes and kickbacks.

Electric power supply has been erratic and almost non-existence in some parts of the country. From manufacturers to road-side artisans, the experience is the same as this is affecting outputs. The need to carry on with life despite the failure of the power holding company of Nigeria (PHCN) to live up to its expectations has forced most people to seek alterative sources to generate electricity for businesses and houses” (Dele, 2009).

Statistics show that Nigerians spend about 16.408 trillion annually on fuelling generators in the country. The breakdown shows that in the telecommunication sector □6.7 trillion is spent per annum to purchase diesel while filling stations spend □43.88 b, factories □191.085, banks □11.7, trillion and commercial enterprises □1.57 trillion. Even the federal government made a provision of □2b for purchase, fuelling and maintenance of generators for government offices in the 2009 budget (Dele, 2009).

In the same vain Man reported that electricity supply to industries had remained abysmally poor. “Industries in the Ikeja branch areas had an average supply of 6.3 hrs per day and 17.30hrs outage in that first quarter of 2009. Private power generation accounted for 30 percent of cost of production and the inadequacy of supply is mainly responsible for the 35.24 percentage average capacity utilisation recorded in the same period.

The major impact areas for manufacturers in terms of the performance of relevant government agencies and local governments include “numerous, multiple and duplication of taxes and the unconventional drive for revenue generation”. For example, manufacturing companies individually have paid an average of “47 different taxes, levies, fees permits and licenses to the coffers of the state governments through its agencies, ministries, its development and local government areas (Imohonlele, 2009). Alozie-Erundu (2009) reported that multiplicity of duties and levies are paid at Nigerian ports. For instance, the Nigerian customs services (CNS) alone collect “12 different levies and taxes, including import duty for the federal government and other agencies. In addition, there are 15 different agencies working at the ports. In Enugu, a female

school leaver running a mobile telephone business in the form of an umbrella-table arrangement with a ₦100 daily profit was made to cough out ₦7,000 as taxes and levies to various organs of government ranging from local council to state government agencies (Anukwuji, 2009).

Equally, the poor state of road network in the country had led to loss of huge man hours with many businesses unable to meet up with contract and business schedules, loss of cargo and human lives through road accidents (Imhonlele, 2009). From the investigations of Omeiza-Michal (2009), “attaining a high and sustainable rate of economic growth is being scuttled by the banks freezing of credit to the manufacturing and oil and gas sectors”. The escalating cost of inputs, production cost, distribution cost and other cost elements continue to erode investors’ margin”. Beside the purchasing power of the generality of people has dropped drastically. As a result of inflation, fewer goods can be purchased with the same amount of money. There are job losses and most families with two steady incomes now have one income.

Nigeria is characterised by large growing and active population, with sanitation life styles resulting in high demand for expensive foreign goods and services. Most citizens have negative attitude towards made in Nigeria goods/services, are highly religious to a point of intolerance in some states. This has resulted in riots and the unwanted destruction of lives and properties. There is the issue of ethnicity, embezzlement, bribery and corruption that has seen the demise of many businesses in Nigeria. In fact the “Get rich guide syndrome” has forced the average Nigerian to do any and everything to make money. The trial and conviction of bank chief executives for embezzling billions of depositors money is a case in point.

The Nigerian business environment is characterised by weak institutional and legal support systems, and policy inconsistencies resulting in several reversal. According to Momoh (2009), inconsistencies in government policies, lack of protection of home industry due to globalisation and liberalisation policies have lead to sharp rise in cost of production. These policy recesses have sent the government abandoning privatisation and the removal of certain items from the import prohibition lists. Equally, the lukewarm attitude of government toward the fight against corruption, lack of established and enforceable property and contracted rights, bureaucratic public sector, lack of capacity in key ministries and the resultant slow and poor policy implementation have negative consequence for business operation in Nigeria. It is reported that over 355 companies in Imo and Abia states were lost in the last few years due to poor policy implementation as reported by MAN Abia branch.

There is also the issue of threat to security of life and prosperities occasioned by random motivated kidnapping and hostage taking. According to Arizona (2009), Nigeria has become a den of kidnapping and resulting in incessant hostage taking, kidnapping and unjust harassment. This is line with findings of Amuchie (2009) and the age long degradation of the environment especially in the Niger Delta region is going on cumulated and the governments seem helpless about it.

Methodology

The researchers sent out 300 questionnaires, out of which 258 were returned. However, 8 were incomplete and it was not used for analysis. Thus, the sample of study consists of 250 Nigerians. These were made up of academics, practising entrepreneurs and investment experts.

Measures and Analysis

Structured questionnaires which consisted of 10 statements describing the likely factors hindering the success of past government's entrepreneurship and SMEs development initiatives. The respondents were asked to indicate the extent of their agreement with the statements measured along a likert five point scale of Strongly Agree, Agree, Undecided, Disagree and Strongly Disagree respectively. Thereafter, the respondents were asked to list the four most inhibiting factors and rank orders them.

H0: There is no significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives.

HA: There is a significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives.

NPar Tests Chi-Square Test Frequencies

Causes of Poor Implementation of past entrepreneurship/SMEs support programmes

	Observed N	Expected N	Residual
Rank 1	313	250.0	63.0
Rank 2	316	250.0	66.0
Rank 3	235	250.0	-15.0
Rank 4	136	250.0	-114.0
Total	1000		

Test Statistics

	SMEs
Chi-Square(a)	86.184
Df	3
Asymp. Sig.	.000

a 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 250.0.

From the result shown in table one, where $X_{Calc} = 86.184$, $X_{tab} = 9.49$, degree of freedom $df = 3$.

It clearly shows that the calculated value of chi-square is greater than the tabulated value, hence the rejection of null hypothesis and acceptance of the alternate hypothesis (H1), which states that there is no significant difference in the opinions of respondents on the causes of poor performance of past entrepreneurship and SMEs initiatives.

Findings and Recommendations

Like all plans and initiatives in Nigeria, there is no dearth of objectives, strategies and methods. Poor implementation has always been the stumbling block. It is either the government plays politics by not backing those plans or initiatives with the adequate and timely release of funds and other resources. Thus these initiatives will be crippled and exist only in theory and not in practice. On the other hand, the agencies saddled with the implementation of these initiatives are staffed with unqualified and incompetent, officials who have no relevant cognate experience and integrity.

These officials are mostly appointed on the basis of political affiliations and willingness to manage these agencies for the benefits of their sponsors (usually government officials) to the detriment of the nation. Loans are granted to fellow politicians, relations and friends who have no business establishments and nothing to do with the initiatives. Such grants are seen as the individuals' share of the national cake. In some cases, poor implementation is as a result of lack of relevant experience and bandwagon effect of corruption on the Nigeria national life.

Poor infrastructural base have also played a major role in frustrating the efforts and activities of entrepreneurs in Nigeria. As stated earlier, the dire shortage and inadequacy of infrastructural facilities have done much harm to entrepreneurial efforts. It is no longer news that the supply of electric is epileptic if non existent in Nigeria. Besides, the roads are death-traps leading to loss of lives and properties. Multiple taxation, high tariffs, inflation, inconsistent government policies and poor managerial orientation have all combined to thwart entrepreneurial initiatives in Nigeria.

To make success of present and future support initiatives, it is an urgent need for government to show more commitment to them. Agencies responsible for managing these initiatives must be people with competent Nigerians with track record of performance and integrity. These officials should be given a free hand to manage those agencies without undue interferences. Since an efficient and effective SMEs sector is a sine quo non for economic development, the government should stop at nothing in ensuring the development of this sub-sector or of the economy.

In addition to financial support, there is the real for government to provide an enabling environment for SMEs to believe. To this, these issues of security of lines and properties, poor road networks, epileptic power supply, policy inconstancies and multiple taxation should be urgently addressed. On the other hand, the entrepreneurs should take advantage of institutional support to improve their managerial abilities. These managerial insights should enable them realise that the provision of certain information about their businesses and possible partnership with others will further enhance the achievement of their objectives, contrary to their beliefs.

Is There any Ray of Hope?

Nigeria is a case in contractions it is a country with the unfortunate history of insincere leadership. Successive Nigerian governments have been peopled with individuals who speak with "both sides of their mouths", who never match their words with actions and believed that the act of governance is primarily that of treasury looting. Given the above scenario, one is tempted to loose hope. However, the election of president of Obama is believed to have brought change to the African continent. In the same vein, the present president of Nigeria is seen as child of change. If this turns out to be right, then the planned investment of \square 3.5 billion in the

national grid which when completed within four years will boost Nigeria's generation capacity to over 14,000 megawatt (mw) by the end of 2013, will not end up as a 'white elephant' project that will produce more Nigeria millions instead of the intended increase in capacity generation.

The roads will in no distant future wear new look and the dream of the rails and waterways supplementing need transportation in Nigeria will become a reality. The ₦75bn seed capital for small business will not find its ways into private accounts of politicians and (BOI) Bank of industry officials instead; it will be disbursed to real entrepreneurs who will utilise same in improving their businesses. Equally the government will honour her promise of renewing and harmonizing local taxes to reduce the number and avoid duplication. However, if this present government decide to toy the parts of her predecessors then the prospect will remain dim.

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Entrepreneurship as an Intervention Strategy to Poverty Alleviation in Developing Economy

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Abstract

Empirical studies revealed that the problem of poverty is highly prevalent in most Sub Saharan African States such as Nigeria. This situation calls for various international agencies and government of those nations to embark on strategies to alleviate the scourge of poverty and promote productive ventures. Poverty is a global issue that could be combated through targeted entrepreneurial projects. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing World's population into self employment whereas, entrepreneurship has played an important role in economic growth, innovation and competitiveness, it may also play role overtime in poverty alleviation. This paper discusses the major issues related to entrepreneurship as strategic tool to poverty reduction intensity in Nigeria. The analysis is widened to explain the determinants of entrepreneurial activities and other factors influencing its development in third world economies. The study also emphasizes policies expected to boost entrepreneurship as a determinant of the extent of the riches or poverty of Nigeria. It provides a basis for the encouragement and stimulating of entrepreneurial spirit that will counter the effect of poverty in our economy. It concludes that, to combat poverty in Nigeria and other African States micro enterprises will contribute significantly to economic growth which will serve as a necessary vehicle or channel through which low income earner can escape poverty.

Keywords: Entrepreneurship, Poverty Alleviation, Economic Growth, Strategic Tool, and Competitiveness

Introduction

Nigerian economy over the years had witnessed several macro economic imbalances which had greatly affected the wellbeing of her citizenry. The policy makers are yet to come up with appropriate measures to reduce the impact of economic difficulties emanating from financial meltdown, falling oil revenues, militancy in Niger Delta, and wastages of abundant mineral resources like the gas flaring. All these and other factors made her belongs to the category of developing nations in the sub Sahara Africa, with high poverty index.

The country is endowed with vast resources both human and material to the extent that there should be no traces of poverty, but the country enjoys poverty in the midst of plenty. It is an oil rich country whose majority of her inhabitants lack basic amenities to make life worth living. Poverty has been noted to be lack of adequate basic necessities of life such as food, clothing, light and shelter among others. Jhingan (2003), noted that poverty is misery go around plaguing the country. Poverty reduction is the most difficult challenge facing Nigeria and its people and the greatest obstacle to pursuit of sustainable socioeconomic growth. Inadequate growth is the main cause of poverty in Nigeria.

There have been sharp contrasts between economic potential and achievements in Nigeria due to a number of factors prevailing with the advent of oil boom in the 1970s, which peaked in 1981 and then declined up to 1995. However, some recovery has since taken place. The dependency on oil, a single commodity, notorious for sharp price fluctuations in the world market led to Dutch disease in Nigeria. The Dutch disease led to decline of agriculture and hindered the development of manufacturing.

Generally, Nigeria emerged from colonial status as a poor country. Her situation is weakened by poverty, disease and ignorance. Poverty in Nigeria is multi-faceted, multi-dimensional and multi-disciplinary. The Nigerian economy has been characterized by the paradox of growth without poverty reduction and the trickle down effect of growth on the poor, slow response of government to the endemic and persistent problem of poverty and poor governance. Thus far, this characterization of the economy requires articulation for the purpose of designing programmes that are truly poverty reducing.

Nigeria's economy depends heavily on the oil sector, which contributes 95 percent of export revenues, 76 percent of government revenues, and about a third of gross domestic product (GDP). With its large reserves of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly, and provide the health, education, and infrastructure services its population needs. Despite the country's relative oil wealth, poverty is widespread and majority of her population lives in extreme poverty.

Going by the findings of the African Development Report (1993), about 62% of the estimated unemployed are in the age bracket of 16-24 years, a glaring feature of the un-employment profiles in developing countries and Africa in particular is the upsurge in the number of the educated among the unemployed. Amongst these are highly trained graduates of tertiary institutions who are experiencing few job opportunities.

Entrepreneurship has increasingly been held out as an alternative to traditional economic development strategies and policies. Advocates for entrepreneurship-based policies suggest that entrepreneurial development generates greater returns to the public than other alternative strategies such as industrial recruitment, or retention and expansion. Developing

entrepreneurial skills is a key strategy to reduce poverty, create income and employment opportunities aims at promoting better business environment, building institutional and human capacities that will encourage and support the development of rural dwellers.

It is universally acknowledged that entrepreneurs have immense potentials as a stimulant of economic growth and sustainable development. The job creating and poverty reducing propensity is extremely important in developing countries, especially among African states. There would be no meaningful reduction in poverty level of the Least Developed Countries, in sub - Saharan Africa if the government does not embark on entrepreneurial activities to empower its citizenry. This makes entrepreneurship a must important step to ending poverty and brings income opportunities for the majority poor.

Various projects and programs have been targeted towards alleviating poverty, yet such program is not yielding expected results. Hence, this study aims at examining the following issues: firstly, it sets out the reasons why promoting entrepreneurship as an intervention strategy or force of economic change that must take place if most developing countries are to survive the scourge of poverty and food insecurity ravaging the world today; and what policies are necessary in order to create an environment conducive to entrepreneurship in most sub-sahara African states. It also emphasizes the significance of entrepreneurship and the need for people to develop and build their entrepreneurial skills by engaging in meaningful productive ventures that will add values to economic development and create more wealth (Olayemi and Iwaloye, 2008). Thus, the objective of this article is to create a better understanding of the concepts of entrepreneurship and poverty alleviation intersection, based on an aggregation of the extant literature in these two fields. The study attempts to structure and synthesize the existing scholarly works on this topic, thereby generating new knowledge and contributing to existing ones.

Research Questions

In an attempt to achieve the above objectives this study shall provide answers to the following leading questions:

- To what extent has Nigeria government developed the potentials of her citizenry through entrepreneurship?
- What are the contributions of entrepreneurship to nation building in an attempt to reduce poverty incidence in developing countries?
- How does entrepreneurship development reduce the rate of high incidence of poverty in Nigeria?

Hypotheses

The under listed hypotheses will also form the bases to carry out an empirically analysis in this study. They are as follows;

H_a: An increased awareness in developing and encouraging entrepreneurship may not reduce poverty incidences in developing countries.

Conceptualization and Review of Literature

The Concept of Entrepreneurship

Entrepreneurship practices exist in most countries of the world, including developing economy like Nigeria. In the United States of America, for example, entrepreneurial business practices have created the personal computer, biotechnology, fast food, and overnight package delivery services; transformed the retailing business; invented the integrated and microprocessor; among others. No economy can survive, grow or develop without efficient and effective entrepreneurial practices. It can be posited that without entrepreneurship (which involves the conceptualization, birth, growth and development of new concerns or enterprises) there would be no serious business development in any economy. The total process of economic change in Nigeria would be a function of the entrepreneurs available.

The definition of Entrepreneurship is as diverse as the different functions of the Entrepreneur. Baumol (1993) and subsequently Dejardin (2000), stress that entrepreneurial activities can also range from being productive to society at large to searching for surplus profits with negative consequences, all depending on the structure of incentives and possibilities. Accordingly, the entrepreneur is then viewed as a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand, or as one who owns and operates a business (Tyson, Petrin, Rogers, 1994).

Early Economists agreed that among the four factors of production, (land, labor, capital and organization) organization is the factor, that is the coordinating factor that brings together the other three factors and that entrepreneurship is the element that powers and strengthens the organization. These economists approved that the entrepreneur has a vast understanding of the workings of the industry in which he determines to undertake the venture. Also, the entrepreneurship is a skill that not everyone possesses. The ability to be an entrepreneur is inherited and is displayed by a minority in a population.

A few modern Economists believe that entrepreneurship is itself the fourth factor of production that is the most important in driving a successful economy. These experts are of the view that entrepreneur are defined by their risk taking abilities and their intentions to fill in the void because of the existing lack of knowledge about a product. According to them the entrepreneur ventures are carried out where there is a gap in the development of a product. The entrepreneurs work to fill the gap by introducing something that increases the effectiveness of the already existing product.

Entrepreneurship describes the process of value creation through the identification and exploitation of opportunities, e.g. through developing new products, seeking new markets, or both (Lumpkin, Shrader, & Hills, 1998; Shane & Venkataraman, 2000; McCline, Bhat, & Baj, 2000). It focuses on innovation by identifying market opportunities and by building a unique set of resources through which the opportunities can be exploited, and is usually connected with growth (Davidsson, Delmar, & Wiklund, 2002).

According to Schumpeter, "Everyone is an entrepreneur when he actually carries out new combinations". Finding new combinations of factors of production is a process of entrepreneurial

discovery that will become the engine that drives economic development. These "new combinations" constitute better ways to meet existing demand or create new products, often making current technologies and products obsolete (in a "process of creative destruction"). The firm of the innovative entrepreneur will, consequently, grow through the dual process of taking market share from existing suppliers and increasing overall demand for the products offered in the market (by extending the boundaries of economic activity).

Thus, the process of creative destruction is built on dynamic, deliberate entrepreneurial efforts to change market structures and can be propitious for additional innovations and profit opportunities. Based on the concept of creative destruction, Schumpeter formulated his theory of long waves of business cycles and economic growth. Business cycles are seen as the result of innovation, which consists of the generation of a new idea and its implementation in a new product, process or service, leading to the dynamic growth of the national economy, the increase of employment, and creation of pure profit for the innovative enterprise (Schumpeter, 1942; Dejardin, 2000; Jääskeläinen, 2000; Thurik and Wennekers, 2001).

Schmitz (1989) presents a model in which entrepreneurial activity is a key determinant of productivity growth. In his model Schmitz focuses in particular on the role of imitative activities of entrepreneurs in economic growth. This focus is motivated by the growth experience of numerous economies, suggesting that it is less the innovating entrepreneur à la Schumpeter than the imitating entrepreneur who contributes to growth. Imitating entrepreneurs are entrepreneurs who imitate existing activities and put them into practice, thereby often creating knowledge through a process that Schmitz characterizes as learning by implementing.

Poverty and Poverty Trends in Nigeria

Economist refers to poverty as a situation of low – income or low consumption. As such people can be referred to as being poor when their measured standard of living in terms of income or consumption is below poverty line. Poverty has been defined as the inability to attain a minimum standard of living (World Bank Report, 1990). The report constructed two indices based on a minimum level of consumption in order to show the practical aspect of the concept. While the first index was a country specific poverty line, the second was global, allowing cross-country comparisons (Walton, 1990).

Poverty has also been conceptualized in both the "relative" and "absolute" term. This is generally based on whether relative or absolute standards are adopted in the determination of the minimum income required to meet basic life's necessities. The relative conceptualization of poverty is largely income-based or ultimately so. What is most important to deduce from these different definitions is that, poverty must be conceived, defined and measured in absolute quantitative ways that are relevant and valid for analysis and policy making in that given time and space.

Aluko (1975) refers to poverty as a lack of command over basic consumption needs, which mean, in other words, that there is an inadequate level of consumption giving rise to insufficient food, clothing and/or shelter, and moreover the lack of certain capacities, such as being able to participate with dignity in society. While Olayemi (1995) refers to the poor as those having no access to the basic necessities of life such as food, cloths and decent shelter, are unable to meet social and economic obligation, they lack skillful and gainful employment, have few, if any economic assets and sometime lack self esteem.

Poverty could mean living on less than a dollar per day or 'the inadequacy of opportunities for access to education, health transport and productive employment'. Van De Wale (1990) carried out a study on poverty alleviation in Nigeria; she suggested that the satisfaction of basic needs directly alleviate some of the most severe consequences of poverty. She contended that healthy, well nourished and educated individuals obviously have a higher standard of living than the sick, hungry and ignorant ones. This is because the former are more productive and better able to respond to new opportunities. She therefore suggested investment in human capital and involvement of the poor in the growth process.

The World Bank (1996) assessed the poverty trend in Nigeria between 1985 and 1992 using household expenditure as poverty line and their findings shows that poverty was more pronounced in the rural than the urban areas. It has been noted that people living in rural peripheries shoulder the burden of the world's poverty. Dudley (1975) also observed that the incident of poverty in Nigeria is much higher in rural areas than any other area. The poor in most developing countries are to be found among the rural landless, the small farmers, the unemployed and the urban underemployed. Generally, the poor are dis-proportionately located in the rural areas.

Nigeria emerged from her colonial status as a poor country. Her situation is weakened by poverty, disease and ignorance. The Nigerian economy, until recently, has been characterized by the paradox of growth without poverty reduction and the trickle down effect of growth on the poor, slow response of government to the endemic and persistent problem of poverty and poor governance. Thus far, this characterization of the economy requires articulation for the purpose of designing programmes that will truly reduce poverty (Olayemi, 1995).

The Effects of Poverty

While the causes of poverty might be macro, the effects are felt on a micro level, creating hardship for communities, families, men, women and children. Its worst attribute is that poverty breeds poverty; it is virtually impossible to break free from its grasp. If one cannot afford proper nutrition or health care for one's family, children grow up at greater risk of acquiring a life-threatening or disabling disease. If one cannot afford to educate one's children, they will have few avenues for a life different than that of their parents. If one cannot afford to buy one's own land or home or livestock, there are few opportunities to build assets that will last over time.

Most of the world's poor are self-employed. Without the security of formal jobs, each day they work from dawn to dusk, whether by raising chickens, selling produce in markets or weaving baskets. All or most of this money goes toward basic survival; however, there is little to no money left over to improve their quality of life or expand their businesses. Thus, living in poverty almost always means that the harsh reality of today will repeat itself tomorrow.

Methodology

Sample Size and Procedure

Structured questionnaire were administered and personal interviews conducted to gather information or responses from respondents carefully selected because of the interest shown in the study. The respondents comprises of university students that have the desire to be

entrepreneurs in the near future having undergone a course on the subject matters. Other categories of the respondents were mainly practicing indigenous entrepreneurs like artisans, farmers, craftsmen and women, petty traders and others using locally sourced raw materials. Convenience sampling technique was also adopted for personal interview of key informant. A sample size of 133 respondents showed keen interest out of a total of 158 reached for both personal interview and questionnaire administration. The regression (empirical) analysis was adopted to test acceptance level of the hypothesis 1, while the statistical Analysis of Variance (ANOVA) method was used to determine the acceptance or rejection of succeeding hypotheses.

Procedure: The participants were contacted as individuals and some as group and after brief explanation on the purposes of their consent were sought without coercion. The structured questionnaires were then administered and interviews conducted where necessary based on the fact that participants had a clear understating of variables involved to assist their choice of responses. The set of research materials were completed at an average time of thirty five minutes.

Discussion of Findings

The data was tested using the linear regression analysis to look at the respondents' perceived increased awareness of entrepreneurship as strategic influence to reduce poverty incidences in developing economies. The results are shown in table 1.

Table 1: Regression Result for an increased Awareness of Entrepreneurship Capacity Development

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.576	2.465		11.456	.000
	ECONDEV	.089	.075	.139	1.033	.304
	GROWDEV	-.057	.125	-.055	-.413	.680
	STANDLIV	.061	.086	.082	.748	.456

The result of regression analysis for entrepreneurship capacity as dependent variable as shown in table revealed that the need for economic development has strongly influence the justification for poverty alleviate, though growth may not be significantly noticed as a result of entrepreneurship development. The results show that, there is improvement in standard of living when and if entrepreneurial capacity is enhanced. Therefore, hypothesis 1 is rejected.

The study sought to provide a basis for the encouragement and stimulating of entrepreneurial spirit that will counter the effect of poverty in developing economy. It investigate the predicting

capacities of entrepreneurial activities to contribute significantly to economic growth which will serve as a necessary vehicle or channel through which low income earner can escape poverty. This finding emphasizes the need for an increased awareness in entrepreneurship to boost economic growth by reducing poverty incidence. It has been established by several studies that abilities to create opportunities and follow them up by taking risks are essential factors accounting for successful entrepreneurship, which may significantly alleviate the scourge of poverty.

Beck and Demirgüç (2004) in their study explored the relationship between the size of the SME sector, economic growth and poverty. Whilst they found a strong association between the importance of SMEs and growth in GDP per capita, they were unable to demonstrate that SMEs foster economic growth or reduce poverty. They conclude with the views that SMEs are a characteristic of successful economies rather than a cause and that putting in place policies and institutions that foster a positive and supportive business environment promote economic growth, and through overall growth, reduce poverty.

Developing entrepreneurial skills is a key strategy to reduce poverty, create income and employment opportunities aims at promoting favourable business environment, building institutional and human capacities that will encourage and support the rural dwellers. There would be no meaningful reduction in poverty level of the Least Developed Countries, in sub-Saharan Africa if the government does not embark on activities to empower its citizenry.

Conclusion

An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in many respects, not only by its economic structure and its economic vigorousness, but also by the social vitality and quality of life which it offers with a consequent attractiveness to people. Economic structure is very dynamic and extremely competitive due to the rapid creation of new firms and the exit of 'old' stagnant and declining firms.

This is why entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinders entrepreneurship.

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Effect of Microfinance Organisation on Small and Medium Scale Enterprises in Nigeria

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Objectives: To examine the activities of Micro-Finance Organisations in assisting the SMEs, determine the effect of Micro-Finance activities on the Entrepreneurs level of production, examine the effect of the organisation on the SME's profit level and growth of the organisations.

Prior Practices: Nigeria Economic Planners depended on transformation of Small and Medium Enterprises (SME's) to drive economic growth in the country. However, most of the programmes that evolved did not provide efficient and effective financial services to the SME's. The Financial Institutions do not provide diversified, affordable and dependable financial services to the active poor in a timely and competitive manner, that would enable them to undertake and develop long term sustainable entrepreneurial activities. Therefore, most of the Enterprises operate on a very small scale due to lack of financial assistance, business acumen and collateral or security to obtain various credit facilities.

Approach/Methods: The study was carried out in Osun State Nigeria. Thirty-five SME's were randomly selected from the list of SMEs who utilize microfinance organisation. Primary data were obtained through the use of validated and pre-listed structured questionnaire while the secondary data were obtained from textbooks, journal and other relevant sources. Descriptive statistics were used to analyse the collected Primary data.

Results/Insights: The study revealed that 14 percent of the SMEs were classified as Micro-business because they have Ten (10) or less employee with total asset of one hundred thousand dollars (\$100,000) or less while 86 percent are small and medium enterprises because they have total assets of about three million dollars and turnover of three million (\$3,000,000) to five million dollars (\$5,000,000) as shown below:

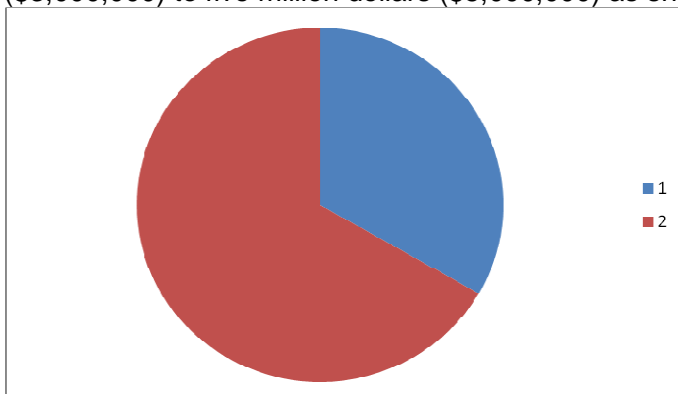


Figure 1: Classification of business enterprise

Type of Business

The result shows that 63 percent of the respondents were into Agro allied related business and 14 percent in service related business.

Table 1: Type of respondents business Enterprise

Type of Business	Frequency	Percentage
Agro Allied	22	62.9
Livestock	5	14.3
Forest based	2	5.7
Soil Mineral based	2	5.7
Provision of services	4	11.4
	35	100

Number of Years in Business

About 63 percent have been in business for 6 – 10 years showing that they have adequate experience for a successful business enterprise development.

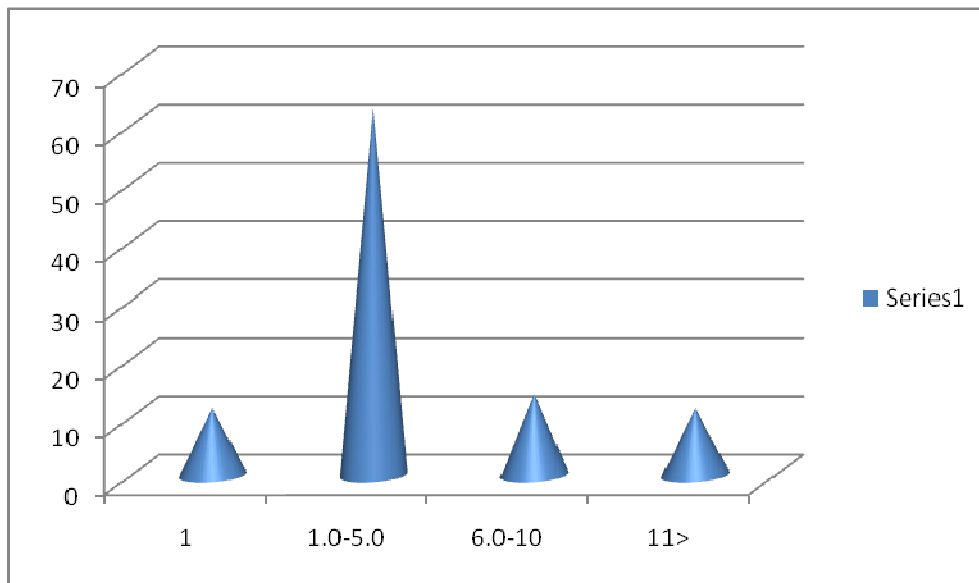


figure 2. : number of years in business

Amount of Loan Granted to Enterprise

Sixty percent of the SME's received \$1,000 – \$15,000 while 28.6 percent received above \$5,000 as loans as shown in Table 2.

Table 2: Amount of loan granted to the Enterprises

Amount	Frequency	Percentage
Less than \$1000	4	11.4
\$1,000 - \$5,000	21	60.0
\$5001 and above	10	28.6
Total	35	100

Sources of Financial Assistance to SME's

Table 3 reveals that the Micro-Finance organisations such as Microfinance Bank MFBs provide 57 percent of the beneficiaries the required assistance to promote their enterprises. This could be because the Micro finance institutions do not have stringent conditions like provision of collateral and high interest rates attached to the facilities being made available to the Entrepreneur. The MFI's Also provide services such as capacity building for some of the Entrepreneurs. Fourteen percent of the beneficiaries obtain loan from the commercial banks while 2 percent obtain financial assistance from the insurance companies. It is to be noted that commercial banks require collateral security from the entrepreneurs and also charge high interest rates.

Table 3: Sources of financial assistance to SME's

S/N	SOURCES	FREQUENCY	PERCENTAGE
1.	Mirco-Finance Institution	20	57.0
2.	Commercial Banks	5	14.0
3.	Finance Houses	3	8.0
4.	Bank of Industry	1	2.0
5.	Insurance Companies	1	2.0
6.	Others such as Micro-Finance agencies	5	14.0
		35	100.0

Facilities Derived from Micro-Finance Organisation

It is to be noted that apart from the financial support by the Micro-Finance Institutions the respondents derived other benefits such as capacity building, managerial advisory services and technical assistance as shown in Table 4.

Table 4: Benefits derived from MFIs by respondents

Facilities	Frequency	Percentage
Managerial/advisory services	3	8.5
Training	6	17
Technical Assistance	4	11.5
Research and Information	2	6
Combination of all the above	20	57
	35	100

Effect of Micro-finance Institution Activities on the Entrepreneur Level of Production

Micro Finance banks were established to provide Micro-Credit for the entrepreneurs to enhance economic activities and enhance their profit levels (Anyam 2004). From the study, 73 percent of the respondents strongly agreed that the loan given to them by the MFIs increased their level of production. This could be because 71 percent of the entrepreneurs strongly agreed that it enhanced their current assets/working capital. Eighty percent also strongly agreed that it enable their organisation to purchase the required machinery and accomplished their business expansion programme. This supports the assertion of Charistonenko 2004 that the MFIs are to enhance flow of financial services to business enterprise so as to expand their business long on.

Table 5: Effect of MFIs facilities on SMEs.

S/N	Statement	SA	A	U	D	SD
i.	The facilities enhance organisations level of production	22(73)	10(28)	3(8)	0(0)	0(0.00)
ii.	The loan facilities improved the organisations working capital	25(71)	5(14)	5(14)	0(0)	0(0)
iii.	The loan has no effect on the organisations expansion program	28(80)	1(002)	6(17.1)	0(0)	0(0.0)
iv.	The facilities increased the profit level of the organisation	25(83)	4(11.4)	6(17.1)	0(0.1)	0(0.1)
v.	It does not have effect on the organisations promotion of production	1(0.7)	4(11.4)	0(0)	7(20)	23(65.7)

Implications to Community/Industry: Involvement of the MFIs has helped broaden the scope of activities of the SMEs through the provision of required working capital and fixed assets. This will subsequently improve the standard of living of the people, providing employment for youth in particular and make available essential commodities.

Value to the Theme: The paper will add to the knowledge of effect of Micro-Financial Institutions in Entrepreneurship development and provide opportunity to exchange ideas from different parts of the world on how SMEs activities are enhanced.

Keywords: Micro finance, Small and Medium Scale, Organisation, Growth and Development.

Successful Turnarounds: The Role of Appropriate Entrepreneurial Strategies

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Objectives: All organisations are set up with an objective to create value to the society. This necessitates organisations to generate revenues to support all its stakeholders. However, in the rat race to succeed, most organisations are unable to generate revenues for sustainable operations. It is obvious that organisations cannot survive without profits/surpluses and the inability to generate surpluses would lead to industrial sickness. Bringing such organisations back to health requires entrepreneurial strategies at two levels, namely, from the negative to the breakeven and from breakeven to the positive. Hence, the turnaround management is a doubly entrepreneurial act. The objective of this paper is to understand the strategies used in successful turnarounds and compare them with those of the failed ones and thereby help turnaround managers to increase their success rate so as to enhance the value of these organisations to society.

Prior Practices: We hypothesised that the stage theory of successful turnaround proposed by Manimala (1991) - which identified four stages in the process, namely, arresting sickness, focusing on core business, expansion and growth, and institutionalization through culture building – is applicable for bringing about successful turnarounds. In other words, the turnaround managers will have to adopt a stage wise procedure for implementing their strategies.

Approach/Methods: Content analysis of 102 published case-studies, of which 68 are successful ones and 34 are unsuccessful, with a view to identifying the unique strategies of each group.

Results/Insights: The study has found that successful turnarounds were accomplished through progressive building up of organisational competencies, as suggested by the stage theory (through strategies such as employee engagement, cost rationalization, lean management, image building, and focusing on core business) before taking up aggressive growth and expansion strategies. The unsuccessful turnarounds, on the other hand, went on for aggressive product, pricing and promotional strategies without building up the basic competencies of the organisation.

Implications to Community/Industry: The strategic differences observed, between successful and unsuccessful turnarounds can be used by turnaround managers in achieving greater success in their turnaround efforts. Obviously, this will lead to the turnaround of larger numbers of sick units and thereby, enhance value creation for the industry and the society at large.

Value to the Theme: The study demonstrates how entrepreneurship in established organisations can create greater value for the organisation as well as the society.

Keywords: Entrepreneurship, Strategic Management, Turnaround Strategies, Value Creation

Introduction

Industries are an integral part of a nation's economy. With growing industrialization, the incidence of industrial sickness has also been on the rise and a huge amount of scarce resources of banks and financial institutions remain locked up in sick units (Singh 2007). Industrial turbulence or sickness is so widespread that it is found in all types of organizations. Since sickness in industries affects the entire organization and the country as a whole, there is a need for organizations to take measures to restore their health. In a dynamic set-up, industrial units that are non-competitive, uneconomical and inefficient become sick and die out when new and more efficient units come up to take their place. This process of bringing an organization from sickness to health is known as turnaround.

A turnaround situation is one where a company suffers declining economic performance for an extended period of time, such that the performance level is so low that the survival of the company is threatened unless serious efforts are made to improve its performance. Achieving turnaround calls for a totally different set of skills to probe into the causes of decline and to formulate appropriate strategies to transform the company for a fresh lease of life (Prasad 2006). Different organizations adopt different strategies for bringing about turnarounds. There is enough evidence in the literature to show that there are differences in the strategies used by the successful and unsuccessful turnarounds.

Successful Turnarounds: A Theoretical Model

Organizational sickness has been defined as a gradual or sudden 'existence-threatening decline' in performance (Pandit 2000), and can be precipitated by internal actions or inactions or by external circumstances and environmental factors. It is obvious that the definition of organizational sickness is more like a term describing the symptoms of sickness rather than a term proposing diagnosis and rectification. In other words, it describes only a situation facing an organization but does not specify how that situation came about or was caused; nor does it suggest the remedial actions or strategies that could bring about a turnaround (Walshe 2004). Corporate sickness is one of the major socio-economic problems of developing as well as developed nations. An industrial unit may become sick on account of a variety of factors causing sickness. For this reason it is often difficult to give an exhaustive list of such causes of sickness. However, attempts have been made by scholars and researchers to develop a list of these factors (Barker 2005). In the following section we give a brief outline of the internal and external causes of industrial sickness as identified by prior research.

Internal Causes

The internal causes of sickness arise from mismanagement in several functional areas of the organisation. As the principal functions of any organisation are human resource management, finance, marketing, production/operations and corporate planning strategies, the internal causes would also relate to mismanagement in these functional areas. Since, these causes occur due to poor performance of one or the other internal functional parts of the unit, they are usually controllable in nature, if they are detected in time and corrective actions are taken promptly (Schendel, Patton and Riggs 1976, Hofer 1980, Hoffman 1989, Manimala 1991, Barker and Mone 1994, Singh 2007).

Some of the symptoms of industrial sickness or causes of failure observed by researchers are: poor leadership (Balgobin and Pandit 2001, Walshe 2004); operational inefficiency, past managerial mistakes, inertia leading to poor adaptability, erosion of competitiveness, non-availability of resources (Barker and Duhaime 1997, Bibeault 1982, Pearce and Robbins 1993); product failure, poor diversification, poor control systems, cost slippage (Panchali 2005). It is ironic that, even though management has direct control over all these functions, more than 80 percent of business failures arise due to management's inefficiency to control the internal functions of business (Scherrer 2003).

External Causes

While the internal inefficiencies are in themselves debilitating for the organisation, their tendency to cause sickness will depend largely on the emerging external environment. If an organisation is weak in its functional areas, there is a greater chance of it getting adversely affected by the constraining external environmental factors. These factors may relate to any aspect of the external environment such as demographic changes, economic conditions, natural calamities, technological developments, social norms and customs, political systems and changes and international interactions and exposure of the industrial enterprise (Singh 2007). In general the external factors can cause sickness to an industrial unit only in so far as it is internally weak.

The developments in the external environment identified by researchers as causing industrial sickness are: adverse governmental or controlling authority behaviours, unfavourable market conditions, industrial unrest, insufficient or excessively costly inputs, fluctuations in commodity prices, natural calamities (Panchali 2005); changes in international markets, unforeseen competition, financial market instability and technology changes (Manimala 1991, Khandwalla 1992, Pearce and Robbins 1993, Scherrer 2003); increased domestic and foreign competition, product or service innovations by competitors, changes in customer expectations (Balgobin and Pandit 2001, Walshe 2004); innovations in technology, recessionary conditions (Barker 2005), and so on.

Turnaround Strategies

A corporate turnaround may be defined simply as the recovery of a firm's economic performance following an existence-threatening decline (Pandit 2000, Walshe 2004). Khandwalla (1992) defines a corporate decline as a loss situation, and turnaround as equivalent to reaching at least a breakeven from a loss situation. Hofer (1980) describes turnaround strategies in very general terms as management actions employed for saving organisations from decline. Turnaround management is more relevant for mature organizations (Miller and

Friesen 1984, Pascale 1999), as they are likely to experience decline more than the younger ones (as proposed by life cycle theory).

Turnaround researchers have identified a number of turnaround actions and strategies. There are several ways in which researchers categorise turnaround actions such as strategic and operational actions (Schendel, Patton and Riggs 1976, Hofer 1980), entrepreneurial and efficiency actions (Hambrick and Scheter 1983). They could also be understood in terms of the functional areas being addressed by them and so could be classified into human resources strategies, product/market strategies, financial strategies, production, operations and technology strategies (Manimala 1991, Khandwalla 1992).

As we have noted above, a turnaround is a doubly entrepreneurial act involving 'negative-to-breakeven' and 'breakeven-to-positive' phases (Manimala 2005), which also may have several sub-stages within the two broad phases. Several researchers have proposed stage theories for understanding the turnaround process. Prominent among them are: (1) Weitzel and Jonsson (1989) who proposed five stages of decline and corresponding turnaround actions - namely, blinded stage and good information, inaction stage and prompt action, faulty action stage and corrective action, crisis stage and effective reorientation, and finally dissolution stage where no action is possible; (2) Bibeault (1982) who proposed five stages in organisational turnaround, namely, top management change, evaluation (diagnosis), emergency actions, stabilisation and re-posturing/return to normal growth; (3) Chowdhury (2002) who identified four stages – decline, response initiation, transition and outcome, (which are seen in both successful and unsuccessful turnarounds); (4) Manimala (1991) who empirically found four stages in the post-decline phase of turnaround, namely, arresting sickness, reorienting, institutionalisation and growth; (5) Barker and Yasai-Ardekani (1995) who proposed a two stage contingency model with decline-stemming stage and recovery stage (the former focusing on increasing stakeholder support, enhancing efficiency and improving internal climate depending on the severity of decline and availability of slack resources and the latter on enhancing the firm's competitive position); (6) Pearce and Robbins (1993) and Chowdhury (2002), who proposed two-stage contingent process models involving retrenchment and recovery stages (the former focusing on cost reduction and asset reduction, and the latter on strategies appropriate for the causes - entrepreneurial strategies to deal with external causes and efficiency strategies to deal with internal causes).

It was noted above that a commonly understood classification of turnaround strategies is to base them on functional areas being addressed by them (Manimala 1991, Khandwalla 1992). This would also make sense, as managers generally operate within their functional areas and therefore take actions for rectifying the problems experienced in their respective areas. Hence, classification of turnaround strategies based on the functional areas of management is convenient both for researchers as well as practitioners. Accordingly, we have identified five categories of functional strategies related to turnaround management, which are: (a) Human Resource Strategies, (b) Financial Strategies, (c) Marketing Strategies, (d) Production/Operations Strategies and (e) Corporate Planning Strategies.

a) Human Resource Strategies

The human resources have to actively partner with the business leadership and develop strategies to create capabilities within the organization to speed up the execution of corporate turnaround (Prasad 2006). Literature on human resources strategies has a lot written on downsizing efforts, especially those adopting a top-down approach, simply focus on reducing

the number of employees (Cameron 1994, Cascio 2003). Firms experiencing negative trends of performance typically resort to retrenchment as their most prominent turnaround strategy (O'Neill 1986, Pant 1991, Smith, et.al. 1995). According to Mishra and Mishra (1994), the downsizing, strategy commonly adopted by troubled organisations in the early 1980s was mainly an effort to reduce the number of employees in order to stay competitive. That trend continued into the 1990s with firms attempting to cut costs through staff-reduction to remain competitive in the global marketplace (Appelbaum et al., 1987a; Cameron et al., 1991). However, in the context of successful turnarounds, Manimala (1991) observed that the more effective and long-lasting employee management strategies for troubled organisations were based on employee engagement and culture building.

Change in top management is another well identified human resource strategy. Leaders are often a contributing source of decline (Arogyaswamy et al., 1995). Executives either directly caused the problems at the heart of crisis or failed to recognize the problems early enough (Bibeault, 1982). The first step or the first priority in a turnaround situation is the recognition that new management can make the difference (Barker and Mone 1994, Jacoby 2004, Murphy and Meyers 2008). Top management change is widely recognised as a precondition for successful turnarounds (Bibeault 1982, Hofer 1980, Schendel, Patton and Riggs 1976, Slater 1999). The nature of the top management team in a company is of greater significance for success or failure than any of the company's products, skills or physical assets (Murphy 2008). It is the top management who sets the style and tone of management in the organisation and therefore can involve and empower their employees. Empowered employees are energetic, passionate and experience a feeling of ownership over jobs, which will encourage and motivate the employees to offer their innovative best for the company with a customer service mindset (Prasad 2006). Under such conditions performance management becomes voluntary and leads to better results as compared to management-initiated performance appraisal and monitoring.

Hypothesis 1: Employee engagement strategy is likely to be used more frequently by successful turnarounds than unsuccessful ones.

(b) Financial Strategies

The objective of financial strategy in turnaround management is to develop and use the financial strength of the business as an asset to enhance the competitiveness of the business (Scherrer 2003). Organisations adopt several such financial strategies as reduction in the par value of shares, obtaining loans at low rates of interest, postponement of maturity of debts, and conversion of debt into equity (Kumar 2003). Robbins and Pearce (1992) have also observed that the choice of turnaround strategies is linked to the company's financial performance. They suggested that as severity of decline increased, the financial strategies for turnaround should use more of asset reduction strategies rather than cost reduction (Howard 2005).

Research on turnaround suggests that the performance outcomes of asset and cost reduction are contingent on industry dynamics as well (Chowdhury and Lang 1996, Morrow et al., 2004). Turnarounds cannot be sensibly analysed without taking into account the context of the financial obligations and related governance arrangements (Igor and Toms 2006, Kumar 2003). Hofer (1980) and Robbins and Pearce (1992) argue that companies under severe financial distress need to make aggressive cost and asset reductions in order to survive. Slashing labor costs, production costs, selling and administrative expenses, R&D expenditure, and financing costs is a common strategy used in the early stages of corporate turnarounds (Denis and Kruse 2000, Beixin et al 2008). However, as pointed out by Slater (1999), the aggressive reduction of costs

and assets is no easy task because of the possible organizational resistance to such action. Asset-reduction strategies have been recommended for failing companies in order to improve cash inflows (Hofer 1980, Taylor 1982, Hambrick and Schechter 1983, Robbins and Pearce 1992), which would help in meeting the immediate cash obligations as well as for creating more productive assets.

Further, companies with high fixed costs become more vulnerable to market changes because of the inflexibilities and inefficiencies associated with it. Several other researchers have also observed that cost cutting and financial restructuring leading to lean management as critical strategies for successful turnarounds (Hoffman 1989, Brown et al., 1993, DeAngelo and DeAngelo, 1990, Franks and Mayer 1994, Igor 2006). This view is supported by (Hambrick and Schechter 1983), who found that asset-reduction and debt-reduction to be the two pillars of financial strategies for turnaround.

Hypothesis 2a: Cost management strategies are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 2b: Lean management strategy resulting from asset and cost restructuring is likely to be used more frequently by successful turnarounds than unsuccessful ones.

(c) Marketing Strategies

The importance of innovative marketing strategies in bringing about successful turnarounds has been highlighted by several researchers (Hofer 1980, Grinyer et.al. 1988, Goldston 1992). However, corporate turnaround literature has paid little attention to the value of market intelligence and planning in the company turnaround process (Harker 2001). The marketing oriented business is customer-focused, and generates and disseminates market intelligence that is widely used throughout the firm (Jaworski et.al., 1993). Such firms are able to sense and respond to market forces with greater precision than more inward-looking rivals (Day 1994). However, there is scant attention in the literature on the role of marketing and sales in the corporate turnaround process (Goldston 1992).

Sales is a critical function involving four elements that are apparent more in the successful turnarounds, such as: (1) environmental comprehension, (2) market selection, (3) innovative market offers, and (4) managed relationships (Bibeault 1982, Finkin 1998, Harker and Harker 1998). Much has been written about marketing orientation in the management and marketing literature (Jaworski et.al., 1993, Slater 1999). Such importance given to marketing is borne out in the findings that customer focus is an important feature of successful turnarounds, where customer focus permeated the whole organisation and was fully supported by the top management. The turnaround organisation's customer efforts were characterised by the appointment of exclusive managers and sales people for key accounts, who worked tirelessly to build the respect and trust of customers so essential for building up a sound relationship (Swan et.al., 1988, Harker and Harker 1998).

Along with the enhancing marketing and sales activities, successful companies would also try to improve their product quality. It is observed that poor quality of products is a major cause of corporate failure as it is obvious that without a good quality product marketers would toil in vain. Successful businesses compete on quality rather than on costs, with a view to developing competitive advantage (Rosairo 2004). Repositioning has also been described as an

'entrepreneurial' turnaround strategy. Market penetration and niche positioning also been identified as valuable strategies for the successful corporate turnarounds (Hofer 1980).

Hypothesis 3: Customer refocusing strategy is likely to be used more frequently by successful turnarounds than unsuccessful ones.

(d) Production/Operation Strategies

Hofer (1980), in a study of twelve cases of badly performing organizations, found that the strategies used for turning around organisations should be appropriate for causes of sickness. If the sickness is caused by operating problems the solution has to be by operating remedies, while strategic problems should be addressed by strategic remedies. This view was also supported by the findings of Hambrick and Schecter (1983) who pointed out those organisations that are failing due to operational causes opt for operational turnaround strategies and those failing due to strategic causes opt for strategic turnarounds; and rarely were operational failure addressed with strategic turnaround actions.

There is often a relationship between cost reduction and efficient management for investments in technology and improvement of operations (Arogyaswamy and Yasai-Ardekani 1997) investigated the role of cutbacks and efficiency improvements in supporting investments in technology. These actions improve profitability in the short run and allow the company to release resources that may be used for technology improvements leading to enhancement of operational efficiencies. They can also play an important political role in winning back stakeholder support and help raise external resources to fund other initiatives (Smith and Graves 2005). The development and use of innovative technologies would obviously, give a competitive advantage to organisations and help them to gain market acceptance and share quickly, while the investments in research and development can be gradually recovered with new product exclusivity protected by patents (Kow 2004).

Hypothesis 4: Strategies for increasing operational efficiencies are likely to be used more frequently by successful turnarounds than unsuccessful ones.

(e) Corporate Planning Strategies

Sickness and failure are often attributed to lack of planning or even short-sighted planning. Planning in organisations may have a short-term focus (for example, annual planning for implementing the current activities) or a long-term focus (which involves changing the nature and direction of the organisation through expansion, diversification, exploration of new paths through R&D, and so on).

The long-term changes in corporate strategies are required when the existing products and services have limited acceptability in the market. In the context of turnaround management, strategic re-orientation may follow two different directions – in the case of mature organisations that have taken up too many activities and dissipated their energies, there is need for re-focusing on the core activities; on the other hand, when the core is already strong or strengthened through operational strategies as part of turnaround, organisations may decide to expand and diversify anticipating the changes in the environment. This view was supported by the findings of Manimala (1991), where it was observed that the strategic actions like growth, are followed by operational ones involving arresting sickness, focusing on the core and supported by institutionalization. Observations by other researchers are also in similar lines

Pearce and Robinson (1992) found that contraction and consolidation are used when an organisation's problems are not pervasive. Even though growth strategies may be appropriate when an organisation is not doing very well, researchers have largely ignored this possibility. In a study of small manufacturing firms, Chowdhury and Lang (1996) observed that entrepreneurial moves, which typically involve growth strategies, could be an alternative to retrenchment. Refocusing on the core business may often involve corporate restructuring, as the elimination of non-core activities would involve the redefining of roles and positions (Beixin et al 2008). For large firms, however, almost all strategic actions revolve around expansion and diversification (Ramanujan and Varadarajan 1989, Rasheed 2005).

Hypothesis 5: Corporate restructuring and image building are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Objectives

As mentioned in the introductory section, the major objective of this research is to understand the differences in the strategies used by successful and unsuccessful cases of turnaround. Reviewing the literature on the theme, we have identified five hypotheses suggesting the differential strategies likely to be used by successful turnarounds, which are reproduced below.

Hypothesis 1: Employee engagement strategy is likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 2a: Cost management strategies are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 2b: Lean management strategy resulting from asset and cost restructuring is likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 3: Customer refocusing strategy is likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 4: Strategies for increasing operational efficiencies are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Hypothesis 5: Corporate restructuring and image building are likely to be used more frequently by successful turnarounds than unsuccessful ones.

Accordingly, the objective of the present investigation is to test the above-mentioned hypotheses.

Methodology

As turnaround management involves heroic actions, they are being written about in business magazines and publications. Hence, there was no dearth of secondary materials on turnaround strategies. This is, indeed, a great opportunity for researchers on the subject. The present researchers therefore decided to scan the published cases on turnaround management, which turned out to be very productive. We managed to assemble 68 successful cases and 34 unsuccessful cases, which belonged to a twelve-year period between 1998 and 2010. These

were content-analysed to generate quantitative data, which were then statistically processed for testing the above-mentioned hypotheses. The steps in this process were as follows:

- i. Preliminary reading of the cases in order to identify the commonly observed causes of sickness and strategies of turnaround;
- ii. Listing of the major causes and strategies as well as classifying causes into internal and external, and strategies into the various functional areas of management (namely, human resources, finance, marketing, production/operations and corporate planning). Initially, there were 120 variables belonging to these two major categories (41 of them among causes and 79 among strategies). These variables were judgmentally combined into 36 causal variables and 30 strategy variables (by combining major functional area strategies together) which were then used for ratings and subsequent analysis;
- iii. Generating quantitative data on causes and strategies by using a quasi-interval scale ranging from 1 to 3 ('1' indicating the absence, '2' indicating doubtfulness, and '3' indicating presence of a particular cause/strategy);
- iv. Finding the inter-rater agreement on the above rating by soliciting the help of two other raters (one a PhD in Economics, and the other a PhD in Sociology) for their independent ratings of the same variables on the same scale. It was found that the inter-rater agreements (as computed by correlations) were fairly high at 0.904 (between the researcher and rater-1), and at 0.855 (between the researcher and rater-2). Hence, it was concluded that the researcher's ratings were fairly unbiased;
- v. Identifying the major dimensions of causes as well as strategies through separate hierarchical factor analysis, which yielded six causal factors and eight strategy factors;
- vi. Testing the reliability of these factors using Cronbach's Alpha, which were mostly acceptable for social science research (as reported under the sub-section on 'Findings'). As indicated by the size of the Cronbach's Alpha a few variables from the original list had to be removed, resulting in the inclusion of 27 out of 36 originally listed causes and -23 out of 30 of the originally listed strategies in the final factors; and
- vii. Testing the differences between successful and unsuccessful turnaround cases in terms of the causes of sickness as well as the strategies with a view to identifying a set of successful turnaround strategies and thereby ascertaining the support for the hypothesis.

Data Analysis

The first step in the data analysis was to compute the means and standard deviations of the primary variables of causes of sickness and turnaround strategies. Table-1 gives the means and standard deviations of the causal variables and Table-2 those of the strategy variables. Variables having a mean score higher than 1.5 are highlighted in the tables. These are the common causes of sickness, and the commonly adopted strategies for turnaround.

Table-1: Means and standard deviation of causes of sickness variables

Causes of sickness variables	Mean	Standard deviation
IC1: Ambitious expansion	1.5686	0.90663
IC2: High cost of debt due to escalation of projects	1.6961	0.95222
IC4: High debt equity ratio	1.4314	0.49992
IC5: Poor marketing strategy	1.5686	0.89564
IC6: Incompetent management	1.5392	0.79193
IC7: Obsolete technology	1.3873	0.60895
IC9: High non-performing assets	1.1961	0.58087
IC10: Poor capital	1.3529	0.62374
IC11: Operating inefficiency	1.5000	0.37244
IC12: Large investment in new product line	1.1373	0.50814
IC13: Inefficient workers	1.1569	0.34694
IC14: Poor market demand	1.5294	0.63255
IC16: Low capacity utilisation	1.5392	0.86370
IC17: Low sales turnover	1.2647	0.65893
IC18: Drop in exports	1.1275	0.48075
IC20: Delay in projects	1.1471	0.51506
IC21: Heavily overstaffed	1.3039	0.67177
IC22: Huge stock of inventory	1.1569	0.32228
IC25: Lack of liquidity	1.2745	0.54785

IC26: Improper utilisation of funds	1.3529	0.75317
IC27: Lack of market orientation	1.5719	0.59402
EC1: High input cost	1.4216	0.81370
EC4: High interest rate	1.4216	0.52846
EC5: Market recession and lack of demand	1.1373	0.50814
EC6: Government constraints	1.3856	0.44188
EC8: FOREX fluctuations	1.2206	0.45909
EC9: Weakening of rupee	1.0922	0.18810

Table-2: Means and standard deviations of turnaround strategy variables

Turnaround Strategies	Mean	Standard deviation
MS2: Reassessment of product mix	1.5784	0.80144
MS3: Transition form sellers to buyers market	1.3039	0.35812
MS4: Focus on core business	1.3627	0.62599
MS5: Initiatives to increase revenues	1.5194	0.48650
MS6: Focus on promotional activities	1.5980	0.77408
MS7: Aggressive pricing	1.3333	0.73570
MS8: Entering newer markets	1.3072	0.38591
FS1: Debt restructuring	1.1667	0.40622
FS2: Reduction of assets	1.2770	0.37381

FS3: Efficiency in short term financing	1.1961	0.28668
FS4: Infusion of funds	1.1985	0.26406
FS5: Cost cutting	2.0784	1.00184
FS6: Reduction in cost of funds	1.3170	0.41791
HRS1: Huge retrenchment	1.3562	0.42801
HRS5: Motivating employees	1.3922	0.78547
HRS6: Culture building	1.0588	0.33958
HRS7: Employee involvement	1.5588	0.75221
HRS8: Information dissemination	1.0392	0.27867
POS1: Efficiency measures for operations	1.7614	0.56944
POS2: Investment in R&D	1.4167	0.54990
POS3: Reduction in raw material costs	1.2255	0.62785
CPS1: Corporate social responsibility	1.0760	0.20145
CP2: Restructure the organisation	1.2333	0.27443

An observation of high-scoring causes show that they may relate to inefficiency in any functional area, mainly in the management of operations, marketing, finance and corporate planning. This finding supports our view that the management of the functions is critical to organisational success. A second observation about high-scoring causes is that all of them arise from internal mismanagement. An important inference from this is that unanticipated change in the external environment can adversely affect the organisations only if they are internally weak.

Similarly, the high-scoring strategies also address issues in different functional areas such as human resources, finance, marketing and production/operations. This supports the view that turnaround management requires a comprehensive effort and stage-wise implementation of strategies. This is particularly important against the generally held view that turnaround is only a matter of cost cutting.

In order to further strengthen these inferences we have performed a two-stage factor analysis on the variables with a view to identifying the principal dimensions of causes and strategies as

well as their relative importance for the successful and unsuccessful groups. Table-3 and Table-4 show the causal factors and strategy factors respectively.

Table 3: Principal factors of causal variables

Causal factor no. and name with variable descriptions	Factor Loadings	Cronbach Alpha
Factor-1 (C1): Growth unsupported by resources and demand		0.519
IC4: High debt equity	0.788	
IC19: Fall in share Prices	0.722	
EC4: High interest Cost	0.689	
IC9: High non-performing assets(NPA's)	0.636	
IC1: Ambitious expansion	0.607	
IC2: High cost of debt due to escalation of projects	0.522	
Factor-2 (C2): Recessionary conditions		0.463
EC5: Market recession and lack of demand	0.790	
EC9: Stagnant price of product	0.790	
IC12: Large investment in new product line	0.631	
Factor-3 (C3): Operational inefficiency		0.400
IC25: Lack of liquidity	0.807	
EC6: Government constraints	0.758	
IC11: Operating Inefficiency	0.662	
Factor-4 (C4): Inadequate utilisation of resources		0.400
IC21: Excess employees	0.768	
IC10: Inadequate capital	0.738	
IC22: Huge stock of inventory	0.664	
IC16: Low capacity utilisation	0.651	
IC26: Improper utilisation of funds	0.564	
Factor -5 (C5): Low proactiveness vis-à-vis market and technology		0.505
IC14: Poor market demand	0.804	
IC7: Obsolete technology	0.727	
IC5: Poor market strategy	0.689	
IC17: Low sales turnover	0.593	
Factor-6 (C6): Poor adaptability		0.567
EC8: Forex fluctuations and weakening of rupee	0.763	
IC16: Drop in exports	0.744	
IC6: Incompetent management	0.651	
EC1: High input cost	0.618	
IC27: Lack of market orientation	0.617	
IC13: Inefficient workers	0.556	

Table 4: Principal factors of strategy variables

Strategy factor no. and name with variable descriptions	Factor Loading	Cronbach Alpha
Factor-1 (S1): Employee engagement		0.665
HR4: Incentives to employees	0.735	
HR7: Employee involvement	0.672	
HR5: Motivating employees	0.659	
HR6: Culture building	0.555	
Factor-2 (S2): Aggressive promotion of old products in new markets		0.421
M3: Transition from sellers market to buyers market	0.728	
M6: Focus on promotional activities	0.602	
Factor-3 (S3): Cost management strategies		0.361
F6: Reduction in cost of funds	0.847	
F5: Cost cutting	0.572	
P3: Reduction in raw material cost	0.507	
Factor-4 (S4): Investments in new markets and R&D		0.360
M8: Entering new markets	0.774	
P2: Investment in R&D	0.740	
P1: Efficiency measures for operations	0.638	
Factor-5 (S5): Focus on core business		0.505
F4: Infusion of funds	0.726	
HR1: Huge retrenchment	0.631	
M4: Focus on core business	0.516	
Factor-6 (S6): Changes in product mix and pricing		0.471
M7: Aggressive pricing	0.791	
M2: Reassessment of product mix	0.558	
Factor-7 (S7): Lean management		0.571
F2: Reduction in assets	0.788	
F9: Enhance shareholders value	0.782	
F1: Debt restructuring	0.722	
O2: Restructure the organisation	0.769	
F3: Efficiency in short term financing	0.599	
Factor-8 (S8): Image building		
HR8: Information Dissemination	0.793	

There were six factors among the causes for which the Cronbach's Alpha ranged from 0.400 to 0.570. Though these values are not very high, they are in the acceptable range. The six causal factors are as follows:

- Factor-1 (C1): Growth unsupported by resources and demand
- Factor-2 (C2): Recessionary conditions
- Factor-3 (C3): Operational inefficiency
- Factor-4 (C4): Inadequate utilisation of resources
- Factor-5 (C5): Low proactiveness vis-à-vis' market and technology
- Factor-6 (C6): Poor adaptability

The causal factors also have corroborated the inference from high-scoring causal variables. Among the six causal factors only one (Factor-2: Recessionary conditions) relates to external conditions. All others are about mismanagement within the organisation. Hence, our prior inference that the primary causes for industrial sickness is internal to the organisation is supported. In other words, external changes can adversely affect only the internally weak organisations.

There were eight factors among the strategies, for which the Cronbach's Alpha ranged from 0.360 to 0.670. Though these values are not very high, they are in the acceptable range. The eight strategy factors are as follows:

- Factor-1 (S1): Employee engagement
- Factor-2 (S2): Aggressive promotion of old products in new markets
- Factor-3 (S3): Cost management strategies
- Factor-4 (S4): Investments in new markets and R&D
- Factor-5 (S5): Focus on core business
- Factor-6 (S6): Changes in product mix and pricing
- Factor-7 (S7): Lean management
- Factor-8 (S8): Image building

The strategies belong to various aspects of management, which is, suggestive of a multi-pronged approach needed for managing industrial sickness. The names given to these factors are based on the nature of the variables included under each. While many of these are apparently positive and functional (eg: employee engagement, focus on core business, lean management, etc), some of them are suggestive of too aggressive and unrealistic strategies).

In order to test the association of these strategies with success or failure in turnaround, we computed the group means of causal factors and strategic factors separately for successful and unsuccessful cases. Table 5 and Table 6 give these comparative details for causes and strategies respectively.

Table 5: Mean scores of causal factors –

A comparative perspective of successful and unsuccessful turnaround cases

Causal factors	Mean scores (Successful)	Mean scores (Unsuccessful)
Factor-1 (C1): Growth unsupported by resources and demand	1.50	1.34
Factor-2 (C2): Recessionary conditions	1.05	1.33
Factor-3 (C3): Operational inefficiency	1.34	1.51
Factor-4 (C4): Inadequate utilisation of resources	1.29	1.45
Factor-5 (C5): Low proactiveness vis-à-vis' market and technology	1.43	1.53
Factor-6 (C6): Poor adaptability	1.29	1.72

Table 6: Mean scores of strategy factors –

A comparative perspective of successful and unsuccessful turnaround cases

Strategy factors	Mean scores (Successful)	Mean scores (Unsuccessful)
Factor-1 (S1): Employee engagement	1.23	1.19
Factor-2 (S2): Aggressive promotion of old products in new markets	1.44	1.48
Factor-3 (S3): Cost management strategies	1.59	1.43
Factor-4 (S4): Investments in new markets and R&D	1.42	1.64
Factor-5 (S5): Focus on core business	1.35	1.22
Factor-6 (S6): Changes in product mix and pricing	1.54	1.69
Factor-7 (S7): Lean management	1.24	1.08
Factor-8 (S8): Image building	1.06	1

A visual examination of the means of causal factors for the two groups show that the unsuccessful group is plagued by several causes, whereas the successful ones had only one factor mean higher than those of the unsuccessful group. This may suggest that if the sickness is caused by several factors the turnaround is more difficult. As for the strategies, the success is apparently a function of slowly building up the capabilities of the organisation and then moving forward with aggressive expansion and growth strategies. This is evident from the fact that the successful group has higher scores on many strategy factors, especially the ones contributing to organisation development such as employee engagement, cost management, focus on core business and lean management. In order to test these inferences further, we conducted independent sample t-test, whose results are given in Table 7 and Table 8.

Table 7: Causal factors – Test of difference between successful and unsuccessful cases

Causal factors	Mean	Standard deviation	t	Significance
Factor-1 (C1): Growth unsupported by resources and demand	1.5163 1.2495	.35854 .16385	5.177	.000
Factor-2 (C2): Recessionary conditions	1.0500 1.2625	.15934 .41073	-2.949	.000
Factor-3 (C3): Operational inefficiency	1.3448 1.4297	.32868 .24976	-1.463	.013
Factor-4 (C4): Inadequate utilisation of resources	1.2941 1.3864	.27147 .32626	-1.437	.086
Factor-5 (C5): Low proactiveness vis-à-vis' market and technology	1.4338 1.4446	.41400 .50838	-.109	.237
Factor-6 (C6): Poor adaptability	1.2945 1.6291	.26566 .39774	-4.488	.001

Table 8: Strategy factors – Test of difference between successful and unsuccessful cases

Strategy factors	Mean	Standard deviation	t	Significance
Factor-1 (S1): Employee engagement	1.2316 1.1735	0.40745 0.24117	0.902	0.003
Factor-2 (S2): Aggressive promotion of old products in new markets	1.4375 1.4467	0.39852 0.55989	-0.086	0.004
Factor-3 (S3): Cost management strategies	1.5931 1.4521	0.43379 0.49939	1.403	0.108
Factor-4 (S4): Investments in new markets and R&D	1.4208 1.6268	0.30388 0.34519	-2.954	0.552
Factor-5 (S5): Focus on core business	1.3480 1.2316	0.27771 0.36333	1.643	0.250
Factor-6 (S6): Changes in product mix and pricing	1.5368 1.6628	0.60666 0.54633	-1.058	0.640
Factor-7 (S7): Lean management	1.2418 1.0827	0.22729 0.08317	5.125	0.000
Factor-8 (S8): Image building	1.0588 1.0017	0.34043 0.01009	1.382	0.047

The t-tests also support the inferences made above from the visual examination of the means. Among the causal factors, all the means were significantly different for the two groups except for causal factor 5 (low proactiveness vis-à-vis' market and technology). It is only for the first factor (growth unsupported by resources and demand) that the t-value is positive, indicating that this is the major cause for sickness in the successful group.

Hence, the turnaround is easier for them, as it is only a matter of providing sufficient resources and re-orienting the business for the appropriate market, supported by lean management and employee engagement. This is exactly what we find in Table 8, where the successful group has got significantly higher scores on employee engagement, cost management, lean management and image building. The factor were there are no significant differences are focus on core business, changes in product mix and pricing, and investments in new markets and R&D, which implies that these strategies are equally used by both the groups. While these are functional strategies the problem with the unsuccessful group may be that they failed to build the organisation through the strategies mentioned above as characteristic of the successful group. Besides, the unsuccessful group had also tried to aggressively promote old products in new markets (Factor 2) where they have a significantly higher score.

Conclusion

As we have mentioned in the discussion of findings above, most of our hypotheses got supported by the findings of the present study. There were mainly five hypotheses with which we started. These related to the more frequent uses of the following strategies by the successful cases: employee engagement, cost management, customer-refocusing, lean management, operational efficiency, corporate restructuring and image building. Five out of these six strategies were found to be more frequently used by the successful cases. The only one

strategy which was more or less equally used by both the groups was customer-refocusing, which was originally stated as 'refocusing on core business'. However, since 'core business' is only one aspect of customer-refocusing, we are not able to say anything conclusively about this hypothesis.

While exploring support for our hypotheses through various statistical analyses, some related results of the analysis brought out a few insights which may be formulated as theoretical propositions that could support further research in the field. Three of them are briefly explained below:

The analysis of causes showed that the unsuccessful group was affected by more problems than the successful ones. In fact, there was only one cause (growth unsupported by resources and market demand) that was more frequently mentioned by the successful group. This finding leads to the rather obvious inference that if the causes of sickness are fewer, the chances of recovery are greater.

This is perfectly in line with what happens in case of physical illnesses. A person with many health problems may develop unanticipated negative reactions when treated for a specific ailment. Hence for such a person it is very difficult to find a treatment that addresses all ailments. Similar is the case with organisations having problems in several functional areas, which implies that the turnaround of such organisations are much more difficult than the ones fewer problems. A practical implication of this is that managers should detect problems in their early stage, when the malady is affecting only limited number of functions. In this context, managers have to be sensitive to early warning signals and take proactive actions immediately. Another inference from the analysis of causes was that the high-scoring causes (above 1.5 out of 3) were all internal causes. This somewhat strange because in the original listing of causes of sickness, 15 out of 41 (about 36%) were external. The mentioning of a large number of external causes may be symptomatic of another well researched individual-level psychological construct - Locus of Control, as proposed by Rotter (1966) – operating at the organisational level. It may be inferred that the Organisational Locus of Control operates in such a way that many of their failures are attributed to external causes. Since none of them could get the average score required for treating them as a commonly observed cause of sickness, it may be legitimately inferred that the primary reason why organisations becomes sick is the inefficiency in their internal management. This was also seen in a few earlier studies done by one of the authors where he found an absence of any relationship between environmental conditions and strategy-making (Manimala 1992, 2005, and 2010). While the absence of correlations between environment and strategy is counter-intuitive it probably suggests that the primary reason why an individual or organisational actor behaves in a particular fashion is the nature of the entity rather than the environmental influences. One could take a Darwinian perspective on this, and state that the nature of the acting entity provokes the actions which if compatible with the emerging environment gets selected, otherwise rejected. Hence, the role of the environment is selection or rejection rather than causation.

In the analysis of strategies preferred by successful and unsuccessful groups, it was observed that the former employed many more strategies than the latter. In fact, the only strategy that was significantly more frequently used by unsuccessful cases ("aggressive promotion of old products in new markets") was apparently as dysfunctional one. The implication here is probably that organisational sicknesses can be cured only by a multi-pronged remedial action using several functional strategies. It may also be inferred that when several strategies are adopted they would be done in a sequence beginning with the basic actions of arresting

sickness and building up the core strengths, which may provide support for the stage-theory of turnaround proposed by (Manimala 1991). It is specially to be noted that employee engagement emerged as one of the most significant differentiators between successful and unsuccessful cases, which was described as a continuous process of institutionalization in Manimala (1991) and was observed as an essential ingredient for stabilizing the impact of a turnaround success.

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Entrepreneurial Technology Scouting

Encouraging Academic Spin-offs by Utilizing the Theory of Individual-Opportunity Nexus

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Objectives: This paper is a report on “good practice” in generating a higher level of technology entrepreneurship at our university, the University of Wuppertal, Germany. In 2006/07 we have introduced a new, theory driven model to encourage academic spin-offs. We address both, increasing researched based entrepreneurial opportunities as well as increasing the number of persons with entrepreneurial intentions throughout our university. We want to generate more and better entrepreneurship. Even though that we have focused on encouraging spin-offs in clean technologies and renewable energy in a first phase of our project, the model has been transferred to a broader variety of technologies and knowledge industries. With this paper, we want to share our four years of experience.

Prior Practices: Traditional technology scouting (see Rohrbeck 2010, Dertzbaugh 2006) at universities is characterized by one central activity: Searching for patents or inventions which are yet not turned into “innovations”. The borderline between invention and innovation is marked by the market orientation of an innovation.

In general, an innovation is defined as a commercial application of an invention. Paul Trott (2008: 14) notes that an innovation consists of three elements: a theoretical conception, a technical invention, and its commercial exploitation. According to Trott, the *theoretical conception* is the new idea by itself. Converting such intellectual thoughts into a tangible artefact (usually an item, devise or process) is an *invention*. Turning the artefact into a marketable product or service finally is described by the term *innovation*.

Commercialisation of research (Zhao 2004, Markman et al. 2008) has become a central task for universities under the “triple helix paradigm” (Brundin et al. 2008). One instrument designed to support commercialisation of research is technology scouting. Common practices in technology scouting focus on identifying yet unutilised inventions and turning such inventions into innovations. Traditionally, technology scouting aims to generate revenues by selling inventions to existing outside businesses. However, in recent years, it alternatively became on vogue to transfer inventions into innovations by spinning off new companies (Di Gregorio & Shane 2003, Harrison & Leitch 2007).

Several reasons have spurred this development: The transition of universities from places limited to pure research and teaching into the triple helix paradigm (Brundin et al. 2008) has put a much stronger emphasis on transferring knowledge from the ivory tower to the world offside campus (see Shane 2004). Legal developments like the Bayh-Doyle Act in the US (see Mowery et al. 2004) or the abolition of the “Hochschullehrer-Privileg” in Germany (the patent ownership shifted from professors to their employer, i.e. the university) allow universities to generate

revenues from patents and many other forms of intellectual property. This makes it more feasible to derive revenues from patent ownership by both, selling patents to existing firms or spinning off new ventures, hoping for future royalties. Among those two options, generating revenues by cooperating with well-established firms seems less risky. However there are some reasons why cooperating with spin-off companies is a valued option too; even though the risk of exploiting a patent's value might be much higher.

On one hand side, some patents may exist that don't find any interest from outside businesses and therefore are difficult to sell or to licence. Such a disadvantage position can generate a university's interest in making own use of the potential value by spinning off a technology based venture. However, it can be doubt if the success rate among new ventures based on those patents not valued by incumbent firms will be high. In some cases spin-offs may succeed, if incumbents have not recognized new opportunities which occurred from new technology. But in many cases, incumbents will have made good assumptions why not to purchase a new technology.

On the other hand, during the past decades, politicians have understood the impact of entrepreneurial activities on job creation, supply of new, superior goods, and problem solving in the area of yet unmet demand – in short the impact on positive economic development in general. Thus in many countries, politicians have introduced supportive entrepreneurship programs, including the provision of governmental funds dedicated to fostering entrepreneurial intentions at universities and seed capital for university spin-offs (e.g. Meyer 2003; Yang et al. 2006; information for example on the German government's EXIST-Program is available on the internet at www.exist.de, see Koch & Kautonen 2005).

From an evolutionary point of view, it is preferable to hand patent rights or licences over to new start-ups. Often, incumbent companies purchase technologies or intellectual property rights on innovative products just to keep them away from the markets. This suppressive strategy is chosen when new technologies or products are a threat to existing portfolios, especially if such portfolios are based on huge portfolio-specific upfront investments which at once would turn into sunken costs. Fostering entrepreneurship therefore cannot only spur quantitative economic development but will also help to speed up changes in qualitative aspects in the supply of products and services.

Today, universities do not only licence patents to spin-off ventures but they often also own equity in their start-ups. Universities now cannot only earn royalties from patent ownership but also participate in the overall process of value creation, represented by an increasing value of their equity. The value of equity is often leveraged by a multiple of several hundreds or thousands of per cent added to the initial investment. Such opportunities to participate in increased valuations of spin-off companies are not inherent when licencing technologies to existing corporations. This sometimes provides the utilisation of patents by spinning off new ventures with an advantage over collaboration with existing firms.

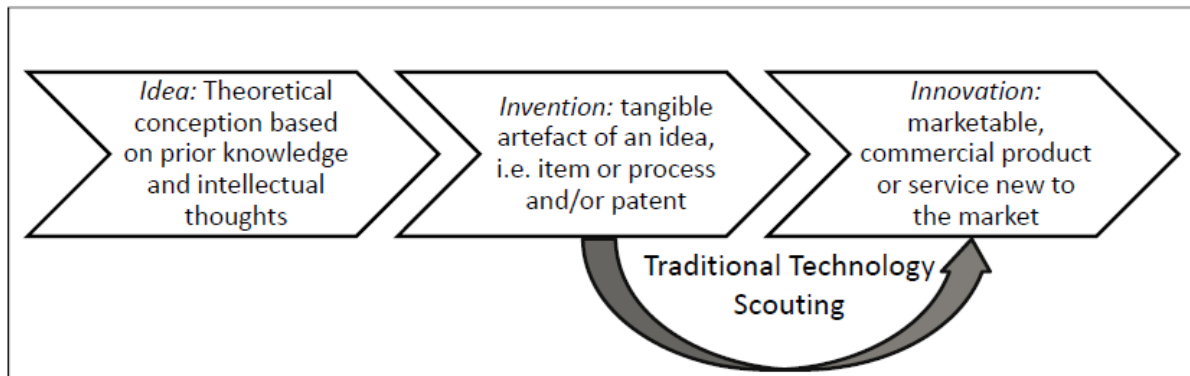


Figure 1: A common approach to technology scouting.

However, initializing spin-off companies by traditional technology scouting remains a rather rare event (Swamidass & Vulasa 2009). The definition of *innovation* as given above by Paul Trott reveals the general shortcomings of traditional technology scouting. The common approach of technology scouting (as it is installed at many universities' knowledge transfer institutions to generate revenues from technologies and patents) focuses on one singular step in the process chain of innovation, i.e. turning inventions into innovations (see figure 1). In having such a narrow focus, it neglects three key issues in fostering entrepreneurship (see Zhao 2004 or Swamidass & Vulasa 2009 for complementary suggestions of common barriers to commercialisation of research outcomes in general):

- 1) The technology bases of "single patent firms" are usually too small to ensure sustainable success;
- 2) often, there is a reason why such technologies sit "ideal on the shelf" somewhere in a research lab (i.e. the inventor has his/her reasons (tacit knowledge) not to proceed with any commercialization); and
- 3) the inventors lack of entrepreneurial ambitions, especially in an academic surrounding.

(1) Single patent firms have narrow portfolios of technology and therefore are at high risk. Usually, an innovation comes with a set of patents to complement one another. Single patent firms are at great danger if the patent is subject to legal attack or if competitors learn to work a way around the protected technology. Furthermore start-ups often find it difficult to enforce patent rights, especially if a production process is object of patenting.

(2) Reasons for technologies to sit ideal on the shelf somewhere in a university's laboratory often include the inventor's value assessment, based on his tacit knowledge. For instance it is known to the inventor that the market size for a certain devise is much too small to scale up a business. Or the value that a new devise could generate for potential customers is much smaller than the costs for raw materials, production and shipping, questioning the willingness of potential users to pay a sufficient price. Sometimes inventions are great from an academic point of view but simply not applicable for commercial use. Image the CERN research lab; it is unlikely that such a multi-billion Euro-facility will ever be reassembled for commercial purposes, even though experience from the first facility in Switzerland surely would allow for reducing investment costs significantly. Besides those economic limitations, often technologies which remain unused in a university's portfolio to be discovered by technology scouts are simply not good enough to build the bases of a technology driven venture, otherwise they would have been used right away by their inventors or the university's technology transfer office.

(3) The third shortcoming lies within the individuals behind inventions. Often, they lack entrepreneurial intentions and entrepreneurial orientation. They have decided to follow an academic career track and – often for good reasons – don't see any point in turning back to a business career. Driven by altruistic motivation or simply not in favour of commercial activities they prefer the academic achievements and honour from excellence in research over the exploitation of commercial opportunities. However, in some cases, researchers are just not trained for recognising business opportunities or (even if they do recognise a potential opportunity) they feel stressed and uneasy when it comes to developing a business model and to evaluate the commercial impact of an opportunity, due to a lack of entrepreneurial capabilities and experience. Technology scouts face the dilemma that complex technologies lack their inventor's entrepreneurial management skills needed for exploitation, and potential entrepreneurs lack the technological expertise needed to cope with the given technology. Building teams (consisting of technology oriented inventors and entrepreneurial oriented innovators) is often seen as one possible solution, but in practice this approach rarely is successful.

Our practice of “*Entrepreneurial Technology Scouting*” is designed to overcome these three major liabilities associated with traditional technology scouting.

Approach/Methods: “*Entrepreneurial Technology Scouting*” is based on Scott Shane's theory of “*Individual Opportunity-Nexus*” (Shane 2003). With this publication, we want to communicate “good practice” experience. To shape our report in a more scientific manner, we conducted focus group interviews with scientists from our university's departments of natural science and engineering. In these sessions, we captured a picture of faculty's pre-perception of entrepreneurship, spin-offs, start-ups, and their opinion on commercialization of science in general. In addition, we conducted individual interviews with several professors and research assistants (pre and post PhD or other doctoral grade) from various departments throughout the process of *Entrepreneurial Technology Scouting*. In these interviews (as well as throughout the project itself) our partners showed different levels of entrepreneurial intentions and were affected differently by our attempts in influencing their intentions. Therefore we can build distinct categories of professors, according to their predisposition and evolution of entrepreneurial intentions. In addition, we have conducted interviews with external partners, i.e. managers from our incubators and science and technology parks, business angels, VC managers and bank managers. However, even though we have gained lots of success with our approach of *Entrepreneurial Technology Scouting*, we still have learned some lessons. Academic institutions (which are considering to adopt our approach or to create something similar) can capitalize on both, our positive and negative findings.

Results/Insights: Different from traditional technology scouting, *Entrepreneurial Technology Scouting* doesn't focus on inventions which are already there in the lab. Instead, *Entrepreneurial Technology Scouting* is a holistic instrument that is designed to address both, the individuals' entrepreneurial intentions and the creation of opportunities (i.e. opportunities to conduct meaningful research and entrepreneurial opportunities that derive from such research later on). Therefore we aim to breed “gazelles” by:

1. Creating entrepreneurial orientation and entrepreneurial intentions among faculty members via dialog and culture.
2. Cultivating entrepreneurial capabilities among faculty members and research assistants/associates via training and education.

3. Aiding processes of individual and team based opportunity recognition by conducting technology forecasts, screening the faculties' research track and capabilities, and initializing applied research.

The design of our program results in a “push and pull-approach” to opportunity recognition that addresses both, technological and entrepreneurship development. Figure 2 provides a brief overview on the design of Entrepreneurial Technology Scouting.

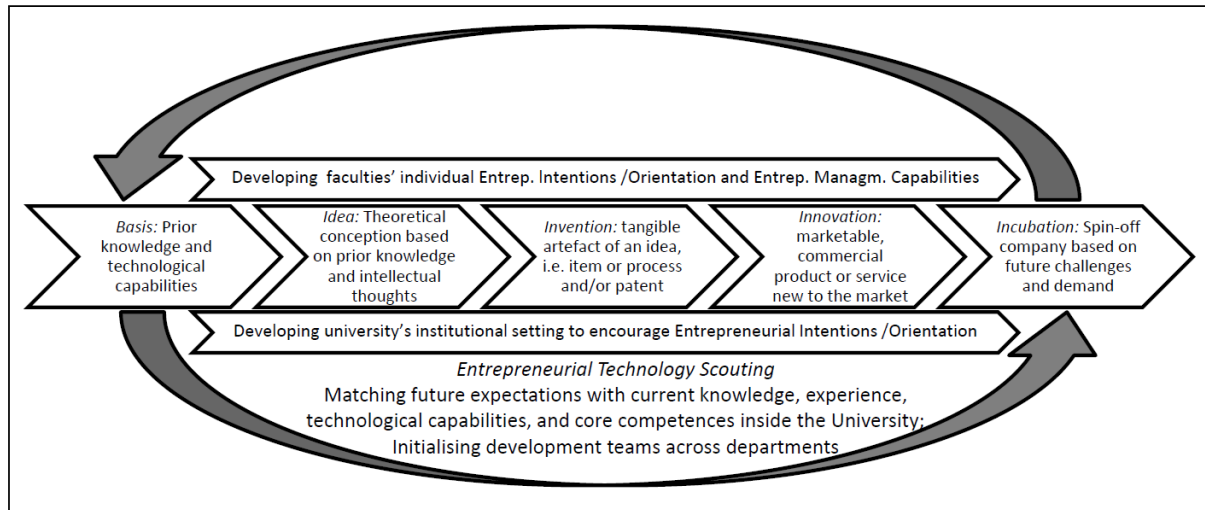


Figure 2: A process model of Entrepreneurial Technology Scouting.

The process of Entrepreneurial Technology Scouting differs from common technology scouting. Instead of searching for inventions which already exist, Entrepreneurial Technology Scouting attempts to generate new applied research projects which will result in inventions, innovations, and finally in the incubation of new enterprises. The process is two-sided, influenced by demand and supply side factors, as indicated by the forward and backward pointing grey arrows in figure 2 above:

On the demand side, the Entrepreneurial Technology Scouts identify technological trends, existing or future technological gaps, and existing or future demand for new or improved technologies. This demand-side oriented approach is already known by the term of “trend scouting” (Becker & Reinhardt 2006). Global players like 3M, BMW, Festo, Henkel, and Siemens utilize trend scouting. On the supply side, Entrepreneurial Technology Scouts identify technology push factors. What are the relevant technological developments which will spread out and create markets in the future?

Entrepreneurial Technology Scouts use technics like scenario technics, relevance trees, collective mind mapping, technology gap analysis, political analysis and others. Goal is not to produce exact forecasts but rather to provide well-grounded opinions about future developments. Or, as Paul Saffo puts it: “The goal of forecasting is not to predict the future but to tell you what you need to know to take meaningful action in the present.” (2007, p. 122). Usually at least three technics are combined in a single forecast. By this, data triangulation is achieved and technical and political forecasts turn out to be more reliable. For instance, our research centres had been well prepared in advance, when German government introduced a 500 Million Euro grant dedicated to fostering electro mobility, even though we had no direct access to or knowledge of any previous lobbying activities. On the day that government

released the grant announcement, an internal interdisciplinary group was already in place, involving many professors and working under the title “electro mobility: university’s capability and future joint research program grant applications”. In result, the university was able to place grant applications faster and on a larger and more interdisciplinary scale than competing schools did.

It might take years until a first spin-off company will derive from this effort, but we believe that best results can be achieved from such a research based program with a long-run design. To date, there are other spin-offs which are in the stage of either seed or market entry (for instance see www.wavescape.com or www.rofobox.com); hence we agree that the pipeline needs to be filled for the mid- or long-term, and we agree on the fact that a university’s pipeline for spin-off companies needs to be filled from sound research, not from short term activities. In this, we follow an approach implemented at the M.I.T. in Cambridge, MA (see O’Shea et al. (2007) for a report on fostering entrepreneurship at the M.I.T.). As a side effect, this research centred approach gains much more recognition and acceptance from faculty members and opens up the possibility to involve those faculty members who have no entrepreneurial intentions.

Entrepreneurial Technology Scouts match University’s internal capabilities with the results of forecasting, esp. technology demand and supply analysis. Instead of asking the question: “What are the inventions inside our University that are not utilized?” Entrepreneurial Technology Scouts ask the question: “Which professors, chairs and centres inside our University are capable to play a significant role in what kind of related future developments?” The question partly reflects Scott Shane’s notion on the role of prior knowledge in the recognition of opportunities (Shane 2003). To find sufficient answers to such questions, it is often necessary to bring together several professors with complementary profiles. We use the university’s interdisciplinary research centres in providing a platform for initialising joint research efforts. However, the scouts communicate these opportunities as opportunities to conduct meaningful research, not pushing any possible entrepreneurial aspects at this stage.

This rather cautious approach fits with entrepreneurial intentions among faculty members. Many professors have chosen an academic career path for good reasons. For instance they feel attached with research and teaching by a solely idealistic motivation. Or they simply preferred to escape from the pressure and stress of the commercial hemisphere, for reasons of work-live balance, occupational endeavour with personal health, family life, personal interests or alike. Thus, pushing entrepreneurship too early could harm, not help. During our focus group interviews and thereafter, we found five distinct categories of professors, according to their commercial ambitions. To understand what group one professor belongs to can help to build the right strategy in leveraging entrepreneurial ambitions. A “one method fits all” approach in leveraging entrepreneurial intentions could probably frighten off most professors, except for those in category 2 (see figure 3).

It seems intuitively right that each category of professors needs its own approach when the goal is enhancing individual entrepreneurial intentions. However, it is not our goal to turn professors into entrepreneurs at large. Turning professors into entrepreneurs often results in conflicts as described by category 1 and known by the literature (Tuunainen 2004 and 2005, Vestergaard 2007, and Snowdon 2003). Tuunainen (2005: 173) points at “evidence to the effect that developing an entrepreneurial university is not as straightforward as it may seem from a more generalized perspective. Developing such an entity, at least in the confines of traditional, public-funded universities, is complicated by the emergence of a boundary between public and private activities.” [...] “Controversies over four distinct issues arose: 1) the bureaucratic authority of a department chairman, 2) the allocation of teaching loads, 3) the ownership of research tools and materials and 4) the intellectual property rights of the researchers. Ultimately, the controversy

was resolved through a formal written contract that established two boundaries: a border between the social roles of university researchers and those of private entrepreneurs, and a physical separation of the work done by academic projects from that of corporate development. As a result, the hybrid research group/firm was ‘purified’ into a private entity with no direct ties to the university.”

Entrepreneurial Intentions in an Academic Surrounding				
Professors with...				
1)	2)	3)	4)	5)
Disproportionate attitude to commercialisation	Balanced attitude to commercialisation	Non-commercial orientation	Consciously non-commercial and altruistic intentions	“Lazy bone” attitude
<p>Little emotional attachment with university and the profession of being a professor and teacher</p> <p>Misusing university's resources for own companies' purpose</p> <p>Title of “Professor” utilised as part of business model</p> <p>“Secret serial entrepreneurs”, often in conflict with current contract, capitalizing on new knowledge privately</p>	<p>Applied research</p> <p>Clear perception on research-commercialisation interface</p> <p>“Intrapreneurial” professors</p> <p>Legally and ethically balanced between job at university (Professor) and entrepreneurial career</p> <p>Think “win-win” on the returns from new knowledge, utilisation in both hemispheres, commercial and academic</p>	<p>Focus on fundamental research, teaching, and PhD education</p> <p>Intrinsic motivation to preform good as a professor</p> <p>Knowledge generation is an end in itself, not just a mean</p> <p>Money is less important than overall reputation</p> <p>New knowledge is used strategically to pursue advances academic careers, journal publications are more important than patents</p>	<p>Focus on applied and fundamental research, teaching and PhD education</p> <p>Intrinsic motivation to preform good as a professor</p> <p>New knowledge can be both, ends and means</p> <p>Money is less important than reputation within a certain community</p> <p>New knowledge is shared willingly (open source) and regarded a “public good”, patenting is “immoral” and publishing is “good”</p>	<p>Not interested in research or excellence in teaching either</p> <p>Often secretly frustrated by some incident throughout the career or by family issues</p> <p>Main interests have shifted from work to leisure</p> <p>Consciously keeping a low profile</p> <p>Don't generate or even adopt new knowledge at all</p>

Figure 3: Five categories of professors, according to their commercial ambitions

A second kind of conflict can arise between academic entrepreneurs and the “successful” activities of a start-up support unit on one side and the university, as represented by its president or rector, at the other side. In this conflict of opposed interests, the start-up support unit has a strong interest in turning academics into entrepreneurs, whereas the University has an interest to keep good professors on an academic track. As one president of a university had mentioned: “High-flying academics in our universities are a source of novel and imaginative ideas, however the absolute number of such academics is limited. Convert them all to spin-off company technical directors and watch UK academic research output falter as they concentrate their efforts on bringing just one idea to market” (Snowdon 2003).

To avoid such conflicts we suggest role separation (Tuunainen 2005, Vestergaard 2007): We try to win professors for functioning as mentors, providers / owners of some equity, and active

board members, but to continue on an academic career path. At the same time we try to win research associates (who typically are on determinable working contracts) for an entrepreneurial career.

The equity of an academic start-up (1st Stage) will reflect role separation and hence typically be structured with

- 50.1% of equity owned by the founders (former research associates, who now opt for an entrepreneurial career); shares origin only partly in return for cash, but mostly in return for intangible investments and entrepreneurial energy and start-up management,
- 25.0% owned by an active Business Angel in return for cash, share premium (agio), and active support as a board member (often chairman) with rich industry experience, and
- 24.9% owned by the professor who backs up the business with technical expertise, mentoring, board membership, contacts, and some cash. The professor typically serves at the board, but not as the chairman since this would limit time and energy spend on the job at the university.

The University agrees on a 3 to 5% royalty on those patents which origin from university's research efforts and at the same time allows passing the ownership of patents from the university's patent agency over to the start-up company. Holding company stock (shares) in return for transferring patent ownership in combination with royalties is an additional deal structure.

In 2nd stage financing, the percentage of shares owned by all three (or four) groups of owners will decline in return for venture capital, with the VC owning 25% or more and providing additional share premium. While this approach is known to professors in category 2, all other groups have difficulties to understand the benefits. Professors in category 1 feel that they give away too much, whereas professors in category 3 and 4 hardly see any point in such commercialisation of research. And professors in category 5 tend to have no interest at all. We will address these issues later.

First, it needs to be pointed out that timing is essential, especially throughout early seed stage. Due to the structure of governmental support programs, spinning off companies at the right point in time is important (besides overruling influencing factors from the demand side). There are two relevant federal programs:

- (1) With the help of the federal "EXIST Gründerstipendium" program, we can support smaller knowledge based entrepreneurial projects with up to 112,000 Euros in granted seed money (no obligation to pay back) during a one year period in advance of the official foundation of an enterprise. The money is provided to cover coaching, business plan and prototype development, patent strategies, and the founders' living expenses (see <http://www.exist.de/exist-gruenderstipendium/index.php> for details).
- (2) Large scale, technology driven entrepreneurial projects can be fostered in advance of launching a new venture with a second branch of the "EXIST" program. "EXIST Forschungstransfer" (English: research transfer) has two stages: In its first stage it provides labour costs for three research associates and one MBA over a 18 month period and additional 60,000 Euros for other expenses like purchase of raw material and devices, costs of patenting, prototype development etc. The money provided in the first phase can add up to approx. 450,000 Euros in granted funds, according to the wage level of involved researchers. The aim of the first phase is to prove feasibility of commercialisation by prototyping and business planning. From the university's legal point of view, this stage is an in-house program; hence patents achieved in this phase belong to the university. In case

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feasibility is given, a second phase can be entered in which an enterprise is founded. Aim of the second stage is continuing the development from functional prototype to marketable product, establishing an enterprise as new legal entity, identifying distribution channels, and attracting venture capital or other funds for financing market entry. In this second stage, governmental funds sum up to a maximum of 150,000 Euros, whereas the founders are expected to provide additional 50,000 Euros (see <http://www.exist.de/exist-forschungstransfer/index.php> for details). Often, those 50,000 Euros are split amongst entrepreneurs (formally research associates), professors, and business angels by the “50.1+25.0+24.9 per cent-model” as explained above.

In case more R&D is needed to finish product development, the young company can apply for a so called “ZIM” grant, a grant of approx. 500,000 Euros per project that is part of the German economic recovery program and is designed to either increase research co-operations between SMEs and universities or financing SMEs in house research efforts (more information at the internet: <http://www.bmwi.de/BMWi/Navigation/Mittelstand/zim,did=291224.html>). Programs similar to those on the federal level are provided by the state. However, to successfully apply for any of these programs, each project has to undergo sound evaluations.

For VC investors (who often join in after the second phase of the EXIST program), a company with 50,000 Euros equity has already seen additional investments worth 600,000 or even 1,100,000 Euros from governmental grants (with no financial obligations in return), has marketable products and owns intellectual property with only a small royalty payable based on revenues, instead of a fixed fee which would only add to the burn rate. Hence our spin-off companies already have “a lot of flash to the steak” as one of our VC partners mentioned. As the development of products and business model is advanced, patents exist, and the founding team has already weathered through 36 month of ups and downs, the internal risks are limited which frequently origin from technological development, bad business intelligence, or disruptive team dynamics. This allows a well-structured and balanced VC-deal, from the founders’ point of view.

However, even the best technology will not be commercialized by academic entrepreneurs if there are no promoters pushing forward the entrepreneurial process (see e.g. Baumol 2004). As shown in figure 3, not every professor will have a vital and natural interest in functioning as an entrepreneurial promoter. We found that in internal communication different arguments can win professors from different categories. In leveraging entrepreneurial intentions, it is a good starting point with professors in all categories that entrepreneurial opportunities come into existence not by mere chance, but by a rather systematic approach to creating opportunities from research challenges and prior scientific knowledge. Thus, opportunities derive from professors’ common grounds.

Looking into each category however reveals the need to follow distinct approaches in leveraging entrepreneurial intentions. Category 2 is the easiest, as professors in this category tend to function as entrepreneurial promoters, genuinely motivated by their individual level of entrepreneurial intentions. Still, to involve them in a network of professors with similar interests, to privately and publicly acknowledge their contributions and to provide all kind of support from start-up consultancy to incubation and regional as well as financial networks can even further leverage entrepreneurial activities in this group.

The challenge with professors in category 1 is not about motivating entrepreneurial intentions but rather to bring them back to playing the game by the rules. Little experience has been made with this group throughout the past three years in the project. Category 1 professors tend to hide from official arrangements as they “fear the light”.

Category 3 professors are the most promising group in terms of additional entrepreneurial potential and the easiest to win them over. However, results won't come without any specific input. To this group, role models are even more important than in general. As Danson already found in 1995 (p. 86) "knowing an entrepreneur is an important "rocket" in the process of converting potential into actual business creators." This is even truer for professors in category 3 when the role model too is a colleague from category 3. And it's even easier since we only want to motivate professors for functioning as a promoter, with some equity and intangible investments in a start-up that will be managed by former research associates. We don't need to (and don't even want to) convince them to separate from their academic career path. In addition, grants from the EXIST program mentioned above will add to their third party funding success indicators, likely adding to both, direct job income (according to individual employment contract) and academic reputation.

In fact, reputation is as important to this group as it is to category 4-professors. For both groups it is equally important that entrepreneurship is not only about making money from commercialisation of research, but rather about creating value and making the world a better place. While money is an unequally important argument among professors of different categories, it's equally important to all of them that their research could make a difference not only in a laboratory but also out there in the real world. And making a difference correlates with scientific reputation. As professors in category 4 display a non-commercial, idealistic orientation, making a difference is the only argument that probably can win them over for promoting entrepreneurship. We found that this group can develop a strong attachment with the idea of social entrepreneurship. And since almost all forms of entrepreneurship can fulfil some social functions (Schramm 2010), not much more is needed for a good start in working with this group than implementing the idea that results from research could make a difference and (social) entrepreneurship provides a good momentum in making a difference. Furthermore, professors who publish results from applied research via open source platforms contribute to a positive entrepreneurial ecosystem, as shown by cases like Oracle.

Despite category 3 and 4, professors from category 5 are difficult to reach or involve. Educating and inviting this group can randomly lead to positive results, but after all, in favour of concentrating scarce resources, we recommend to focus on category 3 and 4.

In addition, discriminating our target group by age was found useful in most efficiently directing attention and resources as well as in placing the right arguments. For younger professors (approx. age group 49 and younger), arguments related to scientific reputation and chances for third party founding (e.g. EXIST Forschungstransfer, ZIM etc.) were most appealing. Taking up the entrepreneurial challenge (or not) is left to the decision making of subordinated research associates by this group of professors.

Different from their younger colleagues, older scientists cared more for making a difference in the real world and showed a more active support and encouragement for research associates ready for leaving the laboratory to start a business together with the professor as an active promoter. To professors in the age group 50+ it seemed important to know that results from their research are going to live on after retirement and will be used to create sustainable value in future. Older professors were more likely to provide cash for equity and to contribute more time on fostering entrepreneurial projects than their younger colleagues. In addition, younger colleagues had a greater need for complete information and longer decision making processes whereas older professors often followed their gut feeling and took rather fast decisions, based on prior knowledge and personal experience, as described by Shane (2003).

Stimulating research associates' entrepreneurial intentions and providing this group with entrepreneurship education are additional tasks. Whereas professors can be associated with

five distinct categories, it is hard to tell whether their research associates belong to a similar category or not. Furthermore, not every person is capable to pursue an entrepreneurial career track. And not every research associate is motivated for this unique path. Providing entrepreneurship education, networks, acknowledgement, incubators on (or next to) campus, and contact with role models are essential elements in fostering entrepreneurial intentions (see Malecki 1997). The text book standard model of entrepreneurial intentions and entrepreneurial orientation (e.g. Lee et al. 2011) can't be transferred from industry to an academic world, because of differences in the degree of freedom at work and because professors who directly work with associates are typically involved in the very same spin-off project. The key drivers for high entrepreneurial intentions as given by the standard model just don't apply for the academic world, at least in most cases.

Furthermore, for post-PhD research associates, especially in engineering, job perspectives and income from regular employment are most promising in Germany. In Germany's corporate world, engineers with a PhD traditionally can make it to the C-Suite much easier than their colleagues from business school or law school. Engineers have very good alternatives instead of choosing an entrepreneurial career. What would then lead to an entrepreneurial career choice? Factors positively influencing entrepreneurial career choices among post PhD research associates from engineering and natural science departments include a high demand for self-determination, the ambition to make a difference or to contribute to something new and big, relatively high demand for independence in decision making, a certain independent live style, the possibility to determine where the business takes place (business location), and a strong demand for individual freedom that is combined with attaching the start-up company's CI with personal believes and goals.

In our project team we too practice role separation. This allows focussing on certain tasks, accordingly building excellence in these tasks, and to build trust with partners. We distinguish five teams:

- (1) Entrepreneurial Technology Scouts (who are led by an expert professor in technology forecasting, a vice president of a highly acknowledged external institute (the so called "Wuppertal Institut", a think tank in energy and environment)) are post PhD researchers who know a lot about technologies, technological developments, research challenges and forecasting. Surprisingly at first glance, they know little about entrepreneurship. Since their task is encouraging and directing applied research and not to push entrepreneurship, they don't need to talk a lot about entrepreneurship or about becoming an entrepreneur.
- (2) A second team, led by a seasoned professor, aims on leveraging entrepreneurial intentions (in terms of a promoter's role) amongst professors. The seasoned professor is a trustful partner to discuss for instance potential interfaces between entrepreneurship and public service law behind closed doors.
- (3) A third team executes "frontline" start-up support and business incubation by giving advice on writing a winning business plan (Rich & Gumpert 1985, Sahlman 1997), developing a lean business model, resource assembly, contact to entrepreneurial finance, market research, developing entrepreneurial business skills, and addressing entrepreneurial capabilities and intentions amongst junior and senior researchers. One aim of this team is to point at global markets and opportunities for fast growth. Wherever applicable, the team tries to turn ordinary scaled start-ups into gazelles.
- (4) A fourth team provides help in grant application, specialized on the federal EXIST program, ZIM and some programs executed by the state. Thanks to this small team, there are almost no red tape barriers to persons getting involved in our entrepreneurship program.

- (5) A fifth group assembles a network of external partners, including local incubators, business angels, coaches, a strong local bank, VC and others.

To sum up, our approach to leveraging entrepreneurship is built on Scott Shane's theory of entrepreneurship (2003): Under the influence of Entrepreneurial Technology Scouting the event of opportunity recognition is not left to mere chance, nor is the fit between prior knowledge and opportunity recognition or even between prior knowledge and external influencing factors just accidentally. In addition, a trustful communication among peer professors and the right arguments exchanged with the according category of professors increases the willingness to function as an entrepreneurial promoter. Both elements in combination allow not only for better, but even for more entrepreneurship, including professors who hadn't considered entrepreneurial options so far. The supportive function (delivered by the third team) fosters the process of creating new ventures, decreases the number of "drop outs" during the process of new venture creation and increases new firms value proposition and initial firm size.

The model of "Entrepreneurial Technology Scouting" has been successfully established across our university. Professors retained their academic jobs and encouraged post-PhD researchers to take the plunge: starting a business, backed by technology, by professors, and a supportive entrepreneurial ecosystem.

Implications to Community/Industry: Entrepreneurial Technology Scouting has proven to be a valuable instrument to leverage spin-off activities, in both quality and quantity. Some of our insights and experiences, as well as the overall program design might provide helpful ideas for other universities and even for large corporations which want to leverage innovation and corporate entrepreneurship.

Value to the Theme: Hence we believe that Entrepreneurial Technology Scouting might be a valuable instrument at other universities just as well. Entrepreneurial Technology Scouting is a project based on entrepreneurship theory; it is not based on a certain local context. Therefore we expect that this approach can be applied by different universities in various national contexts.

Keywords: academic spin-offs; Entrepreneurial Technology Scouting; gazelles; Individual-Opportunity Nexus in practice; Entrepreneurial Intentions, Entrepreneurial Capabilities

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Institutional and Legal Framework for Development of Social Economy Ventures in Croatia and Neighboring Countries (Italy, Slovenia, Bosnia and Herzegovina, Hungary, Austria and Serbia)

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I. Introduction

1. Starting Point / Objectives

The economy in the form that exists today has proved to be, in the midst of economic crisis, unsustainable. Global economic turmoil creates complex economic and social problems with rising unemployment, indebtedness, illiquidity, workers/farmers revolt undermining the socio-economic and political stability of the whole zone. Innovative and self-reliable models of socio-economic development are necessary to engage the existing human, social, economic, natural and other resources and potentials and turn them into new opportunities and income generators/jobs creators. One of the forms for mobilizing local economic activity is social entrepreneurship, important part of social economy sector.

The expansion and development of social entrepreneurship represents a concrete possibility of addressing the needs of vulnerable groups and problems of local communities. Social entrepreneurship is in particularly important both as a stabilization factor of the labour market, and as a factor for sustainable environmental development.

In this paper my aim is to explore institutional and legal framework for the development of social economy ventures (namely social enterprises), map the existing forms of social enterprises and through analysis of case studies to explore and present the differences in implementation and development of social economy practice in Croatia and neighboring countries.

2. Methodology and Work Organisation

In the first research stage I used descriptive and historical methodologies, in order to investigate the unique definition of social economy, social entrepreneurship, social enterprise and social entrepreneur, based on the study of the pre-existing documentation (secondary data overview – internal and external (theories, laws, statutes, regulations, ...), as well as to describe the pre-existing condition of the social entrepreneurship in the world (with a focus on Europe).

Second research stage was followed by an acquisition and analysis of the primary data through explorative, applicable and evaluative research, which was performed by a questionnaire method and case study analysis. Descriptive and historical methods were also used in order to define the concept of social entrepreneurship in each country researched, to define legal

framework for the development and functioning of social enterprises, pre-existing strategies, institutional framework for the development and functioning of social enterprises as well as the pre-existing models and operating modes. I also used generalization and specialization methods, next to defining the obstacles to development of social entrepreneurship in each country researched.

In the third research stage generalization, specialization and specification methods were employed, and recommendations and guidelines for the development of social entrepreneurship in Croatia and neighboring countries were defined.

The criteria of the European research network EMES³⁸ have been applied within the research process, for the purposes of defining social enterprises in the area of research:

Table 1. The criteria for the social enterprises within the research network EMES³⁹

ECONOMIC CRITERIA	SOCIAL CRITERIA
<p>Continuous Activity Trade is the major and continuous activity.</p>	<p>Social Benefit For community, identity group or cause.</p>
<p>Autonomy Self-started and managed, not by public authorities or other organizations.</p>	<p>Citizen Group Initiative They are started by groups rather than individuals.</p>
<p>Risk Initiators and members assume the financial risk.</p>	<p>Collective Decision-making One Member – One Vote</p>
<p>Minimal Paid Work Voluntary contributions are common, but at least some work is paid.</p>	<p>Participation Consumers, users, workers, management and members are engaged in running of enterprise.</p>
	<p>Limited Profit Distribution If surpluses are distributed this is limited to discourage profit-maximizing behaviour and achieve social purpose.</p>

³⁸ EMES - Emergence of social enterprises in Europe – more information on <http://www.emes.net>

³⁹ Borzaga C. & Defourny J., (2001)

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II. Social Economy Sector Overview

1. Definition of the Social Economy

Both in Croatia as well as in other countries there is no unique definition of social economy, social entrepreneurship, social entrepreneur, etc. Actually, it has proven that, based on the operating of such enterprises/organizations, each country adjusts definitions/terminology according to its actual needs.

Countries which do not have an arranged legal framework of subjects' operating in the social economy sector, nowadays most often adopt the terminology from the countries which are closely related to them in terms of economic, social, cultural activities or in terms of relevant research networks, e.i., other supportive organizations.

One of the closest and often used definitions explains that “social economy is understood as a construction space for a subject that, through associative forms, reflectively and creatively tries to give account of the context of deinstitutionalization in which he/she acts and lives.” (La Serna, C., 2009.) On the other hand, if we put this definition in terms of its usage, we could describe the social economy sector as a “set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote.” (Monzon J. L., Chaves R., 2008).

The last definition proves to be the most comprehensive and the most precise in terms of definition of social enterprises. One of the first and most intelligible definitions, set in 1978, explains that “social enterprise is a legally registered organization that carries out commercial and social operations and is jointly owned by its members on the basis of each member having one voting share through which the organization is democratically controlled” (Spreckley, 2010).

In order to give a better overview of mutual values advocated in different countries, I will list a few more examples of definitions of social enterprise:

“Social enterprises are defined as enterprises that trade for a social or environmental purpose. As well as meeting their social and/or environmental goals, they have to be business-like and meet financial and commercial goals.” (Spear R., Cornforth C., AIKEN M., 2009.)

“Social enterprise is an enterprise targeted primarily on social goals, whose profit is reinvested to accomplish these goals through business activity or community investment, instead of focusing on profit maximization for shareholders and owners” (Social Enterprise Unit, 2002.)

“Social enterprise is founded with the aim to accomplish some social goal. Enterprise owners can in time pay back their money invested in the enterprise, however the assets are not reimbursed to investors in dividend. All earnings are kept within the enterprise – in order to finance the expansion of projects, provide new services, develop new products or to use the fund for promoting common good” (Yunus, 2009.)

Finally, social enterprises can be defined as "organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socioeconomic activity" (EMES, n.d.)

If we sum up the most important elements of the definitions mentioned, we can very easily see the basic difference between operating a social enterprise and private business:

Table 2. Difference between operating a social enterprise and private business⁴⁰

Social Enterprise	Private Business
i. To facilitate and empower workers/community	i. To direct and control
ii. Democratic decision making	ii. Decision making based on amount of shares owned
iii. Environmental responsibility integrated into all aspects of the enterprise	iii. Environmental responsibility not seen as their responsibility
iv. Undertakes social and financial measurement	iv. Undertakes financial measurement
v. Driven by social, environmental and commercial objectives	v. Profit driven
vi. Labour hires capital	vi. Capital hires labour

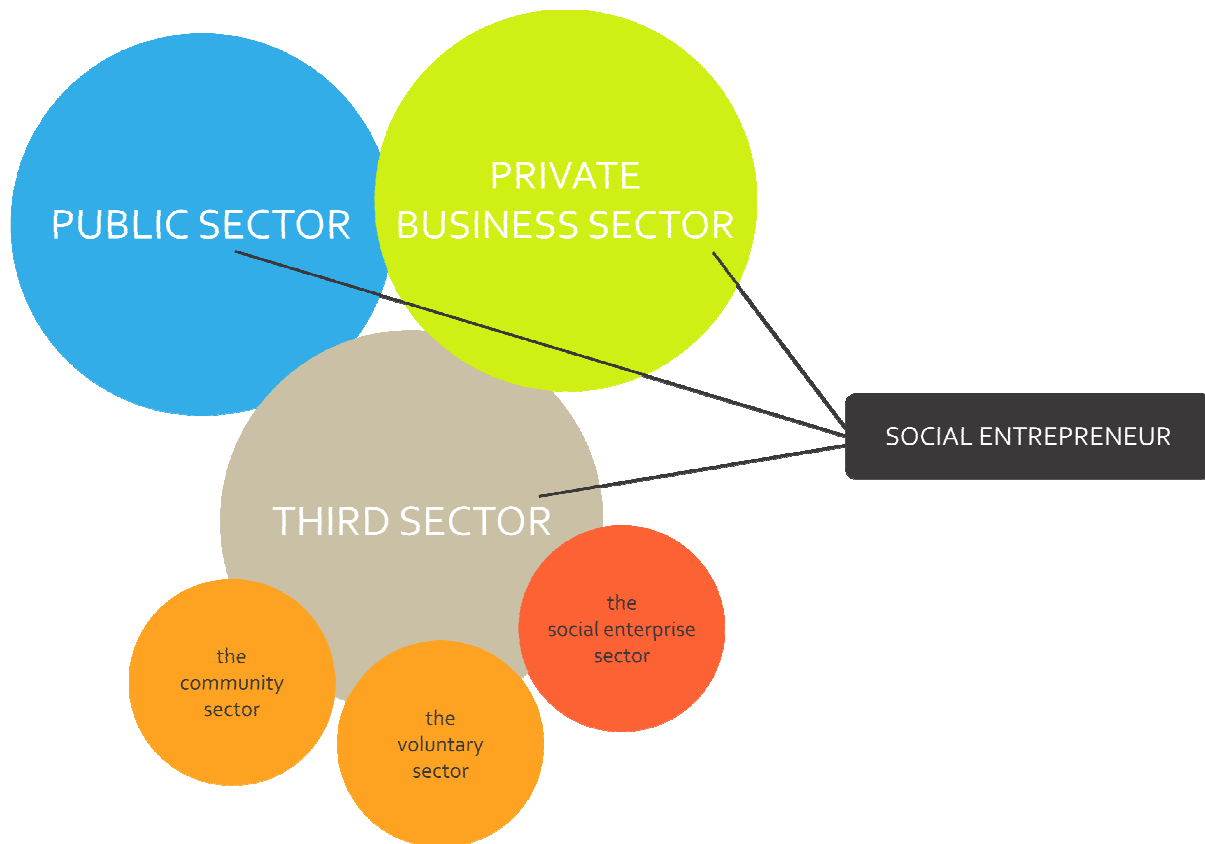
Nevertheless, the most confusing fact when it comes to social economy is definition of the social entrepreneur. To give some good examples of an early age, we can distinguish Florence Nightingale (founder of the first nursing school), and the world famous Maria Montessori (founder of new pedagogy). Muhammad Yunus and his Grameen Bank got Nobel Prize for Peace in 2006. They earned this prestigious prize by giving “micro-credits” to the most indigent citizens of Bangladesh, especially focusing on women, who, according to other banks' standards would be regarded as credit-challenged, helped them to start their own business. Ever since, there have been many public debates on social economy, social enterprises, social entrepreneurs, whereas the importance of social economy is recognized both in academic circles and in the public, private and third sector in many countries.

While talking about social entrepreneurs it is very important to distinguish that they are not motivated by profit. Social entrepreneurs want to establish partnerships and cooperation. They are highly motivated to produce social changes, are capable of organizing and motivating other people, and easily recognize opportunities to undertake business ventures. (Spreckley, F., 2010) It can be said that a “social entrepreneur is an individual who uses profitable strategies in order to accomplish his/her goals and seek both financial and social returns on investment at the same time” (The Institute for Social Entrepreneurs, 2002).

What is more, many people often misinterpret the terms, and thus do not differentiate between the meaning of social enterprises and social entrepreneurs. However, it should be emphasized that social enterprises specifically operate in the third sector, whereas, social entrepreneurs, as the leaders in social change, operate in the private, public and third sector, which is also shown in the overviews.

⁴⁰ Spreckley, F., 2010

Figure 1. Functioning of social enterprises and social entrepreneurs



Finally, definition of the social entrepreneurship needs to be clarified. It can be said that social entrepreneurship is a work of social entrepreneurs. It is nowadays mostly used as a concept in academic circles, whereas Schwab Foundation acknowledges that “social entrepreneurship is about applying practical, innovative and sustainable approaches to benefit society in general, with an emphasis on those who are marginalized and poor.” (Schwab Foundation, n.d.)

Although social entrepreneurship has a long tradition (i.e. there are more than 55 000 social enterprises registered in Great Britain which employ more than 475 000 people), it is a fairly new phenomenon in Croatian economy (especially in the third sector) and most neighboring countries. However, some countries, like Italy, have been promoting and urging the activities of social enterprises and social cooperatives for a long time. Expansion and development of the social entrepreneurship represent a solid opportunity for meeting the needs of socially excluded groups and problems in local communities. The potentials in this field seem enormous.

2. Other Stakeholders in the Sector of Social Economy

Besides social entrepreneurs and social enterprises, there are stakeholders from two other sectors who greatly contribute to the development of social economy in Europe. Thus, we cannot neglect a huge contribution of the national and European research networks like EMES (which is responsible for the biggest contribution in interpreting and promoting the social economy), IRIS network (Associazione italiana degli Istituti di Ricerca sull'Impresa Sociale), CIRIEC (International Centre of Research and Information on the Collective Economy), etc. Mentioned networks often collaborate with the education sector, whose subjects simultaneously develop new, developmental, innovative studies aimed at strengthening the capacity of the social economy sector and the social enterprises sector. Regarding this, I would like to mention the prestigious universities in the USA (Yale, Harvard, Columbia), European universities (University of Essex, University of Trento, Slovenian Gea Collage, etc.), but also some sporadic examples in Eastern Europe, i.e. Croatia (exp. the development of Social entrepreneurship courses at the Faculty of Economy in Osijek, lectures held at the Faculty of Economy in Zagreb, etc.).

Stakeholders in the sector of social economy are often criticized for their frequent appearance in public and their promotion activities. In the past few years, different social actors have been trying to improve this situation, and thus have been working on sensitizing the public, promoting good examples of the working experience, advocating the research results, lobbying the adoption of the national strategies and strategies of wider dimension. Thus, Bill Drayton, a social entrepreneur, founded Ashoka Foundation 30 years ago, in order to contribute to the development of the "world that responds quickly and effectively to social challenges, and where each individual has the freedom, confidence and societal support to address any social problem and drive change". (Ashoka Foundation, n.d.) At the same time, in 1998/1999, two other significant supportive organizations were founded: Schwab Foundation and Skoll Foundation.

III. Present Framework for Operating and Perspectives – Overview of the Most Important Research Results

World Institute for Development Economic Research⁴¹ in 2000 published data which showed that 94% of the world income is distributed on 40% of the world's population, whereas the rest 60% has to live on just 6% of the world income. The results of more recent research show that half of the world's population lives on 2 US\$ or less per day, whereas almost a billion people live on less than 1 US\$ per day. Thus, it is not unusual that recent European strategy Europe 2020 sets up 3 priority goals for EU member countries, but also for candidate countries:

- intelligence growth (prompting knowledge, innovation, education and digital society)
- sustainable development (aimed at making the production more effective in exploiting
- resources and simultaneously increasing competition), inclusion growth (participation on the labour market, acquiring certain skills and fighting against poverty). (Europe 2020, n.d.)

Social economy sector in EU employed more than 11 million people in 2003, which consisted of 6.7% of working population in the EU. Nowadays, cooperatives, as a legal form of the most

⁴¹ World Institute for Development Economics Research of the United Nations University (UNU-WIDER) is the first research and training centre of the United Nations University (UNU), established in Helsinki, Finland in 1984. UNU-WIDER undertakes applied research and policy analysis on global development and poverty issues - <http://www.wider.unu.edu/>

righteous economic functioning ensure 100 millions of job vacancies worldwide. I repeat, potentials in this area seem to be enormous.

In the following chapters I will present important research results, predominantly through overview of definitions of social enterprises in Croatia and neighboring countries, legal and institutional framework in which they operate, forms and areas of activity, financing problems and challenges which social enterprises confront.

1. Definition of Social Enterprises in Croatia and Neighboring Countries

Italy and Austria are the oldest EU member countries, whereas Slovenia and Hungary became EU member countries in 2004. Croatia is a EU candidate country (finishing negotiations), while Bosnia and Herzegovina and Serbia have the status of potential EU candidate countries. Within the research results overview it is important to understand this political context in Central and East Europe (CEE).

In Bosnia and Herzegovina and Serbia the definition of social entrepreneurship does not appear in any strategy or any law (or to be more precise, Act on rehabilitation and employment of people with disabilities in Serbia states “social entrepreneurship” in one of the articles, without explanation). Definition of social entrepreneurship in Croatia is given only in the National strategy for the creation of an enabling environment for civil society (for period 2006-2011), although not even in this case can a definition be discussed on the national level. National strategy defines the framework as following: “Social or non-profit entrepreneurship appears in various forms and through various subjects for generating income, trying to achieve economic, social and ecological results at the same time. Social entrepreneurship represents the practical level of the social economy concept. According to definition, each entrepreneurship wants to create new values, e.i. revenue. While talking about non-profit or social entrepreneurship, it means that new values are created again but do not necessarily include the revenue. New value can also be observed through social goals, such as sustainability of the non-profit organization, generating new job vacancies, employing socially marginalized groups, and likewise. However, next to social added value, fundamental difference between the profit and non-profit entrepreneurship lies in ways of the revenue distribution. Non-profit entrepreneurship tends to generate the revenue which the organization directs toward accomplishing the mission, the reason why the organization was founded in the first place. In non-profit organizations, the revenue will eventually not be distributed among owners, founders, managers or persons who earned the money. Organization governing body decides that money is directed towards the program activities or covering operating expenses.” (National strategy for the creation of an enabling environment for civil society (for period 2006-2011), p. 37-39).

Situation in EU member countries is drastically different. For example a definition of the research network EMES used in Austria explains that “social enterprises can be defined as “organizations with an explicit aim to benefit the community, initiated by a group of citizens and in which the material interest of capital investors is subject to limits. They place a high value on their independence and on economic risk-taking related to ongoing socioeconomic activity.” (EMES, n.d.). New Law on Social Entrepreneurship in Slovenia defines social entrepreneurship as a permanent performance of economic activity under special employment circumstances, next to which gaining a profit is neither the only nor the most important operating goal. The law also depicts how social entrepreneurship “strengthens solidarity and cohesion, prompts participation and volunteerism, fosters society's innovative approaches towards solving social, economic, ecological and other problems, assures additional products supply which are in the public interest, develops new possibilities of employment, ensures additional job vacancies and social integration as well as vocational reintegration of the most vulnerable social groups on the labour market.” Italian Law on Social Enterprises defines “social enterprise as a private entity

that provides social utility goods and services, acting for the common interest and not for profit.” (Anon, 2010). Although there is no clear definition within the legislative or strategic framework in Hungary, some researchers define, in a broad sense, how “social enterprises mean all different kind of organizations that have a social mission and are self-financing on a long term basis.” (Horvath, O., 2010).

It can easily be noticed that the same system of values is present in all definitions, and that all definitions stress social, ecological and commercial goals as the main guidelines of social enterprises. Regarding that, the framework for functioning of social enterprises in CEE generally does not distinguish between the frameworks for functioning of social enterprises in the rest of the world.

2. Legal Framework

A large amount of social enterprises in Europe operates under the Law on Social Enterprises, Law on Cooperatives and Act on Associations (of course, in countries where pursuing economic activities is legal – production and sale of products/services within the framework of civil associations). Situation in CEE is actually very similar, meaning that stimulating legal framework for operating social enterprises can only be related to countries in which the framework is already set. The following table gives a brief overview of the condition in each country:

Table 3. Overview of the legal framework in CEE countries

Italy	Slovenia	Austria	Hungary	Croatia	Srbia	Bosnia and Herzegovina
Law on Social cooperative (381/1991) Law on Social Enterprise (118/2005 + Regulation 155/2006)	Law on Social Entrepreneurship (<i>in adoption process</i>)	Federal regulation for the funding of social economic enterprises * Regulations on integrative enterprises**	Law on Cooperatives (141/2006. - decree VI. 29 on Social Cooperatives)	-	-	-
Non-governmental Organizations Act (49/1987) Voluntary Organizations Act (266/1991) Regulations on Non-profit Organizations (460/1997) Act on the Establishment of an Integrated System of Social Services and Interventions (328/2000) Act on Organizations of social promotion (383/2000)	Law on Cooperatives Law on Associations Law on Stimulating Environment for entrepreneurship development Act on Preventing the illegal working and illegal employment Act on rehabilitation and employment of people with disabilities	Law on Foundations and Endowments Law on Associations Law on Cooperatives few Tax Laws	Law on Organizations for Promoting Common Good Law on Associations Law on Trade Associations Public Procurement Act	Law on Associations Law on Cooperatives Law on Foundations <i>/National strategy for the creation of an enabling environment for civil society 2006-2011/</i>	Law on Associations Law on Cooperatives Act on rehabilitation and employment of people with disabilities <i>/Poverty Reduction Strategy/</i>	Law on Associations and Foundations Law on Cooperatives in Bosnia and Herzegovina <i>/Development Strategy of Federation of Bosnia and Herzegovina 2010-2020 Development Strategy for Social Inclusion in Bosnia and Herzegovina/</i>

*by Austrian Public Employment Service **by Ministry of Labour, Social Affairs and Consumer Protection

For the past twenty years Italy has had a structured legal framework for operating social cooperatives, which represent the majority of active social enterprises in this country, and are at the same time the most represented form of operating in the sector of social economy. Although the concept of social entrepreneurship, that is, social enterprises, were presented in Italy first in 1990, it took 15 years of lobbying and advocacy for the Law on Social Enterprise to take effect. A continuous annual growth of social cooperatives of 10%-20% has been noticed since the first edition of the Law on Social Cooperative (Corrias, C., 2010.):

1993: 1479 social cooperatives (source: National Cooperative Department)

2003: 6159 social cooperatives (source ISTAT)

2005: 7363 social cooperatives (source: ISTAT) – thereof 59% A-type, 32,8% B-type, 8,2 C-type⁴²

Except of two laws which directly define legal framework for operating social cooperations and social enterprises, Italy has an entire array of supportive laws and regulations, among which Non-governmental Organizations Act (49/1987), Voluntary Organizations Act (266/1991), Regulations on Non-profit Organizations (460/1997), Act on the Establishment of an Integrated System of Social Services and Interventions need to be accentuated, which also defines the process of national strategy planning for providing social services.

Austrian legislation is slightly more scarce in comparison with Italy and there is an ongoing process of initiating the Law on Social Enterprises, which would encompass currently active Regulations of the Austrian Public Employment Service which is in close relationship with financing socio economic enterprises, and Regulations of the Ministry of Labour, Social Affairs and Consumer Protection of enterprises for integrating the permanently unemployed on the labour market⁴³. Unlike Italy, there are different types of organizations in Austria, each regulated by its own regulatory rules. What needs to be emphasized in Austria is their opportune and motivating tax system and legislation, according to which all enterprises, cooperatives and independent entrepreneurs that undertake their activities for common good, benefit from certain privileges (which is justified by the fact that these subjects undertake activities and accomplish goals which the country should undertake and realize anyway). In this segment, Italian legislation does not link tax reliefs with goals, but with organizational forms. Thus, the law on Social Cooperative defines a stimulating tax framework for social cooperatives, and Law on Social Enterprise for other forms of social enterprises.

Although the social economy sector in Slovenia is still in its beginners phase, some in-depth quality and quantitative researches have been carried out in the last 10 years, whose results brought to initiating the process of passing the Law on Social Enterprises. The Act is currently in the parliamentary procedure, and it is expected to be enacted in a couple of months. Parallel to the presentations on research results, through a process of strong advocacy and lobbying, and launching of structural and cohesive EU funds, different types of social enterprises developed in Slovenia, initiated priorly by civil society organizations. These enterprises try to take the

⁴² Italian Act on Social Cooperatives distinguishes 3 types of cooperatives: A-type social cooperative brings together providers and beneficiaries of a social service as members; B-type social cooperative brings together permanent workers and previously unemployed people who wish to integrate into the labour market (also known as Work integration Social Enterprise - WISE); C-type social cooperative is mixed A- and B-type social cooperative or consortium of social cooperatives.

⁴³ These regulatives define forms of social enterprises like Social economic enterprises (SÖBs), Non-profit employment projects (GBPs), Non-profit secondment organisations (AKÜs), Integrative enterprises (IBs), Employment projects for disabled persons (BPBs).

maximum advantage from the existing laws like Law on Cooperatives, Law on Associations, Act on Stimulating Environment for Entrepreneurship Development, etc.

15 years after passing the Italian Law on Social Cooperative the Hungarian Parliament has enacted a decree on social cooperatives, which is related to Law on Cooperatives adopted a few months earlier. However, in the last 4 years, development of cooperatives in Hungary have not been a success – there are only 16 cooperative members registered in the National Union of Cooperatives nowadays. The reason of this phenomenon is partly attributed to economic collapse, and partly to limited access to structural and cohesive funds (especially European Social Fund), which have anyway opened new possibilities in the last year. Significant turning point in the Hungarian sector of social economy set in 2009, when Law on Trade Associations was modified and upgraded with possibilities of acquiring the status of non-profit organization for all private forms of economic subjects (this possibility has been valid for associations with a limited responsibility as of 2006). Although we cannot talk about the boom of non-profit enterprises, a large amount of them has been registered exactly on activities in social service, education, waste management – the most frequent areas of social enterprises activities.

For Croatia, Bosnia and Herzegovina and Serbia we can say that they are more or less in a similar situation. None of these countries has a appropriately structured legal framework for functioning of social enterprises and regarding these countries we can only talk about the strategic tendency towards structuring of social economy. Therefore, besides the Law on Associations, Law on Cooperatives, Law on Foundations and Endowments, each of these countries has at least one strategy document which in some part notes or even defines measures for creating stimulating environment for the development and functioning of social enterprises (in Croatia it is the National strategy for the creation of an enabling environment for civil society 2006-2011, in Serbia it is the Poverty Reduction Strategy, whereas there are 2 strategies in emerging process in Bosnia and Herzegovina – Development Strategy of Bosnia and Herzegovina Federation 2010-2020 and Social Inclusion Strategy of Bosnia and Herzegovina, which, as one of the crucial priorities for reducing social exclusion and poverty, state the Social Entrepreneurship Development). However, various stakeholders in Croatia for the last year have been working intensely on creating stimulating environment for the development and functioning of social enterprises. Thus, Social entrepreneurs Forum was founded last year, and this year an array of education programs, projects, public discussions, conferences on the topic of social economy and social entrepreneurship have been realized.

At the end of this short analysis, I conclude that appropriate legal framework in EU member countries acts stimulatingly on the development of social economy sector, whereas in Croatia, Bosnia and Herzegovina and in Serbia the process of creating politics aimed at development of social enterprises and social entrepreneurship still has to take place.

3. Institutional Framework

The appropriate legal framework, in emerging process, should have built an efficient institutional framework for the development and functioning of social enterprises. In some countries such framework proved to be stable and efficient. However, in countries which are still in the process of introducing the legal framework for the development and functioning of social enterprises, institutional framework still cannot be considered stable.

Table 4. Stakeholders of the supportive institutional framework for the development and functioning of social enterprises

Italy	Slovenia	Austria	Hungary	Croatia	Serbia	Bosnia and Herzegovina
Ministry of Social Issues Ministry of Labour Regional Centers of Social Policy Local Advisory Centers of Social Policy Consortia of Social Cooperatives IRIS Network some universities	Ministry of Economy Ministry of Labour, Family and Social Affairs Long-term Government Development Council Public Employment Service various Non-governmental organizations	Ministry of Economy Ministry of Labour, Social Affairs and Consumer Protection Public Employment Service BDV Austria – National Union of Social Enterprises SÖB Association – Union of Social Economic Enterprises	Ministry of Labour and Social Affairs National Cooperatives Council Public Employment Service National Foundation for Civil Society Development Workshop – <i>umbrella organization which operate in the area of social service/economy</i>	*Ministry of Economy, Labour and Entrepreneurship *Ministry of Health and Social Affairs *Office for Cooperation with NGO's *National Foundation for Civil Society Development various Non-governmental Organizations	*Ministry of Labour and Social Policy *Ministry of Economy and Regional Development *Ministry of Agriculture *Ministry of Social Environment Protection *Prime-minister Team for Social Inclusion and Poverty Reduction various Non-governmental organizations	*Small and Medium Enterprises Agency in Republika Srpska *State Department for Development Program in Bosnia and Herzegovina *Directorate for Economic Planning in Bosnia and Herzegovina various Non-governmental organizations

*Institutions are involved in the development of frameworks for the functioning of social enterprises

Since Croatia, Bosnia and Herzegovina and Serbia do not have a specified legal framework for the functioning of social enterprises, a solid institutional framework cannot even be considered. It is important to establish cooperation between private and public organizations and civil society organizations in each of these countries. Ministries should take the main role in adjusting and coordinating the activities of all participants. In Croatia the Ministry of Economy, Labour and Entrepreneurship should take over this function (because it deals with the development of economy and entrepreneurship, and has already an established network of technical support, financial apparatus, etc.) and/or the Ministry of Health and Social Affairs (which puts very little effort in entrepreneurship development, but has made a significant impact in the area of social employment). National Foundation for Civil Society Development, Office for Cooperation with NGO's (top-down approach) and various non-governmental organizations like SLAP, Autonomous centre - ACT, Healty City (bottom-up approach), are predominant in the third sector. Similar situation can as well be noticed in Serbia and Bosnia and Herzegovina (although in this countries we can rather talk about a spontaneous development of social entrepreneurship within non-governmental organizations than of systematic development of the institutional framework), but also in Slovenia, which, despite being advanced in terms of appropriate legislation for the functioning of social enterprises, does not have constituted systems of institutional support.

In Austria, the ministries responsible for the functioning of social enterprises are the Ministry of Economy and the Ministry of Labour, Social Affairs and Consumer Protection. Moreover, a strong influence on the functioning of social enterprises can be attributed to public services (Public Employment Service), but also to specialized cooperatives like BDV Austria – National Union of Social Enterprises, SÖB Association – Union of Social Economic Enterprises and Local Employment Partnerships, which are financed by European Social Fond. Austrian social enterprises distinguish the importance of BDV Austria, which acts in best interest of social

enterprises predominantly by lobbying and advocating in continuous negotiations with the Austrian Public Employment Service. (Gschopf, H., 2010).

The Ministry of Social Issues, Ministry of Labour and Regional Centers for Social Policy are the main actors of the supportive framework for the development of social entrepreneurship in Italy. In cooperation with social cooperatives, priorly with Consortia of Social Cooperatives, research networks and universities the ministries ensure an efficient system of disseminating information, consultation and education. In Hungary, model of Italian Consortium of Social Cooperatives has been replaced by social enterprises network Civil Employment Workshop (CFM) – it is an organization which assembles 7 umbrella social enterprises organizations, and offers small grants/credits to members (exp. for start-up expenses), technical help in program planning, drawing up a budget, etc.

4. Forms of Functioning of the Social Enterprises

As already mentioned at the beginning of this paper, the whole world has a problem of definition inconsistency regarding social entrepreneurs and social enterprises. If we bear this in mind, we can hardly talk about a complete quantity of social enterprises in surveys, especially if we consider the absence of the unique registry in all 7 countries in which the survey was undertaken. Anyway, survey results show that most common forms of social enterprises in CEE are social cooperatives, associations and foundations. Detail overview is available in the Table 5 below.

Table 5. Most common forms of operating social enterprises

Italy	Slovenia	Austria	Hungary	Croatia	Serbia	Bosnia and herzegovina
Social Cooperatives (A, B, C type) Associations Foundations ONLUS - Non-profit Organizations for Promoting Common Good	Associations Institutes Social cooperatives	Social Cooperatives Foundations Associations Social economic Enterprises (SÖBs) Non-profit Employment Projects (GBPs) Non-profit Secondment Organisations (AKÜs) Integrative Enterprises (IBs) Employment Projects for Disabled Persons (BPBs)	Associations Foundations Social cooperatives Non-profit Enterprises Profit Enterprises	Associations Social Cooperatives School Cooperatives Social firms Profit Enterprises	Associations Cooperatives Social Firms Business Incubators	Associations Foundations Non-profit Enterprises

Through its surveys the research network EMES has identified over 40 different forms of social enterprises which could be sorted as actors in social economy sector. This survey has shown that according to the amount social cooperatives predominate in Serbia and Italy, and different forms of civil society organizations (associations, foundations) prevail in Hungary, Croatia, Slovenia and Bosnia and Herzegovina, whereas national-like forms of social enterprises like Social economic enterprises (SÖBs) and Non-profit employment projects (GBPs) prevail in Austria.

5. Target Groups of Social Enterprises

Social exclusion and poverty are nowadays definitely two biggest problems in the area of social issues. Child labour, violation of labor rights, unhealthy and unsafe work environment, social/community exploitation carry the issues which can be moderated and eliminated only by a systematic approach. Regarding such framework, it is obvious that social enterprises as their primary goals specify different groups of people who are in unfavorable position or marginalized (people with disability, immigrants, minorities, ex prisoners, etc.), as well as permanently unemployed persons (primarily the young, women and persons older than 55). The survey confirms these premises.

Table 6. Primary targeted groups of social enterprises

Italy	Slovenia	Austria	Hungary	Croatia	Serbia	Bosnia and Herzegovina
different groups of people who are in unfavorable position or marginalized (people with disability, immigrants, minorities, ex prisoners, etc.)	permanently unemployed persons (youth, women and persons older than 55) different groups of people who are in unfavorable position or marginalized (people with disability, minorities – especially the Roma, etc.)	permanently unemployed persons (persons with a minimum of 50% of invalidity, persons with special educational needs, persons suffering from other impairment (exp. emotional impairment))	different groups of people who are in unfavorable position or marginalized (people with disability, minorities – especially the Roma, etc.)	permanently unemployed persons different groups of people who are in unfavorable position or marginalized (people with disability, minorities – especially the Roma, etc.)	different groups of people who are in unfavorable position or marginalized (people with disability, immigrants, minorities – especially the Roma, etc.)	permanently unemployed persons (women)

6. Sources of Financing Social Enterprises

The survey has shown that the efficiency of legal and institutional framework, availability of different sources of financing and the operating tradition are the main factors which influence the diversification of financial means of social enterprises.

Table 7. Sources of financing social enterprises

Italy	Slovenia	Austria	Hungary	Croatia	Serbia	Bosnia and Herzegovina
Own business resources	International donations from structural/cohesive funds (European Social Fond)	National co-financing (Public Employment Service, province/cities/municipalities, State Office for Social Affairs)	National co-financing (National Employment Foundation)	International donations	International donations	International donations
Co-financing or donations from the public sector	National donations	Donations from structural/cohesive funds (European Social Fond)	Donations from structural/cohesive funds (European Social Fond)	National donations	National donations	National donations
various financial instruments	Own business resources	Own business resources	Own business resources	Own business resources	Own business resources	Own business resources
credits						

Therefore, in countries which do not have an appropriately constituted legal and institutional framework for operating social enterprises as the only source of financing, social enterprises receive donations from the international and national sources, and have their own business resources. Social enterprises in these countries stress the lack of financing sources for development of entrepreneurship activities, that is increasing social employment, as their main

problem. On the contrary, as an example of good practice, social enterprises in Italy list own business resources, various financial apparatus and credits, as well as co-financing or donations from the public sector as their fundamental financing resources. Thus, this is a completely different business concept.

Austrian social enterprises rely mostly on the national co-financing (Public Employment Service, Budget Resources of provinces/cities/municipalities, State Department for Social Affairs), donations from structural/cohesive funds (European Social Fond), and own business resources at last. Although funding from public domestic resources is now considered as instrument for payment of costs (not anymore as grant), where social enterprises must reapply each year, without any guarantee for funding, this model proves to be unsustainable in the long run, not only for these social enterprises, but also for the sector of social economy as a whole.

7. Distinguished Issues in the Functioning of Social Enterprises

Most of the social enterprises state in the survey that economic crisis has influenced the sufficiency and possibilities for the social enterprises development, so that this long-term exposure has been observed as one of the major obstacles. Social enterprises in transitional countries (Croatia, Bosnia and Herzegovina and Serbia) list as their biggest obstacles/problems the absence of legal framework, strategic development of the social economy sector, lack of capacity and knowledge for the development of social enterprises, lack of statistic data, lack of in-depth researches, slow process of economic restructuring and transitions, as well as lack of understanding for the role of social economy in solving ever growing problems of social exclusion and poverty. Social enterprises in EU member countries list obstacles/problems specific for each of country.

Therefore, the biggest problems of further development and operating in Italy are spotted within limited state budget, reducing available means, mainly due to the influence of economic crisis on reducing the own business resources. In Slovenia problems are more attached to the development of legal and institutional framework: social enterprises state that there is no strategy for the third sector development, no Office for cooperation with Associations, no Civil Society Development Council, there isn't Law on Volunteerism, as well as no Civil Society Development Center, etc. As their main problems, Hungarian social enterprises state the lack of cooperation within the sector of social economy, lack of the national umbrella organizations, poor demand for products and services, absence of the bank support system in the social economy sector, and insufficient financing from the state budget and structural/cohesive funds.

Finally, Austrian social enterprises state as their biggest problem the "revolt" of other enterprises due to unequal competition – however, in my opinion one has to bear in mind that the concern about economic/commercial goals is often disregarded due to finding solutions for employing the socially marginalized groups, and therefore understanding of such functioning justifies the "privileged" position on the market.

8. Examples of Good Practice

In order to validate and demonstrate the context of social enterprises more closely, I will present some of the innovative practices in the sector of social economy in CEE in the following paragraphs, from which diversity of operational modes, areas of activity and efficiency can be seen.

Name of social enterprise / Country	Basic information
POMELAJ Slovenia	*social cooperative *active for 7 years, currently has 9 employees (more than 60% are people with disability) *income totals 300 000 € in 2009 *area of activity: education and qualification training, Info-Point Service, Employment Service, production and sale of handcrafts
ROMANI DESIGN Hungary	*social cooperative *founded in 2009, currently has 6 employees (all members of national minority) *income totals 120 000 € in 2009 *area of activity: production of exclusive clothing based on the traditional Roma motives – main goal is social inclusion of the Roma into Hungarian society
BH CRAFTS Bosnia and Herzegovina	*social enterprise and non-governmental non-profit organization based in Bosnia and Herzegovina *active for 15 years, currently numbers 500 female subcontractors all over the country (socially endangered groups, permanently unemployed women) *represented on the foreign market: UK, France, USA, etc. *area of activity: production and sale of hand-made clothing based on traditional Bosnian motives
4EVERYOUNG.AT Austria	*WISE – work integration social enterprise *active for 14 years, currently 27 employees *in the last year more than 12 000 participants on educational programs *area of activity: IT education, electronic equipment recycling, second hand IT shop...
EKO BAG Serbia	*social enterprise based in Serbia *founded in 2010, 9 female employees *unique products made of recycled PVC foil
RODA / Croatia	*association *systematic production since 2007, currently 2 part time employed workers *incomes totals 44 300 € in 2009 *area of activity: sewing, selling cloth dippers and t-shirts with original inscriptions

IV. Conclusion/Recommendations

Economy nowadays is based on a model of profit maximization, and thereby neglects social and ecological goals. The third sector, civil society organizations base their functioning on values. Social enterprises, which are part of the third sector at the same time subject commercial goals to social and ecological goals. They set values before profit. Social economy sector is a “tool” for breaking the traditional economic system.

In order to be efficient, social economy sector needs to be well structured, efficient and sustainable. In that manner, it is necessary to improve the institutional (strategy planning and operating between sectors) and legal (drawing up and adopting acts/laws on social enterprises, constructing a better tax framework) framework in transition countries as soon as possible, constitute models of technical support, sensitize relevant stakeholders regarding the potential of social economy and social enterprises, undertake additional researches (national quality researches on the examples of good practice, problems, obstacles and possible solutions).

EU member countries should ensure specific and comprehensive legislation (give unique and comprehensive definitions, clearly identified operational goals, clearly defined areas of operation, etc.), vertical and horizontal efficiency of the institutional framework, long-term strategy planning and efficient systems of technical help and (co)financing, etc.

Finally, it needs to be stressed that terminating the process of conceptual definition of social economy is of utmost importance, in order to end its institutional invisibility and ensure its positioning as a solid ground for social efficiency between the private and public sector. (Monzon J. L., Chaves R., 2007.)

Keywords: social economy, social entrepreneurship, social enterprise, legal and institutional framework, economic crisis

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E – Governmental Services for Entrepreneurs in the Baltic Sea Region – an Empiric Study

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Objectives: E-government is a popular topic in the political agenda, but often are missing goals for thematic developments which would take into account the special needs of entrepreneurs and would therefore help to reduce their administrative burdens.

Prior Practices: European Union approved in September 2009 the framework of the Baltic Sea Region Programme the INTERREG IVB project “EGOPRISE” to make public administrations more service oriented for enterprises, to simplify the employment process of foreign labour and to provide an easier entrance for SME into public and business networks. Wismar University and Tallinn University of Technology are two of the core partners in the EGOPRISE partnership trying to develop new interoperable e-governmental solutions by keeping in mind the needs of entrepreneurs.

Approach/Methods: We used the customer oriented approach to understand what the SMEs are thinking about e-government. The semi-structured interview guide was prepared and the interviews in the mother tongue of the interviewees were conducted in all partner countries. The article is based on qualitative analyses of the country based summary reports of the interviews.

Results/Insights: The article brings out what the entrepreneurs value about e-services and which are the disadvantages for them. As expected the opinions depended about the level of e-governance in the state as well about the previous experiences and trust.

Implications to Community/Industry: As so far the e-services had been made more from the government point of view and are technology driven our research brings into focus the needs of the entrepreneurs and gives some hints what could be considered.

Value to the Theme: The e-government should be a tool for reducing administrative cost and achieve a better government and therefore support the innovative solutions and growing entrepreneurship.

Keywords: e-government, G2B, business oriented e-services, entrepreneurial environment, administrative costs of entrepreneurs

Introduction

E-government is a popular topic in the political agenda throughout where all countries have ICT development strategies, policies or agendas (look at e.g. epractice.eu eGovernment factsheets). However, often the goals for thematic developments are missing which would take into account the special needs of entrepreneurs (Lille and Prause, 2009) and e-services are more technology driven (Schuppan 2010, Lenk, 2007). Successful implementation of the e-government will be more often in the agenda to reduce the cost of the local and national governments and improve the services and user's satisfaction (Warkentin et al, 2002). Therefore it is important to understand the needs of the entrepreneurs as a group of potential e-government users and also help to reduce the administrative burdens of the enterprises.

In order to improve the situation, the European Union approved in September 2009 in the framework of the Baltic Sea Region Programme the INTERREG IVB project "EGOPRISE". The aim of the project is to turn public administration to more business oriented service suppliers, relieve SMEs from administrative burdens, improve their access to information and use eGovernment to do that (Egoprise application, 2009). The project partners are from the Baltic Sea Region (BSR) - Belarus, Denmark, Estonia, Finland, Germany, Latvia, Lithuania and Sweden. Wismar University and Tallinn University of Technology are two of the core partners in the EGOPRISE partnership trying to develop new interoperable e-governmental solutions by keeping in mind the needs of entrepreneurs.

As far as known to us, there are a few surveys dedicated to entrepreneurs and their expectations towards e-government. Therefore the purpose of the current article is to understand what the entrepreneur's value using e-government and what are the disadvantages and why they use or do not use the e-services. And make proposals to make the e-services more business oriented. To fulfil the purpose all the project partners conducted semi-structured interviews and made country-based summaries. Our article is based on these reports.

The current article is divided into five parts. After introduction there is a chapter that gives a theoretical framework about e-governance and especially business oriented e-services. In the chapter 3, the method will be described. In the chapter 4 there are the main finding presented and the article ends with the summary and recommendations.

Theoretical Framework

When talking about e-government there are two different viewpoints. The definitions of the eGovernment can be divided into two groups: as just the online service delivery or the possibility to change the governance through the use of the Internet (Torres et al, 2005). OECD (2003) has defined the e-government as "the use of information and communication technology (ICT) and particularly the Internet, as a tool to achieve better government". The Commission of the European Communities (2003) sees the e-government as "the use of information and communication technologies in public administrations combined with organisational change and new skills in order to improve public services and democratic processes and strengthen support to public policies". So the Commission of the European Communities emphasises even more the need to change the government system in order to improve the public administration and the technology is just the tool. The others are talking more about the technology and stress the ICT (Thompson et al 2005).

In our study we used OECD definition and talk about ICT as a tool to achieve better government. In parallel we used the e-services as the use of electronic delivery for government information, programs, strategies and services. We will analyse the government to business

(G2B) interaction which is online non-commercial interaction between local and central government and commercial business sector, rather than private individuals (Review of Current Status of eGovernment Services in the Project Countries, 2010).

In general the previous studies focused on the number of served online services and the depth or stage (how much you can do through the Internet) (Torres et al, 2005). To understand the level of the basic e-government services in European countries they have been benchmarked according to the availability and sophistication. Sophistication is focusing on the interaction between service provider and user, from simple information provision to personalised pro-active case handling. The model reflects how businesses and citizens can interact with public authorities. On the basis of the model governments' (e-) service delivery processes can be described according to the following stages: (1) information providing; (2) one-way interaction (downloadable forms); (3) two-way interaction (electronic forms); (4) transaction (full electronic case handling) and (5) targetisation (pro-active, automatised) (European Commission, 2009).

Public e-services are generally more mature, however not all services are on the high level and not all government actors perform equally (European Commission 2009). Analyses made by the European Commission (2009) show that usually more decentralized service delivery structures have less sophisticated services. Torres et al (2005) noticed that although big cities are not always more innovative, their delivery of services is more complex because they have more staff and other management resources.

The availability of technology is not enough; digital technologies must be used, and used effectively (Economist Intelligence unit, 2009). Equally important is the awareness about the services, the affordability of access, ease of use and willingness to use the services (Commission of the European Communities, 2003). Verdegem and Verleye (2009, 490) studies show that "the supply of e-government services is a precondition for people to develop the intention to use these services". van Dijk et al (2008) study in Netherlands indicates to the big error in governments agents' logic when they think that electronic services will be automatically used as soon as they are available. But the users will keep on using the traditional non-electronic services because they are used to and feel convenient unless they learn a better alternative.

The main challenge is to identify the needs of the customers and design the services according to their needs (Torres et al, 2005). We must know the expectations of the entrepreneurs from the point of view of interaction with government to understand how to relieve the businesses from the administrative burden and offer them better governance. The e-government services may help to make businesses more profitable through revenue expansion by helping to collect and disseminate critical information and therefore enhance the firms' intelligence generation and cost reduction (Thompson, Rust, and Rhoda, 2005). More productive and higher quality e-services will reduce the cost of the public service and administrative errors as well as transaction costs at business side (time effort) (Commission of the European Communities 2003). The customer-oriented approach is important because the producer and customer are on the different sides of the web interface and this moves them farther apart although the idea was to bring them closer than before (Mohammed, 2008). This should be kept in mind when the system analytics are going to develop e-governmental services.

The other question is how to encourage entrepreneurs to use e-government. A learning process should start with the availability campaigns and therefore build the experience in using e-services. The survey showed that the conditional factors of service supply, knowledge of services, and digital media use are the most primary and basic factors for the explanation of government Internet services usage; the social/demographical factors are not so important as understood previously and the question of digital divide cannot be underestimated (van Dijk et

al, 2008). J.D. Mahadeo (2009, p 398) results showed that the users' attitude or perception of the usefulness and ease of use of the system is the most powerful predictor to users intentions, this is followed by the social influence (individual belief that others thought they should use e-services). The success stories; improved social characteristics and knowledge of the end users help to widen the number of users (Warkentin et al, 2002).

According to the Commission of the European Communities (2003) the issues that affect the use of e-services are:

- inclusive access (including digital literacy to take the full advantage of offered services, choice of devices, availability of the Internet, fast and always-on communication);
- trust and confidence (protection of personal data, authentication, identity management, this also means that only data which is necessary for the fulfilment of the respective service may be collected);
- better use of public sector information (e.g. re-using the content such as geographical, tourist, meteorological information and statistics could lead to the economic growth and job-creation but also choice and quality of services for citizens)
- interoperability (e.g. service is provided without any breaks regardless of the number of different administrative bodies; open standards are used at the technical level)
- organisational change (e.g. customer orientation, a one-stop approach, a life or a business event orientation).

Method

In the EGOPRISE project we and our partners have conducted a qualitative research to understand the needs of the entrepreneurs and the G2B interactions. This paper will present first results of a survey which was carried out in five Baltic Sea countries within the framework of the EGOPRISE project. The focus of current study was to highlight the gaps between SME needs/expectations towards e-government services compared to the existing situation and find new ideas about the improvement of interactions between public sector and businesses.

The project partners under the leadership of the work package (WP) number 3 conducted an interview guide (in English) with main topics and open questions. The responsible partner in the country translated the questionnaire and conducted interviews in the mother tongue of the interviewee.

All interviews were recorded and transcribed in the language of the interview and the country-based summaries were compiled. In each country the partners conducted 8-19 interviews.

The current analysis is based on the country-based summaries of interviews with enterprises. When there is in the following text a reference to the country based summary, only the abbreviation of the country is used. The method of data analysis was thematic content analysis (Anderson 2007) of the interview data based on categories derived from the interviews. The main purpose of the paper is to analyse the enterprises expectations towards the e-government services and what do they value.

4. Results and Discussion

4.1 e-Governmental Backgrounds of the Studied Countries

As seen in the table 1 almost all of enterprises in the project partner countries have the Internet access and the availability is better than the EU27 average. But not all the enterprises which have access to the Internet use it for G2B interactions.

Table 1 Information Society indicators in the project partner countries, 2009

Indicators, %	EU27	DK	SE	DE	FI	EE	LT	LV
Enterprises ⁴⁴								
.. with Internet access	94	98	95	98	100	95	95	88
.. with a broadband connection ⁴⁵	83	82	89	89	94	86	58	62
.. using the Internet for interaction with public authorities	71	90	86	65	96	79	91	64
.. using the Internet for returning filled in forms to public authorities	55	66	61	52	83	64	85	51
.. using the Internet for submitting a proposal in a public electronic tender system to public authorities	11	11	15	12	0	14	23	10
E-government								
.. usage by individuals ⁴⁶	30	67	57	37	53	44	19	23
.. usage by enterprises ⁴⁷	71	90	86	65	96	79	91	64
.. on-line availability ⁴⁸	74	84	95	74	89	90	60	65

Source: Eurostat

71% of enterprises in the whole EU have used the Internet for interaction with public authorities. Danish, Swedish, Finnish and Estonian enterprises have better availability to on-line services than EU27 average and they also use more than the Internet for interaction with public authorities than the EU27 average. It is worth mentioning that although e-government on-line availability index in Germany is equal to EU27 average, the German enterprises use the e-government services less than EU27 average. And in Lithuania where the e-government availability is lower, more than 90% of all the enterprises use e-government services. As written before availability is not the only thing that influences the usage of e-services.

⁴⁴ Percentage of enterprises with at least 10 persons employed in the given NACE sectors. Within the last calendar year before the survey.

⁴⁵ The availability of broadband is measured by the percentage of enterprises that are connectable to an exchange that has been converted to support xDSL-technology, to a cable network upgraded for Internet traffic, or to other broadband technologies.

⁴⁶ Percentage of individuals aged 16 to 74 who have used the Internet, in the last 3 months, for interaction with public authorities (i.e. having used the Internet for one or more of the following activities: obtaining information from public authorities web sites, downloading official forms, sending filled in forms).

⁴⁷ Percentage of enterprises using the internet to interact with public authorities (i.e. having used the Internet for one or more of the following activities: obtaining information, downloading forms, filling-in web-forms, full electronic case handling)

⁴⁸ The indicator shows the percentage of the 20 basic services which are fully available online i.e. for which it is possible to carry out full electronic case handling. For example if in a country 13 of the 20 services were measured as being 100% available on-line and one service was not relevant (e.g. does not exist), the indicator is 13/19 which is 68.4%. Measurement is based on a sample of URLs of public web sites agreed with Member States as relevant for each service.

Table 2 Enterprises⁴⁹ using the Internet for interaction with public authorities (2005-2009)

	2005	2006	2007	2008	2009
EU27	57	63	65	68	72
DK	87	87	88	90	90
SE	80	80	79	78	86
DE	44	49	56	56	65
FI	91	93	94	95	96
EE	70	69	76	77	79
LT	72	76	76	86	91
LV	35	40	45	55	64

Source: Eurostat

Table 2 shows how the use of the Internet for interaction with public authorities by enterprises has changed during 2005-2009. The number of e-government users has risen in all countries. The enterprises in Nordic countries are always among the top users and therefore the growth has not been remarkable. 70% of Estonian and Lithuanian enterprises used in 2005 the e-government, which was relatively more than German, Latvian and EU27 average. Although the percentage of e-government users in Germany and Latvia is still lower than EU27 average, the growth has been bigger than averagely in the EU27. By the 2009, the percentage of e-government users in Lithuania has grown up to 91%, whereas the number of users in Estonia has not been growing as much in Lithuania. One possible explanation may be that Estonia had already 2004 quite a good infrastructure and availability and during 2005-2009 publicity to grow the number of users has not been too active.

The higher transaction level of e-government can be measured according to the usage of Internet for returning filled-in forms to public authority (table 1). As expected from the literature review the number of enterprises who use transaction services is lower, but still most of the enterprises from the countries in the EGOPRISE project use it more than EU27 average. Only just half of the Latvian and German enterprises use the transaction services.

The statistics show as pointed also in the literature that the enterprises use more e-government than citizens.

4.2 Reasons for Using e-Government

During the interviews we asked why the enterprises use e-government services. In the table 3 there are the benefits mentioned in the interviews. The most important factors are time and money. The entrepreneurs believe that they save time when looking for information, travelling. The SMEs all over the BSR region mentioned that using e-government is efficient, saves time and expenses, but sometimes it is compulsory (DK, DE, EE, LT).

They also value the convenience; they can use it whenever they need. E-government information services are 24/7 available (should be) and are always accessible and this makes it possible to check information from other sources and compare the information or possibilities by yourself (EE).

The increased transparency in the administration process was mentioned in Danish, German and Estonian interviews. Thanks to the integrated systems one does not need to do the same things repeatedly (FI) and can avoid mistakes as the system controls (EE). One of the

⁴⁹ Percentage of enterprises with at least 10 persons employed in the given NACE sectors. Within the last calendar year before the survey.

advantages is that there is always a copy of sent things, and often also a receipt for the sender (Finnish summary) and the back-up of all documents should be done by the government (Estonian summary).

Concerning the information protection, there are different opinions. Some say that using e-government will help to protect information (EE, FI). For example it is possible to find out who looked at the data. On the other hand some of the interviewees were afraid that the information might leak (EE, DE). Also in Lithuania the SMEs referred to the low confidence for the safety and reliability of processes (LT). There is a threat that authorities will control too much, as they are tempted to ask for too much information (DK).

Table 3 Benefits for SMEs

<p>SAVING RECOURSES</p> <ul style="list-style-type: none"> • Saving time (EE, FI, DK, DE, LV, LT) • Saving expenses (FI, DE, LV) • Saving travel costs especially when you are far away (EE), • Reduced paperwork (EE) • The (central) government is responsible for maintaining and making back-ups of all documents (EE) • Optimising the internal workflows (DE) <p>CONVENIENT</p> <ul style="list-style-type: none"> • Easy access to the services and information (EE) • Quick way to information working 24/7 (EE, FI) • No necessity to visit an authority's office (FI, DE) • Easier than calling and waiting for forms to be sent (SE) • Thanks to the electronic services one does not need to do the same things repeatedly (FI) • Possibility to install system-to-system reporting (DK) • The known services are easy to use (DE) <p>TRANSPARENT</p> <ul style="list-style-type: none"> • Less bureaucracy (EE)/ bureaucratic procedures (LT) • Increased transparency (DK, DE, LT). • When the document was signed in an electronic way – in a paper you cannot find it always (EE) • quality and speed of administration (SE) • There is often a message that the message has been sent successfully (EE) • Manipulation is important advantage, but more in the meaning that perhaps then

officials look also more carefully, when they know some footprints are always left behind (EE)

- Absence of manipulations and corruption (EE)
- More than one source is available, which increases availability, trust in information obtained and its comparability as well as different points of view (EE)
- Automatic communication between databases saves time and helps to avoid stupid mistakes, which may happen when submitting data/applications/etc via traditional methods (EE)

Source: Country reports from the EgoPrise project

4.3 Disadvantages of the e-Government

In the interviews we asked why the entrepreneurs do not use the e-services or what the disadvantages are. Some interviewed entrepreneurs from countries like Denmark, Sweden, Estonia and Finland could not see reasons not to use e-services. All the interviewed companies take it for granted that the services of the authorities as well as business services are offered on the internet. Using the electronic services is the first preference of the companies. (FI) E-services are offered and preferred (SE).

Some entrepreneurs brought out that they do not know about services and therefore do not use them. I do not know where to find what kind of information or services exist (EE, DE). Also Lithuanian SMEs said that they are not familiar with the possible e-services and the advantages of using them (LT). The information is available in different web-pages with different structures (LV, EE) and this makes it difficult to find and they lose the most important advantage – saving resources incl. time. There was also mentioned the risk that information might leak (DE, EE) and that's why they avoid e-services. Often (in German summary) or sometimes (in Estonian summary) direct personal contact to the public administration is preferred; this might be again the question of beliefs.

It was also mentioned that the entrepreneur has a problem or group of obligations what s/he must do. If the entire chain of needed actions is not offered through the Internet (there are media brakes) then it does not help if just some of the services are interactively used via the Internet. If you have to meet an official for additional reason (for example giving a physical signature or training) then it does not matter whether there is an e-service or not (EE). Usage of e-services is time consuming and ineffective, since the process is complicated and there are poor links between state institutions (LT).

Table 4 Disadvantages in using e-government by SMEs

KNOWLEDGE and INFORMATION

- Information presented is too general (EE, SE), difficulties in interpreting what is meant and there is no one to ask for help (FI),
- Do not know what kind of services exist, and it is difficult to find existing services (DE) or information (LV)
- Missing confidence (DE)

- Language variety is not observed (EE)
- Not all population and entrepreneurs can use or are willing to use computers (EE)
- Netiquette is rather underdeveloped compared to the services provided (EE)
- Official language is used (DE)
- lack of clear instructions and technical assistance (LT)

UNCONVIENIENT

- When it is done once, learning process may be time consuming (EE)
- The logic of the services in different places is always a little different (FI)
- Sometimes you need to download, print out, fill and then send away by post (EE), sometimes you cannot save the unfinished or finished form (FI)
- Sometimes the forms and filling out applications are not very standardized (EE)
- It is not possible to fill in independently most of the downloadable forms (LV)
- Regular meetings or monitoring the end users, to find out how the solutions really work (DK)

TECHNICAL PROBLEMS

- Sometimes the e-service or server is too slow or offline, but this may also be the Internet service provider's question (EE)
- ID-card and Apple/MAC issues are sometimes problematic (EE)
- It is not always possible to use the e-services via mobile Internet (EE)
- Registering as a user in many places is an additional burden (FI)
- In case of technical problems, it takes a lot of time to find out whether the service is functioning or not (FI)
- The possibility that viruses appear (FI)
- If things in a digital transaction start to go wrong – then it can become really complicated. You cannot see, how far you got in the process – and how many of you registrations have been accepted – and then it is very difficult to get in touch with live people, who can find out about it for you – and solve your problem. Then the process becomes very time consuming (DK).
- When there are system-to-system, whenever the authorities change the system (which they do regularly), the enterprises have to change their systems too (DK)
- e-signature is available only to businesses, so it is not possible to use it to register a new business (LV)

INCONSISTENCY

- Not all services are in the web (FI)
- Not the whole service chain is available as e-service (EE)
- Not always the users get a receipt when they have finished a digital transaction (DK)

- Each institution is responsible for a part of the process, none of them is able to give a description of all of it in detail (LV)
- Poor links between state institutions at national, regional and municipal level (LT)
- NO PERSONAL COMMUNICATION
- In some cases face-to-face communication may be more productive (EE)
- In most cases it is only information but not 2-way communication (EE)

Source: Country reports from the EgoPrise project

In the interviews the entrepreneurs mentioned a set of disadvantages what they had experienced or what they imagined them to be (table 4). Many of these disadvantages are in close connection to the advantages (table 3). If the entrepreneurs value the time and convenient and transparent governance they are not satisfied if these requirements are not fulfilled, e.g. the information is not available, fragmented or difficult to interpret and there is no one to ask for help, the service is not available if they want to use it or there are technical problems that take time.

We can notice that more the interviewees had experiences with e-government the more they had proposals how to make it more customer friendly and what could be added. And for example in Germany where already Eurostat statistics showed that not too many entrepreneurs use e-government services, the interviewees also did not have too many comments about the G2B services.

4.4 How the e-Government could Help in the Internationalisation of SMEs

The small and medium sized enterprises need to use the foreign markets if they are interested in growing and developing. The question is how much the government and in our context especially e-government services could help and what kind of help is needed.

The e-government is not seen as the biggest problem for cross-border activities. The major obstacles in the internalisation are connected to the legislation, cultural differences, language barriers (LV). This is in line with the results of empiric studies related to international operations of SME in the BSR (Beifert and Prause 2006, Beifert 2007). Both studies revealed that administrative and legal topics are of high relevance for entrepreneurs in business internationalisation where this topic was ranked higher among the Baltic States, Poland and Russia than in the old EU countries in Denmark, Germany and Sweden.

In Estonia the entrepreneurs pointed out that they are used to use e-government but the governmental e-service usage in cross-border activities is very minimal as the digital signatures are not so common in other countries or if they are used then the technical standards are not the same and the question about accepting other countries digital signatures is still open.

The other entrepreneurs added that there could be the same e-services in other countries; this could help in the cross-border cooperation. A challenge is the integration of e-services offered for SMEs in Estonia into at least neighbouring countries as more and more businesses expand, thus avoiding dabbling of similar procedures or reporting in the main offices and its affiliates abroad (EE). As a conclusion it can be assumed that more and new transnational e-services will facilitate the internationalisation process of SMEs in BSR.

Conclusions and Recommendations

It is not an issue anymore whether the government is online, but the question is in what form and with what consequences. Torres et al (2005) study and our interviewees showed that there is a lot of information, forms but not always the two-way communication and possibilities to finish the whole procedure at once via the Internet. The transition to e-government is not happening with the same speed in different countries and within the cities of each country (Torres et al, 2005, pp 235)

The intention should not be to do everything via e-government. Personal contact by phone cannot be replaced completely by e-service (SE). The question is how the e-government could help more the businesses, what could be done to relieve the businesses from the administrative burdens. During the interviews the entrepreneurs made some country-specific proposals for improvements, but there were also several general proposals that could be useful in the BSR region and also in other countries.

If people are not aware of the e-services and do not use them therefore, they are also not familiar with the added value that e-services could offer (Verdegem and Verleye, 2009). Trust is an important factor when talking about successful implementation of e-government (Warkentin et al, 2002). According to the studies mentioned before to raise the number of users of the e-government the agencies should let people to know what kind of e-services exist and let the non-users hear the positive success-stories that they are not for technology fans but for everybody, just to raise the knowledge and trust. And of course the customers should find the e-services as easily as possible and their trust should not be abused.

The information should be in one place. The downloadable forms should be standardized. It is not possible to fill-in independently most of the downloadable forms because it is required to fill them in the presence of the official or the instructions are so confusing (LV) or written in official language (DE). Sometimes the forms cannot be used in MAC computers, it is not possible to fill-in the forms with the computer (EE) or save the unfinished or finished document (FI). Also the same fields in the different forms or applications should be defined in the same way across the different services (EE).

“Education and training are essential to ensure that citizens have the necessary digital literacy to be able to take full advantage of the offered services” (Commission of the European Communities, 2003). But the empiric study in the EGOPRISE project revealed more. So it can be stated that there is a huge difference among the BSR countries concerning the governmental online-ability with a leading group consisting of Demark, Estonia, Finland and Sweden, but the usage of enterprises is even in some leading countries not satisfactory expressing that the dissemination and training activities of the e-government sector towards entrepreneurs is not appropriate. Especially the age of entrepreneurs has a direct influence on the level of usage separating the entrepreneurs into two groups consisting of persons older than 50 years and persons less than 50 years of age (Eurostat, 2009). The group of older entrepreneurs are using less intensively the internet and related e-services than the younger persons. Here special training programs can help to increase the penetration of usage for e-government services in the future.

Another result of the study was that even highly developed e-government countries are offering larger numbers of sophisticated e-services but the services are distributed among different websites and they are often not offered and constructed according to the needs of the entrepreneurs. This is part of the public organisational background of the administrative system which is divided into ministries and other national or local public institutions which are responsible for parts of the offered e-services but which are not able to offer integrated services

for entrepreneurs. As an example the highly developed company registration service in Estonia can be mentioned which is lacking a direct interface with taxation so that the creation of a company can be realised fully online using one step-by-step procedure but the registration for VAT is still a separate operation not connected to the registration portal (EE).

The last important point that should be mentioned here is the fact that transnational e-services are still a topic of the future. With the upcoming implementation of the service directive at EU level a secure authentication of entrepreneurs from all EU member states will be possible but the currently offered e-services are dominated by national considerations which is not a big surprise because the whole e-government sector is heavily dependent on national legislation. Even developed e-government countries like the Nordic States are offering their online-services mainly for national clients. Here the huge potential of transnational e-services in the field of internationalisation of enterprises is still to realize.

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Universities Third Task: On the Way towards the Entrepreneurial University – A German Case Study

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Objectives: In the globalised knowledge society the future success will come to those regions that can meet global standards in innovation and join global networks and markets. So the regional availability of knowledge and skills has become as relevant as the classical infrastructure for preparing enterprises to compete in the global economy. So the universities third role meaning to play a more proactive part in regional development and innovation transfer is of growing importance. Wismar University situated in Eastern Germany is one of a few model universities all over Germany trying to find new ways by emphasising its role as entrepreneurial university. The paper will describe in form of a case study how this concept will cope with the regional challenges.

Prior Practices: In 2006, Wismar University signed a target agreement with the regional Ministry for Education, Science and Culture to try new ways for regional engagement. This model approach gave the university more freedom to test new solutions for regional interaction and entrepreneurial orientation. In an independent evaluation the model approach was recently considered laying the base for this paper.

Approach/Methods: The model concept for Wismar University based mainly on approaches of regional interaction and networking in knowledge economy between the regional stakeholders. The framework for the paper is oriented on the concepts of Clark, Goddard, Florida and newer ideas from Baltic Sea Region. As a special topic the paper considers the relationship between universities and the entrepreneurial environment in their regions.

Results/Insights: The paper shows the specific situation in Eastern Germany and its consequences for successful regional engagement of universities. In the Eastern part, special emphasis lies on the areas of soft factors and entrepreneurship where new concepts for the universities' third role are presented.

Implications to Community/Industry: Regional development in knowledge economy needs successful networking with a strong participation of universities. Especially the situation in Eastern Germany is demanding a pro-active, regional university engagement with a strong emphasis on soft factors and entrepreneurship. Experiences from model approaches like the Wismar case can give hints how to cope with the regional challenges.

Value to the Theme: Universities can play an active role in regional development beyond education and research. Successful participation in a globalised knowledge economy requires regional orientation and effective regional networking structures. Especially in the area of development of regional soft factors universities can play a role but the solutions and activities

have to be adapted to the regional needs. Case studies can help to understand how to cope with the regional needs and how best practices are realised.

Keywords: Universities' third role, knowledge economy, entrepreneurship, learning region, regional development.

In the globalised knowledge society, the competitiveness together with a prospering development of regions will depend on local strengths and innovations. The future success will come to those areas and enterprises that can meet global standards and join global networks and markets. So the regional availability of knowledge and skills has become as relevant as the classical infrastructure and the national macro-economic situation for preparing enterprises to compete in the global economy. Due to these considerations the European Union is encouraging universities to focus more on their 3rd role meaning to take a more proactive part in regional development and innovation transfer. A lot of examples show that a regionally engaged university can become a key asset for local economic development.

A special situation is appearing in the countries of Central and Eastern Europe where due to the quick privatisation process in the transition period after 1990 a large number of traditional clusters and large enterprises vanished. As a result even 20 years after the start of the transition process the current network and cluster structures in Eastern Europe are still less developed than in the Western part of Europe. In this context some Eastern European universities have proven that they are able to play an important role in regional development and networking. Especially in the fields of soft factors, internationalisation and innovation which are representing special underdeveloped topics in transition countries the universities can improve the networking and cluster development.

The paper presents beside some key results of successful university – business activities in Eastern Germany especially the case study of Wismar University, located in the North-Eastern part of Germany, and representing one of a few model universities all over Germany. The Wismar case is linked to entrepreneurship in a special way because its dedication to regional entrepreneurship activities is fixed in a special target agreement with the cultural ministry. The paper will give an inside view of main experiences and achievements of the Wismar University case of the last 5 years.

1. University, Business and Regional Development

1.1. Universities' Third Role

With the growing importance of knowledge economy from the early 1990s the region played an increasing role as a key factor for prosperity in the 21st century. There are different theoretical approaches to define the future role of universities within that context. One important concept is the "entrepreneurial university" defined by Burton Clark describing a new type of universities finding its own role in a self-initiated and self-organised process by interacting with its changing environment. Since such a type of university is based on evolutionary and open concept a high degree of freedom is necessary requiring autonomy and the integration into the regional structures. (Clark, 1998 & 2001)

A stronger emphasis on networking and learning lead John Goddard to the reflection about regional knowledge networks since knowledge and skills have become the prerequisites of SMEs' and regions' competitiveness, universities are expected more than ever to actively

engage in the development (Goddard, 1997 & 2000). As network knowledge is highly dependent on interpersonal relations, it can most readily be developed within a particular region. And since the networks, especially when they are aiming to support regional development aspects, should be directed at least partly towards specific economic and social objectives, this idea must also apply to the network members.

While universities have always contributed to the social and cultural development of the places in which they are located through a sense of civic responsibility, the emerging regional development agenda requires regional engagement to be formally recognized as a “third role” for universities. The spatial aspect for policy-making in a globalised world has been stressed also by other authors who stated that a spatial unit that seems to gain importance in the knowledge economy is region (Kaskinen et al, 2006).

A slightly different approach focussing less on university roles but stressing more the regional entrepreneurial environment was suggested by the TTT-concept of Richard Florida (Florida, 2002). Richard Florida’s approach identified talent, technology and tolerance as the frame conditions for creative economy of 21st century which economic future will no longer depend on natural resources, machines or work force. Considerations about the universities third task in the context of the TTT-concept came to the conclusion that one major role for universities in 21st century can be found as leading institution for regional soft factor development (Hirsikoski et al, 2009). These reflections transferred a strong importance to universities in Eastern Germany and other transition economies due to the existing weakness of soft factors and their importance in regional development which will be discussed more deeply in the sequel.

The German government used these ideas of regional knowledge networks for launching the initiative of learning regions “Lernende Regionen – Förderung von Netzwerken” funded by the German Federal Ministry of Education and Research and the initiative “Kompetenznetze Deutschland” financed by Ministry of Economics and Technology (BMBF, 2004 and Meier, 2008). Both programs were based on the idea of creating regional knowledge networks where the learning regions initiative aimed more on educational networks whereas the competence networks initiative selected their members among high quality institutions from universities, companies and R&D institutions in order to foster strong collaborative development of technology, providence of added value for the members, good sustainability of the network, high innovation potential and strong international orientation. In the meantime the total number of 107 competence networks was funded already with more than 6,500 members consisting of approx. 4,000 SMEs, 700 global companies and at least 1,300 R&D institutions and universities.

Also on European level the Communication from the Commission “The Role of the Universities in the Europe of Knowledge” (2003, p.2) seeks to start a debate on the role of universities within the knowledge society and economy in Europe and on the conditions under which they will be able to effectively play that role. In order to get a more precise view of successful university – business cooperation models the Commission initiated in 2008 the “University – Business – Forum” gathering from time to time stakeholders from university, business and politics for an exchange of knowledge and experience. One main result of the different events in the frame of the “University – Business – Forum” until now was that the growth of knowledge society depends on the production of new knowledge, its transmission through education and training, its dissemination through information and communication technologies, and on its use through new industrial processes or services.

1.2. Regional Environment in Eastern Germany

Wismar University is situated in Eastern Germany in the region of Westmecklenburg between the cities of Lübeck, Rostock and Schwerin. Westmecklenburg is representing a rather rural region with around 500,000 inhabitants surrounded by booming economic centres such as Hamburg, Berlin, Hannover, and even across the Baltic Sea to Copenhagen and Malmö. Geographically Westmecklenburg is belonging to the Eastern border of Metropolitan Region Hamburg. The major economic areas of activities are shipbuilding, wood processing industry, metal industry, logistics and food industry. The university has currently around 8,000 students and is representing the only higher education institute in the region consisting of a faculty of technology, a business school and a faculty of design. The university employs approx. 350 persons with a scientific staff of approx. 200 persons including 150 professors.

As a part of former Eastern Germany, the region of Westmecklenburg, including Wismar City, is facing a couple of challenges which are characteristic for nearly all parts of Eastern Germany. It is important to mention that even 20 years after the reunification significant differences in the economy between Western and Eastern Germany exist which can be described by four gaps concerning production, companies, finance and innovation which shall be illustrated by some important figures (Wölfl and Ragnitz, 2001; Prause and Kramer, 2006 and Prause, 2010):

- 20% less & 40% smaller companies in the East
- 40% of East-consumed products are from the East
- R&D-intensive East-products are only 1/3 of West level
- Eastern productivity is 80% of Western
- Eastern salaries are 90% of Western
- Approx. 5% higher unemployment rate than in the West
- Eastern export rate is 50% of Western
- Weak Eastern networking & cluster building.

Since the majority of the big Eastern companies collapsed after reunification also their connected cluster vanished. Because of the lack of new cluster kernels, the enterprise structure in Eastern Germany can still mainly be characterized as a tissue or network of SMEs, comparable to nearly all parts of Eastern Europe. But beside these economic hard facts also significant differences in the fields of socio-economic and soft factors can be perceived which are appearing also in large parts of Eastern Europe (Martens et al, 2003 and Bluhm, 2008):

- Decreasing & aging population
- Migration towards West
- Weakness in Soft factors
- Underdeveloped international and intercultural skills
- Hierarchic and inflexible organisational structures
- Weakness in innovation
- Low attractiveness of Eastern regions.

Whereas the demographic change is representing an issue of growing importance on the political agenda nearly everywhere in Central and Eastern Europe, the migration to the West has a special importance to Eastern Germany. Mainly young and skilled workers but also young and well educated women under 30 years are leaving their Eastern regions in order to find

better living, working and development conditions in the West so that there exists already now a lack of younger ladies in the East increasing the demographic problems in the Eastern regions.

In two important studies concerning the level of implementation of the TTT – system of Richards Florida in Germany and a study dedicated to the internationalisation degree of the business sector in Germany the Eastern German regions (Länder) were placed on the last ranks concerning the implementation of the TTT-conditions as well as the degree of internationalisation of companies (TTT 2007 and CBK, 2008). The two mentioned studies are only expressing an important East-West difference in soft factors revealing that Eastern German business sector is slowed down in its development due to underdeveloped soft skills, low internationalisation levels and innovation weakness. (Wölfl and Ragnitz, 2001)

1.3. Political Background for Wismar University

In 2005, Wismar University was confronted with budget cuts and job reduction of around 20% which were initiated from the regional Ministry of Education and Culture in Mecklenburg – Vorpommern. Further plans from the Ministry were to close down degree programs and nearly the whole faculty of economics. In a long negotiation process between the university and the Ministry no real progress was gained.

As a consequence the university launched the proposal “Model University 2020” which contained a restructuring and new orientation of the university as well as the promise to generate around 10% of the public budget by business activities of the university till 2010. The proposal was fixed in 2006 in form of a target agreement between the university and the Ministry consisting of the following cornerstones (HSW):

- Only three faculties: Technology, Business & Design
- Main income source will be long distance studies and continuing education
- New, more business-oriented management structures
- Regional orientation in future activities
- Family orientation
- Strengthening of R&D activities and technology transfer

The restructuring of the university together with the implementation of a new university management system was proposed in order to make the whole university more effective and more efficient. The focus on long distance studies and continuing education exists due to the special situation in German public education system where the charge of tuition fees for public universities is not foreseen in general and is depending on the political decisions on regional level. So the only educational fields for generating income for universities are long distance studies and privately financed continuing education programmes where service fees for special offers can be charged to students.

The background ideas for the regional development activities for the proposals in the target agreement were based on the considerations of John Goddard (Goddard, 2000) who highlighted, that universities are the repositories of knowledge about future technological, economic and social trends that need to be harnessed to help the region understand itself and to identify possible future directions. Universities can act as a gateway to global information and tailor this information to meet the needs of different sectors of the regional economy.

In order to be better prepared for market oriented operations the university founded three limited companies which are 100% subsidiaries of Wismar University:

- WINGS Ltd
- Wismar University Research Ltd.
- Wismar University Service Ltd.

WINGS is organising and marketing all economic activities related with long distance studies and is running outposts in Munich, Potsdam, Mannheim, Heidelberg and other German cities. Actually Wismar University has approx. 2,500 long distance students who are paying tuition fees for their degree programmes. Compared to the situation in 2005 the number of long distance students increased by 33% and among public service providers Wismar University is third largest in Germany in long distance studies.

The generation and transfer of knowledge are depending on the ability to keep qualified staffs in the region and at the university. In order to facilitate and market the research activities at the university the Wismar University Research Ltd. was founded. The Research Ltd. transfers the knowledge and the research capacities of the professors into the economy and acts as the connecting link between the demands of industry and the research areas of Wismar University by offering commercial research services to companies. Finally, Wismar University Service Ltd. is active in the field of commercialization of services and real estate operations of the university. Wismar University Research Ltd is. The profits of all companies are available for the university budget in order to increase the financial freedom of the university.

2. Promoting University-region Dynamic Interaction

2.1. The New Role of Wismar University

In this context Wismar University had to find its new role. Due to its long tradition as a Hanseatic City, Wismar and the Northern part of Westmecklenburg are trying to establish a closer collaboration towards the Baltic Sea Region. Here the Seaport of Wismar together with its hinterland connections and the shipbuilding yard were important actors right after the reunification in 1990. The University was supporting these international activities, by playing a key role as a regional competence centre due to its existing international collaborations and networking activities. However, the university approach became much broader in recent years.

Responding to the special challenges of the situation in Westmecklenburg as part of Eastern Germany, Wismar University had to take an active role in regional development considering the fields of the TTT – concept, entrepreneurial activities and an active role in the regional knowledge network.

Starting point for all sustainable innovation a technology transfer activities from the university environment towards a SME – dominated region is an enhancement of the absorption ability for innovative knowledge in the regional economy. Not all SME employees are enjoying an academic education and most of these employees with an academic background have left university a longer time ago. Especially in rural areas where the number of high-qualified personnel is below the average the successful and sustainable technology transfer process must be facilitated by preparing and accompanying training and qualification activities which must be done by teachers which are familiar with the special innovation and technology products coming from university environment, i.e. the universities must carry the main work and

responsibility of the innovation- and technology-oriented training and qualification tasks. (RegioVision, 2010)

A special situation is appearing in Germany where relatively strict separation between vocational and academic education is realized. Whereas the academic education is mainly realized by classical universities and universities of applied sciences (Fachhochschulen), the vocational education is organized by chambers of commerce or chambers of craftsmen in cooperation with the regional economy. Both educational systems are having their own bachelor/master degrees and vocational qualifications but historically there is no real permeability between the two systems. Only in recent times there exist ways to combine and open up both traditional ways by offering combined degree programs, mainly at universities of applied sciences, delivering both bachelor degrees in one study program which includes longer internships. The second educational innovation is the recognition of the craftsmen master degree as a permission to start an academic degree program at a university. Both solutions can be only the starting point for an integrated Open University system, integrating and combining the advantages from both educational worlds. The economic reality passed already the education – political discussions because there are no significant differences any longer between the innovation activities in high-tech craftsmen and engineering SMEs.

Universities are representing those regional network members playing a key role in all three fields of research and exploitation of its results; education and training; and regional and local development. Nevertheless there are still obstacles in the cooperation between universities and business sector. So the “Community Innovation Survey” revealed that less than 5% of innovative companies considered information from government or private non-profit research institutes, universities or other higher education institutions, being a very important source of information, which is even more disappointing because according to Jean Baudrillard's value theory it turns out that throughout the innovation sharing life cycle, new values are continuously added to the process so open innovation sharing itself is creating new innovation values (Belyakov et al, 2010 and Prause et al, 2009).

2.2. Focus Areas of Wismar University

When looking at the university – region collaborations from a strategic point of view, it is important to realise the need for thematic focus. In order to reach concrete measures and activities in regional engagement, and in order to be able to coordinate the cooperation, the university must develop a focus. Thematic organizing of cooperation and focus should be visible in all parts of the competence component and the structural component. In accordance with the regional needs and the main competences of Wismar University can be divided into four areas:

- Social and cultural involvement
- Internationalization of SME
- Logistics
- Entrepreneurship and technology transfer

2.2.1. Social and Cultural Involvement

Wismar University tried to find new ways to appeal the younger generation as well as to the third age generation. For this purpose the “KinderUni” (children at university) has been created and started operating from winter semester of 2004/05 – initially with 7 lectures. Each year, Wismar University has attracted the young generation with ages from 8 to 12 with 9 lectures per semester. Over 1,000 children have already attended the lectures, as well as their parents who

got the opportunity to attend via video screen. The KinderUni should also attract the children and, in particular, the parents to continue their education and career at Wismar University in order to strengthen the resources of the region. In the creation of a family-friendly environment the University shows best examples of adaptability to demographic developments. In order to ensure the supply of future students such an approach is essential.

Parallel to that, a senior university started in March of the same year. Due to the demographic change the group of people beyond 50 year age (Silver Agers) are representing a growing part of the society (BIBE, 2009). So the Silver Agers can be considered as new target group for the university because they are interested in education and culture, due to the medical progress they are enjoying good health. So the start of the senior university in Wismar is not only enabling people older than 50 to have an opportunity to keep up to date through lectures that are dealing with scientific and innovation subjects it also helps the university to develop their skills in “geragogics”. Since the social and cultural dimension for regional development of KinderUni and senior university are recognised by regional business both events are supported by the economic sector of the region.

In addition to the opening of the university towards non-typical target groups of universities Wismar University took measures to fight low regional birth rates and to become more family-oriented by offering special services for academic personnel and students with children. Wismar University became the first university in the Eastern part of Germany to be given the Occupation and Family Limited Certificate (an endowment of the Hertie foundation) as a “families-appropriate university” by the Audit Council in 2004. In order to promote that process of integrating families into the education development, a university-kindergarten was established directly on the campus in 2005. Further activities are to follow in order to improve the connection between learning and living conditions.

Furthermore, another important cultural activity should be mentioned. In vicinity of Wismar University the Wismar Theatre is situated directly on the University Campus. The theatre is used in a shared way by Wismar University, Wismar City and Wismar Theatre. Two other important institutions of over-regional interest are the regional Film Centre for Mecklenburg-Vorpommern and the Technical Museum of Mecklenburg-Vorpommern, which are working in a close cooperation with the university. As a last cultural institution of regional importance is the German-French Society of Wismar which was founded by professors of the business department of the university and is open to all interested citizens. Due to the close academic contact to France a lot of university activities are used to enrich the cultural life in Wismar.

Finally it should be mentioned that the socio-cultural involvement of the universities is used as a tool to increase visibility towards the public and the regional stakeholders. Universities are often regarded as closed and distant to regional actors so active collaboration requires active presence and visibility in the region and its daily life. Increasing presence and visibility should be a guiding principle in all parts of competence component and structural component. By the competence component it is meant that the university must first of all learn to market its competences outside the academic community. Spreading information on university competences and activities increases the attractiveness of the university as a collaboration partner, as it seems more active and less withdrawn from its region. In respect to the structural component, the university should make its collaboration structure more visible and understandable. University services are not reserved for large companies only, but any SME, public authority, association or individual can find a university course e.g. in continuing education that is of use. (Hirsikoski et al. 2009)

2.2.2. Internationalization of SME

At the European level there are several projects, institutions and authorities, which have been founded and promoted by the university in close collaboration with industry and the public. In a couple of European projects like the Interreg III B projects “Baltic Business Development Network” (BBDN) and A.S.A.P. “Efficient Administrative Structures as a Prerequisite for Successful Economic and Social Development of Rural Areas in Demographic Transition” the university tried to sharpen its image as a regional competence centre for international activities with a special focus on Baltic Sea Region. It gives practical advices to SMEs on how to find and conduct business in other countries. As a result of the project work a connection between education and economic independence of the regional and general economic demands has been established in order to respond to the requests of qualified and successful businesses. In addition to that an electronic platform has been established which will provide essential information to SMEs. It is planned to set up a service centre in each partner country where full internationalisation services are offered to the regional SMEs in local language in order to help them to access foreign markets within the Baltic Sea Region.

The internationalisation process for SMEs has been also in the focus of the “InterSME” project, which was financed by the EU in the frame of the LEONARDO programme. The main aim was the improvement and promotion of the employability skills of the participants in an international context. For this reason a curriculum was designed which enables the participants to succeed in international operations and to adapt to the demands of the globalisation process. The project was also focused on the Baltic Sea Region in order to facilitate access to the market for students as well as for employees.

Almost the same intention but with the extension to the European market is embodied in the LEONARDO projects “EU-Diploma in SME-Management” and “Comparative SME studies” and the ERASMUS Multilateral Project “Virtual campus for SMEs in a multicultural milieu” with partners from all over Europe. Within these projects the participating countries developed tailor-made programmes and curricula for SME-employees and students to be able to succeed in SME-management and entrepreneurship in the EU-framework. The results and experiences of the two Leonardo projects were used in the ERASMUS project where online courses for SME-employees and students were developed in English, French, German and Hungarian language in order to provide the necessary knowledge for internationalisation in local language.

The results and gained competences and experiences were published and used to support internationalisation activities of regional companies (Beifert and Prause 2006). Furthermore, the experience in 10 years of participating in European projects lead to a fully established European project centre inside Wismar Business School collecting and developing the knowledge in preparing, applying and running different types of European projects with partners in- and outside the region. In the meantime, the EU project centre took over a proactive role in the region by initiating projects from regional project ideas due to the existing knowledge and experience.

2.2.3. Logistics

On the European stage the activities of Wismar University are in accordance with logistical interests within the Baltic Sea Region. In this way the Interreg III B projects “LogOn Baltic” and “InterBaltic” aimed to have an impact on the regional development in the logistics and ICT fields as well as the optimization of the multimodal BSR-logistics and hinterland transportation in the

Baltic Sea Region. The creation of joint concepts for logistic-related value-added services and optimized transnational logistics chains are core content of the project. Wismar University, the Business Association of Wismar, and the Ministry of Labour, Building and Regional Development of Mecklenburg-Vorpommern are involved in the project.

The participation in the two Interreg III B projects gave the starting point for the creation of the Master program “Digital Logistics and Management” which was offered for the first time in 2010 at Wismar Business School in order to fill a regional market gap in the field of logistics in Mecklenburg – Vorpommern. During the two projects empiric studies revealed that the logistics competences in the region were below the BSR average and that there was no adequate educational offers available. As a consequence, the creation of the new Master program in logistics was in line with the regional development activities which named the field of logistics as one of the main sectors for the future. So in 2007 the Logistics – Initiative Mecklenburg – Vorpommern was created emphasising logistics as one of the most important future business sectors for the future. Wismar University is a member of the Logistics – Initiative Mecklenburg – Vorpommern and increased its engagement in European logistics projects from 2009 till now with the Interreg IV B projects “Oversize Baltic”, “EWTC2” and “Baltic.AirCargo.Net”.

Beside Wismar Business School the second key player in logistics is the maritime department which is equipped with a special expertise in maritime logistics. In recent years the regional activities in the maritime field were enlarged significantly by introducing a new Master program “OMMS: Operation and Management of Maritime Systems” where the business related topics were developed in cooperation with Wismar Business School.

2.2.4. Entrepreneurship and Technology Transfer

Within the overall marketing strategy, and taking into consideration the structure of the region in which Wismar University is situated, the topic “entrepreneurship and entrepreneurial education” plays a key role in the framework of regional activities. Wismar University has been striving since the year 2000 within the regional project INFEX to supply information to attract and motivate students for self-employed business activities. The development and promotion of entrepreneurial thinking at the university leads to more transparency and acceptance concerning entrepreneurship and its importance for the regional development. With this in mind, several seminars at different levels have been offered within the project.

Since 2009, a special Start-up Office with five persons employed was founded at Wismar University in order to organise special offers for university members, i.e. students, professors and researchers to support all kinds of entrepreneurial activities in the university offering:

- Entrepreneurial courses / lectures
- Start – up consultation
- Patent consultation
- Business Idea development and business idea competition
- Idea Puzzle
- Venture Sail
- Entrepreneurial Duel
- Organisation of entrepreneurship semesters

The close collaboration with Wismar University stresses the support for start-up companies taking their first independent steps in the initial years of their business operations. In the

beginning of the 90's the Technology and Research Centre was established including a business incubator and opportunities for R&D activities in close collaboration with industry and commerce. Up to the present, over 100 new businesses have been created.

2.3. Case: European Cruise Academy

In order to stay competitive and guarantee potential leaders of tomorrow, AIDA Cruises founded the European Cruise Academy in cooperation with Wismar University. The bachelor's and master's programmes as well as the training modules are adapted to the expanding cruise ship industry and started in 2008. With the Academy, AIDA Cruises is leading the way for an integrated international education concept. The content of the course was set up in collaboration with the Wismar University in form of a Public Private Partnership. The educational and degree programs are financed by tuition fees and marketed by AIDA Cruises.

The close cooperation between industry and academia allows offering an innovative education concept by safeguarding a high quality level and by integrating international experts from universities and companies into the program. By using this concept there exists the opportunity to respond to the needs through a mixture of up-to-date knowledge and skills of professionals operating in the modern cruise ship industry, combined with the necessary academic background knowledge. So the education meets both the demands of industry and university.

In order to meet the increasing demand for qualified personnel in nautical and technical area, AIDA Cruises together with Wismar University developed educational programmes on bachelor and master level in the frame of the European Cruise Academy which are especially adapted to the needs of Cruise Ship Industry. These programmes provide the perfect basis for experienced engineers and officers as well as for young graduates to attain management positions and to start a career within the dynamic cruise ship industry (ECA, 2010)

2.4. Case: Regional Project Work

Of great importance for the whole region of Westmecklenburg is the work in regional development projects which requires high levels of networking activities. Since Mecklenburg – Vorpommern is one of the lowest developed regions in Germany funding from outside the region is mostly compulsory to start project work. So the main sources for project work are the regional government in Schwerin, the federal government in Berlin or the European level. Wismar University was and is quite successful in attracting projects of high regional relevance especially from federal or European sources.

Four important national projects with participation of Wismar University were (HSW):

- EGOS
- MAO
- NUKLEOS
- Innovation Network: Logistics Centre Wismar Harbour

Whereas the EGOS project was initiated in the frame of the learning regions programme the two projects MAO and NUKLEOS were focussing on development of regional competence in maritime industry (MAO) and plastic processing (NUKLEOS). All three mentioned projects were based on high level networks from education and technology and innovation. The logistics

project was executed in cooperation between Wismar University and Rostock University and was aiming to improve the performance and the networking level of the logistics cluster around Wismar Harbour. All four national projects increased the reputation of Wismar University as a regional competence centre on high-tech level. On regional level the projects helped substantially to improve the innovation potential and the networking activities.

Important projects on European level were mainly related to maritime or to business sector so that the maritime department or Wismar Business School were involved. The content of the business related projects was mainly oriented on SME management, internationalisation of SME and on logistics. These are representing special weak points of the regional economy. Especially the internationalisation and logistics helped significantly to increase the regional activities. In the meantime Wismar University is a member of the regional logistics initiative and in cooperation with regional business associations a couple of business trips and international business matching events were organised especially in the Baltic Sea Region and in France. Nearly all started networking activities with regional partners became in the meantime the form of a sustainable cooperation facilitating the regional interaction process between university and region.

2.5. Case: Maritime Industry

The maritime industry in Mecklenburg – Vorpommern is passing turbulent times since the start of the financial and economic crisis in 2008. Before the crisis, the shipbuilding sector represented the industrial backbone of the region, usually being responsible for approx. 20% of the regional industrial turnover, more than 350 maritime companies and approx. 12% of all industrial work places representing more than 13,000 jobs.

Wismar and Rostock have played the major regional role in maritime industry because the headquarter of the biggest shipbuilding yard which belonged to the Norwegian Aker Yards Group till 2008 was situated in Wismar whereas the largest number of activities in maritime industry were concentrated in Rostock.

In Wismar, there has already been a long cooperation between the shipbuilding yard and the university when, in 2007, Wismar University was asked by the biggest Russian shipbuilding yard in St. Petersburg, Admiralty Shipyards, to launch a management training program for the junior board members. The aim of the program was to get the upcoming board members of Admiralty Shipyards acquainted with modern, Western management methods in shipbuilding.

The program included management training components, an internship at Aker Yards Wismar and company visits in St. Petersburg, Wismar and Rostock and was executed within 15 weeks by a mixed team of professors from Wismar University and management experts from Aker Yards Wismar being completed by logistics experts from Hamburg and production experts from Rostock.

The program was a big success not only because of the high quality training and the transfer of modern management knowledge in shipbuilding but also because the university paved the way for the regional shipbuilding industry for sustainable cooperation with Russian shipbuilding sector. In 2008, Russian investors took over the Wismar shipbuilding yard and regional maritime companies from Mecklenburg – Vorpommern received orders for modernization of older and equipment of new shipbuilding yards in Russia. The model of a strategic alliance in shipbuilding

industry between university and business has been used for follow ups and other offers for maritime industry projects.

So the lesson learned in this special case of university – business cooperation is that universities can open up markets for regional business and act as service providers for regional products based on a successful regional interaction between university and business.

3. Conclusion

Regional development is an innovation process, which crucially depends on interaction between the regional stakeholders. Interaction is the basis for learning, innovation and technology and knowledge transfer, and hence eventually also the basis for the economic prosperity of regions. Thus, central for sustainable development is the interaction between knowledge producers, disseminators and users. Regional development in knowledge economy needs successful networking with a strong participation of universities. Especially the situation in Eastern Germany is demanding a pro-active, regional university engagement with a strong emphasis on soft factors and entrepreneurship.

Experiences from model approaches like the Wismar case shows that autonomy and modern university management structures are pre-conditions for successful university – region interaction. In transition economies like Eastern Germany the third task of universities has an important role as leading institution for regional soft factor development due the existing weakness of soft factors. Since universities are enjoying a long tradition of international cooperation they are usually representing the regional competence centre for internationalisation and innovation. Furthermore, they are representing often the institutions with the highest concentration of creative workers making them also a high competence centre for implementation of entrepreneurial environments according to the TTT-concept of Richard Florida.

However, in order to win more financial freedom from public budgets the Wismar case shows that business activities and new form of university – business cooperation can be successful but sustainable regional interaction and successful regional project work are no short term results. All sides have to learn to work together and only successful projects pave way for follow-ups and good experiences facilitate future cooperation. The actors get to know each other's operational environment and starting points to regional development and are able to develop a mutually beneficial collaborative relationship.

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Egocentric Network Analysis of Personal Networks Ethnic Minority Female Entrepreneurs

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Abstract

The main objective of the paper is to explore and explain the differences/similarities in personal networks of, and their use by, immigrant and British born Pakistani female entrepreneurs for business growth. A broad range of studies has explored the social context of ethnic minority and immigrant entrepreneurship by assuming all minority entrepreneurs as a cohesive group without taking into account intergroup (geographical categorisation) and intra-group (generational) differences. These differences are explained by socio-economic and cultural factors such as family background and support, ethnicity, religion, education, and more importantly personal network (Metcalf et al, 1996; Basu, 1998). The blend of culture and religion depicted in entrepreneurial practices of Pakistani entrepreneurs is an interesting area to explore. Our particular interest is to explore the interactional dimension of the personal networks of Pakistani female entrepreneurs and its impact on the growth of their business. In order to explore the meaning and perceptions attached to relationships and the way they are being used for flourishing the entrepreneurial ventures, we use egocentric network analysis to take the 'ego's' (Pakistani female entrepreneur's) perspective to understand the individual entrepreneur's experiences of and with ties in personal networks. In-depth interviews are carried out with 'name generator' questions and sociograms were used to explore the nature of network ties and reasons for their formation. By generating an in depth understanding of the distinctive use of personal networks for growth of business by Pakistani female entrepreneurs the paper provides in depth knowledge and understanding of a particular ethnic minority group that will be of use to business owners (Pakistani female entrepreneurs), academic researchers and policy makers.

Keywords: Personal Network, Ethnic Minority Female Entrepreneurs, Egocentric Network Analysis

Introduction

Entrepreneurs are embedded in the network of social relationships which enables them to acquire the resources and information from the external environment. The embeddedness of entrepreneurs in the network of social relationships is of crucial importance not only for entrepreneurs in general but for ethnic minority entrepreneurs in particular. The social embeddedness framework asserts that the “study of economic activity must include the analysis of social context within which economic actions occur” (Granovetter, 1985; Uzzi, 1997 & 1999). This social context is made up of individual and institutional actors, whose interactions form an ongoing network of relationships. Kristiansen (2004) defines network of relationships as “a series of formal and informal ties between the central actor and other actors in a circle of acquaintances”. She argues that networks themselves may or may not be important but their importance lies in their function. According to Kristiansen (2004) a network acts as a “channel through which entrepreneurs obtain necessary resources for business start up, growth and success”. It depends on how the entrepreneur selects the network members and utilise them to the benefit of entrepreneurial venture.

The social context varies for different ethnic groups causing the varying network compositions and use of network across different social groups. Batergal (2007) compared networking activities of Chinese and Russian entrepreneurs and concluded that geographical and cultural factors are reflected in the personal networks of entrepreneurs in terms of density, nature of ties and interpersonal trust. Similarly by comparing the social networks of entrepreneurs across twenty countries Meyer et al, (2007) tried to check the existence of “universality” in the networking process of entrepreneurs and concluded that culture acts as an important moderator in the entrepreneurial networking causing variations in the networking process across different cultures. Different ethnic groups have variation in the formation, structure, utilization of network and networking process due to differences in cultures that lead to differential impact on the entrepreneurial practices.

The GEM, 2006 Report points to higher rates of entrepreneurial activity in the United Kingdom for ‘South Asian’ and ‘Black’ women entrepreneurs than their white female counterparts (Harding and Bosma, 2006). However, other studies have found that there are considerable differences in entrepreneurial endeavour and outcomes between and within the individual ethnic minority groups. Geographical categorisation (for example, South American, South Asian, African entrepreneurs) and religious grouping (such as Bangladeshi and Pakistani women) for statistical purposes ignore inter-group and intra-group of the various ethnic minority communities (Salway, 2007). Basu (1998) argues that the entrepreneurial activities of South Asian ethnic minority groups differ because of differences in cultural factors such as education, skills, and family background and social networking behaviour.

The implementation of the network perspective has led researchers to focus on the role of social relations in shaping entrepreneurial activities and their outcomes. Though research on ethnic minority entrepreneurs in particular addresses questions on how social networks shape the entrepreneurial activities and outcomes in host country, however, it does not appreciate the inter and intra group heterogeneity in the ethnic groups that is essential for policy making. Therefore this research study focuses on Pakistani female entrepreneurs to explore the role of personal network in the growth of their entrepreneurial ventures. Personal network perspective can also help to appreciate the peculiarity of the gender dimension of ethnic minority and particularly Pakistani business communities, to understand the inter-generational differences based on

ethnicity and gender within specific communities; and the motivations for self-employment and in particular growth-oriented entrepreneurial activities of Pakistani female entrepreneurs.

The Dynamics of Personal Network

There is a long standing tradition in the field of entrepreneurship devoted to studying the entrepreneurs as a 'network person'. Entrepreneurs regard the network of relationships as a source of support that assists them in entrepreneurial process in a variety of ways. The network approach to the entrepreneurship presumes that entrepreneurs depend on the network members for information, resources and support. The nature of the network maintained by the entrepreneurs determines the type and extent of support. The personal choices to maintain a specific set of relationships with relatives, friends and business associates are reflected in the personal network of entrepreneurs (Hall and Wellman, 1998). A personal network can be defined as the all the network members with whom the entrepreneurs (the focal actor) has a direct relationship. Jack and Anderson (2002) note that an "ego network (personal network) is based on the perspective of an individual. If someone is asked to list all the people with whom they have relationships, this list would constitute the individual's ego network". Personal network studies investigate the network relationships of the entrepreneur from his/her individual point of view.

The personal network approach to entrepreneurship considers the entrepreneurs as embedded and dependent actors (Aldrich and Zimmer, 1986). The individual entrepreneur is embedded in the network of social relations and uses the network for extracting resources and emotional support. The network of social relationship itself is embedded in the wider social context which means that the relationships are tied to the larger social structure that exerts the influence on the formative mechanisms of the network and dictates the availability of the resources to the entrepreneurs. Various social factors such as ethnicity, socially constructed gender roles, intergenerational differences, and personal choices of individual entrepreneurs, family background and other socio-demographic factors influence the formation and utilization of personal network in a social context. For different social/ethnic groups these factors may vary according to their position in the society.

Influences on Personal Network – Gender, Generation and Ethnicity

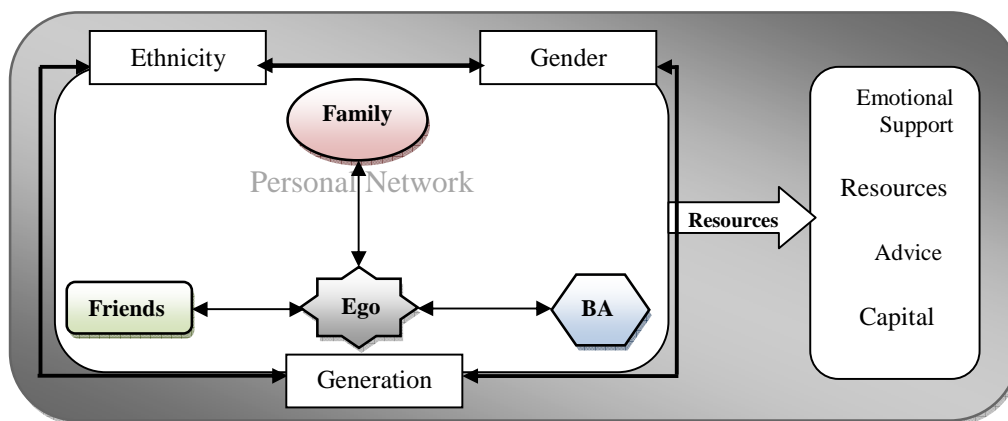
For minority businesses the role of networks is crucial as in the host country many of these businesses rely more on co-ethnic support, for both financial and non-financial reasons. However, the type of network maintained by the ethnic minority entrepreneurs determines the nature of support available to them. In his seminal work on the 'strength of weak ties', Granovetter (1973) seeks to connect individual behaviour to larger social structures by examining the nature of ties (relationship) between persons. The strength of ties argument focuses on the types of connections between individuals and how they influence the flow of information and resources. The nature of relationship in the network is not independent of the social influences and is determined by a number of factors.

Ethnicity, socio-cultural influences and gender roles are some of those potent factors that influence the personal network of entrepreneurs to a huge extent. Iyer and Shapiro (1999) argue that immigrants start their entrepreneurial ventures because of the influence of ethnic ties and to serve their ethnic community. Ethnic minority females rely most on their ethnic network and

extract most of financial and emotional support from family and close friends. Therefore, they start the business with the help of family and friends and with the expansion of business they extend their network to include outsiders. Similarly the gender based differences were found in network composition, use of network, method of accessing the network and perception of relations in personal networks (Aldrich, Reese and Dubini, 1989; Stackman and Pinder, 1999; Verheul and Thurik, 2001). However, gender based differences in the networking are attributed to the social context that assigns particular roles to men and women. Hodgetts and Hegar (2007) note that females are 'conservative' in their networking practices whereas, men are 'bolder' and make their choices confidently as compare to women. Therefore, men and women's different roles within the labor force, family, and community both shape and reflect their social environments (Bastani, 2007 & Lomnitz, 1982). Furthermore, different generations within an ethnic group exhibit profound differences in entrepreneurial intentions (Sullivan et al, 2009), motivation (Levent et al, 2003; Rusinovi, 2006), choice of business sector (Gersick et al, 1997) and growth aspirations (McGregor and Tweed, 2002; Kourilsky and Walstad, 1998). It is because of the exposure to the host society's culture and the absence of barriers, such as those of language and education, that opportunity structure is open to younger generations as compare to their immigrant counterparts. Rusinovi's (2006) comparative study on first and second generation Dutch entrepreneurs revealed that first generation (immigrant) entrepreneurs mainly rely on informal networks to acquire resources as opposed to their second generation counterparts.

The interaction of gender, ethnicity and generational differences in ethnic minority entrepreneurs has significant impact on their personal network formation and its use. Gender roles are constructed in different societies differently and they are passed on to next generations. Socially constructed gender roles are constructed and re-constructed (dynamic view), hence may vary in different generations. They include specific 'sources' such as family, friends, customers and institutions, and they use particular 'resources' including information, capital, advice and, quite importantly, emotional support.

Figure – Impact of Interaction of Ethnicity, Gender and Generational Differences on Personal Network



Source: Authors

Socially constructed gender role of female entrepreneurs in ethnic minority context has implications for their actions including their choice of personal network. Their network formation and use is subject to the social conventions and requirements of their traditional gender roles. Generally, ethnic minority entrepreneurs use the network of social relations in the host country

to extract social and economic resources, to get the information about the new surroundings, and to assimilate and integrate in the host society. However, the composition of a personal network and its use varies across different ethnic minority group. The interaction of gender, ethnicity and generational differences does not always produce the same results in all contexts. These factors have an impact on each other. They are also affected by a multitude of external factors. These factors not only affect the formation of personal network but make it evolve over time.

Temporality of Personal Network in Relation to the Growth Orientation of Entrepreneurs

This temporal dimension in the expansion of social contacts is important because it is with time that immigrants settle in the host society and get integrated in the its normative framework, getting in touch with other communities and expanding their network of social relations. Generally their network composition is associated with the ethnic enclaves where they are engaged in strong ethnic networks. Though it is important that they have support from their ethnic community for starting the venture, the saturation of ethnic market prohibits expansion and growth of the business. Growth orientation requires ethnic entrepreneurs to invest outside the ethnic enclave and to join 'professional trade associations' and/or formal networks (Galbraith and Stiles, 2006). Research in the field of ethnic entrepreneurship has focused on new venture creation paying less attention to growth aspects. Some studies have identified the factors that hamper the growth of minority businesses, such as dense networks (Kontos, 2004; Hoanga and Antoncic, 2003), lack of required skills and resources (Teixeira, Lo, and Truelove, 2007; Evans, 1989), operating in traditional sectors (Basu, 1998), and availability of finance (Dyer and Rose, 2007; Chaganti and Greene, 2002). Barringer et al (1998) argue that growth orientation of entrepreneurs is driven by the desire to achieve independence. It is the desire to be independent that drives female entrepreneurs to grow their businesses. However, the growth and expansion of a business is dependent on the personal choice of the entrepreneur.

A personal network shapes the business outcomes including growth. Research studies show that ethnic minority women entrepreneurs rely mostly on informal, particularly kinship networks to get hold of ethnic community-based resources and to draw emotional and instrumental support from them (Light et al, 1994; Basu, 1998; Iyer and Shapiro, 1999). According to Granovetter (1973) a dense network with all strong ties may restrict growth prospects of the entrepreneurs, hence emphasizing the importance of sporadic contacts with acquaintances (weak ties) in the network. Hence the entrepreneurship literature establishes that network expansion is usually coupled with the growth orientation of the entrepreneurs and venture growth is the outcome of network with a range of weak ties.

Methodology – The Research Site, Access and Data collection

The study is carried out in London, the home of one fifth of all Pakistanis in England. Almost 70 % of Pakistanis in London live in Outer London, although the borough with the highest percentage of Pakistanis, Newham is in Inner London. Over 8% of the population are of Pakistani origin. They are one of the most active groups in economic sphere, with self-employment rates being 8% higher than the average population (ONS, 2010). The study involves contact with respondents who are Pakistani female entrepreneurs and the nature, scope and value of the relationships in their personal network. It focuses on the interpretation of respondents' perception of the relationships in the network. We, therefore, use a qualitative

approach to understand and analyze the personal networks in order to make sense of the social experiences of Pakistani female entrepreneurs.

In the absence of any database for ethnic minority female entrepreneurs and in particular for Pakistani female entrepreneurs, respondents were identified and contacted through personal visits to South Asian markets in London (such as Southall and Green Street markets) and by employing snowball sampling (referrals) techniques. Contact was also made with community and women welfare organizations, business development agencies, and London borough councils. We participated in social events in the Pakistani community to win the trust of the Pakistani female entrepreneurs, who were reluctant to talk about their experiences to the researchers, thereby, adopting a community-based quasi-ethnographic approach explore in depth the social environment of our respondents.

Egocentric network data focus on the relations of focal actor (ego) in the network to explore the ego's perspective on the network of relationships (Hanneman and Riddle, 2010; Friedkin, 1994; Wellman and Hall, 1988). Unlike whole network analysis, which commonly focus on the whole networks, egocentric network analyses individual egos and their networks, however, egocentric network do not focus on data collection from alters. The 'ego' in the egocentric network is treated as the units of analysis; hence data is collected from them using name generator, name interpreters, interviews and observations (Wellman and Faust, 1994; Marsden, 2005). Name generators are a set of questions that egos are inquired with the objective of identifying members of the personal network. Secondly, name interpreters are used to define some attributes of alters such as age, ethnic origin, gender and education etc., and to help in providing some information about the network composition (Burt, 1984; Carrington, Scott and Wasserman, 2005). In depth interviews and observations with the egos provide detailed information about the ego's perspective of the relationships and the context of the network. These data collection tools can be used separately as well as together to provide detailed information on the egocentric network, however choice of the data collection technique mainly depends on the research objectives and the choice of data analysis. Name generators and name interpreters are mainly used to generate data on egocentric network that undergo the statistical analysis, however, when used in combination with the interviews and/or observation, are helpful in textual analysis of the egocentric network and its context. The later combination of the data collection techniques is used for this study to illicit the relevant relational data and to explore its embeddedness in the context of Pakistani culture.

In-depth interviews were conducted with 40 Pakistani female entrepreneurs in London, including 21 immigrants and 19 second generation entrepreneurs, to elicit accounts of their lived experience regarding their personal networks in relation to their entrepreneurial ventures. Name generators and name interpreter questions were asked during the interview. Interviews were pre-scheduled and each interview session was 60-90 minutes long. These interviews were conducted at the business sites of the respondents. All interviews were digitally recorded with the explicit permission of the respondents.

Egocentric Network Analysis of Data

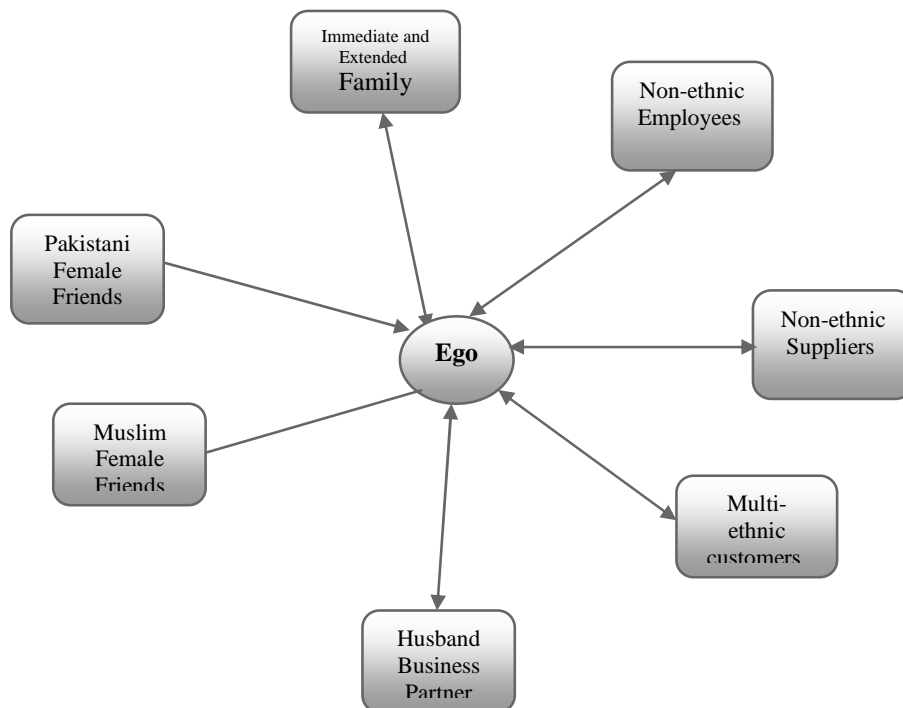
Interview data was analyzed using the egocentric network analysis method. An egocentric network consists of a central node (ego) and all nodes connected to the central node (these nodes are called alters) (Wellman and Faust, 1994). In addition to the links between the ego and alters, the egocentric network also includes links between alters, if research is set to

explore them. This kind of network is represented through a sociogram which is defined by Wasserman and Faust (1994) as “a picture in which people (or more generally, any social unit) are represented in two dimensional space, and relationships among pairs of people are represented by lines linking the corresponding points” (p.11-12). Sociograms, the innovation of Moreno in 1930 (founding father of sociometry), have become the precursor to the network analysis (Wasserman and Faust, 1994). The field of social network analysis has made the valuable use of sociograms to visualize the linkages between network actors and channels through which one individual could influence another for instance the flow of information from one person to another.

Egocentric network analysis technique is employed for the current study to analyse the egocentric networks of Pakistani female entrepreneurs by visual representation (sociograms) of the ego and the alters and to delineate the nature of relations between them, as well as through the direction of the linkages an attempt was made to investigate the influence of the network members on the Pakistani female entrepreneurs and her entrepreneurial activities. Egocentric network representation in the sociogram is the best method to reduce data into interpretable fragments and visualize the relevant network linkages and their influence on network members.

In order to analyse the interview data a reductionist approach was taken by which the data was condensed to 1) nodes – people (alters) identified by the ego (Pakistani female entrepreneur) who are in contact with her 2) linkages – the relationships with alters as identified by the ego. This information was converted into egocentric network diagram as shown below:

Figure 19 - Egocentric Network of a Respondent



The egocentric network of the Pakistani female entrepreneur (ego), given above, shows the connection of ego with diverse network members. Her egocentric network is composed of her family, friends and business associates however, the nature of relationships vary with each group of alters. In the above egocentric network the directed arrows show the direction of exchange, for instance, ego is the recipient of resources and support from the family members and is contributing to them by providing them with the same support. Whereas, relationship with 'Muslim female friends' is not specified by the ego in the interview hence the linkage in the egocentric network is undirected.

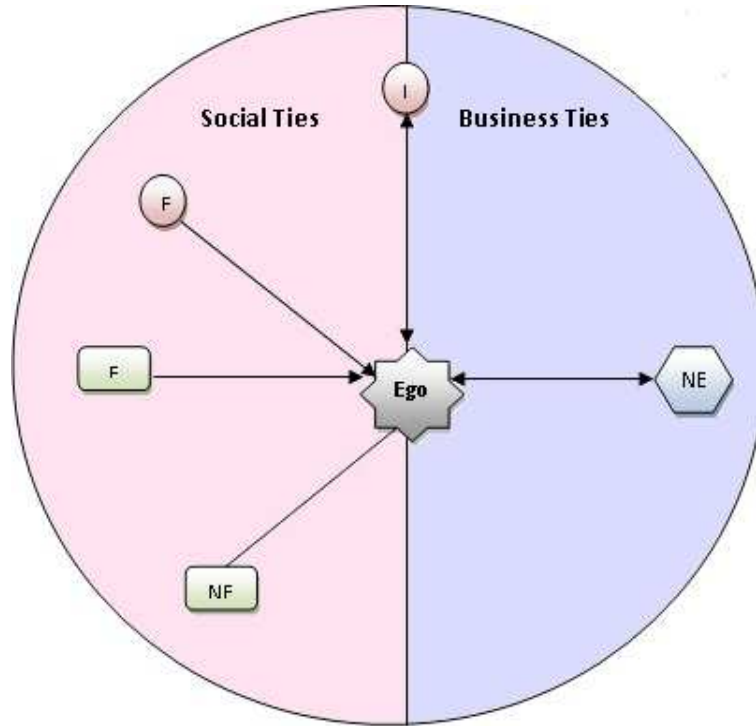
The egocentric networks were drawn for all the respondents to establish the common parameters and the resultant parameters are summarized in the following table.

Table 3 - Properties of Egocentric Network of Pakistani Female Entrepreneurs

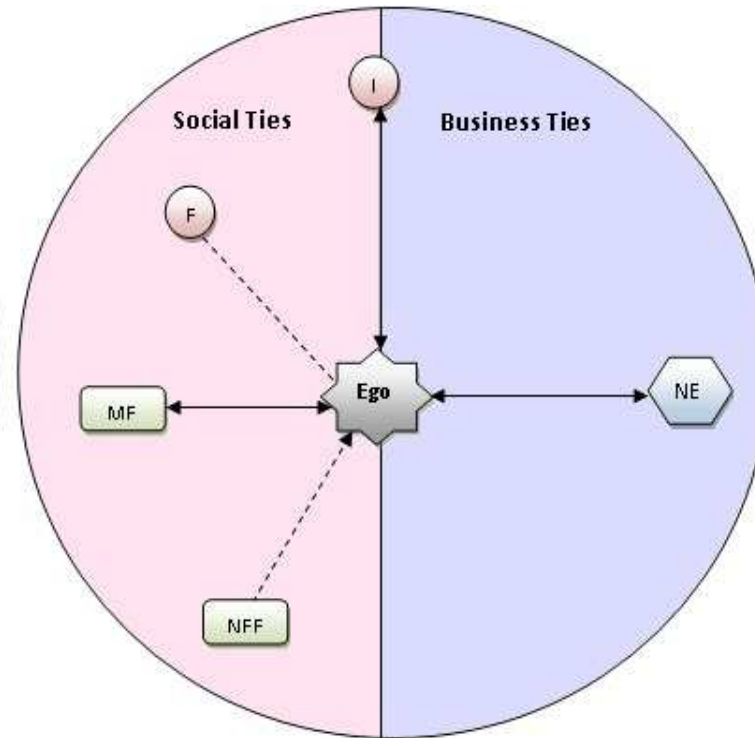
	Egocentric Network Composition			Network Composition Basis	Type of Support
	Formal	Informal	'Tie' Type		
Parameter s	Ethnic Non - ethnic	Ethnic Kinship	Multiplex Uniplex	Ethnicity Religion Gender	Active Participation Emotional support Ideas/Information

The parameters are the common properties of the egocentric networks of Pakistani female entrepreneurs drawn from the individual ego networks and are summarised in the above table. These properties helped in visualizing the representative egocentric networks for first and second generation Pakistani female entrepreneurs. The representative egocentric network of each group serves as a basis for concluding the composition, distinguishing features of linkages and their influence on the entrepreneurial activities of each group. These representative networks are presented on the next page with the key describing the type of nodes and linkages shown in the networks.

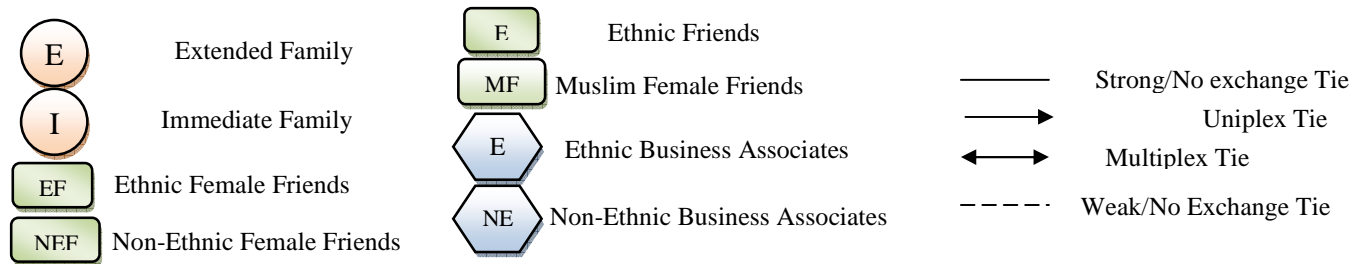
Egocentric Network of First Generation Pakistani Female Entrepreneurs



Egocentric Network of Second Generation Pakistani Female Entrepreneurs



Key – Nodes and Linkages



Results - Egocentric Network of Pakistani Female Entrepreneurs

Egocentric network analysis of Pakistani female entrepreneurs revealed that first generation Pakistani female entrepreneurs prefer dense network with ethnic ties as compare to their second generation counterparts whose network composition is based on gender and religious homophily. However, formal network with business associates of both the groups consists of all non-ethnic ties. Both use their network for extracting resources and emotional support for the entrepreneurial activities.

1. Composition of Egocentric Network of PFE - Comparison of 1st and 2nd Generation

Egocentric network analysis of Pakistani female entrepreneurs' network of relations reveals that Immigrant Pakistani female entrepreneurs are closely connected to their families (both nuclear and extended family) and have majority of ethnic ties in their network. Their friends and business associates are Pakistani and Muslims. There is a strong sense of connectedness with the native country (Pakistan) and Pakistanis in UK. Where this strong sense of belonging defines their ethnic network it also restricts their contacts with other communities in London.

Whereas, second generation Pakistani female entrepreneurs have strong kinship ties with the nuclear family and 'female' friends. Their demographic data and conversation with the researchers during the interview shows that they prefer to do business in 'women-only-environments'. Together with the choice of business their reliance on female friends, the help of sisters and advice from their mothers, shows their preference for gender specific networks. Their choice of 'women-only-environment' is the product of religious and cultural boundaries.

The reliance on kinship, ethnic and gendered network shows the relations of trust with on female, ethnic and Muslim fellows. Trust is a significant content of entrepreneurs' ego networks. It is the main ingredient in shaping dense network consisting of family and shaping the choice of formal (business) ties in the network. The ego network of first generation Pakistani female entrepreneurs show a separation of social world from business, where the social world is shaped with the frequent contact with extended family, the business associates are only non-ethnic members of the network. Absence on non ethnic ties in the network confirms the results. Second generation Pakistani female entrepreneurs rely heavily on the kinship network however, their customers, suppliers and other business associates are all non ethnic, hence showing a mis-trust on the ethnic fellows for business transaction.

2. Characteristics of Egocentric Network of Pakistani Female Entrepreneurs

Characteristics of the egocentric network of Pakistani female entrepreneurs are depicted by the nature of linkages and nodes in the figure 1.2. These characteristics are detailed as follow:

2.1 Basis of Egocentric Network Composition

First generation Pakistani female entrepreneurs' ego network consist of ethnic ties whereas that of second generation Pakistani female entrepreneur, more 'gendered' ties. The ethnic ties in the second generation's ego network are limited to the 'kinship' ties only but their friendship with 'Muslim females' and their preference of business in the 'women-environments' describe their 'gendered' network. First generation Pakistani female entrepreneurs showed great affiliation with the Pakistani culture which developed into their network more ethnic ties.

2.2 Dense Network with Strong Kinship Ties

Pakistani female entrepreneurs have dense networks characterized by strong ties with kins, as evident from the egocentric network figure 1.2. Comparison of egocentric networks of 1st and 2nd generation Pakistani female entrepreneurs' show that though both have dense network, however, kinship network of first generation is wider than second-generation who are restricted to only nuclear families.

2.3 Multiplexity of Ties

Relationship of Pakistani female entrepreneurs with come network actors are single-stranded (uniplex) and with others multiple-stranded (multiplex). Uniplex ties in the egocentric network show the involvement of alters in only one kind of exchange relation such as supplier of the business or friends of the focal network actor, whereas, multi-stranded relations are more complex such as if suppliers are family members and/or friends are customers. Uniplex ties are represented with the single arrowed line and multiplex relationships are notated with double arrowed lines in the ego networks in figure 2.1.

Egocentric network analysis shows that Pakistani female entrepreneurs have more multiplex ties with family members and with business associates. For instance, co-ownership with family members is a multiplex ties because the kinship tie is also a formal business tie, hence sharing two relationships at one node. In majority of cases husbands are co-owners in the entrepreneurial venture of Pakistani female entrepreneurs.

2.4 Ethnic, Religious and Gender Homophily

Homophily is the tendency to connect to the alike/ similar people, such as connection to one's ethnic group and networking of females with ethnic females (McPherson, 2001). Strong ethnic ties of 1st generation Pakistani females show ethnic homophily whereas, strong ties with 'females' and 'Muslim females' depict the gender and religious homophily as the basis of network ties for 2nd generation Pakistani females. Homophily underlies the dense egocentric network of Pakistani female entrepreneurs by providing base for 1) high number of multiplex and close ties in the personal network, 2) very low cross sex ties, particularly in 2nd generation Pakistani female entrepreneurs' network, and 3) very little network diversity across ethnicities.

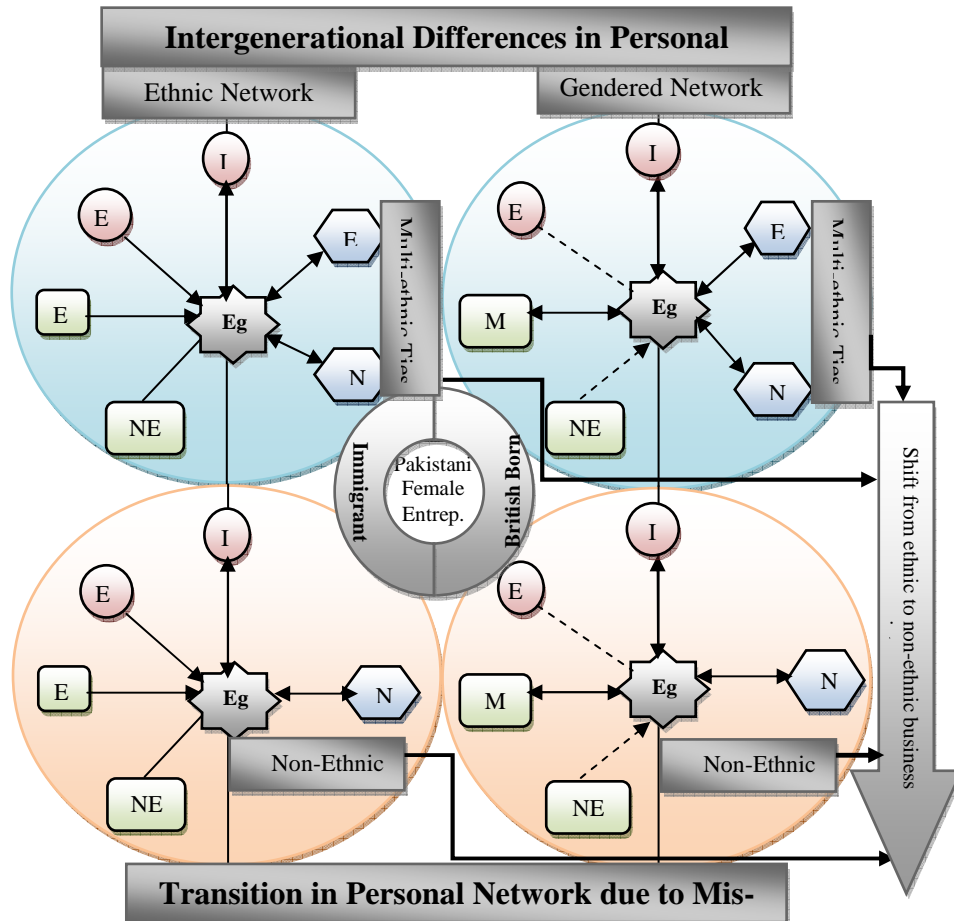
4.5 Exchange relationship and Access to Resources and Support

Pakistani female entrepreneurs get the network support in a variety of ways ranging from emotional support to providing services and tangible resources for the business. Network members are involved in the exchange relationship with the ego that is depicted by the directed arrows in the egocentric networks of Pakistani female entrepreneurs in figure 1.2. Pakistani female entrepreneurs extract resources, information and emotional support for their entrepreneurial activities from their kinship, friendship and business network. Resources include all types of tangible resources that Pakistani female entrepreneurs take from their network either for starting the business and/or for expanding/growing their businesses.

Conclusions

This exploratory analysis allows us to draw a sketch of personal networks of Pakistani female entrepreneurs in London. It can be concluded that along with similarities there are significant differences between the personal network composition of immigrant and British born Pakistani female entrepreneurs. Immigrant Pakistani entrepreneurs prefer to retain ethnic ties in their personal network as opposed to British born Pakistani female entrepreneurs who have non-ethnic ties in their network. However, the personal network of British born Pakistani female

entrepreneurs is based on a strict adherence to religious values and traditional gender norms; hence their networks are 'women only networks' mostly consisting of Muslim females. Density and lack of diversity in the personal network has of network. This has considerable impact on the choice of business sector, information and resource availability and growth prospects for their entrepreneurial ventures. The following diagram summarises all the empirical results showing the impact of ethnicity, gender and generational differences on the personal network of Pakistani female entrepreneurs and also depicts the impact of expansion of personal network on business.



Transition in Personal Network due to Mis-

Source: Authors

Key – Nodes and

	Extended Family		Ethnic Friends		Strong/No exchange
	Immediate Family		Muslim Female		Uniplex Tie
	Ethnic Female		Ethnic Business		Multiplex Tie
	Non-Ethnic Female		Non-Ethnic Business		Weak/No Exchange Tie

Immigrant Pakistani entrepreneurs prefer to retain ethnic ties in their personal network as opposed to British born Pakistani female entrepreneurs who have non-ethnic ties in their network. However, the personal network of British born Pakistani female entrepreneurs is based

on a strict adherence to religious values and traditional gender norms; hence their networks are 'women only networks' mostly consisting of Muslim females as shown in the upper half of the above diagram.

According to Granovetter's (1967) weak ties theory, strong ties in dense network hinder business growth. Due to all strong ties in the network information becomes redundant therefore, lack of knowledge of opportunities in the market and access to limited resources causes slow (or no) growth of business as compare to competitors. In case of first generation Pakistani female entrepreneurs dense network impact the choice of the business in the traditional sector and slow growth of venture. However, Granovetter's 'weak ties, strong ties' metaphor cannot explain the business in traditional sector and slow growth in the presence of diverse cross ethnic ties in the network of second generation Pakistani female entrepreneurs. It can be concluded that for Pakistani female entrepreneurs growth can be termed as a personal choice because they are 'entrepreneurs by choice' and in trying to attain their desired status they cease to struggle despite having opportunities. British born Pakistani female entrepreneur have a stronger growth orientation because of the composition of their personal networks. Although the literature shows that the expansion of personal network to include non-ethnic network members can be taken as indicator of growth, in this case the spread was triggered mainly by mistrust of co-ethnics. Growth marks a shift in the dependence on ethnic to non-ethnic business associates for both immigrant and British born Pakistani female entrepreneurs. Supporting or working with Pakistani female entrepreneurs needs to take in to consideration these nuances that distinguish immigrant and British born female entrepreneurs.

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Barcelona Activa, an Innovative Blended Model to Support Entrepreneurs and SMEs in Barcelona

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Background, Global Aim and Objectives:

Barcelona Activa, the Local Development Agency of the City of Barcelona was born in December 1986, its strategy was clearly innovative for the context of those times: to promote the creation and growth of small businesses as a means to generate employment, designing specific tools to carry out this mission from a municipality level.

This municipal initiative was launched in a context of strong industrial restructuring and economic crisis, and had as main objective to get more people interested in creating their self-employment projects (that could also employ other people), instead of the predominant culture of working for someone else's company. This was, promoting endogenous growth from the city level.

In the twenty-four years that have passed since the creation of the agency, Barcelona has experimented profound changes in its socioeconomic environment, during this period, Barcelona Activa has always played a pioneering role as catalyst of innovative solutions, services, contents and resources to support entrepreneurs, micro and SMEs.

The current mission of Barcelona Activa has evolved and has been enhanced to foster the transformation of the city through entrepreneurship business growth, innovation, human capital, professional opportunities & quality employment. To accomplish its current mission and objectives, Barcelona Activa structures its activities around five activity fields:

- Business Creation: to facilitate the creation of new business initiatives with potential for growth and future, with special emphasis on the development of strategic sectors and entrepreneurship as an engine for inclusion.
- Business growth: to create conditions that promote the sustained growth of innovative companies in the city through their internationalization, access to funding, cooperation and improvement of business strategy.
- Access to quality employment: occupational training and professional guidance resources to grant access to a quality and inclusive employment.
- Human capital development: to promote career development guidance and attraction of human capital, promoting the professional growth of individuals.
- Digital Culture: to promote technological progress and train citizens, businesses and workers in the use of ICTs as a means of improving competitiveness and skills.

Since its beginning, Barcelona Activa was conceived as a municipal public limited company, which means that it is a municipal company funded by the Barcelona City Council. The creation

of Barcelona Activa relied on three main conditions: firstly, the economic restructuring that Barcelona was experiencing after the industrial crisis, secondly, the Barcelona City Council reached consensus and showed a strong political will to create a municipal entity to promote entrepreneurship and job creation as means for social inclusion and economic growth, thirdly, the Local Government seized the opportunity to recuperate and made use of the empty premises of the warehouse of the old Hispano Olivetti factory (producing type writing machines & computers).

The warehouse of the Hispano Olivetti was one of the icons of the industrial era of the city. The renovation of this derelict building in the old industrial district of Poblenou, flagged the beginning of a change towards a socioeconomic reconversion of the city from a mainly industrial model to a model based in a highly diversified service economy and activities linked to the knowledge economy.

Today the area of Poblenou borough has become 22@ Barcelona, an innovation district thriving with activities linked to the knowledge economy. The 22@Barcelona project, promoted by the Barcelona Council since 2001, has involved the transformation of nearly 200 hectares of industrial land in the centre of Barcelona into an innovative production district, aimed at concentrating and developing knowledge intensive activities (more specifically the IT, media, design, medical technologies and energy clusters).

22@ Barcelona is the largest urban innovation environment in southern Europe and it has already attracted more than 1500 highly innovative companies of the knowledge economy such as T-Systems, Telefonica, Indra, Sanofi Avertis, Endesa, Mediapro, Isdin, Ecotecnia and Agbar (employing a total of 44,600 highly skilled workers), 10 university campuses (with 22,000 higher education students), 12 leading R&D and technology transfer centres such as Yahoo Europe R&D, Telefónica R&D, Orange R&D, Alstom R&D and market regulation authorities such as the Spanish Commission for the Telecom Market (CMT) or the Catalan Audiovisual Council.

The project 22@ has met the challenge to restore the economic and social dynamism of the formerly industrial Poblenou borough, creating a diverse and balanced environment fitted with cutting edge telecommunications, transport and energy management infrastructures, production, higher education and research centres, social housing, public facilities and green space aimed at improving both the quality of life and of the workplace.

Barcelona Activa has developed an extensive network of specialized amenities in each of the 5 aforementioned fields, including an entrepreneurship centre, a business incubator, a technology park, a professional development centre, three centres for employment programmes and a digital training centre.

By establishing the headquarters of Barcelona Activa in the 22@ District (together with its Entrepreneurship Centre, Business Incubator and professional Development Centre), Barcelona Activa has consolidated as an innovative tool and driver of local development for the city. The city economic development strategy defined and promoted by the local authorities was at the origin of the creation of Barcelona Activa. This strategy sought to achieve three main goals in the city, encouraged by the local public authorities, and which resulted in the three core activities of the local development agency.

Firstly, the development agency was created to promote entrepreneurship as a key contributor to the social and urban cohesion and inclusion. Fostering entrepreneurship boosts the local economy which results in the generation of new employment and business opportunities for the community as a whole. The City of Barcelona was facing social exclusion, low economic growth and high unemployment rates at that time.

Secondly, the development agency would support and promote the business creation as means to jobs creation. In the OECD area, SMEs contribute to the generation of two-thirds of employment and are the main source of new jobs.

And thirdly, the development agency should aim at promoting a culture of entrepreneurship and at stimulating innovation in SMEs and throughout the local economy.

Both entrepreneurship and innovation contribute to the consolidation of an industrial tissue that can adapt and evolve together with the economic context.

Prior Practices:

Barcelona Activa's uses an innovative blended model that offers universal support to entrepreneurs and SMEs, identified as the city's main drivers for employment, economic activity and innovation. This model combines (1) digital contents and tools, (2) executive training for entrepreneurs and (3) expert coaching in innovation environments to achieve a high critical mass, results and impact while ensuring cost efficiency. (See section "Approach/Methods")

1. As for digital contents to support entrepreneurship: they are embedded in the web portal www.barcelonanetactiva.com, and they respond to three different typologies:

1.1 On line tools that interact with the entrepreneur (available in English, Spanish and Catalan):

- On Line Business Plan: expert guide tool that assists entrepreneurs in the production of a business plan. Since its launch in 2004 until 2009, 36,103 entrepreneurs have used this tool.
- Test Idea: a guide to assess the business idea through the production of a SWOT analysis of the business project (also available in Chinese and Arabic).
- The Keys to Enterprise: aimed at the self-assessment, acquisition and integration of key entrepreneurial skills.

1.2 On line guides: information resources, designed with a practical approach that coach the entrepreneurs in their decision-making. There are three guides: legal forms and procedures, funding and business ideas generation.

1.3 Relevant information and updates on entrepreneurship related topics, published daily by the web portal www.barcelonanetactiva.com as articles, links and in-depth reports. There is a total of 67 reports, each one available in English, Spanish and Catalan.

2. As for executive training for entrepreneurs: Barcelona Activa provides a programme of group activities to acquire basic entrepreneurship knowledge or key entrepreneurial skills. These activities provide training, answer questions and attract new entrepreneurs. 900 entrepreneurs participate monthly in the welcome sessions conducted by the "Barcelona Entrepreneurship Centre". This wide range of activities is continuously updated according to the needs and priorities of the users.

Among the activities that are available on a permanent basis I shall highlight the following:

2.1. "Creating your company is easy with Barcelona Activa" welcome sessions that provide information about the centre's operation, its resources and services, a first approximation of the process of creating a business and also collect personal data and the user's authorization. In 2009 231 sessions have been conducted, with 8,459 attendants.

2.2. "Executive training to start up", a series of 25 training sessions (so called "knowledge pills") in technical areas and skills required for entrepreneurship success. Each "pill" lasts two hours; they are scheduled in changing slots from 9:30 am to 8:00 pm Monday to Friday. Each "pill" presents a topic of interest for entrepreneurs. Each presentation is made by an expert in the respective field using a practical approach. Only entrepreneurs that have previously attended the introductory session "Creating your company is easy with Barcelona Activa" can participate in the sessions "Executive training to start up". Some of the topics covered are: key entrepreneurial skills, legal forms and procedures, how to find suitable funding or how to make a financial plan. There are some 25 different knowledge "pills". In 2009 809 sessions have been conducted, with a total of 10,179 participants attending them.

Among the training activities that are available on a non permanent basis, we shall highlight the following:

2.3. "Knowledge Weeks for entrepreneurs": series of theme conferences with a practical approach, with a time format of 3 hours in 4 consecutive days and open to the general public.

2.4. "Enterprising July": training sessions during the month of July to take advantage of the bigger amount of free time available by potential entrepreneurs in a season when condensed summer working hours are applied by many companies (from 8 am to 3 pm). These training sessions deal with topics that are not tackled by the regular schedule of training activities, such as regulations on data protection, or internet sales.

2.5. "Mondays of the self-employed": 4 hour-format training activities conducted in association with the Spanish Tax Agency and the Spanish Social Security Treasury, which explain in detail, among other issues, tax obligations, establishment procedures, rights and liabilities generated by Social Security procedures.

2.6. "Workshops of business ideas generation": training workshops that analyse the origin of business ideas and a first approach to the coherence of the project is carried out.

2.7. "Business plan workshops": 45 hours itinerary with continuous coaching to produce a business plan in a scheduled and guided manner, with a maximum of 12 participants per workshop.

2.8. "Training programs": training courses of varying duration, in which various aspects of interest to those wishing to start their own business are analysed in depth.

3. **One-to-one expert coaching of high added value**, provided by a team of technical experts. It consists in a personal coaching service for entrepreneurs with an approximate duration of 30 minutes, in which the coach answers the doubts and questions raised by the entrepreneurs. To access this service is not necessary to set an appointment. The only requirement is to have attended previously a group welcome session. This service is designed to provide information, contacts, networking and to solve doubts.

This universal approach designed to cater the needs of any feasible business project that wants to start up in the city is complemented by high value added programmes designed to support specifically target groups with special needs such as female, junior, senior or economically deprived entrepreneurs or the creation and growth of companies in highly innovative and strategic economic sectors such as software production, creative industries, clean technologies and life sciences.

The tailor made programmes for strategic economic sectors coach the creation of companies in strategic economic sectors such as software production through the Microsoft Pre Incubation Programme in collaboration with Microsoft and Osborne & Clark, the CreaMedia Programme to support business projects of the creative industries sector, the programme Ecoentrepreneur XXI, of the cleantech sector in collaboration with La Caixa savings bank, Gamesa, the Ministry of Economy and Finance of the Government of Catalonia and the Chamber of Commerce of Barcelona, or the program Bio Entrepreneur XXI in the field of life sciences developed in collaboration with La Caixa savings bank, The Genome Spain Project, Biocat (Catalan Biotech cluster) and the Chamber of Commerce of Barcelona.

The Tailor made programmes for specific target groups or for sectors facing restructuring are answers to specific needs of groups with special difficulties of labour insertion or specific sectors that are undergoing restructuring. Among others, the Barcelona Entrepreneurship Centre offers the following: "Mature Ideas Programme" (for senior entrepreneurs) "School of Female Entrepreneurship", "Crafts Programme" and "Ideas with future programme" (Junior Entrepreneurs). Between 2004 and 2009, 55 Tailor Made Programme editions have been conducted, with a total of 1,016 participants.

In order to facilitate the attraction of international entrepreneurial talent to Barcelona, the programme "Do it in Barcelona" (awarded by the Eurocities Award 2010 in the category innovation) has adapted the services, resources and tools offered to entrepreneurs so that they can be used by foreign entrepreneurs landing in Barcelona. Both the welcome sessions and a selection of the "pills" of executive training to start up and the personal coaching are now available in English. The entrepreneurship web portal www.barcelonanetactiva is also available in this language along with all the portal's tools, some of which have also been translated into Chinese and Arabic.

In the field of support to the growth of innovative SMEs, Barcelona Activa provides a wide offer of programmes, activities and resources focusing on the (a) access to funding, (b) support for internationalisation, (c) access to business cooperation networks and (d) improvement of business strategy:

a). Access to funding: defining a funding strategy from is key to optimal business development and a greater chance of success. In this sense, Barcelona Activa has several collaboration agreements with venture capital schemes, as well as networks of business angels. In addition, it conducts investment readiness seminars aimed at specific sectors. In short, Barcelona Activa takes advantage of its position as leading actor in the organization of actions to support the consolidation and growth of companies, helping to attract investors for them. Some of the resources available to companies in this field are:

- Ready for Growth: two-day seminars of investment readiness that allow participants to interact with experts and investors. Up to 25 selected companies take part in each edition that focuses on a specific sector such as cleantech, ICT, media.
- Investment forums: meetings organized to facilitate access to private funding schemes in specific sectors that need an injection of capital and strengthen the business structure in the city. The participating companies have 10 minutes to pitch their projects to more than 150 investors.

- Agreements with financial institutions are obtaining financing with preferential conditions for feasible businesses with growth potential.
- Innoactiva Programme: information, advice and coaching service to assist companies in the filling up of applications to obtain R+D+I subsidies.
- BCN Venture Hub: a privileged landing platform for international investors committed to investing in innovative companies in the city, in the innovation environment of the Glòries Business Incubator.

b). Support for internationalisation: in a globalized world, the internationalization of enterprises becomes a basic need, whatever the size or sector. For this reason, Barcelona Activa offers personalized advice tailored to help companies penetrate international markets. In addition, there are also specific thematic seminars and workshops, as well as international commercial prospection actions. Some of the most outstanding activities offered in this regard are:

- Technology and Innovation Bridges: initiatives, co-organised with the Chamber of Commerce of Barcelona that aim to support companies in their process of growth and consolidation, identifying trends and business opportunities overseas and help establishing a network of contacts with the fabric of local investors in each innovation hotspot to enter international markets with higher success guarantees. The programme is aimed at companies with a high level of innovation seeking to enter an international growth path.
- Landing agreement with Plug & Play Tech Center: Barcelona Activa and the Chamber of Commerce have established a cooperation agreement with the Silicon Valley based Plug & Play business accelerator with the aim to provide support Barcelona companies entering the U.S. market. Through this agreement a "Barcelona Pavilion" was created within this incubator, for a maximum of 10 IT Barcelona businesses to enjoy a subsidized stay of 6 months. During this period, companies will have the coaching of Plug & Play experts in areas in commercial or legal aspects of expansion to ensure its implementation and consolidation in the U.S. market

c). Access to business cooperation: business cooperation and the building of an extensive network of business contacts is a key asset for the competitiveness of micro businesses and SMEs. Among others, Barcelona Activa provides the following resources to support businesses in this field:

- Xarxactiva Business Cooperation Network, today over 1,000 innovative companies in the city are members of the Xarxactiva Business network, a program of business cooperation that offers networking activities and generates business opportunities, knowledge transfer and business experiences. The aim of the network is to facilitate the growth of recently created companies, through business cooperation and the promotion of innovation. The activities program includes sector-focused meetings and networking lunches in which companies meet leading figures from the business, political or cultural environments, and visits to innovative enterprises in order to facilitate the transfer of knowledge and networking activities.
- Barcelona Networking Day gathers 40 networks of entrepreneurs and companies in Barcelona with the aim to promote exchange of experiences, foster business cooperation as an asset of the city and to network with other networks to ensure consolidation of the attending companies attending.
- www.biznetbcn.com 2.0 is the platform that serves as a virtual meeting place for national and international entrepreneurs, companies, experts and investors to do business, to share knowledge and experiences, and grow their businesses in Barcelona. It is at the same time, a network of networks.

d). Improvement of business strategy: Barcelona Activa provides a range of training activities to improve business management, as well as tools to detect growth strategies if needed. In parallel also offers personalized advice by business growth experts. Some of the programs carried out in this regard are:

- Strategic Growth Plan. This tool has been developed jointly with IESE, one of the world's leading Business Schools (at the moment is ranked as the second best in Europe), and allows a self-diagnosis and definition of the adequate strategy for the growth of each micro business and SME according to their particular features and business environment, checks the economic impact of that strategy, and carries out a follow-up of its success or failure. In addition the tool allows this analysis considering alternative scenarios. The cooperation of Barcelona Activa and IESE business school on this tool also extends to the Growth Academy, a high performance workshop of intensive training and follow up actions based on the methodology of the aforementioned Strategic Growth Plan tool. The objective of the sessions is that the management teams of companies that take part in Growth Academy, perform a work of strategic thinking and planning for growth with coaching of IESE experts.
- aXelera for global excellence, a business acceleration program in Barcelona with high growth potential and likely to create jobs and become global companies and international reference.
- Have an MBA & Have a senior in your company programmes, that provide a complement of high added value to boost the development of new strategic plans for growth with specialized support.

As described previously in this paper, Barcelona Activa's provides a comprehensive service that covers all the value chain of services to support entrepreneurs & SMEs, from initial analysis of business ideas, training in basic entrepreneurial skills, business plan feasibility assessment to the access to funding to start up and grow, pre-incubation & incubation services and business acceleration programmes, being the vast majority of them free of cost for the users.

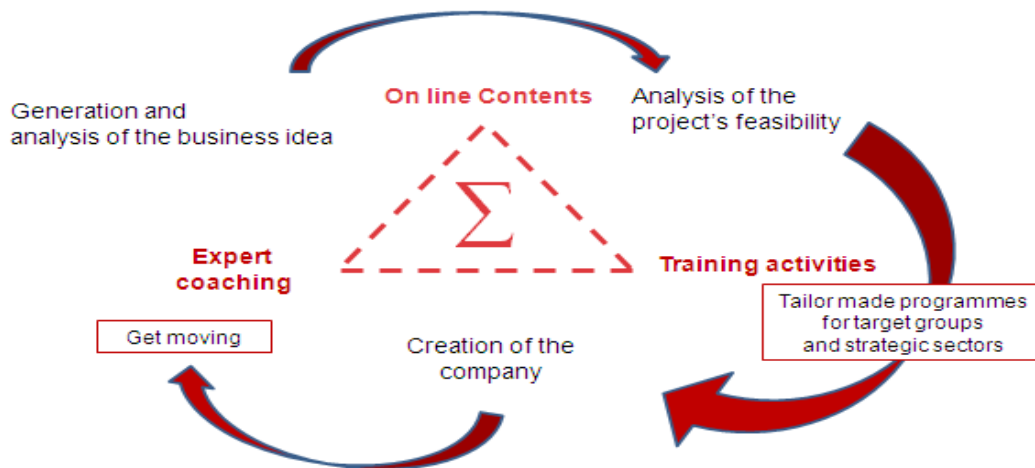
Collaboration and complementarity are also in the very DNA of Barcelona Activa, which acts as a pivotal body of the city entities, acting from a balanced position between the public sector strategy and the private sector needs. This has allowed the agency to build credibility and achieve challenging goals with strong public support. In this sense, Barcelona Activa enjoys good will across the city and is perceived as the professional and trust worthy instrument of the City Council in the fields of policy design and execution; therefore Barcelona Activa acts as a cooperation platform for all the typologies of relevant institutions related to the support to entrepreneurship and business growth, as universities, business schools, research institutes and knowledge transfer institutions, chamber of commerce, government agencies, professional associations, financial institutions, cluster developers and national and international networks of incubators and technology parks.

Barcelona Activa works also with the financial sector to facilitate the connection between innovative companies that need financing to grow and those interested in projects with available funding potential. In this respect, Barcelona Activa has signed preferential agreements with Banks & Savings Banks (Banc Sabadell, Caja Navarra, BBVA, Caixa Nova, La Caixa) and joint actions together with Venture Capital Schemes as Barcelona Highgrowth, Caixa Capital Risk Inveready, M. Ysios or 31, among others.

Approach/Methods:

Barcelona Activa has developed an internationally recognized blended model that combines three types of on line and on site services and resources, empowering a large critical mass of entrepreneurs by allowing them to combine those elements and create their own personal itineraries from their business ideas to the successful creation and growth of their companies.

A Blended model to promote Business Creation & Growth



This blended model, bringing together the different resources to support the creation of companies in a new reference amenity for the city, has met the challenge of providing a better service to entrepreneurs, increasing its quality, efficiency, flexibility and cost efficiency, while helping to serve a greater critical mass of entrepreneurs, facilitating their personal autonomy and their business relations with others entrepreneurs.

The model has proved highly effective due to its key elements:

- Holistic approach: it generates a referring mechanism through other entities or services and collaborates with multiple agents and platforms.
- Attraction of critical mass: it allows the dissemination of the entrepreneurial spirit and the possibility of combining a universal model with a focus on target groups and specific sectors at the same time.
- Provide services through the entire entrepreneurial process and value chain: from the idea, through the start up to the global business. This is possible through the establishment of one activity that acts as a channel combined with training and skills activities, personalized coaching and clearly defined objectives of each service.
- Provide rapid responses to the entrepreneurial needs: client- oriented through a professionalized service and a standardized process.
- Constantly measure the impact to improve the service.

Results/Insights:

The aforementioned programmes and resources put in place by Barcelona Activa to support entrepreneurship and business growth have proved successful as shown by the following result and impact data.

In 2009, 2,138 business projects were coached at Barcelona Activa's Entrepreneurship Centre and there were 29,697 participants in the programmes to support entrepreneurship. The average business creation rate of new businesses was 70%, which translates to 1,492 companies created in 2009, 71% of whom are still active in the second year and 84.2% the third year. Each created company generates an average of 1.9 jobs, a total of 2,835 in 2009. Annually, companies raise an average of € 4,000,000 funding. As per the profile of the entrepreneurs, we shall highlight that 50% of them are unemployed and 43% are female entrepreneurs.

The business incubation amenity is one of the key features for Barcelona Activa's successful model. For the last 24 years the municipal agency has promoted methodologies to support the consolidation and growth of innovative start ups in the city and has become a national and international landmark in the field of incubation.

Barcelona Activa's Business Incubator was launched in 1986 with 14 business projects and since then has welcomed 627 new innovative businesses by providing them an environment to build solid foundations for their growth and competitiveness. In this sense, to be born at the Barcelona Activa's Incubator means having higher expectations of survival (83.3% of the incubated companies achieve survival in their fourth year of life, with annual average turnover 700,000 Euros and an average staff of 9 people)

The Glòries Business Incubator provides 3,700 m² of facilities for innovative companies that are incubated for a 3 year period. Environment fitted with the latest technological infrastructures, a suitable environment for enabling business cooperation, and a team of professionals focused on providing expert advice and training programs to the incubated companies and entrepreneurs.

Both in 2008 and 2009, the companies installed in the incubator were 67. Of those 49% operate in the ICT sector, 19% in the business services sector, 9% in creative production and another 9% in the environmental sector.

As for international business activity, 30% of companies in the incubator export their products with some regularity, amounting to 66% of their total turnover. Their main markets are the European Union and the United States, although some companies also have presence in Asia and Australia. Despite the current economic context, the annual turnover of the companies installed in 2009 amounts to 11,891,978 Euros, representing an increase of 14% compared to last year. This increase in turnover was mainly due to the companies that were in process of research that have begun marketing their products this year.

The incubated companies have raised accumulated funding since their creation of 39 million Euros, 22% more than in 2008. External capital investment is the funding source with the highest weight (63%), followed by public grants that amount to 28% of total and debt funding that amounts to 9%. It is especially significant to highlight that almost the entire public funding granted is related to R+D subsidies, with an increase of 227% compared to the previous year. One of the distinctive features of the Barcelona Activa's Business Incubator as an innovation pole is that, during 2009, 51% of the incubated companies have established business collaboration agreements between them.

The Barcelona Nord Technology Park is the reference facility of Barcelona Activa for supporting the consolidation and growth of tech based companies. Since its opening in 1995 it has hosted a total of 94 young technology based companies.

As for the main features of the 37 companies located at the Tech Park during 2009, there is a remarkable trend of attraction of engineering companies in the Technology Park, as this amenity is to become Barcelona's Engineering Tech Park. Thus, the percentage of companies of the engineering sector has increased from 29% in 2008 to more than half (51%) in 2009.

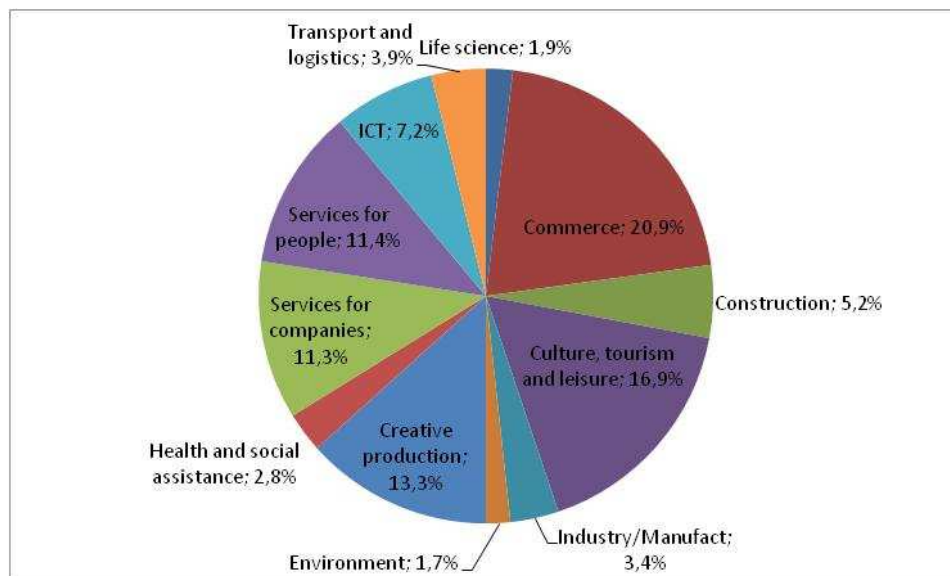
We shall highlight the important degree of internationalization achieved by the technology-based companies of the Tech Park: approximately 53% of the companies sell or distribute their products primarily to European countries (such as France, the UK or Germany), Latin America (eg, Mexico, Argentina or Chile) or the United States. The total sales volume has reached 38,177,573 Euros. And 25% of the installed companies have an annual turnover of over 1 Million Euros. It is also remarkable the innovation potential of the companies located at the Tech Park, as 43% of companies have registered patents, while 68% have registered trademarks.

Summary of activity and impact results of Barcelona Activa's programmes to support entrepreneurship and business growth in 2009			
Coached business projects:	2,138	Rate of business creation of new companies ⁵⁰	70,5%
Percentage of companies coached for their creation (in the period 2003 – 2006) that are still active at the 3rd year	84.2%	Companies located in incubation environments (Business Incubator & Technology Park)	116
Participants in programmes to support entrepreneurship	29,697	Survival rate of incubated companies at 4th year ⁵¹	83.3%
Average turnover of incubated companies at the 4th year	700,000 Euros	Average turnover of companies located at the Barcelona Nord Tech Park	1,032,000 Euros
Percentage of incubated companies that have signed cooperation agreements between them	51%	Percentage of companies located at the Tech Park that have registered patents	43%
Average staff of incubated companies at the 4th year	9	Companies coached in their growth	396
Member companies of the Network of business cooperation (December 2009)	816		

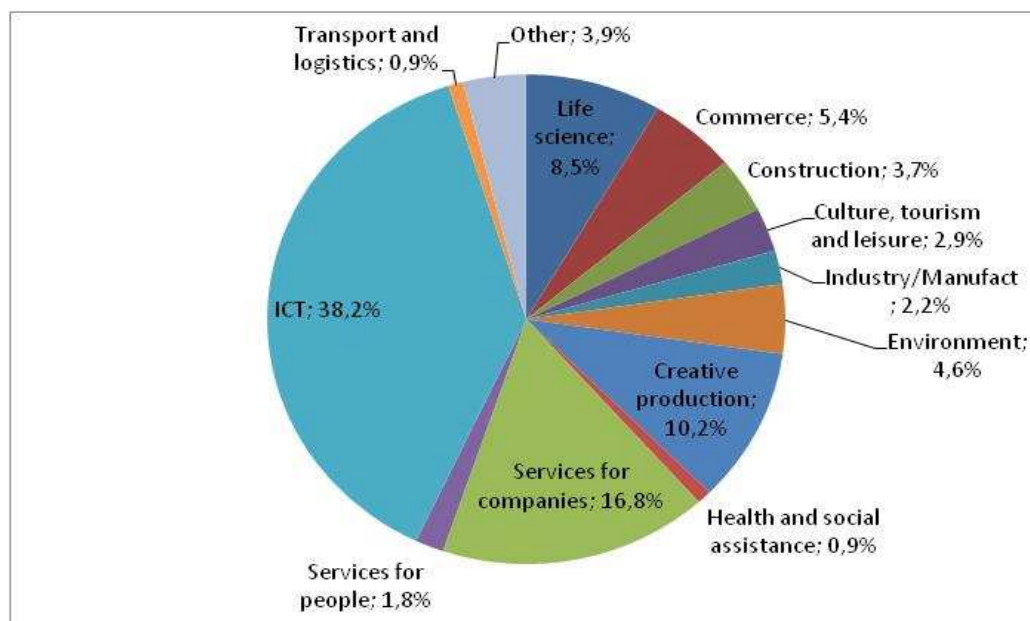
⁵⁰ Last available study about projects coached in 2008 and first quarter of 2009

⁵¹ One year after the three-year incubation period is over.

Sectors of the business projects coached by the business creation service (1st Semester 2010):



Sectors of the companies coached by the business growth services (1st Semester 2010):



Concerning the transferability of the model, the mentioned resources and tools have generated an interest in other institutions all around the world, for its transference, which has been done in the following environments throughout the world:



- Cape Town (South Africa): technical assistance to a pool of institutions led by the City of Cape Town for the concept building and implementation of a scheme to support entrepreneurship in Cape Town.
- Rome (Italy): co-operation in the production of a digital tool to support entrepreneurship.
- Bogota (Colombia): technical assistance for the concept building and creation of the entrepreneurship support service "Bogotá emprende," promoted by Bogotá City Council and the Chamber of Commerce of Bogotá.
- Medellin (Colombia): technical assistance for the concept building and creation of the "Parque del Emprendimiento", promoted by the University of Antioquia and the City of Medellin
- Quito (Ecuador): technical assistance for the conceptualization and creation of the "Factoría del Conocimiento" (Center for Entrepreneurship and digital education) promoted by CONQUITO (Quito Local Development Agency).
- Monterrey (Mexico): technical assistance to the Instituto Tecnológico de Monterrey for the concept & content building of a virtual business incubator. (Project funded by the Inter-American Development Bank)
- Brazil: technical assistance for the concept building and implementation of methodologies and tools to support entrepreneurship for ANPROTEC, the Brazilian Network of business incubators and technology parks, with the support of SEBRAE.
- Principality of Andorra: technical assistance to the Government of the Principality of Andorra for the transfer of the digital tool to support entrepreneurship "On Line Business Plan."

Other environments where the model has been adapted are: Buenos Aires, La Plata and Trelew (Argentina), Montevideo (Uruguay), Santiago de Chile (Chile), Rome (Italy), El Bosque (Chile), San Javier (Bolivia), Huanchaco (Perú), and Bilbao, San Sebastian and Murcia (Spain)

The model has been also awarded by international institutions like the United Nations, the World Bank, the OECD, the European Commission or the Eurocities network. We highlight the following awards:

Year	International Awards
2010	Eurocities Awards 2010 in the innovation category for the programme "Do it in Barcelona"
2009	EBN (European Network of Business and Innovation Centres) Award Euroleaders Best Tools 2009 for the digital tool Strategic Growth Plan and the Tailor made programme of business creation, "CreaMedia" Escolta Llegeix fonèticament Diccionari - Mostra la informació detallada del diccionari
2004	Selected as one of the world's best business incubation practices by the World Bank in the New Delhi Incubation Summit
2004	"Telecities" award (granted by the European network Telecities) in the categories e-learning and e-inclusión for Porta 22, Career Development Centre of Barcelona Activa.
2002	World Good Practice by the Habitat programme of the United Nations.
2001	Eurocities award (granted by Eurocities, the network of European major cities) for its programme to support entrepreneurship
2001	Two awards to excellence in support to entrepreneurship and innovation granted in the framework of the PAXIS initiative of the European Commission.
1999	Finalist in the Stockholm Challenge for www.barcelonanetactiva.com, Barcelona Activa's virtual incubator.

Implications to Community/Industry:

Barcelona Activa's programmes to support entrepreneurship and business growth are implemented in cooperation with the main local, regional and national actors including the Chamber of Commerce of Barcelona, the local public and private universities and business schools, the local and Catalan associations of entrepreneurs, business angels, SMEs, the main local banking institutions and the agencies of the Catalan and Spanish governments that support business development, innovation and internationalisation.

This approach allows a high degree of complementarity and avoids duplication of services, while reaching a higher critical mass of entrepreneurs and SMEs.

Value to the Theme:

This paper will add value to the conference theme "Entrepreneurship and development" as it will allow delegates to know an initiative as Barcelona Activa that has been for more than 24 years a key component of a well-thought strategy for the socioeconomic development of the city of Barcelona. Today, Barcelona Activa has become a local, regional, national and international benchmark in terms of policies for the support of entrepreneurs and SMEs, in the stimulation of innovation across the city, in the creation and improvement of professional opportunities for the citizens, and in the generation of new high quality jobs as key issues to boost Barcelona as an environment where economic development is achieved without losing social cohesion.

Keywords:

Entrepreneurship & SME support, blended model, partnership, innovation, transferability

SME: The Hungarian Experience: Situation and Development in Hungary

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Objectives: Present the development of the SME sector through the example of a country in East-Central Europe, once member of the so-called communist block until 1989, but becoming a market economy in 1989, joining the EU on 1 May 2004, and displaying numerous interesting features concerning small and medium sized enterprises ever since, complying with a variety of expectations. The following is a set of characteristics of the East-Central European pathway:

- SMEs as a pillar of the nation in the world and in Hungary
- Hungary as the Paradise of small enterprises (numbers vs reality)
- Domestic small enterprises in an international (European) comparison
- How the crisis impacted the domestic SME sector
- Misconceptions and dead ends in small enterprises today: what should the state subsidise and how?

Prior Practices: Researcher, lecturer, author of numerous publications, and lecturer at conferences (presented Hungarian position at previous ILO Conference in Geneva, Switzerland). Co-chair of largest representative organisation of entrepreneurs (National Association of Entrepreneurs), which is his source of real-life information.

Approach/Methods: present European and Hungarian research findings of international relevance

Results/Insights: Conclusions drawn from the operation so far of Hungarian enterprises, and special features of their possible course of development

Implications to Community/Industry: Finding the well-deserved place of SMEs as a pillar of the nation in the East-Central Europe region

Value to the Theme: Understanding the position and the special features of East-Central Europe may be a useful lesson to learn for promoters of SMEs in other regions

Keywords:

- EU versus Hungary
- Hungary as the Paradise of SMEs
- The Dual Crisis influence SMEs
- Current situation: misconceptions, and dead-ends
- New development pathways of SMEs

I. Introduction

I come from a country in East Central Europe located in the clash zone of earlier East and West. Until 1989 we had been members of the so-called communist block where the Soviet influence was decisive. In 1989 we changed the regime, and converted into a market economy, creating a democratic system with numerous special features.

We count to be a small country expanding on 93.000 square kilometres with 10 million inhabitants. We joined the European Union with a number of other East Central European countries (e.g. Poland) on 1 May 2004

The theoretical and practical background of my presentation is a research project completed under the Leonardo programme that compares SME practice of eight countries: Hungary, Poland, Slovakia, France, Belgium, Germany, Spain, and the United Kingdom.

The title of the international comparative study of the project:
“Under Pressure” Exploring New Trajectories of Development in the Context of Globalization
An International Comparison of SME-s
Leonardo da Vinci reference Material project between 2003 and 2006
Partners from: Belgium, France, Germany, Hungarian, Spanish, Slovakian, Poland, UK

II. Small and Medium Sized Enterprises as a the Force that Supports the Nation

The European Union’s small enterprise development policy:

The EU keeps SMEs’ situation and role high on its agenda, and emphasises that they have a central role in economic growth and competitiveness. They form the backbone of the European economy, which is convincingly proven by the following table:

II.1. European SMEs Represent

- 99.8% of all European business
- 67.1% of all the workplaces of the private sector
- over 80% of all the workplaces in certain sectors
(source: Eurostat)

In June 2000 the European Council published its document titled ‘The European Charter for Small Enterprises’ followed by the enactment of the European Small Business Act. These, and recently created EU 2020 Strategy all attribute high priority to small enterprise development.

II.2. EU Strategies

- European Charter for Small Enterprises (2000)
- Small Business Act (2008)
- EU 2020 strategy (2010)

In its SBA, the EU lays down 10 principles that help the elaboration and implementation of policies on both community, and member state level.

It is commonly known that also the EU finds the continuous improvement of small and medium sized enterprises an important issue partly because it sees them as the pledge of increased competitiveness of the EU, recognizing the role of SMEs beyond their strict economic

significance. This was the motivation behind the European Small Enterprise Action Plan whose basic principles are shown on the next slide.

Table 1: Principles of the Small-Business Act in the EU

Principles of the Small-Business Act in the EU	
1.	We have to create an ambience which supports the entrepreneurial readiness
2.	We have to help the resumption of the bankrupted entrepreneurs
3.	We have to strengthen the principle "Do think first on a small scale"
4.	The civil-service-systems have to match with the SMEs requisites
5.	We have to help the SMEs' participation in the public procurement procedures, and in the getting of the public-supports
6.	We have to help in simplification the financing of SMEs
7.	We have to ensure the advantages the standard market for the SMEs
8.	We have to facilitate the development of the specialised skills of SMEs
9.	We ought to help SMEs in transforming the challenges of the environmental protection into business opportunities
10.	We have to inspire and patronise SMEs to partake from the advantages of the growing markets

(source: Small Business Act, 2008)

The social market economy of the next decade (EU 2020 strategy) is built on 3 mutually related, and mutually reinforcing policy areas.

II.3. Building Blocks of the EU 2020 Strategy

- Intelligent growth
- Sustainable growth
- Inclusive growth

Intelligent growth means developing an economy on the basis of knowledge, and innovation.

The strategy of sustainable growth is the objective of creating a more resource-effective, environment friendly and competitive economy.

The objectives of inclusive growth result in social and regional cohesion ensuring high levels of employment.

III. The East-Central European Situation: the Hungarian Case

East-Central European countries such as Hungary use the EU definition for SMEs. (Act XXXIV of 2004)

When defining enterprises, EU countries consider three criteria: staff size, annual turnover, and/or annual balance sheet. The table below reflects threshold values for enterprises.

Table 2: Classification criteria of various enterprises

Classification criteria of various enterprises		
Type of enterprise	Staff size	Net sales or total sales (Euro/HUF)
Microenterprise	max 10	max 2* /0.5**
Small enterprise	max 50	max 10*/2.5**
Medium enterprise	max 250	max 50*, and/or 43*/12,5** and/or 10.75**

*Million Euro ** billion HUF
(source: Act XXXIV of 2004)

III.1. The Importance of Small and Medium Sized Enterprises in the Hungarian Economy

In East-Central Europe the 4 decades of socialism must not be regarded a fully homogenous period neither for the individual countries nor for the whole 'peace camp' (i.e. the Soviet dominated countries). E.g. the Hungarian story begins not in 1945 but in 1947, the year of the turn when private plants and other economic operations were nationalised. Small and medium sized enterprises (agricultural operations, family farms) only upgraded from the banned category to tolerate as late as the 80s. The major boom of business start-ups took place between 1988 and 1994.

The number of Hungarian businesses has been rising continuously for years, currently exceeding 900 thousand.

It is useful to investigate the Hungarian situation in comparison to the EU as suggested by the following table:

Table 3: EU vs Hungary: a comparison (%)

EU vs Hungary: a comparison (%)				
	micro	small	medium	Σ SMEs
Number of SMEs	1.8	6.9	1.1	99.8
EU/HU	95.6	3.6	0.6	99.9
Number of Employers	29.6	20.6	16.8	67.1
EU/HU	42.0	18.1	15.4	75.6
Added value	20.9	18.9	17.8	57.6
EU/HU	20.2	15.6	17.6	53.4

99.8% of all businesses operating in the European Union (EU-25) are small and medium sized enterprises, numbering about 23 million, employing about 75 million people, and providing 57% of the EU's GDP. 91.5% of all businesses are micro-enterprises with 1-9 employees, 7.3% are small, 1% medium sized, and hardly more than 0.2% are large companies.

Hungarian business statistics are in many ways similar to the above, but reflect also significant differences in internal structure. Both the share of micro-enterprises employing 1-2, and total employment in micro-enterprises is higher (94.7%, and 35.9% respectively). The share of small and medium sized enterprises is much lower.

Table 4: Hungarian business statistics - Small and Medium Sized Enterprises

Indicators	Staff size						
	0-1	2-9	10-49	50-249	SME total	250-	Total
Number of businesses*	76.9	19.0	3.5	0.6	99.9	0.1	100.0
Employees*	6.9	215	21.7	19.4	69.4	30.6	100.0
Sales	7.6	14.6	17.8	21.3	61.3	38.7	100.0
Export	4.7	6.7	11.6	14.1	37.0	63.0	100.0
Added value	6.1	12.7	17.0	19.6	55.4	44.6	100.0
Owner's equity	8.6	11.6	13.2	19.9	53.3	46.7	100.0

*including the financial sector

(source: NFGM (Ministry for National Development and Economy), Development Strategy of Small and Medium Sized Enterprises 2007-2013, Annual Interim Monitoring 2009 report)

Based just on the number of businesses, Hungary could even be a paradise for small and medium sized enterprises as 1 of 6 Hungarians out of a total population of 10 million have a business of their own as suggested by most recent official statistics. That astonishing number was calculated based on the 1.7 million registered businesses published by the Central Statistical Office. For a more realistic number we must take operating companies (deducting dormant ones), which equal just below 1 million, thus one can say that 1 out of 10 Hungarian citizens own a business. If we regard the working population for our basis of calculation, then the 1 million enterprises are owned by about 5 million persons, thus our final number is that 1 out of 5 Hungarians have an enterprise.

III.2. General Features Characterizing Hungarian SMEs

Apart from some general features characterizing Hungarian small and medium sized enterprises, we must mention a few specific Hungarian factors that are the direct cause of the problems brought by the crisis.

We first have to stress that Hungarian SMEs are undercapitalized. It is commonly known that SMEs have essentially low creditworthiness, only 20-22% are creditworthy vs the EU average of 70-85%. One of the major problems is that the performance, equity, and total assets of Hungarian microenterprises lag far behind the average of EU15.

The distrust between SMEs and the state and the public administration system is, in a certain sense, mutual.

Administrative burdens, excessively complex administrative processes place especially microenterprises in a really difficult position. Society and the state looks at SMEs with suspicion often assuming their activity to be a form of tax evasion.

An important feature of SMEs is the phenomenon called chain-debt or circular debt. More than one third of clients regularly pay late, thereby causing insuperable difficulties to those queuing up for their money. That phenomenon mostly hits the construction industry, where each second company is victim to that problem. The smaller the business, the more exposed it is; half of the businesses employing less than 50 paid late because they were paid late themselves.

Last but not least a sad feature of small and medium sized enterprises is the poor willingness to cooperate. Fast spreading new methods of joining forces (e.g. clustering) have just recently been adopted by domestic SMEs.

III.3. The Environment of Small and Medium Sized Enterprises: the East-Central European Perspective

When evaluating the East-Central European and the domestic SME sector it is important to analyse competitiveness, and perform an international comparison. Various evaluations – by Management Training and Economic Research Institute (IMD Lausanne), World Economy Forum (WEF), World Bank, etc. – state that Hungary lags behind the major competitors in the region.

The World Bank's annual publication „Doing Business” ranks 183 countries based on their business environment. We have prepared a comparison of East-Central European countries and Hungary based on the environment of their SMEs.

Table 5: The World Bank's business environment ranking (2010)

The World Bank's business environment ranking (2010)					
	Czech	Hungarian	Polish	Slovak	Slovene
Business environment	74/66	47/41	72/72	42/35	53/58
Business launch	113	39	117	66	26
Licence issues	76	88	164	56	59
Employment	25	77	76	81	162
Registering ownership	62	61	88	11	108
Access to credit	43	30	15	15	87
Protecting investment	93	119	41	109	20
Taxation	121	122	151	119	84
Foreign trade	53	70	42	113	84
Compliance with contracts	82	14	75	61	60
Liquidating the business	116	58	85	39	40

(source: <http://www.doingbusiness.org/>)

The following table provides a ranking of factors inhibiting the growth of SMEs and their order of importance. It is based on a survey involving over 300 entrepreneurs.

Table 6: Factors hamper the growth of SMEs in Hungary

Factors hamper the growth of SMEs in Hungary	
1.	Extremely high tax burdens and state insurances
2.	Incalculable economical regulation
3.	Strong competition
4.	Not sufficient order for growth
5.	Unprincipled competition
6.	Shortage of sufficient capital
7.	Default in paying from consumers
8.	Lack of credit
9.	Difficulties in procuration
10.	Lack of skilled workforce

There have been important changes in the ranking of the factors hindering the growth of businesses as seen by entrepreneurs since 2007. Domestic small and medium sized enterprises regard high public contributions, and increased administrative burdens as the factor that most hinders their growth (6%). Equally important is that the factor unpredictable economic regulations are now higher in the ranking than the factor competition.

IV. Small and Medium Sized Enterprises in the Crisis

Why are we saying that a dual crisis has hit Hungary?

- the effect of the international crisis
- the effects of poor economic policy

The effect of the crisis in numbers

However, the low-flight of the GDP has several other reasons as well. Thus:

- Hungarian GDP is only 60% of the average of the EU-15
- In Hungary revenue centralization is one of the highest in Europe (in excess of 50% of GDP)
- Government debt is high (about 70% of GDP)
- High public finance deficit (over 3% of GDP)
- High balance of payment deficit (over 3% of GDP)

How the Crisis Influenced the SMEs?

The crisis has affected SMEs to varying degrees. The first phase of the international financial crisis mostly only affected the banking sector, the Hungarian small and medium sized enterprise sector was affected only to a lesser extent.

The second phase of the crisis (international economic recession) is hitting the Hungarian SME sector just these days. 40% of all jobs lost are in the SME sector.

The third phase of the crisis, the social crisis is still ahead of us, and its effects are difficult to quantify. With strict economic policy measures (radical restrictions on revenue owners) - resulting from the necessity of complying with the World Bank's loan terms - the crisis has been successfully avoided, and the country's economic situation has stabilized by today. The greatest difficulty facing SMEs is a major setback in demand.

V. Lessons and Dead Ends in Current Hungarian Practice

Finally we would like to present the driving forces behind the operation of Hungarian small and medium sized enterprises, the possible motives of their development, and related misconceptions, and dead ends present in the SME sector. These difficulties must be cleared from the way of the SMEs following the recent elections in order to ensure more harmonised development.

Our history and entrepreneurial culture in the East Central European region carry numerous elements that call for a change of concept and of mentality before European entrepreneurial culture can strike root in Hungary.

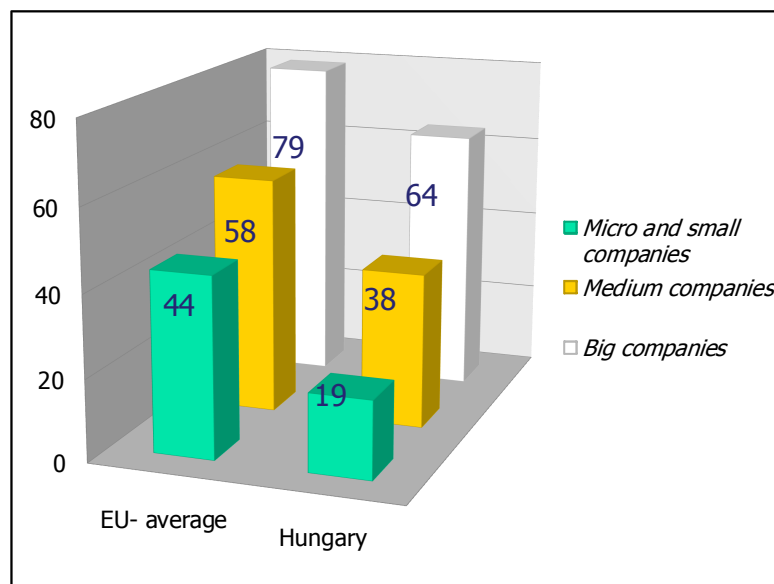
V.1. One of the Major Virtues of the Small Business Sector is Flexibility

The statement in the above sub-title is a misbelief widespread in both Hungarian and international technical literature. The error about the statement is that flexibility of the sector is often mistaken for the flexibility of the individual businesses. The two, however, are not at all the same. An entrepreneur usually spasmodically clings on to the activity that he has always performed, that he has experience in, and where he has his relationship capital. He will only change he clearly sees that all other options are gone. Most frequently, however, in such a case the business goes bankrupt, and the entrepreneur will be forced to roll the curtain down, and somewhere a new business will be launched whose services or products are then in demand in the market.

V.2. The Essential Attribute of a Small Business is Innovation

That statement, which sounds quite a commonplace, has been common knowledge since Schumpeter, who wrote a volume titled *Small is beautiful*, and who has been regarded the pope of small entrepreneurs ever since the 50s. There is some truth in this statement if we interpret innovation in the widest possible sense; innovation could be also if someone refuses employment in a state owned confectionery, and launches his own ice cream parlour, and continues to operate as an independent ice cream business. In reality, however, innovation characterizes only a small fraction of Hungarian entrepreneurs. One reason is that real innovation is mostly cost and investment intensive, while the majority of Hungarian enterprises operate in such sectors, and perform such activities as require no or hardly any initial capital. It is not by chance that initially they were most often established in trade, and retail sector services. Initially small businesses used to be market leaders in real estate and general trade, and consulting, and up until today only a smaller ratio are involved in the production sector, industry, etc.

Figure 1: The ratio of companies introducing innovative products (%) by company size 2008



(source: KSH)

V.3. The Situation of Businesses is Well Reflected by Entrepreneurs' Opinions

The culture of ceaseless complaining is characteristic among my entrepreneur friends. They have been saying for 20 years that they will close the business down next year; the tax office is asking for too much, the crisis has hit Hungary too hard, etc. And of course they are not closing down; moreover, they manage to cater not only for their owners, but also their families, friends, and partners.

V.4. Being Small and Staying Small

Entrepreneurs who were brought up in the culture of the second economy of the 70s and the 80s got used to being ashamed of, and conceal success. Meanwhile their Western European counterparts are proud if they are the largest tax payer of the community, or if they themselves earn good profit, and can even afford spending on charitable purposes, or if the market awards their activity by outstanding profit. In Hungary the average citizen – including of course entrepreneurs – has got used to 'not being able to make a decent living just through decent work', i.e. if someone earns a great deal, he surely does so through non-decent work. Thus the Hungarian entrepreneur hides if he can, and that does not only mean that he tries to hide his profit from the tax authority, but also that even if the opportunity arises, he is unwilling to undertake a larger assignment if it involves a spectacular increase of his business or his capacities.

V.5. Escaping Red Tape (Bureaucracy)

Against the above background a significant part of Hungarian entrepreneurs launched their private businesses after many years working in the public sector, and so this is where they had acquired their experience, business relations, and their entrepreneurial skills in general. For a major part the motivation to become independent was exactly to escape the bureaucracy of the public sector, often stupid and overly complex decision making mechanisms, and irrational operation. The major motivation behind a private enterprise most often was not so much higher revenue but, at least as much the 'flat pyramid [of hierarchy]', i.e. the fact that they could be their own bosses, making their own decisions concerning important issues of the business. An entrepreneur often prefers maintaining the initial idyllic state to growing his business, and experiences all bureaucratic requirements as a huge administrative burden, even if these actually serve his own interests.

Using state-of-the-art IT equipment, taking advantage of e-government, relying on electronic filing systems, and electronic tax returns, etc. could be a solution to the problem, if that did not require a characteristic shift of generations.

V.6. The More Subsidy the More ... What?

Especially in response to entrepreneurs' requirements it has become a more or less accepted misunderstanding that good government means providing as much subsidy as possible to the small entrepreneurial sector, because subsidies promote the number of enterprises, and subsidies also help them become more successful, etc. When people are lured to start a business by the promise of direct subsidies, the strongest argument is inevitably the availability of subsidies rather than the satisfaction of market demand, and being the best in producing a product or providing a service. Thus it is similarly a misbelief that a weak state is good because it lets private enterprise thrive.

The opposite is true: it is in fact a strong state that is able to create, comply with, and gain effect to good and transparent rules.

It is also the feature of a strong state that it complies with its own laws. It is very difficult to explain this to Hungarians where the state so often ignores its own laws. So what entrepreneurs must require in the current crisis situation is a strong, effective, stable, predictable state operating - preferably - along good rules.

VI. Future of Hungarian SMEs

The most important priorities of developing Hungarian small and medium sized enterprises are laid down in the government's SME development strategy for 2007-13. The document sets out the following main priorities:

- Promoting, helping the funding of enterprises
- Reducing the administrative burdens of entrepreneurs
- Competitiveness: promoting real European economic integration

That appears in the New Széchenyi Enterprise Development Programme, currently being fine tuned in a social dialogue process contains the following main priorities for the future development of businesses.

Table 7: New objectives of the Széchenyi Enterprise Development Programme

Széchenyi Enterprise Development Programme	
New objectives:	
1.	Improving SMEs' competitiveness
2.	Integrating efficiency in enterprises
3.	Supporting/subsidising exports
4.	Limiting the amount of non-repayable subsidies
5.	Creating an enterprise friendly environment that sets a limit to bureaucracy
6.	Using funds from the EU to promote modernisation among Hungarian businesses

The most important among these is encouraging export-orientation, and reducing non-repayable subsidies, and – simultaneously – re-grouping EU funding resources, simplifying entrepreneurs' access to them.

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Table(s):

Table 1: Principles of the Small-Business Act in the EU

Table 2: Classification criteria of various enterprises

Table 3: EU vs Hungary: a comparison (%)

Table 4: Hungarian business statistics - Small and Medium Sized Enterprises

Table 5: The World Bank’s business environment ranking (2010)

Table 6: Factors hamper the growth of SMEs in Hungary

Table 7: New objectives of the Széchenyi Enterprise Development Programme

Figure(s):

Figure 1: The ratio of companies introducing innovative products (%) by company size 2008

Forecasting Economical and Social Impact of Non-Profit Organizations' Mergers and Acquisitions

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Objectives: In past five years in Russia there is a tendency towards mergers and acquisitions of government owned non-profit organizations. It can be seen mainly in medical and educational sector where according to national legislation acts companies are not supposed to have profits and if they earn any those ones are considered extra budget income which is supposed to be spend on medical treatment or education improvement purposes. As far as it seems today government is stimulating such mergers and acquisitions on the basis on lobbyists' interests only when in order to receive bigger financial support from the budget influential medical and educational institutions are enforcing mergers with minor institutions without prior estimation of merger or acquisition result in terms of value added. Henceforth it seems necessary to develop a tool for mergers and acquisitions in non-profit sector results estimation which will be sensitive enough to value acquisition or merger produced synergetic effect as well as the obvious effects of non-profit companies' integration.

Prior Practices: The paper is based upon author's experience in educational field including their own analysis of educational institutions mergers and acquisitions results based upon author's approach towards social and economic efficiency analysis.

In terms of prior practices it has to be also mentioned that the problem of mergers and acquisitions had been searched deeply in commercial sector (see for example Reed & Lajoux, 2007; Radygin, Entov & Shmeleva, 2002; Shaver, 2006; Pablo, 1994; Iyer & Miller, 2008; Andrade, Mitchell & Stafford, 2001; Haleblan, Kim & Rajagopalan, 2006; Harford, 2005; Villalonga & McGahan, 2005) including the problems of synergetic effect and organizational structure unification; but mainly the authors dealing with M&A problem were considering financial effects such as price of the shares, EVA, value of the company etc. In case of non-profit merger or acquisition those are not the main issues since this type of organizations is judged by social outcome it produces and not by the value of the company. According to this thesis, the problem of non-profit M&A is a field where almost no research had been done which means there is an unsolved problem of measuring the efficiency of such mergers and acquisitions as well as a problem of measuring tool development for predicting the efficiency of such integration projects.

Approach/Methods: Within this paper we are using our own methodological approach to developing a set of criteria in measuring both social and economic effect, based upon theoretical assumption that there are 6 main productivity factors (including creativity and information on the top of 4 classical, see Svirina & Shurkina, 2009). This theoretical framework allowed us to develop an approach to measuring the quality of each productivity factor in merging non-profit organization.

The framework for non-profit company readiness for M&A was developed specially for this research within the said framework which is dealing with measurement of six productivity factors and is based on their quality.

Results/Insights: On the first step of the presented research the tool for measuring quality of productivity factor of merging non-profit organization was developed on the basis of authors assumptions that organizations are currently possessing 6 productivity factors (land, capital, labour, entrepreneurial activity, information and creativity which we had defined earlier), relationship between which is shown on Figure 1.

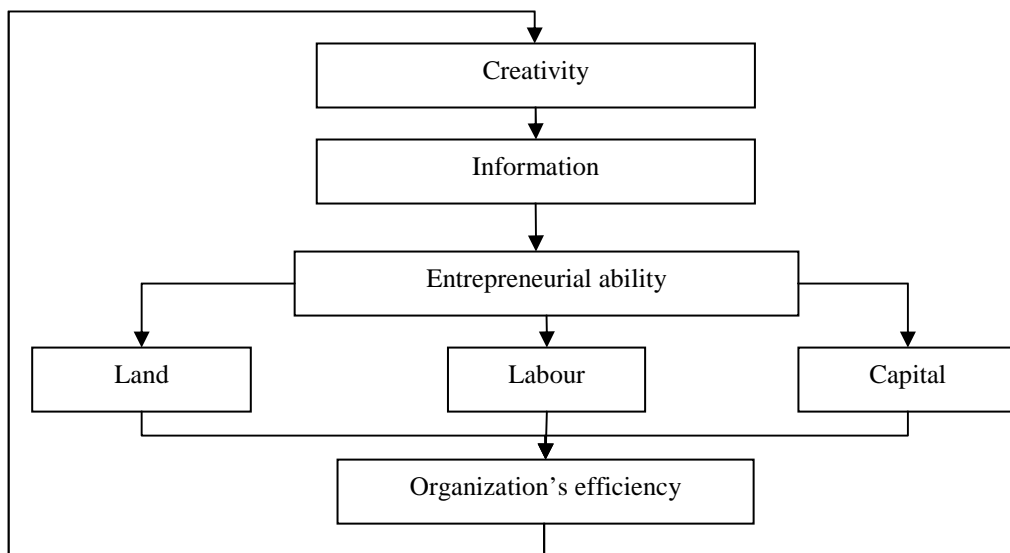


Figure 1. Relationship between productivity factors and organization's efficiency

Quality of each of those factors can be estimated by means of testing 15 factors that directly or indirectly describe the quality of a certain factor. Those 15 factors were chosen out of 50 based on correlation analysis (the chosen indicators had strong positive or negative relation towards non-profit organization performance results). First 50 factors were chosen by the experts including non-profit companies owners, employees and clients as well as government officials. In order to make the process of productivity factor quality estimation quick the authors had developed a questionnaire (within which one should answer yes or no) which is based upon estimated by correlation analysis main indicators of quality. In tables 1-6 the list of such questions used for productivity factor quality estimation in non-profit organization is shown.

Table 1. Questionnaire for non-profit organization's productivity factor "labour" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	Does organization achieve its goals?	
2	Are employees mainly satisfied with their job?	
3	Are employees mainly satisfied with working conditions?	
4	Are employees mainly satisfied with the compensation?	
5	Is justice principle performed within organization?	
6	Is product/service quality level acceptable?	
7	Are employees actually working over ½ of their working hours?	
8	Resources are used by employees mainly according to the plan?	
9	Are employees disciplined enough?	
10	Are cases of absence from work without satisfactory reasons rare?	
11	Do employees rarely explain their faults as the result of some external reasons?	
12	Do employees trust each other and management?	
13	Communication noises do not influence the quality of information passed?	
14	Managers are stating problems only to their direct subordinates?	
15	Is span of control being carefully observed?	

For every "yes" answer a non-profit organization in its pre-merger state gets 1 point. Overall quality of labour productivity factor is defined as the ratio of points earned to 15 maximum points. The close the received ratio is to 1 the better the quality of labour productivity factor is. The same procedure takes place with "land" productivity factor (see Table 2).

Table 2. Questionnaire for non-profit organization's productivity factor "land" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	The company is getting quality products and raw material from the suppliers?	
2	The company is getting quality services from the suppliers?	
3	The company owns (or rents) enough space to carry out its activity?	
4	Products and raw materials are coming to the non-profit company on time?	
5	Services are coming to the non-profit company on time?	
6	The company is receiving the requested products and services?	
7	Is the company using its space properly?	
8	The company is not short on products and raw materials needed?	
9	The company is not short on services needed?	
10	The company is not exceeding planned use of products and raw materials?	
11	The company is not exceeding planned use of services?	
12	The company is able to use its land and space according to decisions made by management?	
13	The company is able to use its products and raw materials according to decisions made by management?	
14	The company is able to use supplied services according to decisions made by management?	
15	The company has no problems with access to the resources.	

The quality of land is defined according to the algorithm described above for "labour" productivity factor.

The same procedure takes place with "capital" productivity factor (see Table 3).

Table 3. Questionnaire for non-profit organization's productivity factor "capital" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	Equipment used by the company is of necessary quality?	
2	Software used by the company is of necessary quality?	
3	Equipment does not need to be repaired often?	
4	The company has an access to necessary financial resources and can easily get extra?	
5	The company has an access to necessary equipment and software?	
6	Company does not need loans to survive?	
7	Company is not spending over 5% of resources for achieving goals which stand out of company's mission?	
8	Does company value human resources higher than other?	
9	Is the company uses its resources to the high extend?	
10	Company's services are of high quality?	
11	The company is receiving enough resources to achieve main goals?	
12	The company is receiving enough resources to achieve main and side goals?	
13	The company is receiving enough resources to achieve also extra goals?	
14	The company is receiving enough resources to achieve all stated goals?	
15	Company's indirect expenses are less than 40% of direct expenses?	

The quality of capital is defined according to the algorithm described above for "labour" productivity factor.

The same procedure takes place with "entrepreneurial ability" productivity factor (see Table 4).

Table 4. Questionnaire for non-profit organization's productivity factor "entrepreneurial ability" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	Are company's clients mainly loyal?	
2	Is the company competitive on the market?	
3	Is company stably attracting new clients?	
4	Does company management understand main clients' requirements?	
5	Is company service in demand?	
6	Are company markets the subject of clear segmentation?	
7	Can one say company is good at attracting necessary personnel?	
8	Can one say company is good at attracting necessary financial resources?	
9	Can one say company is good at using proper technology and technics?	
10	Can one say company is good at presenting its service in the market?	
11	Can one say company is good at using land properly?	
12	Is the company dealing well with unsatisfied clients?	
13	Does the company have wide range of clients and is not depending on any of them?	
14	The company is never paying bribe?	
15	Can one say company is good at services distribution?	

The quality of entrepreneurial ability is defined according to the algorithm described above for "labour" productivity factor.

The same procedure takes place with "information" productivity factor (see Table 5).

Table 5. Questionnaire for non-profit organization's productivity factor "information" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	Does the company use wide range of information resources on internal and external environment?	
2	The time between the moment information is received and used is relatively short?	
3	Is the company good at dealing with informational asymmetry?	
4	Is the system of reverse connection used by the company good?	
5	Does the one who needs information receive relevant information mainly?	
6	Does the company know enough about its services from both internal and external clients' perspective?	
7	The information company needs for efficient performance is getting easier to get as time passes?	
8	The quality of information processing is high?	
9	The noise in informational communications is low?	
10	The company is using mainly formal channels for information transfer?	
11	Does the company receive enough information on its competitors?	
12	Does the company receive enough information on its markets?	
13	Is information processed with a relatively high speed?	
14	Is information processing efficient?	
15	Is company reacting to major changes in external and internal environment adequate?	

The quality of information is defined according to the algorithm described above for "labour" productivity factor. The same procedure takes place with "creativity" productivity factor (see Table 6).

Table 6. Questionnaire for non-profit organization's productivity factor "creativity" quality estimation

#	Question	Yes/No
<i>Labour</i>		
1	The company takes into consideration new ideas regardless of source they are coming from?	
2	The company implements new ideas regardless of source they are coming from?	
3	An idea can come from any employee of the company?	
4	Ideas are processed adequately?	
5	Suggested ideas if proved interesting are rewarded?	
6	Is there the atmosphere of trust in the company?	
7	Company's organizational structure can be considered flat?	
8	Are company employees mainly loyal?	
9	Company's employees are satisfied with their home/work balance?	
10	The level of bureaucracy in the company is relatively low?	
11	Company employees are able to manage their worktime by themselves?	
12	Personnel is familiar with the set of goals company has?	
13	The company had developed and is keeping in working conditions total quality management system?	
14	The services suggested by the company are competitive in the area of its inhabitancy?	
15	Services and ideas produced by the company nearly always find its internal or external customer?	

The quality of creativity is defined according to the algorithm described above for “labour” productivity factor.

After that primary estimation of productivity factors quality of both non-profit organizations which are planning to merge, the level of merger or acquisition readiness should be estimated. This procedure has two steps.

On the first stage quality indexes for all six productivity factors are compared. In case they differ less than 10% in merging non-profit organization one can consider that productivity factors in both of them is of close quality which is a preposition for successful merger or acquisition. If the difference even for one factor is somewhere between 10% and 30% merger or acquisition is to be considered risky and in case merger happen main problems would be coming from the factor which quality is highly different. Finally if the difference for even one factor exceeds 30% the merger or acquisition would probably be unsuccessful and should lead to negative synergetic effect creation if it happens. Henceforth if possible such merger or acquisition should be postponed to the time when productivity factor quality would become more equal since in the opposite case integrated structure would be unable to produce necessary social value and would come out of the merger almost without clients.

On the second stage complex estimation of productivity factors quality for both merging non-profit organization should be taking place. Integrated indicator of such quality can be estimated according to the following formula:

$$I_q = 0.1Q_{lab} + 0.1Q_{land} + 0.1Q_{cap} + 0.2Q_{ea} + 0.2Q_{inf} + 0.3Q_{cr}$$

- Q_{lab} – index which describes the quality of labour used by merging companies, ratio of points received to maximum;
- Q_{land} – index which describes the quality of land used by merging companies, ratio of points received to maximum;
- Q_{cap} – index which describes the quality of capital used by merging companies, ratio of points received to maximum;
- Q_{ea} – index which describes the quality of entrepreneurial activity in merging companies, ratio of points received to maximum. This indicator has higher share in complex indicator due to the fact of its higher importance estimated by the experts;
- Q_{inf} – index which describes the quality of information used by merging companies, ratio of points received to maximum. This indicator has higher share in complex indicator due to the fact of its higher importance estimated by the experts;
- Q_{cr} – index which describes the quality of creativity in merging companies, ratio of points received to maximum. This indicator has maximum share in complex indicator due to the fact of its higher importance estimated by the experts.

Complex indicators are indicated for both companies and than compared. In case they differ less than 10% in merging non-profit organization one can consider that productivity factors in both of them is of close quality which is a preposition for successful merger or acquisition. If the difference even for one factor is somewhere between 10% and 30% merger or acquisition is to be considered risky and in case merger happen main problems would be coming from the factor which quality is highly different. Finally if the difference for even one factor exceeds 30% the merger or acquisition would probably be unsuccessful and should lead to negative synergetic effect creation if it happens.

To make a conclusion on this research we would like to provide the results of two comparative studies performed for two non-profit companies' merger. In first case two medical services centres located in Kazan where merging (see Figure 2) in 2007.

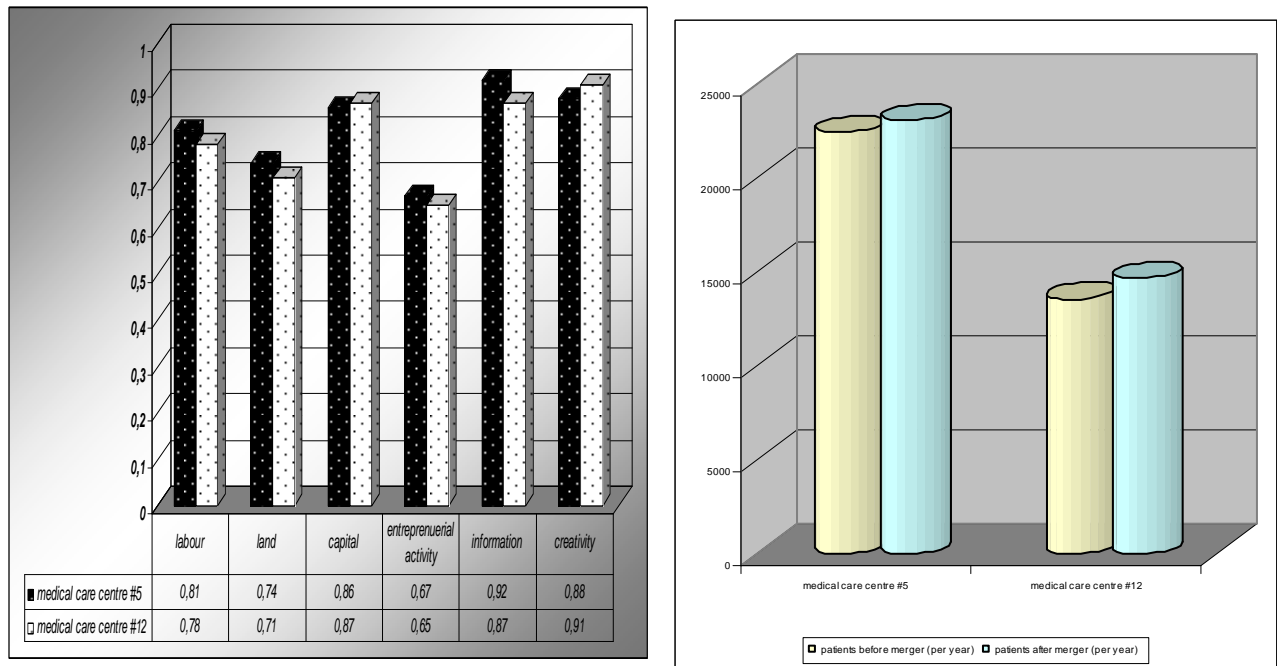


Figure 2. Medical care merging companies profiles and future performance

As it can be clearly seen from the figure provided, as the result of the merger both medical care centres had started to have more satisfied patients than prior to the merger (for medical care centre #5 growth rate is 3%, for medical care centre #12 – 8%) which is in our opinion due to two main reasons. First of all the profiles of companies productivity factors quality in the studied case are pretty close which makes prepositions for successful merger. Second, medical care centre #12 was able to improve quality of service highly since it got access to some rare specialists after merger while increase in medical care centre #5 satisfied patients is only due to the fact that some of the former dissatisfied clients where able to change their doctors⁵² which led to improve in medical services quality.

The second merger analyzed in this study was a merger of Zelenodolsk city campus of Kazan State Technical University with professional college #51 situated in this city. Educational institutions' profiles and results of the merger are shown on Figure 3.

⁵² In Russia people's mobility in choosing doctor suggested by government funded medical services is restricted. A person can go only to doctors from the medical care centre he belongs to by place he or she lives

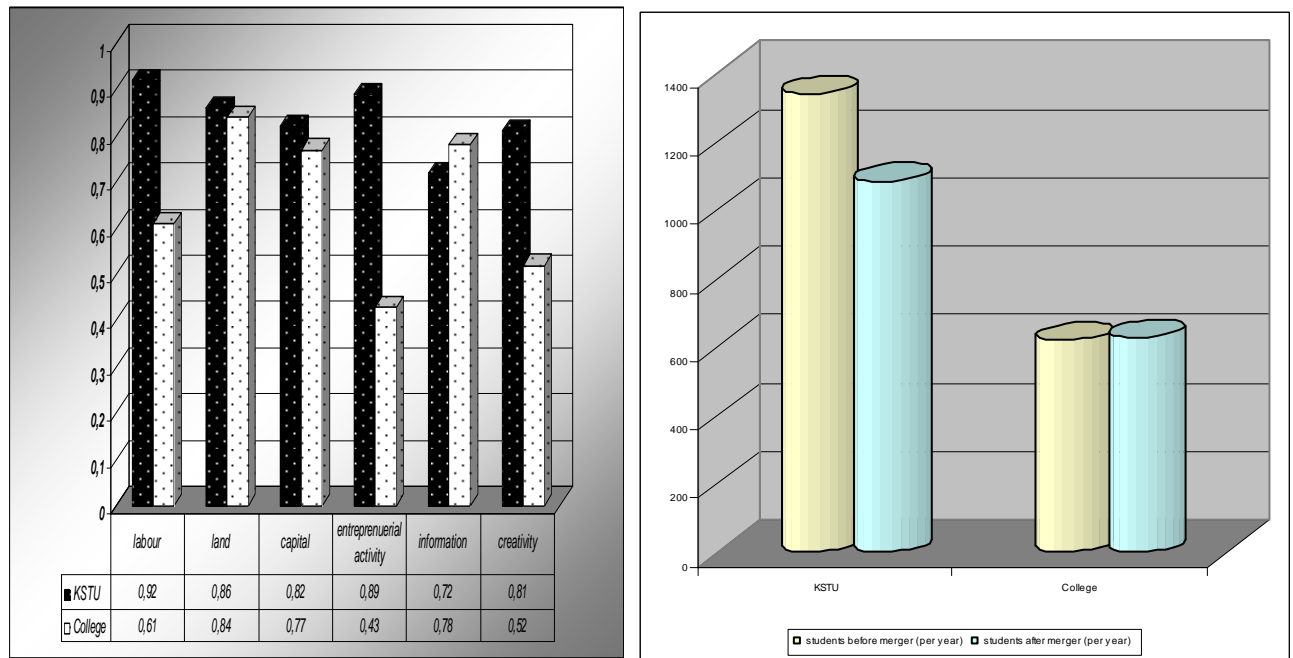


Figure 3. Educational companies merging companies' profiles and future performance

This merger took part in 2008 and was involving two educational institutions with very different productivity factors quality profiles. The results of this merger were as well predictable: Kazan State Technical University campus with better quality profile had lost students (19% in two past years) who were moving to different educational institutions while college was growing in terms of students attracted, but by relatively low rate on 2.3%. That means that overall merged structure had lost 12.2% of students who become dissatisfied with the quality of education. Those results show that prior estimation of conditions should be as well performed in case of non-profit companies' mergers and acquisitions.

Implications to Community/Industry: Non-profit organizations are provided with forecasting tool measuring economic and social value added in case of merger or acquisition. Educational institutions and consultants are provided with a tool of measuring possible results of M&A in the non-profit sector.

Value to the Theme: a forecasting model for non-profit organization's economic and social value added measurement, based upon 6 productivity factor methodological approach.

Keywords: productivity factors, non-profit organizations, mergers and acquisitions, economic value added, social value added.

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Value Based Innovation

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Abstract:

This paper aims at presenting, to top management and scholars, reasons for using models to determine the strategic importance of innovation and its potential value creation. The Value Based Innovation model (VBI) has been applied in strategic planning, over one hundred SME's throughout Portugal and USA, by the author and others, and presented in Universities and Business Schools.

The paper covers the theoretical/literature research base of the model, its operational application, results from businesses applications and limitations and needs for complementary connections to other theoretical/practice models.

The VBI model provides a clear definition of the adequate value curve to be pursued in any innovation action, from strategic definition to operational product conceptualization and production. The model, based on three matrices, interrelated and connected by a mathematical process, brings to the four innovation archetypes, each one based on an unique value curve, four different and independent factors: difficulty to satisfy (1) consumers qualitative requests and (2) external factors demanding innovation, plus needed organizational capabilities at the (3) knowledge/competencies level and (4) at the technological/processes level to answer innovation needs. The theoretical model when converted into a technological application (software) provides an immediate insight of the most adequate strategic innovation to be chosen by top management and operational product developers.

The model will provide practitioners and scholars with a pragmatic tool to determine innovation's value creation. Connecting this information with strategic thinking and planning will reduce risk and avoid failure.

The paper demonstrates the relation between innovation and value creation.

Objectives: Many academics and professional practitioners have worked on visual and non-visual models trying to represent innovation in its different dimensions (Shumpeter, 1939; Abernathy & Clark, 1985; Kline & Rosenberg, 1986; Christensen, 1997; Markides & Geroski, 2005; Davila, Epstein & Shelton, 2006, Sawhney, Wolcott & Arroniz, 2006; Kelly & Littman, 2006; Kingsland 2007; and many others). Their attempts have brought a better understanding to the market about how innovation evolves, develops, disseminates and transforms the economy.

However, the conceptual format on many of those models makes their operational application difficult to firms. Entrepreneurs and strategy and innovation managers and practitioners have been seeking, for a long time, for a model that can, in a simple and clear fashion, indicate the most appropriate kind of innovation to be developed and applied on their businesses.

This paper intends to present a practical innovation model to top management and scholars, which brings the decision to a simple and unique proposition, solving entrepreneurs and managers' doubts, that highlights the strategic reasons to use innovation as a mean to increase value creation.

Prior Practices: As a tentative to comprehend innovation, many authors have come up with their own understanding of such phenomenon.

Schumpeter (1939) defines technological changes and advances as the great cause of economical and industrial changing. To him, the economical cycles in capitalism are the result of changes imposed by innovation, which takes two aspects: the introduction of revolutionary products and services by successful entrepreneurs (1) are fundamental for the sustainable growth of the economy in the long term but (2) is also destroys, in the short term, the power of the established ones. Those fundamentals transform innovation into a "destructive" action. Schumpeter divides the process of change in three major steps: invention; innovation and diffusion.

Abernathy and Clark (1985) define innovation as the initial introduction to the market of a new product, which conceptualization is radically different of previous practices. They have suggested four archetypes for innovation: niche creation; regular innovation; revolutionary innovation and architectural innovation.

Cummings (1998) refers to innovation as the first well succeed application of a product or process. This concept of "the very first" is criticised by Hogskola (2003) as it leaves out the idea of continuous or incremental innovation. However, the concept of "well succeed application" keeps any tentative that fails to reach the market out of the innovation arena.

Piana (2003) refers to innovation as the activity of people and organizations to introduce changes to them selves or to the environment. Innovation can also be, according to this author, an individual attitude, an organizational process and a social movement, therefore, innovation can be applied to products, processes and behaviours.

Tidd (2006) refers to innovation as the tentative to work at the frontier level of technology, fragmenting market movements thought out the globe, and at the level of political uncertainty, regulation instability and new competitors coming from many different directions. To be successful in this environment one has to be very good in managing innovation at the network level. Tidd opens a new window in which "context and environment" are also susceptible of

innovation. Now, after being from “inside out” and “outside in”, innovation can be also from “inside in”.

The Oslo Manual (OECD, 2005) defines innovation as “*the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations*” (p. 46). It also defines that innovation must have a degree of novelty. Three concepts of novelty or innovation are mentioned: new to the firm; new to the market and new to the world. The manual still considers that “*A related concept is a radical or disruptive innovation. It can be defined as an innovation that has a significant impact on a market and on the economic activity of firms in that market. This concept focuses on the impact of innovations as opposed to their novelty. The impact can, for example, change the structure of the market, create new markets or render existing products obsolete (Christensen, 1997). However, it might not be apparent whether an innovation is disruptive until long after it has been introduced*” (p. 58).

Kingsland (2007) proposes that innovation can be applied at five different levels: product; service; process; business model and organizational structure. He suggests three types of innovation: breakthrough; differential and incremental.

This approach introduces the word “differential” into the used lexicon, meaning that innovation can be applied to create differentiation on new products, processes or markets.

Many authors refer to differentiation as “vertical” when it creates a new of different “value” for consumers, related to the quality offered, and “horizontal” when it creates a different “price” for consumers, which is related to the product offered variety. This concept is mainly used at the macro economical level, mainly to understand IIT – intra-industry trade among countries but, the same concept can be used by firms to comprehend the practical implications that it can have on their innovation actions. Faustino (2003) refers that the pioneering models of Krugman (1979 & 1980) and Lancaster (1980) take the horizontal differentiation view and Falvey (1981), Falvey & Kierzkowski (1984) and Flam & Helpman (1987) introduced the vertical differentiation on products. Companies differentiate their products to avoid competition. Doing so they justify different prices. The vertical differentiation takes quality as the basic distinction. However, horizontal differentiation reflects formally the Hotelling competition format (Hotelling, 1929), transforming the price differentiation into a ruinous proposition to some competitors.

The product differentiation provides firms with the possibility of recovering some power in the market. Anderson (2005) mentions that this situation allows enterprises and corporations to overcome the “Bertrand paradox”, which would imply that the price of all competitors would be homogenous. The market logic, according to Bertrand’s competition concept, forces enterprises and corporations to bring their prices to the marginal cost level, the unique possible equilibrium point – equilibrium of Nash (Nash, 1950). Anderson mentions that, based on special attributes which can differentiate a product from direct competitors, enterprises can exercise some pressure on the market establishing their prices without having an elastic answer from consumers, meaning that a differentiated product becomes a variable of choice, avoiding the Bertrand paradox.

Narajabad and Watson (2007) refer that a horizontal differentiation less expensive depends of the consumers’ preference for heterogeneity and that innovation increases if that preference is high, and that innovation diminishes if the same preference is low.

Manez and Waterson (2001) conclude that at the vertical differentiation level one can identify three interrelated results: (1) the self price elasticity diminishes when the product quality

increases; (2) the cross product price elasticity diminishes when overall quality increases and (3) the product profit margin increases with the increment in quality.

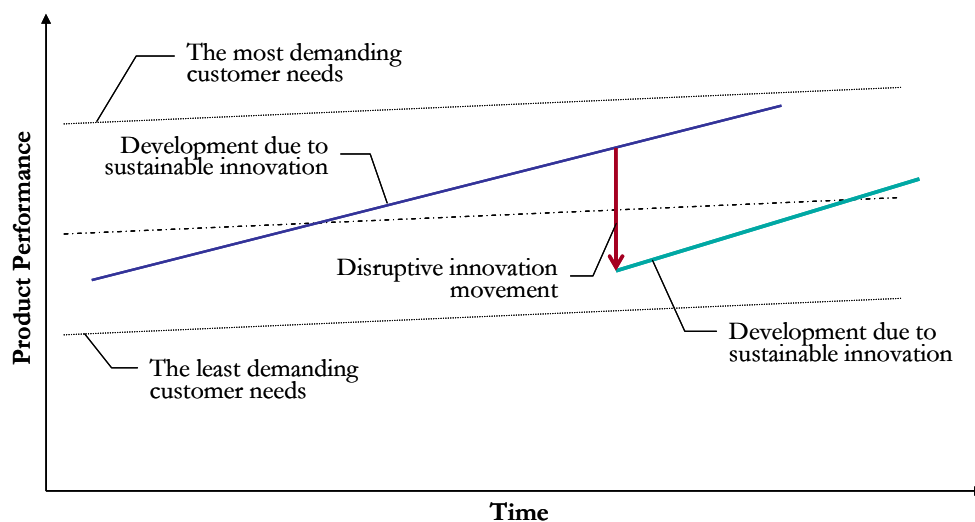
Many innovation models (Schumpeter, 1939; Abernathy & Clark, 1985; Markides & Geroski 2005; Davila, Epstein & Shelton, 2006) are set on what Kline and Rosenberg (1986) call the linear innovation model, where research, development, production and commercialization follow a by order and sequential process. However, many other innovation models (Christensen, 1997; Kusiak & Tang, 2006; Sawhney, Wolcott & Arroniz, 2006) are set upon what Kline and Rosenberg named the interactive model of innovation.

The model proposed in this paper, the Value Based Innovation model (VBI), brings all previous understandings of innovation to the organizations' operational level, in a very practical and easy to understand way, allowing innovation managers and practitioners to define the most appropriate type and scope of innovation to be developed and implemented. The BVI model has been applied during strategic planning over one hundred SME's throughout Portugal and USA, by the author and others, and presented in Universities and Business Schools.

Approach/Methods: In today's economy, it is frequent to hear academics, managers and entrepreneurs saying that innovation is the key for success in any business. From simple and basic innovation to complex and broad innovation, everyone says that we need to innovate products, services and processes. Big organizations invest large percentage of their overall turnovers into research and development of new products and working processes, trying to be ahead of competitors by introducing in the market new concepts and conquering new consumers.

There are many different theoretical concepts of innovation, developed along the years by academics, managers and researchers. One of the most well known concepts is the one that Christensen (1997) as brought up, as shown on figure 1.

Fig. 1. Sustainable and disruptive innovation (Christensen, 1997)



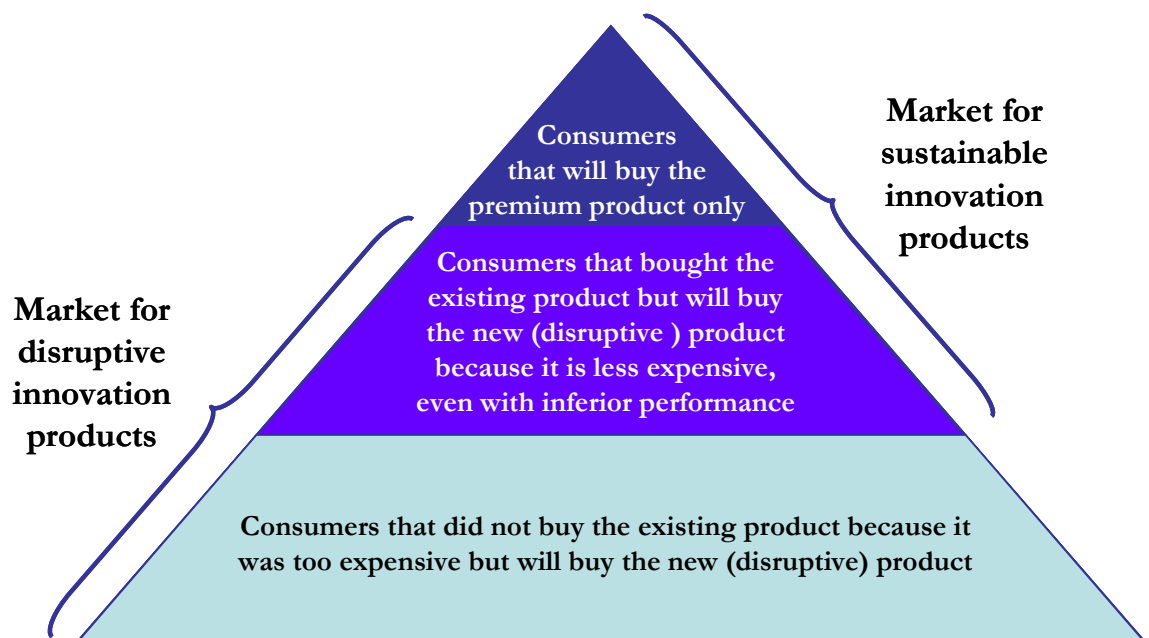
The conceptual idea is based on the fact that every product improves its own performance along the time dimension (life cycle) until a stage when its performance is so high, full of unnecessary functionalities, and so costly that a large part of the market has not the desire to acquire the product. It is at that point in time that someone with a cheaper product proposition,

even with lower performance or less functionalities, will take the non served part of the market, creating a disruptive movement.

In order to be disruptive, and adopting some of Christensen's principles, there are some fundamental ideas that should be consider. These are: (1) a product is disruptive when, through new and cheaper technology, even with less functionalities, it responds to the basic consumer's needs, with a much lower price (cost to consumer); (2) despite the fact that the product may have less functionalities, the same product covers the existing basic needs of a large number of consumers, many of them seating at the bottom of the consumer pyramid, who could not buy the existing products because they were not able to afford the demanded price, and also covers the needs of some existing consumers at the middle of the pyramid who prefer to lose some functionalities but purchase the new product at a much lower price; (3) the disruptive product sells at a much lower price but it also costs much less, due to the new and more productive technology used, giving a higher profit margin to the producer; (4) a disruptive product has to be unique, difficult to be copied by competitors and not possible to be substituted in its application by any other one with the same functionalities, performance, and price.

The concept of disruptive innovation has created a new vision in the market place, not because it supports the idea of creating completely new products, which may not be true all the time, but because it supports the idea of targeting a much wider range of potential consumers, as shown on figure 2. Considering that the consumers pyramid can adopt even flatter conditions, depending on the kind of product, the base has a great market potential growth if price is aligned with the purchasing power of consumers. However, a truly disruptive product serves not only the base of the pyramid but also the middle section. This gives any real disruptive product a greater chance of success. There are always consumers at the top of the pyramid looking for more complex solutions and higher performance products who will never adopt the disruptive product, unless the previous one disappears from the market.

Fig. 2. Consumer pyramid and preferred products



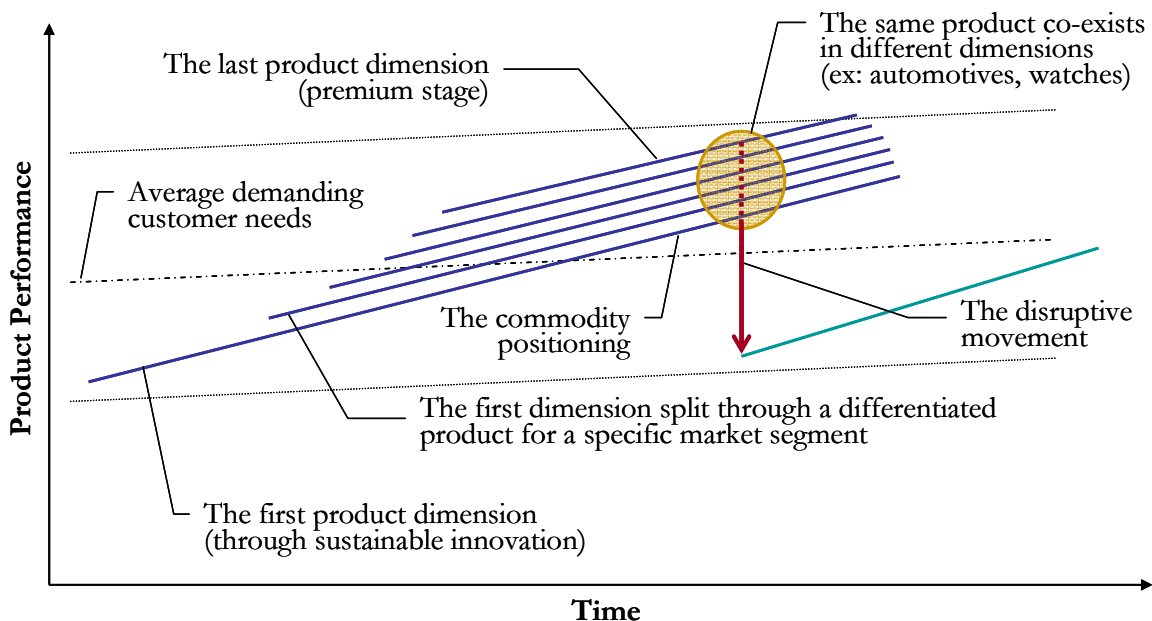
But, this brings a new question up: how do products align?

Considering the concept of sustainable innovation, which is very much the “continuous improvement process” of products and working processes, we may find that the ascendant line representing the progress of a product on the model may not represent the full range of varieties or segmentations that the same product may have been exposed to. By segmenting the market, marketers create differentiated products to serve different market segments. More segmentation means more differentiated products, and at a certain point in time, we may find that a certain product has different identities (dimensions) of itself. The car industry is one of the most segmented industries, providing a wide variety of always the same product: the automotive. Along the wide variety of different automobiles we can find the basic commodity car and the top premium car. It is as the product was living in some different and parallel dimensions at one time, as shown on figure 3.

Differentiation has, then, created a number of different varieties of the same product. These varieties live in different “value” levels and “market” environments. The “commodity” product has a low organizational “effort” in innovation and differentiation and serves a market environment with low potential growth and many competitors. On the opposite side, the “premium” product serves a market niche with a higher potential growth and a much lower number of competitors or none, but the producer must develop a high effort in order to innovate and differentiate the product.

At this point, we are able to say that, from the model on figure 3, we can identify four different innovation “moments” during the product life cycle: (1) the initial innovation that has created the product in the first instance; (2) the sustainable innovation corresponding to the continuous improvement of the product; (3) the creation of different qualitative levels, including the premium level; and, (4) the creation of a new alternative product for many consumers through the disruptive movement. Later, we will use those four “moments” in our proposal for a new innovation model.

Fig. 3. Parallel dimensions of sustainable innovation



Leaving aside all other important factors that will make the product succeed in the market place, we shall focus on the “value” of the product to determine the impact of innovation.

Consumers determine the value of any product when they decide to buy or not to buy it. On their appreciation of the product “value”, consumers consider two major variables: levels of performance (attributes and functionalities) and price (cost to acquire). Performance level comes from the functionalities the product can deliver, being intrinsic if serving the purpose for which the product has been conceived or, extrinsic if providing extra benefits like prestige or some function that no other similar product can deliver. Price level comes from what the consumers think it is appropriate or from what producer or vendor imposes to the market. The concept of “value” has been used broadly, but the one that we need to use in this paper is the one that comes from Value Management (VM), and this takes in consideration the direct relation between the given satisfaction of consumer needs, provided by the functionalities of a product, and the resources used to acquire the product, being money or any other.

However, when evaluating a product in a decision-making situation, consumers look to products in a different way. Functions and price all come to them as product’s attributes. They see these attributes in terms of qualitative or quantitative performance, scoring each one of them in a very own and personal scale. That should be also the method that companies must use to appraise the performance of their products attributes, creating a “value curve” for their products that can also be compared against competitors performances.

Results/Insights: In the business world, innovation is often not something that someone can plan and predict in detail beforehand. It is, mainly and most times, the result of occasional discoveries, through a trial and error experimental action process that brings into the world new products and services that we all ought to have.

In order to understand what innovation is and how it happens, we should look into the present and back into the past and analyse lived experiences. This will help us to find the “when” and the “why” for innovation to occur. The reasons behind the happening of innovation can be divided in three groups:

1. New consumer needs: functional – new functions that are demanded by consumers; operational – need for “ease of utilization” by consumers; and, design – need for “fashion alternatives” for consumers.
2. New market contexts: business environment – new political, economical and social demands; rivalry – type and number of competitors; and, environmental – scarcity of natural resources.
3. New capabilities of the industry: knowledge – scientific and technological; applied technology – hardware and software; and, inputs – new materials.

Innovation can occur at two different levels: (1) at the Product level: functions; inputs (materials); and, design (of product and packaging); (2) at the organizational level: productive processes (equipments e materials); management (organizational structure, ITC, e institutional relations); and, marketing (promotion/image, distribution).

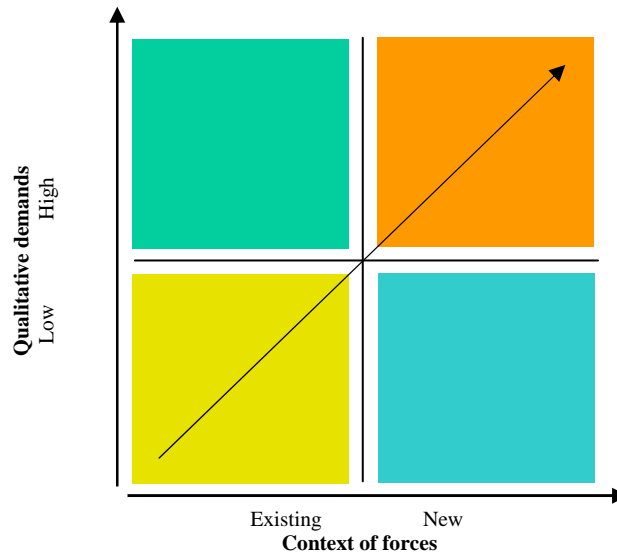
To create a product or service, that is, to make it appear in the market via some kind of innovation process, we need to analyse it through two different organization’s standing points: (1) the external view or the degree of difficulty that will be faced in satisfying all the demands from the market, which need to be overcome in order to create or develop the expected response to consumers; and, (2) the internal view or the degree of organizational capability (effort) needed or applied during the innovation process in order to achieve the end expected result.

These two major factors are the baseline for innovation and they determine the kind of innovation that organizations do in their search for their product value positioning.

The Difficulty in Satisfying the Market/Demand

The higher or lower degree of difficulty in satisfying the given requests provided by the market that an organization has to overcome comes from two factors: (1) the external context of forces that created the need or the requests for the innovation are (2) the level of quality demanded by consumers for the final solution, as shown on figure 4.

Figure 4. Satisfaction difficulty level matrix



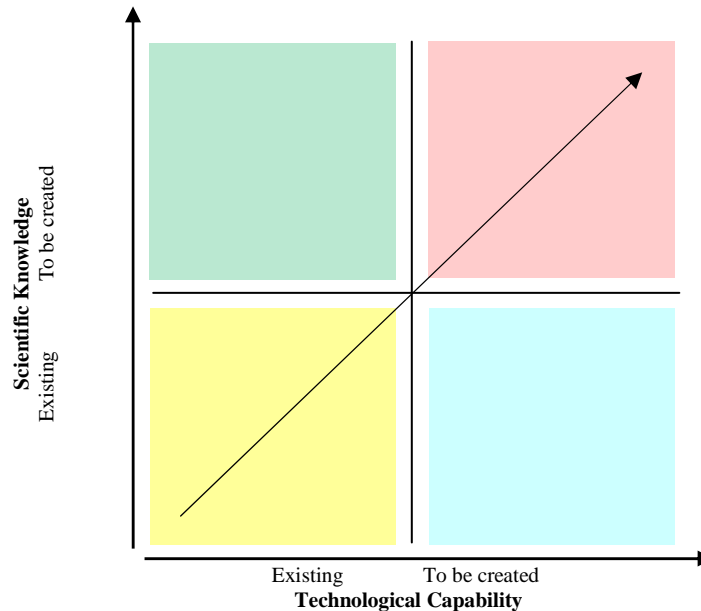
The context of forces can be classified as existing or new: existing contexts demand solutions in alignment with what had existed before and new contexts demand new and unpredictable solutions. The transportation of people by airplane can be considered an existing context as it has been very much stabilised for many years. However, the future transportation of passengers into space will create a new context to the manufacturers of spaceships. The forces come from the following factors: economical; functional; social; political; and, environmental. Each of these five factors must be analysed, classified and combined with all other factors to determine the positioning at which we are in on the “context forces” axis of the matrix.

The qualitative demands level can be classified as low or high. Low quality demanded is easier to satisfy and won't require special product and service attributes to be at top performance. High qualitative demands level represents more difficulty to arrive to the demanded satisfaction, as the quality requirements will be more in quantity and higher in quality. This is a very dynamic condition and it can change without warning from the market. The level of quality required to innovation in the shoes industry and in the medical equipment industry is quite opposite. However, some products in those industries can demand levels of quality in innovation far from the average of the rest of the industry, and that can even change with time, location, consumers and so on. The quality demanded is determined by the following factors: functionality (needed functions); operational usage (utilization); design (prestige and esteem); reliability; and, availability. We must determine and classify each of these five factors and combine the final results in order to provide a positioning on the “level of quality demanded” axis of the above matrix.

Needed/Applied Capability

The higher or lower degree of needed or applied capability in the innovation process comes also from two factors: the level of scientific knowledge and competences and the level of technological capability to create solutions, as shown on figure 5.

Figure 5. Needed/applied capability matrix



The applied scientific knowledge and competences during the innovation process can be classified into two levels: existing or to be created. In most cases, organizations use the existing scientific knowledge and competences to arrive to the needed solutions. In some few cases, organizations need to create and develop new scientific knowledge and competences in order to achieve the required solution. The need to develop the technology for the nuclear fusion is forcing scientists to create new scientific knowledge and competences. Making cars using bio-fuel is achieved with existing scientific knowledge and competences, despite the fact that it may mean two completely different engine technologies. The scientific knowledge comes from the following factors: scientific development (R&D); functional management; competences and experience; creativity and design; and, market and consumer knowledge. The level in each of these five factors determines the positioning on the “scientific knowledge” axis of the above matrix.

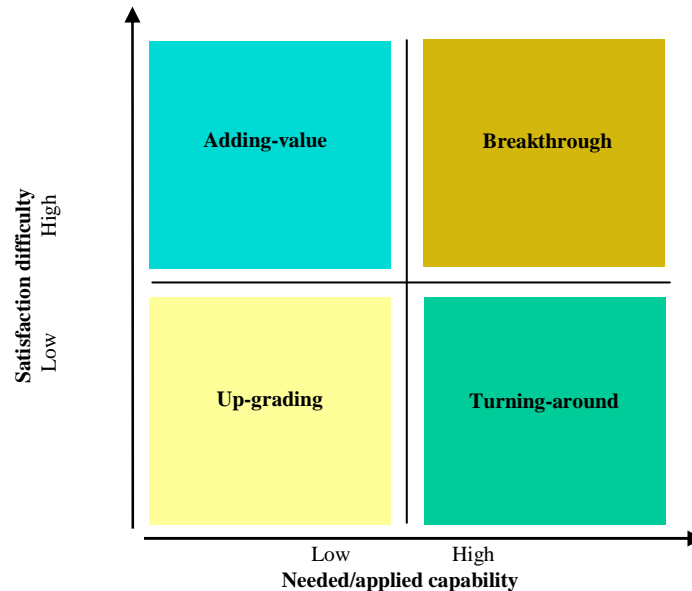
The level of the technological capability to create solutions can also be classified as existing or as to be created. Most examples of innovation are using the existing capability to create solutions, that is, using existing means to perform a certain functional need. A new car using plain water instead of fossil fuel will need new technological solutions to make use of water instead of fossil fuel with the same results but it will also need existing technological solutions to control the power and speed of the engine through the gearbox, even if this has different characteristics. The technological capability comes from the following factors: scientific technology (R&D); production equipment; information systems; materials; and, processes. Each factor must be analysed and classified in order to determine the positioning of the organization on the “technological capability” axis of the matrix.

The arrows on the two previous matrices denote the incremental output result of the combination of the two variables, on each matrix.

The Innovation Archetypes

The degree of difficulty in satisfying the identified requests and the degree of organizational capability needed or applied in the innovation process can now be combined, resulting in four archetypes of innovation, as shown on figure 6.

Figure 6. Value Based Innovation model



The “breakthrough” innovation means that the final solution is a new unique product, answering new needs and delivering new functions. Every existing product was once first introduced in the market as a result of something new. The telephone, the radio and the television were all in the first instance real breakthroughs. The breakthrough innovation happens many times by mistake or pure luck. The “x-ray” was the result of the discovery of the radiation properties of uranium, by the Currie couple. That was the trigger to make use of such condition in new applications. Something that was unthinkable could then be a reality.

The “turning-around” innovation is applied in the creation of an alternative product to replace an existing one but, even with less functionalities or performance, at a much lower price, covering the basic needs on the base of the consumers pyramid. In order to produce a new product with less functionalities and lower performance but at a much lower price for consumers it needs some kind of new technology or other capabilities, which will make such realization viable. This is similar to Christensen’s (1997) “disruptive” innovation.

The “adding-value” innovation is applied in the development of new functionalities and in the increment of performance of all attributes in an existing product, responding to specific needs of a market segment and creating a new dimension of the existing product. Often this corresponds to the premium versions of a product, like in the case of cars and watches.

Finally, the “upgrading” innovation is applied to differentiate an existing mature product, still serving the same market segment, but pushing up on the satisfaction of consumers’ needs. Upgrades on some commodities or services are normally small innovations that try to differentiate the product from competitors, achieving such result for a short limited time only, while

competitors do not react. This corresponds to the simple and incremental innovation, also named “sustainable” innovation by Christensen.

Aligning Value and Innovation

To understand “value”, as defined in Value Management (VM), we need to consider two major variables: functionalities (representing satisfaction of requests) and price (representing utilized resources).

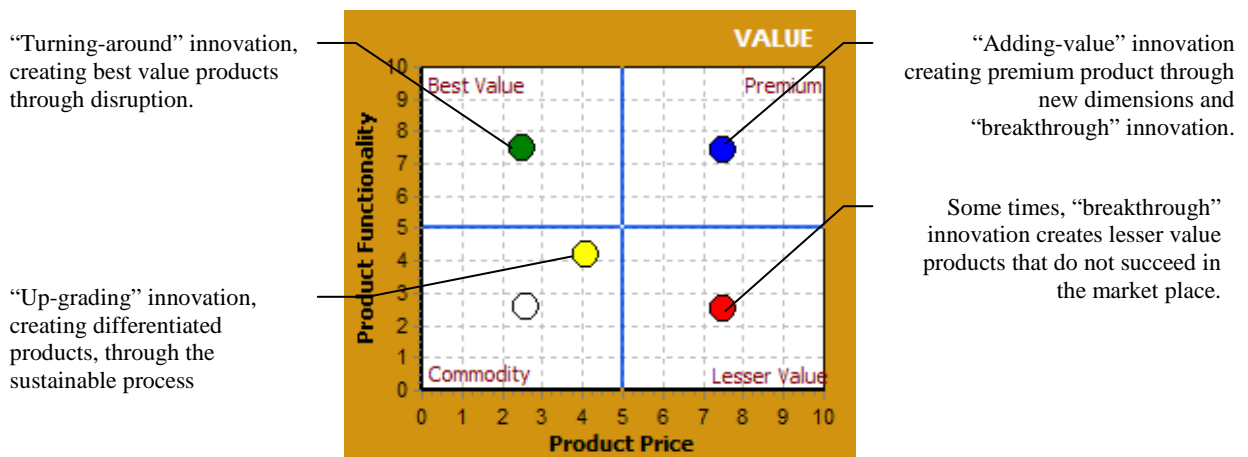
To determine the positioning on the functionalities axis we need to analyse 5 factors: performed functions; design and image; characteristics; needs served; and, brand.

To determine the positioning on the price axis we need to analyse other five factors: price elasticity; purchasing options; knowledge of needs vs product; product utilization; and, negotiating power.

Constructing a matrix out of those two major variables, and taking in consideration their specific factors, we can determine four different archetypes for “value”, as on figure 7. These archetypes are: (1) commodity – products of low value, at low price, serving basic functions, in advance or late stage of maturity; (2) best-value – products with extrinsic functions, even if only for the base of the consumers pyramid, at accessible price; (3) premium – products with strong extrinsic functions, serving a market niche at the top of the consumers pyramid, at a high price; and, (4) lesser-value – products that consumers do not consider only with basic functionalities sold at a high price and, therefore, not adopted by the market.

When aligning these four archetypes of “value” with the ones of “innovation”, as shown on figure number 7, we conclude that each type of innovation creates a specific level of value.

Figure 7. Innovation and value alignment

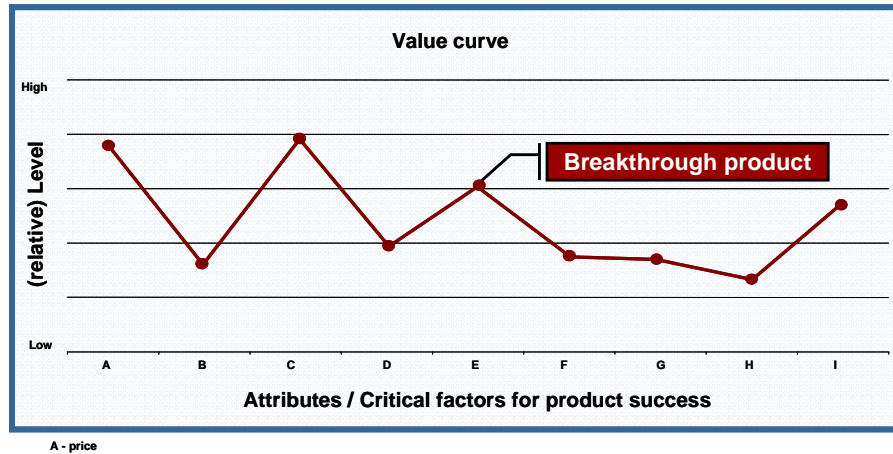


The “breakthrough” innovation can, hypothetically, position the product in any of the four quadrants. However, as this kind of product comes from some new developed technology and competence, in which someone has invested a great deal, it may be priced highly, at the level of price imposed by the supplier. Therefore, the product must be either in the premium or in the lesser value quadrants. In case of low costs in the development phase, it may happen that the supplier will position the product in the best value quadrant, situation only found very rarely and occasionally. The future nuclear fusion electrical central power plants will happen due to a “breakthrough” innovation.

A potential value curve of a product initiated by “breakthrough” innovation may look like as shown on figure 8, that is a standing alone value curve.

The “turning-around” innovation takes the product inevitably onto the best value quadrant. Due to the fact that the simplification of a product means less functionalities and or lower performance, but at a much lower acquisition price for the consumer, as a result of the utilization of new technology that allows costs to be also heavily reduced, it will surface in the market as the waited possibility for a large number of consumers at the bottom of the consumers pyramid, providing the desired performance at low price.

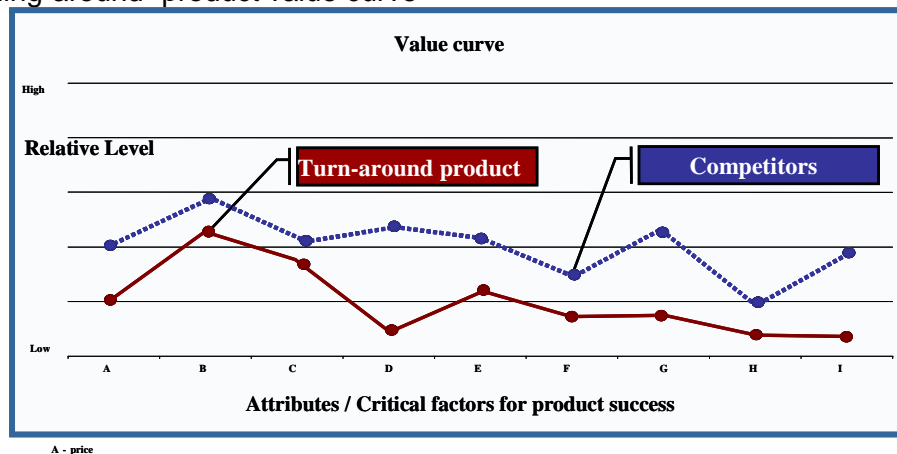
Figure 8. “Breakthrough” product value curve



The “turning-around” innovation is very much what Christensen (1997) has named as “disruptive” innovation. The second generation of mobile phones came in the market due to a “disruptive” innovation, when it became possible to have a cheaper product, even with a not so good performance as the first generation mobile phones, but at a price that almost everyone could afford.

The potential value curve of a product that has been subject to a “turning-around” innovation process may look like as shown on figure 9.

Figure 9. “Turning-around” product value curve

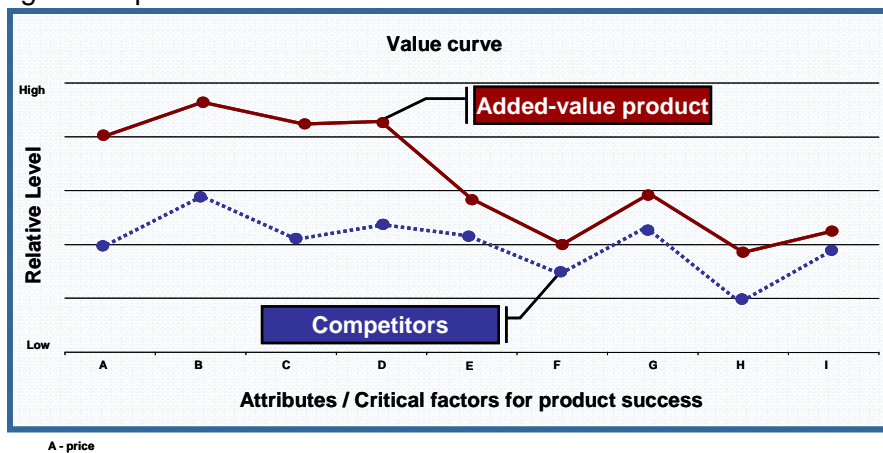


The “adding-value” innovation corresponds to the innovation that many manufacturers in the industrial field or other organizations in the service field do to the product or the service in order to adjust it to some market segment and niche specific needs. Normally they add more

functionalities to the product, higher performance in qualitative and quantitative terms, and create a brand name that means exclusivity, prestige, style and so on. This kind of innovation adds new dimensions to products, separating the commodity from the premium and having, some times, many middle dimensions. This applies to products that have become a commodity, positioned at the last stage of their life cycles, when a producer develops high effort to differentiate a variance of the product from the remaining competitors. This is also a last resource to obtain a higher margin on something that, due to its condition of commodity, suffers high pressure from consumers and competitors at the price level. Well-succeeded “adding-value” innovation strategies may take products to the premium archetype for long periods of time. The very expensive watches targeting the very high classes come as a result of “adding-value” innovation strategies.

The potential value curve of a product that has been subject to an “adding-value” innovation process may look like as shown on figure 10.

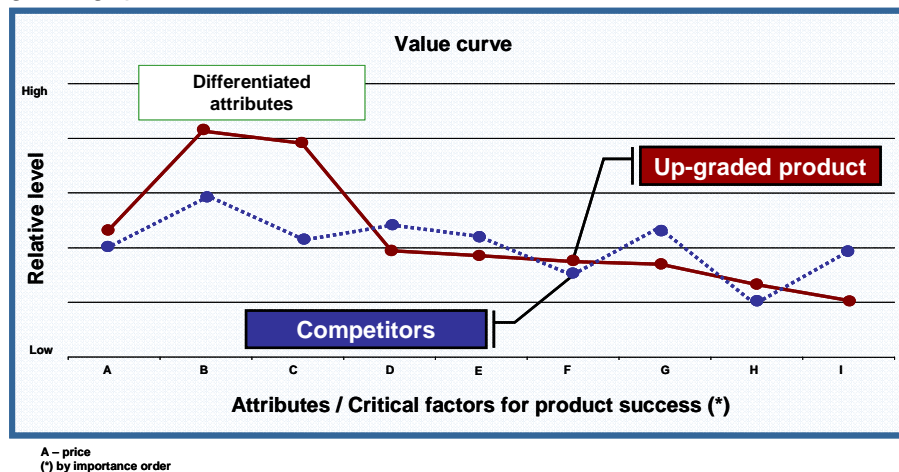
Figure 10. “Adding-value” product value curve



The “up-grading” innovation applies to any situation when the supplier tries to innovate through a differentiation process. It comes up as the result of giving higher performance to some attributes of the product in comparison with other competing products. The product may still be a commodity, but it is seen by consumers as of higher value and, therefore, appeals to those with more purchasing capacity. The effort the car industry has done to create the SUV car dimension illustrates this concept.

The potential value curve of a product that has been subject to an “up-grading” innovation process may look like as shown on figure 11.

Figure 11. “Up-grading” product value curve



Implications to Community/Industry: In business, we only can introduce changes and create some kind of impact in two areas: product “value” and organization’s “effort”. The value can be changed if the attributes of the product are redefined in order to make its “value curve” stand out from the competition. Innovation plays a great part on this process of changing the product value.

Changing the “value” of the product, according to consumer needs and preferences, will impact on product margin and, consequently, on potential profit and adequate strategy. Any “effort” changes and adjustments must follow “value” changes, keeping both in alignment with each other in order to maintain the desirable product margin. Changes on the “value” side can also uncover or create new markets, which will impact the potential profit and strategy as well.

The changes on the organization’s “effort” side must be performed at the organizational structure level, intervening in the areas of authority and responsibility, learning and competences, processes and technologies.

The models presented in this paper must be used as integrated tools, providing an overall and integrated view of any potential business proposition, which will help managers to make decisions in relation to their future course of action. For that purpose, a technological application (software) has been developed, which provides an immediate insight of the most adequate strategic innovation to be chosen by top management and operational product developers.

The VBI model will provide practitioners and scholars with a pragmatic tool to determine innovation’s value creation. Connecting this information with strategic thinking and planning will reduce risk and avoid failure.

Value to the Theme: This paper intends to demonstrate the relation between innovation and value creation.

The presented VBI model links innovation and its archetypes to value creation, determining the adequate value curve for each archetype and also identifying the most appropriate value positioning for those archetypes, which connects to the strategic definition and planning.

Keywords: Business models, innovation, value creation.

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From Value to Strategy

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Abstract

This paper has the objective of presenting to top management and scholars the reasons for using models to determine the importance of connecting value creation to business strategy. The “Moving along Alignments and Paradoxes” model (MAP) has been applied in strategic planning, over one hundred SME’s throughout Portugal and USA, by the author and others, and presented in Universities and Business Schools. The paper covers the theoretical/literature research base of the model, its operational application, results from businesses applications and limitations and needs for complementary connections to other theoretical/practice models. The MAP model provides a clear definition of any business strategy based on different variables. The model, set on six matrices, interrelated and connected by a mathematical process, brings to the four “strategy” archetypes, each one based on an unique marketing approach, six different factors, three representing independent variables, (1) product “value”, (2) organization “effort” supplied to creating value, and (3) market environment (supply vs. demand), and the other three dependent variables, (4) margin, (5) profit and (6) strategy. The theoretical model when converted into a technological application (software) provides an immediate insight of the most adequate business strategy to be chosen by top and operational management. The model will provide practitioners and scholars with a pragmatic tool to determine product value and its relation to strategy. Connecting this information with strategic planning will reduce risk and avoid failure. The paper demonstrates the relation between value creation and business strategy.

Keywords: Business models, innovation, value creation.

Objectives: Using visual models to represent reality in the economic and business environment has been a constant for some authors (Ansoff, 1965, Porter, 1985, Tesmer, 2002, Lowy & Hood, 2004, Sarkar, 2007, and many others), who had approached fields like business strategy and value creation.

However, independently of their visual format or of their mathematical concept, all of the most used and well-known visual models are static, failing to represent many of the dynamics behind them.

Corporate and company management, as well as scholars, need to have a clear visualization of the different factors and their dynamics involved in any evaluation using those models and, mainly, in any decision process that takes models’ variables as the starting point.

This paper will present a dynamic visual model that takes multi-variables, connecting different factors related to products, markets and organizations, in such way that one can make a strategic decision based on only a final indicator, but still allowing full comprehension of all individual independent and dependent variables.

Prior Practices: The concept of “strategy”, from the military point of view to the business environment and management point of view has been deeply analysed and used (Chandler, 1962; Ansoff, 1965; Steiner, 1979; Queen, 1980; Porter, 1980; Mewes, 1981; Mintzberg, 1994; Krause, 1995; Kaplan & Norton, 2001; Kim & Mauborgne, 2005; Patel, 2006, and many others), in such way that the word and meaning of strategy become vulgar to most entrepreneurs, corporate and business management and students.

Strategy is a kind of “plan” that enterprises define in order to conduct their own future, covering three different levels: corporate – related to different businesses or product lines, business – related to product positioning, and functional/organizational – related to distinctive competencies that may create competitive advantages (Eisenhardt & Sull, 2001). From the business stand point of view, according to Lowy & Hood (2004), authors have worked many different subjects or perspectives like “market needs” (Gale, 1994; Hamel & Prahalad, 1994), “strategic context” (Porter, 1980; Pascale & Athos, 1981; Tesmer, 2002), “strategic options” (Ansoff, 1965; Rowe et al, 1984; Porter, 1985), “marketing and communication” (Davenport & Back 2002) and “risk” (Henderson, 1979; Ohmae, 1982; Ralston, 2004). All these authors have proposed their own models for strategic analysis and definition, and most are used in the business and academic world, providing a better understanding of the many different factors that impact business decisions.

The “market needs” perspective brings up the necessity to understand consumers in all its extension. One way to understand consumers’ needs is studying their specific functional and emotional needs and, consequently, transforming those into product attributes or functionalities.

Value Analysis (VA) contributes to that understanding through a process of functional analysis (FA) and function costing, determining the relation between the satisfaction of needs and resources utilized, being this relation called “value” (Miles, 1972; European Norm EN 12973:2000).

A European transnational group of specialists in Value Management (VM) have produced a document (Value Management Handbook, European Commission, 1995) which illustrates the existence of a direct relation between “value” to consumers and business strategic planning and decision making, which is supported by the VM European Norm. Many of those applications of VM concept in the business world have brought the issue of product value, from the consumers’ perspective, to the level of corporate strategic analysis and definition, impacting many aspects related to different stakeholders beyond consumers, like impact on society and environment, economical influence on suppliers and social influence on internal human resources.

From the observation of direct application of the value concept in strategic planning and implementation in many small and medium size businesses, I came to the construct of a model which progresses from value to product and business strategy, which provides decision makers with a clear vision of some potential scenarios and respective outcomes, based on a set of influential factors, internal and external to the companies.

This model intends to understand the needed alignment of the different factors in play in order to create the right conditions for any strategy to achieve success. The existence of a good and straight alignment of all factors in play is crucial to make any strategy sustainable. This implies that those factors must be controlled and managed by management. However, there are many factors that are outside the scope of control of management, which may be the only ones that support or sustain the business continuity, even without a clear manifestation of such importance. Using those factors as the base for some business development can become a “paradox” in itself, as one may have the feeling of an extreme success in one’s business but may not understand what it behind such success.

The confrontation with this reality in many situations, especially in the small and medium size company world, has taken me to name the constructed model as “Moving along Alignments and Paradoxes” (MAP), as it can provide a clear idea about one’s alignment or paradoxal existence.

The “Moving along Alignments and Paradoxes” model has been applied in strategic analysis and planning, over one hundred SME’s throughout Portugal and USA, by the author and others, and it has been presented in many Universities and Business Schools classes and seminars.

Approach/Methods: It is commonly understood that the mission of any business proposition is to provide economical return to shareholders; otherwise they would not invest their resources in any business, in the first instance. It is in accordance with this simple concept that the MAP model has been developed. It has been constructed with the specific objective of understanding the potential profit of any business proposition and the consequent and appropriate strategy to achieve such objective.

With that purpose set, the model evolves around five major variables plus one, each one represented by a matrix, being three independent and the other two dependent, and the last one a mix of both situations.

The dependent variables in a business are those that are subjected to the result of other variables, that is, are themselves the result of something else. In this category we can include product “margin” and “profit”, as both are the outcome or result of decisions and outputs from different factors inherent to the business and to the market.

The independent variables in a business are those that we or someone else may impact in different ways, inducing different outputs or results from real situations. In this category we may include the product “value” for consumers, the organization’s “effort” to deliver that value to consumers and the “market potential” derived from the combination of the demand and the supply connected to the same product.

Once we identified these variables, dependent and independent, we tried to understand the connections among them. Therefore, product “margin” may be the result of the combination of outcomes coming from product “value” and organization’s “effort” and, business “profit” may be the result of the combination of outcomes coming from product “margin” and “market potential”.

Finally, the consequent “strategy” to be implemented may result from the combination of the business “profit” and organization’s existing “market share”, or capability to acquire it in the future.

The relation among all variables and their major factors are represented in figure 1.

In mathematical terms, the outputs of the “value” and the “effort” matrices become, respectively, the “y” and “x” axis of the “margin” matrix, the outputs of the “market” and the “margin” matrices become, respectively, the “y” and “x” axis of the “profit” matrix, and the output of the “profit” matrix becomes the “y” axis of the “strategy” matrix.

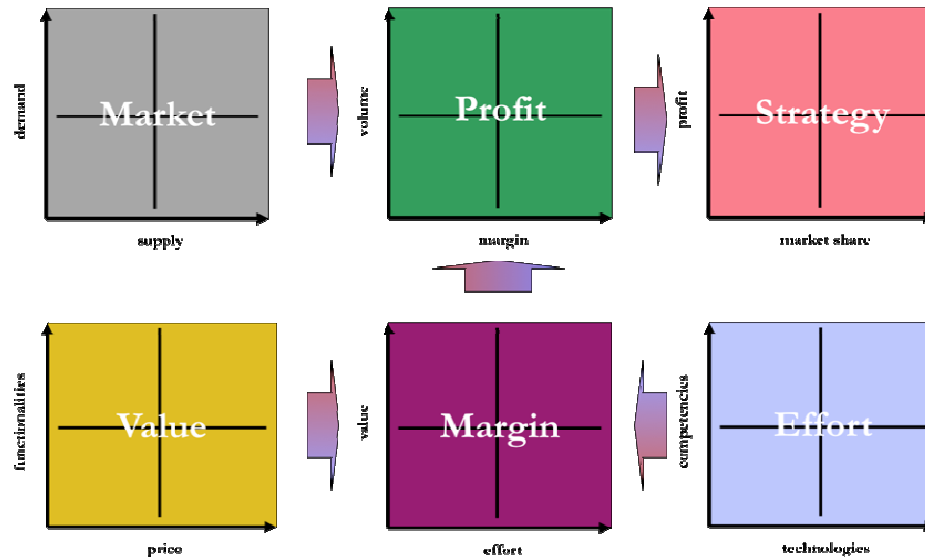
Value is defined by the factors functionalities of the product and by the price paid by the consumer. The functionalities can be intrinsic to the product, satisfying the needs for which the product was created in the first instance, or extrinsic to the product, satisfying emotional needs or other needs that no other product can satisfy. The price can be determined by consumers/market or can be imposed by the producer/seller.

Effort is defined by the factors competencies and sophisticated processes and technologies, which are applied by businesses in order to produce the needed value for consumers. Both can

be compared with other competitors and they can be determined of the same kind or of higher kind.

Market potential is defined by demand and supply. The factor demand behaves mainly as a result of its elasticity and the factor supply is mainly dependent on the number of competitors.

Figure 1 . MAP model



Margin is the result of value and effort and Profit is the results of potential available volume from the market and the margin.

Strategy is defined by potential profit resulting from of previous factors and business existing market share or capability to acquire market share in the future.

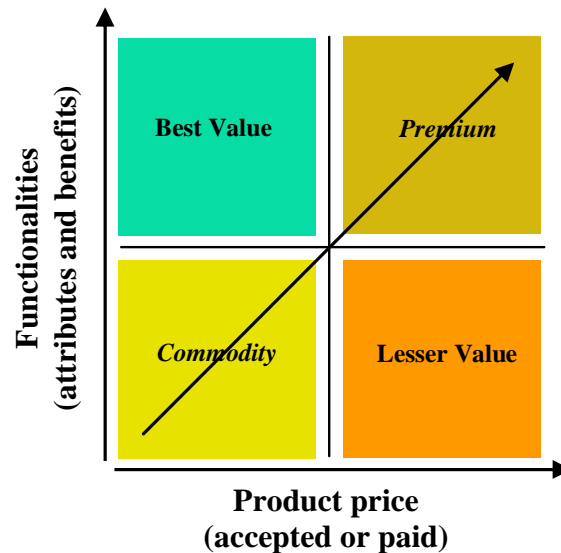
The MAP model has a straight relation with Jack Tesmer's Perfect Business Match model (2002), as both come to an equivalent conclusion when using different determining factors in the analysis process. The validation of each of those models by the other has an especial importance to understand the market environment and the most adequate approaching strategy to marketing, eliminating misunderstandings and reducing risk in the strategic decision process.

Results/Insights: There are several factors that contribute to the margin of a product. Innovation and differentiation and perceived value by consumers can influence, among other factors, the margin that a product can provide to a business. The perceived value by the consumers must be the primary factor to be understood in order to create a profitable business.

According to the "EN 11325-1:1996 Value Management, Value Analysis, Functional Analysis vocabulary – Part 1: Value Analysis and Functional Analysis" standard the definition of "value" is "the relation between the contribution of the function to the satisfaction of the need and the cost of the function". The standard also indicates that value is not absolute but relative, being perceived differently by the different stakeholders.

Choosing from two equivalent products, it is assumed that the consumer values more the one that provides better satisfaction of the existing needs, even if he or she has to spend some extra resources, that being some extra cost. It is based on this assumption that the model is constructed, as on figure 2. The matrix evaluates two variables, the functionality use or given to the product by the consumer and the price accepted or paid (imposed to) by the consumer. “Value” increases from the left bottom corner to the right top corner of the matrix.

Figure 2. “Value” archetypes



The functionality factor is divided in two different types: intrinsic and extrinsic. The intrinsic functionalities a product can provide are the basic ones that any consumer can expect of the same product, that being the reason for which the product has been conceived and produced. A watch (clock) is made to provide the consumer with the indication of the accurate time at any moment, and that is what any consumer can expect from it when buys any watch. Providing the exact time and other related expected information, like the date and others, makes a watch fit in the bottom half of the functionality axis. The extrinsic functionalities that a product can provide are mainly related to the emotional values of it, that being the prestige that a brand can give to any consumer who uses it. The watch does not only provide the exact time and some other information with extreme precision and accuracy, but also provides importance to its user, making of him, or of her, a person with more prestige (at least, that is what is expected). These functionalities are located in the top half of the matrix “y” axis.

The price is divided in two levels: the accepted price and the imposed price. The accepted price is what any consumer accepts to pay in order to acquire a given product, rejecting anything above a certain level from which the price is considered not justifiable by the return (functionalities) that it provides. Most product prices are set at the level of acceptance of consumers, matching the offer/demand curves theory. This price category seats on the left half of the “product price” dimension, which is measured by the “x” axis of the matrix. The imposed price is what the producer or supplier of a given product demands to sell it, despite what the consumer thinks about it, forcing the last to pay it. Some products consumption is regulated and the price paid for them is much higher than what the consumers would consider as acceptable. Other products have a set price at a very high level, becoming not acceptable, and affordable, by most consumers, being, however, still acquired by a very small number of consumers who can afford to pay their high prices, based on some special appeal that comes from the extrinsic functionalities. These products are classified on the right half of the “x” axis of the matrix.

Therefore, we have four “value” archetypes: Premium; Best Value; Commodity; and, Lesser Value.

Products in the “premium” archetype are perceived by the consumers as providing all needed intrinsic functionalities and also extrinsic functionalities, which add prestige to the usage, justifying the higher price paid, what is also seen as a factor that contributes to the desired exclusivity. Not many products fit in this archetype, and the ones that do so need a strong effort in the branding support arena. Some well-known luxury products, like cars and watches, and services, like hotels and health facilities, illustrate these kinds of “premium” products. However, some more common products and services can also fall into this category, like “premium” beers and well recognizes brand cloths or consulting advice and beauty treatments, and do so only when comparing with other competing products or services of their gender.

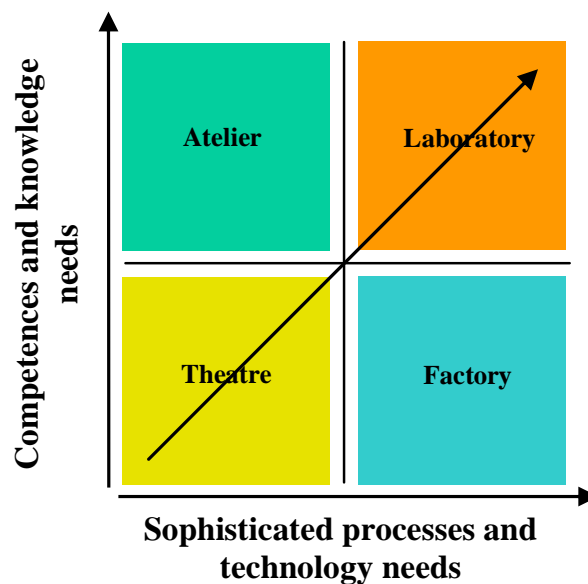
Products in the “best value” archetype are also seen by the consumers as providing all needed intrinsic functionalities and some extra extrinsic functionalities but, however, at a much more affordable price, which makes consumers buy it in larger quantities. Normally considered as “good value for money”, consumers prefer this kind of products due to the perception of the real low price. Many products that are considered in their first stage of life as “premium” fall into the “best value” category when due to a strong price reduction are offered to consumers at an affordable price, which makes consumption rise tremendously, pushing the price even to lower levels, and, eventually, forcing the product to become a “commodity”. The initial mobile phones generalization went through a process of this kind.

The “commodity” archetype covers the generality of most products and services. They only respond to intrinsic functionalities, providing satisfaction to the operational needs of consumers. No prestige is given to the usage of these products. The consumer understands very well what expects from the product or service and is only willing to pay a certain amount of money for it, rejecting to buy it if the price is above the level that is considered acceptable. This pressure forces producers to reduce production costs and going many times to the “disposable product” concept. Almost all every day–to-day products that we buy are in this category.

Last, the “lesser value” archetype contains products that only respond to the intrinsic functionalities but are acquired at a price that is considered very high by consumers, not equivalent to the low level of needs satisfaction. Consumers only buy this category of products when they have not any other alternative or substitute product or are forced to buy them by any external force (regulations or others). Many compulsory insurance coverage or legal services fall into the archetype. Some companies also make their products fall into this category by applying “skimming” strategies when launching them, like some mobile phones and IT equipments, or when the demand reaches very high levels, like toys during Christmas season. Normally, these strategies are short-term and try to explore the appeal that products may have on consumers at a specific time.

As mentioned before, innovation, differentiation and perceived value by consumers, among other factors, can influence the margin that a product can generate and provide to the business success. The basic idea that defines margin is the difference between the price obtained by the sale of a product and the cost reached to produce the same product, or in a simple way, the difference between revenue and cost. The price of the product is determined on the “value” matrix. The cost, or effort to produce it, can be determined on the “effort” matrix, as on figure 3.

Figure 3. “Effort” archetypes



The effort that an enterprise needs to apply to achieve the desired product value seems to be related to two different sides of the organization: the “hard” side, related to the physical and tangible investment and the “soft” side related to the intellectual and intangible investment.

Sophisticated processes and technology needs are related to what the supplier of a product needs to put into its work in order to deliver the expected product on the “hard” side of investment. If these needs are similar to what any other competitor also needs to produce the same product, then the effort on this dimension is considered on the left half of the “x” axis. If the needs for sophisticated processes and technology to produce the product are different and more expensive than those of any competitor in order to achieve the desired innovation or differentiation, then the product is classified in the right half of the “x” axis.

The “y” axis measures the needs of competencies and knowledge, the soft side of investment that a supplier has to put into its work to obtain the desired value for the product. If these needs are similar to any competitor’s needs, then the product is classified on the bottom half of the axis. If the producer needs higher competences and more advanced knowledge than its competitors, to produce the same product, then it will be positioned on the top half of the “y” axis.

The “effort” matrix provides important information related to innovation and differentiation obtained by the use of more advanced competences and knowledge and more sophisticated working processes and technology. As Bhide (1999) refers, it is easy to overcome an innovative product but it is very difficult to replicate an innovative business system. The “effort” matrix comprises four archetypes: theatre; atelier; factory; and, laboratory. “Effort” increases from the left bottom corner to the right top corner of the matrix.

The “theatre” archetype is characterized by using common working processes, technology, competences and knowledge among all competitors. Any investment made by businesses in this archetype will not change the product in terms of innovation or differentiation, but will try to level up their performance to the best practices in the industry. The large majority of organizations fall into this category.

The “atelier” archetype comprises businesses that use extra knowledge and new competencies in order to innovate. The additional or extra investment costs related to knowledge and new competencies can be used in the concept and development of the product or in the marketing and commercialization arena. New solutions are mainly found in existing and known processes and technologies but using new knowledge and information and developing new competencies. The fashion industry fits in this category, as well “mass market” products with simple processes like bank services, where technology resumes to information management.

In the archetype “factory” the usage of new technology and more sophisticated processes is a way to innovate and differentiate the way the product is produced by the organization. The focus is mostly on the production processes and not on the product itself. Normally, technology is acquired from leading developing firms but processes are developed internally. The car industry fits mostly in this category.

The archetype “laboratory” comprises those businesses and products that are the result of a strong investment in innovation and differentiation on product development and production processes. The I&D is the focus of all organizations that produce this kind of products, creating and developing new knowledge and competencies as well as new technology and working processes, which are “breakthroughs” to the industry. The IT and the biotechnology industries are good examples of this category.

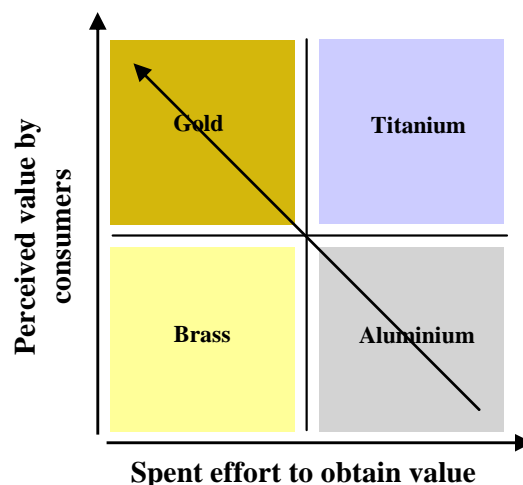
In normal circumstances, similar products must have similar costs. However, to innovate, some products need extra investment in knowledge and competences and in sophisticated processes and technology, as explained before. That affects the potential product margin. To understand what the product margin can potentially be we need to combine both factors, as shown on figure 4.

The quantification of each axis comes from the previous value and effort matrices.

The matrix defines four archetypes of product margin: brass; gold; titanium; and, aluminium. “Margin” increases from the right bottom corner to the left top corner of the matrix,

The “brass” archetype is characterized by low organization’s effort and low perceived product value. Margins can be sustainable if production costs are kept low. Most commodities in our day-to-day life fall into this category. Strong investment in these products has to be well evaluated, and, most of the time is not advised.

Figure 4. “Product margin” archetypes



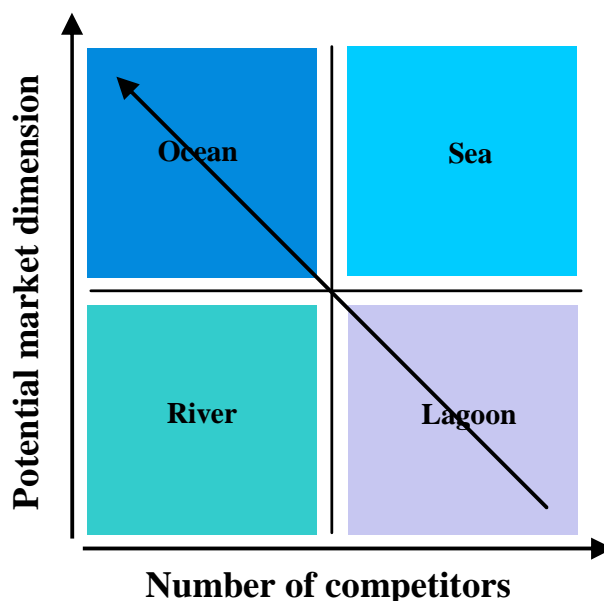
The “gold” archetype is seen as the best of all, as it is the one that can potentially provide the highest profit margin. Normally, these are low production cost products but with a strong brand name, with low need for innovation or differentiation. They can be luxury products or well known and famous services. The investment needed is mostly in the promotional field. However, due to its high attractiveness as a consequence of the low effort needed to produce them, products in this archetype do not stand alone for long, as many competitors try to enter the market and copy the leading product.

The “titanium” archetype comprises products that are considered generally by the market as state of the art products, as they normally are very innovative and differentiated when comparing with others. These products have potentially high profit margins, but they also need very high investments in technology and competencies, being considered very often of high risk. The biotechnology industry is clearly in this category. When consolidated in the market, these products tend to last longer than others as good margins providers.

The “aluminium” archetype may be perceived by the market of low value but it needs a strong effort to produce the desired “value”. These are the lowest profit margin makers, and they do not survive in the long-term. Some unknown or less accepted technologies have products that fall into this category.

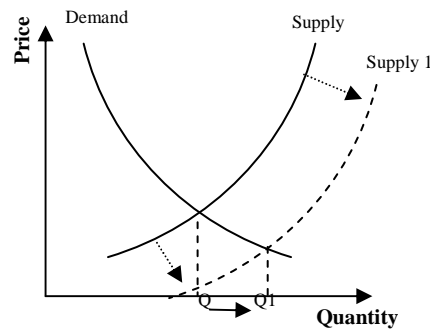
The potential market analysis is critical to project the future profits of any business. This depends of two very important factors: the potential market dimension (demand) and the number of competitors (supply). To understand what the market can potentially be, we need to combine both factors, as shown on figure 5.

Figure 5. “Potential market” archetypes



The market dimension (demand) depends of the potential growth in the demand that a specific market segment can suffer if, by any chance, for example the price (cost to consumers) of a product decreases, shifting the supply curve right and increasing the quantity demanded, as shown on figure 6.

Figure 6. Demand and Supply curves



If the demand increases (high elasticity on demand), then the market is positioned on the top half of the “y” axis of the matrix, that is, the market has potential to grow in dimension (number of consumers or sales per consumer). If, even with price reduction the demand does not increase (no elasticity on demand), then the market is positioned on the bottom half of the “y” axis. The same can also happen when the demand curve shifts right (Samuelson, 1992).

The number of competitors (supply) is positioned on the left half of the “x” axis if the entry or withdraw of one or more competitors has some or strong effect on the market share of the remaining competitors.

On other hand, if that has little or no effect, then the position is on the right half of the “x” axis. This creates four quadrants for the “potential market”: river; ocean; sea; and, lagoon. The “market potential” increases from the right bottom corner to the left top corner of the matrix.

The “river” archetype is characterized by a low number or no competitors in a non growing demand market. Normally, these markets are specific niches that do not attract new entries due to different kinds of barriers related to the dimension of the niche, the specificity and product knowledge, or even restrictions of some kind. This quadrant can be either the starting point or the end point of products’ life cycle because a normal product life cycle is frequently defined by a full circle, which travels through out all quadrants, clockwise.

The “ocean” archetype has a strong potential growth but with only a few or no competitors. These are markets that can be monopolies or oligopolies with high growth, where is very difficult to enter, but normally they are just growing markets in demand during the growing phase of many products life cycle. Some well regulated markets, or very scarce natural resources industries, or even strong “brand” name products may fall in this category, when there is a strong demand for them.

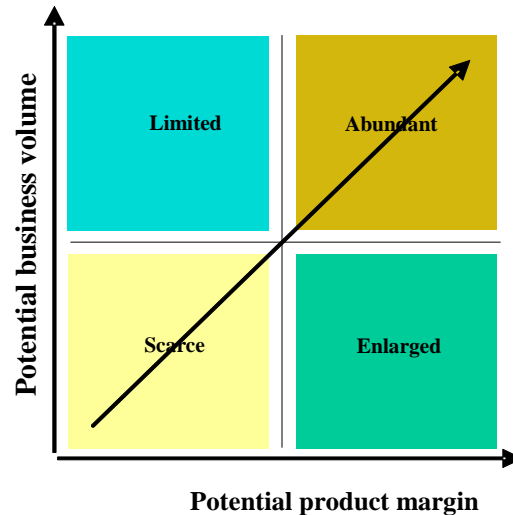
The “sea” archetype is characterized by a strong growth in demand but also by the existence of a large number of competitors. These are markets for products after the early stage of its life cycle or at their pick of demand, and where market barriers for entry are quite soft. Large demanded products or large demographic markets fall in this category.

The “lagoon” archetype is the most common type, where a large number of competitors fill a non or low growing demand market. These markets have mature products and are much filled with different options. This is the archetype with less potential to support any business proposition.

Businesses are created to generate profit. The potential profit that any business proposition is capable of delivering is related to two factors that impact the “net profit”: the quantity of product

sold and the profit margin provided by the product unit. The equation (Profit = Q x M) can be represented in a matrix with four categories of potential profit: fat; slim; weak; and, robust, as on figure 7. The “potential profit” increases from the left bottom corner to the right top corner of the matrix. The quantification of each axis comes from the previous “potential market” and “product margin” matrices.

Figure 7. “Potential profit” archetypes



The “abundant” archetype is the one that provides more potential profit to a business. The product margin and the potential volume of sales are above average. Normally, products in this category are market leaders, monopolies or oligopolies, large natural resources owners and some businesses even protected by regulations. Usually, they use their profits to invest strongly in the innovation of new products.

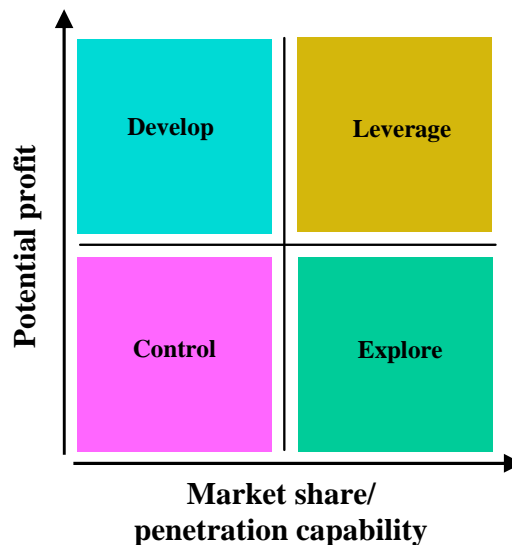
The “limited” archetype is characterized by large volumes of sales, but low margin on each product unit, suffering strong pressure on the last factor. Fluctuations on sales volumes or unpredictable added costs can create serious problems to the business. Many mass production and sales products fall in this category.

The “scarce” category comprises products that are usually over their life cycle, with low profit margins and low or even negative potential volume growth. Any fluctuation on the demand side can suffocate the business. These products are not sustainable in the long term.

The “enlarged” archetype is still very much attractive. It has strong product unit margins despite de fact that has low potential volume growth. Usually, these products are leaders in small niches, and they answer very specific market needs, having a strong customer loyalty, potentially based on differentiation and innovation.

To define the strategy that a business must follow, one has to know the potential profit that it can obtain and also how deep into the market the product and the organization can penetrate. To understand it, we need to combine both factors, as shown on figure 8.

Figure 8. “Strategy” archetypes



The potential profit value comes from the “Potential Profit” matrix. The market penetration capability comes from the current market share that the product has and from the capacity the organization has to increase production in order to answer market demand growth and to invest in marketing and distribution. According to Forrester (1967) there are many factors that contribute to market penetration as sales growth, financial condition and product margin. If one’s capability is small or below competitors’ capability, the positioning will be on the left side of the “x” axis of the matrix. If the organization has a strong capability to increase production and invest in marketing and distribution or is already above the competitors’ capability, the positioning will be on the right side of the “x” axis.

The matrix defines four different generic strategies: develop; leverage; control; and, explore.

The “develop” strategy configures a strong investment in product and market development. There is a very strong need for product innovation and for market penetration. The effort in market penetration means make the consumer try the product and adopt it, communicate the product attributes clearly and find reliable distribution channels. The effort in product innovation is related to understanding the needs of consumers and uncovering implicit needs and finding innovative solutions that can project the innovation far ahead from the competitors.

The “leverage” strategy comprises a strong investment in marketing, production, distribution and innovation capability, taking advantage of a strong potential leading position the organization may have. It is fundamental that the organization defends the product position against attacks from competitors and imposes market rules to competitors. The existing product improvement must be based on a sustainable kind of innovation, to keep its performance ahead of any existing or potential competitor. However, part of the generated profits must be directed to “radical” innovation (Abernathy & Clark, 1985; Markidis & Gerosky, 2005; Davila, Epstein & Shelton, 2006), creating new products and solutions to answer new needs or existing needs in new contexts, creating leading advantages.

The “control” strategy focuses all efforts in controlling the market and the competitors, looking for any market advance, consumer changes and competitors development. The low market penetration capability and the low potential profit make many businesses to disappear, forced by a large number of competitors and by a very strong pressure on margins. It is essential the organization controls costs, mainly related to investments, and forces sales in order to acquire more market share.

The “explore” strategy comprises products that have a large market share, perhaps leading products that are achieving maturity. The effort is focused on controlling costs and acquiring distribution capabilities, together with a strong image and “brand” name. The sales and marketing functions must be very strong and distribution plays an important role in the business strategy. The objective is gaining market share, taking it from other competitors.

Evaluating the positioning of the product in the “value” matrix, the positioning of the organization in the “effort” matrix and the market “potential positioning”, plus the organization’s “market share”, all seven major factors can come to a single “dot” representation on the “strategy” matrix. This capability of the model brings a greater understanding to strategic decision makers, as it simplifies and resumes all the information to a focused decision option.

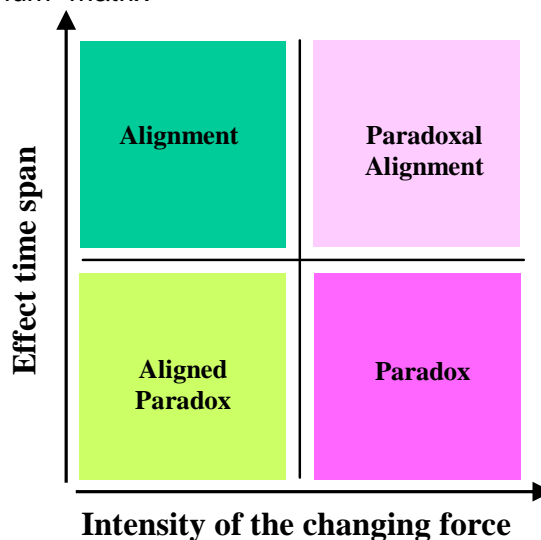
Applied to a software model, the MAP strategic decision process is not only able to provide an accurate diagnosis of a business but it is also able to create different outcome scenarios, helping decision maker to reduce risk and avoid failure.

Implications to Community/Industry: The model, when applied to existing or new businesses or even to potential business studies, can provide practitioners, business managers, scholars and students with potential scenarios and outcomes, capable of determining the real or potential product value and its alignment with strategic decision and planning. The “equilibrium” role in strategy is defined by the alignment that one can establish among all prevailing factors. This equilibrium is called alignment. The opposite, or disequilibrium, when creating some output, is called paradox, as explained ahead.

When we are conceiving and designing business strategies we must consider the effect that all forces in play can have on our plans. There are many forces that can influence the route course of a strategy, like political, social, economical and technological (known as PEST) and rivalry in the industry, buyers power, suppliers’ power, threat of substitutes, and barriers to entry (Porter, 1980).

The intensity of change that those forces can have on the environment where the business is in and the time length that they will impact define the kind of strategic equilibrium that a business can expect, as shown on figure 9.

Figure 9 – “Strategic Equilibrium” matrix



If the intensity of the changing force is weak, that means that changes are going to be soft and slow, and this situation is going to last for a long time span, we may say that we can have a strategy of “alignment” with all forces and expect that things will happen as predicted.

However, if the intensity of the changing forces is very strong, that means that changes are going to happen very rapidly, even without previous notice, and having a strong impact on the business environment, and the time span that it is going to last is not expected to be very long, then we may say that we must have a “paradox” strategy if we want to go over the situation. When the terrorist attack to New York happened on September 11th, the Portuguese producers of wood for containers manufacturing had a stable and good relation business with the UK market, with some companies exporting one hundred percent of their production to that market. All of a sudden, orders stopped coming in without any specific reason and justification. A “paradox” was created and the wood producers were not prepared to face it and could not overcome the new unknown forces that stopped orders from coming in. In fact, that market was all lost in a very short period.

If the intensity of the changing force is weak and the span of time that it is going to be felt is short, we may just have to readjust our strategies in order to align them for the time being, but being ready to go back to previous strategies when the “aligned paradox” disappears. This normally happens when something occurs far from our geographic arena and brings new working conditions and needs into our operating process, forcing us, sometimes, to develop some quick strategic adjustments. When the intensity of the changing force is very strong and its time span of effect is too long, we must develop strategies to face a “paradoxical alignment” situation. The increasing pricing of diesel is demanding the transportation companies to develop “paradoxical alignment” strategies, as on one side the production costs keep increasing everyday while there is a great pressure from their clients to maintain or even reduce prices previously established, as transport costs became a critical factor to them. This situation, because is lasting for too long now, is putting some transport companies into turmoil, running the risk of closing business. Most of the time, the best strategy in a “paradoxical alignment” situation is getting out of the market while the conditions are kept unchangeable.

This approach must be used when evaluating any business condition in a short or long-term perspective, as the current situation may change unexpectedly, and sometimes, with no apparent reason. Therefore, organizations must develop the capacity to foresee potential crises that may come in the future, caused by known and maybe unknown reasons, and develop contingency plans to implement when those times come.

The alignment/paradox model explores these situations as the basic conditions for any business strategic formulation.

The full conceptual model explained in this paper and the correspondent software have been applied in more than one hundred business, small and medium, in Portugal and USA, with very satisfactory results.

Most of those users defined the simplicity and ease of understanding of the model as its most visible characteristic and the provided strategic insights on scenarios as its major benefit.

If applied wisely in the market place and among all kind of businesses, the model could reduce risk and mistaken decisions in business and product strategies, as it clearly highlights misalignments among all the nuclear factors that may contribute to the success of a business.

Value to the Theme: This paper intended to demonstrate the importance of the MAP model to create a direct and clear relation between value creation and business strategy.

The model starts at the product value analysis and definition and brings that together with other factors to a final one single possible and adequate strategic approach to market. There is a direct relation between value for consumers, value creation by organizations and the right strategy that many most decision makers seek when entering a new business.

In the same way, it brings the importance of value creation and its relation to strategy to entrepreneurs' attention, mainly at the stage of defining their business actions, reducing initial risk and creating appropriate conditions to reach success.

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Community Radio in Gurgaon - An Entrepreneurial Venture towards Creating an Inclusive City

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Objectives: The basic objective of the paper is to highlight the entrepreneurial effort of a community radio in creating an inclusive urban space.

Prior Practices: The study highlights the innovative use of community resources for creating an inclusive city.

Approach/Methods: The paper uses a case study approach.

Results/Insights: The results highlight the innovative use of low cost community resources to create inclusive urban spaces.

Implications to Community/Industry: It highlights the relevance of community participation in a fast changing global urban environment.

Value to the Theme: the paper is a valuable addition to the literature on entrepreneurship and the city as an organisation.

Keywords: Community Radio, Inclusive City, Entrepreneurship.

I. Introduction

Globalisation is the new economic (as well as political and cultural order). We live, it is asserted, in a globalised world in which nation states are no longer significant actors or meaningful economic units; in which consumer tastes and cultures are homogenized and satisfied through the provision of standardized global products created by global corporations with no allegiance to place or community. The global is, thus, claimed to be the natural order of affairs in today's technologically driven world in which time-space has been compressed, the 'end of geography' has arrived and everywhere is becoming same' (Dicken, 1998). It is alleged that globalisation proceeds selectively, including and excluding segments of economies and societies in and out of the networks of information, wealth and power that characterise the new dominant system. Divides and inequality are almost synonymous with its promulgation as a widespread process of change.

It is often said that cities have no right over their destinies. Their growth and development has been moulded by revolutions, economic imperatives, sports, natural disasters and terror. The modern global city has often acquired its position as a center of command and control based on its ability to act as a center of trade and commerce. This begins to determine its spatial, social and political development and becomes responsible for the identity it then acquires. Tectonic shifts in production and distribution, new capital attacks and new labour constantly redefine city limits. This brings about changes not only in physical spaces but also in social spaces leading to growing alienation in emerging urban spaces. The modern global city starts becoming increasingly soulless as it grapples with new identities thrust upon it by those who stake their claims over it. This essay examines the changing identity of the modern Indian city and the response to this change.

Occupying centre stage in the Indian story of globalisation are the mega cities of Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad. The city of Gurgaon (a suburb of Delhi to begin with) has attained great visibility in the world economy due to the phenomenal growth of the IT sector in a single location in the context of a developing country. Commonly called the "Millenium City", its growth and development has been in response to the needs of a new class of global migrants, who come to these cities for work and become instrumental in the transformation of existing urban space to suit global requirements. This in turn leads to the exclusion of the original inhabitants from the city's new found social, economic and cultural spaces.

In a community, one of the key factors that can create inclusive spaces is access to information and the opportunity to air grievances and opinions. In India, this has not been made possible either by the state-owned media or the private commercial FM channels. The former follows the top-down method of broadcasting, giving negligible access to the local community to create its own content, discuss their own local issues, and document their own cultural traditions. The latter focuses solely on the bottom line, hence community participation is entirely absent.

Radio for and by the people is a radical democratic idea that is slowly getting its place in India through the government's policy in support of community radio. In this context the present paper focuses on the changing identity of a modern Indian city and entrepreneurial response to make it a more inclusive space. It chronicles the effort of an NGO - The Restoring Force (TRF) in Gurgaon: a community radio station that addresses the needs of the hundreds of villages, semi-urban clusters, and urban slums that fall within a 10-km radius around an industrial cluster in Gurgaon, helping to build an inclusive city for those who have been left out on the periphery in the present phase of globalisation.

II. The Inclusion City

The concept of the inclusive city is derived from the idea that the city belongs to all its inhabitants. This gives rise to the notion of a new urban citizenship, which makes it possible for those who belong in it to fully realise their rights and exercise their responsibilities. At the heart of the inclusive city, are the three inter – related ideas that contribute to the realisation of full citizenship: respect for human rights, good urban governance and equitable growth.

The Human Development Report (UNDP, 2000) characterises human rights into seven core freedoms: freedom from discrimination – for equality; freedom from want – for a decent standard of living; freedom for the realisation of one’s human potential; freedom from fear – with no threats to personal security; freedom from injustice; freedom of participation, expression and association; and freedom for decent work – without exploitation.

These human rights however, have to be realised within society; therefore the quality of urban governance – the manner in which individuals and institutions, public and private, plan and manage the common affairs of the city becomes crucial. An inclusive city requires collaboration between the national government, city governments, the private sector and civil society, which form new relationships and take on new roles in a globalising world.

Cities that are committed to realising human rights and to practising good urban governance are more likely to ensure that economic growth is equitable. An inclusive city promotes growth with equity. It is a place where everyone, regardless of their economic means, gender, race, ethnicity or religion, is enabled and empowered to fully participate in social, economic, political opportunities and fully avail all basic services and shelter that cities have to offer. Participatory planning and decision making are at the heart of the inclusive city. Promoting inclusiveness is not only socially just, but is good for growth and central to sustainable urban development.

Inclusive urban governance:

- Reduces inequality and social tension;
- Incorporates the knowledge, productivity, social and physical capital of the poor and disadvantaged in city development;
- Increases local ownership of development processes and programmes

Exclusion, as a result of physical, social or economic barriers, prevents certain groups from participating fully in urban life and services, and failure of local authorities to integrate such groups in their decision-making is often a function of inertia, along with bureaucratic and unresponsive forms of government. Ethnicity, gender and religion are also factors that contribute towards exclusion, along with ‘self exclusion’ of the urban elite who have cocooned themselves into self sufficient gated communities.

Exclusion within the city means:

- Isolation or exclusion from the social development process
- Unemployment or exclusion from the economy
- Marginalisation, discrimination and rootlessness or exclusion from the mainstream, political and cultural processes
- Vulnerability or exclusion from social security networks.

The International Labour Organisation (ILO) refers to social exclusion as a ‘process of social disintegration, a progressive rupture of the relationships between the individual and society’ (1996). Exclusion surfaces either as marginalization from the rest of society through economic deprivation and social disadvantage or as social and cultural segregation by fragmentation of social relations.

The increased risk of a breakdown of social cohesion due to growing exclusion is recognized in the literature for industrialized countries (Room, 1995). In the developing world exclusion works as a way of controlling and subduing people (Young, 1990) and hence becomes a strategy to maintain hegemonic structures and power distribution. The concept derives from the idea of 'society as a status hierarchy, comprising people bound together by rights and obligations' (Walker, 1995). Exclusion defines a state of detachment, where individuals are restrained from or not enabled to access public services, goods, activities, or resources, which are essential for a life with dignity. Hence, there is a central concern focusing on dominant institutions and rules that enable or restrict social interaction. Social exclusion is recognized as a state of ill being that disempowers and disables people from being full citizens, isolating them from the rest of society (ILO, 1996).

The stigmatization of certain groups as being 'underclass' who are worth less is another aspect that reiterates social exclusion and provides excuses for the rest of society and, particularly, for politicians in power to not do enough (Gans, 1996). Strong prejudices against people from marginal settlements are related to race, education, and income, and ultimately these people are interpreted as having a lower social status within society. In the Indian context caste has been a major factor contributing to the exclusion of significant sections of the population for centuries.

Gender-related prejudices force women into disadvantaged employment patterns and social roles. However, the most affected are marginalized children and young people, since they are deprived of future opportunities. In not having access to a regular and healthy diet and primary/secondary education, as well as professional training, they usually become unemployed or underemployed and end up in the informal sector. With an increase in the number of households having to cope with insufficient income, the number of children living in the streets is also growing. Often these children consume drugs (alcohol, tobacco, and illicit drugs) and become involved in drug trafficking, drug consumption, prostitution, and crime. Since they often have to contribute to the family budget, or have to make a living for themselves, they undertake informal activities (delivery, guarding services, collecting recyclables, street sales, washing cars, polishing shoes, and other street services including prostitution and drug dealing) or begging (Zaluar, 2001).

Exclusion is further exacerbated as different systems of the city - social security systems, education and health, transport, housing, water supply and sanitation - start responding to the needs of a wealthy minority integrated with the global economy. For example, infrastructure projects based on the principle of public-private partnership or privatisation, including those for water supply and sanitation, increase the cost of living for the poor and may altogether exclude the poorest. Land development becomes an intensely contested area.

Low and Gleeson (2001) reveal that 'urban distributions, which are highly variegated in sociocultural and spatial terms, interact to produce a diverse and shifting landscape of ecological politics'. Plotkin (1987), for example, documented that institutional mechanisms, such as planning regulations, keep noxious land uses away from high-income neighbourhoods and concentrate them in poor and working-class communities. In Delhi for example, hazardous and polluting industries located in the city were pushed beyond the boundaries of the urban agglomeration. Slum clearance and rehabilitation policies implemented in the city since the 1960s and the recent episodes of judicial activism in the late 90s (Dupont and Ramanathan 2005) have contributed to a social segmentation of the metropolitan space and the exclusion of the poor from the central zones of the city.

III. Gurgaon: The Millennium City

Gurgaon - the industrial and financial centre of Haryana is the sixth largest city in the state and is located 30 km south of the national capital New Delhi and 268 km south of Chandigarh, the state capital. As per the census of 2001 India, Gurgaon had a population of more than 600,000, out of which 54% were males 46% were females. It has an average literacy rate of 77%, higher than the national average of 65.38%: male literacy is 81%, and female literacy is 73%.

Known as the “Millennium City” on account of its perceived global character, the city has grown and developed in accordance with the needs of the MNE which has been the reason for its birth and existence. Developed under the public private partnership mode, the city has seen rapid growth in the last 25 years as big TNCs like Airtel, American Express, EXL, IBM, Microsoft, Sapient, DLF, Maruti Suzuki, Hero Honda, Infosys, Ericsson, Oracle, Bank of America, American Airlines, have made Gurgaon the call centre capital of India and an important financial centre.

The city traces its origin to Hindu mythology. Legend has it that Gurgaon is the ancestral village of Guru Dronacharya, the teacher of the Pandavas and Kauravas in the Indian epic, the Mahabharata. In Sanskrit, Guru means teacher, which in this case refers to Dronacharya and Gram means village. According to Hindu mythology, the village was gifted by the Pandavas and Kauravas to Dronacharya the son of Rishi Bhardwaj, and was therefore known as guru-gram. Over time the colloquial term gaon (which also means village in Prakrit) was substituted for gram and the name Gurgaon emerged. By the mid nineteenth century Gurgaon was part of the princely protectorate of Pataudi which is a part of Gurgaon district today. The British integrated Gurgaon into the Punjab Province where it served as district and tehsil headquarters. After India's independence, Gurgaon continued to be a part of the state of Punjab until 1966 when Haryana was formed as a separate state.

Gurgaon remained a small farming village while neighbouring Delhi emerged as India's political capital. Delhi's economic rise attracted a large influx of labourers from neighbouring regions like Rajasthan, Orissa and Bihar rapidly increasing Delhi's population. By the early 1990s, Delhi was one of the most populous and crowded cities in the world and as the country adopted the most ambitious liberalisation program ever since independence, there was an obvious need for a satellite city to welcome the incoming investment. Gurgaon seemed like an ideal choice given its vast undeveloped farming lands and proximity to Delhi. The Haryana Urban Development Authority bought large areas of land from farmers in Gurgaon and developed residential and commercial sectors.

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The paradox representing the globalisation of cities such as Gurgaon is manifested in their spatial transformation. The central city areas have changed as new up market stores, international banks, fast food chains and pubs made an appearance. Several state sponsored mega development projects such as sports stadium and exclusive mass housing have resulted in the demolition and resettlement of several poor settlements to distant peripheral locations.

Rapidly rising land prices have pushed poor and middle income groups to live in distant and sometimes non-serviced locations. The urban façade of the city today is a study in contrast with granite, steel and tinted glass offices next to ill-maintained factories and high class residential neighbourhoods standing cheek by jowl with sprawling slums. Traffic jams on pot holed roads in which the Mercedes shares space with the bullock cart completes the picture of a parallel universe in which the nouveau riche yuppie in his Armani suit tries to create his own exclusive universe.

Urban areas such as these thus become “quartered” cities in the sense that their effort to accommodate the needs of global capital has enriched commercial interests, but at the cost of neglecting the interests of its other stakeholders and their liveability. The central business district consisting of glass walled computer – ready office complexes, exclusive shopping malls and entertainment facilities stand in stark contrast to the dense squatter settlements and their very poor services. The city’s urban periphery has also transformed in response to the needs of the IT sector. In the 1980s, the city’s peripheral areas evolved as “revenue layouts” with minimal infrastructure and civic amenities catering mainly to low and middle income groups and small scale enterprises. The 1990s saw a development of the southern periphery into gentrified enclaves of exclusive luxury condominiums combined with high quality commercial space for the professional managerial “techie” in peripheral locations as a part of sub-urbanisation of the type witnessed in “edge cities” of the more developed global cities of the Boston region or Santa Clara Valley. The suburb of Gurgaon is an example of the increasing growth of self sufficient gated communities that have cocooned themselves in their little paradises. These are exclusive “farmhouse clusters and apartment blocks” with their own swimming pools and health clubs, walled in private security, 24 hour electrical power back up and exclusive club facilities. The rest of the city is a sprawl of decaying single story houses and shops occupied by people whose livelihoods fall beyond the plans of the IT industry.

Changes in transportation and migration patterns have increased the diversity of local spaces and reflect the cultural and cognitive diversity of its temporary citizens. On the other hand they have led to the exclusion of all sections of the urban population from one or more areas of urban space. Cities such as Gurgaon have witnessed an urban reconfiguration due to their inclusion in the network of global cities. It has led to the emergence of a new lifestyle characterised by mobility, fast pace, poly-scripted and parallel experiences. It allows people to include and exclude in multiple spaces which we categorise as mind space, information space, material space and social (relational) space. A study of these emerging patterns of poly-inclusion and exclusion helps us to develop strategies and new capabilities that are appropriate for creating and sustaining inclusive urban space or city on a theoretical continuum of decentralization.

“Less than 30 minutes from Udyog Vihar, straddling planned SEZ zones, and within hooting distance of Gurgaon’s line-up of glitzy malls, villages such as Garhi Harsaru and Dhankot straddle two very different worlds. In one, English-speaking youngsters throng BPO offices at night, and malls in the daytime. In the other, their children find it difficult to even read their Hindi textbooks in Class 8. Their most difficult subject is English. It’s a language they rarely use, and hardly ever hear. But they know that it holds the keys to the consumerist kingdom, to jobs in Gurgaon city, and to a better life not dependent on land, since the land has long been sold off, and few have as yet acquired the skills to earn their bread through anything other than farming” (MIB Case study, 2010).

We use a polyinclusive concept of space (Go, 2003), to explain the process of urban exclusion experienced by the inhabitants of cities like Gurgaon. Material space is the main environment of experience for an individual. It is his habitat and includes the home space, office space, and also temporary sites such as hotels and meeting centres.

Although technology has broadened our understanding and exploration of this physical space, its basic limitation is that it allows human beings to be present at a single site only at any given moment.

People also interact within an information space that captures, represents and transmits images, facts, stories and audio-visual products. Technology enables the participation of individuals in the information space together wherever they are. It provides a real time and asynchronous layer that connects people through the electronic media. Interaction in the information space helps to cut across the different layers of the social fabric as all sections of the population watch a common soap opera or a news item. Common experiences in the information space temporarily help to create a sense of inclusion.

A third space people include is in mind or knowledge space. We develop and express routines and experiences that are communicated, processed and enhanced by other human beings. People have developed stories and scripts that transfer generic knowledge and help us communicate (Grant, 1996; Orr, 1996). We connect directly or through artefacts with other minds. These stories, scripts and artefacts become a part of the culture of a city or an organisation. Mind space is limited only by the imagination of the human mind and has endless opportunities for growth. As a consequence of the impact of a technological culture, driven by IT-developments, the former is moving beyond mind space, e.g. the literature refers to 'virtual culture' and 'bodily culture'. Moreover, the city affords and offers a platform for the manifestation of culture, which tends increasingly to be a combination of new media culture (i-pods; etc), corporeal presence (as in 'showing off brand fashions) and traditional cultures (e.g. ethnic communities that have settled in the city historically or more recently). Changing culture goes beyond existing mind spaces and in the process becomes exclusionary for a large section of the urban population.

Social space exists when two or more individuals meet in some format on a relational basis (Gabarro, 1990). People create unique interaction patterns and reciprocal knowledge (Schein, 1992). They exchange efficiently by using their own protocols, symbols and common knowledge. This cultural and relational space has been associated with uncertainty. People can improvise around uncertain situations when they have established social space (Williamson, 1991 & Peplowski, 1998). They create meaning in a joint process based on similar past experiences (Hall, 1959). Social space involves the ties amongst human beings, is independent of space and evolves historically over time.

Agglomeration patterns of the city directly affect the social spaces of the city. The development of the city's residential location of the high skilled IT worker has been accompanied by the development of retail spaces are all done in response to global lifestyle and higher paying capacity of the global executive. The development of these new retail cores of shopping malls, speciality restaurants and entertainment centres are in areas that were meant to serve neighbourhood functions (Aranya, 2003). There is thus a clear compartmentalisation of social spaces in which the interests of the "globetrotting techie" seem to predominate. The common non-IT Bangalorean is thus excluded from the newly emerging social spaces of the city.

The extension of the city's mind space excludes the ethnic community, which perceives the aforementioned corrosion of character as a consequence of work in the new capitalism (Sennett) as a threat to the society's traditional language and culture. It is also felt by some that traditional middle class Indian values of simple living and thrift have been replaced by a culture of conspicuous consumption of the global citizen (Sugata, 2007). The growth of the new capitalism, driven by a technological culture has meant that social events like festivals, which used to be community affairs are now organised and "marketed", in part, by commercial sponsors. The global migrant includes in spaces of virtual culture but is unable to relate to the

traditional culture of the city both for want of time as also due to the fact that his presence is resented by the original ethnic community. The urban poor on the other hand are excluded from virtual spaces leading to a clear division of the city's mind spaces between different inhabitants of the city.

All in all, the city is an exclusionary enclave!!

IV. Gurgaon Ki Awaaz – The Voice of Gurgaon

Gurgaon's only community radio station celebrates three months of round-the-clock broadcasting to a community that has remained voiceless throughout the transformation of Gurgaon from a sleepy cluster of villages 20 years ago to a much vaunted "Millennium City". The only civil society-led community radio station in the entire National Capital Region, Gurgaon Ki Awaaz is a platform for and by marginalized community groups in Gurgaon, especially communities living in villages in and around Gurgaon, migrant workers and inner city residents for whom the gloss and glamour of malls and glass-fronted office buildings is simply a testament of the uneven development that has taken place in this town.

Community Radio (CR) in India is in its infancy. The idea of allowing the people to own and run radio channels that broadcast content relevant to their own lives, has taken some time to gain acceptance in India. Radio has always been extremely tightly controlled in India, the monopoly resting with All India Radio. The first break from this monopoly was the start of Campus Radio stations (often confused with Community Radio stations, which are not led by an educational institution but by the members of a community). The first Campus Radio station was set up in Anna University in Chennai in 2004. After a fairly lengthy process of application, screening, and paperwork, the first CR stations have begun broadcasting in India, in places as far apart as Orchha in Madhya Pradesh, Kutch in Gujarat, Mukteshwar in Uttarakhand and Medak district in Andhra Pradesh district in Andhra Pradesh district in Andhra Pradesh.

The Gurgaon Community Radio station has a footprint of approximately 20kms originating in TRF's field office in Udyog Vihar, Gurgaon, Haryana. Within this footprint, fall hundreds of villages, many of which have practically disappeared inside industrial zones, urban estates and condominiums. The radio station encompasses offices and factories in Udyog Vihar, homes and apartments in the new and old colonies of Gurgaon, villages strung along both sides of NH-8, as well as those tucked inside, reached only by broken roads and narrow paths. (MIB Case study report 2010).

Broadcasting in Hindi and Haryanvi, the radio station is run by a team of community reporters, the bulk of whom are from these very target communities within Gurgaon. The station has been set up and is supported by The Restoring Force (TRF), an NGO that works in government schools in Gurgaon district. Gurgaon Ki Awaaz broadcasts 24 hours a day a wide range of programs that include programs on careers, entrepreneurship, migration, women's empowerment and health, folk culture especially music, health, sports, and community reportage by school-going children.

TRF's community radio initiative is an attempt to create space for a community struggling with inadequate power, gaps in education infrastructure, and lack of knowledge about opportunities in education, livelihood and income generation. This includes a large number of Gurgaon's villagers who either have substantial land holdings, or substantial cash reserves from selling off this land but have got excluded from the millennium city's spaces. It also targets lakhs of migrant workers who live and work in Gurgaon, but who do not fit into any of the transformed city spaces. For whom the city has very little to offer.

The radio is a wonderful medium to reach the community - because by its very sound and music, it is very evidently "their" station. The station records and airs folk music and folk ballads performed by local music groups and performers, children's music (much of it recorded by the children in government schools), and debates and discussions like the Chaupals (a common village space for debate and discussion), that bring together diverse, but local, voices.

Gurgaon has been shaped by the lakhs of migrant workers from across India who work in the city's factories, farms, homes and offices. A weekly program "Sara Aasmaan Hamara" brings the personal stories of Gurgaon's migrant workers to the radio as they share their journey from their villages to Gurgaon, their early struggles, the challenge of adjusting to a new milieu and, very often, living far away from home and family.

Music on Gurgaon Ki Awaaz gives it a unique identity as it airs local folk music called Raginis sung by local troupes known as mandalis or devotional songs (bhajans) by village women or songs by schoolchildren. Neither the music nor the artists can ever hope to find space on the popular commercial radio stations which air popular Hindi film music. So unique are the sounds emanating from this little studio, so rooted to the land and collective community memory, that there has been an instant connects with the people. Not even one listener has ever asked for Hindi film music!!

V. Conclusion

In physics, the term "The Restoring Force" refers to a variable force that gives rise to equilibrium in a physical system. Toward this end, the Gurgaon ki Awaaz Community Radio initiative aims to restore equilibrium in the spaces of the city of Gurgaon as it intervenes to minimise the inequality of access and opportunity that currently characterises the people living in the millennium city.

Whatever be the form of response there is no getting away from the fact that globalisation and its attendant effects are here to stay. It is therefore important to reconcile old identities and newer realities of our cities. How can the old make way for the new as we strive to conserve? The answer to this perhaps is in the words of urban historian and architect, Dolores Hayden, "The power of ordinary urban landscapes to nurture citizens' public memory, to encompass shared time in the form of shared history – remains untapped in most working people's neighbourhoods in most cities." The need of the hour is participatory urban existence where the interests of all find a voice and space.

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