

Table of Contents

A Historical Development of Entrepreneurship in the Cameroon Economy from 1960-2007	1
Lema Forje; University of Buea, Faculty of Social and Management Sciences, Department of Economics and Management, Cameroon Republic.	
Coping Strategies of Entrepreneurs in Economic Recession: A Comparative Analysis of Thais and European Expatriates in Pattaya, Thailand	17
Victor Egan; Curtin Business School; Curtin University of Technology ; Perth, Western Australia; Prayoon Tosanguan; Faculty of Business; Asian University; Chonburi, Thailand.	
Women Entrepreneurs in Indonesia: their main constraints and reasons.....	37
Tulus Tambunan; Center for Industry, SME & Business Competition Studies.	
Sources of Stress and the Coping Mechanism for Malaysian Entrepreneurs	52
Syed Zamberi Ahmad; Faculty of Business and Accountancy, University of Malaya, Malaysia; Farah Akmar Anor Salim; Open University Malaysia.	
Further Evidence of the Performance Contrast between Male and Female Firms in MSMEs in the Lao PDR	64
Sengaloun Inmyxai: Graduate School for International Development and Cooperation (IDEC), Hiroshima University, Higashi Hiroshima; Yoshi Takahashi Graduate School for International Development and Cooperation (IDEC), Hiroshima University, Higashi Hiroshima City.	
Succession planning in family firms and its implication on business performance	86
Noraini Ismail, Mara University of Technology, Malaysia. Ahmad Najmi Mahfodz, Mara University of Technology, Malaysia.	
Relevance of Engineering Entrepreneurship: A Study at CPUT	108
Johan Esbach: Cape Peninsula University of Technology, Cape Town, South Africa	

A Historical Development of Entrepreneurship in the Cameroon Economy from 1960-2007

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Abstract

Entrepreneurship is a determining factor in economic growth of nations. Until fairly recently, sadly neglected subject. One of the major weaknesses of African Economies is the absence of a clear understanding of the role of entrepreneurship and its benefit in the economic development of a nation Cameroon in particular. This paper seeks to discuss the link between entrepreneurship and economic development of a nation, focusing on the historical development of entrepreneurship in Cameroon with a reflection of pre-colonial Cameroon. While findings suggest that many entrepreneurial traits were lost as a result of colonisation, it however suggests that some benefits were derived from the entrepreneurial activities that added to the Cameroon economic development. The study concludes that Entrepreneurship is gaining significant importance in almost all walks of life and plays a vital role in developing both individuals and societies at large. Therefore, a generic teaching of entrepreneurship in all University discipline and at all school levels will empower the society to make sensible decisions on resource allocation/management and thereby promote economic growth in the country.

Key notes: Buyam – Sellam; Economic development; Entrepreneurship; Generic teaching and Traits; Motivation.

Introduction

Entrepreneurship is a determining factor in economic growth of nations. Until fairly recently, sadly neglected subject. Governments and other institutions concern with economic development are increasingly being asked to operate more entrepreneurially. Many of these bodies have governance structures that are not well suited to play entrepreneurial role. The question is can this move be sustained? Sustainability in economic growth according to Weinberg “refers to practices that simultaneously create economic vitality, environmental stewardship, and social equity.” The year 2007 saw the professionalisation of Cameroon educational system with focus on entrepreneurship teaching at all school levels. Taking a long jump from entrepreneur through entrepreneurship to entrepreneurism in order to sustain economic growth of the country is an up hill task. Although the Cameroon government increasingly preaches the professionalisation of the educational system as a mantra for expressing its desire to boost the private sector, they have not put in place the mechanism required for such operation. There is severe lack of infrastructure, insufficient teachers and lack of motivation and incentives. A lecture hall with the capacity of fifty students is made to accommodate two hundred and fifty students and one lecturer made to handle a class of one thousand two hundred with the help of a microphone. Although there is unemployment, qualified Cameroonians in Diasporas are unwilling to take up jobs at home due to the low salaries. Therefore, how the government intends to achieve this huge and ambitious task remains to be seen.

“The literature in entrepreneurship is extremely diffused” Casson Mark (1991), making economic factors such as ‘savings and investments’ the only prominent factors in economic development, forgetting the person behind such savings and investments. In the 1960s, national governments therefore emphasised savings and investments in economic development and growth. Entrepreneurial practices in the form of small business creation were seen as wasting resources following the Comparative Advantage in Trade Theory. Zoltan (1999) argued that small firms impose excess costs on the economy as a result of scale production that was too small to be efficient. As many African governments bought the idea in order not to create unrest in societies, those who carried out entrepreneurial activities as a profession were undermined by the society as they saw it as job for the uneducated or lowly educated and immigrants. This perception made people to shy away from entrepreneurial activities until recently.

Four main stages to entrepreneurship can be identified in Cameroon namely: Traits; Immigrants; Buyam – Sellams and Knowledge, with each contributing to the economic development in its own way. This paper provides a historical view of entrepreneurship development in Cameroon economic growth from 1960 - 2007. The paper is arranged in

five main stages, traits; immigrants; buyam – sellams, knowledge, and entrepreneurship or (generic teaching). The main omission is a section on the influence of the colonial policies on entrepreneurship development in Cameroon, despite its importance considering that the country was colonised for 76 years (1884-1960).

The First Stage: Traits Base

The first stage focuses on regional entrepreneurship based on traits (family businesses). According to Webster's New Collegiate Dictionary (1979), trait is an inherited characteristic. "Whilst individuals do have some characteristics that they are born with, they are also shaped by their experience in life." (Burns 2007:30). This raised the question, Are entrepreneurs born or created? It also instilled in many Cameroonians the idea that entrepreneurs are born. Although it is argued that the traits required launching a business successfully is not sufficient to see it grow to any size, (Burn 2007 op.cit), entrepreneurship is a continuously learning process, and from this perspective, the people lost their entrepreneurial skills during the long colonial period. However, the controversies over the issue of entrepreneurs being born or made remain (Kirby 2003). However, this stage led to the identification of some of the lost business traits during the colonial period such as blacksmiths and cotton weaving into yarn that usually follows a family dynasty. Business based on traits was also being practised in England especially with Goldsmiths entrepreneurs. However, the difficulty in recovering the lost knowledge made entrepreneurship in this period mostly 'service based', despite their productive capabilities in pre-colonial Cameroon which according to (Fowler 1990) prior to the colonisation of Cameroon, businesses were going on in the country and there were free movements of people within the country. It was discovered that the independent ethnic states had their own currencies, for example, the currency of one state, 'Bali Nyonga' was 'Nchang', which was not pegged to any other currency. Austen et.al (1999) acknowledges the Douala currency (Douala is the biggest commercial down in Cameroon). The people operated businesses in conformity with the socio-economic and cultural structure of their societies. They also practiced management strategies such as: shortage creation to raise prices and profit; quantity and price haggling, competitions, maintained warehouses known as 'Keg houses' on land for storing, and created agency small businesses (see Austen et al 1999). According to Webster *et al's* (1996) when the Germans arrived in the Grass-fields in the late nineteenth century, they perceived it to be a distinct region. They made this judgment on the basis of the material culture, architecture and political forms they encountered.¹ Small businesses of the various ethnic states networked, which in Webster *et al* (1996) view is an important factor in the progress of entrepreneurship. According to Fowler (1990), the pattern of economic specialization upon which participation in exchange networks was based was distinctive to the region.

1 (Fowler and Zeitlyn ed. 1996:3)

With the destruction of the production spirit during the colonial period, businesses practices became limited, and focused on retailing businesses, mostly 'gun powder'. Cameroonians travelled to the borders of Nigeria in search for gun powder to sell in Cameroon to earn a living. The trade was more 'in house', because government policy at the time frowned against such businesses. Men sort to identify what could be marketable for profit, and it was purely men's undertaking. Very few entrepreneurial activities took place and only the government engaged in entrepreneurial activities such as the establishment of large plantations, and therefore was the only sole employer.

The Second Stage, 1960-mid 60s: Immigrant Dominating Base

The second phase of entrepreneurship was 'circumstantial' where immigrants dominated the Cameroon market – specifically the West Cameroon entrepreneurial market (the English speaking part of Cameroon). The political disturbances in the former East Cameroon (French speaking Cameroon) brought into Southern Cameroons many Bamilékés' and other ethnic groups from that region that were at the time seen as strangers. There were also the Ibos from Nigeria and the Crayos from Ghana. The Ibos and the Crayors were brought in by the British during the colonial period. Regarded as non natives in the towns and villages of Cameroon and excluded from all major social posts, they engage in entrepreneurial activities in search for social upward mobility. Cameroonians saw themselves as (sons and daughters of the soil) as the slogan goes, and saw no need to go into entrepreneurial activities and satisfactorily attributed the immigrant entrepreneurial undertaking/success to poor educational background, superstition and remained inactive.

There was also the influence from the Comparative Advantage in Trade Theory at the time which suggested that countries trade only in what they have comparative advantage in producing. However, the Ibos recognising themselves as foreigners in Cameroon and having no land to cultivate, they formed networks which consolidated their hegemony in the society. Eventually they dominated the Cameroon entrepreneurial activities throughout the country. The government, occupied with the post-colonial problems at the time could not attend to the situation. This impacted the Cameroon economy negatively because profits earned were exported away with no plough back. The Ibos did not own land in Cameroon but through their network they were able to control the sales of most foodstuff in the country. They networked vertically and horizontally in the area of foodstuffs, which enabled them to control the food market and also the small provision stores in Cameroon. Their adopted an arrogant business attitudes that rendered Cameroonians helpless. They also paid little or no tax at all. Their attitudes provoked commercial unrest in the country and the authorities had to step in to stop their monopolistic and arrogant behaviour, and this reduced their entrepreneurial activities.

Ibos in Cameroon is discussed in Forje (1981; LeVine and Nye 1974). Curtin (1984:38) argues that, the host society also had reason to keep alien merchants at a distance. They were, stereotyped as people being both merchants and foreigners – however profitable it might be to have them around when needed.

Immigrant entrepreneurial dominance was common with almost all minority groups in many countries, for example, Chinese in Southeast Asia, Levantines in West Africa; Asians in East Africa; Parsees in India; and non conformists, and especially Quakers, in seventeenth century England. ”²According to Basu and Goswami (1999:251), the adverse “opportunity structure” carries greater explanatory power than speculations on culture and ethnic resources. Immigrant’s entrepreneurial endeavour is well discussed by Turnhan et al (1990). According to the authors, the entrepreneurial attitudes provided immigrants with a livelihood, and also a means to upward social mobility. However, the entrepreneurial endeavour helped to stabilize the country both economically, peacefully and politically.

The Third Stage: Buyam – Sellam Base

The third phase is characterised by ‘Buyam – Sellam’, and ‘Street markets’. The concept of the informal economic sector in the world’s economy was acknowledged in the 70s, by the International Labour Organization (ILO 1981, ILO 1972) with the launch of the World Employment Programmed due to the fact that rural exodus into urban towns in the developing countries did not give rise to high unemployment, but rather generated the development of petty business activities. Although the open market system has always been in Cameroon’s cultural structure since time immemorial, it was not wide spread. The Buyam – Sellam trading concept brought about many changes in the livelihood of Cameroonians and contributed enormously to the economic development of Cameroon. It is a system where groups of people or individual buy excess foodstuff, fruits and vegetables from village A or B, and sell to village C, D and vice versa. The Buyam-Sellams was observed to be very energetic, of age between 16-35 years. Curran, et al. (1989) highlights the fact that the self employed without employees tend to be younger than those with employment, supporting the idea that entrepreneurship teaching should focus more on the youth. Before 1970s, all Cameroon farmers took their farm produce to the markets on a weekly schedule in the various villages. Sales were quite low and much of the farm produce wasted due to lack of markets. The unsold products they succeeded in carrying to the weekly markets were thrown away because of the high cost of transporting them back home (Forje 2006). While certain parts of the country were experiencing lacks, others were experiencing waste. The Buyam – Sellam stepped in and equalised. They also improved the culinary system of Cameroonians as well as being self-employed.

2 (World Bank Research Observer. July 1988, Hoselitz 1957, pp.35 and Elkan 1973, ch.2.

Many authors are convinced that the informal sector provides not only an alternative for the unemployed, but promotes available strategies for economic growth for many countries (Nafziger 1997; Nii *et al* 1992). In Kenya, according to Mitullah (2003), street traders are a sub sector of the micro businesses that dominate the Kenyan economy. Although it is ranked lowest among other micro business sectors, they are vital to the livelihoods of many urban and rural poor. For example, the progression of the Buyam – Sellam together with the high unemployment rate marked the start of many Cameroonians engagement in entrepreneurial activities. The government therefore ceased the opportunity to start the promotion of entrepreneurship, but was cut in a fixed because there was no entrepreneurship knowledge in the society. Many groped in the dark. In the early 1990s, (eye witness) the government made a move to encourage the creation of small businesses by distributing small business start up capital to some selected Cameroonians. A good attempt though, but failed due to poor selection criteria of people to take up the challenge. In 1994 following the severe salary cut of civil servants by 60 – 70%, see table 1. People from all walks of life were obliged to carry out entrepreneurial activities of all sorts in order to subsidize their mortgaged salaries. An entrepreneurial practice fuelled by economic crisis emerged in the country.

Table 1 Salary Scale for University Lecturers before and after 1993

Grade	Pre 1993 (CFA francs)	Post 1993 (CFA francs)	US\$ Value	Reduction (%)
Assistant lecturer	324.000	210.000	396	35.5
Lecturer	403.000	247.000	466	38.7
Senior Lecturer (Associate Professor)	488.000	281.000	530	42.4
Professor	527.000	304.000	994	42.3

Source: Ministry of Public Service, Salary Scales of 1/7/85 and 1993

The presented scales include all the benefits accorded lecturers. The percentage of cut is lower in the table as a result of some benefits which non-lecturers do not get. However, the salary cut provoked entrepreneurial endeavours by many Cameroonians invariably. This is in line with Krueger and Brazeal (1994) idea that in many cases the latent capacity for entrepreneurship is not activated until there is a precipitating event. However, the government has since been trying to promote the entrepreneurship spirit fuelled by economic crisis, to business practices fuelled by economic expansion as suggested by Bull (1993), which is a plus sign in the area of entrepreneurship development. The encouragement process is marked by the creation of institutions like, the committee in charge of organising forums for the creation of small businesses

enterprises by The President of Cameroon on October 19th 2001. Having the aims among other things to present national structures that support or offer advice and assistance in the creation of small enterprises, identify at the level of each region all potentials that can facilitate the creation of enterprises, encourage youths to be self employed and evaluate obstacles to the creation of enterprises in Cameroon. The Forum is also to collect at the national, provincial and divisional level information relevant to the organisation of the forums, elaborate plans, inform partners, seek sponsors, and select resource persons for seminars, workshops and round table discussion. The ultimate goal of this initiative is to help young Cameroonians to create growing and sustainable small businesses to curb the unemployment and fight the high rate of poverty in the country.”³ The Ministry of Small and Medium Size Businesses was also created in 2006, the Technical Institute put up from 2002.

How this is going to work remains to be seen, considering that all poverty reduction programs for 1982-94 were rated unsatisfactory and their institutional impact found to be negligible.⁴ Schumpeter 1947; Kirzner 1973 see the role of identifying and evaluating business opportunities as distinguishing factors of businesspersons. Government intention, good though, is too ambitious, and if not carefully handled can become a fiasco. It is complex and needs well-articulated policy measures. Tasoh and Ngwasiri (1999) in their study “Legal and Administrative constraints to Small and Medium Sizes Enterprises in Cameroon” found the level of corruption among the officers charge with the duty of facilitating small business creation to be very high, and consequently, there was low economic growth and a high level of unemployment.

Therefore, if members of the committee are not committed and devoted, the committee would constitute a stumbling block to potential entrepreneurs rather than encourage them. That the government endeavoured to promote entrepreneurship is not strange. In a non entrepreneurial society, entrepreneurship needs to be directed. This implies identifying business opportunities and selecting committed meritable individuals or groups of people to engage in and this would serve as an example and encouragement. In Korea, Small Medium Industry Promotion Corporation (SMIPC) was established in 1979 in Korea for the purpose of implementing various government programmes for promoting small and medium manufacturing industries in the country. SMIPC programmes included financial assistance, extension services, training programs, information services, surveys and researches (Yoon-Bae Ouh 1995). This encouraged many youth to engage in entrepreneurial activities.

3 Morikang Irene: Cameroon Tribune, Thursday, October 25, 2001.

4 (See Memorandum to the Executive Directors and the President, Cameroon Country Assistance January 24 2001.). Electronic Source.

The Forth Stage: Knowledge Base

The three first stages were not supported by entrepreneurship knowledge, many people simply groped in the dark. The forth phase of entrepreneurship development is supposedly supported by knowledge and knowledge is at the forefront of entrepreneurial development. This, coupled with globalisation which is based on Competitive Advantage in Trade puts Cameroon on a threshold and with many challenges. At this point, it is important to hear the views on entrepreneurship and developing economists on economic development and growth.

Entrepreneurship and the prevailing economic theory

Development economists used the Harrod-Domar growth model, (see Casson 1997) where technological change is the key variables in determining economic growth. Savings is to lead to increased investment that should push the production possibility frontier. This is true, but the entrepreneur is not mentioned. So too is the theory of the firm which talks of invisible hands. In classical economist his presence remains shadowy without clearly defined function. According to Coase 1937; Casson 1997), “the firm is a co-ordinator. The market is a co-ordinator too, but unlike the market, where responsibility is dispersed through negotiations, upon itself” The dominant Comparative Advantage in Trade Theory did not also mention the entrepreneur. From this persistent neglect of the entrepreneur from entrepreneurial activities, the question is, was it purposely done to blindfold the colonist, or it was out of ignorance? Food for thought. However, only Schumpeter and Knight succeeded in infusing the entrepreneur with life and in assigning to him/her a specific area of activity to any extend commensurate with his/her acknowledged importance (Baumol 1968). Shadowing the entrepreneur had great negative impact on many developing countries as it influenced them to see economic development purely from the perspective of governments using capital derived from savings to invest in economic growth. This led to the society undermining people engaged in entrepreneurial activities and institutions that produced students who were business oriented such as commercial and technical schools. From this perspective, the economic theory failed to illuminate formal analysis of entrepreneurship.

As the entrepreneur’s role in economic development and growth is becoming increasingly appreciated for its job creation aspect, entrepreneurship teaching is fast coming to the lamplight, it is important to highlight the benefits that can be derived from its teaching. Figure 1 and Diagram I seek to illustrate in a diagram form the interconnectedness of entrepreneurship with economic development and growth. The figure and diagram appear in the section The Stage of Entrepreneurship and Entrepreneurism in Cameroon.

This would throw more light on the fact that entrepreneurship is not only limited to the world of business, its usefulness extends to all walks of life, thus contributing greatly to economic development.

Economic development cannot occur in isolation. Individuals are responsible in creating market successes. These individuals are entrepreneurs whose preoccupations are: business opportunity identification, creation and innovation. They apply the ideas from business creation, inventions and drive them to commercial success. This requires a particular type of leadership which is seldom found in developing countries and even in some developed countries' management. Schumpeter (1942) believed that incumbent organisations are more likely to be followers rather than those leaders of innovation. Entrepreneurs are talented at spotting external changes that leverage the demand for new products and services. Analytical studies in entrepreneurship derive their inspirations from Schumpeter's (1942) view of 'creative destruction', where an entrepreneur's key task is to constantly identify business and market opportunities which exist all the time. A business opportunity is a gap in a market where the potential exists to do something better and create value (Wickham 2004), thereby constantly bringing innovation to the market place which ensures the sustainability of the market and business growth. An entrepreneur is an individual who establishes and manages a business for the principal purposes of profit and growth. He is characterised principally by innovative behaviour, and will employ strategic management practices in the business (Kilby 2003).

Entrepreneurial thinking focuses on developing new products or services to solve problems faced by first of all the customers and then the entire economy. This means therefore that, economic developing institutions or organisations have to encourage entrepreneurial spirit in organisations/institutions. This could be what epitomised the need to teach entrepreneurship at all school levels. Everybody has his/her store of knowledge which is a critical aspect of what he/she does. Having knowledge is a necessary, but not a sufficient condition for entrepreneurial success. What matters is what is done with that knowledge that is how it is used to inform and aid decision making. While every entrepreneur will call upon a different repertoire of knowledge and use it in a wide variety of business situations, all use it to address similar set of decisions. In this way, successful entrepreneurship demands a good knowledge of a particular business, the people who make it up, the industry, the customers and its competitors (Wickham op.cit).

The Stage of Entrepreneurship and Entrepreneurism in Cameroon

This stage as desired by the Cameroon government is very demanding in terms of infrastructure and human resources. In 2007, the government professionalized the

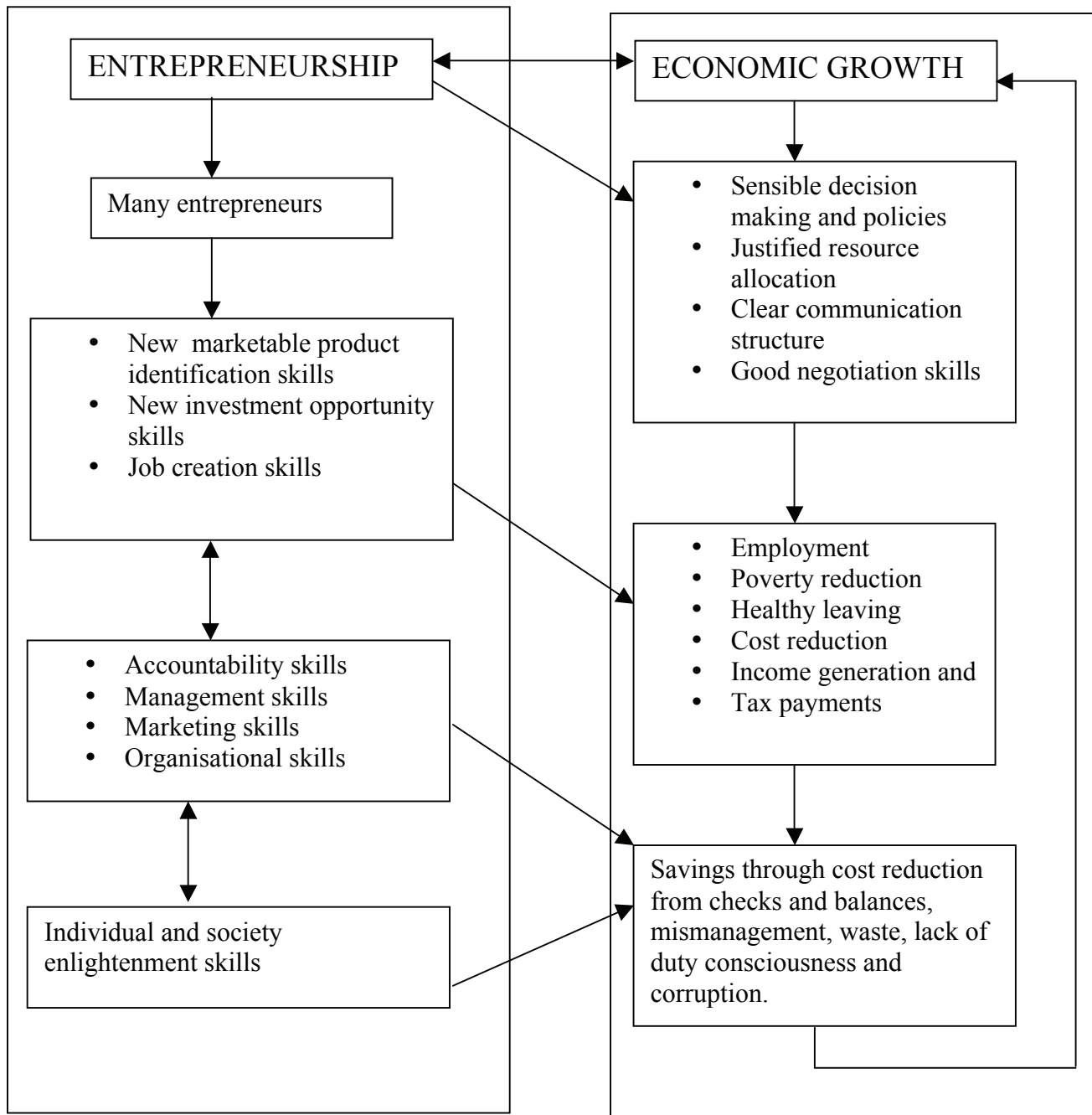
education system in Cameroon, implying the teaching of entrepreneurship and also the move to entrepreneurism (the commonality of entrepreneurship). Cameroon is a non entrepreneurship nation, not until recently has the word 'entrepreneurship' become popular. Commercial and technical schools that highlight entrepreneurial activities and prepare students to engage in entrepreneurial activities were down graded by parents and children. Enrolment in these schools was as a last resort. Also, there were not many of such schools in the country. Up to the late 1960s, there was only one technical secondary school 'Ombe' in West Cameroon (the former British Southern Cameroon, the English speaking part of Cameroon). Very few students from such schools had high administrative post, and also did not have capital to start their own businesses and advance the knowledge beyond those acquired from the classroom. This also in its own way discouraged students from entering into that institution, as such government remained the sole employer, and was therefore also seen as the sole developer of the nation. The few entrepreneurial activities (petty businesses) were operated by immigrant as earlier mention. This falls in line with Kirby's (1971) observation that the bulk of entrepreneurial services comes from minority ethnic groups in several countries.

Entrepreneurs are concerned with innovating, creating and managing businesses. Entrepreneurship with its huge business administration base knowledge (of accounting, management, marketing and organising) is not only restricted to the world of business. It can be seen to cut across all walks of life Bolton and Thompson (2000). Its far reaching capabilities can therefore contribute to economic development and growth in many ways. As entrepreneurship cuts across all disciplines, entrepreneurial behaviour would lead to be duty conscious even in government organisations. Corruption that is so endemic in the country might possibly be reduced. Timmons (1999) sees entrepreneurship knowledge in organisations as the single most powerful force to create economic and social mobility. Also, individuals will be more mature and confident in Timmons's (1999 op.cit) view. It will also satisfy personal development needs, social needs and economic needs.

A fundamental re-ordering of how economies function and of how organisations are structured and managed has created a new imperative for entrepreneurship thinking in all fabrics of national economy. Entrepreneurship acts as a signpost pointing the way toward balancing the short-term need for survival with the long-term need for sustainable economic growth (Kao and Kao 2002). Its role in economic development was succinctly emphasised by Adam Smith (1776). According to him, natural resources are manna from heaven, and what constitutes real wealth is the knowledge to transform natural resources into goods and services for the benefit of people. With entrepreneurship knowledge, Cameroonians might be able to transform some of the resources that waste in the society. The country needs businesses that can stand the test of time and employ people thereby cut down the high unemployment level in the country. Presently in the country, businesses start and fail almost immediately.

A study of small business development in Cameroon Forje (2006) showed that many small businesses fail within six months to two years, and the few that survive suffer stagnation. There is the need therefore, to turn to institutes of learning to create, or co-create the missing entrepreneurship knowledge. Generic entrepreneurship is not different from the Executive MBA that provides people from all disciplines with knowledge enough to start and manage their businesses. The purpose of generic entrepreneurship is to empower people with the knowledge required to identify business opportunity and manage it to success. Figure 1 depicts a picture of the difference between academic entrepreneurship and generic entrepreneurship.

Figure 1. Entrepreneurship and its generic teaching.



Entrepreneurship encourages an active learning process. For example, for decision-making and not just for knowledge. From diagram 1, we find entrepreneurship contributing in all aspect of economic development and also in personal development. Entrepreneurship is a combination of knowledge from many disciplines, and its product serves people from all disciplines and with different backgrounds. Entrepreneurship and Economic development reinforces each other. Entrepreneurship encourages many entrepreneurs, who in turn create new jobs through business opportunity identification and investments. Economic development is directed by national governments. Entrepreneurship knowledge enables policy makers to make sensible decision and policies, justifies resource allocation, clear communication structure and good negotiation skills. In fact, the knowledge can recreate government and more entrepreneurs. Kourilsky's (1994) suggests, early entrepreneurship teaching right from primary schools is likely to make the idea indelible on peoples' mind. To emphasizes this, such teaching would instil in the youth an idea of what to do if unemployed after leaving school and this might lead to more entrepreneurs being created.

The entrepreneurs created would provide the economy with new marketable products, new investment opportunity and job creation. The economy would benefit from employment, poverty reduction, healthy leaving, and cost reduction from health care, and provide government with income through tax payments. Usually, economic growth is focused on savings and investments. Households cannot save money that they do not have. They need work to earn income in order to save. As people have source of income, they also live healthily by so doing cut down on health care cost and save.

Entrepreneurship knowledge would enlighten individuals, and the society at large. An entrepreneurial based society is equipped to fight economic crisis. People are empowered with appropriate knowledge to make sensible decision, manage their resources wisely and are cost conscious. Entrepreneurship is not just about making money, or starting new businesses, it is a way of life, applicable to all human economic activities Kao and Kao (2000 op.cit). Economic growth comes about if members of a society are enlightened. Such a society save money through cost reduction from checks and balances, mismanagement, waste, lack of duty consciousness and corruption. However, the teaching poses the problem of resources.

There is the problem of resources to facilitate teaching and this in no small way poses problems. With the rush for entrepreneurship studies in Cameroon to enhance professionalisation of the education system, a single lecturer handles a class of 1500 students alone (from lectures to tutorial). This, by all standards is ineffective and inefficient. New teachers are also not motivated to join the University due to

low salaries. The university also competes with the industries and other business organisations for employment. Given high industrial wages, candidates are attracted to join the industries. However, this is not to say the subject should not be taught. The problem is the demand for resource to fully realise the teaching of the subject.

Summary Conclusion

This paper which has presented a historical entrepreneurship development in the Cameroonian economy revealed that Cameroonians in pre-colonial Cameroon were entrepreneurial and their spirit and skills were lost during the colonial period because they were subjected to all kinds of restrictions by the imperial rulers. At independence, the Comparative Trade Theory did not also favour Cameroonian entrepreneurs in particular and the developing world in general. This further disarticulated their entrepreneurial inherited development process. As the colonialist practised the 'divide and rule' policy and favoured the Ibos of Nigeria over Cameroonians, and there were also no policies regulating the settlement of Ibos in Cameroon (Forje 1981; Le Vine & Nye 1974). Cameroonians lost entrepreneurial spirit because the Ibos in Cameroon controlled all entrepreneurial activities.

The lost entrepreneurial spirit and skills created dependency and Cameroonians were thus, oriented to look and wait for development externally from Europe. The political atmosphere in the immediate post-independent Cameroon was not also friendly. As the political climate started changing for the better in the early and mid 1970s, Cameroonians started picking up entrepreneurial activities. This motivated the government to see things from Schumpeter's view which states that entrepreneurs lead the way in creating new jobs which in turn precipitate major changes in the economy (Casson 1997). This view has motivated the government to put up structures to support and promote entrepreneurship learning.

Entrepreneurship is gaining significant importance in almost all walks of life and plays a vital role in development of both individuals and societies at large. It has been substantially argued that entrepreneurship teaching will improve the skills of people in all walks of life, since its contents cut across all academic disciplines. The benefits already achieved by the Cameroon society, especially from the 'Buyam – Sellam' have been revealed. The study argues against the idea of entrepreneurs being born only, by highlighting the fact that, while entrepreneurial traits in people cannot be overlooked, traits are insufficient to carry a venture from creation to success and sustainability. From this perspective, entrepreneurship can be created, and trait factor, can be a plus.

This suggests therefore that entrepreneurship knowledge will go a long way to empower people's ability to make sensible decisions, better plan their resources, be ethical and duty conscious and thereby ensure success and sustainability. These are also qualities that contribute to a nation's economic development and growth.

As already discussed, teaching the subject right from primary school through to the University is likely to face many challenges and requires the greatest of government's efforts to support, encourage students and motivate teachers/lecturers to promote the entrepreneurial spirit in the society. What the government has done so far towards the achievement of this goal is not enough. More still need to be done in the form of controlling the officers put in charge of facilitating entrepreneurial activities in the society.

The study therefore, recommends that government educates its agents (tax collectors; police; gendarmes) on the importance of pursuing entrepreneurial venture in the society, and its role in economic development and growth of the country. The study also recommends a generic teaching of entrepreneurship in all University disciplines and at all school levels if the required mechanisms are put in place. Economic development requires a holistic approach, and entrepreneurship from the discussion stands to prepare people for such approach.

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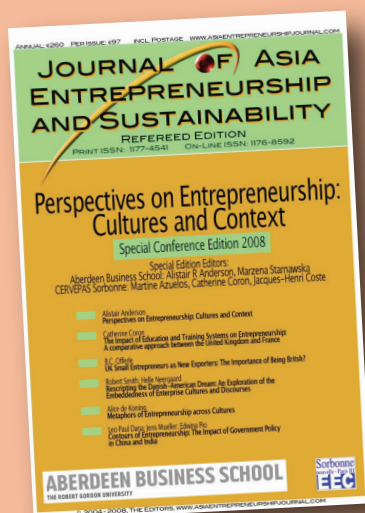
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Coping Strategies of Entrepreneurs in Economic Recession: A Comparative Analysis of Thais and European Expatriates in Pattaya, Thailand

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Abstract

Economic recession presents a period during which entrepreneurs are faced with increased risk and duress, and which may impact the very survival of their business ventures. In order to cope with such duress, entrepreneurs are faced with often difficult strategic choices while in the breach of much uncertainty. This study adopted Hofer's (1980) framework to compare the coping strategies adopted by Thai and European expatriate entrepreneurs operating businesses in the tourist resort city of Pattaya, Thailand in March 2009, approximately nine months after the impact of the global economic recession began to be felt. The informants indicated substantial financial challenges, to which a variety of strategic responses had been enacted. About 50 percent of respondent entrepreneurs had proactively sought revenue-generating strategies, while about 30 percent were inactive and complacent. In the case of the latter, previous extraordinary profits and diversified investment strategies had offset the impact of economic decline. The results of the study highlighted Hofer's (1980) framework as founded on conditional reflex action at a point in time, and hence, ineffective in explaining proactive

psychological engagement resulting from anticipated outcomes in a dynamic economic recession. Consequently, the proactive entrepreneurs were ostensibly ‘overreacting’ to the economic uncertainty because of the psychological stress of the uncertainty itself. The results also highlighted the motivations of expatriate entrepreneurs. They were initially attracted to the ‘Pattaya lifestyle’; lifestyle migration then drove the search for business opportunities. The expatriate entrepreneurs constructed activities to serve lifestyle aspirations; the activities designed “to occupy my mind”, for “something to do”. This dominant mindset, then, affected the behaviours and actions of ‘hobbyist’ expatriate entrepreneurs under the extant economic deterioration.

Introduction

A great deal of scholarly research has been directed towards the issue of coping strategies employed by entrepreneurs in response to environmental duress. In general, scholars have indicated that smaller firms tend to leverage more flexible and efficient structures and processes for competitive advantage (Ahire and Golhar 1996; Dean et al. 1998; Ebben and Johnson 2005; Metzler 2006). When faced with economic recession, response strategies of smaller firms depend on a variety of factors, including the depth of the impact (Hofer 1980), industrial sector (Churchill and Lewis 1984), and personal characteristics of the entrepreneur (Brennan and McHugh 2009; Cromie 1987). The present study was conceived to test Hofer’s (1980) framework for business turnaround strategies within the context of the global economic recession. The informant entrepreneurs owned and managed small- and medium-sized enterprises (SMEs) in the tourist resort city of Pattaya, Thailand. Consequently, the location offered the opportunity to compare the coping strategies adopted by Thai entrepreneurs to those adopted by European expatriate entrepreneurs who had migrated to Thailand to serve lifestyle aspirations. In terms of structure, the paper starts by providing a review of the literature on entrepreneurship, in general; entrepreneurship in Thailand; and, migrant entrepreneurship. The global and local business context is then examined to indicate the research situation in which the entrepreneurs were embedded. Hofer’s (1980) framework of turnaround strategies in times of economic recession is presented. This is followed by an explanation of the lifestyle context, and the demographics of European aliens who live in, or visit, Pattaya. The grounded theory approach to the study is then outlined. The results are presented before the discussion and conclusions section highlights the core findings.

Entrepreneurship

Creativity and innovation of products, processes, and services is at the core of entrepreneurship (Bannock 2005; Hisrich et al. 2008; Kuratko and Hodgetts 2007; Longenecker et al. 2003; Shepherd and Wiklund 2005). Entrepreneurs are generally motivated by personal wealth creation, and the desire for independence (Burns 2007; Cromie 1987; Kuratko and Hodgetts 2007; Schaper and Volery 2007; Stokes and Wilson

2006). Some are pulled into entrepreneurial activity by opportunity; others pushed by necessity (Schaper and Volery 2007). Similar dynamics are also enacted by Thai entrepreneurs (Emerging entrepreneurship in Thailand 2009; GEM: Thailand 2007), but in their case, lack of creative thinking skills often masks niche market opportunities (Chulavatnatol 2005; GEM: Thailand 2007; Hunt 2006; OSMEP 2005). In contrast, expatriate entrepreneurs offer alternative motivation for their enterprise; 'lifestyle migration' for reasons of climate, location, and lack of competitive pressure dominates their mindset to the detriment of ambition. The expatriate entrepreneur typically innovates by serving a niche market selling home-country products and services to home-country compatriots. Survival then rests more on prior industry knowledge and diversification strategy than entrepreneurial ambition (Befus et al. 1988; Eaton 1995; Huber and O'Reilley 2004; Stone and Stubbs 2007). The next section presents the global and local business context within which the respondent entrepreneurs were embedded at the time of the study.

Business Context

Following a period of economic boom, a global financial crisis was precipitated in mid-2007 by a collapse of the securitised US sub-prime mortgage market (Loftus 2008). The epicentre was on Wall Street, and was driven by the rampant greed of financiers and inadequate government regulation (Gould 2008; Krugman 2008). This event had a global ripple effect, which subsequently resulted in falling world stock markets, the collapse of financial institutions, a plethora of government rescue packages to bail out distressed financial systems, and widespread economic recession (Shah 2009).

Thailand's economy had been one of substantial growth in recent years. Since 2000, the average annual rate of growth of gross domestic product (GDP) had been 4.4 percent, with a peak of 6.7 percent in 2004 (Thailand – GDP real growth rate 2009). However, over 70 percent of Thailand's GDP was derived from exports (Arunmas 2009), making the economy extremely vulnerable to external shocks, such as the severe acute respiratory syndrome (SARS) outbreak which led to GDP growth of 1.4 percent in 2002 (Thailand – GDP real growth rate 2009), and the current global economic recession. The International Monetary Fund (IMF) warned in March 2009 that the world's advanced economies would suffer a "deep recession", with the US economy declining by 2.6 percent and Japan's by 5.8 percent in 2009 (IMF Slashes Global economic forecast 2009). This warning would have been of particular concern for Thailand, since the US and Japan are ranked as the country's most important markets, consuming nearly 25 percent of exports (CIA Factbook – Thailand 2009). The IMF further suggested that developing economies, such as Thailand's, would grow by 2.5 percent in 2009 at best (IMF Slashes Global economic forecast 2009). Thailand's vulnerability was apparent by February 2009, at which time exports had fallen by over 19 percent (Arunmas 2009).

As an export industry, tourism in Thailand usually contributes 6-7 percent of GDP (Insight 2009). In recent years, the tourism industry experienced substantial growth. From 2004 to 2007, tourist arrivals grew at an average rate of 10 percent (TAT: Tourism receipts 2009). However, following a 5 percent increase in tourism numbers in the first half of 2008, international tourism began to slow rapidly in mid-2008, reflecting rising oil and commodity prices, volatile exchange rate fluctuations, political instability, and the impact of the global economic recession (UNTWO 2008; UNWTO 2009a; UNWTO 2009b). In January 2009, the situation in Pattaya appeared particularly bleak; tourist numbers had declined by 50 percent over the same period the previous year (Pattaya spends big on 2009 tourism budget 2009). The Thai government was expecting the trend to continue with a predicted decline of 30 percent in European tourist numbers for the June to August season (Chinmaneevong 2009). The decline in tourist numbers translates to a loss of income to Pattaya of 25-40 billion baht (US\$700-1,100m) (A 3.5 million drop in foreign arrivals likely next year 2009; Tourism Statistics: Pattaya 2009). The predicted downturn in tourist numbers of 30-50 percent will impact heavily on the Thai economy in 2009, erasing perhaps 1.5 percent from the country's GDP (A 3.5 million drop in foreign arrivals likely next year 2009). In the case of Pattaya, the local impact will be even more devastating, since tourism contributes such a large proportion of the city's total revenue inflows (Tourism statistics: Pattaya 2009). This, then, was the severely deteriorated business context in which the respondent entrepreneurs were embedded at the time of the study. The next section presents strategies that entrepreneurs might adopt to cope with such economic stress and uncertainty.

Coping Strategies

Economic recession presents a period of substantially diminished resources, and equally substantial stress for those engaged in entrepreneurial activities (Brennan and McHugh 2009; Shohet and Jenner 2008). Consequently, strategic response to such an economically degraded milieu is an important consideration for the ultimate survival of smaller firms (Lovelock 1997; Srinivasan et al. 2005). While small- and medium-sized enterprises (SMEs) enjoy such strengths as speed, efficiency, flexibility, and niche-filling capabilities (Ahire and Golhar 1996; Dean et al. 1998; Ebben and Johnson 2005; Metzler 2006), they also suffer weaknesses, in that they generally lack back-up resources that could be utilised in a 'tough-it-out' approach in times of economic recession (McEvoy 1983; Solis et al. 2001). In addition, the onset of recession immensely complicates managerial decision-making for smaller firms (Brennan and McHugh 1993; Cunningham and Hornby 1993), especially since entrepreneurial skills are most likely professional, rather than managerial (Lowden 1988; Redmond and Walker 2008).

In such uncertain times, entrepreneurs are left with strategic options to cope with economic duress. Hofer (1980: 26-28) provided a framework of four possible actions:

1. Cost-cutting strategies: This coping mechanism is preferable in situations where income has declined to about +10 (profit) to -10 (loss) percent of the firm's break-even point. The focus is efficient operations, involving cutting variable costs, such as staff layoffs, rents, and inputs to the firm's products or services.
2. Combination effort strategies: When a firm's income has declined to about -10 (loss) to -50 (loss) percent of its break-even point, combination strategies may be the most appropriate to pursue. This situation would be one in which the loss is extending towards the limits of variable costs.
3. Revenue-generating strategies: This coping mechanism might be employed if income has declined to about -50 (loss) to -70 (loss) percent of break-even point. The firm should focus on existing products, or variations to existing products that can be introduced quickly. This would also include seeking new markets.
4. Asset reduction strategies: If the firm's income is more than -70 (loss) percent of break-even point, then asset divestment should be seriously considered, especially if the business is close to bankruptcy.

The empirical evidence in support of Hofer's (1980) framework is somewhat mixed. Irrespective of the depth of the economic recession, some scholars have found cost-cutting strategies to dominate the strategic response of entrepreneurs (Beaver 2007; Beaver and Ross 1999; Churchill and Lewis 1984); others have found revenue-generating strategies to be the preferred response (for example, Latham 2009); and, others still have found combination effort strategies to be a marker of high performing firms (for example, Kambil 2008). Churchill and Lewis (1984: 11) noted that about 25 percent of companies "seemingly took very little action in response to prevailing conditions". This was most likely indicative of the fact that different industrial sectors and firms are differentially affected by recession (Churchill and Lewis 1984; Srinivasan 2005).

Lovelock (1997), on the other hand, observed the distinction between entrepreneurs who proactively plan for recessionary times, and those who are buffeted by the economic duress when it arrives. He noted two strategies emerging from a psychological perspective, rather than being defined by action:

1. Reactive strategies: Enacted by entrepreneurs caught by surprise when recession strikes. A common reaction is panicky cost-cutting, and price promotions to recover lost sales.
2. Proactive strategies: Based on the philosophy that the best time to prepare for a recession is during a time of prosperity, or at least in the period before the business becomes a loss-making venture. These strategies are revenue-generating, and designed to, firstly, imbue resilience in potential adversity, and secondly, to take advantage of emerging opportunities when recession arrives (Shama 1993).

The empirical evidence linking proactive strategies to improved performance across

the economic cycle is substantial (see, for example, Lester et al. 2008; Pearce and Michael 2006; Srinivasan et al. 2005). The next section will examine the specific lifestyle context that surrounds Europeans who migrate to, or visit, Pattaya.

Lifestyle context

Pattaya is a city located on Thailand's Eastern Seaboard in Chonburi Province, approximately 150 kilometres southeast of Bangkok. The climate is tropical, with average daily maximum temperatures of 31 degrees Celsius, spread across three seasons; 'cool', hot, and rainy (Pattaya Weather and Climate 2009). To compliment the tropical climate, beaches are sandy and picturesque; the coastline having divested itself of the mangroves and silt of the Chao Phraya basin on its journey from Bangkok (UNESCO 2009). With such an idyllic climate and location, Pattaya's tourism-based destiny became absolute with its radical transformation from a small fishing village of the 1950s. The vehicle for that transformation was the Vietnam War during which the American military used Pattaya as a recreational facility for its personnel. Consequently, the entertainment industry flourished, amply supplied by an abundance of destitute young girls from the rice paddies of the poor *Isaan* region (Schemmann 2005). By the end of the Vietnam War in 1975, Pattaya had firmly established a winning formula to secure a constant stream of male foreign tourists; this coupled to a friendly, hierarchically-subservient, and low-wage population (Cooper 1994; Holmes and Tongtangtavy 1996; Sheehan and Egan 2006). This strategy is now reflected in tourist demographics; for instance, in 2007, nearly twice as many male tourists visited Thailand than female (TAT: Tourist arrivals by gender 2009). The 'Pattaya lifestyle' forms the backdrop to the environment into which Europeans migrate, or visit as tourists. The next section will explore the demographics of the Europeans who live in, or visit, Pattaya, and hence, provide potential opportunities for Thai and European expatriate entrepreneurs.

Europeans in pattaya

The Europeans in Pattaya (called *farang*, and defined in the broader sense to include Americans, Canadians, Australians, etc.) comprise three demographic groups; retirees, working expatriates, and tourists. In the case of retirees, many British for example (either widowed or divorced), receive their British pensions in the context of cheap rent and food, and an extensive social network of other British nationals. Working expatriates are another of the demographic groups. This group includes both those employed by multinational corporations in the heavily industrialised Eastern Seaboard, and self-employed entrepreneurs from which the respondents to the present study were drawn. Tourists are the third, and most significant, of the demographic groups that make up the European aliens in Pattaya. In 2008, Thailand received 12.3 million international tourists, approximately 30 percent (about 3.7 million) of whom visited Pattaya (Tourism Statistics: Pattaya 2009). The largest numbers of tourists to Thailand come from East Asia (over 50 percent of all tourists), with Malaysia, Japan, Korea,

and China comprising the bulk of these (TAT: Tourism receipts 2009). European tourists (as defined by the *farang* term) make up about 35 percent of all tourists to Pattaya (about 1.3 million in 2008), with the largest numbers coming from the UK, Germany, Sweden, France, the United States, and Australia (TAT: Tourism receipts 2009). According to 2007 statistics, the average duration of stay in Thailand was 9.19 days; and discretionary spending was on average 4,120 baht per person per day (TAT: Tourism average expenditure 2009). However, Europeans tend to stay longer (average 14.3 days), and hence, while constituting about 35 percent of all tourists, contribute 55 percent of Thailand's tourism revenue inflows (TAT: Tourism receipts 2009).

Methodology

The study adopted a qualitative approach to support the grounded theory focus. Grounded theory is the systematic generation of theory from data in an emergent approach (Glaser and Strauss 1967; Goulding 2002; Strauss and Corbin 1990). The literature review was used, firstly, to set the research situation; the context in which the expatriate entrepreneurs were embedded; and secondly, to construct the initial interview schedule from prior studies and surveys (for example, ABS 2004; ACCI 2008; CPA 2007; DTI 2005; MYOB 2008; WASBB 2008); what De Luca et al. (2008: 55) referred to as a "Front-end-loaded Grounded Theory Method". Convergent interviewing was considered the most appropriate method for data collection to suite the grounded theory approach to the study, and in which the research area appeared to largely lack an established theoretical base (Williams and Lewis 2005). Convergent interviewing consists of a series of in-depth interviews, with the researcher refining the questions after an initial round, in order to converge to the key issues (Rao and Perry 2003). Jepsen and Rodwell (2008) suggested that an initial round of three interviews is usually sufficient to elicit a degree of convergence that would allow key issues to emerge. Each interview may likely take an hour to define the key issues being sought (Dick 1990). While Dick (1990) advocated a minimum sample size of 12 people, other authors have argued that the sample size will be determined by convergent stability of the data; when agreement among informants is achieved, and disagreement among them is explained. Patterns of convergence and divergence have often been found after only 5-10 interviews (Rao and Perry 2003).

For the present study, the sample consisted of 19 entrepreneurs; 12 European expatriates, and 5 Thai. All were operating SMEs (defined as those employing <299; Wiboonchutikula 2002) in the city of Pattaya, Chonburi Province, Thailand. Purposive sampling was used, since sample diversity is an important consideration for convergent interviewing (Jepsen and Rodwell 2008). The first round of three interviews sought responses to all 36 open-ended and closed-ended questions according to the initial interview schedule. However, subsequent interviews became focused on certain key issues as they emerged from the data. Interviews with the European expatriates were conducted in English; those with Thais were conducting using both Thai and English,

with the Thai author to this paper occasionally providing translation. Rather than tape-recorded, notes and ‘memos’ were taken (Dick 1990). The interviews took on average 65 minutes. Data were collected over a two week period in March 2009.

RESULTS

The Thai and European expatriate entrepreneurs were interviewed with particular focus on a number of key elements. These are presented next.

Entrepreneurs

All of the European expatriate respondents were male (reflecting the gender-biased attraction of the ‘Pattaya lifestyle’); six of seven Thai respondents were female. Ages ranged from 30 to over 65 years; education levels varied from secondary school only, to postgraduate degrees, and in one case, a doctoral qualification. Some expatriates had considerable home-country experience which they leveraged in Pattaya (for example, one restaurant owner had 30 years experience as a chef in Switzerland prior to his migration to Thailand); others had no prior experience of the industry in which they engaged. The nationalities of the expatriate informants were British, American, Canadian, German, Italian, Swiss, and Swedish. Two had moved to Pattaya with their *farang* wives; others had married Thai women since moving; and still others were single. The expatriate respondents’ journey from home country to Pattaya, in all cases, involved an initial visit as a tourist, and then a search for a means of sustaining their move.

Entrepreneurial Activities

The entrepreneurs owned and managed SMEs in Pattaya. These were coded as EC1-EC12 to indicate the SMEs owned by European expatriates, and TC1-TC5 to indicate the Thai owned SMEs. The size of the SMEs ranged from 2 to 290 employees (average: 42); as such, the expatriate-owned businesses represented a significant employer of local Thai people. Venture capital for expatriate-owned SMEs was, in all cases, sourced from personal funds; hence, providing a source of foreign investment for Thailand. SMEs had operated for between 0.5 and 20 years (average: 9). Workhours ranged from 10 to 70 hours per week (average: 36). The industries in which the SMEs were engaged were hospitality (i.e., restaurants; bars; hotels), game entertainment, publishing, property management, property development, and real estate; the aim in the selection of the sample was to provide diversity for the sake of the convergent interviewing methodology (Rao and Perry 2003). All companies were part of the formal sector, and hence, registered by the Thai Ministry of Commerce.

Customers

The target markets for all Thai entrepreneurs were foreign tourists and expatriates (not necessarily European). In the case of the European expatriate entrepreneurs, without

exception, the entrepreneurial innovations that led to the establishment of the SMEs involved serving a niche market by providing products and services to other European expatriates and European tourists.

Marketing

In the case of the European expatriate entrepreneurs, only half of the respondents indicated that they engaged in any form of marketing, and maintained any semblance of a marketing plan. In their case, marketing typically took the form of newspaper and local magazine advertising. The same half of the respondents had websites; half of this group indicated that website sales were “undeterminable”, and that they had installed the website simply because it “seemed like a good idea”. The other half of the group made more strategic use of websites; for example, one restaurant owner included all menu items and special meal deals, which according to his feedback, had a positive impact on sales. The half of the respondent entrepreneurs who engaged in NO marketing indicated that they relied solely on word-of-mouth and walk-in sales. In the case of the Thai entrepreneurs, about three-quarters actively engaged in marketing their products and services; the same entrepreneurs maintained websites, and about half of these reported the websites to be effective.

Human Resources

Both Thai and expatriate informants (especially those in the hospitality industry) noted that staff turnover was usually quite high (>10 percent per year) because of the incidence of head-hunting by competitors. However, since end-2008, the situation had changed markedly. Staff turnover had declined due to the dearth of alternative opportunities. The only training reported was on-the-job, but of course, this often made low-skilled employees attractive to competitors.

Diversified Investments

All respondents (both Thai and expatriate) reported diversification of their investments, either other businesses, or cash funds; either in Thailand, or in other countries. Indeed, a number of the European expatriates reported considerable wealth located outside of Thailand.

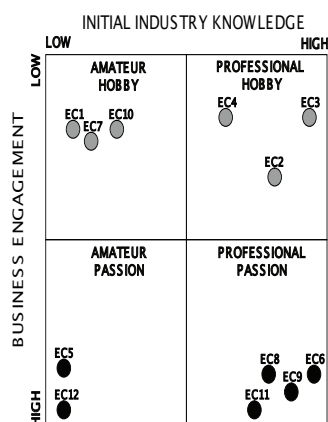
Expatriate Entrepreneurs' Business Engagement

The results suggested the Pattaya lifestyle was a common motivator, and European expatriates and tourists were common customers. However, the data also highlighted different means used by the informants to achieve and sustain their entrepreneurial activities (see Figure 1). The initial industry knowledge axis is indicative of the home-country knowledge that was leveraged in Pattaya; the business engagement axis

represents the entrepreneurs' workhours, and propensity to plan and actively market the business. Figure 1 shows the consolidation of the European expatriate SMEs into four business types:

1. Amateur hobby: The amateur hobbyists were focused on creating businesses to envelop their time in Pattaya. They tended to seek common options, such as bars and restaurants, frequented by fellow expatriates, but without any prior knowledge or experience of those industries. In addition, their business practices were basic, and workhours minimal.
2. Amateur passion: These entrepreneurs also entered businesses as a means of enjoying the Pattaya lifestyle, but unlike the amateur hobbyists, they engaged in business as a challenge in life.
3. Professional hobby: The professional hobbyists leveraged their knowledge of an industry from their home country to serve a niche expatriate market in Pattaya, but they tended to disengage with the business, focusing instead on a leisurely lifestyle.
4. Professional passion: Those with professional passion also leveraged industry knowledge gained from their home country to serve a niche Pattaya expatriate market. However, passionate professionals were seeking a challenge in life, rather than merely a leisurely lifestyle. As such, their marketing practices tended to be more sophisticated, and they expended more workhours in the businesses.

Figure 1: Expatriate entrepreneurs' business engagement



Impact of the global economic recession (mid-2008 to March 2009)

The respondents commonly reported cost increases over the previous 12 month period. This included rental of the business premises, fresh produce (in the case of restaurants), and building materials (in the case of property developers). On the other hand, prices for their products and services had generally not increased. Respondents were being

squeezed between rising costs and falling demand, resulting in declining profits. The respondents generally indicated a decline in sales of 20-60 percent (average: 36 percent) as compared to one year previous. These figures were quite consistent with the 50 percent decline in tourist numbers over the same period, indicating the high dependence on tourism revenue inflows. Furthermore, the respondents were generally pessimistic about the coming 12 month period. They were generally considering a further 10-40 percent (average: 17 percent) decline in sales as quite possible. However, even considering the average 36 percent decline in sales thus far, and the expected average 17 percent decline in the coming period, all respondents indicated that their businesses would still be profitable (*albeit* marginal in some cases). Combining, then, the current reported decline in sales with the anticipated decline in the coming period revealed the total expected effect of the economic recession to be 15-80 percent (average: 53 percent) by end-2009. The data indicated that the total expected effect did not correlate with industrial sector; nor did it correlate with coping strategies adopted; nor did it correlate with Thai and expatriate groupings.

Coping strategies

Figure 2 shows the coping strategies employed by the entrepreneurs. The results clearly indicate that the European expatriates who operated 'hobby' businesses were either inactive and complacent, or focused on cost-cutting strategies. On the other hand, those expatriates who sought challenge in their business ventures were more apt to employ revenue-generating strategies. One anomalous case was EC5. This SME was an estate agency. The entrepreneur's focus was on cutting costs, such as reduced advertising. In previous years, sales and profits had been considerable; the owner had two offices, 20 staff, and no debt. Sales had declined 60 percent over the same period one year previous, but the owner considered the worst was over. The majority of hobby expatriate entrepreneurs were intending to take no immediate action to counter the economic recession. The common factors driving the observed complacency were, firstly, the recent history of extraordinary profits, and secondly, the owners' diversified investment strategies, particularly investments outside of Thailand. The Thai entrepreneurs were generally oriented to revenue-generating strategies, particularly targeting new markets. For instance, TC6 was a 3-star hotel whose owner was beginning to market in India.

Figure 3 shows Hofer's (1980) action framework superimposed with the total recessionary effects as reported by the Pattaya informants, and their response to date. It demonstrates that previous extraordinary profits had declined for all businesses, but not beyond the break-even point.

Figure 2: Thai and European expatriate entrepreneurs' coping strategies

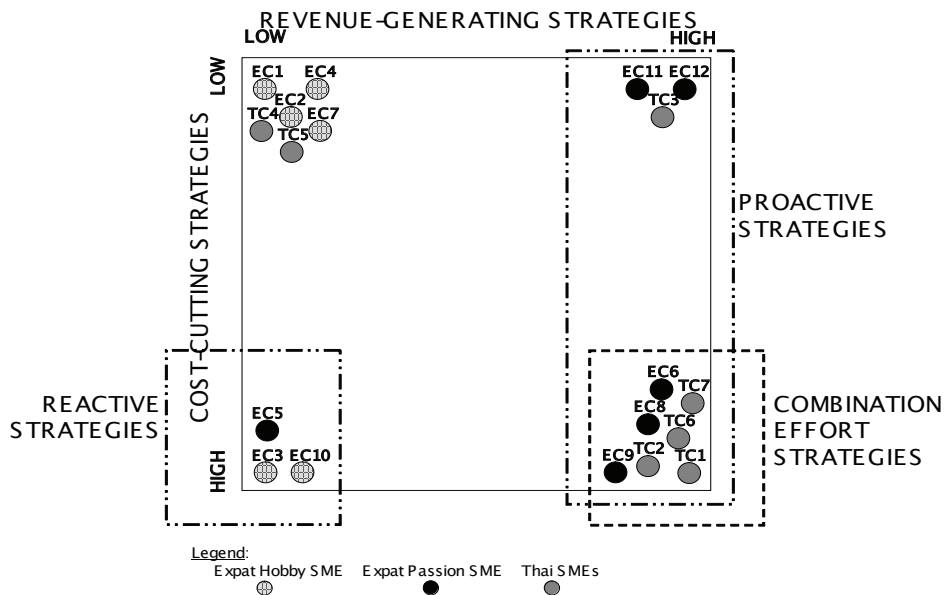
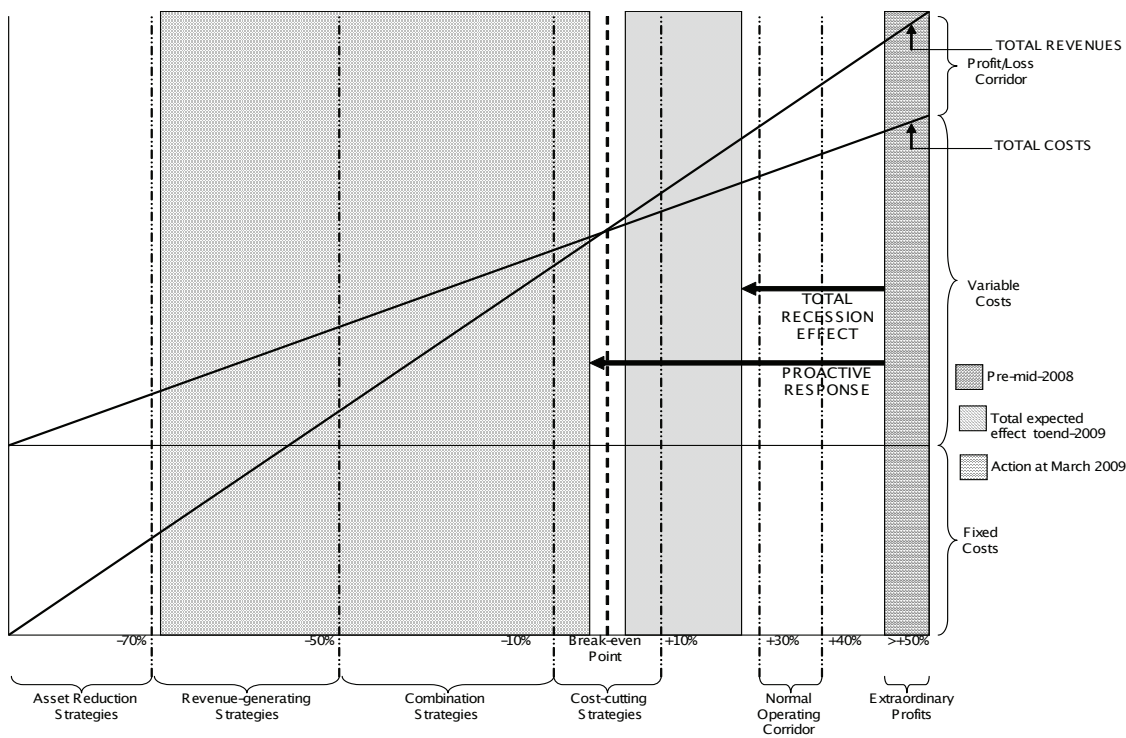


Figure 3: Hofer's (1980) framework, total recession effect, and proactive response



(Source: Adapted from Hofer 1980: 27; WASBB 2008)

According to Hofer (1980), the most appropriate response would have been cost-cutting strategies to overcome short-term cashflow problems. On the contrary, very few entrepreneurs were reacting in this way; the most common responses were either

revenue-generating/combination strategies (about 50 percent), or inaction (about 30 percent). In the case of those oriented to revenue-generation/combination, the coping strategy was being driven more by psychological adaptation from a fear of the unknown, than strategy and rational discourse. On the other hand, inaction was driven by complacency induced by previous extraordinary profits, diversified investment strategies, and conviction that any decline in tourism in Pattaya would be a short-term phenomenon. Previous studies have indicated that the depth of economic recession can differentially impact different industrial sectors (see, for example, Churchill and Lewis 1984; Srinivasan et al. 2005). The present study adds to this debate by suggesting that location specificity is also a variable that affects the depth of economic duress, and the consequential response by entrepreneurs; some entrepreneurs complacent and inactive, others proactive from the psychological sense of having “to do something”.

Discussion

The study was an exploratory investigation which had as a primary goal to investigate the coping strategies employed by Thai and European expatriate entrepreneurs, who engaged in business activities in the regional tourist city of Pattaya, Thailand, in the face of the global economic recession that had begun to take effect from mid-2008. A secondary goal was to seek to understand the motivations, behaviours, and actions of European expatriate entrepreneurs, and how they differed from Thai entrepreneurs. As the study unfolded, however, it became apparent that the primary and secondary goals were inherently linked; coping strategies of European expatriate entrepreneurs were found to follow motivations and behaviours in their business activities.

The results of the study suggest that the European expatriates sought innovation to serve gaps in the market selling products and services to other European expatriates and European tourists; niche market opportunities which local Thai entrepreneurs were generally not able to exploit. However, the motivation behind the opportunism was neither personal wealth creation, nor inherent character traits involving the desire to be independent. The expatriates already had substantial wealth, and their independence was palpable. While their initial foray into business in Pattaya was innovative and opportunistic, the motivation was the ‘Pattaya lifestyle’. About 50 percent of the expatriates were ‘amateur’, since they started a business in an industry for which they had no prior experience; the other 50 percent were ‘professional’, in that they leveraged their home-country knowledge of an industry to fill a market gap. The professionals were then evenly split between ‘hobbyists’, and those who maintained a passion for the business. The professionals, who viewed their businesses as a passion, were highly engaged with providing, and creatively marketing, a quality product or service. Contrary to Stone and Stubbs (2007: 444), who observed that the driving force behind expatriate business ventures was “constructed incomes for lifestyle objectives”, the present study uncovered quite a different phenomenon. The expatriate respondents, without exception, maintained diversified investments in other sectors and cash funds,

often in other countries. In this case, the expatriate entrepreneurs constructed activities, rather than incomes, to serve lifestyle aspirations; the activities designed “to occupy my mind”, for “something to do”. This phenomenon applied equally to both the hobbyists seeking leisure, and the passionate entrepreneurs seeking a challenge in life. In the case of the hobbyists, it impacted heavily on their orientation to coping strategies in times of economic uncertainty.

The study found that the impact of the global economic recession was substantial by March 2009. The entrepreneurs reported rising costs, and a decline in sales of 25-60 percent as compared to 12 months previous. Furthermore, the respondents were pessimistic about the coming period. They were generally considering a further 10-40 percent (average: 17 percent) decline in sales as quite possible. Overall, the total expected effect of the economic recession was 15-80 percent (average: 53 percent) by end-2009. These figures applied as much to the Thais, as to the expatriate hobbyists and passionate owners; neither nationality, nor demographics, nor firm size, nor business passion was able to circumvent the global externalities enforcing the economic recession. In response, the Thais and the passionate expatriate entrepreneurs were generally engaged with revenue-generating strategies in a proactive approach to market deterioration. In the case of the passionate expatriates, their engagement was driven by the challenge and excitement of operating a successful business, rather than the need for income. On the other hand, the Thai entrepreneurs behaved more in accordance with mainstream entrepreneurship theory. They were not tainted with lifestyle aspirations, but instead, were focused on personal wealth creation. The study observed considerable inaction and complacency by the expatriate hobbyists amidst the economic downturn. This apparent complacency had its genesis in the previous buoyant tourism-based economy, and the lack of competitive pressure resulting in extraordinary profits. Moreover, the complacency was being expressed by people who sought lifestyle over wealth creation, and who generally had considerable reserves of diversified capital investments in other sectors, and in other countries. For the hobbyists, any sense of stress, urgency of action, or immanent demise of business ventures was decidedly absent in an air of lifestyle aspiration, and with the supreme optimism that any decline in tourism in Pattaya would be short-term.

The evidence presented by the study strongly points to Hofer’s (1980) framework being built on the contemporary ‘rational’ *homo economicus* model of human behaviour. The framework is founded on conditional reflex action at a point in time, and hence, does not account for proactive psychological engagement resulting from anticipated outcomes in a dynamic economic recession. The results indicate that the psychological effects of anticipated economic duress, and the uncertain nature of that anticipation, induced coping strategies beyond those necessary to cope with the immediate situation; the tentative core of the research findings, then, is that entrepreneurs may ‘overreact’ in times of economic uncertainty because of the psychological stress of the uncertainty

itself. Whether the entrepreneurs' immediate actions are really overreactions will only become evident as the recession unfolds. But, even if overreaction is the eventual outcome, the proactive entrepreneurs will likely have created leaner business models and new markets, and hence, would be well positioned to take advantage of the growth phase of the next economic cycle.

Conclusions

The results of the present study lend support to those of previous studies that provide evidence challenging some mainstream notions of entrepreneurship. For example, the contemporary view of entrepreneurs as personal wealth creators and seekers of independence was undermined by entrepreneurs driven by lifestyle aspirations. Likewise, the notion that entrepreneurs will exhibit fine-tuned response to economic duress is also questioned. Entrepreneurs are just as likely to overreact to a given economic situation because of the psychology of uncertainty, and the unknown nature of how bad that economic situation might become.

The results of the present study also offer broader implications. For a less developed country, such as Thailand, which relies substantially on tourism revenues, the expressed attitudes of many expatriate entrepreneurs should be of concern. Many of the respondents to the study were 'hobbyists', who exhibited passive engagement with the local business milieu. While they provide products and services to the existing tourist demographic, they are not the creative and energetic innovators that will be required to broaden and enlarge the tourism industry, and thus, help propel Thailand's economic development.

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Women Entrepreneurs in Indonesia: their main constraints and reasons.

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Abstract

It is often stated that the development of women entrepreneurship should be part of the women empowerment efforts in developing countries. In Indonesia, in the past years especially since the introduction of the millennium development goals (MDGs), women entrepreneurship development has become an important part of the small and medium enterprises (SMEs) development policies. This paper focuses on women entrepreneurs in SMEs in Indonesia. Its main aim is to examine their main constraints and motivation to conduct their own businesses. It addresses three research questions: (1) how representative are women entrepreneurs in SMEs; (2) what are their main barriers; and (3) what are their main motivation? Based on secondary data analysis and a literature review, the paper shows three important facts. First, the representative of women as entrepreneurs is still low and there is an indication that the rate of women entrepreneurs tends to decline by size of enterprise. Two, women to become entrepreneurs or existing women entrepreneurs to sustain their activities face four main constraints: low level of education and lack of training opportunities; heavy household chores; legal, traditions, customs, cultural or religious constraints; and lack of access to formal credit. Third, their main reason to become entrepreneurs is to survive (financial reason).

Introduction

Currently in Indonesia, especially since the introduction of the millennium development goals (MDGs) by the United Nations (UN) some years ago, women entrepreneurship development has become an important policy issue. It is generally believed that giving equal opportunities for women as for men to become entrepreneurs will have a great positive effect on poverty reduction. Since the development of entrepreneurship is seen essentially as the process of starting a new firm, which is initially in small size, the development of women entrepreneurship has been included as an important part of small and medium enterprises (SMEs) development policies in Indonesia.

The main aim of this paper is to examine women entrepreneurship development in Indonesia. Since entrepreneurship development is usually associated with SME development, and as said before that SMEs development policies in the country also put an emphasis on women entrepreneurs, this paper focuses on entrepreneurs in SMEs. Specifically, this paper addresses three research questions: (1) how representative are women entrepreneurs in SMEs; (2) what are the main constraints facing women to become entrepreneurs or existing women entrepreneurs to sustain their activities face four main constraints; and (3) what are their main reason to start their own businesses?

Methodologically, as an conceptual paper, it addresses all these questions by analyzing available secondary data on SME development and reviewing existing key literature focusing on the development of women entrepreneurs in Indonesia.

Definition and Main Characteristics

In Indonesia, before 1995, there were several definitions of SMEs, depending on which agency provides the definition. In 1995, the State Ministry of Cooperative and Small and Medium Enterprises (Menekop & UKM) promulgated the Law on Small Enterprises Number 9, which defines a small enterprise (SE) as a business unit with total initial assets of up to 200 million rupiah (Rp), not including land and buildings, or with an annual value of sales of a maximum of Rp 1 billion, and a medium enterprise (ME) as a business unit with an annual value of sales of more than Rp one billion but less than Rp 50 billion. Although the Law does not explicitly define microenterprises (MIEs), Menekop & UKM data on SEs include MIEs. In 2008, the Ministry issued the new Law on SMEs Number 20 (Table 1).

Table 1: Definitions of SME

	Number of Worker	Annual sales/turnover (Rp)	Fixed/productive assets (Rp)
MIE	≤4	≤Rp 300 m	≤Rp 50 m.
SE	5-19	>Rp300 m. - ≤Rp2500 m.	>Rp50 m. - ≤Rp500 m.
ME	20-99	>Rp2500 m. - ≤Rp50 b.	>Rp500 m. - ≤Rp10 b.

Source: Menekop & UKM (Law No.20, 2008).

Besides using number of employees, annual revenues, or value of invested capital as

criterion to define MIEs, SEs and MEs, in fact, MIEs can be obviously distinguished from SEs or MEs by looking at their different characteristics in many business aspects, such as market orientation, social-economic profiles of owners, nature of employment, organization and management system, degree of mechanization (nature of production process), sources of raw materials and capital, location, external relationships, and involvement degree of women as entrepreneurs (Table 2).

Table 2: Main Characteristics of MIEs, SEs, and MEs in Indonesia

No	Aspect	MIEs	SEs	MEs
1	Formality	-operate in informal sector -unregistered -seldom pays taxes	-some operate in formal sector -some unregistered -some pay taxes	-all operate in formal sector -all registered -all pay taxes
2	Organization & management	- run by the owner - no internal labor division -no formal management -no formal accounting system (bookkeeping)	- run by the owner - no labor division, no formal management, and no formal accounting system (bookkeeping)	-many hire professional managers, have labor division, formal organizational structure, formal accounting system (bookkeeping)
3	Nature of employment	- majority use unpaid family members	-some hired wage laborers	-all hired wage laborers -some have formal recruitment system
4	Nature of production process	- degree of mechanization very low/mostly manual - level of technology very low	- some use up-to-date machines	many have high degree of mechanization/have access to modern technology
5	Market orientation	-majority sell to local market and for low-income consumers	-many sell to domestic market and export -many serve also middle to high-income group	-all sell to domestic market and many also export - all serve middle and high-income consumers
6	Social & economic profiles of owners	- low or uneducated - from poor households - main motivation: survival	- some have good education, and from non-poor households - many have business/profit motivation	- majority have good education - many are from wealthy families - main motivation: profit
7	Sources of raw materials and capital	- majority use local raw materials and use own money	- some import raw materials	- many use imported raw materials - majority have access to formal credits
8	External relationships	- majority have no access to government programs and not business linkages with LEs	-some have access to formal credits - many have good relations with government and have business linkages (e.g. subcontracting) with LEs (including MNCs/FDI).	- majority have good access to government programs - many have business linkages with LEs (including MNCs/FDI)
9	Women entrepreneurs	- ratio of female to male as entrepreneurs is high	- ratio of female to male as entrepreneurs is high	- ratio of female to male as entrepreneurs is low

The Importance of SME

In Indonesia, SMEs have a crucial role to play because of their potential contributions to employment creation, improvement of income distribution, poverty reduction, export growth of manufactured products, and development of entrepreneurship, manufacturing industry, and rural economy. It is widely stated in the literature that the importance of SMEs in developing countries, which can be obviously observed in Indonesia, is because of their characteristics, which include the followings:¹

Their number is huge, and especially SEs and MIEs are scattered widely throughout the rural areas and therefore they may have a special 'local' significance for the rural economy.

As being populated largely by firms that have considerable employment growth potential, their development or growth can be included as an important element of policy to create employment and to generate income. This awareness may also explain the growing emphasis on the role of these enterprises in rural development in developing countries. The agricultural sector has shown not to be able to absorb the increasing population in the rural areas. As a result, rural migration increased dramatically, causing high unemployment rates and its related socio-economic problems in the urban areas. Therefore, non-farm activities in rural areas, especially rural industries being a potentially quite dynamic part of the rural economy have often been looked at their potential to create rural employment, and in this respect, SMEs can play an important role

Not only that the majority of SMEs in developing countries are located in rural areas, they are also mainly agriculturally based activities. Therefore, government efforts to support SMEs are also an indirect way to support development in agriculture.

SMEs use technologies that are in a general sense more 'appropriate' as compared to modern technologies used by large enterprises (LEs) to factor proportions and local conditions in developing countries, i.e. many raw materials are locally available but capital, including human capital, is very limited.

Many SMEs may expand significantly, while the great majority of MIEs tend to grow little and hence do not graduate from that size category. Therefore, SMEs, especially MEs are regarded enterprises having the 'seedbed LEs' function.

Although in general people in rural areas are poor, existing evidence shows the ability of poor villagers to save a small amount of capital and invest it; they are willing to take risks by doing so. In this respect, SMEs provide thus a good starting point for the mobilization of both the villagers' talents as entrepreneurs and their capital; while, at the same time, rural SMEs can function as an important sector providing an avenue for the testing and development of entrepreneurial ability.

SMEs, especially SEs and MIEs, finance their operations overwhelmingly by personal

<?> For more discussions on this, see for example, Tambunan (2008), Liedholm and Mead (1999), and Berry *et al.* (2001).

savings of the owners, supplemented by gifts or loans from relatives or from local informal moneylenders, traders, input suppliers, and payments in advance from consumers.

Although many goods produced by SMEs are also bought by consumers from the middle and high-income groups, it is generally evident that the primary market for SMEs' products is overwhelmingly simple consumer goods, such as clothing, furniture and other articles from wood, leather products, including footwear, household items made from bamboo and rattan, and metal products. These goods cater to the needs of local low income consumers. SMEs are also important for securing the basic needs goods for this group of the population. However, there are also many SMEs engaged in the production of simple tools, equipments, and machines for the demands of farmers and producers in the industrial, trade, construction, and transport sectors.

One advantage of SMEs is their flexibility, relative to their larger competitors. In Berry *et al.* (2001), there enterprises are construed as being especially important in industries or economies that face rapidly changing market conditions, such as the sharp macroeconomic downturns that have bedeviled many developing countries over the past few years.

In Indonesia, SMEs have historically been the main player in domestic economic activities, as they provide a large number of employment and hence generating primary or secondary source of income for many rural poor households. They generally account for more than 90 per cent of all firms across sectors (Table 3) and they generate the biggest employment, providing livelihood for over 90 per cent of the country's workforce, mostly women and the young. The majority of SMEs, especially MIEs, which are dominated by self-employment enterprises without wage- paid workers, are scattered widely throughout the rural areas, and, therefore, are likely to play an important role in developing the skills of villagers, particularly women, as entrepreneurs (Tambunan, 2006).

Table 3: Total enterprises by size category in all economic sectors (000 units)

Size Category	2000	2001	2003	2004	2005	2006	2007
MIEs & SEs	39,705.2	39,883.1	43,372.9	44,684.4	47,006.9	48,822.9	49,720.3
MEs	78.8	80.97	87.4	93.04	95.9	106.7	120.3
LEs	5.7	5.9	6.5	6.7	6.8	7.2	4.5
Total	39,789.7	39,969.97	43,466.8	44,784.14	47,109.6	48,936.8	49,845.02

Source: National Agency of Statistics (BPS)

The structure of enterprises by size category indicates that the majority of enterprises in all sectors are from the SME category, mainly MIEs. Whereas, the distribution of total SMEs by sector shows that the majority of Indonesian SMEs are involved in agriculture (Tables 4 & 5). The second largest sector is trade, hotel and restaurants, while the third is manufacturing. In the latter sector, the enterprises are engaged mainly in simple, traditional activities such as manufacturing of wood products, including

furniture, textiles, garments, footwear, and food and beverages. Only a small number of SMEs are involved in the production of machineries, production tools and automotive components. In the automotive industry, they operate through subcontracting systems with several multinational car companies in Indonesia such as Toyota and Honda.

Table 4: Structure of Enterprises by Size Category and Sector, 2007 (Units)

	MIEs	SEs	MEs	LEs	Total
Agriculture	26 149 700	4 675	2 304	47	26 156 726
	54.82	0.23	1.92	1.04	52.48
Mining	249 451	13 234	570	81	263 336
	0.52	0.66	0.47	1.79	0.53
Manufacture	3 043 489	171 072	18 280	1 923	3 234 764
	6.38	8.48	15.20	42.48	6.49
Elect, gas & water supply	10 199	911	516	144	11 770
	0.02	0.05	0.43	3.18	0.02
Construction	140 756	27 441	4 613	233	173 043
	0.30	1.36	3.84	5.15	0.35
Trade, hotel & restaurant	12 552 862	1 388 950	75 666	1 219	14 018 697
	26.31	68.83	62.92	26.93	28.12
Transport & communication..	2 680 329	75 717	4 068	254	2 760 368
	5.62	3.75	3.38	5.61	5.54
Finance, rent & service	858 674	63 355	8 570	480	931 079
	1.80	3.14	7.13	10.60	1.87
.Services	2 016 850	272 571	5 666	146	2 295 233
	4.23	13.51	4.71	3.23	4.60
Total	47 702 310	2 017 926	120 253	4 527	49 845 016
	100.00	100.00	100.00	100.00	100.00

Source: BPS

Table 5: Structure of Enterprises by Size Category and Sector, 2007 (workers)

	MIEs	SEs	MEs	LEs	Total
Agriculture	41 630 616	185 015	756 343	36 786	42 608 760
	54.02	1.86	16.02	1.46	45.20
Mining	496 604	79 815	29 371	74 900	680 690
	0.64	0.80	0.62	2.97	0.72
Manufacture	6 847 431	1 579 104	1 990 972	1 838 734	12 256 241
	8.89	15.84	42.18	72.95	13.00
Elect, gas & water supply	45 462	16 715	41 281	55 598	159 056
	0.06	0.17	0.87	2.21	0.17
Construction	432 681	208 323	93 142	31 750	765 896
	0.56	2.09	1.97	1.26	0.81
Trade, hotel & restaurant	18 388 220	3 766 573	957 487	174 595	23 286 875
	23.86	37.78	20.29	6.93	24.70
Transport & communication..	3 110 519	269 380	153 421	87 770	3 621 090
	4.04	2.70	3.25	3.48	3.84
Finance, rent & service	1 790 818	427 960	416 237	171 632	2 806 647
	2.32	4.29	8.82	6.81	2.98
.Services	4 319 318	3 437 759	281 751	48 942	8 087 770
	5.61	34.48	5.97	1.94	8.58
Total	77 061 669	9 970 644	4 720 005	2 520 707	94 273 025
	100.00	100.00	100.00	100.00	100.00

Source: BPS

The output structure by size of enterprise and sector indicates that agriculture is key sector for MIE and SEs, followed by trade, hotel and restaurant, as the second largest

sector. MEs, on the other hand, have the largest output contribution in finance, rent and services, followed by transportation and communication. In the manufacturing industry, based on output contribution, SMEs are traditionally not so strong as compared to LEs (Table 6)

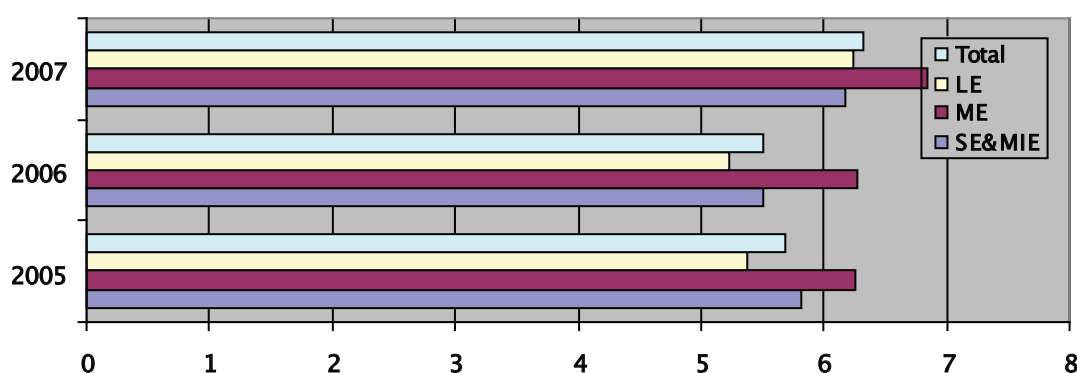
Table 6: Structure of GDP by Size of Enterprise and Economic Sector, 2006-2007 on Average (%)

	MIE&SE	ME	LE	Total	
Agriculture	86.90	8.85	4.25	100.00	100.00
Mining & quarrying	8.15	3.26	88.59	100.00	100.00
Manufacture	12.55	11.35	76.10	100.00	100.00
Elect., gas & water supply	0.53	7.58	91.89	100.00	100.00
Construction	44.94	21.12	33.94	100.00	
Trade, hotel & restaurant	74.19	22.26	3.55	100.00	
Transport & communication	27.93	25.03	47.04	100.00	
Finance, rent & service	16.56	47.16	36.28		
Services	39.24	7.94	52.82		
GDP	37.67	15.88	46.45		
GDP non-oil&gas	42.25	17.70	40.05		

Source: BPS

With respect to output growth, the performance of SMEs is not so bad as compared to that of LEs (Figure 1). The output growth of SEs (including MIEs) and MEs was respectively 5.82 and 6.25 per cent in 2005 and estimated to increase to 6.18 and 6.84 per cent, respectively, in 2007; compared to LEs with a growth rate of 5.37 per cent (2005) and 6.24 per cent (2006). That high growth rate in SMEs is not because their productivity is higher than that in LEs, but mainly because their number of unit is huge and the increase of total workers in SMEs has always been higher than that in LEs, as the latter in general are more capital (or less labor) intensive enterprises.

Figure 1: Output Growth Rates of SEs, MEs and LEs (%)

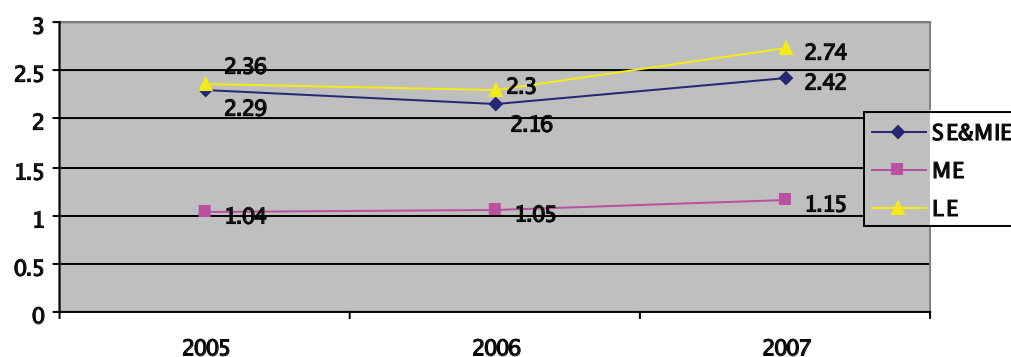


Source: BPS

SMEs' contribution to the annual GDP growth is also higher than that of LEs (Figure 2). In 2005, the GDP growth rate was 5.69 per cent, from which 3.33 per cent originated from SMEs, compared to 2.36 per cent from LEs. In 2007, it is estimated that the SMEs' share in GDP growth is 3.57 per cent. More interestingly, within the SME group, SEs' contribution to the GDP growth has always been higher than that of MEs. In 2007, from the GDP growth rate at 6.32 per cent, the contribution from SEs is estimated

about 2.42 per cent, compared to 1.15 per cent from MEs

Figure 2 GDP Growth Contribution by Size of Enterprise (%)



Women Entrepreneurs

Snapshot

As in other parts of the developing world, women entrepreneurship development in Indonesia has a great potential not only for empowering women but also society, especially in rural areas. Statistics from various years indicate that women entrepreneurs in Indonesia have been increasing particularly since the 1980s during the new order era (1966-1998) when the country achieved rapid economic growth leading to rapid increase in per capita income. This trend is shown by data from the National Labor Survey on self-employed category by gender (Table 7). Yet, based on these data, there are more males than females as self-employed, or the share of females engaged in own businesses is lower than that of male entrepreneurs. This may suggest that, as in many other developing countries, the potential that the women entrepreneurship development has in Indonesia remains largely untapped.

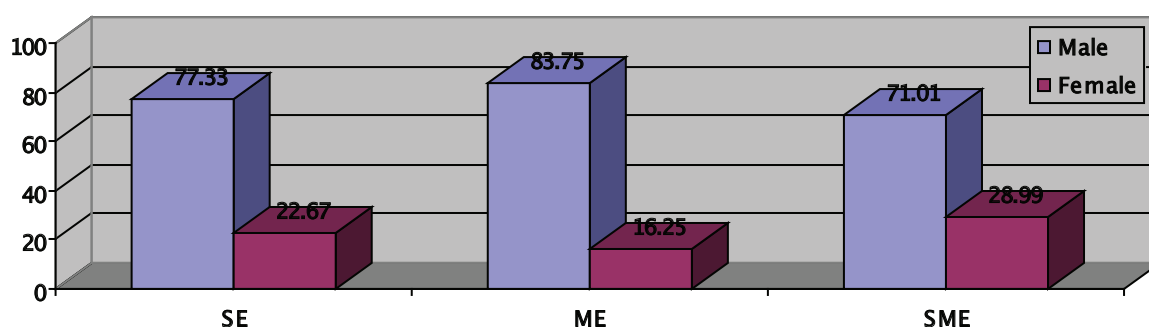
Table 7: Status in Employment, by gender in Indonesia, 1990-2006 (%)

	1990	1995	1996	1997	1998	1999	2002	2006
Male								
Wage and salaried workers, or employees	31.9	39.1	38.4	39.4	36.1	36.2	29.4	35.2
Self-employed with employees (employer)	1.1	2.1	1.8	2.2	2.3	3.4	4.1	4.0
Self-employed without employees (own-account worker)	53.6	50.1	52.1	50.3	52.7	51.9		
Contributing family workers	13.5	8.7	7.7	8	8.8	8.5	59.4	53.2
							7.0	7.7
Female								
Wage and salaried workers, or employees	22.8	29.2	27.4	29	27.7	28.1	37.3	31.5
Self-employed with employees (employer)	0.3	0.7	0.8	0.8	0.8	2	1.1	1.1
Self-employed without employees (own-account worker)	30.2	36.8	38.5	34.5	34.9	35.8	25.4	33.2
Contributing family workers	46.6	33.3	33.4	35.7	36.6	34.2	36.2	34.1
Male + Female								
Wage and salaried workers, or employees	28.4	35.6	34.2	35.5	32.9	33.1	32.3	33.9
Self-employed with employees	0.8	1.6	1.4	1.7	1.7	2.9		
Self-employed without employees	44.5	45.4	46.9	44.3	45.9	45.7	3.0	3.0
Contributing family workers	26.3	17.4	17.5	18.5	19.5	18.3	47.2	46.2
							17.6	16.9

Source: BPS

Data on owners of SMEs by gender are only available in manufacturing industry, which show two interesting facts (Figure 3). First, it reveals that only about 29 per cent of total SMEs in the sector are operated by women. Second, the rate of women entrepreneurs tends to decline by size: in SEs (in these data, SEs include MIEs) the rate is higher than that in MEs. Most women entrepreneurs, especially married women and live in rural areas choose SEs rather than larger-sized enterprises simply because smaller businesses mean less capital required and more simple activities, and thus easier to manage. If total number of enterprises by gender of entrepreneurs or owners can be used as an indicator of current state of the art of women entrepreneurship development, then the figure may suggest that becoming an entrepreneur, especially in larger, modern and more complex businesses in Indonesia is still dominantly a man culture.

Figure 3: SMEs in Manufacturing Industry by Gender of Entrepreneur/Owner in Indonesia, 2006 (%)



Source: BPS.

Within the manufacturing industry, most of women entrepreneurs are in the food, beverages and tobacco industry, followed by textile, garment and leather, and non-metallic mineral products. In basic metal and fabricated metal products, the proportion of women entrepreneurs is always very small, not more than one per cent. This indicates that women entrepreneurs in manufacturing industry tend to do businesses that do not require high skills and large capital, use simple technologies, and characterized by easy entry and exit. In non-manufacturing sectors, though data are limited, the percentage of female entrepreneurs is higher than that of their male counterparts in trade, hotel and restaurant. Indeed, in Indonesia, beyond the manufacturing industry, women entrepreneurs are more likely than male to be involved in these sectors, mostly as own-account traders having small shops or as owners of small restaurants or hotel.

Main Constraints

In developing countries women face many constraints to become entrepreneurs or

existing women entrepreneurs face many barriers to sustain or expand their activities. These factors range from economic pressures, socio-cultural background, government policies, and domestic socio-economic and political conditions. These factors shape women's entrepreneurship development in developing countries.

In Indonesia, the low representative of women as entrepreneurs can be attributed to a number of factors (Tambunan, 2008). First, low level of education and lack of training opportunities which made Indonesian women severely disadvantaged in both the economy and society. It is especially true for women living in rural areas or in relatively backward provinces. Many rural women speak only their native language and never read newspapers and thus they are very restricted to communicate with the outside world. Particularly among women living in rural areas, there are still many social, cultural and religious taboos that prevent those women who can and should be accessing higher education from doing so. Many parents living in rural areas still have the traditional thinking that (higher) education belongs to men only. Especially since after marriage women leave to join their husbands; families and, hence, are no regarded as being useful to their own families in the long run (Suharyo, 2005).[□] Although this traditional thinking still exists in rural areas, it, however, also depends on the economic condition of the family. In other words, it can be hypothesized that the better the economic condition of the family, the less will be the traditional thinking towards women to have jobs and education.

Although currently, on average, the level of education of women in Indonesia has been much improved than, say, 50 years ago, the illiteracy rate for women is still higher than that for men, and the gap between men and women in rural areas is much higher than that in urban areas. In addition, especially in rural areas, there are still gender stereotypes, prejudices of teachers, and gender-based preferences of parents and girls themselves which tend to channel girls and women into the more general and social rather than scientific or technical areas of education.

The importance of education or skill for generating more opportunities for women to become successful entrepreneurs is confirmed by, among others, an empirical finding from women entrepreneurs in West Java and Central Java, which shows that that women entrepreneurs who have academic diplomas have better organized and managed own businesses and earn more income than their counterparts with only primary schools. Enterprises run by those with only primary school are mainly from the category of MIEs with very low income (Firdausy, 1999).

Better educated women entrepreneurs are found more in the western and more developed part of the country, i.e. Java and Sumatera than in eastern part. This can be seen obviously from national data on women entrepreneurs in manufacturing SMEs according to province and owner's university degree diploma. A majority of women entrepreneurs in SMEs having university degree are found in Java and Sumatera, the western and more developed part of the country (Table 8). This is consistent with the fact that at the national level, population is much more educated in Java and Sumatera than in other provinces within the country, and this is still a serious problem facing

Indonesia with respect to equal distribution of development.

Table 8: Women Entrepreneurs in SMEs by University Degree and Region in Indonesia, 2004 (person)

Region	Women entrepreneurs with university degree	Total women entrepreneurs
Western and more developed regions	10,402	740,724
-Sumatera	58,240	4,030,236
-Java and Bali		
Eastern and less developed regions	909	276,300
-Nusa Tenggara	4,196	266,756
-Kalimantan	2,365	233,686
-Sulawesi	88	42,936
-Maluku and Papua		
	76,200	5,590,638
Nasional		

Source: BPS

Second, heavy household chores. Especially in rural areas, women have more children, and they are more demanded to do their traditional role as being responsible for housework and child care, and therefore they have fewer hours of free time than men, both during the weekend and on weekdays.

Third, there may be legal, traditions, customs, cultural or religious constraints on the extent to which women can open their own businesses. Especially in rural areas where the majority of population are muslim and rather isolated from big cities like Jakarta, Islamic-based norms have stronger influence on women daily life.. This makes female behavior or attitude in rural areas less open than male (or than urban women) to “doing modern business” culture. In such society, women must fully comply with their primary duty as their husband’s partner and housewife, they are not allowed to start their own businesses or to do jobs that involve contact with or managing men, or simply they are not allowed to leave the home alone. Even if women do have their own business, in many cases, they defer to husbands or other family members in key business decisions, and many turn over greater power to these other family members as the business grows. All these constraints lead to an exclusion of women from entrepreneurial activities. While, in rural areas relatively close to urban areas with good transportation and communication links, changes in local society attitudes about traditional role of women being responsible for housework and child care and men for income in the last 30 years are observable.

Marital status also plays an important role in the women’s choice of job. Older and married women in Indonesia, for instance, are more likely to be found in informal enterprises such as trade or other activities which enable them to combine household work and paid work. On the other hand, young single women who migrated from rural areas are more likely to be found working as wage employees in services and trading enterprises. In addition, being single may mean a greater degree of independence for women, but it may also may mean fewer resources. Thus this factor affects women’s

entrepreneurship.

Fourth, lack of access to formal credit and financial institutions. This is indeed is a key concern of women business owners in Indonesia. This is found to be more problematic for women in rural areas or outside of major metropolitan areas such as Jakarta and Surabaya. This constraint is related to ownership rights which deprives women of property ownership and, consequently, of the ability to offer the type of collateral normally required for access to bank loans. In Indonesia, men are still perceived as the head of the family, and thus, in general, men are still perceived as the owner or inheritor of family assets such as land, company and house.

In addition, from existing studies on women entrepreneurs in Indonesia, e.g. Syahrir (1986), Rusdillah (1987), Firdausy (1999), Arifin (2004), Dewayanti and Chotim (2004), and Tambunan (2008), Table 9 identifies the main constraints related to three most important aspects of business facing women-owned SMEs

Table 9: Main Constraints Faced by Women-owned SMEs

Aspect of business	Main constraints
Access to Finance	*Prejudice against women and women-owned businesses *Difficulty in providing collateral (women do not own assets in their own right) * Lack of credit /banking history (due to past, informal nature of businesses)
Access to Markets	* Prejudice against women * Difficulty in traveling to make contacts * Sexual harassment * Weak bargaining power * More vulnerable to illegal retributions
Access to Training	* Training needs are often overlooked * When identified, women's needs may not be met (for example, time of training, content, method of delivery)

Main Reason

Various studies on women entrepreneurs in Indonesia (e.g. Syahrir, 1986; Rusdillah, 1987; Firdausy, 1999; Dewayanti and Chotim, 2004; and Tambunan, 2008), suggest that there are two main categories of women entrepreneurs, i.e. “forced/pushed” and “created/pulled” entrepreneurs. These different categories are based on how their businesses got started, or what are their main reasons. Forced or pushed entrepreneurs are those who were pushed by circumstances (e.g., death of a spouse, the family facing financial difficulties) to start a business, their primary reason, hence, tend to be financial. They are mainly low educated women and from poor families. Created entrepreneurs are those are “located, motivated, encouraged and developed through, for instance, entrepreneurship development programs. They are mainly better educated women from wealthy families (Table 10).

Table 10: Two Main Categories of Women Entrepreneurs by Reasons for Starting the business (SMs)

Category	Main reason	Education level of the person	Family financial condition
Forced/pushed entrepreneurs	-financial reason	Low	Poor
Created/pulled entrepreneurs	-control over time/flexibility -challenge, try something on one's own -show others I could do it. -to be independent -self satisfaction -example to children -employment to others /do something worthwhile	High	wealthy

In Indonesia, particularly in rural areas, economic necessity or wanting to improve family income is the most predominant factor for entrepreneurship among women. Economic pressures have made that women are being permitted to take up paid employment outside the home or to run income earning activities beyond their traditional role. In fact, this is not unique for Indonesian. It can also be found in many other poor countries, where the increased involvement of women as entrepreneurs does not reflect the spirit of entrepreneurship but mainly a sign of impoverishment. While, in more developed or rich countries, non-economic motives such as a desire for more fulfillment, or to test a winning idea, or as the first step towards independence, self—esteem and liberty of choices, are more important for women entering into business ownership (APEC, 1999).

Conclusion

This conceptual paper focuses on women entrepreneurs in SMEs in Indonesia. Based on secondary data analysis and a literature review, it shows three important facts. First, the representative of women as entrepreneurs is still low, and there is also an indication that the rate of women entrepreneurs tends to decline by size of enterprise. This fact may suggest two things: (a) the potential that the women entrepreneurship development has, especially with regard to women empowerment or rural society empowerment in general and poverty reduction remains largely untapped; and (b) becoming an entrepreneur, especially in larger, modern and more complex businesses in Indonesia, is still dominantly a man culture.

Two, there are four main constraints facing women to become entrepreneurs or existing women entrepreneurs to sustain their activities: low level of education and lack of training opportunities; heavy household chores; legal, traditions, customs, cultural or religious constraints; and lack of access to formal credit. The degree of seriousness of each of the constraints is, however, vary between rural and urban areas.

Third, the main reason of women entrepreneurs in starting their own businesses is family

financial pressure. If this is the case, the increase in number of women involvement as entrepreneurs in Indonesia must then be seen more as a reflection of impoverishment, as conducting own business is merely adopted as a means to survive, rather than the increased spirit of entrepreneurship among women in the country. This may have an important implication for the sustainability of these women entrepreneurs' businesses, since "forced" entrepreneurs usually have no strong motivation to improve or to do innovations in their enterprises as long as they and their family can survive with their current earned incomes.

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Sources of Stress and the Coping Mechanism for Malaysian Entrepreneurs

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Abstract

Purpose – The purpose of this paper is to present the findings on the stress factors and the coping mechanism of the Malaysian entrepreneur's.

Design/methodology/approach – Data were collected via a questionnaire distributed amongst the entrepreneurs over the Klang Valley, Malaysia. A total of 118 out of 300 entrepreneurs completed questionnaires, which represented all business sectors with varieties demographic background.

Findings – The results factor analysis with a variamax rotation are conducted on the

actual performance to generate the underlying dimensions of the stress experience by Malaysian entrepreneurs. Additionally, bivariate analysis revealed significant differences in terms of sources and coping instruments of stress. Multiple regression analysis provided evidence that the affected and influential issues of stress factors as well as the coping mechanism.

Originality/value – This current study contributes to the body of research by investigating the combined effects of stress factors and its coping mechanism, using one instrument, in one area setting. Recommendations for future research at the theoretical and practical level are given.

Keywords – Entrepreneurs, stress, coping, Malaysia.

Paper type – Research paper.

Introduction

In recent years, there has been a plethora of literature examined the job stress among entrepreneurs (see example, Boyd and Gumpert, 1983; Allison, 1997; Akande, 1994; Johnson, 1995; Harris et. al., 1999; Rauch et. al., 2007). Several researchers found that entrepreneurs are more likely to experience higher levels of stress due to their heavy workload as well as the assumption of risk in their business activities and operations (Dewe and Guest, 1990; Akende, 1994; Harris et. al., 1999). Many challenges in the current business environment, characterised by heightened competition, lack of time, lack of space, continuous technological development, conflicting demands from organisational stakeholders (Hall and Savery, 1986; Edwards, 1992), increased use of participatory management and computerisation (Murray and Forbes, 1986; Johnson, 1999), greater uncertainty and others factors have resulted in higher job stress. Furthermore, dealing and handling the entire business organisation, which entails managing the cash flow, recruiting and retraining staff, meeting the targets, dealing with the red tape and juggling the work or life balance leading to feelings of anxiety (Robertson, 2004; Rythonen and Strandvik, 2005). There are also numerous other factors that contribute to the generation of stress such as economic changes in the environmental factors and responsibility for others (Johnson, 1995). However, the stress phenomenon does not only exist among new entrepreneurs who just formed a start-up business but also affects those who own established firms that have been in business for up to 20 years operations (Robertson, 2004). According to Robertson (2004), the experience of stress among entrepreneurs is much higher compared with other job occupations. The empirical evidence from his study shows that approximately 70 percent of business owners and managers believed that it is far more stressful running

one's own business activities compared to working for other people, while 19 percent of the survey shows that running one's own businesses is less stressful than working for others. The remaining 11 percent shows that the experience of stress is more or less the same in both cases. Indeed, much evidence has now accumulated in an attempt to explain the coping strategies in order to assist entrepreneurs in overcoming the problems (Akande, 1994; Johnson, 1995; Kivimaki and Lindstrom, 1995; Kirkcaldy and Furnham, 1999). In spite of the importance of understanding the entrepreneurial stress factors, most studies have been confined to entrepreneurs in developed economies. However, few studies have centred and compared the experience of stress as well as the coping mechanism amongst entrepreneurs in developing countries and Malaysia in particular. Therefore, this study demands to investigate this issue in greater details and seek to contribute to this inchoate literature. According to Hofstede (1996), theories are influenced by their cultural contexts, and the universality of many theories is therefore doubtful. Given these weaknesses in the literature, this current study has the following objectives:

to identify the stress factors amongst Malaysian entrepreneurs, and
the factors that may help cope with stress among Malaysian entrepreneurs.

This paper is divided into 3 sections: first, it described a methodology employed for the study. Second, it presents the results and findings of the research and finally, the last section concluded the paper, discussed its contribution and offers directions for future research.

Methodology

Subjects

A total of 300 questionnaires were distributed and a total of 118 questionnaires were returned (response rate 39.3 percent). About 59.3 percent of the respondents were male and 40.7 percent were female. A total of 61 percent of the respondents are aged below 40 years old while 39 percent are above 40 years old. The respondents were well educated, with only 4.2 and 20.3 percent completing only primary school and secondary school, respectively, while 66.1 percent have at least a bachelor's degree. No less than 9.3 percent had professional certificates. In relation to years in business, 50.8 percent of the respondents have operated their business less than 9 years compared with 25.4 percent between 10 to 24 years and 23.7 percent who have operated their business more than 25 years. Table 1 contains other demographic characteristics of respondents.

Table 1:
Respondent's Demographic Characteristics

Profile	Frequency	Percent	Valid Percent	Cumulative Percent
Ethnic				
Malay	78	66.1	66.1	66.1
Chinese	20	16.9	16.9	83.1
Indian	13	11.0	11.0	94.1
Others	7	5.9	5.9	100.0
Total	118	100.0	100.0	
Marital Status				
Single	38	32.2	32.2	32.2
Married	80	67.8	67.8	100.0
Total	118	100.0	100.0	
Business Sector				
Trading	19	16.1	16.1	16.1
Services	48	40.7	40.7	56.8
Construction	7	5.9	5.9	62.7
Manufacturing	6	5.1	5.1	67.8
Agriculture	6	5.1	5.1	72.9
Others	32	27.1	27.1	100.0
Total	118	100.0	100.0	
Years in Business				
Below 9 years	60	50.8	50.8	50.8
10-24	30	25.4	25.4	76.3s
Above and 25 years	28	23.7	23.7	100.0
Total	118	100.0	100.0	

Procedure

The researcher independently contacted entrepreneurs using a random sample retrieved from the Small and Medium Sizes Enterprises (SMEs) Report list within the Klang Valley region. Additionally, appointments were made to visit approximately 25 entrepreneurs in order to explain the objectives of the survey and to distribute the materials. A time period of three to four weeks is expected for the data collection process. The completed questionnaires were collected by the researcher. Follow-up calls were made to those participants that did not provide any response after a period of one month.

Measure

The questionnaire's content was administered through various sources which relates with the suitability of the instrument (Mount et al., 1994; Rothermund and Brandtstädter, 2003; Hoonakker et. al., 2004; Occupational Health, Safety and Welfare, 2003).

Furthermore, these instruments have been extensively used in the detection of stress amongst various studies Meta-Analysis of Personality-Job Performance Relations (Mount et. al., 1994) and Developmental Psychopathology (Cicchetti and Cohen, 2006).

Dependent variables

The dependent variables in this study incorporates measures of the expected sources of stress, namely, characteristics, skills, family commitment, work commitment, responsibility and value as well as the coping mechanism. All items are rated on a five-point Likert-type rating scale, with the high score denoting higher levels of symptoms and high levels of handling factors, respectively.

Characteristic – this is an 11-item scale which reflects various affective trait factors, such as behavioural, imagination and emotions. This characteristic provides a single overall score, with a Cronbach's alpha reliability coefficient of 0.675.

Skills – this 7-items scale measures the level of confidence, knowledge and experience of the respondents. For this current study, Cronbach's alpha coefficient was 0.802.

Work and family – this scale provides a measure the respondents' commitment towards work and family and consist of 5 items. Each item assesses the degree of work and family, ranging from 1 ("strongly disagreed") to 5 ("Strongly agreed"). There are a total of three subscales which measure different aspects of family: time management, problems and activities (Cronbach's alpha = 0.803) and work: time consuming and workload (Cronbach's alpha = 0.551).

Responsibility and value – this 3-items scale measures the expectation and the visionary views with the Cronbach's alpha coefficient of 0.874.

Independent variables

The independent variables in this study were included to measure the level of stress and the coping mechanisms. All items were rated on a five-point Likert-type scale.

Level of stress – the items were rated in terms of the degree of pressure the individual perceived in his/her job, from 1 ("very definitely not faced stress") to 5 ("very definitely

faced stress”).

Coping mechanism – this scale accesses the coping factors of stress. It taps into various aspects of the healing aspects, such as prioritize work, effective communication, disregarding, do something fun, networking and exercise regularly. There are 6 statements rated from 1 (“strongly disagree”) to 5 (“strongly agree”). For this study, the Cronbach’s alpha for this scale is 0.623.

Results and Findings

Due to data available, it was possible to examine a variety of sub samples; however for this current paper, only the main findings from the frequency analysis based on the respondent’s feedback, bivariate analysis and regression analysis are presented.

Analysis of Respondents Feedback

In this first instance, data were analyzed to explore the means, the standard deviations and the median for the stress factors variables based on Online Analytical Processing (OLAP) Cubes. Results show that among the top five variables that generate stress towards Malaysian entrepreneurs are: no commercial experience in conducting business, no experience in related sector, hesitate to delegate work, weak and unable to make decisions and is emotionally stable (not easily upset) with mean scores of 4.08, 4.07, 3.82, 3.63 and 3.53 respectively.

A stepwise OLAP Cubes procedure was calculated with coping mechanism as the dependent variable against work prioritization, effective communication, disregarding, divert feeling (by doing something fun), networking and regular exercise as the independent variables. The highest mean score is for to divert thinking by doing something else (3.98), whereas the highest score for standard deviation is through keep fit by trying to exercise regularly (1.212). It was also found that the median results show the three highest scores are for keep cool and refuse to be rushed into anything (4.00), express and discuss feelings with others (4.00), and divert thinking by doing something else (4.00).

Analysis of Stress between Groups

In the second stage of analysis, stepwise a bivariate correlation analysis was done on all constructs to determine Pearson’s Correlation Coefficients with a Two-tailed

significance test. Entrepreneur's characteristics, skills work, family, responsibility and value constructs have been chosen as dependent variables and the stress level and coping mechanism as independent variables. For finding the relation, a minimum significance level, $\alpha = 5$ percent or 0.05 was chosen. The result shows that characteristics, work, family and values has a strong relation with the value of correlation coefficient, $R = 0.297, 0.199, 0.332$ and 0.019 respectively. It is also found that its significant level (P value) < 0.05 . However, results indicate that skills and responsibility has a weak relation with the value of correlation coefficient, $R = 0.147$ and 0.179 respectively with the significant level (P value) > 0.05 . Table 2 below indicates the correlation between the variables with stress level.

Table 2:
Relation of Stress Factors with the Stress Level

Factor	Correlation Value, R	Significant Level, P
Characteristics	0.297	0.001
Skills	0.147	0.113
Work	0.199	0.030
Family	0.332	0.000
Responsibility	0.179	0.052
Values	0.216	0.019

On the coping aspects the same measurement are tested to each instruments. The correlation coefficient value shows prioritize work, disregarding and networking has a strong relations with a result, $R = 0.469, 0.419$ and 0.659 respectively. It is also found that its significant level (P value) $= 0.000$ for all factors. This indicates a very strong relation. Table 3 below indicates the correlation between the variables with the coping factors.

Table 3:

Relation of Stress Factors with the Coping

Factor	Correlation Value, R	Significant Level, P
Prioritize work	0.469	0.000
Effective communication	0.161	0.082
Disregarding	0.419	0.000
Divert thinking (do something fun)	0.040	0.664
Networking	0.659	0.000
Exercise regularly	0.169	0.067

Regression analysis of stress and coping criteria

For this study, regression analysis was performed to predict the stress level based on five independent factors. The five independent factors are characteristics, skills, work, family and values. The appended Table 4 summary in predicting stress level shows that R is 0.397, R square is 0.158 and adjusted R square is 0.141, meaning that 14.1 percent of the variance in Stress Level can be predicted by the other independent variables.

The result of the regression analysis shows that out of the five indicators, only two are significant as shown in Table 5. The two significant factors are family with P value = 0.001 and characteristics with P value = 0.022.

Table 4:

Summary Predicting Stress Level

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	0.397(a)	0.158	0.141	1.113	9.372	0.000(a)

(a) Predictors: (Constant), Family, Characteristic

Table 5:

Results of Regression Analysis for Predicting Stress Level

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.435	0.590		0.738	0.462
	Family	0.548	0.166	0.307	3.309	0.001
	Characteristic	0.362	0.156	0.215	2.319	0.022

For this study, regression analysis was performed to predict the coping mechanism based on six independent factors. The six independent factors are prioritizing work, effective communication, disregarding, divert thinking, networking and exercise regularly. The appended Table 6 summary in predicting coping mechanism shows that R is 0.540, R square is 0.292 and adjusted R square is 0.254, meaning that 25.4 percent of the variance in coping mechanism can be predicted by the other independent variables.

The result of the regression analysis shows that out of the five indicators, only three are significant as shown in Table 6. The three significant factors are prioritize work with P value = 0.001, disregarding with P value = 0.013 and networking with P value = 0.000.

Table 6:

Summary Predicting Coping Mechanism

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	0.540(a)	0.292	0.254	0.218	7.627	0.000(a)

(a) Predictors: (Constant), Prioritize Work, Effective communication, Disregarding, Divert thinking, Networking, exercise regularly

Table 7:

Results of Regression Analysis for Predicting Coping Mechanism

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.556	0.167		3.338	0.001
	Prioritize work	0.086	0.024	0.371	3.585	0.001
	Effective communication	0.010	0.024	-0.041	-0.395	0.694
	Disregarding	0.082	0.032	0.242	2.536	0.013
	Divert thinking	0.012	0.028	-0.047	-0.438	0.662
	Networking	0.114	0.027	0.376	4.189	0.000
	Exercise regularly	0.027	0.021	-0.131	-1.288	0.201

Overall the model is significant. From the prediction equation, it means that an increase of one point rating for prioritize work factor, given no change in the disregarding and networking factor, the coping mechanism will increase by 0.086. On the other hand, the coping mechanism will increase by 0.082 and 0.114 if the disregarding and networking factors are increased respectively by one pair, given no change in prioritize work factor.

Discussions and Conclusions

In recent years numerous theories on entrepreneurs stress have emerged (Boyd and Gumpert, 1983; Akande, 1994; Johnson, 1995; Harris et. al., 1999; Rauch et. al., 2007). However, there appears to be little research available on the Malaysian entrepreneurs in one given study. Therefore, in this particular study, we attempted to highlight the stress factors and the coping mechanism and we draw that the factors may have slightly differed from entrepreneurs from other countries. In addition, the instruments used in this study are adequate as it cover every issue that affect the overall parts of the entrepreneurs. However, because of the small sample size due to the limited coverage area, it will be appropriate to repeat this study with a large sample size covering the whole nationwide region in Malaysia. By studying these areas, the sources of stress and coping mechanisms can be examined to ensure the validity of the results. Moreover, future research should continue to address specific business sector of the entrepreneurs as each business may have a different range of difficulties and problems that may generate stress. Finally, while this study also examined a variety of different demographic backgrounds, a future study could explore how each demographic area, such as, age, marital status, ethnic group, educational level and years in business has implications and contributes stress to entrepreneurs.

Ultimately, we found that the study fulfilled its purposes, one of which was to provide information about the degree of stress among Malaysian entrepreneurs. Another purpose was to study the factors associated with the coping mechanism. In short the conclusions are:

responsibility and values seemed to be the major sources of contributing stress towards Malaysian entrepreneurs. As these factors are crucial, it requires a lot of effort and skill on the part of entrepreneurs'. As such, this leads to the experience of stress.

other predictors on the sources of stress towards Malaysian entrepreneurs are skills and work. Entrepreneurs need to tackle these factors in order to succeed. Nevertheless, focusing too much on work and the need to acquire numerous skills could cause stress.

people problems and family are not considered as a factor of stress contributors to Malaysian entrepreneurs although it is highly rated as one of the stress factors in other countries.

among the effective coping mechanisms to overcome stress among Malaysian entrepreneurs are disregarding, divert thinking (by doing something fun) and effective communication. These factors are similar and supported by earlier literature as well.

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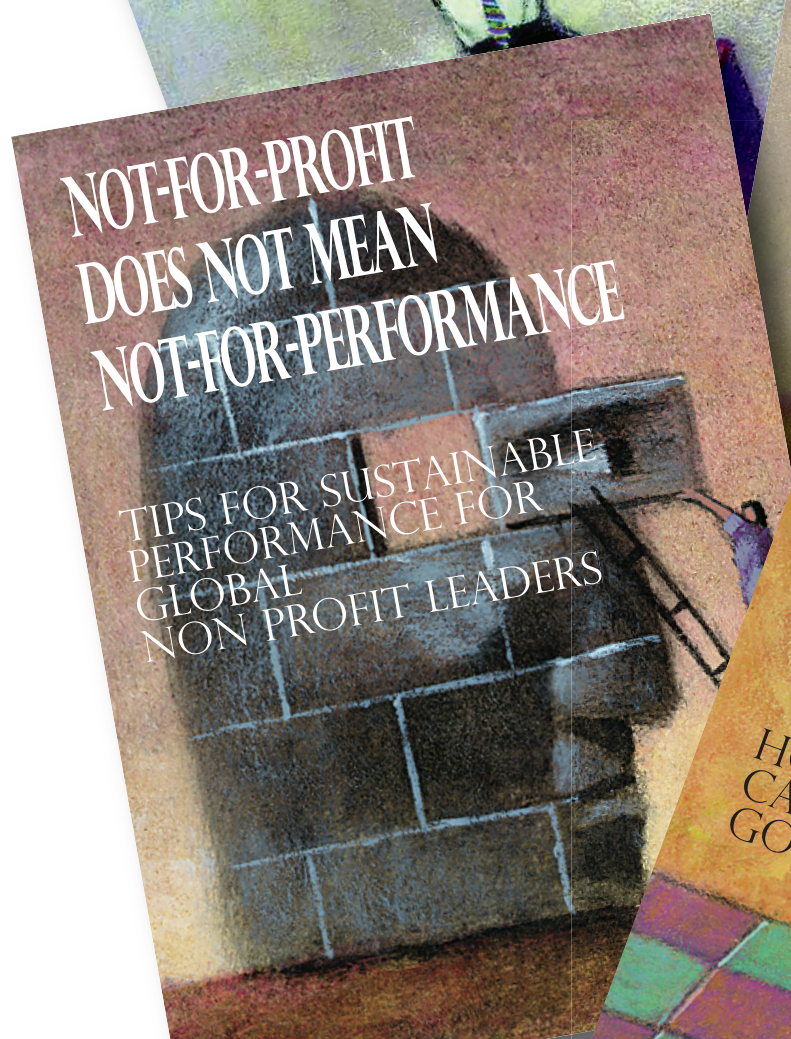
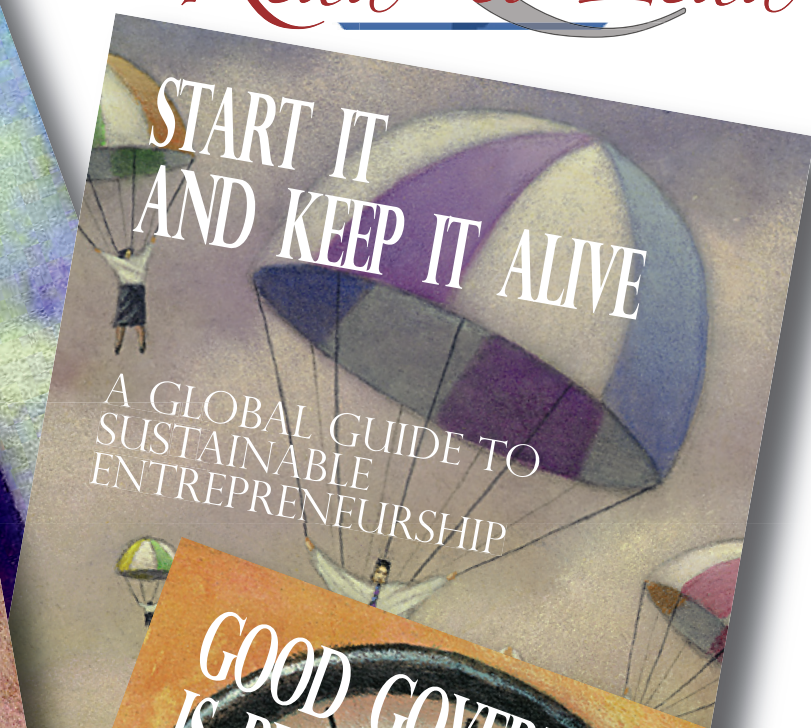
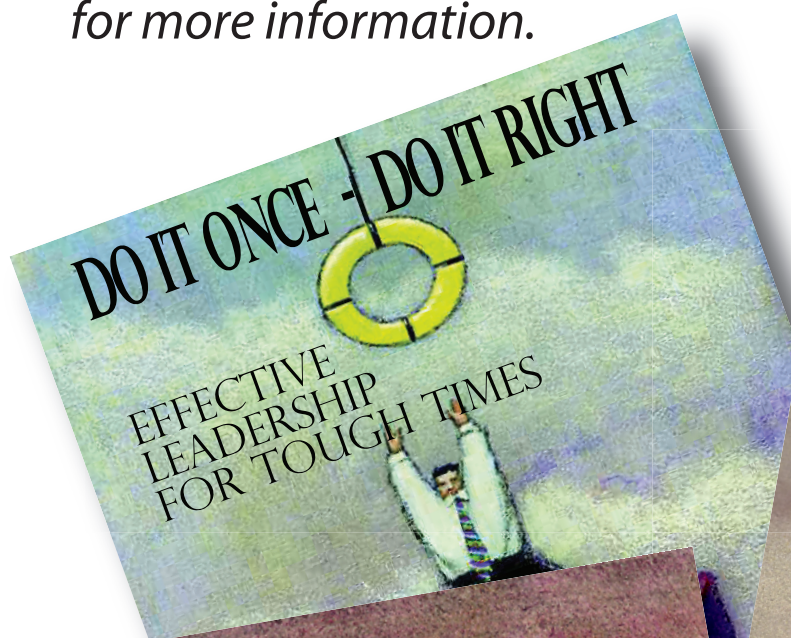
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Further Evidence of the Performance Contrast between Male and Female Firms in MSMEs in the Lao PDR

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ABSTRACT

Several previous studies on gender performance have found that male firms tend to outperform female firms in developed countries. This present study examines a performance contrast of male and female firms in micro, small and medium sized enterprises (MSMEs) in the Lao PDR, using secondary data from the 2005 Enterprise Baseline Survey conducted by the German Agency for Technical Cooperation (GTZ). This paper investigates and compares firm performance between male and female MSMEs. The sample consists of 370 firms including: 230 male firms and 140 female firms with 1 to 99 employees. By using regression methodology, this paper examines whether female firms perform worse than male firms. In the first model, we control the business characteristics as well as individual characteristics. Our finding is consistent with previous studies that female entrepreneurs tend to underperform relative to male entrepreneurs. In the second and third models, we divide the sample into two categories, namely male and female firms, and we include additional determinant factors, which produces different results.

Keywords: Gender, female entrepreneurs, male entrepreneurs, MSMEs, performanc

INTRODUCTION

The growing number of female enterprises impacts on both the society and the economy. The traditional female social roles such as care-giving and domestic duties are being replaced in developing countries by women entering business as owners of firms, with consequent impact on employment and national income. In the early stages of economic development of the Lao PDR, women have faced similar problems to female entrepreneurs involved in business start-ups in developed countries, including difficulties in building trust with external parties such as banks, customers, and suppliers.

The rise in the number of female-owned businesses has paralleled the increase in academic interest in the area of female entrepreneurship (Mukhtar, 2002). □ Researchers have focused attention on whether the differences in business characteristics and individual characteristics of male and female firms matter in terms of firm performance. The majority of researchers have tended to examine gender-based performance differences in large scale firms in developed countries, as well as new venture female businesses, which have faced difficulties in obtaining start-up capital. This present study investigates micro, small and medium sized enterprises (MSMEs) in the setting of a least developed country, the Lao PDR, with particular, emphasis on established businesses.

The main objectives of the present paper are to investigate whether female firms perform worse than male firms as well as examine whether determinant factors for firm performance differ among male and female firms in the case of Lao MSMEs. The organization of the paper is divided into five sections. Section one is the introduction. The second section presents literature review and development of hypotheses. Section three describes the research methodology. Section four presents data analysis and discussion. Section five wraps up with the conclusion and implication from this study.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Gender-Based Differences and Firm Performance

Previous studies have often found that female entrepreneurs underperform male counterparts, based on quantitative financial measures such as jobs created, sales turnover and profitability (Hisrich & Brush, 1983; Cuba, Decenzo, & Anish, 1983; Longstreth, Stafford, & Mauldin, 1988; Brush, 1992; Brush & VanderWerf, 1992). For example, female firms gain less financial returns than male firms (Hisrich & Brush, 1987; Brush, 1990) and normally do not grow as fast as male firms (Kalleberg & Leicht, 1991).

In addition, Rosa et al. (1996) studied 600 firms (300 male firms and 300 female firms) in the U.K and found considerable differences by gender in quantitative financial performance. For example, female firms underperform in terms of the number of employees, VAT registration, sales turnover and capital assets. Du Rietz and Henrekson (2000) studied 4,200 firms (405 being female), which showed that female firms perform worse than male firms when sales is used as the performance indicator, but not in terms of profitability, employment or orders. The observed differences in economic

performance can be attributed to the systematic gender difference in choice of industry or other structural aspects (ibid).

Although financial performance is a very important indicator for firms, it seems to look only at one side of the coin. In this respect, financial returns are not the main reasons for females entering business. Sexton (1989) observes that female firms choose to pursue goals other than businesses' growth, for example, achieving independence and flexibility in balancing family responsibilities with work commitments (Rosa, Carter, & Harmilton, 1996). Nelton (1990) suggests that the term "growth" for females means something other than firm size. Rather, it means growth in terms of knowledge and the ability to do what they do better. Therefore, Brush (1992: 21-22) suggests that business performance indicators for female firms should be both financial indicators as well as other performance indicators such as employee satisfaction, social contributions, goal achievement, and effectiveness.

Male and female firms tend to adopt different business approaches. Sexton and Bowman (1990) found that female entrepreneurs tend to have a low propensity for risk-taking compared to male counterparts. This is supported by Meier & Masters (1988), who found female entrepreneurs are also stereotyped as conservative and risk-averse whereas male entrepreneurs are seen as taking more risks. Female firms' owners tend to prefer values such as 'personal achievement and the satisfaction of being one's own boss' (Chaganti, 1986:21), and their financial skills tends to be ranked lower than male firms (Hisrich & Brush, 1984; Chaganti, 1986).

The strengths of male and female entrepreneurs are quite different. Female firms tend to be good at social and interpersonal skills, which are their strongest assets (Smith, McCain, & Warren, 1982; Hisrich & Brush, 1984). In contrast, male entrepreneurs tend to have strong network ties, compared with their female counterparts. This refers to the so-called "Old Boy Networks", which have been studied by a number of researchers (for example, Smeltzer & Fann, 1989). External networks can be useful for entrepreneurs in MSMEs, for example, boosting the selling and supply functions through personal contacts with suppliers and customers, and thus contributing to superior business performance.

Female entrepreneurs have suffered from discrimination by banks, such as being required to provide higher levels of collateral as well as co-signatories on loans and lines of credit (Stevenson, 1986). Riding and Swift (1990) report a Canadian case of discrimination against female entrepreneurs in addition areas such as interest charges, as well as relative rates of loan approvals. These findings of different treatment between male and female entrepreneurs by banks seem to be part of the underlying reasons that female entrepreneurs are less successful than male entrepreneurs. However, Kalleberg and Leicht (1991: 157), in a study of 411 firms in three industrial sectors in Indiana, reported that females' businesses were less likely to fail and were just as successful as the males' businesses. This is supported by Johnson and Storey (1993), whose study of 298 U.K businesses found little significant difference between females and males in terms of establishing a firm and then staying in business.

Past research has also found similarities between male and female entrepreneurs across factors such as demographic characteristics, business skills, and some psychological characteristics (Hagan, Rivchun, & Sexton, 1989). In contrast, male and female entrepreneurs have shown significant differences in motivation for business ownership, educational background, working experience, business skills, business goals, business growth, and approaches to business creation (Brush, 1992). These differences between male and female firms can lead to the owners utilizing different business approaches and thus to different, final performance outcomes.

In sum, although some literature shows that female firms do not underperform male counterparts, many more studies conclude that female firms perform worse than male firms. The conditions in Laos also seem to be similar to the cases where female firms underperform male firms. Therefore, we develop hypothesis 1 as follows:

Hypothesis 1: Female firms underperform male firms.

Determinant Factors, their Interactions with Gender and Firm Performance

Apart from gender-based issues of differences between performance of male and female firms, the literature identifies other determinant factors including business characteristics, individual characteristics (of the firms' owners/managers), and other factors.

Business Characteristics. Brush (1992) concluded that female firms are similar to male firms in terms of business characteristics. The business characteristics in this study include business development services, training for entrepreneurs, firm size and firm age, as they are expected to have some impact on firm performance for male and female firms.

Business development services for entrepreneurs. Business development services can be obtained through professional advisors such as lawyers, bankers and accountants in order to improve business performance, particularly to support MSMEs at start-up. On-going management know-how may be also obtained through receiving professional advice (Cooper, Gimeno-Gascon, & Woo, 1994). Such development services from outside firms were found to be associated with revenue performance for Israeli female entrepreneurs (Lerner, Brush, & Hisrich, 1997).

In addition to support by professionals, external service providers may provide business support centers (with facilities such as mentoring, business incubators, and access to clusters and networks); training, consultancy and advisory services; marketing assistance; information technology development and transfer; and business linkage promotion. These are expected to influence the business performance (Kennedy, 2000; Tanburn, Trah, & Hallberg, 2001).

Business development services comprise two forms: operational services and strategic services (Tanburn et al., 2001). Operational services are often related to routine business operations such as information and communications; management of accounts and tax records; compliance with labor laws and other regulations. Operational services are less complex because they deal with demand and willingness to pay for goods

and services within existing markets. However, strategic services are more critical to the firms as they can provide short-term and long-term solutions in order to improve the performance of the firms through access to markets and competitive advantage. Strategic services can thus provide a key to long-term sustainable performance of firms, so that they can identify and service markets, design products, establish facilities and seek sources of financing.

A number of studies have examined the relationship between strategic advice and firm performance. For example, one of the studies concluded that strategic advice from accountants is positively correlated with performance (O'Neill & Duker, 1986).

The importance of business development services (BDS) for improving MSMEs' productivity and efficiency has been recognized in the Lao PDR through services provided by the national government as well as donor organizations.

Training for entrepreneurs. Training for entrepreneurs is a crucial practice because the updating of knowledge and skills of entrepreneurs can enhance firm performance. Training needs to take both on-the-job-training and off-the-job-training in order to provide sufficient knowledge and skills. Hence, training for entrepreneurs can increase the competence of entrepreneurs, which is in line with the objectives of firms.

Training can provide an accumulation of knowledge that becomes a 'strategic asset' (Winter, 1987). Training benefits accumulate over time, which builds 'bundles' of routines that are not easy to understand and imitate (Koch & McGrath, 1996) and therefore improve competitive advantage and lead to superior performance.

Firm size. Firm size can also be an important determinant of firm performance and survival (Mukhtar, 2002). Bigger firms can enjoy economies of scale that are not available to the smaller firms (Dass, 2000). These economies of scale imply that bigger firms can produce a larger quantity of outputs and thus spread their fixed costs. Also larger firms benefit from improved capacity to access critical resources such as business finance (Penrose, 1995), in particular access to low cost capital (Goerzen, 2007). As a result, large firms can gain a competitive advantage and better performance. Ghemawat (1986) suggests that these size advantages that are capable of accessing resources or customers, and/or restriction on rivals' options.

On the other hand, Chandy & Tellis (2000) and Kanter (1988) suggest that larger firms are less adaptive and flexible and less able to change their resource base.

As this paper uses the firm's sales as a performance indicator, we need to control the firm size in order to avoid bias in the model. Firm size is often used as a research variable as well as a control variable, but the findings are not consistent.

Firm age. Firm age is also an important factor because, to some extent, it can influence firm performance. Young firms tend to have lower sales and thus lower profits (Watson, 2002), while older firms tend to be larger in terms of sales turnover, number of employees and capital assets (Rosa et al., 1996). In addition, the older firms tend to establish good networks and relationship with business partners, suppliers, financial institutions, communities, government and customers. Old firms also may benefit from

having an established reputation in the markets. Therefore, firm age often represents the experience of the firm in its industry, which can be an influential factor for firm success.

Individual Characteristics. Individual characteristics take a number of different forms, including education level and working experience of entrepreneurs. Brush (1992) found that female firms differ greatly from male firms in individual dimensions such as education, working experience, skills, business goals, and performance. This paper will try to examine whether there are gender-based differences in terms of education and working experience in the case of Lao MSMEs.

Education level of entrepreneurs. Education has been used in a number of previous studies as one of key factors that affect firm performance. Cooper (1981) found that education is one of the “antecedents” that lead to the decision to start a firm and ultimately to impact on performance. Education of entrepreneurs tends to be a path to business success because formal education can accumulate the ‘absorptive capacity’ of managers such as confidence, psychology, knowledge and skills (Danneels, 2008:525). □ Several previous studies suggest that the number of years of formal education of entrepreneurs, before establishing businesses, were associated with firm performance (Box, White, & Barr, 1993; Brush & Hisrich, 1991). Box et al. (1993) also suggest that there was a positively associated relationship between high education levels of entrepreneurs and performance for manufacturing firms in Oklahoma. Moreover, Yusuf (1995) reports that one of the success factors in small businesses was the education levels of the owner/managers, which can assist firms to survive and manage in a complex environment and can keep the business profitable.

Furthermore, Schutjens and Wever (2000) observe that business managers who have a reasonably good education can handle complicated business activities. The combination of knowledge and prior-qualifications can help improve the confidence of owner/managers. The managers’ skills and competencies are associated with business success (Casson, 1982c). Particularly important skills for entrepreneurs are capabilities of predicting and making decisions under conditions of uncertainty. One of the observed reasons for changes in sales value is because of changes in human performance, including education (Steffy & Maurer, 1988:280). Hence, one of the critical factors for firm performance can be realized from the education of entrepreneurs.

Working experience of entrepreneurs. One of the antecedents for the decision to start a business is the past experience of entrepreneurs, which is expected to affect firm performance (Cooper, 1981). Several studies have that previous experience is an inimitable factor that can be a source of sustainable competitive advantage and consequently better performance for firms (Yusuf, 1995). Experience gives specific knowledge and skills to entrepreneurs. Box et al. (1993) found that prior start-up and years of experience of entrepreneurs were significantly correlated with performance in a study of 300 manufacturing firms in Tulsa (USA).

Previous experience provides know-how through on-the-job-training and ‘learning by doing’, which play crucial roles in firm performance (Bishop, 1991; Castanias & Helfat,

1991). The advantage of on-the-job training is that it is low cost, involves minimal extra time and gives immediate productivity and a concurrent trial period. When basic skills are required, on-the-job-training can be the most beneficial form for firms (Snell & Dean, 1992).

Experience through past and present work can provide both general and specific knowledge and skills, including management, team work, sales, cooperation and industrialization. Hatch and Dyer (2004) suggest that the value of experienced human resources that cannot be imitated for some time, and the dynamic adjustment costs of training and using new human resources, can lead to continual differences in performance. Working experience in management is one of the successful factors for firms (Schutjens & Wever, 2000). It can thus be concluded that longer experience of entrepreneurs can expect to impact firm performance.

Additional Determinant Factors. In addition to individual and business characteristics, we consider additional determinant factors that relate to firm performance, including technology and business finance. These are considered as firm sources, which firms can employ to achieve better performance, with male and female firms perceived to perform differently in relation to these factors.

Business finance. Business finance is one of the key resources for the firms. Having sufficient business finance to fund strategic resources and restructuring or expanding the business is necessary to meet business objectives such as profit maximization. This finance is essential for long-term investment that can generate profits for the firm as well as lead to firm growth. Steiner and Solem (1988) found that a failure to invest in new technology may come from financial constraints. Firms also need sufficient finances to support operations.

The key success factor in small-scale business is the amount of business finance to fund the initial investment and then ongoing access to finance (Yusuf, 1995). Success in this respect requires the business to have an appropriate financing strategy (Storey, 1985). Hitt and Ireland (1985) too observe that finance activities are positively associated with performance.

Business finance can come from either internal or external sources. The main internal source of finance is from retained earnings, which are particularly important factors for MSMEs that have difficulty in raising external capital. External sources of business finance can be formal or informal. Most MSMEs in poor countries depend heavily on informal sources of funds from family members, relatives, friends and money lenders. However, these sources of funds are often for small amounts and short-term, which are mainly for financing cash flow. These sources are not appropriate for providing the long-term capital needed for acquiring strategic assets (Hernández-Trillo, Pagán, & Paxton, 2005).

Technology. Technology is another key resource for firms and their performance. For this study, technology refers to physical resources (and to the level of sophistication of the technology), including: plant, machinery, equipment and tools that are possessed

by the firm (Grant, 1995). Firms having modern and high capacity technology expect to improve production, service and business operations. Technology can impact competitive advantage if the technology has an important role in determining a firm's relative cost position or success in differentiation (Porter, 1985). In this respect, technology can affect several value-creating activities in the firm. Firms with high investment in technology can reduce the unit costs of production and achieve economies of scale through spreading the relatively high fixed cost over a large number of outputs. Although, Porter (1985:165) argues that 'not all technological change is strategically beneficial; it may worsen a firm's competitive position and industry attractiveness because high technology does not guarantee profitability'. Storey (1994) observes that three out of five studies found that there are positive relationships between the sophistication of technology and the speed of the firm's growth. Steiner and Solem (1988) also support the view that use of new technology or improved technology has a strong relationship with business success.

As the whole, differences in individual characteristics, business characteristics and additional determinant factors among male and female firms can lead to differences in behavior and business approaches among them.

Hypothesis 2: Determinant factors for firm performance differ between male and female firms.

Firm Performance

In order to measure firm performance, financial data is preferable but firms are often unwilling to disclose confidential financial data unless the laws require them to disclose it to the public. Public disclosure, however, is more likely to be required for listed companies than for MSMEs. In addition to the difficulty of obtaining reliable financial data, the data are criticized for being unreliable and subject to inconsistent accounting practices among the firms or to managerial manipulation for different reasons, such as avoiding paying high corporate income taxes or personal income taxes (Dess & Robinson, 1984; Sapienza, Smith, & Gannon, 1988; Powell & Dent-Micallef, 1997). Hence, subjective measures have been widely acceptable in organizational research (Lawrence & Lorsch, 1967; Dess, 1987; Powell, 1992a; Powell & Dent-Micallef, 1997) and in strategy-related research (Dess & Robinson, 1984; Robinson & Pearce, 1988; Venkatraman & Ramanujam, 1986; Spanos, 2001). This paper uses annual sales turnover that is based on subjective measures, a method that has also been used by previous studies (Rosa et al., 1996; Du Rietz, 2000; Anna, Chandler, Jansen, & Mero, 1999).

RESEARCH METHODOLOGY

Sample and Data Collection

The present paper uses secondary data collected in 2005 by the Enterprises Baseline Survey (EBS) from the German Agency for Technical Cooperation (GTZ). The enterprise sample selected only enterprises that are formally registered. It analyzed questionnaires which sought responses from entrepreneurs. The sample size is 370

companies (n=370) that covered four Lao provinces, Vientiane capital, Champasack, Luang Prabang, and Luang Namtha of which the first three belong to the economically dynamic provinces the fourth is a rural province.

Measurement

This section describes the measurement of the variables that are used in the present paper.

Gender. This refers to the sex of entrepreneurs. Male entrepreneur is given 1 while female entrepreneur is 0.

Education of entrepreneurs. This is measured by ordinal numbers from 1 to 11 corresponding to the level of education of owner/managers. From the lowest to the highest level these are: no schooling; some primary school; completed primary school; some lower secondary school; completed lower secondary school; some upper secondary school; completed upper school; vocational school; technical school; higher (undergraduate); and post graduate.

Working experience. This is measured by the age of owner/managers, from which is subtracted the total years spent in education. Because of limitation of the data set, a more comprehensive measure of experience cannot be specified.

Training of entrepreneurs. This question is whether or not any training was received since they started their business. If the respondent chose 'yes', then the next question asked to describe the kind of management training, including: health and safety, cost calculation, business management, accounting, marketing, law and regulations, quality management, business finance and others. Therefore, this variable is measured as a dummy variable.

Business development services. This question is whether or not the owner/managers of a firm received any advice for the development of his/her business. This variable is measured as dummy variable.

Business finance. This question is whether the firm received the loans or not. Consequently, this variable is measured as dummy variable.

Technology. This is measured by ordinal numbers from 1 to 5 corresponding to the level of size and capacity of technology in the business. From lowest through to highest level these are: hand tools/utensils; portable power tools and electric appliance; small fixed motorized equipment; large machinery; and motorized vehicles.

Firm age. This is the number of years since the SMEs were established prior to 2005, which is taken to represent industry experience for the firm.

Firm size. This is measured by the total number of current full-time employees. According to Prime Ministerial Decree No.42 (2004), the Lao PDR defines a micro firm as consisting of 1 to 2 employees; a small firm as 3 to 19 employees, a medium firm as 20 to 99 employees and a large firm as 100 employees or more.

Performance. This is the dependent variable in this study, which is measured by ordinal

numbers from 1 to 5 corresponding to a level of annual turnover or sales (as stated to the national tax office). From the lowest to the highest level these are: less than 100 Million Kip; 200-400 Million Kip; 400-700 Million Kip; 700-1,000 Million Kip; and more than 1,000 Million Kip. At the time of the survey, one US dollar was equivalent to 9,696 Lao Kip.

DATA ANALYSIS AND DISCUSSION

Models

The regression analysis was used to determine the impact of various variables on the performance. We use three models for our analysis. The first model, in order to answer hypothesis 1, is to examine overall differences in gender-based performance, namely whether female firms underperform relative to male firms. The first equation is used to examine the relationship between one independent variable, gender and the dependent variable performance. We control the individual characteristics, including education and working experience of entrepreneurs, in accordance with Lustgarten (1995). We also control businesses characteristics, including training for entrepreneurs, business development services, firm age and firm size in accordance with Kallenberg & Leicht (1991) and Fasci & Valdez (1998). The research models and hypothesis are tested by using multiple regression models for analysis with hypothesis 1 tested by equation one as follows:

Where, PER is performance; and independent variable is gender (GDi). We control the individual characteristics (x_j) of education (EDU) and working experience (WEXP). We also control the business characteristics (z_k) of training for entrepreneurs (TRNE), business development services (BDS), firm age (FA) and firm size (FS).

In the second and third models, which are used to answer hypothesis 2, the whole sample is classified into two groups, namely the female and male firms, to compare the determinant factors that influence performance of male businesses and female businesses for MSMEs in the Lao PDR. The objectives of the second and third models are to examine whether the determinant factors for firm performance differ between male and female firms. The multiple regression models are specified in equations two and three below:

Where, in equation (2) PERFemale is the performance of female firms and in equation (3) PERMale is the performance of male firms; x_i are the independent variables: education (EDU); working experience (WEXP); business development services (BDS); business finance (BF) and technology (TEC). We control firm size (FS) and firm age (FA) and thus z_j are control variables.

Analysis Results

Differences, both in characteristics of male and female entrepreneurs and in business

characteristics are illustrated in Table 1. In the sample, male entrepreneurs cover 62.2 percent versus 37.8 percent of female entrepreneurs.

The male firms seem to be older than female firms in terms of business practices. The majority (72.86 percent) of female firms were under 10 years while 68.12 percent of male firms fell in the same group. 28 percent of male firms have stayed in business between 11 to 20 years compared to 24 percent of the firms owned by females. In general, differences in age of businesses exist in male and female firms but both groups tend to be young firms.

The differences in firm size can have some impact on a gender-based performance. The share of firm size between male and female firms is almost the same proportion in micro-size firms. The majority of firms in both genders are small-size, with 67.10 percent of the female firms compared to 56.09 percent of the male firms. However, medium-size male firms are represented by a percentage that is twice as high as female firms.

Education levels of male and female entrepreneurs reveal significant differences. Male entrepreneurs tend to have a higher education level relative to female entrepreneur; for example, 10 percent of male entrepreneurs obtained post graduate degrees, whereas only about 3.6 percent of female-entrepreneurs fell into this group. The share of male entrepreneurs who completed undergraduate degrees is also higher than female counterparts, while female entrepreneurs whose highest education level was completion of primary school up to vocational school is a relatively higher proportion than male entrepreneurs.

Table 1: Demographic Information for Male and Female Firms

	Male		Female		
	Frequency	Percent		Frequency	Percent
Gender					
Male	230	62.2		140	38.2
Female					
Firm Age					
1-10 years old	156	68.12		102	72.86
11-20 years old	65	28.38		34	24.29
21-30 years old	7	3.06		2	1.43
31-40 years old	1	0.44		1	0.71
41-50 years old	0	0.00		0.00	0.00
51-60 years old	0	0.00		1	0.71
Firm Size (No. of Employees)					
Micro: 1-2	52	22.61		31	22.10
Small: 3-19	129	56.09		94	67.10
Medium: 20-99	49	21.30		15	10.70
Education					

No schooling (0 year)	2	0.87		3	2.14
Some primary school (2.5 years)	8	3.48		9	6.43
Completed primary school (5 years)	29	12.61		24	7.14
Lower secondary school (3 years)	33	14.35		26	18.57
Upper secondary school (3 years)	53	23.04		33	23.57
Vocational (2 years)	21	9.13		18	12.86
Technical (3 years)	9	3.91		1	0.71
Higher (Undergraduate) (4 years)	52	22.61		21	15.00
Post graduate (2 years)	23	10.00		5	3.57

Table 2 shows the means, standard deviations and Pearson correlation matrix of the research variables. To verify the validity of the models, we test for multicollinearity among independent variables by calculating variance inflation factor (VIF) in the regression models (Kleinbaum, Kupper, Muller, & Nizam, 1998). The VIF is calculated by $1/(1-r^2)$ (Newbert, 2008:756). The VIF for all research variables lies between 1.05 to 1.79, which is far below the VIF of 10 that Kennedy suggests is a warning of 'harmful collinearity' (Kennedy, 1992:183). This suggests that there is no problematic multicollinearity present in the models as the results of any subsequent statistical tests, as shown in Table 3. This means that the VIF statistics for each explanatory variable were at only above 1.0 (Neter, Wasserman, & Kuter, 1985), providing evidence that no variable caused harmful influence on the results because of multicollinearity (Sharfman & Fernando, 2008).

As illustrated in Table 3, the model shows that the F-statistic is significant suggesting that the model not only fits the data well, but also indicates the robust relationship between explanatory variables and the dependent variable. The results also show that the model explains a considerable amount of the explained variance in performance ($R^2 = 20\%$ and adjusted $R^2 = 19\%$).

Table 2: Means, Standard Deviation and Correlations for All Variables

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
PER	2.02	1.52	1									
GD	0.62	0.49	0.18**	1								
EDU	5.42	2.10	0.32**	0.18**	1							
WEXP	31.13	12.24	0.01	0.10*	-0.50**	1						
TRNE	43.19	10.63	0.20**	0.22**	0.00	0.87**	1					
BDS	0.90	0.30	-0.05	-0.06	-0.13*	0.00	-0.07	1				

BF	0.47	0.50	0.23**	0.12*	0.04	0.01	0.03	0.02	1			
TEC	2.04	1.40	0.25**	.21**	0.07	0.05	0.1	-0.09	0.07	1		
FA	8.38	6.74	0.12*	0.02	-0.02	0.34**	0.39**	-0.07	0.15**	0.09	1	
FS	10.04	24.37	0.28**	0.09	0.29**	0.04	0.21**	-0.01	0.04	0.12*	0.14**	1
*p < .05 ; **p < .01												

As illustrated in Table 3, this present study found that there are differences in gender-based performance in the case of Lao MSMEs, namely male firms perform better than female firms. This finding is consistent with previous studies (Hisrich & Brush, 1983; Cuba, Decenzo, & Anish, 1983; Longstreth, Stafford, & Mauldin, 1988; Brush, 1992; Brush & VanderWerf, 1992). One possible interpretation is that male firms participate in more risky approaches while female counterparts are risk adverse. Moreover, it could be that male firms use different strategies and approaches to achieve better performance, for example, male firms may acquire alternative sources of funds to finance strategic business activities as well as have a long term relationship with external partners such as customers, financial institutions and suppliers. These could be some of the underlying reasons behind the success of male firms, compared to female counterparts. Therefore, hypothesis 1 is supported.

Other control variables such as education, training for entrepreneurs, firm age and firm size are found to be statistically significant in relation to firm performance. These findings could be interpreted to mean that male firms tend to have higher education attainments, maintain investment in training for entrepreneurs, and are bigger and longer in the industry. High education levels of entrepreneurs can represent the fundamental skills and knowledge of entrepreneurs and in turn these can be influential factors for firm performance. Firms investing in training for leadership levels (i.e. entrepreneurs) show an effect on firm success. Bigger firm size may indicate a bundle of resources that firms can utilize to maximize profitability. Old firms may indicate experience of the firms in the industry, power and networks in the industry and thus older firms can perform better than younger ones.

In contrast, working experience is shown to be insignificant to firm performance. Perhaps, previous working experience of entrepreneurs does not fit with contemporary business practices in the case of Lao MSMEs. Furthermore, business development services are also found to be insignificant and negative in their effect on firm performance. This could be explained by the fact that the business development services are of types that are not related to improving performance, such as routine book-keeping or taxation services.

Table 3: Overall Regression Results

Performance				
□	B	Beta	Sig	VIF
(Constant)	0.02		0.97	
Gender (GD)	0.28	0.09	0.07*	1.10

Education (EDU)	0.19	0.26	0.00***	1.79
Working Experience (WEXP)	0.01	0.09	0.16	1.77
Training for Entrepreneurs (TRNE)	0.56	0.18	0.00***	1.11
Business Development Services (BDS)	-0.13	-0.03	0.58	1.05
Firm Age (FA)	0.02	0.09	0.09*	1.22
Firm Size (FS)	0.01	0.17	0.00***	1.15
R2	0.20			
Adjusted R2	0.19			
F-Statistic	13.25***			
N	370			

*p < .1 ; ** p < .01 and ***p < .001

Table 4 represents means for the independent samples t-test for male and female firms and the size of differences between each variable and gender variable. Male firms reveal higher mean scores as well as the gaps by gender that are found to be statistically significant in education, working experience, training for entrepreneurs and firm size, compared with the female firms. In general, male firms tend to have higher education level, longer working experience in the business practices, higher investment in training for entrepreneurs and bigger in terms of firm size, compared to the female counterparts. However, firm age and business development services are found to be statistically insignificant for both male and female firms.

Table 4: Means for Independent Samples T-Test for Male and Female Firms

	M a l e Firms	F e m a l e Firms		
	Mean	Mean	Sig.	Mean Difference
Education (EDU)	5.71	4.93	0.00***	0.78
Working Experience (WEXP)	32.11	29.53	0.05**	2.58
Training for Entrepreneurs (TRNE)	0.60	0.49	0.04**	0.11
Business Development Services (BDS)	0.88	0.92	0.23	-0.04
Firm Age (FA)	8.50	8.19	0.67	0.31
Firm Size (FS)	11.77	7.21	0.08*	4.56
N	230	140		

* p < .1; ** p < .05; and ***p < .001

Table 5: Regression Results for Male and Female Firms

	M a l e Firms		F e m a l e Firms				
	B	Beta	Sig.		B	Beta	Sig.
(Constant)	-1.05		0.14		0.05		0.94
Working Experience (WEXP)	0.02	0.16	0.03*		0.01	0.10	0.35
Education (EDU)	0.28	0.36	0.00***		0.12	0.18	0.09

Business Development Services (BDS)	-0.02	0.00	0.945		0.29	0.06	0.45
Business Finance (BF)	0.72	0.22	0.00***		0.25	0.10	0.23
Technology (TEC)	0.19	0.17	0.00***		0.25	0.23	0.01**
Firm Age (FA)	0.01	0.03	0.61		-0.01	-0.07	0.44
Firm Size (FS)	0.01	0.14	0.02*		0.01	0.12	0.19
R2	0.26				0.14		
Adjusted R2	0.24				0.09		
N	230				140		

□p < .1 ; *p < .05; **p < .01; and ***p < .001

The findings have shown that male and female firms have shown some similarities in education levels of entrepreneurs and exposure to technology, which have statistically significant impacts on firm performance, as shown in Table 5. Both male and female firms believe that education levels of entrepreneurs are prerequisite for success of the firms as they represent the basic knowledge and skills from formal education. In addition, the findings indicate that both male and female firms are keen to be exposed to high technology, which can enhance productivity and improve quality of goods and services for firms. However, business development services are insignificant for both male and female firms and thus has no influence on performance.

In contrast, the results indicate that there are some significant differences between male firms and female firms, as illustrated in Table 5. For example, male firms are found to be significantly different in working experience, business finance and firm size, compared to female entrepreneurs. Male entrepreneurs have longer working experience, which represents the accumulation of expertise, competences, knowledge and skills that contribute to firm success. Unlike female firms, male firms are risk takers as well as have better relationship with banks so that they can obtain business finance to fund strategic business activities in order to maintain good business performance. Firm size indicates the economies of scales that firms can use to cover fixed costs, which can reveal some impact on firm performance. In general, male firms are shown to have more advantages in several factors, which may be underlying reasons why male firms tend to outperform female firms. Moreover, age of female firms is found to be negative and insignificant to firm performance while male firms too have no influence on performance. The low significance of firm age could mean that the older firms are not likely to cope and less capable to adapt well with dynamic business environment in the case of Lao MSMEs and thus have no influence on firm performance. It can therefore be concluded that determinant factors show both similarities and differences and therefore, hypothesis 2 receives partial support.

CONCLUSION

Findings and Conclusion

For hypothesis 1, the findings for Lao MSMEs are consistent with previous studies that female firms underperform male firms. The literature suggests a number of reasons

for this. Male firms tend to engage in strategic businesses activities in order to improve the performance, compared to female counterparts. Male firms also are more likely to participate in risky business approaches as well as have established good relationships with external parties such as suppliers, customers and banks, while female firms tend to be risk adverse and conservative. Male firms have less difficulty in obtaining credits from external sources whereas female firms tend to suffer from discrimination in banking practices, which can prevent them expanding their businesses.

For hypothesis 2, there is partial support that the determinant factors for firm performance differ between male and female firms. The results have shown that both male and female firms have similarities in education levels of entrepreneurs and technology capacities. Business development services have no impact on performance for both male and female firms. It could be that the types of business development services as well as the services performed are not important to firm performance. In contrast, male and female firms show great differences in working experience, business finance and firm size, compared to female entrepreneurs. Moreover, age of female firms is found to be negative and insignificant to firm performance whereas age of male firms has no influence on firm performance.

Policy Implication

The present paper provides some policy implications in both the government sector (policy makers) and business sector (policy implementers). Policy makers can create a good climate for the business sector in the Lao PDR, especially for MSMEs. The study can be the basis for recommendations to policy makers to implement policies that match with the needs of male and female firms. Education levels of entrepreneurs and technology are key factors for performance of male and female firms. Thus the government should provide qualified entrepreneurs available for private sector. The government should also encourage the firm to obtain high technology through tax exemption. As the different backgrounds of male and female firms lead to different outcomes, the policy for female firms may need to consider the fundamental gender differences. The findings have also shown various disadvantages for female firms in terms of firms size, business finance and working experience, which the government should have positive policies to redress the balance. The government should provide loans to female firms as concession rates in order to encourage them to grow. The government needs to be aware that female firms seem to be immature and not have long experiences and need to provide necessary assistance to improve their business skills. Therefore, female firms may need more support from the government in order to improve their skills for carrying on business. The policy for female firms may need to reflect the gender-based differences in order to reduce the gap among them. The government can try to minimize the gender discrimination in banking practices in order to enable female firms to obtain improved access to finance.

For implementers, such as the MSMEs, they need to emphasize the determinant factors that create superior performance. Some factors such as education levels of entrepreneurs and technology capacities are crucial factors for firm success in the case

of both male and female firms. For both firms, education levels of entrepreneurs need to be realized as a factor to business success before starting up their own businesses or recruiting managers. In addition, firms should obtain and maintain high technological capabilities in order to enhance their productivity and services. For obtaining businesses development services, firms need to be careful in selecting the types of business development services that are useful and practical for business performance. Lastly, for male firms, they should make uses of their strengths on longer experience and ability to obtain business finance and firm size advantage in order to maintain good performance.

RESEARCH LIMITATION AND FUTURE RESEARCH

The present paper uses secondary data, which provides limited choices for selecting variables. Apart from limitations on secondary data for selecting meaningful variables in this study, the authors acknowledge that other factors could also influence firm performance in the case of Lao MSMEs. Therefore, future studies are encouraged to provide other important variables. The future research can consider both economic and non-economic performance indicators, which could provide for additional, meaningful empirical studies.

ACKNOWLEDGEMENT

We express our sincere gratitude to Professor Tatsuo Kimbara and several anonymous reviewers for their helpful suggestions and we are also grateful to the reviewers for their valuable comments to improve this paper. Special thanks to the German Agency for Technical Cooperation (GTZ) that provided the data from the 2005 survey. Any errors that appear in the present paper are entirely the authors' responsibility.

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Succession planning in family firms and its implication on business performance

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Abstract

The aim of this study is to explore and gain an insight into succession planning in family firms in impacting business performance. Three variables were studied namely (1) preparedness of the successor/heir, (2) family relationships, and (3) planning and control activities. A set of questionnaire was pilot-tested and personally distributed to 50 executives in the Klang Valley. Findings indicated that all variables identified in this study contributed significantly to business performance. However relationship within family is highly associated with firm performance most, positively and significantly. It was also found that some forms of formal succession planning in many family firms in Malaysia do exist. Previous researches show that there are going concern issues for family firms, and succession planning is certainly one of the most critical issues in the operations and continuity of a family firm. This paper presents a platform to explore important issues relating to continuity (going concern) and succession planning of family firms, which may contribute towards sustaining a number of businesses in Malaysia.

Keywords – Family firms, succession planning, business performance

Paper type – Exploratory Study

Introduction

Nearly all firms start out as family businesses. As the most common form of business organization in the world, family-owned or –controlled businesses account for over 80% of all firms, 12% of GDP and 15% of the workforce in the United States, according to estimates by Shanker and Astrachan (1996). Mroczkowski and Tanewski (2006) report that family firms represent 20% of listed companies in Australia while Blondel, Rowell and Van der Heyden (2002) find that more than half of the 250 largest firms in Paris and Frankfurt bourses are family firms.

Various studies have been done on ownership structure in Malaysia. Abdul Rahman (2006) indicates that many listed firms in Malaysia are owned or controlled by family and that these companies appear to be inherited by their descendants. Jasani (2002) finds that 59% of the businesses in Malaysia are still managed by the founder while 30% are run by the second generation, where a majority are the founders' children.

Claessens et al. (2000) also find that most family-owned firms in Malaysia are dominated and succeeded by family founders and their descendants.

Gersick et al. (1997) report that two-thirds of the first generation family firms do not survive the second generation of family ownership. This is also supported by Astrachan & Allen (2003) who report that less than 30% survive to the second generation. It is also a widely cited statistic that just 15% survive into the third generation (Kets de Vries, 1993; Ward, 1987).

Issues of succession are clearly going concern issues for family firms. Handing over the business to the next generation and subsequent generation then on is postulated to be a succession planning issue. Hence succession planning is certainly one of the most critical issues in the running and for the continuity of the family firm in order to ensure firm survival. It is suspected that family firms represent relatively stable systems so long as the founding entrepreneur is in place. They subsequently become destabilized as a function of some “triggering events” such as the founder's decision to disengage. The result can be ambiguity, confusion and conflict among the family members and professionals employed by the firm. On the other hand, in non-family firms, succession is an open decision-making process that is typically influenced by rational and objective (as opposed to emotional) consideration. This process might not be as transparent in a family firm context. Set upon this backdrop, this paper thus attempts to address these two questions:

What are the variables in a family firm's succession planning that are postulated to contribute to business performance?

Which of the three variables studied is most significantly associated with firm performance?

The purpose of this study is to gain an insight and examine the succession planning processes in family firms in relation to preparedness of the successor (heir), family interrelationships and activities regarding planning and control. An understanding of important issues influencing continuity (going concern) of family firms may contribute towards sustaining a number of family businesses in Malaysia.

Theoretical Foundation

Family Firms

Mroczkowski and Tanewski (2006) defined family firms as an entity controlled by a private individual, directly or indirectly, in conjunction with close family members. Carsrud (1994) has defined a family business as one in which both ownership and policy-making are dominated by members of an “emotional kinship group”. Accordingly, family firms violate a tenet of contemporary models of organization, namely the separation of ownership from management (Berle and Means, 1932; Daily and Dollinger, 1991). This single characteristic results in a number of operational differences between family businesses and other firms. One of the differences is the manner in which family businesses handle succession from one generation to the next.

Researchers have suggested the use of multiple conditions to identify family from non-family firms (Litz, 1995). Frequently used conditions include family ownership and control (Litz, 1995; Upton et al., 2001), family influence in decision-making (Sharma et al., 1997), family members as employees (DEWSB, 1998) and the intent to transfer the family firm to the next generation (Stewart, 2003).

Scholars have highlighted several advantages for firms that are controlled by a family (Corbetta & Salvato, 2004; Kets de Vries, 1993). Some have argued that family firms have longer investment horizons and as such, are less likely to make myopic decisions in response to profit pressures (James, 1999). There is greater account of family ties, loyalty, trust and stability as a result, a focus on durability and long-term performance.

On the other hand, scholars have also highlighted substantial disadvantages of family

control. For one, family firms are vulnerable to agency costs (Villalonga and Amit, 2006). Also, Schulze, Lubatkin, Dino and Buchholtz (2001) have noted that family firms exhibit altruism toward kin at the expense of shareholder value. Mustakallio, Autio and Zahra (2002) argue that emotional attachment to family issues detracts from firm's focus on economic goals, as for example, nepotism leads to inefficiencies in the hiring practices (Pollak, 1985).

In Malaysia, family ownership constitutes over 43% of the main board companies of the Bursa Malaysia from 1999 through 2005 (Samad et al., 2008). This figure justifies the relevance of this study in order to focus on particular variables that would facilitate transition.

Business Performance

Business performance relates to the performance of a company. Depending on the subject of interest, this can be viewed and assessed on the aspect of qualitative or quantitative performance.

Qualitative performance indicators can relate to customer satisfaction, service quality, and ethical aspects of a company's operation, learning perspective measures like skills development and market innovation.

On the other hand, a more objective measure is financial performance. The key standard measures are profitability, growth, and sales amongst others. McConaughy et al. (1998 and 2001) note that family firms have greater incentive to maximize firm value in order to enhance their ownership interest in the firm, and reported higher market equity to book equity ratios for family controlled firms compared with their non-family counterparts. Anderson and Reeb (2003) confirm previous findings, reporting that firms with continued founding-family presence exhibit significantly better accounting and market performance than non-family firms.

Various studies by Sraer and Thesmar (2006), Favero, Giglio, Honorati and Panunzi (2006), Gursoy and Aydogan (2002), Mishra, Randoy and Jenssen (2001), and Gorriz and Fumas (1996) show that family firms have superior performance compared to non-family firms. Other researchers have challenged the above views. Schulze et al. (2003) note that the excess returns generated from family ownership are absorbed by various inefficiencies associated with the family system. Harris et al. (2004) establish that family-owned firms were more likely than non-family firms to report average or below average financial performance.

Family firms are noted to be more cost-efficient than non-family firms. For example McConaughy (2000) and Romano et al. (2001) find that compensation, interest and agency costs are lower for family firms. They explained that these cost savings arise from the family's management and ownership interest in their firms and their high aversion to debt. Burkart et al. (2003) argue that family ownership and control reduce the conflict between majority and minority shareholders and this minimize agency costs.

Schulze et al. (2003) challenge this view arguing that gains in agency and other costs for family firms are offset by costs associated with the altruism of family proprietors, free riding of family members and family conflicts that flow over to the business. They suggested that family ownership does not necessarily minimize agency costs and in some cases can exacerbate it.

Higher aversion to risk and preference for internal funds (Upton and Petty, 2000) mean debt levels would be lower in family firms compared to non-family firms. McConaughy et al. (2001) observe that family controlled firms had more working capital per dollar of sales and used less debt, particularly short-term debt, than non-family firms.

This study uses the perceptual measures of business performance and examines both qualitative (learning and customer perspective) and quantitative (financial, operational and ownership size) aspects.

Succession Planning

Rothwell (2001) defines succession planning as a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future, and encourage individual advancement. Martin et al. (2002) define it as the transfer of a business that results from the owner's wish to retire or to leave the business for some other reason. The succession can involve a transfer to members of the owner's family, employees, or external buyers. Successful succession results in a continuation of the business, at least in the short term.

Succession issues are generally applicable to organizations regardless of size, sector and geographic location. In the literature of family business, succession planning is slightly more unique. Handler (1991) identifies three specific stages in the transition process of a family business: personal development of the heir apparent prior to working in the firm, business involvement of the heir, and leadership succession.

Research on succession processes has identified a number of factors associated with effective transitions. Morris *et al.* (1997) suggest that these factors can be organized into three general categories:

Preparation/preparedness level of successors/heirs in terms of:

Formal education

Training

Work experience (outside firm)

Entry-level position

Years working within firm

Motivation to join firm

Self-perception of preparation

This category of issues involves the preparation level of successors/heirs. It addresses the extent to which successors/heirs have the requisite business skills, managerial capabilities, knowledge of company operations and the like (Doescher, 1993; Fenn, 1994; Osborne, 1991).

Relationships among family and business members:

° Communication

° Trust

° Commitment

° Loyalty

° Family Turmoil

° Sibling rivalry

° Jealousy/resentment

° Conflict

° Shared values and tradition

This category is concerned with personal relationships within the family and non-family employees of the firm. The principal issues here concern trust and communication among family members (Brockaw, 1992; Kets de Vries, 1993; Ward and Aronoff, 1992). The potentially dysfunctional outcomes of sibling rivalries and/or failure to accommodate one another have also been highlighted (Handler, 1991; Kets de Vries, 1993).

Planning and controlling activities:

Planning, including tax planning

Use of outside board

Use of family business consultants/advisors

Creation of a family council

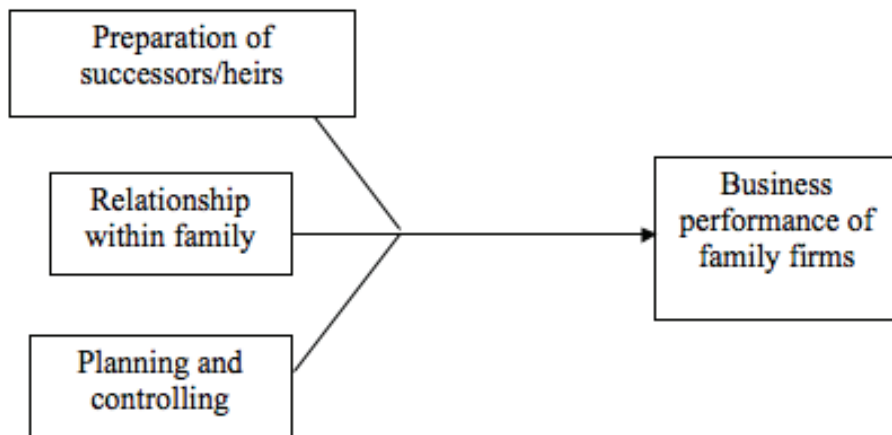
Perhaps the one receiving the greatest amount of attention concerns planning and control activities. Succession planning, in particular, receives extensive emphasis in the family business literature (Kets de Vries, 1993; Ward and Aronoff, 1992). Other issues in this general category include the structure and review of such plans, contingency issues in planning, ways to avoid taxation liability, the structuring of wills, the use and constitution of boards of directors, the potential roles of family business consultants and the establishment of a family council (Handler, 1992; Ward and Aronoff, 1993).

The board size and composition are significant as they may influence the blockholders' impact on transition and eventually firm's performance. Singh and Davidson III (2003) state that the size and composition of the board may reflect its ability to be an efficient guide and their findings show that firm performance increased by smaller boards. Outside or independent directors could also strengthen the firm's value by lending experience and monitor performance. Previous empirical findings such as McKnight and Mira (2003), and Brickley et al. (1994) agree that outside directors could improve board effectiveness and firm performance. However, Klein et al. (2004), Subrahmanyam et al. (1997) and Weir and Laing (1999) find a negative relationship between the proportion of outside directors and firm performance.

Theoretical Framework

An analysis of the literature review provides the research framework in which this study is conceptualized upon and is depicted in the diagram below.

Figure 1



The dependent variable is business performance, both qualitative and quantitative, of family firms, which is the variable of primary interest. This variable is attempted to be explained by the three independent variables of (1) preparation/preparedness of successors/heirs, (2) relationship within family, and (3) planning and controlling. All three independent variables describe the key ingredients of transition process or succession planning (Morris *et al.*, 1997).

Preparation/preparedness of successors/heirs to head the firm is vital for the performance of a family firm. In fact, the lack of it may spell the end of a business. It is posited that the more the successor/heir is prepared, the greater is the probability of good business performance. Secondly, the stronger the relationship within family, the greater is the probability of the firm performance. The presence of trust and communication and the absence of sibling rivalry will provide positive energy and spur the business into the right direction. Thirdly, with proper planning and control, the firm's going concern issues will be put at bay. The better the planning and control, the greater is the probability of good business performance.

A set of questionnaire was developed based upon the variables and elements obtained from previous research. Some of the questions were adapted to suit the local context. The questionnaire consists of five major sections, covering demographic profile and each of the variables concerned. The sections regarding the variables consist of questions which were measured on a 7-point Likert scale, ranging from 1 = strongly disagree to 7 = strongly agree.

Pilot test on three family business owners were conducted to ensure content validity. A copy of the questionnaire was then personally administered to 50 executives residing in the Klang Valley, that was selected from a list of family owned business directory (self created through referrals) that acts as the sampling frame. These executives have ownership stake in firms, either directly (personally) or indirectly through other family members. All questionnaires were successfully collected providing a response rate of 100%.

Findings

Among the surveyed respondents, the majority (80%) is in the management level. Fifty two percent of them are Managers, 20% are General Managers or Senior Managers, and 8% are CEOs. All the respondents are found to have good education with at least a diploma to show. Most of them (82%) are Bachelors and Masters degree holders. From the ethnic group, 19 (38%) are Malay, 27 (54%) Chinese and 4 (8%) Indian. This indicates that a majority comes from the Chinese, which is typical in Malaysian family businesses. A bigger number of the respondents, i.e. 43 respondents (86%) holds less than 20% ownership stake.

With regards to working experience, a total of 46% of the respondents spent less than five years in another firm prior to the current firm. Of the young age group that constitutes a large number of the respondents (86% aged between 26 to 40 years old), many of them have not worked long in the current firm – about 50% have been working less than 5 years in the current firm.

Reliability of Measurement

In order to ensure the reliability of the measures, the multiple statements dealing with the variables were assessed for reliability using Cronbach's alpha. Cronbach's alpha is computed in terms of the average inter-correlations among the items measuring the concept. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability. In general, reliabilities less than 0.6 are poor, more than 0.8 are good and those in between (within the range) are acceptable (Hair et. al, 2003). Reliability analysis was performed on independent variables that are relationship within family, preparedness of successor/heir, and planning and controlling, and the dependent variable, which is business performance. Table 1 below illustrates this.

Table 1: Reliability Analysis

No	Variables	No of Items	Cronbach's α
1.	Relationship within family	8	0.755
2.	Preparedness of heir	8	0.760
3.	Planning and controlling	8	0.619
4.	Business performance	8	0.706

The result above shows that the Cronbach's alpha values for the variables range from 0.619 to 0.760 indicating acceptable internal consistency for an exploratory study.

Descriptive Analysis

The descriptive characteristics of the variables are all derived from a seven-point scale ranging from strongly disagree (1) to strongly agree (7). The tables that follow examine the elements that provide strong perceptions relating to the various variables studied.

Table 2: Descriptive Statistics of Family Relationship

	Elements	Min	Max	Mean	SD
1	You personally feel there is strong commitment from your family members to support the firm	3	7	5.58	0.95

2	You consider yourself and your family as having very good communication (in other words, there is no “communication problem”)	3	7	5.58	0.883
3	You have very high level of trust on your family members	3	7	5.40	0.926
4	You are not willing to turn your back on your family, including in business/ workplace	3	7	5.30	0.909
	Elements	Min	Max	Mean	SD
5	You personally feel there is no crisis or conflict in your family	3	7	5.26	0.899
6	You personally feel there is no sibling rivalry in your family	3	7	5.10	0.953
7	Your firm shares the same values and traditions with those of your family	3	7	5.06	0.793
8	Employees (which include non-family members) in your firm enjoy close relationship with you	3	7	5.04	0.925

It can be seen that the mean for all elements are well above the mid-point (mean = 3.5). Elements such as commitment (mean = 5.8), communication (mean = 5.8), trust (mean = 5.4), support (mean = 5.3) and conflict-free (mean = 5.26) are very much significant contributors to the family relationship variable.

Table 3: Descriptive Statistics for Preparedness/preparation of Successor/heir

	Elements	Min	Max	Mean	SD
1	When you first assumed the current position, you considered yourself to be well-prepared to take up the position	3	7	5.30	1.403
2	You considered yourself to have the necessary knowledge and skills to carry out the job	3	7	4.92	1.226
3	You actually wished that you had more experience before taking up the position	2	7	4.88	1.223
	Elements	Min	Max	Mean	SD
4	When you first assumed the current position, you were very motivated (really looked forward) to it	3	7	4.98	1.152
5	You were “forced” (in any way) to take up the current position	3	7	4.90	1.165
6	You were told about the position/job to be taken up way in advance	2	7	4.80	1.050
7	There was some resistance/objection from other people (family and/or non-family members) on you taking up the position	2	6	4.62	1.028
8	Overall, you would describe your transition to the current position as very smooth	3	6	4.76	0.916

Likewise for the variable preparedness of successors/heirs, the mean for all elements is

also well above the mid-point (mean = 3.5). Elements of being well prepared (mean = 5.3), motivated start (mean = 4.98), knowledgeable (mean = 4.92), forced into taking up the job (mean = 4.90) and wished for more experience (mean = 4.88) are the significant contributors to the preparedness variable.

Table 4: Descriptive Statistics for Planning and Control

	Elements	Min	Max	Mean	SD
1	There is a formal succession planning process in your firm	3	7	5.96	1.309
2	The management of the firm is aware of the successors to the senior positions in the firm	3	7	5.74	0.899
	Elements	Min	Max	Mean	SD
3	There is a tax and estate planning for the family in the firm	3	7	5.58	0.992
4	There are independent (outside) directors on the firm's board of directors	2	7	5.54	1.092
5	The independent (outside) directors of the firm have a strong say or influence in decision-making	2	7	5.30	1.074
6	The independent (outside) directors of the firm add value and are effective	2	7	5.38	0.967
7	There are family business consultants/advisors being engaged	3	7	5.18	1.004
8	There is a family council to officially monitor and advise the firm's management	4	7	5.36	0.942

Table 4 above depicts the elements that make up the planning and control variable. It shows that the availability of formal succession planning (mean = 5.98), awareness of successors (mean = 5.74), availability of tax and estate planning (mean = 5.58), availability of independent board of directors (mean = 5.54) and effective independent board of directors (mean = 5.38) are statements that contribute to planning and controlling of family businesses.

Finally, table 5 below illustrates the elements posited to be representing the business performance variable.

Table 5: Descriptive Statistics of Business Performance

	Elements	Min	Max	Mean	SD
1	You consider the financial measures (revenue growth, profitability, return on investment etc) of the firm as very good	4	7	5.58	1.012
2	You consider the key internal measures (quality level, productivity, cost etc) of the firm as very good	4	7	5.54	0.782
3	You consider the customer perspective measures (service levels, satisfactory ratings etc) of the firm as very good	2	7	5.02	0.937
4	You consider the learning perspective measures (intellectual assets, employee satisfaction, market innovation, skills development etc) as very good	2	7	5.22	1.148

5	You consider the cash flows to be more important than profits	3	7	5.40	1.069
6	Overall, you would rate the performance of the firm as very good to the family	3	7	5.08	0.986
7	You think that the firm's performance would be better if you or your family hold a bigger stake in the firm	3	7	5.10	0.953
8	You believe that the size of stake owned by you and your family is important in influencing the operating efficiency of the firm	3	7	5.00	1.030

It can be seen from table 5 that the mean for all elements are well above the mid-point (mean = 3.5). Elements such as financial measures (mean = 5.58), operational measures (mean = 5.40), cash flows (mean = 5.40), and learning perspective measures (mean = 5.22) contribute to the family business performance variable.

Table 6: Summary of Descriptive Statistics of Studied Variables

No	Variables	Mean	Standard deviation
1.	Relationship within family ("BIZFMLY")	5.04 to 5.58	0.79 to 0.95
2.	Preparedness of heir ("PREPARED")	4.62 to 5.58	0.92 to 4.11
3.	Planning and controlling ("PLANCTRL")	5.18 to 5.96	0.90 to 1.31
4.	Business performance ("PERFORM")	5.00 to 5.58	0.78 to 1.15

From table 6 above, it shows that all variables have almost similar mean and standard deviations, indicating the inclination of respondents to the particular statements.

Association of variables was tested using the Person Correlation matrix to determine whether the correlation coefficient is statistically significant. Regardless of its absolute size, a correlation coefficient has no meaning unless it is statistically significant.

Table 7: Correlational Analysis

	BIZFMLY	PREPARED	PLAN CTRL	PERFORM
BIZFMLY	1			
PREPARED	.603(**)	1		
PLANCTRL	.601(**)	.441(**)	1	
PERFORM	.574(**)	.303(*)	.275	1

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

* Correlation is significant at the 0.05 level (2-tailed).

The result of the correlation coefficient between the independent variables (relationship within family, preparedness of heir, and planning and controlling) and dependant variable (business performance) in the table above shows that almost all variables have a positive (ranges from moderate to strong degree) of association amongst them. Preparedness of successor/heir is somewhat moderately associated with business performance ($\rho = 0.303$) and this is significant at 0.05 level. On the other hand planning and control indicates a strong association ($\rho = 0.601$) with family relationships and moderate association with preparedness ($\rho = 0.441$) whilst both are significant at 0.01 level. Family relationships indicate a strong association ($\rho = 0.574$) with business performance and this is significant at 0.01 level. Interestingly planning and control is not associated with business performance.

Discussion and Conclusion

Preparedness of successor/heir has the highest association with family relationships but lowest with business performance. Although this high degree of association can

be contributed to the bonding and support obtained through family ties and kinship, nevertheless it is not the most contributing variable to firm performance. Other variables such as the person's competencies, interest with the business and managing skills may be more significant factors.

Subsequently, low correlational values between preparedness and business performance may be explained by the fact that most of the sampled respondents are mainly from the younger age group. Their responses portray that younger generations are less prepared, readily admitting that they lack certain experience, knowledge and skills in driving firm performance. Furthermore preparedness may relate more to individual perceptions that may or may not have significant contribution to the overall firms' performance.

It is found from the research that relationship within family members influences business performance most positively and significantly. This in actual fact signifies the uniqueness of family firms. Successful family firms, more often than not, enjoy strong commitment from family members. They have very high level of trust, resulting in low transaction economics. Simply put, some costs normally incurred in other non-family firms to reach certain decisions or perform certain actions are saved, hence lowering the costs of running the companies. The issues of sibling rivalries, communication problems or family conflicts seem to be manageable in the firms surveyed. With strong support and being conflict free, it would be easier for a family firm to achieve the desired goals. Likewise, the sense of belongingness would provide security and ensure support in achieving success. When one is secured and unconditionally supported, the level of confidence is greater, hence providing the drive to achieving superior performance. Subsequently, family relationship is also highly associated to planning and control, depicting that the latter is easier to be implemented when good terms are attained between one another.

Ironically planning and controlling are not at all associated with firm performance. Although respondents agreed that some form of formal succession planning process is taking place in the company, nevertheless this does not suggest that performance will be attained. Perhaps in the running of family firms, flexibility, creativity and risk-taking are more likely to be associated with superior performance.

In summary,

Family relationship and Preparedness of successors identified in this study contribute significantly to business performance, with family relationship having the greater association

Planning and control is not associated to firm performance although there is some form of formal succession planning in most family firms, and that firms engage independent directors for decision-making

Respondents reveal that they feel inadequately prepared in assuming their roles in family firms.

In conclusion, whilst this exploratory study offers insights into the area of interest, the findings are not meant to be representative and cannot be generalized across family firms in Malaysia. For future research, it is the intention of the study to aim for the formulation and testing of key hypotheses pertinent to succession planning in Malaysian family firms and its implication on business performance. The main limitation is that information on lists of family ownership in Malaysia is not recorded (if they are, it is not timely updated) and not readily available. A proper sampling frame and sampling method must be designed so that the findings from the study can be confidently generalized to the family business population in Malaysia for relevant strategies to take place.

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Relevance of Engineering Entrepreneurship: A Study at CPUT

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Abstract

This research examines the concept ‘Engineering entrepreneurship’, looking at the contribution that engineers make towards a rapid changing technological environment that support the growth South African economy. This research works on the premise that engineering entrepreneurship lends itself to high technology entrepreneurial activity, but seeks to understand whether engineers are sufficiently progressive to support rapid change. Global Entrepreneurship Monitor (GEM) places the catalyst for high-expectation entrepreneurship (aged: 23 - 32 years, highly educated, potential high income), squarely in the B-Tech program at Cape Peninsula University of Technology (CPUT). The answer we must find is one that seeks to understand whether engineering entrepreneurship is relevant in the South African context.

Introduction

That entrepreneurship activity contributes to Gross Domestic Product (GDP) is no secret and engineers are alert to that, but whether engineers as entrepreneurs by design or inheritance are required in industry, is a highly debatable issue. In South Africa, one of the many challenges is to close the gap between the two economies, the rich and the poor. The gap continues to grow ever wider apart (Coetzer, 2006). The entrepreneurs in two economies are distinctive. Necessity entrepreneurship may be more prevalent in the poor economy due to low education levels and low income potential (GEM, 2001). The rich economy see the prevalence of opportunistic entrepreneurs, potential for high income and high educated. Engineering graduates are found in both economies

and thus by implication would be reflect varied levels of creativity (survival skills) or attitude. The character traits or perceptive difference is beyond the scope of this work. The point that needs to be raise at this time is that engineers at CPUT have different persuasion fueled by different economic backgrounds.

Earlier research has shown that students were optimistic regarding their potential as entrepreneurs but that Higher Education Institution (HEI) had not contributed to this optimism in any way. In fact it is generally accepted in the engineering fraternity that creativity is suppressed in an endeavour to stimulate scientific precision. The engineer by nature is designed to seek 'the one right answer' (Campbell & Fulton, 2000).

We can't solve all the problems in the world because we as a global society do not have the plan to execute (Engelbart, 2003). Poverty and unemployment is rife in South Africa, but there is a plan in place to try and reduce poverty by 50% by year 2014 and here skills are critical to meeting this objective (Coetzer, 2006). The economy continues to grow at a healthy pace affording government to invest millions into entrepreneurial activity. Whether the funding is geared at lifestyle entrepreneurship to address poverty or whether the funding models support wealth creation, creates jobs and address the unemployment challenge, it is irrelevant. What is important is that government is addressing the policy and funding issues to help create an environment for high growth entrepreneurial activity. The government's commitment to social upliftment, seeking to harness the potential that is locked in illiteracy, ignorance and poverty, must be noted as being progressive.

This research seeks to understand whether engineers are adept to meet the challenges of a rapid growing economy as well as a fast changing technological landscape. The greatest concern is around the static engineering output that speaks to 'one right answer' at any cost (Campbell, 1997).

Inherent to entrepreneurship, small business is responsive to customer needs and able to out-perform large companies. One of the primary barriers in large companies is 'culture'; at first glance culture plays such a role at CPUT.

Bootstrapping

Job creation comes about though the effort of an exclusive group of entrepreneurs. Autio (2005) and other are of the view that although variables like economy cycle, literacy rates and else, impacts on the ability of the country to be entrepreneurial, the bulk of job creation is underpinned by the efforts of 5% of all entrepreneurial effort.

Entrepreneurship is key to the eradication of unemployment (GEM, 2001). The process of continuous engineering job creation can be realised through bootstrapping according to Douglas Engelbart (2003).

Isaac Newton, a revolutionary scientist, acknowledges the contribution made by other scientist when he makes the statement that, "If I have been able to see further, it was only because I stood on the shoulders of giants." Isaac Newton meticulously continued to build on the scientific discovery and theories of researchers like Aristotle and Galileo, who had developed philosophy regarding space, energy and matter. It is this commitment to scientific progress that lofted Newtonianism forming the basis of our engineering understanding.

While SEIs must claim its rightful place along the education continuum, it is the HEIs that produce the opportunistic entrepreneur (GEM, 2004) which must make a substantial contribution to effect sustainable economic growth. Douglas Engelbart (2003) understands the importance of continuum progression, when as an inventor of computer technology; it holds the view that great men improve the way that they improve things, building meticulously on the successes of their predecessors. Suggesting that bootstrapping could be the only way that we as humans will ever be able to conquer the problems we face, he says that challenges compounds too rapidly for an individual endeavour.

The theory on cause and effect is as pivotal to Newtonian mechanistic physics as it is to entrepreneurship. The fundamental strengths and tenacity, mental vigilance and creativity are element instilled within the young mind while negotiating the essential truths of physics and mathematics. The effects of academic and scientific endeavour is truly realised when expert research is commercialised, this is caused through a more proactive role played by universities. Just "being there" is no longer adequate. Part of the role of universities must be to provide academics with experience of the business world to allow them to translate their technical expertise into commercial terms (Weatherston, 1993).

This creativity in the engineering world presents exciting opportunity to engineers that have the propensity to take advantage of the niche. When the issue of culture is addressed, this research found evidence of 'entrapment' as discussed by Petroski (1994, 1996). When one considers that much of entrepreneurship is discussed in the business realm, then debating engineering perspectives suggest a sense of exclusivity, a sense of freshness. The focus shifts from economic impact to technological progressiveness and engineering culture.

Cput Graduate Research

Douglas Carl Engelbrecht with a degree in electrical engineering invented the mouse in 1963. It took the engineering world twenty years to understand this ‘different engineering thinking’ known as high technology entrepreneurship. Only in during the 1980’s was the technology integrated into engineering systems. Future thinking is about markets and shareholder value. Engineering future thinking must be about progressive knowledge production.

The electrical department, in the engineering faculty at CPUT has for the last 10 years been able to showcase the artifacts that graduates have researched and developed at the annual BTech conference. This illustrated the graduate engineering competence in the area of research. Over the last two years did 10% of the students diverge, focusing on engineering entrepreneurship? Engineering academics grew increasingly alien to the idea, branding it as non- engineering and thus not worthy of engineering recognition ensuring that policy be developed to support standards of engineering excellence that addresses the ‘ one right answer’ regime thinking. Engineering entrepreneurship research focuses on non-linear issues that impact on a linear engineering science, endeavouring to create alternate thinking.

In the real world, we speak to integration and competitive advantage, while the electrical department speaks to streaming and specialism. While the world is speaking to collective applied outputs, the electrical department continuous to speaks to unique individualism. This sentiment is based on the researcher’s observations over the last three years. What fuels this research apart from the theory focus on the topic ‘engineering entrepreneurship’ is the accumulation of more than 500 artifacts, more than 3 200 months of research and the graduation of more than 500 graduates over a ten year period. This collective wealth is locked within the primitive embrace of career engineering academics with a deficiency for progressive economics and applied engineering.

South Africa would enjoy benefit from the value that engineering entrepreneurship offers the country through alternate thinking. Developing fresh approaches to maximize the engineering potential which is locked within a single paradigm.

Entrepreneurial Value

Given the global awareness of the value of entrepreneurial activity in economic and societal life, it remains a challenge to investigate and develop understanding around the elements that prohibits progressive thinking. South Africa has an unemployment epidemic resonating around 25%. The only way to eradicate unemployment is through job creation. New businesses are seen to do just that and generate jobs according Birch (1987, 1995).

New firms may operate as an important alternative employment mechanism for many subsets of the adult-age population (Acs, 1996; Audretsch, 2002; Michelacci, 2003). Graduates in the faculty of electrical engineering, CPUT, is potentially one such subset who could contribute to the South African economy, generating wealth and providing much needed jobs in the high technology sector. The high concentration of job creation was expropriated by a small group of entrepreneurs, namely high-expectation entrepreneurship that subscribes to rapid growth and high employment (GEM, 2006).

While entrepreneurial firms are synonymous with job creation (Birch, 1987), large, established firms were net destroyers of jobs. This is not necessarily a bad thing in the South African context. The restructuring of corporation in most cases could reflect a growing economy, with a healthy influx of foreign investment thus encouraging companies to be more competitive.

While a part of job creation by new firms undoubtedly reflects downscaling and restructuring of established firms, and therefore, job migration rather than job creation, economists are in agreement that the genuine job creation potential of new firms is also significant.

Several studies suggest that only a relatively small proportion of all new firms end up generating the bulk of new jobs. Autio (2005) found this evidence to be regional yet consistent and reports that 5% of all entrepreneurs account for 80% of jobs. Highly dynamic firms are a product of creativity as well as experience (Autio, 2005).

Within the high technology sector, customers are price conscience as well as brand conscientious. The graduate may not possess the tools to market his entrepreneurial potential early on in his career. With new firms being to out-perform the old firms, could it be graduates with entrepreneurial intent join a new firm to energise the innovation process as well as reserving the right to join a large firm as an engineer with entrepreneurial intent.

South African Challenge

Engineering has over time underpinned and continues to underpin economies around the world, but is no longer the gatekeeper of societal progressiveness (Lacquet, 2004). The technological age has introduced rapid change that meets customer demand. This change continues to be integrative and iterative presenting engineering as a static element of economic structure.

In the article entitled, 'knocking back technology', the writer suggest that emerging economies like South Africa were still battling deal with the far reaching implications of the technological age (Staff Reporter, 2006). This assessment is inline with Lacquet (2004), who proposes that academia revisit the portfolio of engineering skills, saying that engineers needs to be technically and non-technically competent. The future of technology redefines the role of engineering within society.

South Africa, through government commitment to readdress the imbalances of the past is committed to economic stability through collective participation from all South Africans. With restructuring comes 'chaos' a phenomenon that lends itself to instability and uncertainty. South Africa is in state of change. 13 years on and the young democracy is still be refined. Policy is still being developed and social society's demand for nomalisation fuels debate.

The skills shortage in South Africa is one problem, but increasing numbers of highly educated people without employment is another. "This represents one of the most important challenges facing CPUT and government: ensuring that the education system produces the mix of skills required by the labour market." Piet Coetzer (2006) puts forth the view that the skills problem in South Africa is of epidemic proportion and if the issue is not addressed soon the economic growth targets of SA could be threatened.

Mr. Vavi, Cosatu general secretary in his address to the National Skills Development Conference said: 'One of the saddest ironies in South Africa is the coexistence of vacancies in skilled occupation alongside a mass unemployed who lack the skills to fill the position.' Professional skills are required to leapfrog South Africa out of this unemployment crisis. 'Nothing short of a skills revolution by a nation united will eradicate South Africa from the crisis that the country faces', said Deputy President Phumzile Mlambo-Ngcuka at the launch of the Joint Initiative for Priority Skills Acquisition [JIPSA] (Coetzer, 2006).

This program was rolled out in response to the poverty levels and the unemployment

epidemic that South Africa is experiencing. One of the growth sector in south Africa is technology and communication (8.7% - 9.8%) which suggests that engineering entrepreneurship could help in creating the engine that drives the economy of the South Africa (Coetzer, 2006).

Engineering Entrepreneurship

Despite the huge interest in the subject, a definition of entrepreneurship is hard to pin down because of the different descriptions used by a multitude of authors (Drucker, 1999). Entrepreneurship has been used to describe creating, founding, adapting and managing a business (Drucker, 1999).

The Oxford Dictionary describes an entrepreneur as one who ‘....organises, manages and assumes the risks and reaps the benefits of a new business enterprise or commercial venture.’ Entrepreneurship is also believed to involve ‘rethinking conventional paradigms, and discarding traditional ways of doing things’ (Magnanti, 2005).

We in engineering don’t study entrepreneurships; we do entrepreneurship. We create products and processes that people use. Together the combination of management and engineering provide an ideal underpinning for technological innovation and entrepreneurship concludes: D.T.L. Magnanti (2005).

Oxford dictionary defines; engineering as the discipline dealing with the art or science of applying scientific knowledge to practical problems. And also it is defined as the applied science of acquiring and applying knowledge to design, analysis, and/or construction of works for practical purposes. However, in a fast changing world of technology engineers persist in their pursuit of the ‘one right answer’. This is no longer sufficiently pragmatic to deal with the technological challenges the South Africa faces. Engineers must be more creative, dealing with technical and non-technical issues (Lacquet, 2004).

The very nature of technical and non-technical speaks to integration. The nature of linearity and non-linearity speaks to integration. Engineers require an integrated skills set to face a rapid changing world. This innovation, this fresh perspective could be synonymous with entrepreneurship. Engineering uses science to improve the lives of ordinary people (Ward & Angus, 1996), and entrepreneurship uses technology to resolve challenges in society.

By implication, Magnanti (2005) is saying that entrepreneurship is the technological, creative and innovative arm of engineering. Small business is responsive to customer

needs and perpetual change but it remains business. Entrepreneurship is an innovation in response to customer needs based on engineering principles in a technological environment, thus it remains an engineering exercise. Engineers do entrepreneurship.

The view that this paper holds underpins the Schumpeter (1934) definition regarding successful ventures over time. In a technological environment, entrepreneurship speaks the same language as engineering, addressing social issues and developing policy to govern the paradigm thinking. The outcomes are the same and can be measured using engineering or entrepreneurial metrics.

Entrepreneurship presents the engineer with a different skills set and an altered perspective on the challenge at hand. Thus engineering entrepreneurship addresses the social problems in a rapidly changing environment. This responsiveness is critical to the enhancement of the South African economy.

New business creation is fundamental to the growth of the South African economy and to our future sociopolitical stability. Education and experience are key elements in successful venture creation. South Africa needs a growing pool of potential entrepreneurs who have the motivation and the ability to identify and to realise new business opportunities.

While the role of new venture creation – and specifically its potential to solve the unemployment crisis

Are South African schools developing entrepreneurial skills? Notwithstanding the reasons that Gem (2001) quotes for the disparity between white and black schools and learners, the 1st student sample says no. the entrepreneurship effort of schools did very little to enthrall them.

Entrepreneurship Education

South Africa's tertiary education system prepares engineering graduates relatively well with the knowledge and skills required in industry. Young South African adults with tertiary education are almost as likely to start an opportunity-motivated business as are their peers in other developing countries.

When asked about the education system, HEIs and SEIs did very little to enthrall.

In South Africa poverty alleviation is not a product of opportunistic entrepreneurship

per se, it is more a survivalist strategy one that appeals to lifestyle entrepreneurship where the bare essential is taken care of. Poverty alleviation speaks to necessity entrepreneurship as suppose to opportunistic entrepreneurship that are job creators.

Be this as it may, Gem (2006) found that potential entrepreneurs lack the mindset and skills to become true entrepreneurs. Opportunistic entrepreneurs are not trained and recent study has shown that engineering graduates found this incompetence rather disturbing.

The graduates considered themselves more of an engineer as opposed to an entrepreneur. However, it is these engineers that recognised the potential value that entrepreneurship holds and shown a strong desire to receive such training at CPUT.

Although positive entrepreneurial culture is starting to develop at a macro level this has not filtered down to academic level. The engineering fraternity is entrenched in engineering principle beyond due concern of the future need of graduates to make decision regarding the future.

Employment creation is not encouraged and every attempt is made to encourage segregation and island thinking. There can be no serious challenge on unemployment and job creation when the impact that entrepreneurship makes on the economy and the impact it has on job creation and social restructure is not articulated at an institution of learning.

The academics at this institution seem to embrace a firm believe that principles embraced during the last century is relevant in a fast changing global industry. There is a need for broad thinking and a dual approach to develop impact and create employment capacity.

Research Discussion

Entrepreneurship Education

Graduates are unsure of their engineering competency, unsure of what innovation is, unsure of what entrepreneurship is. They certain that all graduates at CPUT do not have same job prospects and that entrepreneurship creates an alternative to industry jobs thereby giving them a chance in life. Desire for entrepreneurship education, as shown in the graph below, is huge (88%) among engineers as shown in fig 1 below.

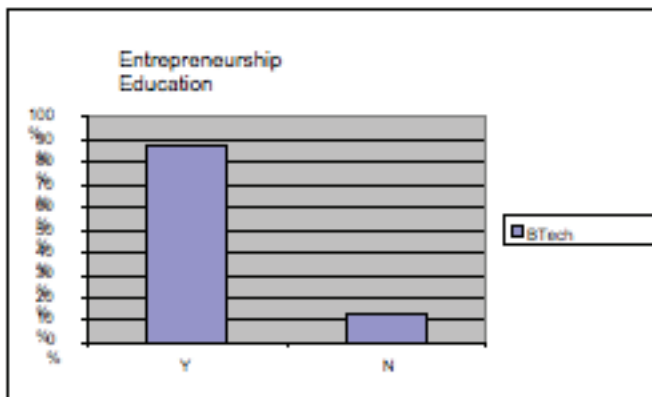


Figure 1: Entrepreneurship Education

The impact that entrepreneurship makes on world economies are real and measurable, the researcher is not sure whether the graduates are aware of this fact. Graduates identified the need for entrepreneurial training throughout the course but more specifically at graduate levels as shown in fig 2 below.

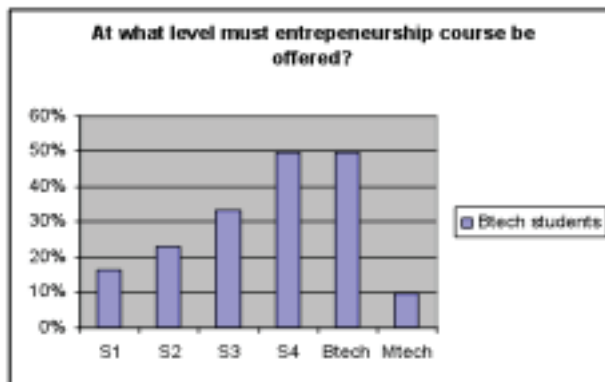


Figure 2: Levels for Entrepreneurship Education

Innovation and Wealth Creation

The economy and growth are directly dependent on creativity and innovation, which are some of most critical attributes of an entrepreneur. And these all prove the relevance of engineering entrepreneurship towards economic growth of South Africa.

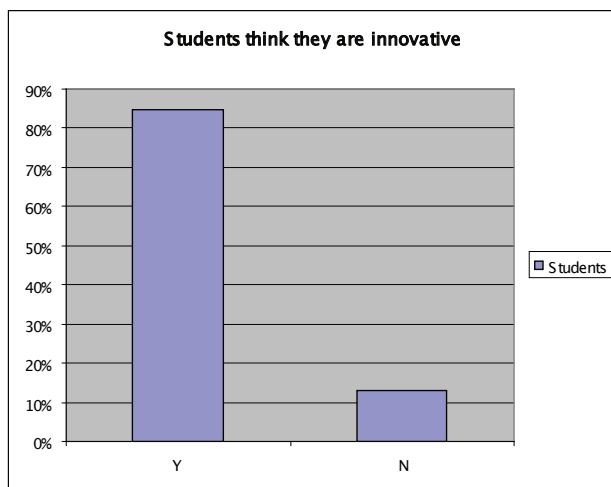


Figure 3: Innovation

85% shows graduates are highly innovative, in fig 3 above. However, fig 4 below shows that 86% of graduates are aware of the potential that entrepreneurship offers for wealth creation and purpose in life.

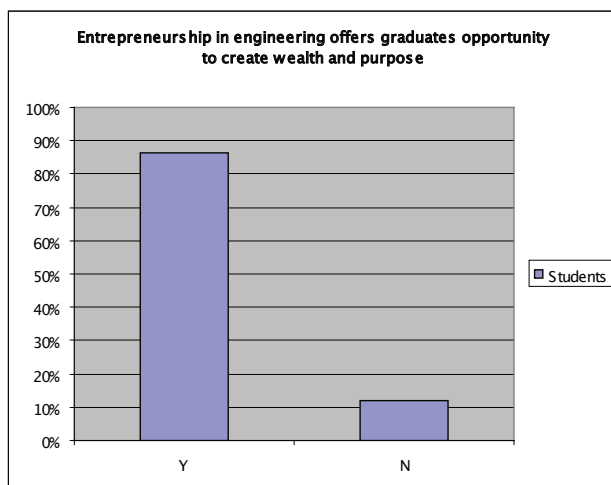


Figure 4: Wealth Creation

Graduate demand for Entrepreneurship

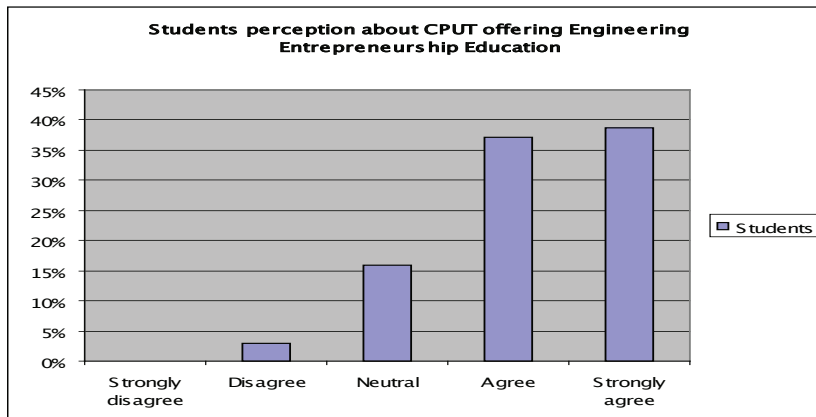


Figure 5: Student demand for Entrepreneurship

The sample as shown in fig 5 above showed that there is still a need for CPUT to create an option for graduates to decide on career paths by offering alternate education, such as engineering specialist program as well as an engineering entrepreneurial program.

All graduates do not have the same job opportunity due to the government's commitment to normalise the imbalances of the past. There are many jobs in industry but few skills to take advantage of this opportunity. Graduates agree that engineering is critical to support a growing economy but engineering entrepreneurship provides the alternative to the problems in the job market. And even within industry, graduates have a diverse set of skills and are therefore more employable than other engineers. As shown in fig 7 below, there is a strong consensus regarding the relevance of engineering entrepreneurship.

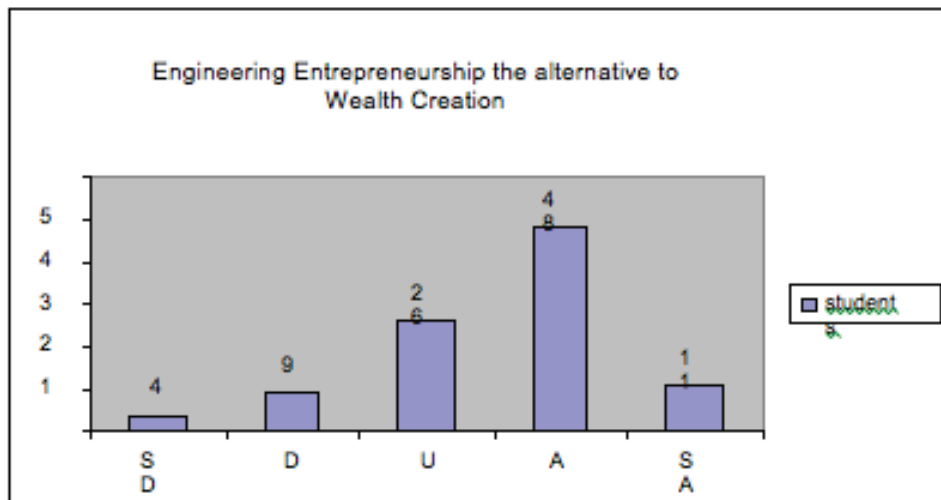


Figure 6: Alternative to Industry Job

Conclusion

The engineering education system at CPUT, does not encourage entrepreneurship as a career option, it is perceived as a replacement for joblessness. This could be why entrepreneurship is perceived as the creation of a new venture, while perhaps that is not the case. Could it be the outcome of entrepreneurship activity leads to new ventures? Engineering culture does not permit alternative thinking.

Entrepreneurship is relevant in a changing society and engineers have a role to play in job creation and developing sustainable endeavours. Engineers no longer control technical change, technology enforces technical change and engineering must be restructured to compete in a fast changing high technical environment. Albeit that technology dictates the pace of change, engineering underpins the existence of society and it is thus incumbent on CPUT to drive projects and student thinking to absorb and understand the new dispensation.

Engineering entrepreneurship is relevant in South Africa and student has identified the need for this new way of thinking. That entrepreneurship is the science of starting new ventures is not a closed subject, it could be that entrepreneurial activity stimulates new venture creation or perhaps that the output to applied research could lead to the creation of a new venture.

Entrepreneurship must be related, directly or indirectly, to alternate thinking. Engineers must develop a set of skills to manage business challenges. These sort of skills are generic to business thus and not new venture creation. Engineers develop artifacts and if commercialised, will yield a value, this is called business.

At CPUT students have developed artifacts as part of the final year project. Nothing had been done to develop an interest in technology transference save two projects. The amount of intellectual capital is wasted in the artifact because the concept of bootstrapping and discontinuous research is a foreign concept to many academics.

Although the demand for engineering entrepreneurship is huge in the faculty, decisions are based on academic ignorance as opposed to student demand, a fundamental business principle that academics don't understand.

South Africa require all the help it can get to continue to grow a healthy economy and HEIs are charged with responsibility to produce market leader to mobilise creativity and innovation. These engineers have the ability and the tenacity to effect change but the old senior engineers fails to see a changing engineering landscape and undertakes to stick to analogue thinking in a digital age.

John Hamm (2003) says that engineers must be trained to relent single-mindedness, working in isolation, being task oriented if they would fit into a world of creativity, innovation and entrepreneurship.

Engineers with entrepreneurship ability are a sort after commodity, one that should be nurtured from SEI level through HEI and into industry. CPUT must develop strategy to level the playing for students and help develop competence for all South Africans.

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