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THE ROLE OF SOCIAL NETWORKS ON THE ENTREPRENEURIAL DRIVE OF FIRST GENERATION EAST AFRICAN ORIGIN ENTREPRENEURS IN THE SEATTLE AREA

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Abstract

It has been long believed that social networks influence entrepreneurial drive. They give access to resources that are hard to get through formal channels. However the findings of this study show that despite a strong social network relationship, exchange of business information and material resources among first generation East African Entrepreneurs in the Seattle area is very limited. To avoid competition among co-ethnic members, entrepreneurs do not discuss how they identified the business opportunities and as individuals how they draw resources. Moreover there is no evidence that shows the first generation East African Entrepreneurs possess ethnic self help institutions and associations nor have individual ties that provide access to training, credit, capital and information. Entrepreneurs valued the positive role of cultural factors: strong saving tradition, persistency and desire for income continuity in their entrepreneurship derive.

Key words: Entrepreneurship, Immigrant networks, East African, Seattle, Social networks.

Introduction

The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise. The term entrepreneurship may cover the creation of new enterprises, innovation and even the management of new enterprises (Mosted, 1991). Thus entrepreneurship can be viewed in its essence to be individuals or teams creating works, such as products or services, for other people in the market place (Mitchell and Morse, 2002).

Entrepreneurs require information, capital, skills, and labor to start business activities. While they hold some of these resources themselves, they often complement their resources by accessing their contacts (Cooper, Folta, and Woo, 1995; Hansen, 1995). Entrepreneurs are often confronted by problems associated

with obtaining credit and financing the business, as well as with having the requisite managerial and technical experience that facilitates success. Entrepreneurial immigrant groups have been found to follow the path of preserving ethnicities and forming enclaves of entrepreneurial activity based on family cohesion, trust relations, common language cultural and life habits (Raijman and Tienda, 2000). The ethnic networks provide entrepreneurs with business contacts, advice and training and capital loaned through informal financial markets. As mentioned above, entrepreneurial networks help to bring firms more resources. More resources help to achieve higher performance. Higher performance in turn motivates network formation. However, the analysis of social networks has been of the “direct relationship between social networks and entrepreneurship and not the relationship between social network and Entrepreneurship through resource” (Jenssen and Koenig, 2002, P.1040).

Raijman and Tienda (2000) argue that several residentially concentrated groups, like Mexicans and African Americans, exhibit low rates of business ownership while residentially dispersed groups, like Asian Indians, have high rates of entrepreneurial activity. Moreover Dalin (2005) mentioned that business start rates are still lower for African-Americans than other racial or ethnic groups. Because of group differences in the distribution of ethnic resources, several authors suggest that the lower rates of business ownership of blacks and Mexicans have been explained by their lesser ability to mobilize business resources through ethnic ties (Waldinger, 1995; Rough, 2001; Lee, 2000). Studies suggest that whites are self-employed at the rate of 7.5%, with Hispanics at 3.9% and blacks at 2.5% (Holland and York, 2004).

The contemporary immigration of East Africans to the United States and their role in creating small enterprises has not been researched. The civil war in Somalia that erupted in 1991 and the subsequent resettlement programs have enabled families to move to Europe (Germany, Switzerland, Finland, and the United Kingdom) and the United States (Hyndman, 1999). The thirty year conflict between Ethiopia and Eritrea (1961-1991) resulted in a massive influx of refugees to the United States, Australia and Europe. The total population of East Africans in the Seattle Area is estimated at 16000 (Ethnomed, 2005). Moreover the self-employment rates are

estimated at 5.07%² which is higher than the self employment rate for Mexicans and African Americans.

The objective of this paper is to explore how the first generation East African entrepreneurs in the Seattle area able to survive and transform themselves into successful business owners, what forces played a role in the process and to explain why?

Theoretical Background

Studying characteristics of entrepreneurs' social networks may help to shed light on the new venture creation process by East African entrepreneurs and its subsequent success. Casson (1997) defines a network as a set of high trust relationships which either directly or indirectly link together everyone in a social group. Social network analysis is based on an assumption of the importance of relationships among interacting units. Social exchange or "network" theory increased among entrepreneurship researchers in the mid-1980s and extended into SME, organizational, and market research fields (Johannisson et al., 1994). Sociologists have for many years explored the resources embedded in social relations and social network structures (Kamman, 2000). Hence, entrepreneurial enterprises have been a productive area for the application of social network theory (BarNir and Smith, 2002). These studies focus mainly on Cubans, Jews, Chinese and Koreans who have made the US their home (Chung and Kalnins, 2004; Rajjman and Tienda, 2003). Presumably, each of the entrepreneurially successful groups has developed social networks and organizations that facilitate greater access to information, products and services (Rauch, 2001). According to Lee (1999), while co-ethnic supply networks were common in the Jewish and Korean communities in the US, not in the African Americans. Saxenian (1999) confirmed Lee's findings in Asian, Jewish, SriLankan, and Vietnamese Immigrant communities in Canada. Moreover, highly educated Chinese and East Indian Immigrants in California were able to create 15 international, formal and informal networks (Saxenian, 1999) and over a quarter of the new high technology ventures created in Silicon valley over the last 20 years were started by the Chinese and East Indies immigrants (Menzies et al., 2000). Several authors mentioned that social networks were used to raise funds for

² Business license and startup listings, Seattle, King County

investment (Bates, 1997; Tseng, 1995; Huck et al., 1999). Tseng (1995) found that Taiwanese immigrants in the US in the finance, insurance and real-estate industries borrow money from ethnic banks. Moreover Laguerre (1998) reported that Haitian immigrant used revolving credit associations as source of capital. However according to Huck et al (1999) African American and Hispanics relied on banks than social networks.

Kamann (1998) builds his model on network relationships around the concept of milieu that is based on the notion of constructed territory. Kamann’s “Triple plus model” combines social, economic and geographical space. Millat and Lecog (1992) distinguished between the endogenous innovative milieu and the exogenous innovative milieu. The first arises around territorial networks of small and medium sized enterprises whose economic relations are rooted in history and where certain cultural coherence can be found. The second type, exogenous innovative milieu, arises from the establishment of subsidiaries or parts of large companies in an area. Kamann’s approach is in line with our objectives. The research subject of this study can be treated as a milieu and it resembles the indigenous innovative milieu. The actors are first generation East African entrepreneurs in the Seattle area who own small and medium sized enterprises whose economic relations are rooted in history and where certain cultural coherence can be found. Furthermore the interaction of the actors in the milieu can be explained through the Triple plus method (Figure 1).

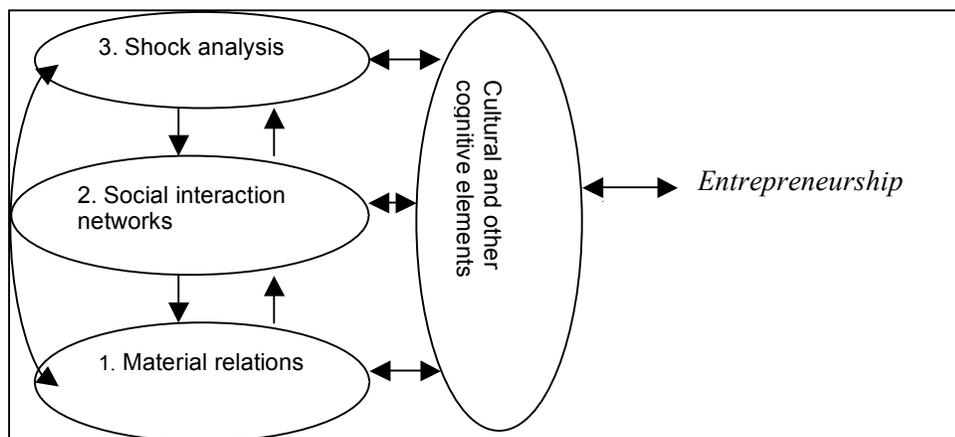


Figure 1. The Triple plus Methodology. Source: Adapted from Kamann 1998, Page. 286.

To understand the factors that influence the entrepreneurship drive by first generation East African entrepreneurs we focus on four variables (figure1). These are material relations, social networks, shock analysis and cultural and other cognitive elements. Material relations are exchange relations in the network containing material goods, services and capital flows. Social networks concern direct exchange of information, strategy formulation, and goal setting. Shock analysis includes political and economic factors that have affected the network and their threats and challenges for the entire network and individual actors. The plus focuses on cultural and other cognitive elements. It mainly concerns ideological relations among network members. It analyzes cultural variables such as saving and spending behavior, specific ways of doing business, and way of thinking about things. Figure 1, depicts the relationship among the variables.

The total accumulated knowledge supplied by all the successive variables should give an adequate answer to how entrepreneurship has become common to first generation East African entrepreneurs in the Seattle area and ultimately identify the factors that contributed to the phenomena.

Hofstede (2003) explains East Africans as societies of a more collectivist nature with close ties between individuals. The Somalis, Ethiopians and Eritrean communities in the Seattle area are built on connections. Better connections usually provide better opportunities and can facilitate access to information, motivation and material resources. But, what are the connections that enabled the first generation East African entrepreneurs in the Seattle area to build their own businesses? How do these connections lead to more effective and productive entrepreneurs? How does success emerge from the complex interactions within and between communities? A social network approach is deemed most appropriate to answer these questions. The social network approach suggests that a person's behavior is contingent on the nature and structure of social relationships, which also provides the resources and support required for entrepreneurship. Social networks, however, do not constitute the resources themselves but rather the ability of the individual to mobilize these resources on demand (Portes, 1995). As one's social network is viewed as a factor crucial to business success (Redding, 1991), the higher business ownership by East African entrepreneurs in the Seattle area can be studied as a function of entrepreneurs' social and cultural connections. Thus based on the above arguments the following two propositions are formulated.

- P1. The higher the rate of business ownership by first generation East African entrepreneurs in the Seattle area, the greater the exchange of resources in the Ethnic network.*
- P.2 The stronger the collective culture of East Africans in the Seattle Area the easier for entrepreneurs to mobilize resources from the Ethnic network.*

Method

To understand the factors that influence the higher business ownership, the researcher interviewed a number of East African entrepreneurs and members of the East African community offices in the Seattle Area. The data are used to verify the relevance of the model (figure 1) and to test the propositions formulated. The researcher learned that not much information is available about the first East African entrepreneurs in the Seattle area. Thus, to really deepen his understanding of social networks he needed to reach below the surface to understand the mechanisms and processes that influence the operation and function of social networks. This type of knowledge was likely to be achieved more easily using qualitative approaches. This research was based on an interview of 46 first generation East African immigrant entrepreneurs. The list of the first generation East African entrepreneurs was compiled from business directories, East African community trade websites and the Seattle Public Library reference section. The criteria for interview were the business should be owned by first generation East African entrepreneurs and willingness to be interviewed. Although a lack of time on the entrepreneur's side and sometimes initial mistrust created obstacles to data collection, the cultural connection of the interviewer to the East African community helped to build a reasonable level of trust. The questions were semi-structured but did not contain any leading questions. An open-ended interview was conducted with key members of each organization using a checklist to guide the interview process so that uniformity and consistency can be assured in the data. The business break down of the entrepreneurs interviewed is 18 groceries, 9 restaurants, 3 tour services, 5 beauty shops, 3 gas stations, 3 clothing shops, 3 real estate and 2 auto repair shops. However, since some grocery stores also handle

traditional home made clothes it is difficult to put clear distinction between groceries and clothing shops.

Discussion of results

The interview results show that 60% of the first generation East African entrepreneurs immigrated to the US prior to 1990. Among the 46 entrepreneurs interviewed 82% are men and 18% women (table1). However since 91% of the businesses are owned by married couples the data does not show single business ownership. It simply shows the gender of the person who was running the business during the interview. The data also shows 61% of the entrepreneurs are over 40 years old. While 33% of the entrepreneurs possess less than high school diploma or no education, 67% possess education ranging from high school diploma to Master's degree. Out of those who have high school diploma or higher 39% completed their education in the US and 57% were educated back home. Another 4% (2 entrepreneurs) received their education in some other country prior to their immigration to the US. Some of the entrepreneurs who studied back home completed their studies in languages other than English.

Table 1. Demographic Characteristics of Entrepreneurs n=46

| Gender | Frequency | Percentage |
|---|------------------|-------------------|
| Male | 38 | 82 |
| Female | 8 | 18 |
| Age | | |
| Below 20 years old | 0 | 0 |
| 20- 40 years old | 18 | 39 |
| 41 - 60 years old | 28 | 61 |
| Over 60 years old | 0 | 0 |
| Marital Status | | |
| Married | 42 | 91 |
| Single | 4 | 9 |
| Divorce | 0 | 0 |
| Level of Education | | |
| Less than high school or none | 15 | 33 |
| High school diploma | 10 | 22 |
| Vocational/technical degrees | 6 | 13 |
| Associates degree (2-yr college degree) | 9 | 20 |
| Bachelors (4-5 yr college degree) | 3 | 6 |
| Master's degree | 3 | 6 |
| PhD or advanced professional degree such as MD, JD. | 0 | 0 |
| Place where diploma received | | |
| In the US | 18 | 39 |
| Back home | 26 | 57 |
| Some other country | 2 | 4 |

| | | |
|---|----|----|
| How do you characterize your integration to the US culture? | | |
| Very easy | 6 | 13 |
| Easy | 10 | 22 |
| Somewhat easy | 4 | 9 |
| Somewhat difficult | 8 | 17 |
| Difficult | 14 | 30 |
| Very difficult | 4 | 8 |
| Did you get assistance during your integration to the US Culture | | |
| Yes | 36 | 78 |
| No | 10 | 22 |

Source: Interview 2005-2006

While those with higher level of education are engaged in businesses such as real estate, gas station franchise operations and tour service those with lower level education run groceries and restaurants. The integration to the US culture was much easier to entrepreneurs who immigrated after acquiring education back home than those who did not.

Material relations

Access to financial resources

The data shows that 98% of the first generation East African entrepreneurs interviewed in this study immigrated to the US as refugees and they did not have the means to finance their businesses. During the interview 92% of the entrepreneurs reported that personal saving was the main source of business financing (table 2). While 13% of the entrepreneurs supplemented personal saving with bank credit, none of them used bank credit alone for business financing. Lack of sufficient credit history, collateral requirements and religious factors were mentioned as reasons that hindered the first generation East African entrepreneurs from getting bank credits. Some entrepreneurs mentioned that there is a negative attitude towards credit in the East African business culture and entrepreneurs are not comfortable with large loans to grow a successful business. Hence, entrepreneurs prefer to open businesses with private financing rather than depend on credit. The objective is to limit the liability in case the business fails. However the data shows that those who supplemented personal saving with bank credit were able to start businesses that require higher investment.

Field notes. "I don not like credit at all. I always want to limit the business risk to my savings. When I go down I do not want to hurt others".

Most of the first generation East African entrepreneurs worked two jobs to raise the money required for investment. Their private savings enabled them to expand into underserved markets, mainly the Rainer Valley and Central Area where they can establish businesses at low start up costs. Among the 46 entrepreneurs interviewed only 7% received financing help from friends and families. Credit among entrepreneurs is very Limited (table 2). In East Africa, entrepreneurs often contribute to revolving credit associations called "Ekub" or "Edir". In these rotating credit associations, members are willing to loan money to others. If a member of a credit association refuses to make future payments to others after receiving a loan, others could take him to a court and get their money back. The researcher found no evidence that shows the first generation East African entrepreneurs in the Seattle area used "Ekub" or "Edir" to raise money for investment.

Table 2. Material Relations among entrepreneurs n=46

| Problems encountered during business startup | Frequency | Percentage |
|---|------------------|-------------------|
| Lack of finance/Credit | 39 | 85 |
| Lack of education/License | 0 | 0 |
| Lack of expertise in the business area | 4 | 8 |
| Lack of skilled employees | 0 | 0 |
| Lack of space/outlet | 7 | 15 |
| Lack of customers | 35 | 76 |
| Any other | 2 | 4 |
| Startup Capital | | |
| <100,000 | 36 | 78 |
| 100,000-250,000 | 5 | 11 |
| 251,000-500,000 | 5 | 11 |
| 501,000-1000,000 | 0 | 0 |
| Source of start up capital | | |
| Personal saving only | 33 | 72 |
| Personal saving and bank credit | 6 | 13 |
| Bank credit only | 0 | 0 |
| Credit from family members | 4 | 8 |
| Personal saving and credit from family members | 3 | 7 |
| Bank credit and credit from family members | 0 | 0 |
| Any other source, please specify | 0 | 0 |

Source: Interview 2005-2006.

Enterprise development

While some of the entrepreneurs opened their businesses outright, others were operating from home. The home based shop owners reported that they worked during the day and sold cultural clothes and Jewelry from home during the evenings. By doing this they avoided outlet rent and were able to do business at their convenience. The low cost advantage means less start up capital is required to run this business. The home based businesses were also used to test if the business really works. Later the home based business transformed themselves into full-fledged shops and traded items in large-scale. These shop owners complain that home based shops take business away from them.

Concluding remarks: Apart from a limited support from close family networks the East African entrepreneurs neither utilizes ethnic self help institutions and associations nor have individual ties that provide access credit capital. Hence private saving played a major role in raising business start up capital.

Social networks

Access to information

The network relationship among East African entrepreneurs is divided into family and social networks. Personal network relationship among the East African community in the Seattle area is strong and provides a means of long term support to immigrants. During the interview 83% of the entrepreneurs reported that they have “close” and “very close” relationship with their families (table 3). After they arrive in the US, Immigrants can get short term help in terms of food, finance and shelter from families in the US. During the interview 78% of the entrepreneurs mentioned that when they first came to Seattle they received assistance mainly from family members in the Seattle area (table 1). However, later the East African immigrants also collect information regarding job opportunities and the general social environment from others who have preceded them. The latter usually helps

the new East African immigrants to build social relationships with fellow countrymen in the US who are not family members.

Table 3. Exchange of Information among Entrepreneurs n=46

| Source of current Entrepreneurial Opportunity | Frequency | Percentage |
|--|-----------|------------|
| I worked in a similar business concern | 10 | 22 |
| Just my self | 32 | 70 |
| Friends | 1 | 2 |
| Family | 1 | 2 |
| By accident | 2 | 4 |
| If you need information about new business opportunities whom would you turn to? | | |
| Small business administration | 3 | 7 |
| Asians | 8 | 17 |
| My accountant | 32 | 69 |
| Internet | 3 | 7 |
| Have you had any chance to connect socially with other entrepreneurs from your country? | | |
| Yes | 41 | 89 |
| No | 5 | 11 |
| Do you have a partner in your business? | | |
| Yes | 2 | 4 |
| No | 41 | 96 |
| How do you characterize your connections with your families or extended families back home? | | |
| No relationship | 4 | 9 |
| Some what close | 4 | 8 |
| Close | 26 | 57 |
| Very close | 12 | 26 |
| Extremely close | - | - |

Source: Interview 2005-2006

Exchange of business information among the first generation East African entrepreneurs is very low. While 89% of the entrepreneurs mentioned that they often socialize with other first generation East African entrepreneurs, only 2 reported that friends and family members were the source of the current entrepreneurial opportunity (table 3). Moreover 70% of the entrepreneurs told the interviewer they themselves were the source of the business idea that resulted in opening of the current business. Competition among entrepreneurs was mentioned as a reason for information withholding. Most of the businesses target the East African community and to avoid competition among co-ethnic members, entrepreneurs do not discuss how they identified the business opportunities or how they draw resources. To the contrary, first generation East African entrepreneurs often cross ethnic lines and ask entrepreneurs from other countries for business information. During the interview 17% of the first generation East African entrepreneurs mentioned that they received business information or advice from

Korean and Vietnamese entrepreneurs in the Seattle area (table 3). Many of the entrepreneurs in this group are engaged in beauty supply shops, hair salons travel service and real estate.

Field notes. *“I had a plan to own my business but I did not know what type of business to start. One day I visited a nearby beauty supply shop. I observed the person who was running the shop had language problems and customer service was very poor. I asked my self if he can do it why not me. Later I opened a beauty supply shop. Since I did not have an experience in the beauty supply business I asked a Korean beauty supplies shop owner for advice and that helped me a lot”.*

If they need information 69% of the entrepreneurs said they would contact their accountants (table 3). Most of the accountants the entrepreneurs deal with are not East Africans.

Access to training

Although 22% of the entrepreneurs had prior experience in businesses similar to the ones they have now, 70% of the entrepreneurs learned about their current businesses after they arrive in the US (table 3). Many of the entrepreneurs in the latter group, except few who run businesses that require professional licenses, worked as employees for at least five years, mainly in low pay jobs, before they opened the current business. This is inline with Borjas (1986) findings that the greatest prosperity of self employment among immigrants, relative to natives, occurs five years to ten years after immigration. Hence, they often start the business after they settle down and possess skills that enable them to form an enterprise from the ground up.

Support from Ethnic based organizations.

First generation East African entrepreneurs in the Seattle area are organized in communities. The community offices provide a platform for East Africans to socialize and help in settling refugees. However the study found no evidence that the community offices facilitate entrepreneurship. The entrepreneurs reported that the driving factor for opening a business is their desire to guarantee income

continuity. Many of the entrepreneurs told the interviewer they left their jobs to start business.

Field notes. *“After I studied English language for seven months I decided to be a nursing assistant. However I set a goal to myself to work as nursing assistant for three years only and there after to open my own business. I opened my business two and half years later”.*

This is inline with Toussaint-Commeau’s (2005) argument that the longer an immigrant resides in the US the more he/she is financially assimilated into the new society, which often coincides with a greater willingness or to be self employed.

Partnership in Business

Business ownership with other partners is not common with first generation East Africans entrepreneurs in the Seattle area. While as many as 10% of the enterprises started with partners, currently only 5% retain that status. The reasons given for failing partnerships were conflicts of interest and shirking.

Field notes. *“I used to have a partner when I started my business. Later I took over the whole business to my self. I did it once and I am not going to do it again”.*

To avoid conflict and damage in social relationship that may emanate from failure in partnership, East African entrepreneurs prefer sole ownership.

Concluding remarks: East African social and family networks play a critical role in the adaptation processes of immigrant entrepreneurs; however, there is no evidence that shows they played any role in fostering exchange of business information among entrepreneur and in creating access to training. Moreover due to high potential of conflict in interest and shirking entrepreneurs refrain from having partners in business.

Shock analysis

Shocks created by negative developments in East Africa

The civil war in Somalia, the border conflict between Eritrea and Ethiopia and recently the political conflict in Ethiopia have created divisions among the East African community in the Seattle area. These incidents in East Africa transcend borders and create division and conflict among the different groups. During the interview 67% of the entrepreneurs reported that these incidents weaken cooperation among East African entrepreneurs in the Seattle area. Moreover real-estate entrepreneurs in particular mentioned that political crises back home affects their customer base in Seattle. Political instability and harsh economic incidents in East Africa have financial implications on first generation East African entrepreneurs in the Seattle area. While 78% mentioned remittance to families at home as a factor that undermines their reinvestment capacity, 60% reported that politics/war create emotional instability (table 4). Many first generation East African entrepreneurs send money to families back home. When there is drought or war the remittance increases significantly and eventually puts strain on entrepreneur's investment capacity.

Table 4. Factors concerning shock analysis n=46

| Political and economic factors back home that affect your business in the US | Frequency | Percentage |
|---|-----------|------------|
| Remittance | 36 | 78 |
| Politics/war | 28 | 60 |
| Draught | 33 | 72 |

Source: Interview 2005-2006

Shocks created by negative developments in the US

First generation Somali entrepreneurs in the Seattle area have mentioned that September eleven created another shock to them. US government investigation into their business activities led to low customer confidence and eventually loss of customers. Moreover some grocery owners complained that new city zoning policy disturbs alcohols sales and forces them to relocate their long established businesses.

Field notes. *“Currently the Seattle city administration is expanding the alcohol free zone. Although I am far way from the city, the regulation includes my location and I am afraid that I may be out of business”*.

None of the entrepreneurs cited problems related to getting licenses to start a new business.

Concluding Remarks: The discussion above shows that almost all first generation East African entrepreneurs in the Seattle area face shocks. Unfavorable political and economic conditions in East Africa limit reinvestment capacity hinder cooperation among entrepreneurs and weaken their customer base. Moreover political developments in the US also weaken the level of trust between Somali entrepreneurs and their customers.

The plus: Cultural and other cognitive elements

Economic and cultural factors acquired back home

First generation East African entrepreneurs in the Seattle area were asked if they recall any culturally based values they acquired back home which have implications on the successful creation and growth of entrepreneurial ventures in the US. Strong saving capacity (74%), home cooking (47%) and persistency (63%) were mentioned as the main factors that contributed to business ownership. Prior to their immigration to the US the first generation East African entrepreneurs learned how to live with meager resources. This culture helped them to minimize expenses and promote saving when they arrived in the US. Culturally, home cooking and minimizing restaurant visits is considered key to promote saving. The culture of persistency also mentioned as a factor that guarantees business continuity. Many of the entrepreneurs mentioned that even during hard times, when the business is losing money, they always opt for keeping the business going.

Economic and cultural factors acquired in the US

Entrepreneurs were also asked to name any cultural behaviors that they developed in the US and have found useful in their success as entrepreneurs. Customer relationship skills and working long hours were mentioned as major factors. During the interview 76% of the entrepreneurs explained that once they opened their business their major challenge was how to serve customers effectively (table 5). Although politeness and respect to others are well recognized in the East African culture, entrepreneurs mentioned that customer relationship in the US requires advanced customer skills. According to the entrepreneurs the need for advanced customer service skills in the US called for a culture that they never had and they needed to learn it as fast as possible. Many entrepreneurs, 82%, told the interviewer they learned how to build customer relationship skills after they opened their businesses (table 5). Entrepreneurs also indicated that because of lack of customer service experiences in their dealing with customers in the Seattle area they were labeled as arrogant. While 41% mentioned they learned individualism, 58% reported they learned working long hours in the US.

Table 5. Cultural and Cognitive factors, N= 46

| Cultural factors from your home countries that have positive or negative impact on entrepreneur's success in the US? | Frequency | Percentage |
|---|-----------|------------|
| Saving | 34 | 74 |
| Persistency | 29 | 63 |
| Home cooking | 22 | 47 |
| Respect for others | 8 | 17 |
| Cultural factors acquired in the US that have positive or negative impact on entrepreneur's success in the US? | | |
| Individualism | 19 | 41 |
| Customer service skills | 38 | 82 |
| Hard work | 27 | 58 |
| Cooling Mechanism | 9 | 20 |
| Legal interference in family life | 6 | 14 |

Source: Interview 2005-2006.

Concluding remarks: The research results indicate that East African entrepreneurs benefited from their economic and cultural background. While strong saving tradition gave them an opportunity to raise start up capital, persistence and need for income continuity contributed to entrepreneur's business survival. However remittance has negative effect on investment.

Conclusions

Before moving into our conclusion first we will identify areas that could improve the findings of this research. First, the interview includes entrepreneurs from only three out of seven possible countries in East Africa. Second, the interview is limited to first generation East African entrepreneurs in the Seattle area. Thus there is a need to conduct a comprehensive, regional or global, research for understanding other economic and cultural variables of first generation East African entrepreneurs and their impact on entrepreneurship drive. Other researchers can use the factors identified in this study as a basis to develop a questionnaire for a regional or global survey of East African origin entrepreneurs. Each factor could be posed to the respondents as a potential factor that influences their entrepreneurship drive. Their responses could be along a Likert scale (5 or 7 points) from "not important" to "more important factor." Then, responses could be factor analyzed to see if the statistical results match the results in this study or whether some new underlying factors emerge from the survey. Such research can lead to significant changes in the social, political and economic contexts for immigrant and minority groups. Furthermore it will open avenues for further research, and for the continued development of support institutions that will encourage future entrepreneurial networks of immigrants and minority groups.

Although the study is based on specific groups of first generation East African entrepreneurs in the Seattle area, the findings contradict the common generalization by many researchers in entrepreneurship that ethnic social networks are often a source of resources to entrepreneurs. Our findings indicate that ethnic social networks can exist simply for socialization purposes with little effect on the entrepreneurship drive of the members of the ethnic group. The social networks can even be dysfunctional because of competition among businesses owned by the members of the social network. The evidence below supports this argument.

The first hypothesis that states *the higher the rate of business ownership by first generation East African entrepreneurs in the Seattle area, the greater the exchange of resources in the Ethnic network is not confirmed in this study.*

Apart from a limited support from close family networks the East African entrepreneurs neither utilizes ethnic self help institutions and associations nor have individual ties that provide access to credit capital, information and training. Private saving played a major role in raising business start up capital. Thus, our

findings indicate that although the first generation East African entrepreneurs in the Seattle area have been benefited from their economic and cultural backgrounds there was little exchange of resources in the ethnic network. The research results indicate that while remittance have a negative effect on business expansion, cultural factors such as personal saving, need for income continuity and persistence influenced the entrepreneurship drive by East African entrepreneurs. The study reveals that 92% of the entrepreneurs raised money for investment through personal saving. Moreover 74% reported that they benefited from the strong saving tradition they learned back home. In the East African culture home cooking and avoiding restaurants is considered key to promote saving.

The second hypothesis that states the stronger the collective culture of East Africans in the Seattle Area the easier for entrepreneurs to mobilize resources from the Ethnic network not confirmed in this study.

Although 89% of the entrepreneurs socialize with other entrepreneurs only 2 entrepreneurs (4%) mentioned that they received business information from friends. Competition among entrepreneurs is blamed for the low level of cooperation and exchange of information among entrepreneurs. Moreover, apart from family networks, there is no evidence that shows the East African entrepreneurs utilize ethnic self help institutions and associations or have individual ties that provide access to training credit capital and information. Entrepreneurs can gain a lot from cooperation. Placing a combined order could lead to lower prices and help them enjoy competitive leverage over competitors. Besides, the first generation East African entrepreneurs should learn how to diversify into businesses that target beyond the East African Community in the Seattle area. This will help them to expand their customer base, minimize competition, build trust and foster cooperation.

Kamman's (1998) model has been useful in identifying the factors that influence entrepreneurship. However, despite the strong social network relationship among East African entrepreneurs in the Seattle area, there is no evidence that shows the social network helped them to generate resources. Thus our findings lend support to Granovetter (1985) argument that individuals may have an effective attachment to each other for its own sake.

The study reveals that the first generation East African entrepreneurs in the Seattle started businesses five to ten years after immigration. This suggests that in part, the entrepreneurs many have benefited from an assimilation of information or information accumulation processes. Thus, policy initiatives that promote entrepreneurial training and provide assistance could help to increase the success of East African entrepreneurs in the Seattle area. For instance it might be feasible for Eastern Washington University at Bellevue to offer a short term courses or workshops in entrepreneurship to help people get started, learn about sources for resources, and explore different business ideas and different business models.

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The Effects of Economic Transition on Chinese Entrepreneurship

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The Effects of Economic Transition on Chinese Entrepreneurship

ABSTRACT

The environment is an important initial factor in influencing the strategy, structure, and processes of any organized endeavors, including entrepreneurial startups. Some researchers suggest that the socio/political environment may be so powerful as to create or destroy entrepreneurship in a country. By applying social cognitive theory to entrepreneurship, previous research demonstrated how environmental dynamism and hostility significantly discourage entrepreneurial outcomes in transitional economies. Recent changes in China have made entrepreneurial behaviors legitimate and thus promoted the founding of new ventures. The transition of China from planned economy to a market-based economy represents a major paradigm shift and during which substantial improvement has occurred in the political, legal, and administrative environment to meet the needs for new economic structure. This paper provides empirical evidence of how environmental changes in China may support a climate that facilitates the birth of new entrepreneurial ventures. Also addressed is the important role that entrepreneurial self-efficacy plays in process of entrepreneurial outcomes.

Key Words: Entrepreneurship, Self-Efficacy, China

One consequence of the economic reform programs in planned economies, such as the former Soviet Union, China, and other Eastern European countries, has been a substantial change in environmental conditions associated with the creation of new ventures. This has been true to such an extent that Johnson and Loveman (1995) have argued that the creation of new business through entrepreneurial development is the principal source of economic renewal at the enterprise level in transitional countries. Among transition economies, China may provide process that uniquely supports new venture creation.

In contrast to the “back to zero” approach exhibited in countries such as the former Soviet Union, in which the entire prior economic system is broken down and a market economy structure built, China seeks to integrate a market-driven economic structure in its previously centrally-planned economic system step by step, resulting in a “soft landing.” Recent statistics strongly support China’s approach. Since 1979, the Chinese economy has experienced growth of over eight percent a year (Bruton, Lan, Lu, & Yu, 2000). This rapid economic growth, combined with the fact that the nation has an estimated twenty-five percent of world’s population, makes China an emerging economic giant (Bruton, et al., 2000). China’s entry to the WTO is expected to fuel the speeding economic growth. Despite the probability of periodic corrections, most observers expect this rapid growth will continue. China will continue to be of increasing importance to the future global marketplace (Ralston Holt, Terpstra & Kaicheng, 1999). Some scholars predict that the 21st century will see China emerging as the world’s largest economy (Leonard, 1997). Undoubtedly, these positive environmental factors provide a warm “bed” for Chinese entrepreneurs to be born.

Of course, as with the other transitional economies, China has also faced a combination of factors such as resistance to change in their prevailing bureaucratic- administrative business culture, underdeveloped legal and financial infrastructure, considerable administrative discretion and corruption by some government officials, restrictive taxation, high interest rates, and a lack of management expertise and skills (Connor, 1991; Kaser, 1995; Kornai, 1995; Luthans, et al., 2000). Thus, it can be expected that environmental context also partly impedes new venture creation in China.

Because an entrepreneur exists within a complex matrix of social interactions within an even larger context of community, society, and culture, Carsrud & Johnson (1989) see the entrepreneurial process as a response to environmental

conditions. Aldrich & Wiedenmayer (1993) suggest that the sociopolitical environment may be so powerful as to create or destroy entrepreneurship in a country. Stinchcombe (1965) argues that environmental forces significantly affect organizations during their emergence, constraining and imprinting the new form in distinctive ways.

The environmental changes in the recent twenty years in China have made entrepreneurial behaviors legitimate and thus promoted the founding of new ventures. While the transition from China's planned economy to a market-based economy represents a major paradigm shift, rapid changes and substantial improvement have occurred in the political, legal, and administrative environment in order to meet the needs for new economic structure. This paper attempts to identify and analyze the effect of China's political, economic, legal, and cultural environment on the Chinese new venture creation and then examine the role that entrepreneurial self-efficacy may play in the relationship between this external context and new venture start-up.

Political Environment

The Chinese Communist Party (CCP) was built by a few young and idealistic students in 1921, who sought to establish a new China in order to rescue the people from the "deep water and fiery fire" (poor living conditions and high compression). These same idealists became the Chinese Party leaders in 1949. The newly built, complex Chinese political system combined the rich culture and history of the country with a similarly deep-rooted feudal political and social heritage (Hodgetts & Luthans, 1996).

Since that time, Chinese society has experienced a pattern of "ups and downs" or "speed-ups and slow-downs" as it adjusts and readjusts on the political, economic, and business scenes. This "bumpy ride" has been due in large part to the poor fundamentals resulting from the previous underdeveloped economy and a lack of managerial knowledge and skills in CCP members (Schermerhorn and Nyaw, 1990). A broad array of political struggles (Chinese people defined as "the Massive Movements") such as "the Great Jumping," "Fighting the Left," "Fighting the Right," and the worst, "the Cultural Revolution," resulted in a long series of consolidations in Chinese politics and economics. Over time, the communist ideology became seriously distorted even for those who used to be very loyal to the CCP, and particularly for those who suffered during any of "Massive Movements." Moreover, outrage over the Tiananmen Square incident in Central Beijing on June 4, 1989, weakened support from the international community.

Along with the changes in CCP leadership came political diversity. Since 1979, a new age headed by Deng Xiaoping started with redirecting government focus from politics to economic development. This change in focus led China into an “open-door” policy, which dramatically sped China’s economic development and brought China into the global market stage. Consequently, Chinese enterprises have had to face the pressure to increase productivity and business performance (Schermerhorn, 1987).

The Chinese economic system that is encouraging post Marxist-Leninist reform is characterized by the independence of government and economic enterprises, and has led to a uniquely Chinese form of capital (Leonard, 1997). Even though there still is a socialist suit on the body, the political essence has already been changed to market-based development. For example, China’s entry into WTO, an issue that China struggled with for thirteen years, clearly demonstrates the political leaders’ determination for economic development. However, because the heritage of face-saving, connection, and private interest are still ingrained in Chinese politics, the current leaders understand that it is treacherous for them to use internal power to destroy existing political patterns too quickly. Therefore, the leaders promoted the WTO issue to “open the door, let the wolf come in” to use external power to weaken entrenched internal coalitions which resist the economic reform. For doing this, they have earned extra credit from the majority of the Chinese population.

Even though the general enterprise still maintains an internal authority structure parallel to the communist party (see Figure 1), the essence of the economic structure has dramatically changed in the power system. The directors or managers of the enterprises, who substantially run the factories, have the real power.

The previous party cadre members have gradually lost control of the core economic operations and their power is on the wane. Particularly in the southern part of China, political influence on both personal life and business has been limited or absent since the China’s open policy in 1978. People in this area shifted their interest from politics to profit-seeking business. Work centrality has clearly become market-based business development. For example, the per capita GNP of Candon Province is the same as that of France. Owing to high

Figure 1. Parallel internal authority structures in the traditional Chinese industrial enterprise

Worker's Congress

Enterprise Party Committee

| | | |
|--------------------------|------------------------------|----------------------|
| Factory Director | Typical decision involvement | First Secretary |
| Management Cadre | - production targets | Party Cadre |
| Work Group Leaders | - work incentives | Party Group Leaders |
| Workers | - promotions | |
| | - pay raises | |
| | honors & recognition | Worker Holding Party |
| Membership | - employment | |

(Source: Schermerhorn & Nyaw, (1990) "Managerial leadership in Chinese industrial enterprises.")

independence of business operations, less political influence from the central government, and geographical advantage (close to Hong Kong and Taiwan), entrepreneurs have been mushrooming in the last twenty years and have become the mainstream of economic growth. These developments suggest the following:

Hypothesis 1. The frequency of new business start-ups in China is inversely related to the strength of political influence.

Hypothesis 2. The frequency of new business start-ups in China is positively related to the freedom of business conduct.

Legal Environment

The practices of the past, such as the dominance of personal over institutional control in politics and lack of organized democratic forces, made the reconstruction of the political and economic environment at best contradictory and inconsistent, and at worst chaotic and destructive (Luthans, et al., 2000). The ongoing political and economic reforms in China have been changing the traditional administrative, bureaucratic structures to private ownership. Thus, the structural heritage of socialism is in many ways fundamentally incompatible with new market changes, which make reform a partial and lengthy process (Luthans, et al., 2000).

Despite new forms of economic activities now allowed by state authorities, the post communist governments (many of which consists of the same people and same thinking, only with change rhetoric) still have countless administrative and ideological instruments to control not only the state, but also the private sector.

The conflict between a new political and economic reform construct and old ideological instruments results in the absence of well-designed policies and infrastructure to support the private sector and often forces fledgling entrepreneurs to quit their business early on (Luthans, et al., 2000).

Peng & Heath (1996) argue that the necessary legal framework of a market economy such as well-defined property rights is still lacking in transition economies. Without a legal regulatory framework, both efficiency and equity are adversely affected and crime and corruption are encouraged. Therefore, potential entrepreneurs may believe that the new system is not on their side because they are not protected from the powerful old party holdovers and new criminal outfits (Luthans, et al., 2000).

Merrifield (1991) claims that in a socialist redistributed economy, state banks and official sources of credit generally offer loans more on the basis of political rather than economic considerations. The legitimacy and legality of entrepreneurial development become a privilege that must be bought by illegal bribes and expensive forms of compliance. Li Ruihuan, the Chairmen of Central Political Consulting Committee, pointed out that China still has many officials who use their personal discretion over the law in judging and solving economic disputes. Even though commercial laws, such as those guiding domestic and international contracts, joint ventures, and sole investment, have been reformed and formally adopted for a long time, local protectionism still exists in many parts of China, particularly in the remote areas. Some lawyers who investigated for court cases in these areas are often blocked or even physically harmed.

The central government in China is not unaware that the conflict between the ideological needs for new economic structure and the existing ideology embedded in the old economic system impedes the economic development. A large number of emerging economic criminal structures with state power have been in the court systems. Many high-ranking officials across the whole country of China have been sued for taking illegal bribes and other unearned money. The Chinese central government realizes that the turbulence of economic development, enhanced by the globalization and competition, is challenging the both the political and economic system to “feed” the fledgling Chinese entrepreneurs in order not to be “eaten” by the Western “wolves”.

A significant achievement of the central government in the recent years has been attacking smuggling. One case, investigated by Prime Minister Zhu Rongji, involved 2000 people in Xiamen (the largest smuggling ring in Chinese history),

including auditors, lawyers, police, and court officials, eventually led to the jailing of more than 500 high ranking officials. A clean and fair business environment encourages Chinese entrepreneurs.

A basic requirement for entrepreneurs to conduct business is autonomy or freedom. Entrepreneurs need to use their own discretion over resources to seize business opportunities. Moreover, aspiring entrepreneurs need to have the freedom to “pitch” their new ideas to capital holders for financial support, who are critically important for entrepreneurs because capital holders are always looking for the most profitable business. In addition, entrepreneurs require protection from the illegal activities of others that reduce the incentive to choose business ownership. While still early, there are indications that the Chinese government is pursuing legal policies that impact both business discretion and protection. Enforcing commercial law and reducing personal discretion over legal issues may facilitate Chinese entrepreneurship, suggesting that:

Hypothesis 3: The frequency of new business start-ups in China is inversely related to the degree of personal discretion allowed in the interpretation of commercial laws.

Hypothesis 4. The frequency of new business start-ups in China is inversely related to the strength of illegal business activities

Cultural Environment

Entrepreneurship has not enjoyed a high standing in the Chinese socialist regime (Armstrong, 1983). The previous Chinese power system placed a particularly strong emphasis on officially recognized ranks. In the socialist culture, persons involved in commerce were held in low esteem. Even more seriously, private business in China used to be considered as the “tail of the Capitalism,” which was regarded as one of the most serious anti-revolutionary criminal activity.

For almost 40 years, the Chinese government has provided its citizens with a comprehensive social safety net with universal access to health care, education, and employment. A whole array of goods and services (including housing and utilities) were provided either free of charge or at subsidized prices. The population has become accustomed to accept many features of this system as granted rights or the “Iron bowl.” A specific work culture was formed that linked expected employment security with a low level of effort, along with modest material expectations. Since 1978, the Chinese government has transferred its employment focus from politics to economic development. A series of policies, regulations and strategies aimed at speeding up economic growth were issued and greatly

motivated the national workers and farmers to work hard for more profit. Farmers began to cultivate their own fields and workers were not protected with the “Iron Bowl” any longer.

The size of unemployment in China has also influenced new venture creation. China has three distinct classes of business that operate in different institutional environments: state business, joint ventures, and village and township enterprises (Bruton et al., 2000). The state businesses, or state owned enterprises (SOEs), dominate the heavy and strategic infrastructure industries. China’s SOEs employ over 110 million workers, approximately the same number as the entire work force of the United States (Bruton, et al., 2000). However, China’s SOEs, like most state-run enterprises throughout the world, are in extremely weak financial condition and at least 60 percent of them are losing money (Bruton et al., 2000). Currently, the central government is pursuing a policy to withdraw its involvement in the existing state-owned enterprises. An estimated 20 to 30 million of workers in the SOEs are considered unnecessary resources for production. This labor surplus must be redistributed in order to restore the financially troubled firms to the acceptable and sustainable performance levels.

Even though CCP’s legitimacy rests on protecting workers, a large number of prior employees have been removed from their posts. Large scale downsizing (50% downsizing within three years) in governmental offices has also resulted in displaced workers. Many of these displaced or underpaid workers began to explore new challenges by exploiting the resources available to them. Many of them become small business entrepreneurs. Increasingly, to improve employment, the government has provided necessary conditions for enhancing and facilitating them to be re-employed or to start their own private businesses. For example, Chinese government holds an array of conferences under the title of “Entrepreneurship” in order to motivate more entrepreneurial development. In today’s Chinese culture, persons involved in business have been receiving more and more respect and esteem. Successful entrepreneurs are gaining more and more official recognition, indicating that:

Hypothesis 5. The frequency of new business start-ups in China is related to the degree of public support provided by government agencies.

International Leadership Development

The selection of young knowledgeable people as the leadership group members has become a popular way to confront the conflicts inherent in this period of

change. Many high-ranking administrative positions call for the applications from young knowledgeable people (by written examination and interviews). More significantly, a large number of young government officials, who are responsible for economic development, have been sent to the United States for “brainstorming” process -- even though many of them are poor at English language. In order to attract knowledgeable and young people obtaining overseas doctoral degrees, Chinese central government issues a favorable regulation that international doctoral degree holders are allowed to register private companies in a so-called “Doctoral Economic Development Square” and are provided with sufficient loans with normal interest rates. This use of young intellectuals to lead the transition suggests that:

Hypothesis 6. The frequency of new business start-ups in China is related to the number of foreign-trained young intellectuals in important positions.

Entrepreneurial Self-Efficacy and Entrepreneurial Outcomes

Self-efficacy is a central construct in Bandura’s social learning theory (1977a, 1982; Wood and Bandura, 1989). There have been extensive discussions of self-efficacy and its implications for management and entrepreneurship (e.g., Gist, 1987; Boyd and Vozikis, 1994; Wood and Bandura, 1989). Although it is beyond the scope of this paper to systematically delineate the construct, some of the salient issues are addressed so as to clarify the concept.

Self-efficacy is defined as a personal judgment of “how well one can execute courses of action required to deal with prospective situations” (Bandura, 1982: 122). Stajkovic and Luthans (1998) described self-efficacy as an individual’s convictions (or confidence) about his or her abilities to mobilize the motivation, cognitive resources, and courses of action needed to successfully execute a specific task within a given context. Self-efficacy refers to people’s beliefs about their ability to influence the event that affect their lives. It is concerned not with the actual skills one has, but with judgments about what one can do with those skills (“I know I can play ‘The William Tell Overture’ on the violin while blindfolded”) (Mager, 1992). Studies with self-efficacy focus on how employees weigh, evaluate, and integrate information about their perceived capabilities before they select their choices and initiate their effort (Stajkovic & Luthans, 1998).

Self-efficacy is a serious matter (Mager, 1992). It affects a person’s choice behavior, motivation, perseverance, and is facilitative through patterns. Low self-efficacy can make a person vulnerable to stress and depression (Mager, 1992). It is

found in the prior studies that employees with high self-efficacy will activate sufficient effort in a task to produce a successful outcome, and vice versa. Three dimensions measure self-efficacy: magnitude, strength, and centrality (Stajkovic & Luthans, 1998).

Many studies in the organizational science have touched self-efficacy simply because of its significant impact on an individual's behavior or work-related performance. Bandura (1986) claimed that self-efficacy is not only significantly positively associated with work-related performance, but also the consequence of work-related performance. Sadri & Robertson (1993) conducted a field study and found its significant correlation with actual work-related performance, and behavioral choice and intention. Stajkovic & Luthans (1998) quantitatively synthesized, tested, and compared the variations in the self-efficacy – work-related performance patterns of results as a function of moderating effects of various studies' characteristics across the population of all available studies. They found, by means of a meta-analysis, that there is a significant weighted average correlation between self-efficacy and work-related performance and a significant within-group heterogeneity of individual correlations. Studies with self-efficacy has provided practical guidelines for more effective management of human resources in today's organizations as well as suggestions for new directions for future theory development and research (Stajkovic & Luthans, 1998).

Bandura (1977b, 1986) distinguishes his social learning theory from many traditional psychological theories by emphasizing reciprocal causation among cognition-behavior and environment. Whereas traditional unidirectional theories depict human behavior as caused either by environmental events or internal dispositions, social learning theories explain human behavior in terms of triadic reciprocal causation among behavior, cognition and other personal factors, and environmental event. Each of the three factors affects and is affected by the other two. Bandura (1977b, 1982, 1986) found that self-efficacy is the most effective predictor of performance. People with high self-efficacy have more intrinsic interest in the tasks, are more willing to expend their effort, and show more persistence in the face of obstacles and setbacks (Chen, et al., 1998).

Entrepreneurial self-efficacy is defined as the strength of a person's belief that he or she is capable of successfully performing the various roles and tasks of entrepreneurship (Boyd and Vozikis, 1994; Scherer, et al., 1989). Chen, et al. (1998) claim that entrepreneurial self-efficacy affects entrepreneurship behavior through influencing entrepreneurial decisions.

The changing political, economic, legal, financial, criminal, and cultural environments facing entrepreneurs in China are fairly visible and relatively easy to recognize. It still takes time for a fully supportive entrepreneurial environment to develop. Very often, entrepreneurs have to surmount the obstacles in a non-supportive environment. However, this environment could be assessed as replete with opportunities by those with high entrepreneurial self-efficacy but fraught with cost and risks by people with low entrepreneurial self-efficacy. Even if people perceive an identical reality consisting of uncertainties, risks, and hardships pertaining to an unfavorable entrepreneurial environment, those with high entrepreneurial self-efficacy would feel more competent to deal with that reality than those with low entrepreneurial self-efficacy. People with a high entrepreneurial self-efficacy anticipate different outcomes than people with low entrepreneurial self-efficacy.

Brockhaus (1980) contended that because entrepreneurs have a very high belief in their ability to influence the achievement of business goals, they perceive a very low possibility of failure. People with high entrepreneurial self-efficacy are likely to associate challenging situations with proportional rewards. They believe that their perseverance and resilience will offset the disadvantages embedded in the inferior environment. Therefore, individuals who consider themselves efficacious in performing entrepreneurial roles and tasks are more likely to enter the entrepreneurial environment than those who do not. Instead of lamenting challenges imposed by the environment, high self-efficacy entrepreneurs start to determine and analyze how to deal psychologically with this unsupportive environment and turn threats into opportunities (Luthans, et al., 2000). Luthans, et al. (2000) also suggest that the emergence of potential entrepreneurs in transitional economies depends on the entrepreneurial potential of the society, which is, in turn, largely a function of systematic effort on developing entrepreneurial self-efficacy, suggesting that:

Hypothesis 7. The frequency of new business start-ups in China is related to the entrepreneurial self-efficacy.

Methodology Used

Study Site. Data collection was conducted in Tangying County, Henan Province, mainland China, about 500 kilometers southwest of Beijing. The population in this county is 439,000 and total area about 645 square kilometers. Its industries include traditional areas such as mechanical engineering and high

technology industries such as computer and mobile phones. This county is considered as a representative of Chinese middle/small communities.

Sample. There are approximately 3800 registered companies and enterprises in this country. Seventy company owners were asked to fill out the questionnaires and 61 respondents answered all or most questions. The local commercial registration office provided the data of the number of new companies or enterprises registered in each year from 1995 to 2000. The demographic information obtained from the questionnaires indicated that 59.6% of the participants are private owners and that 67% are male, 33% female. Service industry accounts for 77% and manufacturing industry for 23%. 38% of participants previously worked in state companies and 13% of participants started their own businesses because of lay-off from state companies.

Re-Translation Method. A major concern with cross-cultural research is the accurate translation of US-based measurements to other cultures and languages. A cultural gap occasionally triggers affective or conceptual responses (Ibrayeva, 1999). Earley (1989) suggests that the use of re-translation method may avoid or narrow the cultural difference. This study involved two languages: English and Chinese. A management major doctoral student (native Chinese) studying in the US translated the English version of the questionnaires in Chinese language. Before the questionnaires were distributed to the participants, the Chinese version of questionnaires was re-translated in English by an English majoring student in Beijing (Native Chinese). The original and the re-translated version of the questionnaires were carefully compared and discrepancies in terminology or intent were discussed and reconciled. This re-translation method was used in this study for all the measures.

Variables. The number of registered companies in each year between 1995 and 2000 is the dependent variable. There are seven independent variables: the strength of political influence on venture creation (strength), business freedom (freedom), overseas training leaders (training), personal discretion (discretion), financial infrastructure and illegal business (financial), and public support (support), and entrepreneurial self-efficacy (efficacy).

Analysis. The method used in this study is regression analysis. This analysis provides the correlations between each of independent variable and the number of yearly new ventures (dependent variable). Significant level of each correlation is also revealed in the analysis.

Discussion of the Statistical Results

Descriptive analysis indicated that the level of the environmental and psychological variables among 61 entrepreneurs in China is, on a 5 point scale, 3.425 strength, 3.8667 freedom, 3.8667 training, 3.5067 discretion, 3.0233 financial, 3.2867 support, and 4.0717 efficacy. The relatively low scores on financial infrastructure and illegal business may reflect current financial policies supporting private businesses and the serious strikes on illegal businesses.

The statistical findings were that all the variables are correlated with the number of new venture creation. However, significance levels indicate that strength ($p=.000$), freedom ($p=.027$), training ($p=.003$), discretion ($p=.020$), and efficacy ($p=.036$) are significantly correlated with the number of ventures started. Strength has a negative relationship with venture creation. Financial infrastructure/illegal business and public support do not have significant relationships with venture creation (financial $p=.293$, support $p=.221$). Therefore, Hypotheses 1, 2, 3, 4, and 7 are supported and Hypotheses 5 and 6 are not supported.

One reason why financial infrastructure and illegal business were not significantly related with venture creation could be the recent improvement of the banking policies. Due to large size unemployment, the Chinese government is seriously challenged to address the social consequences of those who lose jobs. Because of governmental involvement in banking system, bankers have been forced to lift their policies of not providing funds to private businesses, reflecting the government's hope that new businesses can create new jobs. The relative low evaluation score from the entrepreneurs indicates that private businesses may already have sufficient access to bank loans at the current time.

Public support from government agencies is also found to not be significantly related with entrepreneurship perhaps because people have started to tune out the governmental daily verbal promotion and encouragement for being entrepreneurs in the recent years. Entrepreneurial self-efficacy is significantly associated with people's entrepreneurial decision. Clearly, a major concern for people who are struggling to start their own businesses is their entrepreneurial self-efficacy, that is, whether or not they believe that their businesses can survive and make money. This finding is consistent with Bandura's (1986) social cognitive theory that self-efficacy plays a pivotal role in people's decision behavior.

Conclusion

Theories of entrepreneurship offered in the growing literature have mainly focused on one-side determinism, where either environmental or personality variables have been specified as unique predictors of entrepreneurial action (Luthans, et al., 1998). Taken separately, both approaches have generally failed to capture the complexity of human action that encompasses the interaction of environmental, cognitive, and behavioral variables. (Bandura, 1986, 1997; Stajkovic & Luthans, 1998a, 1998b). Given an improving political, economic, legal, and cultural environment in the People's Republic of China, this paper presented a discussion how these environmental changes tend to provide a more supportive climate, facilitating the birth of new entrepreneurs. Political influence, business freedom, open-minded leadership and personal discretion are found to foster new venture creation.

Key to the findings of this study is the important role that entrepreneurial self-efficacy plays in process of entrepreneurial outcomes. Entrepreneurial self-efficacy cannot only lead to better explanation to entrepreneurship, but also effectively strengthen new venture start-ups in the continuously improving environment of the People's Republic of China.

Despite this impact of the environment, it is suggested that entrepreneurial self-efficacy may better predict which individual entrepreneurs may be able to overcome environmental threats and turn them into opportunities. Unlike personality traits, self-efficacy can be developed through training and modeling (Gist, 1989; Gist, Schwoerer, & Rosen, 1989). Instead of hoping for dramatic improvement in the general environment, Chinese authorities may be well advised

to implement formal entrepreneurship self-efficacy training programs to foster individual initiative for entrepreneurial outcomes.

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Energizing Entrepreneurs: Resourceful Communities and Economic Pathways

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Abstract

INTRODUCTION This paper illustrates the relevance for the non-profit sector of moving beyond its traditional roles into entrepreneurial community economic development. Its approach aligns with conceptualizations of sustainability through the self-help galvanization and development of enterprise opportunities, education pathways, and labour market outcomes for the community, by the community.

METHOD It develops the concept of social entrepreneurship as a hybrid form between private, non-profit, and public sectors, in line with examples of non-profit organizations with entrepreneurial offshoots, generating revenue for the organization's social objectives.

ANALYSIS The article operationalizes these ideas through the design, creation, roll-out, and achievement of a community enterprise incubation program for urban Polynesians in Aotearoa/New Zealand. It examines the challenges, how they were resolved, and analyzes how both challenges and reforms contribution to the body of knowledge.

RESULTS Through the project's demonstrable initial successes, the authors argue that it offers clear signposts to government, the public sector, and the private sector in how to move beyond simple capacity building to sustainable enterprises and by entrepreneurs in the community who have been created, energized, and given experience by participation in the process. They present the project as a prototype on how to resource community groups and organizations embarking on their community economic development journeys and how to liberate the self-motivating entrepreneurial energies of communities.

Introduction

This paper positions the expanding role of non-profit organizations in the context of a growing body of community economic development theory. From Giloth (1988) in the 1980s through to Wallace (1999) in the 1990s, and including a number of post-2000 authors (Alvord, Brown, & Letts, 2004; Harding, 2004; Roper & Cheney, 2005; Seelos & Mair, 2005), community economic development has increasingly been conceptualized as the self-help galvanization and development of enterprise opportunities, education pathways, and labour market outcomes, for the community, by the community. Their culmination finds expression in the president of the Edna McConnell Clark foundation's statement: "if you're really concerned about impact and measuring the social yield of your

investments, you've got to invest like an investor, invest in something that has a good chance of succeeding" (Bailin, cited in Ellsworth & Lumarda, 2005, p. 97).

The emergence of this shift over time has been the outcome of three complementary forces: the visible failures of the public sector and the market in local communities; the inability of the state to act effectively on behalf of those affected by market failures; and the inability of public and private institutions to design, implement and sell workable solutions to poverty and neighborhood decline (see Giloth, 1988, Hart, 2005). Notwithstanding the emergence of global markets and global links (see Prahalad, 2005), connectedness is still more concerned with local homogeneity because "our very diversity frustrates our best efforts to identify shared problems and purposes" (Hoch, 1996, p. 225).

This paper follows the growing global premise that community economic development will deliver successful outcomes if it empowers citizens by building their capacities to innovatively solve the problems and maximise the opportunities in their lives. Such development must nurture, respect, leverage, and be sensitive to both the individual cultures and the social networks that exist in communities. Moreover, it needs to foster economic empowerment through self-determination (Weiwel, Teitz, & Giloth, 1993). For community economic development to continue to bear fruit, it has, this paper asserts, to deliver on the two fronts promoted by Pitegoff (1993): by building capacity – commercial, religious, community institutions, people, and local agencies – in local infrastructure, while at the same time acting as a change agent, mobilizing private/public partnerships to resource communities (see Hart, 2005, pp. 201-202).

However, this is not to advocate a one-size-fits-all solution to community revitalization issues. Rather, we adopt Pearce's (1994) model of community economic development and his continuum of community economic forms with three distinct embodiments; community enterprises, social purpose enterprises, and voluntary enterprises. In essence these are all community enterprise activities emerging from the social non-profit sector. Their common characteristic involves activities centered on a social purpose and their growth has paradoxically mirrored the decline and/or drying up of public and private funding pools for non-profit organizations (Emerson & Twersky, 1996).

Setting the scene: Contexts, case study, and participants

In order to attain long term financial sustainability, and short term operational viability, it is clear that, for non-profit organizations, earned-income generating sources offer the community a more reliable and more enabling funding mechanism than solicited funds and grants. Pearce (1994) has defined these social purpose enterprises as commercial enterprises where funding comes from public/private sources and the profits generated are returned in the form of social services to the community. Policy makers worldwide are increasingly aware of this phenomenon. Research has found that social enterprises with mixed revenue streams create five times as many jobs and just over six times the amount of turnover of mainstream entrepreneurial businesses while, at the same time, regenerating deprived communities, creating socially inclusive enterprise cultures, and delivering public services in a cost-efficient way (Harding, 2004).

It is in this international context that we describe the design, creation, roll-out, and initial success of a community enterprise incubation program for urban Polynesians in Aotearoa/New Zealand. The local context provides further challenges. The form and character of urban Polynesians, their needs, and their desires, are continuously evolving as they move deeper into the new millennium. Marriage outside their communities, migration away from their islands, urban problems of housing, dysfunctional families, poor health, indifferent education are layered with the global problems that Polynesian families face. Across the board, poverty and social disenfranchisement require to be acknowledged, understood, and tackled.

In charting the progress of this incubation program, we locate the engine of change as our charitable community development trust which is committed to effective social enterprise for communities. We show how our trust's program moved beyond a base of merely building organizational and personal capacity; an initiative that had no economic development as an end-game in sight. We follow the program's adaptation to an enlightened, if short-lived, government initiative that assisted community organizations build social purpose enterprises. Through it we demonstrate significant achievements in terms of setting up commercial operations, and major collateral benefits through the development of strategic leadership in the community groups, who were better able to manage the double bottom line of social mission and money. In the course of our description, we draw

the conclusions that community-based social purpose enterprises fulfill multiple and significant roles in the community that are not being appreciated as central by funding agencies who are more accustomed to welfare and patronage than entrepreneurship. In showing how the lack of such a wider appreciation limited the impact of the project, we propose that other research may investigate failures confirming our experience of the retarding factors and seek out successful ventures that confirm our ideas of enabling conditions.

There were two enablers that were the harbingers of success. Firstly, the program built its momentum and drive on the enthusiasm of the participants on their voyage of business acumen discovery. Secondly, it provided those participants with insights on how to leverage simple but special community skills for generating revenue for their social programs. These ranged from the engagement of “too-hard basket” local teenagers in making planter boxes from waste kauri wood, through the harnessing of recidivist youth to wash and groom cars, the flowering of the natural affinity of Cook Island women for their children into an after-school child care centre, and the channeling of a community’s love for and pride in a historic market garden into a fresh produce enterprise. Each of the community groups that came on to the program came with trepidations: about the program, about its call on their time, about its utility to their circumstances, and about the possibility that it was one more attempt at positive change that would be still-born. What each of them brought with them however, was a lot of heart and a deep-seated belief that it was their turn to stand up and be counted in their communities’ battles to save their children, womenfolk, and old people by creating hope and self-esteem through realizing opportunities.

The program celebrated participants’ increasing sense of self-reliance, and undiluted satisfaction. This grew as they saw themselves mastering hitherto unknown business concepts of competitive advantage and sustainability, customer segments, product design, and service excellence for the enterprises that they collectively crafted for their community organizations. This was the essence of the call to move away from the “dependency” model to the “Maori and Polynesian potential framework.” For those in our trust delivering the program on behalf of the government funding agency, it was an object example of how social entrepreneurship could, like business entrepreneurship, recognize, explore, and exploit environmental opportunities (Venkataraman, 1997). The difference

however was the nourishing social entrepreneurship that thereafter continued to create social value as a primary output and economic value as a by-product to the organization's needs for sustainability and self-sufficiency (Seelos & Mair, 2005).

A brief history of the background to Pacific Island capacity building

In 2003, the Community Employment Group (CEG) of the Department of Labor, New Zealand government initiated a contract for capacity building for Pacific Island groups in Tamaki Makaurau (Greater Auckland). In line with CEG's eligibility criteria at the time, the contract was awarded to a charitable trust with predominantly Pacific Island trustees. However because of capability issues in that trust, the authors were sub-contracted to design, deliver and compliance-report on the one-year program. We worked with over forty participants from twenty very small, small, medium and large Pacific Island charitable, community development trusts predominantly from the South and West of Auckland. The program, approved by CEG, was designed to build capacity, competency and sustainable advancement in organization and individual participant viability. Effective delivery was achieved using a mixture of workshops involving all participants, focused and group-specific training and facilitation, and one-on-one mentoring of key trust board members and senior management.

Capacity Building Program Content and Delivery

The project team took great care to demonstrate cultural and communal sensitivity in its facilitation techniques, its expectations of participants' engagement, and its drive for outcomes. The workshops' program content included the fundamentals of good governance, strategic planning, human resources, financial planning, and system quality assurance and organization performance improvement. The group-specific interventions included organizational audits and gaps analysis, assistance in formulating organizational visions, missions, values, strategic and operational plans, dedicated hands-on support in implementing the organization-audit recommendations and building a "bottom drawer" of compliance reporting templates. The trust board and senior management mentoring was geared to developing concepts of servant leadership and fiduciary discipline which are vital to a community trust. Formal and multiple feedbacks from participants on the efficacy of the project team's efforts and the utility of the program was an integral deliverable of the program. Both CEG and the forty participants were very pleased with both the design and delivery of the program and its significant contribution to

the upgrading of peoples' knowledge, skills and understanding of their trusts and their roles and responsibilities and accountabilities in an organized world.

From Community Capacity Building to Community Enterprise Incubation

The Pacific Island community groups' capacity building project taught the authors' some important lessons. As we worked with the groups it became evident that any intervention that purported to improve community group sustainability and better organizational survival probabilities needed to have a dual focus. On the one hand, it had to teach better servant leadership, governance and strategic management; wherever possible it had to help communities straddle the two worlds of community service and agency compliance better; it had to assist groups build operational and productivity excellence, so that their communities and their benefactors could see maximum "bang for their buck." On the other hand, to be truly empowering a program had to also help the community group understand not just its mission and service-delivery desires but equally importantly help it to understand the economics of its service passion and then to assist it to build an economic engine to deliver on that aspiration.

This insight is not specific to New Zealand or to Pacific Island communities in greater Auckland, though their social fabric, tribal structure and island culture require customized design and delivery mechanisms. Although the concept of social entrepreneurship may be new, initiatives that employ entrepreneurial capacities to solve social problems are not. For years, agencies worldwide have launched programs and implemented interventions to help impoverished or marginalized groups (Alvord et al, 2004).

Community enterprise incubation

The authors therefore approached the government with a new program of community engagement delivered through their charitable trust. This trust seeks to transform communities through sustainable solutions and passionate involvement. All trustees and associates have to live the credo. A significant part of the trust's work is government and agency-funded work in the community sector. As such it is very "mindful" of all insights and learning that it can leverage to contribute to community services-capabilities enhancement and more vitally, to community financial viability and sustainability. Our recommendation to CEG, Department of Labour was that instead of spending money building "capacity for capacity sake" in community groups, it would be much more beneficial for the participating trusts,

their community stakeholders, and agency benefactors if their entrepreneurial capabilities were developed with the clear purpose of envisioning, designing, ramping-up, and rolling out a community enterprise with a business model that would be viable in the near term and sustainable into the future. We proposed that we would work with a cluster of four or five charitable trusts for a period of one year. The groups would be chosen on selection criteria that assessed their entrepreneurial interest, the existence of an organizational framework (however rudimentary), and their firm intent to stay with the program over the twelve months and the availability of a key person (the social entrepreneur) whom we would train and who would then power the project forward. The cluster would give individual members networked peer support and the “high availability” culturally sensitive, non-judgmental business mentoring would be both a fillip to reach forward and a safety net for support. Whilst community capacity building is a laudable target, community enterprise incubation is a liberating outcome. It is pragmatic in its intent, prudent in its efforts to build community enterprise in a safe and assisted environment, and inspirational in its potent collateral outcomes of community pride, wellness and the meaningful engagement of youth, women and older people.

Selling community enterprise incubation to the funding agency

The proposal was “revolutionary” for CEG to consider for a number of reasons: CEG only supported community employment initiatives, not community enterprise initiatives though the downstream outcome of “self-employed” entrepreneurs was something that they picked up on as the proposal went through their vetting processes; our charitable trust looked too “professional and slick” for CEG whose community advisors preferred to fund and work with Pacific Island community groups who were less structured, more acquiescent and looked, felt, and acted “more community and less corporate”; like all funding agencies CEG was in a “pilot project funding” paradigm, skewered on the twin prongs of only funding projects up to initial sustainability and the growing public angst about government spending on communities without tangible outcomes; a twelve month project registered as too long and too expensive an engagement on their risk-rewards radar; and finally a number of their community advisors were averse to a selection process, suggesting instead that participation should be voluntary.

Boschee (1995) observed that traditionalists in the non-profit sector viewed the mixing of profit motives with moral imperatives with deep suspicion, but that the

service providers' challenges in terms of escalating costs, shrinking resources, and multiplying needs lend weight to sensible pragmatism. We found the same arguments weighed heavier still in the new millennium. Notwithstanding the impediments, the proposal was finally green-lighted with one major compromise: CEG was only prepared to fund a pilot program for six months. They were prepared to give only best-efforts assurances for the balance of the suggested duration. Our other suggestions that the program be perpetual and that fresh community groups be constantly pipelined for enterprise incubation was taken under advice by the agency.

We, however, strongly believed that the program would benefit the communities it touched and that it would increasingly challenge their mission-based organizations to be more community-customer driven and search for and adopt entrepreneurial mindsets and strategies. Like Campbell (1998), we saw these as ultimately building self-sufficiency. The ultimate "blowback" benefit would be the migration of the entrepreneurial principles from the social purpose enterprise to the parent community organization, which in turn would build elements of effectiveness and efficiency attractive to prospective funding agencies (Boschee, 1995). We were also convinced that the community enterprises that resulted, and the community entrepreneurs that would be facilitated, would be compelling validation for the agency when it reviewed its position after the pilot. We reworked the contents and outcome expectations and the shortened program commenced in January 2004.

The Pacific Island Community Enterprise Incubation Program Content and Delivery

Phase 1 of the community enterprise incubation and empowerment programme was designed to build enterprise capacity in each of the five participating groups. Non-profits that assume an entrepreneurial posture are less hesitant to implement concepts and practices from marketing, strategic planning, and systems for the analysis and control of costs. In other words a certain blurring of sector boundaries is taken for granted, indeed, is often necessary for survival (Roper & Cheney, 2005). The Pacific Island groups were trained in areas ranging from opportunity recognition and selection through to business planning basics focused mainly on product/service design, industry analysis, customer selection, market research, competitor analysis and basic human resources recruitment and retention processes. Using a mixture of training, coaching, facilitation, and mentoring, the

project team achieved enormous buy-in from the participants. Workshops, hands-on mentoring and training on site, “meet the leaders” network sessions, introductions to NGO community agencies with angel investment funds, and the internet and email were all used to drive learning and embed enthusiasm in participants. The project team secured the close involvement of a number of the CEG advisors and field workers in the programme. This gave the groups the impetus to learn and participate while, at the same time, providing them with ready validation and recognition.

Community Enterprise Incubation Program Outcomes

The results were significant. In the immediate aftermath of the program all five groups went on to commence commercial operations and participate successfully in a dynamic business environment. CrossPower a church-based community organization, which engaged “difficult” teenagers in a carpentry and wood-working shed, created a business plan aimed at building a limited variety of planter boxes, and household and garden furniture using second grade kauri timber donated by a saw-mill down-country. On the basis of that business plan, newly created product samples, a clearly articulated strategic intent, and some great marketing work by the teenage crew, they secured significant product orders for Kakapo Wood Products (the brand name) from Kings Plant Barn a local gardening DIY chain.

Mangere Genesis a New Zealand Police supported trust working with recidivist youth built a robust business model for a mobile car cleaning and grooming service. The “Car Genie” captured the attention, imagination and social responsibility interest of both Budget and Avis Car Rental companies based at Auckland Airport and the trust began sourcing funds to set-up their car-wash infrastructure.

The Ranui Community Market Garden secured Waitakere City Council land for a market garden and sought registrations of interest from a number of community groups wishing to establish specialty vegetable and flower garden plots on the site. Community members enlisted the support of the local polytechnic and the city council to help with marketing and publicity and obtain a perpetual right to use the land.

The Auckland Cook Island Support Services Trust added to its after school and holiday programmes from the additional products and services opportunities that they had identified during the market research stage of their business case development. Active marketing by the parents of school-going children in the congregation had ensured strong expressions of interest from a number of the local primary and secondary schools.

Spacific Innovations, the Samoan community trust whose social entrepreneurs had all been involved in events management and tourism-related portfolios in other lives secured event management projects with the Pacific Artists Trust and the Samoa Rugby Union.

In addition, the programme built capacity through out the individual organizations, a collateral outcome that the project team had signaled from the beginning. Participating trusts became much more adept at using resources like the internet and email to gather, verify, and test information and hypotheses. There were direct employment outcomes because these community enterprises hired part-time and full-time staff. There was a great sense of pride and achievement in the trusts, both at completing the program and in starting an enterprise that contributed to trust activities rather than the total dependence on agency funding or community donations that was hitherto the norm.

Topline benefits: The maturing of leadership in the social entrepreneurs
Increasing diversity in populations, aging, the reshaping of economic contracts between businesses and their employees, the preponderance of knowledge as the basis of competitive advantage, the decrease in funding, and the increase in compliance and governance requirements for non-profits, are all trends with major impacts on the near-term viability and long term health of non-profits worldwide (Brunham, 2002). All the Pacific Island participants in our groups were from communities that had become marginalized for a variety of reasons. These included: successive government privatization of road works and similar stable employment for semi-skilled workers; the European Union's economic exclusion of New Zealand meat exports to the UK that had hastened the demise of another significant employer, the meat freezing works; and funding restrictions, and the lack of an advocacy "voice," that had consigned local education facilities to the lowest deciles. Accordingly, the well-known vicious cycle of poverty, racism,

ignorance, drugs, family violence and abuse had played itself out to its logical end. For each of these non-profit groups, justifying the need was not an issue, getting the resources to do something about it was: some received ad hoc funding from government and quasi-government agencies like Child Youth and Family, the Ministry of Social Development, and local Councils; and most were back-filling as they went about service delivery, or were depending on tithing from congregations and community members who could ill afford it.

These groups were therefore ready, willing, and, as it turned out, able participants in the social purpose enterprise incubation. We promoted entrepreneurship in Thompson's (1999) sense of the conscientious application of discipline to exploit resources which are ready to hand and which can somehow be found. In the case of the Pacific Island groups these resources consisted largely of the good will of the communities they served, the dedication of their trust boards, and bands of die-hard volunteers who were prepared to give willingly of their time and energies. The strength and weaknesses of the concept of social entrepreneurship lie in the fact that most of its applications are in the form of a hybrid between private, non-profit and public sectors. A non-profit organization with an entrepreneurial offshoot that generates revenue for the organization's social objectives is one such hybrid (Roper & Cheney, 2005). Whether it was an after school care centre, a car grooming business, an events management enterprise, a market garden, or a wood crafts manufacturer, each of these projects represented the very real translation of ideas into opportunities and opportunities into employment, education, and enterprise outcomes. The communities could enjoy the fruits of the efforts and see the benefits of cloning.

One of the key prerequisites for the success of our project, and for its community-wide buy-in, was the quality of leadership and project stewardship that group leaders from each of the five groups demonstrated with increasing levels of sophistication as the program progressed. Leadership must be comfortable with social entrepreneurship – that is managing a double bottom line; mission and money. Social entrepreneurship allows you to stabilize funding, develop earned revenue streams, plan for sustainability, enable risk taking and reward success (Brunham, 2002).

It requires a special kind of leadership to make community group members comfortable with the concept, understand the dynamics of pursuing such a dual

track, and commit to the task of implementing the architecture while still maintaining an uncorrupted vision of the non-profit's strategic social intent. Without such a universal mindset in the group, it was impossible to expect the group to sustain its enthusiasm for the program and for the enterprise that was born as a result. Whether it was Pastor Kiria with his call to provide the congregation's youngsters with successful business role models from within or it was Sully Paea with his clear intent to demonstrate to stakeholders that troubled teenagers could be turned around with meaningful work, each of these leaders came up with, and further honed, their significant personal credibility. They also generated commitment to the project by framing it in terms of important social values, rather than purely economic terms, which resulted in a sense of collective purpose among all those who joined the effort (Burns, 1978, cited in Waddock & James, 1991, p. 395). In the process we believe that they developed a winner's repertoire: a set of skills and orientations that would make them capable of capturing human hearts and motivating people to pursue organization success in any endeavor that their organizations chose to pursue in future (Bennis & O'Toole, 2000).

The short term sequel

CEG expressed satisfaction at what had turned out to be one of the few successful projects they had supported in that year. Our charitable trust was asked to resubmit the community enterprise incubation proposal for Phase 2 of the project which we did. Regrettably however, in the middle of the agency's approval process, parliamentary questions on the agency's poor record of risk management on funds provided to some unconnected community groups in the South Island of New Zealand, led to the spontaneous self-destruction of CEG and the subsuming of its funds under other government ministries. Phase 2 of the community enterprise incubation project was abandoned.

The charitable trust however pitched the community enterprise program to AREDS, the Auckland Regional Economic Development arm, which was looking for any program with a Maori (first nation, indigenous people of New Zealand) flavor that it could back to meet its mandate for indigenous people advancement. Supported as it was by ex-CEG senior management, the participants in the earlier program and a number of senior national urban Maori leaders, the Maori Community Enterprise Development program got the go-ahead for a pilot. This program was designed using a Maori kaupapa framework, with Tikanga Maori,

marae ambience and Maori facilitators. The program was targeted to at-risk Maori youth and women. The needs analysis and selection process for identifying participants was completed. Unfortunately for the project and its selected participants AREDS was disbanded and its Maori program was left in limbo. Without an agency and funding the Maori Enterprise Incubation program treads water. Our trust continues to actively source funding on behalf of community groups in the South Auckland area who are keen to learn opportunity exploration and exploitation. We continue to promote the delivery of training programs for community groups who wish to create entrepreneurial social purpose enterprises as independent revenue earners for their social missions.

Conclusion

Community-based social purpose enterprises fulfill multiple and significant roles in the community. Emerson and Twersky (1996), make the irrefutable point that these are probably the only transitional employment options for marginalized community members who find it difficult to enter or re-enter main-stream workforces. Waddock and Post (1991), point to social entrepreneurs as catalytic change agents who can combat intractable problems when public agencies and individual organizations have failed. De Leonardis and Mauri (1992) hail it as productive social justice producing, as well as distributings, community wealth. Mort, Weerawardena, and Carnegie (2003) conceptualize it as a model of sustained competitive advantage pitted against other social enterprises and commercial enterprises for survival and growth using superior value as its *raison d'être*. Seelos and Mair (2005) speak of the need for a critical mass for social entrepreneurship to make a significant social and economic development. The authors add their voice to this debate by calling on government, the public, and the private sector to resource community groups and organizations for entrepreneurial projects. Otherwise they often embark on their community economic development journeys with little more than hope and/or desperation. Social purpose enterprise and social entrepreneurship is a rising tide and it has the capacity to lift many economically and culturally marginalized boats.

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Business Ethics of University Professors in China A Preliminary Analysis³

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Abstract

While the economic reform in the Chinese Mainland improves the overall standard of living in China, the fast economic growth, inevitably, created a lot of social problems: the widespread of the level of corruption is just an example. Since corruption is a social practice, it takes time to correct such an unwelcomed behaviour. Therefore, it is important that in educating the younger generation, Chinese educators, especially business educators, must place more emphasis on ethics education. However, how ethical is business educators? This is an interesting question but not frequently asked. This is especially important when society relies on this group of people to build up the future of a nation. This research is designed to investigate the ethical standards of business educators in China. The findings of this study suggested that there was no significant difference between Chinese academic staff with different personal attributes; except in three areas: household income, academic seniority and gender.

Introduction

For recent decades, business educators have been called on to provide a greater emphasis on ethics education. One interesting question which is seldom asked is: “How ethical are business educators?” This is an important question because if business educators are having a tendency to behaviour unethically, how can society rely on them to provide a greater emphasis on teaching our future leaders to act in an ethical and socially responsible manner. Despite the importance of this topic, few studies have been carried out in this area and this is especially understudied in China. Studies on business ethics education have become important in China because of the unhealthy upsurge in corruption in recent years. Hence, the aim of this research is to investigate the current ethical position of university professors in China. This paper is divided into six sections. The next section discusses the background of this study. The design of research instrument is explained in section three. Section four presents the hypotheses to be tested in this research. The results of the study are shown in section five while the concluding section provides some implications for future research.

Background of the Research

Ethical decision making has been a topic of interest for business researchers for many years. Ethical decision making models divide influences on an individual's ethical beliefs and decision making into two broad categories; that is, 1) factors associated with an individual and 2) factors which form and define the situation surrounding which decisions are made (Hood and Logsdon 2002, Lawson 2004, Randall and Gibson 1990, and Turnipsed 2002,).

Perhaps the factors that received by far the most attention are relating to the personal attributes of the subjects. A variety of personal attributes, such as 1) gender (Coate and Frey 2000, Lawson 2004, Serwinek 1992); 2) religion (Farling and Winston 2001, and Wimalasiri 2004); 3) Nationality (Abratt et al 1992, White and Rhodeback 1992); 4) age (Callan 1992, Lawson 2004, and Wimalasiri 2004); and 5) types and years of employment (Callan 1992, and Serwinek 1992), have been investigated, but there seems to be mixed results and a general lack of significant correlations in many studies.

Therefore, while some studies confirm the existence of relationships between individual attributes and individual's ethical beliefs, others do not. In addition, there is also limited research conducted on the ethical education in China, especially those relating to the ethical position of the Chinese academic community. Hence, this study aims to investigate the influence of these individual attributes to the educators' ethical beliefs in the Chinese context.

Research Design

After reviewing the relevant literature, a questionnaire, which comprised two parts, was designed. The first part contained 42 statements which were designed to probe respondent's judgments on ethical issues. These statements were developed along a six-point Likert scale. In second part of the questionnaire, the respondent's demographic profiles were also asked.

The questionnaire was originally developed with 61 statements to determine respondent's judgments on ethical issues and written in "Hong Kong" Chinese. Since the survey was conducted in the mainland, the language and cultural aspects

of the statements were evaluated by an expert panel to ensure the appropriateness of these statements. The panel comprised 3 professors of different academic disciplines from two mainland universities; that is, one from the business (marketing) field, another from the social science (economics), and the third from the science (engineering). The evaluation was in two stages. First, the professors were asked to modify the language of the 61 statements so that they were understandable by Mainland Chinese. After collecting the feedback from the professors, the statements were revised accordingly. A revised questionnaire was then sent to the professors again. In the second round of the process, the professors were asked to rate each statement as being "suitable", "moderately suitable" or "not suitable" for evaluating ethical standard of respondents. A statement would not be adopted if any one of the three professors rated it as "not suitable". A statement was only included when at least two of the three professors rated the statement as "suitable". The final questionnaire contained 42 statements.

Because of the nature of the research and the length of the questionnaire, convenience sampling technique was adopted for this survey. The sample of this study was composed of 100 teaching staff at the People's University of China in Beijing. The final useable questionnaires were 92, providing a response rate of 92%. The questionnaire was distributed through one of our Chinese mainland Research Associates who was a Professor at a major university located in Beijing. The high response rate is explained by the fact that the Research Associates in this project are senior professors at major universities in China who carry high respects in the Chinese academia. In addition, the Research Associates had personally distributed and collected the questionnaires from the respondents and therefore, most respondents were willing to participate in this study.

Hypothesis Testing

After reviewing the literature, eight hypotheses were tested. These hypotheses attempted to look at how ethical position is affected by educators' personal characteristics. The first variable studied was the gender of the respondents and the following hypothesis was tested.

H₁: There is no significant difference between the ethical standard of female and male educators.

In addition to the gender variable, the academic seniority of the individual could also affect the respondents' ethical position. Following this line of thought, the following hypothesis was set up and tested:

H₂: There is no significant difference between the ethical standard of senior and junior academics

The other two demographic variables studied were the business exposure of the academics and the religiosity of the educators. Little work has been done on the business exposure of the academic. For religiosity, Shepard and Hartenian (1990) found that respondents high on religiosity tended to be more ethical. The relevant hypotheses were as follows:

H₃: There is no significant difference between the ethical standard of academics with outside consultancy practices and those without such practices.

H₄: There is no significant difference between the ethical standard of academics having religious beliefs and those not having religious beliefs.

Family income may also affect the ethical position of the educators. Hence, the following hypothesis was also tested:

H₅: There is no significant difference between the ethical standard of academic with higher family income and those with lower family income.

In addition, it is also interesting to determine whether being a member of the communist party would have an impact on the ethical position of the educators. What is more, the risk taking attitude of the faculty members could also influence their ethical belief. In this respect, the following two hypotheses were designed to look into these aspects:

H₆: There is no significant difference between the ethical standard of academics who are members of the Communist party and those who are not.

H₇: There is no significant difference between the ethical standard of academics who are more risk averse and those who are less.

Finally, the relationship between the marital status and the ethical position of the respondents was also investigated:

H₈: There is no significant difference between the ethical standard of academics who are married and those who are never married.

Results

Cronbach's alpha was used to test for the reliability of the scale. The coefficient alpha for the summated scale was found to be 0.811, which is considered as satisfactory. Hence, during the analyses, a summated score (Ethics) based on the sum of the scores of individual statements was used in testing the hypotheses.

ANOVA was used to test the above hypotheses. In the ANOVA tests below, the Leven test for homogeneity of variances was conducted to test the homogeneity of variances. The results showed that the basic assumption has not been violated.

The hypothesis that there is no significant difference between the ethical standard of male and female professors was rejected with $p = 0.052$. Hence, there is a significant difference between male and female professors in terms of their ethical position. It was found that male educators were less ethical than their counterparts of the opposite sex.

Regarding the hypothesis that there is no significant difference between the ethical standard of senior and junior academics, it was found that there was no significant difference between full professors and associate professors in terms of ethical standards, but lecturers are significantly more unethical than both groups of professors ($p = 0.100$).

On the question of the relationship between a person's religiosity and one's ethical position, it was found that the effect due to religion was insignificant ($p = 0.551$). This means that the ethical position of faculty members is not affected by whether they have a religion or not. In addition, this study also found out that there was no significant difference in terms of ethical position between university educators who had and those who did not have outside consultancy practices ($p = 0.549$).

On the issue of the income effect on the ethical position of faculty members, the main effect due to household income is significant ($p = 0.000$). It was found that the lower the income, the lower the ethical standard of the respondents.

Interestingly, it was found that there was no significant difference in the ethical position between educators who were members of the communist party and those who were not ($p = 0.165$). Again, the risk taking attitude of the respondents did not have an impact on the level of ethical position of the respondents ($p = 0.283$). Finally, this study found that there was no relationships between the ethical position of university educators and their marital status ($p = 0.396$).

Discussion

In general, the findings suggest that there is no significant difference between faculty with different personal attributes; except in three areas: household income, academic seniority and gender. Like other studies, male are found to be less ethical than female. For the level of academic maturity, the result suggests that senior academics are more ethical than junior academics. This supports findings of previous studies that maturity is a factor affecting the ethical standards of people. This may be the result of an increased ethical maturity on the part of senior academics from having faced more life situations involving ethical issues. Interestingly, those with a religion and those who are members of the communist party are found to be no more ethical than their counterparts who are less religious and not a communist party member. Finally, the family income of the educators affects their ethical position as well, with lower income respondents exhibit a tendency to act unethically.

This preliminary study suggests the need for additional research in this area of study. Expanded studies to include more universities are necessary to determine whether these findings can be generalized. Such results can provide a means to evaluate the ethics education process in universities in China. It is also suggested that longitudinal study is needed to ascertain changes in the ethical positions of faculty and how such changes may affect the ethical development of students.

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The dynamics of entrepreneurs' success factors in influencing venture growth

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Abstract

This study aims to investigate the formal and informal attributes of founding entrepreneurs contributing to venture growth. The study found significant relationship between venture growth and entrepreneurs with high personal initiative, focused on specific competency areas within operations, finance, marketing and human resources. In operations, founding entrepreneurs are found to be concerned with equipment selection, quality of products and services,

competitive strategies planning and the improvement of product and services. Raising capital from bank and institution was the only area of concern in finance, whilst in marketing, it was promoting company and its product and services, understanding market needs and customer feedback are prioritized. Lastly, every aspects in human resources is considered important, which includes recruiting and retaining employees, human resource policies and compensation plan, training and development, delegating and relinquishing control, develop performance appraisal and finally, employees motivation. The study showed no significant relationships between venture growth and human capital, social network support, and government support programs.

Keywords: Entrepreneur, personal initiative, human capital, competency, government support programs, venture capital, Malaysia

The opportunity to create wealth and being their own boss has attracted many to be entrepreneurs. Evidently, this has amplified the studies on small and medium enterprises' (SME) growth and more importantly, the formal and informal attributes associated with the entrepreneurs who have led their companies successfully to growth-stage. The common research areas cited in the literature are such as entrepreneurs' leadership, entrepreneurial orientation, management skills, competencies, human capital, personality traits and circle of network. McClelland (1961) asserted that qualities associated with a high need for achievement contribute to the success of new venture. Begley and Boyd (1987) found that entrepreneurs (founders) scored significantly higher than small business managers (non-founders) in need for achievement, risk-taking propensity, and tolerance of ambiguity. Brockhaus (1982) reviewed a number of psychological characteristics and conclude that need for achievement, internal locus of control and a risk-taking propensity as attributes contributing to the success of new business start-ups. On the other hand, Brockhaus and Horwitz's (1986) empirical findings showed that entrepreneurs with internal locus of control strive for high achievement.

Mill (1984) suggested that risk taking is a key factor in distinguishing entrepreneurs from managers. It is believed that entrepreneurs take greater degree of risk especially in areas where they have control or competencies in realizing the profit. Many studies have included risk taking as a major entrepreneurial characteristic. Mitton (1989) confirmed that entrepreneurs eagerly undertake the unknown and uncertain circumstances, thus the entrepreneurial inclined individuals are expected to display more tolerance of ambiguity than others. As far as innovativeness is concerned, Mitton suggested that it is the focal point of

entrepreneurship and an essential entrepreneur characteristic. Indeed entrepreneurial literatures show that entrepreneurs are significantly more innovative than non-entrepreneurs (Ho & Koh, 1992; Robinson & Sexton, 1994). Entrepreneurs' personality traits have also been identified to have impact on organizational performance (Robinson & Sexton, 1994). Studies also found that personality traits such as locus of control and ambiguity tolerance influenced the business success directly and the business process indirectly (Entrialgo, Fernandez, & Vazquez, 2000). Kiggundu (2002) later added demographic variables to his study and found that personality traits have direct influence on the success of African entrepreneurs. Although studies on personality traits have played an important role in contributing to the success of entrepreneurs worldwide, nevertheless, personality traits have been criticized both on theoretical and empirical ground in the studies of entrepreneurship. Gartner (1988) in his research article entitled "Who is the entrepreneur?" mentioned that asking "Who" is the wrong question, but rather the personality of entrepreneur is only related to the success of business start-up through more specific mediating processes. This is due to the fact that these factors are not relevant if there is no action and initiative taken by the entrepreneurs.

Frese and Fay's (2001) study conducted on a group of employees revealed that those with higher personal initiative performed significantly better in the workplace. Research on personal initiative concentrate on the self-starting nature of entrepreneurs: how they pursue success with their proactive attitude, how to seek and grasp opportunity with their proactive approach, and how to find any solutions or necessities to overcome barriers to achieve their goals (Frese, Kring, Soose, & Zempel, 1996; Frese, Fay, Hilburger, Leng, & Tag, 1997). Entrepreneurs with high initiative are able to stay ahead of their competitors, and are role model for their employees. Initiative is goal-directed and action-oriented (Frese et al., 1997) and, therefore, closely linked to an active strategy. It is also a psychological variable behind the reason whether a person has what it takes to become an entrepreneur. An entrepreneur with high personal initiative is someone who initiate to take action and to be proactive. Whether it is to determine the success of start-ups or to successfully lead a company to growth-stage, personal initiative, which represents the ability to self-start, proactive, and over-coming barriers plays a major role. Even so, majority of the research carried on personal initiative is in relation to employees' performance and perhaps limited studies have been reported on personal initiative in relation to entrepreneurial success.

Unlike personal initiative, human capital, which is considered passive approach (where individuals simply reacting to the environment according to what they possessed), was quite extensively studied. Human capital is the theory concerned with knowledge and capacity; this includes the education level, industry experience and management experience. The review of literature showed that human capital contributes to business start-ups and venture growth. However it is also found to have positive and negative result in relation to the success of entrepreneurs in their businesses. Human capital elements of the entrepreneurs such as family-environment, education, age, work history, role models and support networks have been identified to contribute to the business venture success (Hisrich, 1990; Krueger, 1993). The assumption is that higher human capital of the entrepreneurs increases the chances of their company's survival and success (Dyke, Fischer, & Reuber, 1992; Bruederl & Preisendoerfer, 1998). Recently, Lussiers and Pfeifer (2001) empirically found that in addition to competencies and personality traits, human capital of individual entrepreneurs play a role in contributing to the success of entrepreneurs. His study found that entrepreneur with higher education level, industrial and managerial experience, and business exposure has greater chance of succeeding than people without tertiary education, minimal industrial and managerial experience, and with little or no business exposure.

Similarly, competency is one of most crucial factors to ensure the success of new business ventures. The entrepreneurs faced even greater challenge when they have successfully bring their organizations to growth and as the company moves into this stage, it experienced what observers refer to as strategic reflection point (Grove, 1996). A strategic reflection point represents a time in the life of the business when the fundamental operations have profoundly changed. According to theorists, Adizes (1979), and Greiner (1972), organizations progress through consistent, predictable phases of development known as life-cycle stages. In the start-up stage, the company is concerned with inventing the product or services, establishing a market niche, attracting new customers, and manufacturing and marketing of the product (Flamholtz, 1986). Once the company begins to grow rapidly, it will need to have more formal structures and coordination due to the increase in functional activities. In the growth stage, the entrepreneur is forced to focus on the long-term stability while maintaining the innovative and entrepreneurial spirit that made it successful in the first place. As the founding members of the company, the entrepreneur plays an important role in the long-term business success of a new venture. The entrepreneurial leader champions the

vision of the company and inspires others such as investors, venture capitalists, bankers, customers and employees to support the vision. However, at some point in time, the company will continue to grow and the founder must focus and emphasize on different areas of competencies and talents in order to lead the company to long-term business success.

According to conventional wisdom, due to the poor functional competencies of the founders, they are typically replaced by professional managers who have the experience and the necessary competencies required to manage the company when it begins to transit from a start-up stage to a growth stage company. Willard, Krueger, and Freeser (1992), found no evidence that professional managers performed better in high-growth companies than the original founders. They observed that many founders could learn to manage growth effectively. Therefore, the assumption that a professional manager must be employed may no longer be valid. This study challenged the conventional wisdom by revealing the process by which successful entrepreneurs transform themselves into professional managers. While studies found that founders could have the competencies to perform equally well as professional managers, there are very few studies on the similarity and the areas of competencies these successful entrepreneurs and managers focused on for growth stage companies. Many studies found that majority of the business failure were due to the lack of management skills or competencies (O'Neill & Duker, 1986; Terpstra & Olson, 1993). Bruno, Leidecker, and Harder (1987) studied ten failed high-technology firms and concluded that there were three major reasons for the failure: 1) financial difficulties, 2) product/market problems and 3) managerial problems. Hence, entrepreneurs who have the necessary competencies especially in the area of operations, finance, marketing and human resources, and management skills required for the business are more likely to be successful at start-up (Prahalad & Hamel, 1990; Swiercz & Spencer, 1992). The areas of competency has been greatly researched in most developed countries, and most literatures revealed that they are positively related to companies at venture growth, and likewise, there is no literature found pertaining to such topic in Malaysia. Thus one of the aims of this study is to examine the areas of functional competencies that founding entrepreneurs focused on and contributes to the success of managing companies at growth stage.

Apart from the competencies mentioned earlier, Bruerderl and Preisendoerfer (1998) found in their research that social network support is related to both, survival and growth of newly founded companies. A network approach assumes

that entrepreneur's ability to organize and coordinate networks between individuals and organizations are critical for starting up a company and business success. It was found that formal support sources were hardly used, the institutions mostly mentioned were banks (Birley, Cromie & Myers, 1991). Support from informal network such as friends, relatives, previous employers and acquaintances have found to benefit the business. Thus another aim of this study was to examine to what extent social network support significantly contribute to the success of managing companies at growth stage.

Lastly, questions have also been raised pertaining to the government's role in supporting the entrepreneurs both during start-up and venture growth. Many are unaware of funds and programs provided by the government, while some believes it is impossible to obtain such assistance, others are just simply ignorant of it. In comparison with neighboring countries pertaining to these support programs, an article mentioned that the literature published by the Malaysian Industrial Development Authority appears to be preoccupied with internal bureaucratic concerns rather than the entrepreneur's needs (Dana, 1987). Malaysian government recognizes that about 25 percent of the country's economic performance is contributed by the SMEs. Therefore the government has put in place many regulatory, legal and financial frameworks conducive to SME start-ups and development under various strategic plans such as Second Industrial Master Plan (1995-2005), Financial Sector Masterplan (2001-2010), Small and Medium Industry Development Plan (2001-2005) and Eight Malaysia Plan (2001-2005). Currently, there are five major areas of government support programs for SMEs in Malaysia, among which are: financial and credit assistance; technical and training assistance; extension and advisory services; marketing and market research; and infrastructure supports (Abdullah, 1999).

Yusuf (1995) found in his study that government support is one of the critical success factors for small business in South Pacific. Governments in developing countries play a role in promoting and supporting companies by providing incentives and infrastructure. However, although there are numerous agencies and institutions established by the Malaysian government to assist SMEs, it is still unclear whether these programs are accessible to SMEs and how far do SMEs utilize the programs. Therefore, it is also the interest of this research to investigate whether entrepreneurs of growing enterprises are utilizing government support programs to grow their businesses and if not, what are the reasons for not doing so.

The growth of successful small medium enterprises in Malaysia plays a very crucial role in the development of the country's economy and unemployment issue. Nevertheless, 79,310 businesses discontinued during the year 2002 (CCM, 2002), and the numbers are rising. Evidently, it is crucial and important to examine the factors contributing to successful founding entrepreneurs in Malaysia. Studies have been done to examine factors and elements possessed by founding entrepreneurs contributing to the business start-up success, such as the entrepreneurs' leadership, human capital, management skills, functional competencies, personality traits and so on. Nevertheless, there are very few studies found to examining these elements in relation to venture growth and particularly yet to found any in the Malaysian context. Thus this study was initiated to examine the relationships between personal initiative, human capital and competencies of the successful founding entrepreneurs of Malaysia in respect to venture growth. In addition, the study was aimed to identify whether entrepreneurs at venture growth are aware and fully utilizing government-support programs, and to what extent these programs are beneficial to their business.

Method

The target population for this study is Malaysia Enterprise 50 (E-50) winners for the year 1997 to 2003. E-50 is an annual award program organized by the Small and Medium Industries Development Corporation (SMIDEC), Malaysia. This award recognizes the achievements of Malaysia's enterprising homegrown companies which are well positioned for the future. 50 winners are selected from among the nominations received, and the evaluation is based on the companies' management and financial performance. From the 350 winners in the Enterprise 50 list, there are only 252 unique companies as they are repeated winners. A letter was sent to all 252 founding CEOs requesting for their participation. However, only 100 of them managed to participate in this study. Self completion questionnaire was utilized to collect data for this study.

Questionnaires were delivered to all participants personally by the researchers. Literature review and feedback from the panel of experts provides inputs for the development of the research questionnaire. The pilot study further refines the questionnaire prior finalizing it. The Cronbach's Alpha values for all the items

were well above the commonly acceptable value of .70 (Fowler, 2002). The questionnaire was divided into five sections. The first section collected data pertaining to human capital, whereby the participants were asked to indicate their level of education, whether family owned the business, number of years working experience prior to owning business, and number of year's management experience prior to starting the business. The second section measures competencies which are divided into two types: functional competencies and interpersonal competency. There are four functional competencies - finance, operations, marketing and human resource. Interpersonal competency is specifically relating to social network support. Participants were asked to respond on a five-point scale; (1) being no emphasis and (5) being major and constant emphasis for each of the five competencies which they focused while managing growth. The questions are similar to Lussier and Pfeifer (2001) and Yusuf (1995); however, for the purpose of this study additional questions relevant to the various competencies were added. The third section is in regards to government support programs, questions asked were whether the entrepreneurs are aware of the availability of such programs and if so, are they utilizing these programs and whether there are any difficulties faced in obtaining assistance of these programs. Dichotomous 'yes' or 'no', multiple choices and open ended questions were used in this section.

The dependent variable is the venture growth level. Venture growth is measured by annual sales growth. To measure sales growth, the participants were asked about the company sales for the past three years (2002 – 2004). Compound Annual Growth Rate or CAGR was used to calculate the growth rate. Finally in the last section, respondents' background information was collected.

Binary logistic regression is a technique for predicting the mean value of a binary response variable as a function of one or more covariates. It was employed in this research to examine the relationship between a single dependent variable, venture growth (VG), which is dichotomous and several independent variables. Ordinary regression can not safely be applied to this kind of response variable because the venture growth is classified as either high growth or low growth, and the variance of binary variable is not constant. In addition, an ordinary regression approach would yield predicted values which lie outside the range of feasible values for the dependent variable. Instead, logistic regression models the probability of a positive response (e.g. 'high growth') given the values of other variables.

Findings and Discussion

The relationship between the dependent variable, VG, and fourteen other independent variables were examined, and the result is showed in Table 1. If the significance level of the Wald statistic is small (less than 0.05) then the parameters are useful to the model and are significantly related to venture growth.

Table 1: Logistic Regression (Trimmed Model)

| Variable/Construct Description | Factor | B | S.E. | Wald | df | Sig. | Exp(B) |
|---|--------------|---------|-------|-------|----|-------|--------|
| Educational level | HC1 | - 1.089 | 0.527 | 4.26 | 1 | 0.039 | 0.337 |
| Working experience prior owning business | HC2 | 1.15 | 0.981 | 1.373 | 1 | 0.007 | 0.038 |
| Parents own business | HC4 | - 1.936 | 0.969 | 3.987 | 1 | 0.046 | 0.144 |
| Competitive strategies and planning Improvement of product and services | OPER Group 3 | 2.611 | 0.959 | 7.41 | 1 | 0.006 | 13.61 |
| Raise capital from institution | FIN Group1 | 1.088 | 0.371 | 8.598 | 1 | 0.003 | 2.969 |
| Promoting company and its product Understanding market needs Customer feedback Market analysis | MKTG Group | - 2.429 | 1.222 | 3.948 | 1 | 0.047 | 0.088 |

| | | | | | | | |
|--------------------------------------|----------|--------|-------|-------|---|-------|--------|
| Recruitment and retraining employees | | 2.756 | 1.143 | 5.814 | 1 | 0.016 | 15.737 |
| HR policies and HR compensation plan | HR Group | | | | | | |
| Training and development of staffs | | | | | | | |
| Delegating and relinquishing control | | | | | | | |
| Develop performance appraisal | | | | | | | |
| Motivate employees | | | | | | | |
| Personal Initiative | RELTPI | 2.322 | 0.79 | 8.636 | 1 | 0.003 | 10.198 |
| -2 Log-likelihood Value | | 56.44 | | | | | |
| Model Chi-Square | | 54.072 | | | | | |
| Goodness of Fit | | 3.887 | | | | | |
| Cox & Snell R Square | | 0.418 | | | | | |
| Nagelkerke R Square | | 0.625 | | | | | |

Note: regression coefficients (B), standard error (S.E), Wald statistic, degrees of freedom (df), significance level (Sig), odds multiplier (Exp(B)).

Human Capital

Among the four variables in human capital tested using binary logistic regression , HC1, HC2 and HC4, which are ‘education level’, ‘working experience prior owning business’ and ‘parents own business’ respectively, the results were significant at $p=.039$, $p=.007$ and $p=.046$. Higher education level helps the entrepreneurs to have better knowledge and skills which contribute to the success of their venture. Working experience also assists the entrepreneurs with information and understanding about the industry and thus, assisted them in venturing into the current business they are in. Entrepreneurs with parents who owned business may have the opportunity to learn and acquire skills from the parents from a young age and also understood the requirements of being an entrepreneur to get them ready for what to anticipate in owning business ventures.

Whereas HC3 which is the ‘management experience prior owning business’ was found not significant at $p=.241$, apparently individuals who were found successful in their small business venture were less reliant upon their previous business skills, they seemed more open to growth and change, planned for that change through delegation and strategic planning, and sought to learn or use general business skills (Kemelgor, 1985), this could also suggest that the many years of managerial experience might have affected their ability to judge, analyze, make quick decision and calculate risk well, hence their experience may not benefit their business venture.

Competencies

The results also showed that only certain areas among the four areas of the competency, namely operation, finance, marketing and human resource, were deemed as important by the CEOs and they are significantly related to VG.

OPER_Group3 which are ‘competitive strategies and planning’ and ‘improvement of product and services’ scored significantly high at $p=.006$. The entrepreneurs would want to find out more about the competitors, by emphasizing more on competitive and strategies planning, it allowed the entrepreneurs to ensure that the products or services are constantly improving to have the competitive advantage. OPER_Group1 and OPER_Group2 were found not significant to VG, with $p=.062$ and $p=.201$ respectively, the variables in OPER_Group1 and OPER_Group2 are ‘equipments selection’, ‘day to day operations’, ‘production scheduling and planning’ and ‘quality of products or services’, these are considered day-to-day operational tasks and are likely to be relinquished by the team of founding CEOs and delegated to their subordinates. As for ‘quality of products or services’, it could be because the companies had installed proper quality standard and checks such as ISO standard and 5S, therefore, the entrepreneurs are only concerned on the overall quality of the companies products or services and not the day to day process. Another possible explanation is the entrepreneurs know that the quality systems are in placed; therefore, they are only concerned with unforeseen quality issues.

The variables for finance, FIN_Group1 and FIN_Group2 have different results, FIN_Group1 has a value of $p=.003$ which scored significantly high with VG, FIN_Group1 which is to raise capital from institution showed significant result because only by being able to source for external funds and to manage the finance

well, it would ensure the long run success of the venture (Dunn et al., 1993). FIN_Group2 on the other hand has a value of $p=.862$, similarly to operation, founding CEOs would not allocate for daily tedious tasks such as 'record keeping', 'financial control', 'budget planning' and 'cashflow management'. Although, literature review supported that cashflow management is important during business start-up, this non-significant relationship is explained by Teutenberg (1997) when he found that cashflow generally post as a concern and problem for smaller businesses rather than larger organizations, this is due to the fact that larger companies have greater access to people to train executives to manage it and plan for it

The result showed that marketing is significantly related to VG. MKTG_Group which represents all the marketing functions such as 'promoting company and its product and services', 'understanding market needs', 'customer feedback' and 'market analysis', has a value of $p=.047$. Trulsson (2002) found that it is crucial for entrepreneurs to appreciate the importance of putting customer first and what that implies for their operations is crucial. In all businesses, founding CEOs will always placed emphasis on ensuring the company's product or service being sold, as the livelihood of the company depend it. Knowing the demands of customers will definitely ensure the long term success of business ventures. As for human resource, HR_Group which consists of all the human resource functions such as 'recruiting and retaining employees', 'HR policies and compensation plan', 'training and development of staffs', 'delegating and relinquishing control', 'develop performance appraisal' and 'motivate employees', was found significant in relation to VG with a value of $p=.016$. The finding seemed universal, and it is expected that entrepreneurs delegate many of the important tasks to trustworthy and skilled professional employees, thus they would be involved in recruiting and retaining employees, especially high levels staffs. However, recruiting new staffs would naturally mean developing them would be the next important step, and this required human resources development activities (Ardichvili et al., 1998). The result showed that successful entrepreneurs at VG have greater involvement with training and developing staffs so that the employees are able to help sustain and grow the company in the long term. In addition, by providing a clear career path and career development helps to retain the employees. Having proper performance appraisals and compensating employees appropriately allows the employees to be more satisfied with their jobs and thus, they will stay with the organization. Motivating employees through providing them with the vision and mission of the

companies and how these employees are fitted into the bigger picture again ensures that these employees will continue to grow and stay with company.

Variable SC_Group which stands for social group support has a value of $p=.476$, SC_Group was not significant to VG, this indicate that the concept of “who do you know” is important may only apply for entrepreneurs during startups (Eisenhardt and Schoonhoven 1996), while other studies found no significant relationship between social network and business performance (Butler et al., 1990; Merenda et al., 1994; Aldrich, Reese and Dubini, 1993).

Government Support Programs

Variable GS1 which stands for government support programs was found not significant to VG. It was found that entrepreneurs expressed their frustration in applying such loans, as most of the procedures and requirements pertaining to the loan were the preoccupied with internal bureaucratic concerns rather than the entrepreneur's needs (Dana, 1987).

Personal Initiative

Personal Initiative which represented by RELTPI was found significantly related to VG with a value $p=.003$. It was the intention of this research to examine whether entrepreneur with high PI is significantly related to venture growth as employee with high PI performed better in a job situation (Frese and Fay, 2001). The result indicated that entrepreneurs with high PI which also mean the ability to self-start, proactive attitude and capability to overcoming barriers, contributed to the success and the growth of their companies.

Conclusion

Many start-up entrepreneurs do have the necessary skills and opportunity to create a giant “in the making” company, nevertheless, concerns such as the lack of education, experience, moral and financial support have always been the few major stumbling blocks or rather mental blocks holding them back from their journey to success. From this research, it has been made clear that a large number of entrepreneurs affirmed personal initiative as one of the major key to success. It has also illustrated that entrepreneurs with high personal initiative will further enhance their management, improve business operation skills, and embark in a continuous

learning and development attitude. High personal initiative entrepreneurs are typical “go-getters” and persist in all their work until results are achieved. This attitude will serve them well in areas such as seeking funds and supports, and to keep themselves motivated, these so-called “lacks” in them will be overcome with their pro-active and self-starter personality.

Entrepreneurs know that their focus in the areas of competency changes in order to grow their company. However, entrepreneurs at times found to be reserved when they are unclear or anticipating involvement of higher level or different aspects of competency. To assist them to grow the company, the research has also provided a clear indication as to which area of competency the entrepreneurs should focus on. Sound knowledge and expertise of the following competency must be acquired and employed. Human resource is a clear distinction to be focused on, as all areas of HR are found to have significant relationship with venture growth. This includes areas such as recruiting and retaining employees, HR policies and compensation plan, training and development of staffs, delegating and relinquishing control, develop performance appraisal and motivate employees.

As the company grows, the founding entrepreneurs must be attuned to promoting company and its product and services, understanding market needs and customer feedback. Knowing the trends and what comes next as accurately as possible will allow long term continuation for the business. In addition to knowing what the customers’ needs and expectations are, entrepreneurs naturally pay close attention to quality of products or services, competitive strategies and planning and the improvement of product and services. Founding entrepreneurs must also be involved in strategic planning pertaining to competition, because this ensures the future and the survival of the company. While moving away from the day-to-day accounting tasks, the entrepreneurs need to look at the bigger picture as far as the company’s finance, it is advised to delegate the daily accounting activities to the professionally hired and concentrate in higher level of financial management such as raising capital from institution.

Limitations of the study

The cross-sectional research design does not allow the firm establishment of a cause and effect relationship, and thus post as a limitation to the study. Therefore,

a preferable longitudinal research which would generate more accurate findings, however, this would not be possible due to the time and cost constraints. The sample consists of founding entrepreneurs from the E-50. Thus, the generalization of the results is limited to entrepreneurs in venture growth only.

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A STUDY ON THE CRITICAL SUCCESS FACTORS OF WOMEN ENTREPRENEURS IN SMALL AND MEDIUM ENTERPRISES (SMEs) IN MALAYSIA

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ABSTRACT

Malaysia is an economy where Small and Medium Enterprises (SMEs) symbolize a significant element of the national economic agenda. The existence of SMEs not only promotes home-grown sources of growth but also takes business and commerce beyond the nation's domestic borders. The number of SMEs registered with the Malaysian Companies Commission as at December 2003 was 630, 709. SMEs in this study will take the definition of small and medium enterprises in the manufacturing, manufacturing related services and agro-based industries with full-time employees not exceeding 150 OR with annual sales turnover not exceeding RM25 million, and small and medium enterprises in the services, primary agriculture and Information and Communication Technology (ICT) sectors with full-time employees not exceeding 50 OR with annual sales turnover not exceeding RM5 million. An increasing percentage of these SMEs are managed by women entrepreneurs. SMEs in Malaysia serve as a breeding ground for new business ventures and there is mounting evidence that imply that SMEs, which were usually subjugated by male entrepreneurs, were now attracting more women entrepreneurs. Women entrepreneurs in Malaysia are involved in all types of businesses across a range of industries. However, there is very little research that has been done on women entrepreneurs in Malaysia. Most of the entrepreneurial research in Malaysia has focused on Malaysian SMEs and male entrepreneurs in particular. As women entrepreneurs take center stage in the global entrepreneurial growth, it has become imperative for Malaysian entrepreneurship researchers to study the profile of women entrepreneurs in Malaysia to add value to the growth and development of our women entrepreneurs. This study examines the critical success factors of women entrepreneurs in SMEs in Malaysia. The 17 critical success factors were based on factors that were identified by Hisrich, Peters & Shepherd (2005); Buttner (1993); Lancette (1999); Bygrave & Zacharakis (2004); and Hitt, Ireland & Hoskisson (2003), amongst other entrepreneurship scholars. To explore the critical success factors, a structured questionnaire was sent to 700 women entrepreneurs based on a sampling frame obtained from the various women associations' in the country. 70 responses were received at a response rate of 10%. The following data were collected: i) the demographic characteristics of the entrepreneurs (age, marital status, educational level, business experience, number of years in business); ii) challenges faced by women entrepreneurs; iii) support factors and financial assistance; iv) motives and reasons for starting a new venture; v) critical success

factors for women entrepreneurs to become successful in their businesses. Findings show that the women entrepreneurs of Malaysia scored highly on all the critical success factors that were considered important for entrepreneurial success except for 3 factors, that is, poor education background, lack of knowledge in human resources, and limited management and technical skills. 77% of the women entrepreneurs rated themselves as successful and they all reflected the dominant characteristics required in an entrepreneur. Some of the reasons cited for starting an entrepreneurial venture were: i) wanted to be a success on their own; ii) wanted to be their own 'boss'; and iii) had a good business plan for starting the business. Some of the challenges they faced were: i) cash flow problems; ii) management problems; and iii) not having enough prior business experience. These women entrepreneurs were found to hold great potential for future growth and if given the right assistance and support by the government and the various women and entrepreneurial associations, these women could be groomed to be at par, if not better, than the women entrepreneurs of the developed nations.

INTRODUCTION

In Malaysia, Small and Medium Enterprises (SMEs) operate in almost every industry. Although SMEs are similar to other forms of business, SMEs in Malaysia symbolise a significant element of the national economic agenda. Their existence not only promotes home-grown sources of growth, but also takes business and commerce beyond the nation's domestic borders. Though there is no universally accepted definition for an SME, in Malaysia, SMEs are defined into two broad categories: i) manufacturing, manufacturing-related services and agro-based industries; and ii) services, primary agriculture and information & communication technology (ICT). The first category would include small and medium enterprises in the manufacturing, manufacturing-related services and agro-based industries with full-time employees not exceeding 150 OR with an annual sales turnover not exceeding RM25 million. The second category would include small and medium enterprises in the services, primary agriculture and information & communication technology (ICT) sectors with full-time employees not exceeding 50 OR with an annual sales turnover not exceeding RM5 million. For the purposes of this study, the SMEs in question are largely from the services and manufacturing enterprises (64%). In Malaysia, SMEs are acknowledged to be the resources of entry for new

entrepreneurs. They are seen as a breeding ground for new business ventures and there is mounting evidence to imply that SMEs which are usually subjugated by male entrepreneurs are now attracting more women entrepreneurs in Malaysia. The success factors of women entrepreneurs in Malaysia are no different from the other women entrepreneurs in the other parts of the world. However, this study examined seventeen critical success factors of women entrepreneurs in SMEs in Malaysia to highlight the successes of Malaysian women entrepreneurs to other aspiring women entrepreneurs. Whilst the profile of women entrepreneurs in other parts of the world have been widely studied and highlighted, the profile of women entrepreneurs in Malaysia leaves much to be examined. Women are an upcoming force in the entrepreneurial industry of Malaysia and they have to be highlighted to motivate other women in the country to become part of the economic growth of the country.

PROBLEM STATEMENT

Numerous studies have been undertaken on women entrepreneurs worldwide but none of them have focused on the critical success factors of women entrepreneurs in Malaysia. The entrepreneurial studies in Malaysia have focused on entrepreneurship and SMEs in general, with emphasis on male entrepreneurs. There have been no specific studies on the profile of women entrepreneurs in Malaysia. This study was undertaken to fill the gap on women entrepreneurship literature in Malaysia.

OBJECTIVES

The objective of this research will focus primarily on the seventeen critical success factors of women entrepreneurs in SMEs in Malaysia. The seventeen factors were based on the success factors as defined by Hisrich, Peters and Shepherd (2005); Buttner (1993); Lancette (1999); Bygrave and Zacharakis (2004); and Hitt, Ireland and Hoskisson (2003), amongst other entrepreneurship scholars. These critical success factors will be examined amongst women entrepreneurs in SMEs across the services, manufacturing, construction, financial, retailing and education sectors in Malaysia.

REVIEW OF LITERATURE

There have been numerous studies on women entrepreneurs worldwide focusing on the profile of women entrepreneurs, their challenges, problems, success factors and motivational factors. These studies have given a clear insight into the growth and development of women entrepreneurs worldwide. However, there has been no such study on women entrepreneurs in Malaysia and this is the first study of its kind to examine the critical success factors of women entrepreneurs in SMEs in Malaysia.

Success Factors of Women Entrepreneurs

Buttner et. al. (1997, p. 34-47), identified six measures of success for women entrepreneurs in order of priority, i) self-fulfilment; ii) achievement of their goals; iii) profits; iv) growth; v) balancing family and work; and vi) making a social contribution. His findings based on 129 women entrepreneurs in the United States indicate that the reasons why these women entrepreneurs started their businesses were also influenced by the ways they measured their success. A study by Zapalska (1997, p. 76-83) on women entrepreneurs in Poland revealed the newly created market incentives in the post-communist Polish economy showed women entrepreneurs in Poland new opportunities. The keys to success have included focusing on improving quality, decreasing costs, moving from local to national and export markets, introducing new products and services, and obtaining supplies from new sources. These women perceived the following nine factors as primary causes of business success: i) innovation/creation of something new; ii) experimentation; iii) market incentives; iv) independence; v) achievement; vi) job satisfaction; vii) opportunities; viii) professional attitude; and ix) establishment of business contacts. It is the author's view that the start-up businesses owned by women have great potential as independent vehicles for economic growth and for bringing about the emergence of capitalist economic production as long as the conditions promoting innovative entrepreneurship continue to improve in Poland. Another study by Maysami et. al. (1999, p.96-106) revealed that there were various

factors that led to the success of women entrepreneurs in Singapore. They were: i) product and service qualities; ii) personal qualities; iii) quality of personnel; iv) adequate knowledge of products and services; and v) customer loyalty (Teo, 1996). Other factors reported were the availability of professional advice or government assistance, technological advantage, and availability of financing and capital. The nature of their businesses may have also contributed to their success (Teo, 1996). They generally started small businesses in the service and retail sectors requiring limited use of technology and little initial capital. Finally, they were also capable of striving hard for success with insufficient funds. In Maysami et. al.'s study (1999, p.96-106), the authors had summarised the factors that contributed to the success of women business owners as researched by Teo (1996), Deng, Hassan and Jivan (1995), Rashid (1996), Hisrich and O'Brien (1981), Kelly (1985), Lee-Gosselin and Grise (1990), Bachemin (1989), Woodward (1988) and Kotter (1982). The fourteen factors identified were: i) family support; ii) knowledge of culture and language; iii) communication skills; iv) human relations skills; v) personal qualities; vi) knowledge of product and service; vii) quality of product and service; viii) customer loyalty; ix) quality of personnel; x) availability of professional services; xi) technological advantage; xii) availability of finance; xiii) presence of opportunities; and xiv) desire to succeed. Another interesting study by Ayadurai and Sohail (2006, p.1-15) on women entrepreneurs in a war-torn area revealed that most of the women entrepreneurs believed their business was a success based on five key measures of success: i) self-fulfilment; ii) a balance between family and work; iii) profit/sales; iv) social contribution and v) employee satisfaction.

Small and Medium Enterprises (SMEs) in Malaysia

Malaysia has put concern over SMEs (especially for the Bumiputera) since 1950s, however, with mixed results, since the government policy has a bias towards large enterprises and Multi-National Enterprises (MNEs). It is only in the Second Industrial Master Plan (1971-1975) that the policy on SMEs became the main agenda for industrial development (Bakar, Smith and Sapuan, 1997, p.11-17). According to the Report by SMIDEC (2002), SMEs accounted for 93.8 percent of all establishments in the manufacturing sector. Of the total number of SMEs, small enterprises comprised 76.0 percent, while medium companies accounted for 17.8 percent of all manufacturing establishments. Highlights of the performance of SMEs during the period of 1993 to 1996 showed that gross output attained by

SMEs grew by 11.1 percent per annum, while that for large scale enterprises (LSEs) grew by 21.6 percent per annum. Gross output of SMEs was anticipated to increase from RM94.3 billion in 2000 to RM152.7 billion in 2005. The SMEs in Malaysia are poised to not only contribute to the development of a balanced economy but also to complement and support the large-scale, heavy and modern industries through a network of industrial linkages. The government's objective is to integrate both new and existing SMEs into the main industrial base. The Small and Medium Industry Development Plan (SMIDP), 2001 to 2005, aims to prepare SMEs for the challenges and opportunities arising from trade liberalisation, globalisation and advances in information and communication technology (ICT) in Malaysia. The objectives of the SMIDP are to: i) create a conducive policy environment to spur the development of SMEs into globally competitive enterprises; and ii) promote the development of knowledge-based SMEs (SMIDEC, 2002, p.13). Against this backdrop lies the development of entrepreneurs in Malaysia. It is evident that SMEs play a significant role in the economic and industrial development of a country. It is also evident that SMEs spawn the growth and development of entrepreneurs by serving as a training ground for developing the skills of existing and potential entrepreneurs. In Malaysia, the growth of SMEs has given rise to a group of dynamic male and female entrepreneurs who have capitalised on the incentives given by the government in promoting SMEs in the country. This study examined the female (women) entrepreneurs in the SMEs across a wide range of industries in Peninsular Malaysia. These women entrepreneurs were surveyed to identify the critical success factors which led to their growth and development. It was found that the women entrepreneurs' contribution to the Malaysia economy was growing in terms of the establishment of new enterprises and the country's economic growth.

Support Agencies for Women Entrepreneurs in Malaysia

Malaysia is one of the very few countries which has set up a Ministry to enhance the growth and development of entrepreneurship in the country – the Ministry of Entrepreneur and Co-operative Development, established in May 1995. This Ministry oversees the growth and development of existing and potential entrepreneurs in the country. Besides assisting the male entrepreneurs, government grants and funds are also allocated for women entrepreneurs. Training programmes are provided by the Ministry for budding women entrepreneurs and single mothers. SMIDEC (Small and Medium Industries Development Corporation) established in

May 1996 offered the 'Women Entrepreneur Fund' to assist women entrepreneurs in their new business ventures. The National Association of Women Entrepreneurs of Malaysia (NAWEM), the Federation of Women Entrepreneurs of Malaysia (FeM) and several other state and federal women entrepreneur associations acted as support agencies for women entrepreneurs in Malaysia. The study however found that only 20 percent of the women entrepreneurs surveyed found the associations of any help to their business ventures. 47 percent responded that the associations were of no help or of little help to them. 33 percent responded that the associations were of moderate help. Hence it can be concluded that the women associations in Malaysia did not add substantial value to the women entrepreneurs in the country.

METHODOLOGY

A survey instrument was developed to capture the information relating to the research objectives. A structured questionnaire was prepared in English and sent to 700 women entrepreneurs based on a sampling frame obtained from the women entrepreneur associations in Malaysia. The questionnaires were e-mailed to 300 women entrepreneurs by the NAWEM Secretariat and a response of 1.7 percent (5 responses) was received. Another 200 questionnaires were e-mailed by the Peniagawati Secretariat – a 'Bumiputera' women entrepreneur association, and 4 percent (8 responses) were received. The co-author personally faxed, mailed, delivered by hand, and e-mailed 200 questionnaires and 62 responses were received. In total, 75 responses out of 700 questionnaires were received at a response rate of 10.7 percent.

SURVEY RESULTS

The data was analysed based on the primary research objective of the seventeen critical success factors and the accompanying demographic profile of the respondents. The resulting questionnaire examined the critical success factors based on a 5-point Likert Scale ranging from 1, being the least important to 5, being the most important. The women entrepreneurs were asked to indicate, in their opinion, the critical success factors for women to become successful in their businesses. The results were tabulated based on frequency counts and percentages were drawn to construct graphical representations. The questionnaire comprised of

17 questions; 11 questions being multiple-choice questions, 4 questions being dichotomous questions, and 2 questions being 5-point Likert Scale questions. 5 questions had qualitative comments but none of the respondents completed the qualitative section.

Critical Success Factors

Respondents were examined on seventeen critical success factors based on the success factors as defined by Hisrich, Peters and Shepherd (2005); Buttner (1993); Lancelotte (1999); Bygrave and Zacharakis (2004); and Hitt, Ireland and Hoskisson (2003), amongst other entrepreneurship scholars. Table 6.1 reflects the findings. A “gap” is considered to exist when respondents respond that a particular critical success factor is moderately important, not important or least important. A percentage of above 40 percent would indicate that a “gap” exists amongst women entrepreneurs in that particular critical success factor. From the “gap analysis” conducted, it was found that there were only 2 critical success factors where a “gap” existed. They were “having educational background” and “knowledge in management and technical skills.” Hence, these women entrepreneurs identified 2 areas that they required assistance, namely, educational enhancement and management and technical skills.

Scale 1 - 5

1= Least important 5= Most Important

| CRITICAL SUCCESS FACTORS | 1 | 2 | 3 | 4 | 5 |
|---|----------------|----------------|------------------|------------------|------------------|
| Innovative, creative and far sighted Table 6.1 | 0 0% | 2 (2.8571%) | 4 (5.7142%) | 23 (32.8571%) | 41(58.5714%) |
| Willing to take risks Table 6.2 | 4 (5.7142%) | 2 (2.8571%) | 14 20% | 20 (28.5714%) | 30 (42.8571%) |
| Having enough financial resources Table 6.3 | 0 10% | 4 (5.7142%) | 13 (18.7142%) | 24 (34.2857%) | 29 (41.4285%) |
| Having knowledge in business Table 6.4 | 0 0% | 0 10% | 11 (15.7142%) | 32 (45.7142%) | 27 (38.5714%) |
| Matured and having long life experiences Table 6.5 | 1 (1.4285%) | 5 (7.1428%) | 17 (24.2857%) | 21 30% | 26 (37.1428%) |
| Having education background Table 6.6 | 0 0% | 7 (10%) | 24 (34.2857%) | 28 (40%) | 11 (15.7142%) |
| Right attitude in business dealings Table 6.7 | 2 (2.8571%) | 0 10% | 5 (7.1428%) | 26 (37.1428%) | 37 (52.8571%) |
| Business minded Table 6.8 | 0 0% | 2 (2.8571%) | 7 (10%) | 21 (30%) | 40 (57.1428%) |
| Can work long hours Table 6.9 | 0 0% | 2 (2.8571%) | 11 (15.7142%) | 22 (31.4285%) | 35 (50%) |

| | | | | | |
|--|--------------------|--------------------|----------------------|-----------------------|----------------------|
| | | %) |) |) | |
| Knowledge of human resources Table 6.10 | 2 (2.8571 %) | 4 (5.7142 %) | 35 (50%) | 16 (22.8571 %) | 13 (18.5714 %) |
| Knowledge in management & technical skills Table 6.11 | 3 (4.2857 %) | 3 (4.2857 %) | 26 (37.1428 %) | 24 (34.2857 %) | 14 (20%) |
| Good networking and a host of contacts Table 6.12 | 2 (2.8571 %) | 1 (1.4285 %) | 8 (11.4285 %) | 25 (35.7142 %) | 34 (48.5714 %) |
| Independent Table 6.13 | 2 (2.8571 %) | 0 0% | 7 (10%) | 19 (27.1428 %) | 42 (60%) |
| Resilient Table 6.14 | 2 (2.8571 %) | 0 0% | 6 (8.5714 %) | 20 (28.5714 %) | 42 (60%) |
| Never give up attitude Table 6.15 | 2 (2.8571 %) | 0 0% | 3 4.2857%) | 20 (28.5714 %) | 45 (64.2857) |
| Having business skills Table 6.16 | 1 (1.4285) | 2 (2.8571) | 13 (18.57%) | 30 (42.8557 1%) | 24 (34.2857 %) |
| Decisive and have dominant character Table 6.17 | 0 0% | 6 (8.5714 %) | 9 (12.8571 %) | 26 (37.1428) | 29 (41.4285) |

Table 6.1: Innovative, creative and far-sighted

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (2) | 3% |
| 3 (3) | 6% |
| 4 (23) | 33% |
| 5(41) | 59% |

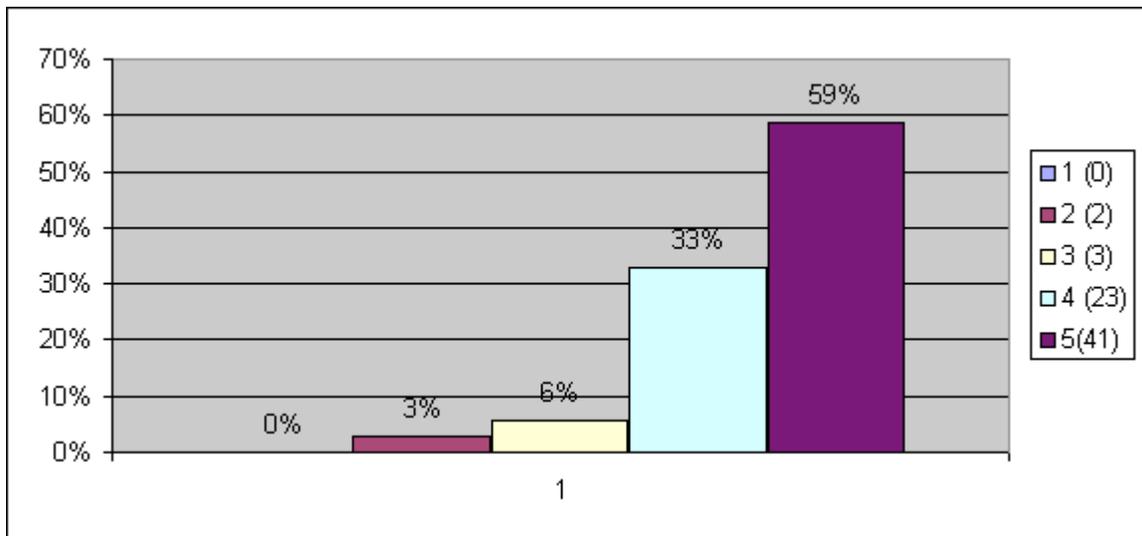


Table 6.2: Willing to take risks

| | |
|--------|-----|
| 1 (4) | 6% |
| 2 (2) | 3% |
| 3 (14) | 20% |
| 4 (20) | 29% |
| 5(30) | 43% |

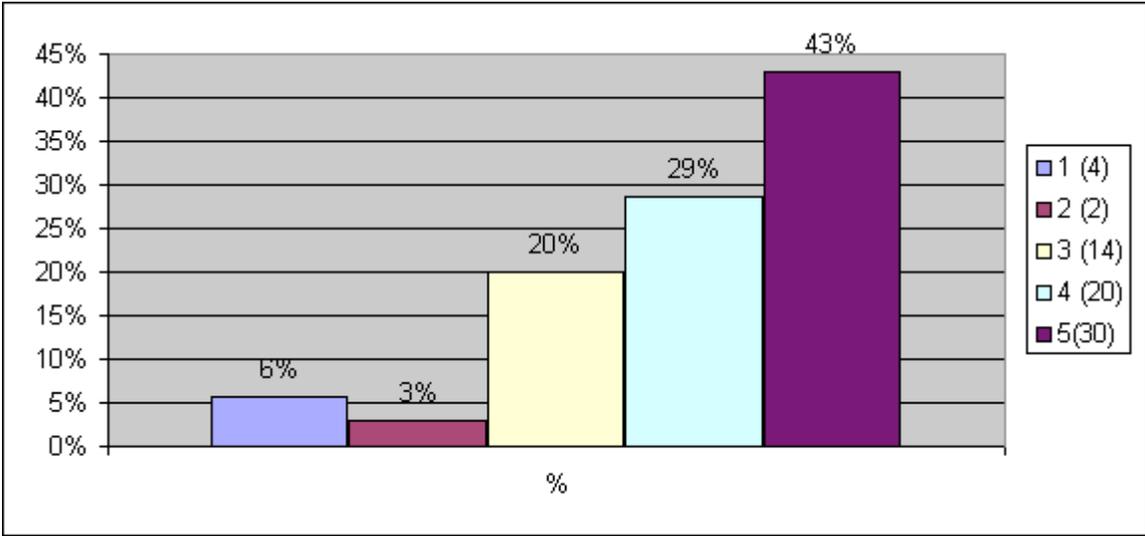


Table 6.3: Having enough financial resources

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (4) | 6% |
| 3 (13) | 19% |
| 4 (24) | 34% |
| 5 (29) | 41% |

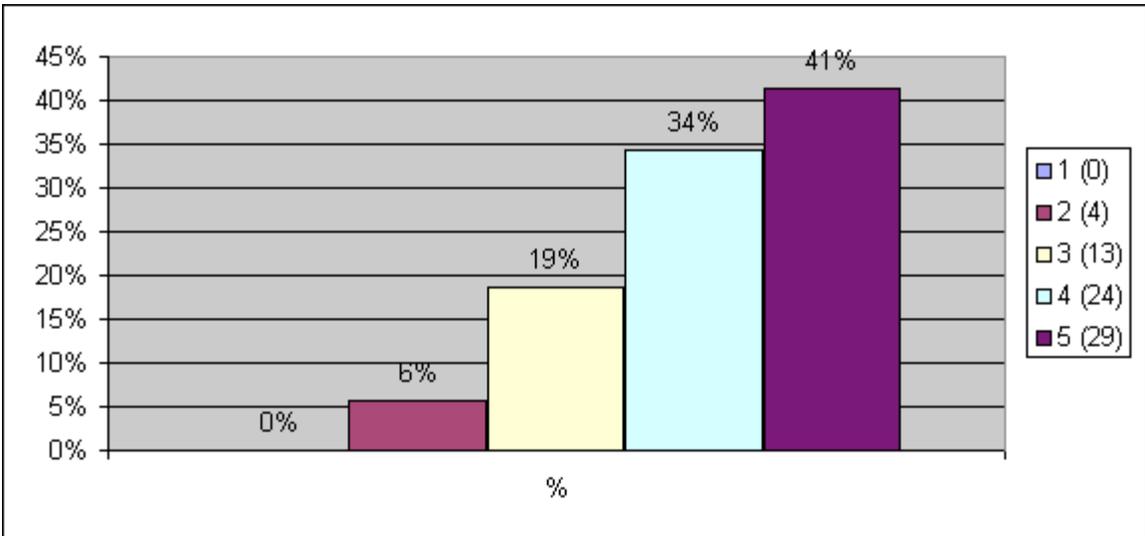


Table 6.4: Having knowledge in business

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (0) | 0% |
| 3 (11) | 16% |
| 4 (32) | 46% |
| 5 (27) | 39% |

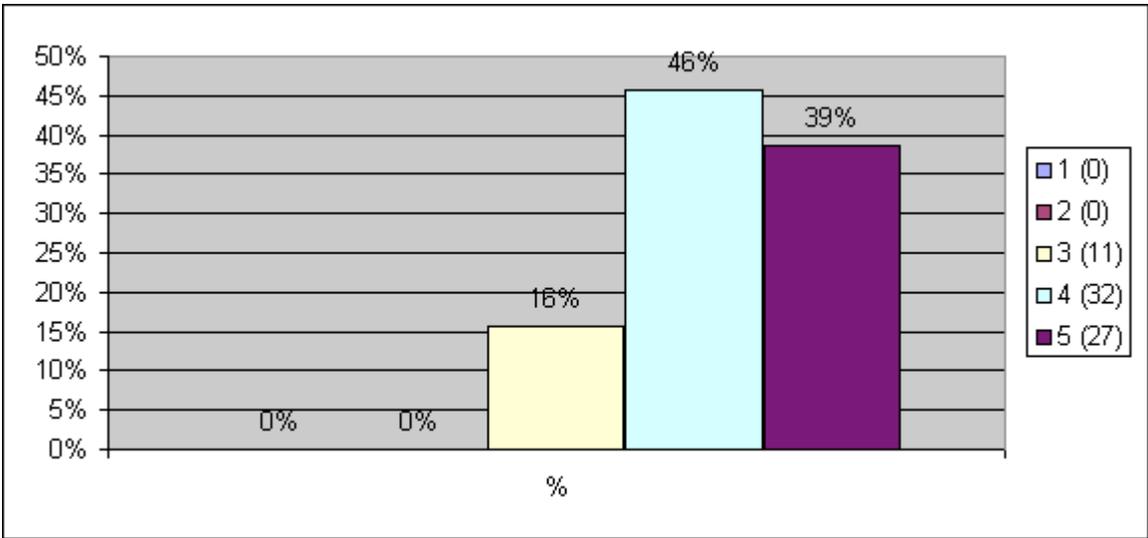


Table 6.5: Matured and having long life experiences

| | |
|--------|-----|
| 1 (1) | 1% |
| 2 (5) | 7% |
| 3 (17) | 24% |
| 4 (21) | 30% |
| 5 (26) | 37% |

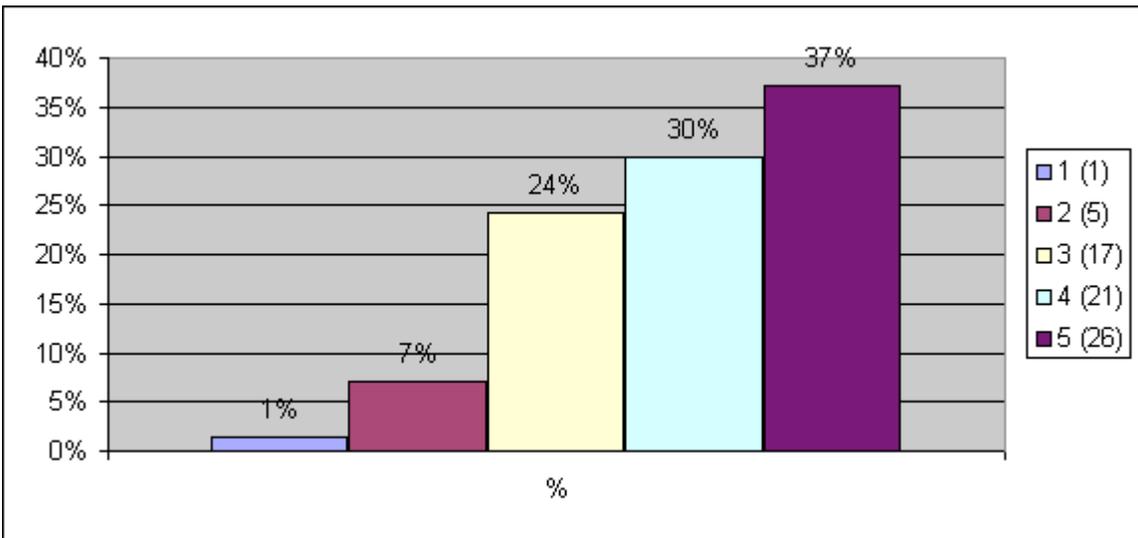


Table 6.6: Having educational background

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (7) | 10% |
| 3 (24) | 34% |
| 4 (28) | 40% |

5 (11) 16%

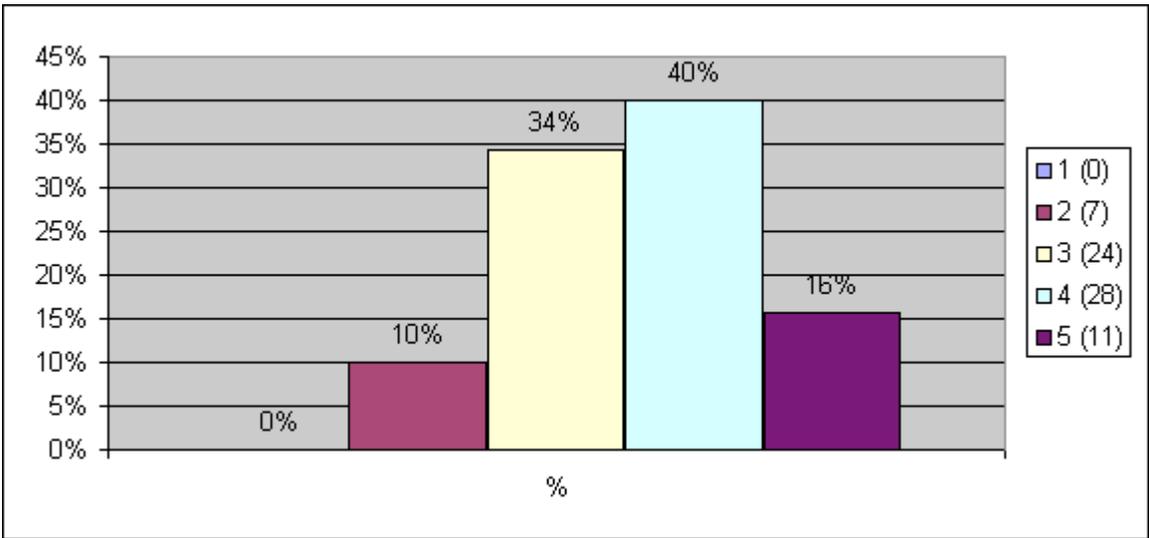


Table 6.7: Right attitude in business dealings

1 (2) 3%
2 (0) 0%
3 (5) 7%
4 (26) 37%
5 (37) 53%

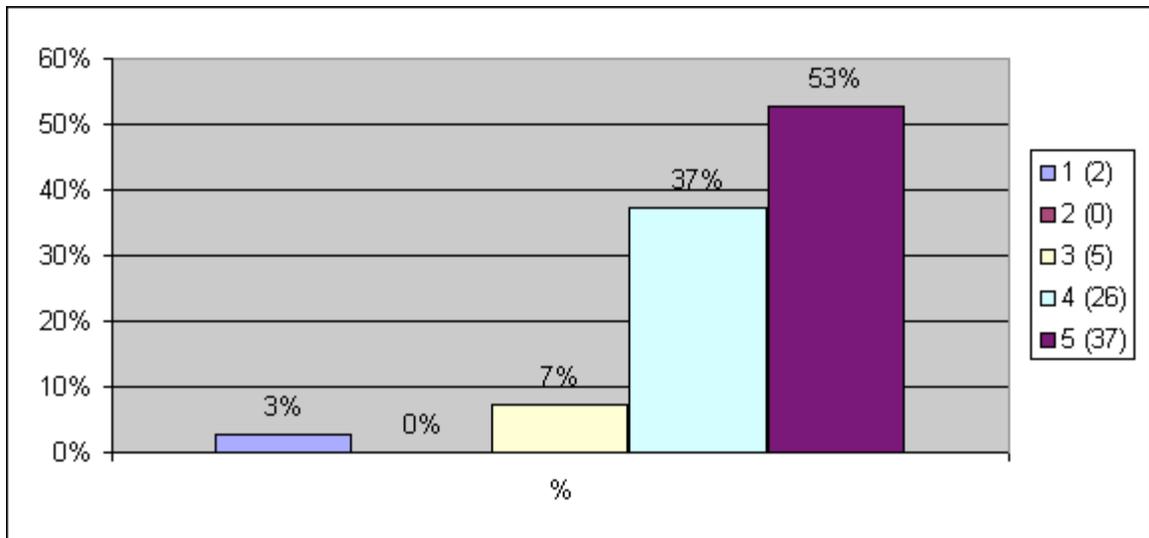


Table 6.8: Business minded

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (2) | 3% |
| 3 (7) | 10% |
| 4 (21) | 30% |
| 5 (40) | 57% |

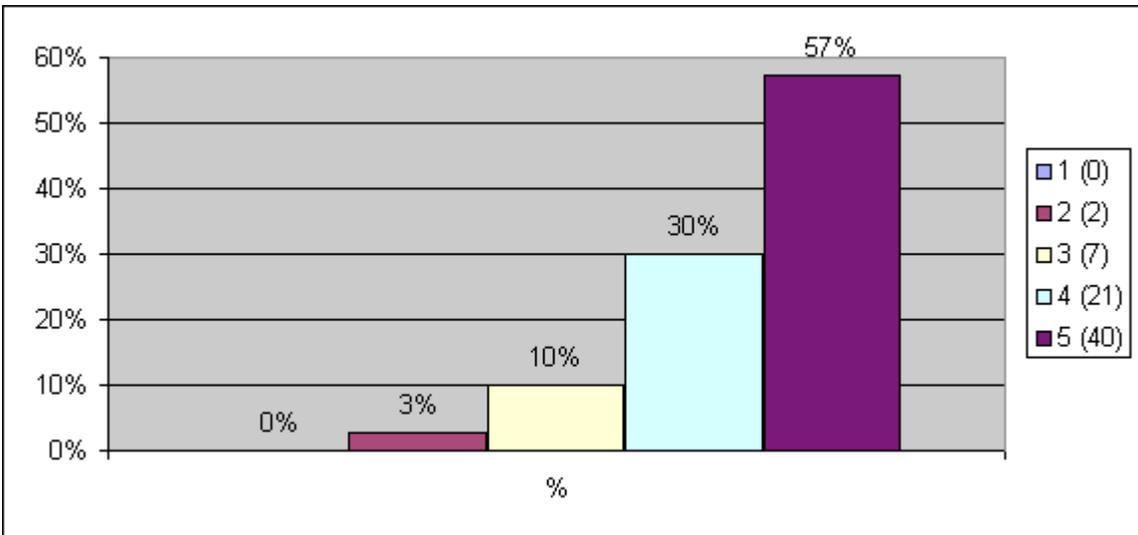


Table 6.9: Can work long hours

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (2) | 3% |
| 3 (11) | 16% |
| 4 (22) | 31% |
| 5 (35) | 50% |

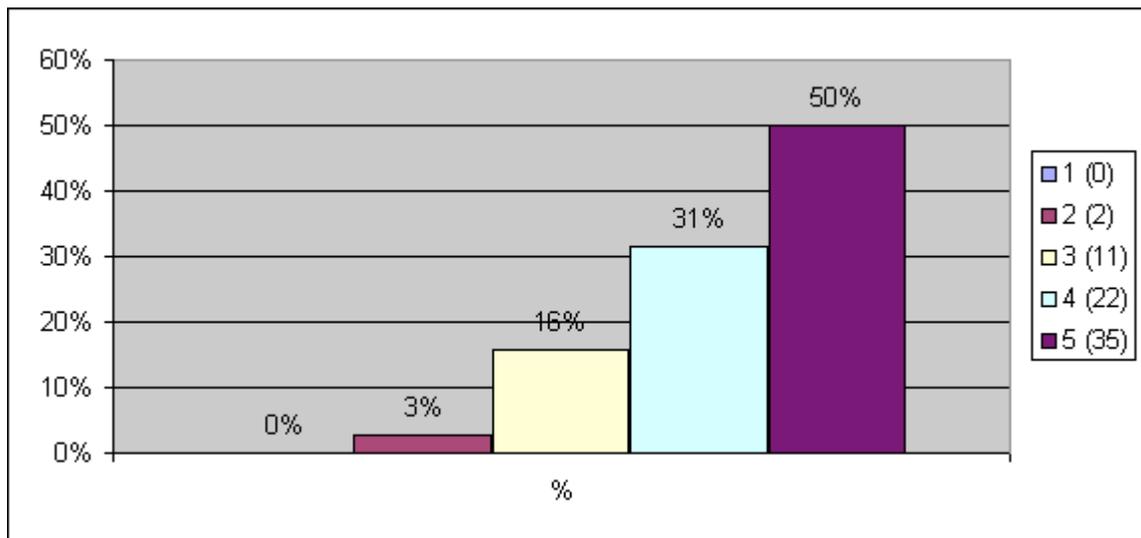


Table 6.10: Knowledge of human resources

| | |
|--------|-----|
| 1 (2) | 3% |
| 2 (4) | 6% |
| 3 (35) | 50% |
| 4 (16) | 23% |

5 (13) 19%

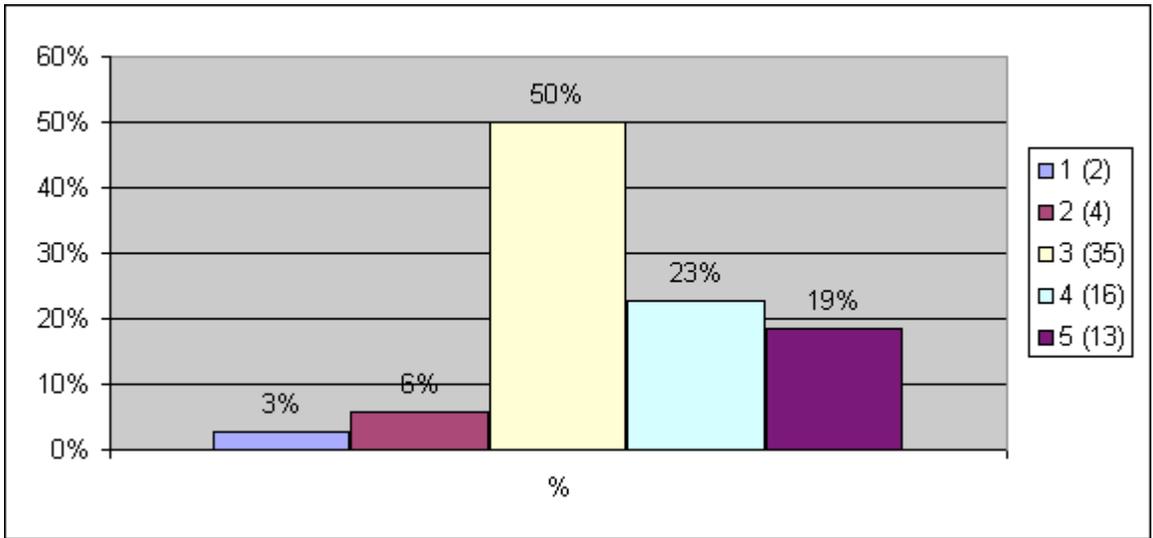


Table 6.11: Knowledge in management & technical skills

| | |
|--------|------|
| 1 (3) | 4% |
| 2 (3) | 4% |
| 3 (26) | 37% |
| 4 (24) | 34% |
| 5 (15) | 20% |
| | 100% |

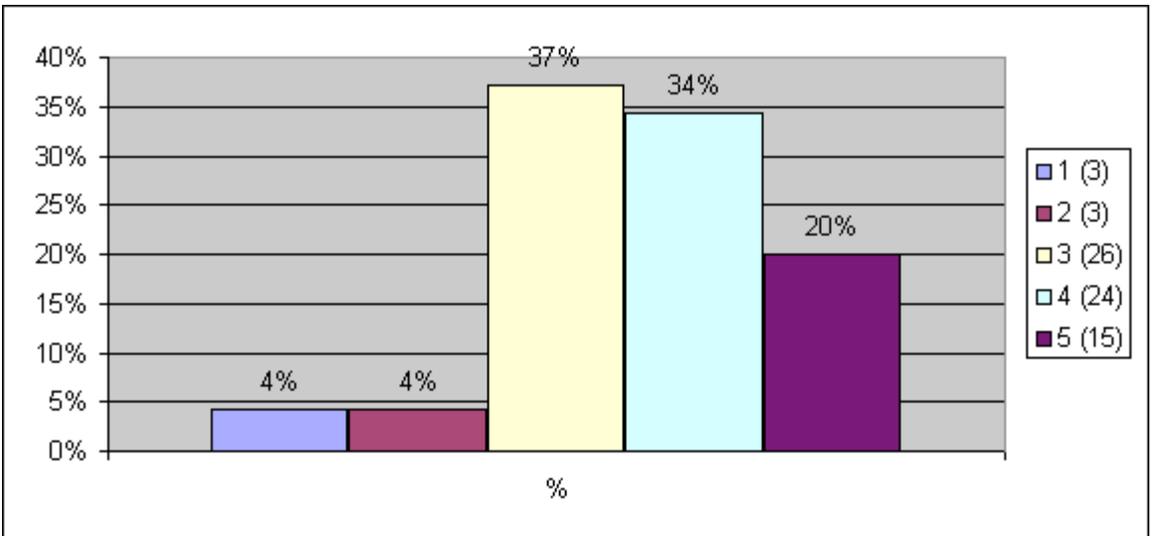


Table 6.12: Good networking and a host of contacts

| | |
|--------|-----|
| 1 (2) | 3% |
| 2 (1) | 1% |
| 3 (8) | 11% |
| 4 (25) | 36% |
| 5 (34) | 49% |

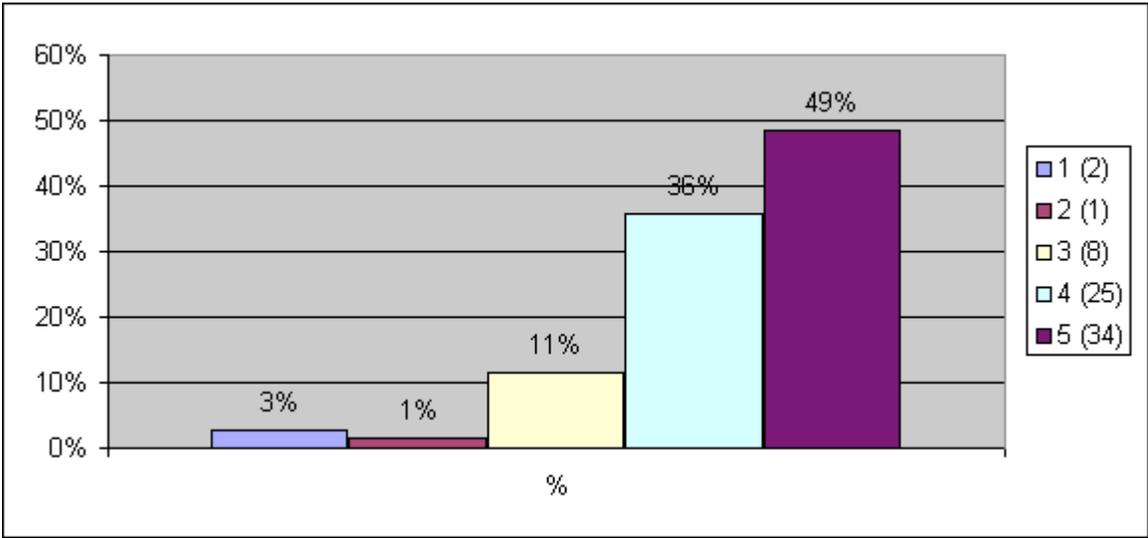


Table 6.13:
Independent

| | |
|--------|-----|
| 1 (2) | 3% |
| 2 (0) | 0% |
| 3 (7) | 10% |
| 4 (19) | 27% |
| 5 (42) | 60% |

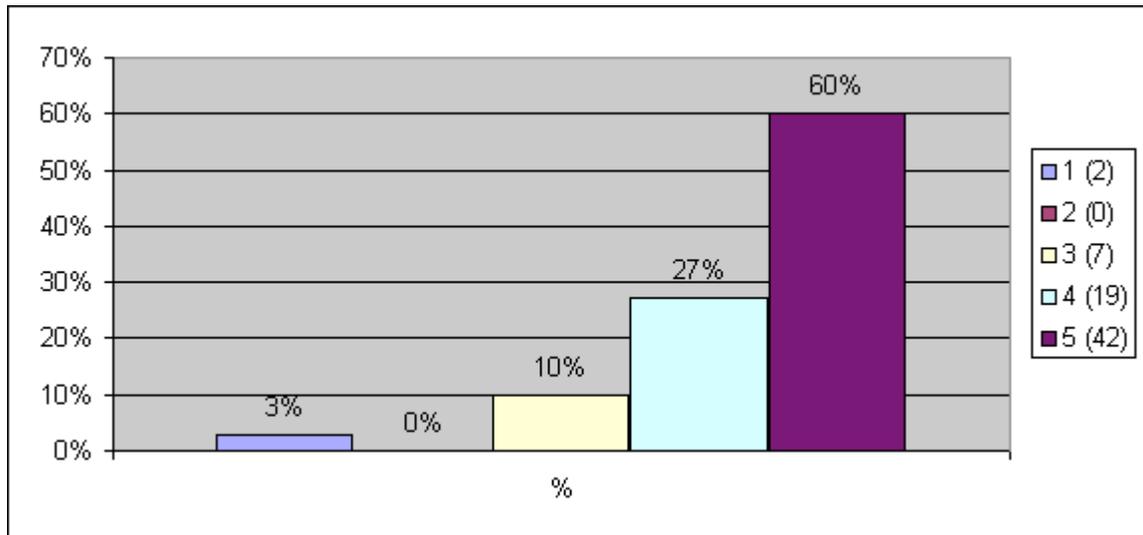


Table 6.14:
Resilient

| | |
|-------|----|
| 1 (2) | 3% |
| 2 (0) | 0% |
| 3 (6) | 9% |

4 (20) 29%
 5 (42) 60%

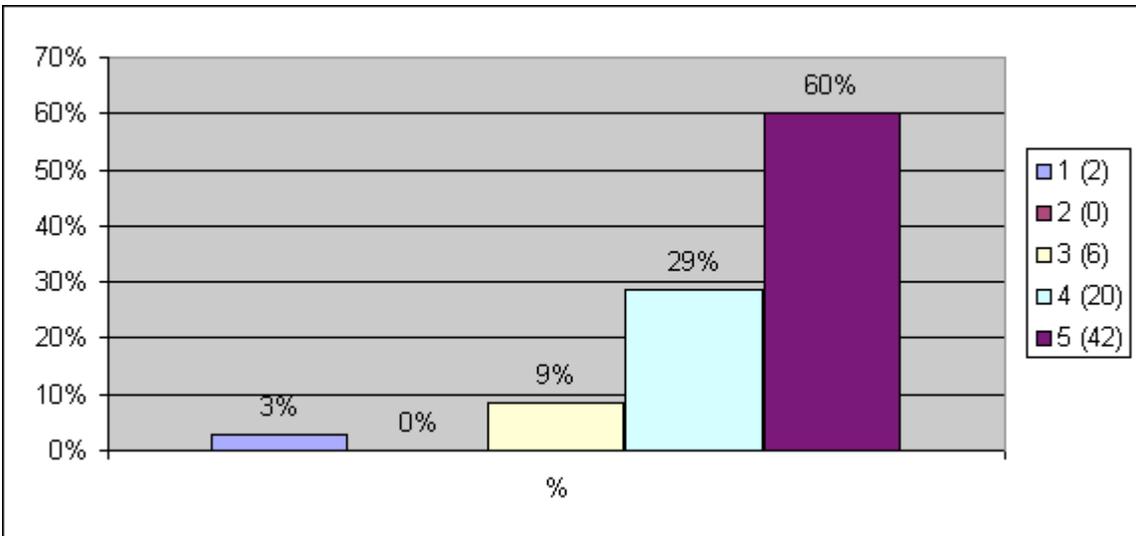


Table 6.15: Never give up attitude

1 (2) 3%
 2 (0) 0%
 3 (3) 4%
 4 (20) 29%
 5 (45) 64%

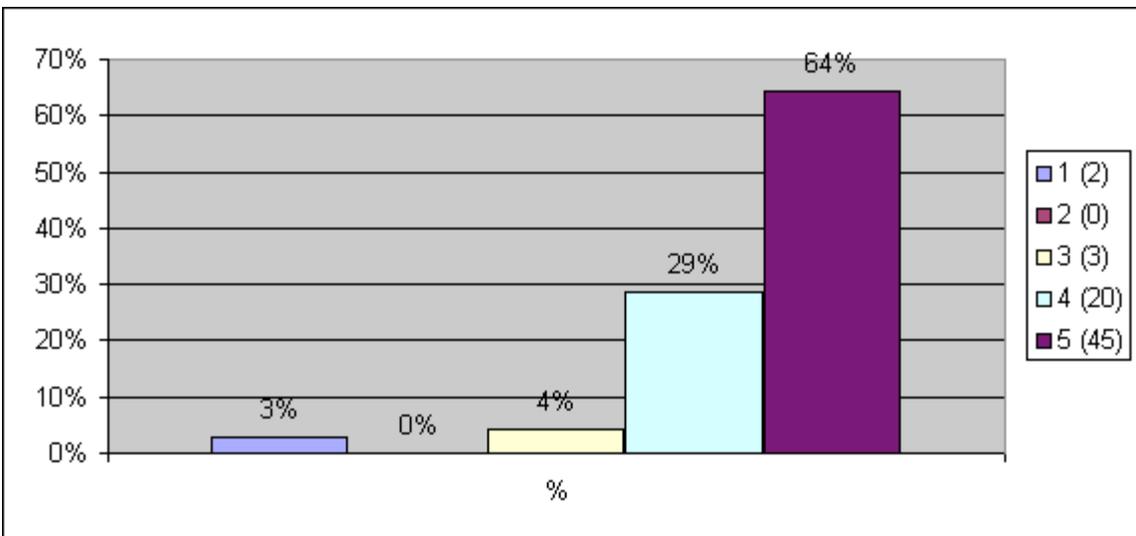


Table 6.16: Having business skills

| | |
|--------|-----|
| 1 (1) | 1% |
| 2 (2) | 3% |
| 3 (13) | 19% |
| 4 (30) | 43% |
| 5 (24) | 34% |

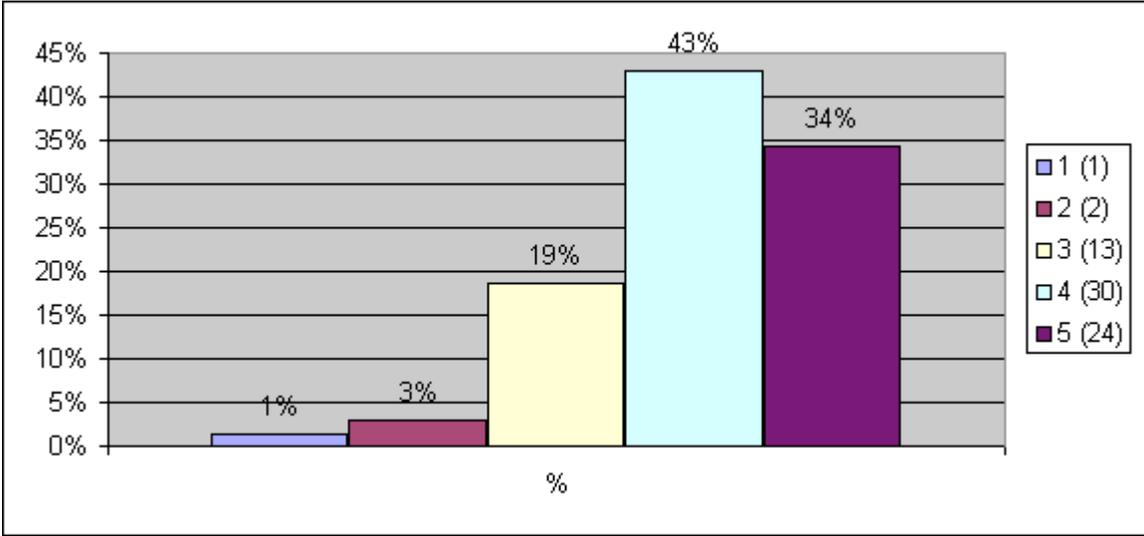


Table 6.17: Decisive and have dominant character

| | |
|--------|-----|
| 1 (0) | 0% |
| 2 (6) | 9% |
| 3 (9) | 13% |
| 4 (26) | 37% |
| 5 (29) | 41% |

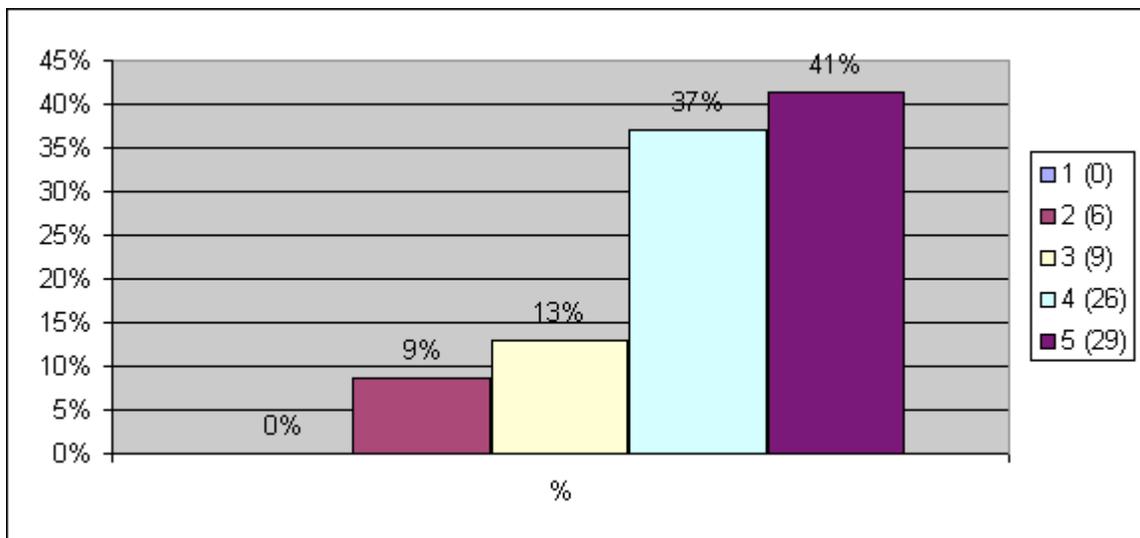
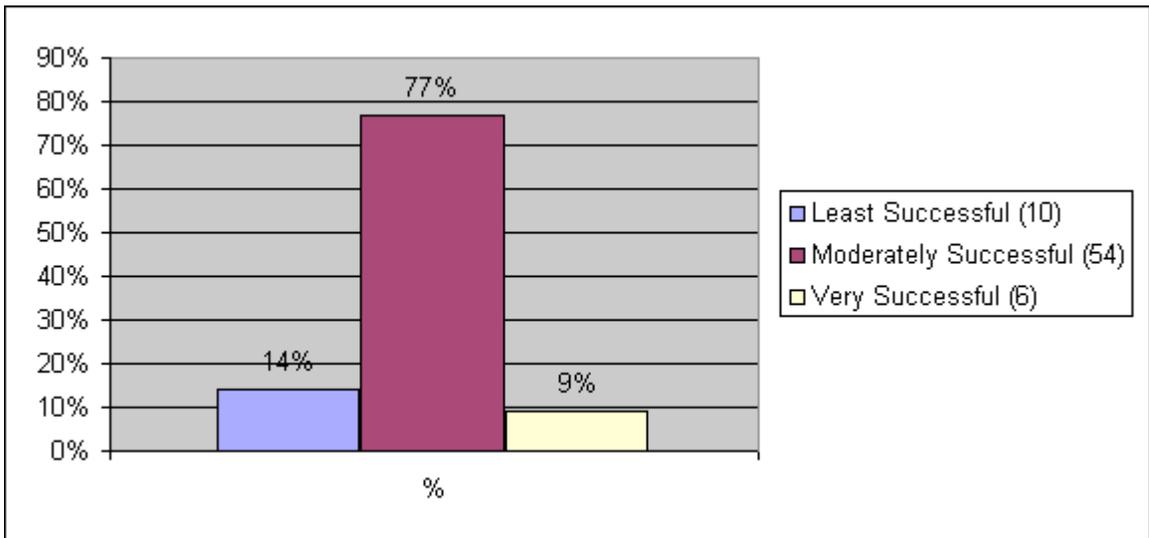


Table 6.18: Success as Measured by Women Entrepreneurs

| | |
|----------------------------|-----|
| Least Successful (10) | 14% |
| Moderately Successful (54) | 77% |
| Very Successful (6) | 9% |



Findings of the Critical Success Factors

92% of the respondents believe that “innovativeness, creativity and far-sightedness” was an important critical success factor for women entrepreneurs.

72% of the women entrepreneurs agreed that “willing to take risks” was an important critical success factor.

75% of the women entrepreneurs agreed that “having enough financial resources” was an important critical success factor.

85% of the women entrepreneurs agreed that “having knowledge in business” was an important critical success factor.

67% of the respondents agreed that women entrepreneurs should be “matured and have long life experiences” as an important critical success factor.

56% of the women entrepreneurs agreed that “having educational background” was an important critical success factor. 34% felt that education was moderately important and 10% felt that education was not important.

90% of the women entrepreneurs agreed that “having the right attitude in business dealings” was an important critical success factor.

87% of the respondents agreed that “being business minded” was an important critical success factor.

82% of the women entrepreneurs agreed that “working long hours” was an important critical success factor.

42% of the women entrepreneurs felt that “having the knowledge of human resources” was an important critical success factor whilst 50% felt that having knowledge of human resources was only moderately important.

54% of the respondents agreed that “having the knowledge in management and technical skills” was an important critical success factor whilst 37% felt that it was only moderately important.

85% of the respondents agreed that “having good networking and a host of contacts” was an important critical success factor.

87% of the respondents believed that “being independent” was an important critical success factor.

89% of the respondents believed that “resilience” was an important critical success factor for women entrepreneurs.

93% of the respondents believed that “never give up attitude” was an important critical success factor for women entrepreneurs.

77% of the respondents believed that “having business skills” was an important critical success factor for women entrepreneurs.

78% of the respondents believed that “being decisive and having a dominant character” was an important critical success factor for women entrepreneurs.

In the survey, the women entrepreneurs were asked how they rated themselves in terms of success and 77% of the respondents indicated that they were moderately successful; 14% indicated that they were least successful; and 9% indicated that they were very successful.

Business Enterprise Information

Number of Years in Business

| | | |
|----------------|------|----------|
| < 5 Years | (25) | 35.7142% |
| >5<10 years | (25) | 35.7142% |
| >10 < 15 years | (16) | 22.8571% |
| >15<20 years | (2) | 2.8671% |
| >20<25 years | (2) | 2.8571% |

The study found that 36% of the respondents had been in business for less than 5 years whilst another 36% had been in business for 5 to 10 years. This indicates that women entrepreneurial businesses in Malaysia were still relatively young.

Type of Business

| | | |
|-------------------------|-------|----------|
| Service business | (36) | 51.4285% |
| Manufacturing companies | (9) | 12.8571% |
| Construction | (4) | 5.7% |
| Financial companies | (5) | 7.1428% |
| Retailing | (3) | 4.2857% |
| Education | (2) | 2.8571% |
| Others | (11) | 15.7142% |

51% of the respondents were in the service sector whilst 13% were in manufacturing, 6% in construction and 7% in retailing. This indicates that women entrepreneurs were very inclined to start up business ventures in the service industry.

Number of Employees

| | | |
|----------|------|---------|
| < 5 | (31) | 44.29% |
| >5 <19 | (5) | 7.1428% |
| >20<50 | (5) | 7.14% |
| >5 <50 | (20) | 28.56% |
| >51 <150 | (5) | 7.1428% |
| >150 | (4) | 5.7142% |

Majority of the respondents (44%) had less than 5 employees in their workforce. Only 6% had more than 150 employees. This indicates that women entrepreneurial businesses were mostly micro-enterprises which employed less than 5 employees.

Yearly Sales Volume

| | | |
|--------------------------|-------|----------|
| < 200,000 | (11) | 15.7142% |
| < 250,000 | (18) | 25.7142% |
| >200,000<1 million | (29) | 41.43% |
| >250,000<10 million | (2) | 2.86% |
| >10 million < 25 million | (5) | 7.1428% |
| > 25 million | (3) | 4.2857% |
| > 1million <5 million | (2) | 2.86% |

83% of the respondents had businesses that generated less than RM 1 million in annual revenue, indicating that they were mostly micro-enterprises and small enterprises.

Demographic Information

Age Group Category

| | | |
|---------|------|-----------|
| >20<30 | (12) | 17.1428% |
| >30<40 | (25) | 35.7142% |
| >40<50 | (30) | 42.85571% |
| > 50<60 | (3) | 4.2857% |

42% of the women entrepreneurs were in the age category of 40 to 50, indicating that they were more matured entrepreneurs. 36% of the respondents are between the ages of 30 to 40 and 17% are between the ages of 20 to 30. Hence 53% of the respondents are “young” budding entrepreneurs which indicates that more young women are becoming entrepreneurs.

Marital Status

| | | |
|---------|------|-----------|
| Married | (53) | 75.71142% |
| Single | (17) | 24.2857% |

76% of the respondents are married which indicates that many of them may be starting new business ventures to supplement the family income.

Education Background of Women Entrepreneurs

| | | |
|-------------|------|----------|
| Primary | (2) | 2.8571% |
| Secondary | (17) | 24.2% |
| Diploma | (25) | 35.7142% |
| Degree | (19) | 27.1428% |
| Masters/MBA | (6) | 8.5714% |
| DBA/Ph.D | (1) | 1.4285% |

All the women entrepreneurs had some form of educational background with the majority of them (36%) having a Diploma; 27% having a Degree; and 24% having secondary education.

DISCUSSION

Findings of the critical success factors indicate that the women entrepreneurs in the study have the success factors required of an entrepreneur as defined by Hisrich, Peters and Shepherd (2005); Buttner (1993); Lancette (1999); Bygrave and Zacharakis (2004); and Hitt, Ireland and Hoskisson (2003), amongst other entrepreneurship scholars. They all agreed that the critical success factors were either important or most important for their success.

However, on “being matured and having long life experiences”, only 67 percent felt it was important and most important; 24 percent felt it was only moderately important indicating that maturity and experience is not critical to the success of women entrepreneurs. This can be seen in the age group of these women entrepreneurs; 53 percent of them were below the age of 40. On “having an educational background” 56 percent of them felt education was important or most important; 34 percent of them felt education was only moderately important. This was reflected in their own educational attainment; 63 percent of these women only had a Diploma or lower level education. When questioned on “knowledge in human resources”, 42 percent of them responded that it was important or most important; 50 percent however felt it was only moderately important, thus indicating their perception on human resource management, development of their

employees, knowledge-based workers. This is due to the fact that 44 percent of them were micro-enterprises employing less than 5 employees and these are normally small entrepreneurial ventures who are more focused on profit and revenue rather than employee motivation and development. 54 percent of the respondents agreed that “knowledge in management and technical skills” was important or most important; 37% felt it was only moderately important. Hence, it can be concluded that a large percentage of the women entrepreneurs in the study did not foresee the importance of management and technical skills for entrepreneurial success. That again because 44 percent of them were micro-enterprises who did not place emphasis on the long-term development of their enterprises.

The women entrepreneurs in the study were mostly a “young” group who were below the age of 40 and been in business for less than 10 years. Whilst they agreed that most of the critical success factors were important for business success, they were not aware of the importance of education, human resource development and management and technical skills for the growth and development of their business ventures. These are strategic factors that need to be taken into consideration for strategic development. Since 44 percent of them were micro-enterprises, they were focusing more on profits and sales rather than on quality of personnel and technological advantage as stated by Teo (1996) and Lee-Gosselin and Grise (1990); personal qualities as stated by Hassan and Jivan (1995), Bachemin (1989), Hisrich and O’Brien (1981) and Kotter (1982); knowledge of product and service, quality of product and service and availability of professional services as stated by Teo (1996) and Lee-Gosselin and Grise (1990); communication skills and human relation skills as stated by Rashid (1996), Woodward (1988), Hisrich and O’Brien (1981) and Kotter (1982). It was also found that 51 percent of them were in the service industry. This could be a reason why some of them felt that management and technical skills was moderately important. Strangely, they also felt that human resource development was moderately important. This is ironic considering the fact that service and quality of personnel was of utmost importance in the service industry. But generally, out of the seventeen critical success factors, more than 70 percent of them unanimously agreed that there were 13 factors out of the 17 factors that were important or most important for women to become successful in their businesses. “Gaps” were identified in 4 of those 17 critical success factors, that is, i) maturity and having life-long experiences; ii) educational background; iii)

knowledge of human resources; and iv) knowledge of management and technical skills. These “gaps” were not of grave concern, however, they were important factors that had to be highlighted and worked at with these women entrepreneurs for long-term business success. They however agreed very strongly (more than 80 percent of them) on the following critical success factors: i) innovative, creative and far-sighted; ii) right attitude in business dealings; iii) never give up attitude; iv) having knowledge in business; v) business minded; vi) being able to work long hours; vii) having good networking and a host of contacts; viii) being independent; and ix) being resilient.

CONCLUSION

The women entrepreneurs of Malaysia are an emerging ‘force’ in the entrepreneurial sector. These women, if given the appropriate educational background, management and technical skills and entrepreneurship skills, can emerge to become a dominant entrepreneurship ‘force’ in the country. In Canada, 821, 000 women entrepreneurs contribute an access of CAD 18, 109 million to the economy (OECD, 2004, p.13-15); in Germany, 1.03 million women-owned businesses provide employment for 2 million people (Kay et. al., 2001); in the United States, there are currently 6.2 million women-owned firms which employ 9.2 million people and generate sales of USD 5 trillion (U.S. Department of Labour, 2002). The women entrepreneurs of Malaysia can contribute just as well as the women of Canada, Germany and the U.S., if they are given the assistance and support by the government and relevant agencies and associations. This study also found that the women entrepreneurs surveyed viewed importance of women’s networking and associations as of moderate help, poor help or no help at all. 89 percent of them said that they did not receive any form of support from the government. The government of Malaysia through its Ministry of Entrepreneur and Co-operative Development and the various Women Associations and Agencies have to play a more aggressive and significant role in the development of women entrepreneurs in Malaysia. At the moment, the majority of the women entrepreneurs of Malaysia do not exist as professional, well-skilled entrepreneurs. Whatever skills and experience they have acquired has been through family, friends and previous experience. There is no evidence of a structured development plan for the women entrepreneurs of this country. Entrepreneurship training and skill development is grossly lacking. There must be an initiative by the government to initiate an organised development plan for the women entrepreneurs such as

those initiated by the International Labour Organisation and United Nations Development Programme in the lesser developed countries of Africa, Sri Lanka, Bangladesh, Mauritius and India. Entrepreneurship has been seen as a competitive economic tool for a developing nation and women have also been recognised as a strong dominant force in a growing economy. This combination has to be recognised in Malaysia to capitalise on the female entrepreneurship spirit for economic growth and gender equality.

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AGRO PROCESSING INDUSTRIES---A CHALLENGEING ENTREPRENEURSHIP FOR RURAL DEVELOPMENT

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ABSTRACT

Entrepreneurs are encountering a number of constraints pertaining to finance, marketing, technological and export for smooth running of their entrepreneurial units. There is urgent need to provide the facilities which facilitate them setting up of economically viable units and they should be equipped with latest technologies and skills by organizing different entrepreneurial motivational and skill oriented programs frequently. The present study was undertaken in the four industrially leading districts of Haryana state to determine the correlates; the specific training

needs of entrepreneurs; to make an assessment of problems encountered by entrepreneurs to facilitate setting up of sustainable units. A total number of 120 entrepreneurs were interviewed for the study.

The study indicated that 'suitable location of entrepreneurial units', 'adequate supply of power', 'adoption of quality control measures', 'good quality of raw material', 'timely supervision and guidance', 'sound managerial ability of entrepreneurs', 'provision of technical guidance counseling,' 'proper training of workers,' 'easy availability of finance', 'identification and use of mega markets', 'attractive packaging', 'quality products', 'good contact with marketing personnel,' 'commitment towards enterprises', 'high risk taking capacity', 'innovative behavior,' 'high degree of motivation' were found as very much effective correlates for economically viable units.

The study found that important areas of training preferred by entrepreneurs were quality management, marketing management, packaging techniques, marketing techniques, technology up gradation, financial management, brand promotion, export promotion technique, advertising the products and personnel management.

The study further revealed that 'lack of physical facilities', 'lack of sufficient stock of raw material', 'lack of managerial competence', 'poor attention on advertisement and publicity of the products', 'poor working of various industrial agencies,' 'lack of cooperation and coordination among different developmental agencies,' 'technological gap', 'lack of sufficient working capital', 'problems in procuring finance from different financial institutions,' 'cheaper/superior competitive substitute,' 'inadequate supply of export information', 'power supply inadequate, uncertain and costly', 'preparation, identification and implementation of the project', 'licensing and registration', 'poor linkage with marketing structure', and 'lack of govt. support and incentives' constituted very serious problems encountered by entrepreneurs for a sustainable unit.

INTRODUCTION

As a rapidly growing third world Country, India has been taking careful steps and measured steps in its diverse development efforts over the years, the small scale industrial sectors has been accorded adequate importance and constitutes an importance and crucial segment of the industry sector. The contribution of Small scale Industrial sector to employment is next only to agriculture.

After independence, several entrepreneurship development programs have been started to develop the skill, knowledge, and competence among the entrepreneur. In spite of various entrepreneurship development programmes launched by the Govt. and non-government agencies, the entrepreneurs are encountering a number of problems for establishing economically viable small-scale agro-processing units like lack of physical facilities like, communication, transport and storage, lack of quality control measures, selection of products, non-availability of right type of raw material, lack of managerial competence, poor linkage with marketing bodies, lack of trained workers, low scale of production, improper communication with other developmental agencies. Long and complicated procedures to avail institutional help, lack of Govt. support and incentives, lack of sufficient finance and working capital and problems in procuring finance as well as loan from different agencies.

These problems decreased the productivity of the entrepreneurial units. Therefore, effective entrepreneurship development programmes should be organized for entrepreneurs to develop and strengthen their entrepreneurial quality, select the project, select product, formulate projects, acquire the basic management skills etc. The entrepreneurs should make aware about the modern technology, latest packaging techniques, better marketing opportunities, selection of raw material and proper utilization of available funds then they are bound to increase their present level of operations.

Hence, the study was conducted; (1) To study the factors responsible for sustainable small scale agro-processing units; (2) To assess the problems encountered by entrepreneurs to establish their small agro-processing economically viable; (3) To identify the training needs of entrepreneurs for economically viable units.

METHODOLOGY

The study was conducted in the state of Haryana (India). A list of small-scale agro-processing entrepreneurs was prepared for each of four districts in consultation with officials of department of industry of the concerned districts. A total number of 120 entrepreneurs constituted the sample for the study.

For measurement the intensity of factors affecting the sustainability of the units, the responses of all the entrepreneurs against each of the 55 factors were measured

on a 4 point continuum rating scale ranging from very much relevant somewhat relevant, and least relevant and scores were given 4,3,2,1 respectively. A total choice score for each factor was worked out after knowing the responses of all the entrepreneurs based on their degree of relevance, then the total choice scores so obtained for each factors was converted into weighted mean score. At last, rank orders were given for each factors based on their weighted mean scores.

The seriousness of the problems encountered by entrepreneurs was measured on a three-point continuum rating scale ranging from very serious, serious and not so serious and a weightage of 3,2,1 were assigned, respectively. Based on the responses obtained from entrepreneurs a total choice score for each problem was worked out and this total score was converted into weighted mean score. Finally, 'Z' score was worked out to assess degree of seriousness of these problems and rank orders were given based on the 'Z' values.

A problem was considered very serous with 'Z' score values of more than 1, serious with 'Z' score values 1 to -1 and not so serious with 'Z' score values less than -1.

A schedule was developed consisting of 19 important areas of training. The responses of all the respondents for each training areas was rated on a five-point continuum scale.

RESULTS AND DISCUSSION

Marketing and financial factors perceived by entrepreneurs for economically viable Agro-processing units

The marketing and financial factors along with their mean scores and the rank orders of all these parameters in descending pattern are illustrated in Table 1.

An analysis of data presented in the Table 1 highlights that several important marketing and financial factors perceived by entrepreneurs in descending order were easy availability finance (3.3), identification and use of mega markets (3.28), attractive packaging of products (3.27), quality products to compete the market (3.25), efficient marketing and selection of products on market demand (3.23), and good contacts with marketing personnel (3.20).

Easy availability of finance has been ranked at the top position. Credit should be affordable, adequate, and in time. However, SIDBI (Small Industries

Development Bank of India) has given guidelines for easy procedural way of providing the credit facilities to entrepreneurs.

Identification of mega market coupled with attractive packaging of products also largely affected the sustainability of entrepreneurial units, because attractive packaging helps in raising the price sale value of the finished products. Knowledge about mega market is equally important because consumption of products is directly correlated with production of that product. Hence, Govt. and non-govt. institutes should provide the marketing assistance and information regarding the mega market where the entrepreneurs can sale their products. Further quality of products has its own place in development of entrepreneurship programs. Latest technology along with required inputs should be provided to export oriented units to improve the quality because quality products can compete the market.

Table 1 further reveals that there were some other important marketing and financial factors perceived by entrepreneurs were easy access to export information (3.17), proper advertising and publicity of product (3.15), good demand of product (3.08), availability of finance in time (3.06). These findings indicated that entrepreneurs should be exposed to import information from time to time through some magazine, or bulletin, so that they can plan their target of production for export purposes.

Effective communication with marketing bodies, reasonable rates of interest on institutional finance, availability of self finance, better finishing of products, remunerative price of product were some other marketing and financials factors perceived by entrepreneurs that help in establishing the agro-based units more economic viable.

Table 1. Marketing and financial correlates perceived by entrepreneurs for economically viable scale agro-processing units

N=120

| Sr. No | Correlates | VMR (4) | R (3) | SWR (2) | LR (1) | TCS | Weighted Mean score | Rank Order |
|--------|--|------------|----------|------------|-----------|-----|------------------------|---------------|
| 1 | Easy availability of finance | 62 | 38 | 15 | 5 | 397 | 3.30 | I |
| 2 | Identification and use of mega markets | 60 | 42 | 10 | 8 | 394 | 3.28 | II |

| | | | | | | | | |
|----|---|----|----|----|----|-----|------|------|
| 3 | Attractive packaging of products | 59 | 41 | 14 | 6 | 393 | 3.27 | III |
| 4 | Quality products to compete the market | 57 | 41 | 18 | 4 | 391 | 3.25 | IV |
| 5 | Selection of products based on market demand | 56 | 40 | 20 | 4 | 388 | 3.23 | V |
| 6 | Efficient marketing | 55 | 42 | 19 | 4 | 388 | 3.23 | V |
| 7 | Good contacts with marketing personnel | 56 | 38 | 21 | 5 | 385 | 3.20 | VI |
| 8 | Easy access to export information | 52 | 41 | 23 | 4 | 381 | 3.17 | VII |
| 9 | Proper advertising and publicity of the product | 54 | 38 | 19 | 9 | 378 | 3.15 | VIII |
| 10 | Proper packaging of products in different form by weight and volume | 52 | 34 | 26 | 8 | 370 | 3.08 | IX |
| 11 | Good demand of products | 51 | 34 | 29 | 6 | 370 | 3.08 | IX |
| 12 | Availability of finance in time | 54 | 29 | 28 | 9 | 368 | 3.06 | X |
| 13 | Reasonable rates of interest on institutional finance | 50 | 35 | 27 | 8 | 361 | 3.05 | XI |
| 14 | Effective communication with marketing bodies | 48 | 30 | 32 | 10 | 356 | 2.96 | XII |
| 15 | Marketing of products at appropriate time | 47 | 29 | 37 | 7 | 356 | 2.96 | XII |
| 16 | Sufficient finance | 48 | 29 | 33 | 10 | 355 | 2.95 | XIII |
| 17 | Better finishing of products | 44 | 36 | 31 | 9 | 355 | 2.95 | XIII |
| 18 | Remunerative prices of products | 43 | 39 | 26 | 12 | 353 | 2.94 | XIV |
| 19 | Owned finance/family finance | 40 | 31 | 37 | 12 | 339 | 2.82 | XV |
| 20 | Proper designing and shape of the products | 40 | 19 | 47 | 14 | 325 | 2.70 | XVI |

Areas of training need preferred by entrepreneurs

An examination of the Table 2 highlighted that quality management was the most important area of the entrepreneurs' training need with a mean score of 3.21 and was ranked at first. It implies that quality may proved very helpful in increasing the demand of the product in the competitive market and also help in getting the higher sale price of the product as compared to poor quality product. Superior quality of the product also provide the stability to units in the market, hence quality management training is most needed. Marketing management, packaging techniques for exports and marketing technique were the other

important areas and were ranked second, third and fourth with a mean score of 3.17, 3.15 and 3.09, respectively.

Problem of marketing and packaging techniques are of very serious nature in small-scale units as also confirmed by Bandarla (1992), Jairath (1996), and Malliswari (1996). Therefore, entrepreneurial training programmes related marketing management, marketing techniques, packaging techniques for the products should be organized for small entrepreneurs so that they can gain the skill and knowledge about these aspects.

There were some other important areas of training which were needed by entrepreneurs were technology up gradation (3.08), financial management (3.08), material management (3.03), manufacturing techniques of agro-based products (2.94), administration and supervision techniques (2.90), export promotion techniques and brand promotion (2.82), advertising the products (2.80), and organization management (2.79). These findings predicted that sophisticated technology is mostly needed to entrepreneurs, which help them in manufacturing quality products at low cost of different designs.

It is also argued that training of entrepreneurs regarding these areas can enable them how to better manage the finance, technology, materials and manpower available to them for maximum outcomes with minimum input. Training can equip the entrepreneurs with skills and managerial techniques used for production of quality finished product and therefore, they can stable the market.

The Table 2 further indicated that there were some other areas of training, which were needed by entrepreneurs. There were environmental management and pollution control (2.78), personnel management (2.75), entrepreneurial motivation, business opportunities and guidance (2.72), processing of agro-products (2.71), labour management (2.67), and procurement of raw materials (2.59).

It is concluded that training institutes, like, SISIs, NIESBUD, DICs, NISIET, KVICs should organize skill oriented and entrepreneurial awareness training programmes frequently comprising the areas of quality management, marketing management, sophisticating packaging techniques, marketing techniques, financial management, resource and manpower management for economically viable small scale agro-processing units.

Table 2. Areas of Training Need Preferred by Entrepreneurs.

| <i>Sr. No.</i> | <i>Areas of trainings</i> | <i>Total choice Score</i> | <i>Weighted mean score</i> | <i>Rank order</i> |
|----------------|---|---------------------------|----------------------------|-------------------|
| | 1. Quality management | | 386 | 3.21 I |
| 2. | Marketing management | 381 | 3.17 | II |
| 3. | Packaging techniques for exports | 379 | 3.15 | III |
| 4. | Marketing techniques | 371 | 3.09 | IV |
| 5. | Technology up gradation | 370 | 3.08 | V |
| 6. | Financial management | 370 | 3.08 | V |
| 7. | Material management | 364 | 3.03 | VI |
| 8. | Manufacturing techniques of different agro-based products | 353 | 2.94 | VII |
| 9. | Administration and supervision techniques | 349 | 2.90 | VIII |
| 10. | Export promotion techniques | 339 | 2.82 | IX |
| 11. | Brand promotion | 339 | 2.82 | IX |
| 12. | Advertising the products | 337 | 2.80 | X |
| 13. | Organization management | 335 | 2.79 | XI |
| 14. | Environmental management and pollution control | 334 | 2.78 | XII |
| 15. | Personnel management | 331 | 2.75 | XIII |
| 16. | Entrepreneurial motivation, opportunities and guidance | 327 | 2.72 | XIV |
| 17. | Processing of agro-products | 326 | 2.71 | XV |
| 18. | Labour management | 321 | 2.67 | XVI |
| 19. | Procurement of raw materials | 311 | 2.59 | XVII |

Table 3. Training Institutional Network for Promotion of Small Scale Industries.

| Sr. No. | Institutes | Nature of assistance |
|---------|------------|----------------------|
|---------|------------|----------------------|

- | | |
|--|--|
| 1. Small Industries Service Institutes (SISIs) 28 SISIs and 30 branches | Technical support service, development efforts for SSIs, entrepreneurship development programmes, skill oriented and motivational awareness programmes |
| 2. National Institute for Entrepreneurship and Small Business Development Programmes Delhi (NIESBUD) | Training in entrepreneurship Counseling for SSIs, specialized training for Trainers, developed course contact for trainings |
| 3. National Institute for Small Industries Extension and Training Hyderabad (NISJET) | Management development raining for SSIs and variety of consultancy |
| 4. Khadi and Village Industries Corporation (KVIC) | Training, guidance, counseling for for SSIs. |
| 5. Entrepreneurship Development Institutes (EDIs) | Training for entrepreneurship development, managerial skills, development of entrepreneurial culture and environment |
| 6. Indian Institute of Entrepreneurship, Guwahati | advanced training for resource persons, skill oriented programmes |
| 7. Institutes of Entrepreneurship Development (IEDs) | Development of entrepreneurial competence, development of trainers, motivators, managers, expert services, for enterprise setting. |

Problems encountered by entrepreneurs in establishing viable agro-processing industries

Here we discuss the technological Problems, Institutional problems and financial problems encountered by entrepreneurs in establishing their sustainable entrepreneurial units.

Technological Problems encountered by entrepreneurs

A study of the Table 4 revealed that the technological gap between different institutions and entrepreneurs ($Z=1.41$) was found to be very serious technological problem encountered by entrepreneurs. Perhaps, this technological gap is due to poor functioning of field functionaries, lack of communication means, insufficient finance to use latest technology, and lack of specialized skills to use innovations on their units.

Therefore, it is needed to strength the field functionaries making their receiving system more adaptive for communicating the technical know-how to the users, specially, for the export oriented units for their sustainability. Providing latest technology can improve quality and helps in getting higher price of the products. Therefore, it is necessary for one to keep him abreast with latest technical know-how to survive in the competitive market and to decrease the cost of production and earning the higher profit. The technology should be so simple so that small-scale entrepreneurs can use it at their units. The latest technology developed by the research institutions should be effectively communicated to fill up gap through organizing seminars and conferences of the potential entrepreneurs. Recent developed technologies can be exposed to the entrepreneurs through organizing exhibition and mini technological fair.

The Table 4 further reveals that lack of specialized skill to the entrepreneurs (Z score=0.64), non-availability of improved technology (Z score=0.41), outdated technology (Z score=0.29), non-availability of technology in time (Z score=-1.00), were perceived as serious technological problems by entrepreneurs. These findings predicted that untrained workers and unskilled entrepreneurs in developing countries cannot use the available technologies effectively and if they were trained and induced skill into them, that outdated technology can create bottlenecks for economic growth of the units.

A latest technology is of no use if does not communicate to the entrepreneurs in time. The transfer of improved technology can be done through a network of institutions concerned with the entrepreneurship development programme. Hence, diffusion of technology in time to the skilled entrepreneurs can play a vital role, specially, for the food processing industries for a developing state like Haryana, where raw material for agro-based industries are available in abundant.

The study also resulted that facilities for maintenance and repair of the machinery are not lacking and this problems was considered as not so serious. These findings also got support from Jairath (1996).

Hence, it is realized that latest technology developed at the research labs should be diffused effectively in time to the entrepreneurs and by doing so, it is prerequisite to train the entrepreneurs by equipping them skills and managerial competence so that they can successfully use the available improved technology. Once the improved technologies are adopted by the entrepreneurs then, they can use it for developing different designs of the products, improved the quality, lower the cost, and speed to market and can get stability in the existing market.

e 4. Technological problems encountered by entrepreneurs for establishment of sustainable units

N=120

| Problems | Frequency | Weighted score | Percentage | Rank |
|--|-----------|----------------|------------|------|
| Technological gap between different institutions and entrepreneurs | 1 | 1 | 8.33% | I |
| Lack of specialized skill to the entrepreneurs | 2 | 2 | 16.67% | II |
| Unavailability of improved technology | 2 | 2 | 16.67% | III |
| Unavailability of improved technology | 2 | 2 | 16.67% | IV |
| Lack of technical know-how | 2 | 2 | 16.67% | V |
| Unavailability of technologies in time | 2 | 2 | 16.67% | VI |
| Lack of facilities for maintenance and repair of the machinery | 2 | 2 | 16.67% | VII |

\bar{X} (Mean) = 2.17

serious

S.D. = 0.17

VS = Very

S = Serious

NSS = Not so

serious

Institutional problems encountered by the entrepreneurs

A perusal of the Table 5 shows that lack of cooperation and coordination among different developmental agencies (Z score=1.33) and poor working of various institutions related to entrepreneurship such as SISIs, KVICs, EDIs and DICs (Z score=1.16) were encountered as very serious institutional problems, specially, in developing countries like India. Lack of coordination between developmental departments weakens the developmental industrial activities, particularly, in the case of agro industries. There should be coordination between research labs, agro research institutions, enterprises and marketing bodies like Developed European Countries. Improved research based technologies should be transferred rapidly to the entrepreneurs. Further entrepreneurial institutions should work effectively for providing the needful scientific techniques to entrepreneurs frequently. It has been also seen that many of the entrepreneurial institutions have failed to provide the support and counseling to entrepreneurs and these institutions are not interested in dealing with small entrepreneurs. These results got support from Chatterjee (1992).

Lack of Govt. support and incentives (Z score=0.66), long and complicated procedures to avail institutional help (Z score=0.17), lack of training to workers (Z score= -0.25), insufficient publicity for impairing the training (Z score= -0.33), training institute give less attention to the objectives, identification and selection of entrepreneurs (Z score= -0.58), and trainers do not belong to the relevant field thus lack competence (Z score= -0.66) were encountered as very serious institutional problems (Table 5).

These findings indicate that Government in developing countries are not providing sufficient support and incentives regarding finance, management, marketing and export related to entrepreneurs which badly affect the economic viability of their units, further if there are provision for support and incentives then the procedures are so complicated and time consuming, and ultimately entrepreneurs failed to avail these facilities. Again, no more publicity is given about organizing the entrepreneurial training programmes and entrepreneurs remain unknown about the scheduling of these training programme organized by different institutes.

It was also found that most of the training institutes are not concerned about the objective identification, selection of entrepreneurs and they just only fulfill their

formalities for training. Hence, before imparting training, the objectives, contents, should be highlighted to the participants and suitable entrepreneurs should be selected for the trainings after reviewing their project, objectives properly. It was also reported that resource persons for imparting the training must be experienced and must have enough orientation to entrepreneurship development programmes.

In addition to training, post training follows up for support and sustaining services to individual entrepreneur is equally necessary as entrepreneurial development is a cycle of stimulating support and sustained activities. Such type of follow up action is taken in developed European countries

Table 5. Institutional problems encountered by entrepreneurs for establishment of sustainable units

N=120

| Sr.No. | Problems | Total score | Weighed Mean score | Z score | Seriousness of problems | Rank Order |
|--------|--|-------------|--------------------|---------|-------------------------|------------|
| 1 | Lack of cooperation and coordination among different developmental agencies | 292 | 2.43 | 1.33 | VS | I |
| 2 | Poor working of various industrial agencies such as directorate of small industries, SISIs, DICs, etc. | 290 | 2.41 | 1.16 | VS | II |
| 3 | Lack of Govt. support and incentives | 283 | 2.35 | 0.66 | S | III |
| 4 | Long and complicated procedures to avail institutional help | 275 | 2.29 | 0.17 | S | IV |
| 5 | Lack of training to workers | 269 | 2.24 | -0.25 | S | V |
| 6 | Insufficient publicity for imparting trainings | 268 | 2.23 | -0.33 | S | VI |
| 7 | Training institutes give less attention to the objectives, identification and proper selection of entrepreneur | 265 | 2.20 | -0.58 | S | VII |
| 8 | Trainers do not belong to the relevant field, thus lack competence | 263 | 2.19 | -0.66 | S | VIII |
| 9 | Lack of communication between field functionaries and entrepreneurs | 246 | 2.05 | -1.83 | NSS | IX |

X (mean) = 2.27
S.D. = 0.12

VS = Very serious
S = Serious
NSS = Not so serious

Financial problems encountered by entrepreneurs

It is evident from the Table 6 that problem in procuring finance as well as working capital from different agencies (Z score= 1.12) and lack of sufficient working capital (Z score= 1.06) constituted the entrepreneurs very serious financial problems, whereas, inadequate amount advanced through financial institutions (Z score= 0.18), lack of funds for publicity and advertisement of the products (Z score= 0.12), and high rate of interest on procured finance (Z score= -0.62) were found serious financial problems perceived by entrepreneurs. Difficulty in getting money from buyers after sales (Z score= -1.62) was found not so serious. The researcher found that many of entrepreneurs were failed in getting the required assistance from different financial institutes because of their cumbersome procedures. On the other hand, entrepreneurs had no sufficient capital, for day-to-day requirement so as to purchase raw material, transportation and communication liabilities. Further, if loan is sanctioned then amount is too low to meet the necessary requirement and therefore, entrepreneurs have to take the money from the moneylender and private financial agencies on high rate of interest and hence cost of production is increased. Due to lack of sufficient finance they cannot adopt the proper advertisement for the product and so cannot increase their sales turn over. Some guarantees have also to be given for drawing the credit facilities, which is not possible for small entrepreneurs.

Singh and Partap (1987) and Jairath (1996) also reported that main constraints encountered by entrepreneurs in agro-processing industries were lack of finance and sufficient working capital and high rate of interest on procured credit facilities.

NABRD (National Agricultural Bank for Rural Development), a national bank was set up in 1982 to provide credit facilities for promotion of small cottage and rural industries. Also to meet the financial requirement of entrepreneurs, a separate bank SIDBI was also been set up whose main function is to refinance to the different financial network institutes sat as State Financial Corporations (SFCs), National Small Industries Corporation (NSIC), State Small Industries Corporation (SSICs), commercial bank etc. There is need to strengthen the network of these financial institutions to provide the credit facilities in time and in sufficient amount with out any delay to the entrepreneurs.

Table 6. Financial problems encountered by entrepreneurs for establishment of sustainable units

| Sr. No. | Problems | Total Score | Weighed Mean score | Z score | Seriousness of problems | Rank |
|---------|--|-------------|--------------------|---------|-------------------------|------|
| 1 | Problems in procuring finance loans as well as working capital from different agencies | 304 | 2.53 | 1.12 | VS | |
| 2 | Lack of sufficient working capital | 303 | 2.52 | 1.06 | VS | |
| 3 | Inadequate amount advanced through financing agencies | 286 | 2.38 | 0.18 | S | |
| 4 | Lack of funds for publicity and advertisement of the product | 285 | 2.37 | 0.12 | S | |
| 5 | High rate of interest | 271 | 2.25 | -0.62 | S | |
| 6 | Difficulty in getting money from buyers after sales | 251 | 2.09 | -1.62 | NSS | |

X (Mean) = 2.35
S.D.=0.16

VS = Very serious
S = Serious
NSS = Not so serious

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THE FOOCHOW ENTREPRENEURIAL CHARACTERISTICS: COMPARISON BETWEEN GENERATIONS

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ABSTRACT

This study identifies the current motivation and entrepreneur characteristics of the second / third generation Foochow Chinese in Sarawak as compared to their forefathers. This is then compared to determine what has been lost or gained in the Foochow entrepreneurial spirit. Data was obtained through in-depth interview of

thirty Foochow entrepreneurs. The study utilizes Evolutionary Psychology Paradigm and is analyzed using frequency and Crosstabulation. The findings indicate specific generation based perception and motivators of entrepreneurship.

Key Words: Foochow, Sarawak, Entrepreneurship, Perception, Evolutionary Psychology Paradigm

THE FOOCHOW ENTREPRENEURIAL CHARACTERISTICS: COMPARISON BETWEEN GENERATIONS.

INTRODUCTION

The success of Foochow Chinese businessmen, particularly in Sarawak, is attributed to their industry, thrift, innovation, enterprise, resourcefulness, ambition, hard work, adaptability, and cooperative characteristics (Freedom, 1979). Among the contributing factors for Sarawak's success in trade and commerce was partly because of the arrival of Chinese immigrants, particularly the Foochow community from Mainland China in early 1990. Most of the Chinese dialect groups in these two provinces i.e. Foochow and Hakka are represented in Sarawak. It is believed that there had been some form of business contacts between the Chinese and Sarawak as early as the 11th century. Subsequently, waves of Chinese immigrants came to Sarawak until the Second World War where new immigration restrictions were imposed (Chew, 1941; Chin, 1981; Lee & Tan, 2000).

The emigration of the Chinese to Sarawak was in response to their desperate reaction towards the harsh living conditions, such as poverty and overpopulation, in their homeland. This push factor when coupled with the pull factor of the opportunities offered to them by the Sarawak government then, work opportunities and the presence of relatives resulted in mass migration. By the 1960's, it is believed that 80% of the Chinese were locally born, depicting the slow-down of migration. In term of occupation, most Chinese are engaged in service industries, commerce, manufacturing, timber, construction and agriculture (Leigh, 1988).

The Foochow dialect group migrated to Sarawak from Fujian province during the early decades of the 20th century. They came to Sarawak to escape the harsh living conditions in China and to rebuild their lives. In the early days of migration, the Foochow immigrants adopted a survival mentality and a materialistic or wealth oriented approach to life in Sarawak as their priority. In order to survive in such a foreign and hostile environment, they had to be exceptionally hardworking, frugal, innovative and enterprising.

The Foochow, were considered by the Rajah Vyner Brooke as “assets of the state of Sarawak,” and much appreciated by the present Sarawak government today. This is mainly due to their economic contribution to the state, built upon the solid foundation laid by their forefathers. H. F. Deshon, the 3rd Division's resident in 1902 stated: “...The Foochow immigrants have proven themselves in every way a desirable class of immigrant. They are sober, hardworking, law abiding people of domesticated habits and have readily adapted themselves to their new surroundings...(Deshon, 1902).”

Fong (1996) accurately highlights some of the reasons behind the success of the Foochow's in Sarawak, be it in political, commercial, or in other arenas, as follows: “Ever since the Foochow Chinese entered into the commercial and industrial world in 1950s, they have been sensitive to all the commercial and industrial opportunities and have been successful in their endeavors as a result of their fore-sight, sincere and committed attitudes to work, their abilities to cooperate and united spirit. They were the descendents of the pioneer settlers who migrated to the Rejang basin from Fujian in China a century ago. Their success have been built on the foundation made by their ancestors who led a frugal life of living from hand to mouth experiencing hardships, sufferings and arduous struggles”(Fong, 1996).

Their success has outstripped almost all others in its economic potential, development capacity and professional manpower (Chin, 1981). However, it is not

obvious whether such well-known motivation and characteristics of the Foochow community are still the outstanding marks of the current generation. It is the objective of this research to note the motivation and characteristics of Foochow entrepreneurs of the first, second, and third generation. This is then compared to determine what has been lost or gained in the Foochow entrepreneurial spirit. The findings will also provide an indication of the capacity of the Foochow as entrepreneurs of the future as well as the trend of entrepreneurship in this specific community.

This paper addresses some important knowledge gaps by developing a scale of factors, to diagnose what Foochow's perceive as their entrepreneurship traits. Most studies look at Chinese as a whole instead by their dialect groups (Lee and Chan, 1998; Collins, 2002). The data is based on an initial interview of twenty-seven entrepreneurs from one dialect group, the Foochow's of Sibiu. A further study is planned by using the data obtained here in a questionnaire format to obtain higher reliability and generalizability. The rest of the paper is organized as follows: first discussion of the relevant literature is presented; then the methodology is discussed; findings presented; and finally the paper concludes with a discussion of academic and managerial implications and areas for future research.

LITERATURE REVIEW

Sarawak is located on the island of Borneo, with Kalimantan Barat, Brunei, and Sabah. Together with Sabah, it makes up what is known as East Malaysia as opposed to West Malaysia, which consists of states in the Peninsular. The people of Sarawak are mainly indigenous people such as the Iban, Bidayuh, and Orang Ulu. The Chinese were migrants under the invitation of the Rajahs of Sarawak (Chew, 1941; Chin, 1981; Lee & Tan, 2000).

The dynamics of the East Asian Economic is built upon by the Chinese family business (Kao, 1993; Yeung, 1998). In addition, Chinese in East Asia such as Indonesia have lived in a very volatile environment with political uncertainty. However, these Chinese have constructed their business strategies in such a way that provide flexibility to tackle political uncertainty. Also, in many Chinese establishments today, the founders often grow up in very poor and difficult backgrounds. Examples of these are the prominent Foochow businessmen such as Datuk Lau Hui Kang of KTS, Tan Sri Tiong of Rimbunan Hijau and Datuk Wong TK of WTK Group of Companies. Besides, most Chinese firms have succeeded

by exploiting market opportunities, using the strategy of guerrilla force (Lam, 1992). They tend to seek out an opportunity for high profit margins in a particular good, developed formula, and exploit it immediately.

The traditional Chinese culture believes that a successful business depends on three (3) external factors: Luck, compatible environment and harmonious social relation. New generation Chinese entrepreneurs nowadays actively pursue strategies that attempt to “match” with these three factors. They believe that the success of all enterprise does not depend on sheer luck but on alertness to the opportunity (Kirzner, 1985). The Chinese culture also regards harmonious relations among family members as the foundation for a prosperous business. Harmonious group relations, in view of the Yin-Yang philosophy, give rise to flexibility in business dealings.

When Chinese migrants were forced to up root from their homeland to seek their fortunes overseas, their motivation was fundamentally economic, that is to earn a decent livelihood (Chew, 1941; Chin, 1981; Lee & Tan, 2000; Leigh, 1988). This is particularly true to the Foochow Chinese businessmen in Sarawak. The Foochow faced hardships in China and sought greener pasture in Sarawak. Nobody would dream of their economic success today. This may be attributed to the of the Foochow forefathers who had been very hard working, innovative, high-risk takers, and enterprising, readily to adept to new environment and united. The question will be will the second-generation Foochow businessmen possess the same resilience and winning characteristics of their forefathers.

Chinese entrepreneurs were on the whole “successful and innovative” (Level, Phillips, & Tracy, 1991) with a strong co-operative overseas Chinese network (Kraar, 1994). The operations of the Chinese business networks, is in fact, an extension of the Chinese family culture. To ensure that such networks operate reliably, Chinese business pays special attention to trust in business transactions. In Chinese practice, trust is limited to partners in the bond. It works on the basis of personal obligations, maintenance of reputation and face (family name) (Yeung & Tung, 1996). For older Chinese generation, they trust their relatives absolutely but trust their friends and acquaintances only to the degree that mutual dependence has been established (Redding, 1990).

The entrepreneurial advantage of Asians especially Chinese immigrants is because of their “cultural baggage” and motivation (Stromback & Malhotra, 1994). They emphasized the importance of this overseas network of ethnic entrepreneurs; links with relatives and friends in the country of origin were often used to provide a

reliable source of supply, access to a market, advice about the market prospects and to secure credit.

For Chinese business, it is crucial to relate entrepreneurial practices to Chinese values. The basic value underlying Chinese entrepreneurship is networking, hardworking and diligence. These personal values will help them to link the past to the present and the future and are fundamental to the process of alignment and attainment that define intention action (Bird, 1989). Personal values provide a powerful explanation of human behavior and often serve as standards or criteria of conduct (Rokeach, 1973). The academic literature also details characteristics and traits of successful entrepreneurs that are similar to Foochow entrepreneurs. These include innovation, creativity, willingness to take risk, aggressiveness, hard work, competitive, self confident, and superior in conceptual ability (Carland, Hoy, Boulton, & Carland, 1984; de Vries, 1977; Schumpeter, 1934).

Evolutionary Psychology Paradigm

The psychological view of human kind throughout different generations has been evolving through various processes of knowledge transfer. Evolutionary psychology paradigm explains this transfer through the cognitive structure of the mind evolving over time and that this occurs through adaptive problem solving, cognitive programming and neurophysiological basis (Cosmides & Tooby, 1990; Cosmides & Tooby, 1992; Cosmides & Tooby, 1997). The goal of Evolutionary Psychology Paradigm is to understand human behavior that is universally aimed at the passing of one's genes into the next generation (Cosmides & Tooby, 1992)(Cosmides & Tooby, 1997). Its basic tenet is that, just as evolution by natural selection has created morphological adaptations that are universal among humans, so it has created universal psychological adaptations (Buller, 2006).

A common view among philosophers and scientists has been that the human mind resembles a blank slate, virtually free of content until written on by the hand of experience. According to this orthodoxy, all of the specific content of the human mind originally derives from the "outside" -- from the environment and the social world -- and the evolved architecture of the mind consists solely or predominantly of a small number of general purpose mechanisms that are content-independent, and which sail under names such as "learning," "induction," "intelligence," "imitation," "rationality," "the capacity for culture," or simply "culture" (Cosmides & Tooby, 1990; Cosmides & Tooby, 1997).

The study of psychology, indeed, the study of any of the behavioral science, is incomplete without giving serious consideration to the ecological, cultural and ethnic factors that contribute to human variability (Lonner & Malpass, 1994). When studying the perception of Foochow's holding the evolutionary psychology paradigm as a theoretical framework portrays the reason why there is any change in their mind set (Cosmides & Tooby, 1987). If the theory applies to our present study it suggest that there should be some common elements or factors that mould the generation's character in a specified time. Finding these elements and studying how they are related to Foochow's perception will give an overall picture of Foochow's entrepreneur's perception has remained or changed.

METHODOLOGY

The population of this study consists of all the Foochow entrepreneurs in Sarawak. In order to develop descriptive terms for perception of Foochow entrepreneur's traits, in-depth interviews were conducted. This was followed by an exploratory analysis of Foochow entrepreneur's perception of entrepreneurial traits.

In-depth interview

In order to obtain a better answer to the research question, a qualitative method of data gathering is required. Previous research has suggested that the widest accepted range for sample size for in-depth interview to be 4 to 15 (Perry, 1998). This will provide the answers to the 'why' as well as providing a richer data that can be used in understanding the motivation and characteristics of Foochow entrepreneurs of different generations. Trained enumerators interviewed respondents comprising of Foochow entrepreneurs in Sibul, Sarawak. The interviews included details such as demographics, ethnic identification, motivation, and individual characteristics. The interview utilized a modified word association technique, where respondents were asked questions and asked to respond with their initial thoughts, which are often considered to be the most salient and valid one (Friedmann & Fox, 1989; Stafford & Stafford, 2003; Weeks & Muehling, 1987). Respondents were required to respond to open-ended questions during the interview.

FINDINGS

Twenty seven male respondents were interviewed and most of the respondents were above 51 years (44.4%) with declared income level of less than RM5,000 (66.7%) who had served for more than 30 years in their line. Refer to Table 1.

Table 1: Respondent Profile of Respondents Interviewed

| Demographic Factor | | % |
|--------------------|--------------------|-------|
| Gender | Male | 100 |
| | Female | 0 |
| Age | < 30 years | 11.11 |
| | 31 - 40 years | 37.04 |
| | 41 - 50 years | 7.41 |
| | > 51 years | 44.44 |
| Income level | < RM1,000 | 0 |
| | RM1,001 – RM5,000 | 66.67 |
| | RM5,001 – RM10,000 | 18.52 |
| | > RM10,001 | 14.81 |
| | | |
| Work experience | < 5 years | 11.11 |
| | 6 - 10 years | 30 |
| | 11 - 15 years | 3.7 |
| | 16 - 20 years | 11.1 |
| | 21 – 25 years | 14.8 |
| | 26 – 30 years | 7.4 |
| | > 30 years | 22.2 |

Table 2 provides listing of terms used in the literature to describe Foochow's and Foochow entrepreneurs. Table 3 provides an exhaustive listing of the terms used by the respondents in describing their perception of Foochow entrepreneurs, their motivations to become entrepreneurs and traits.

Table 2: List of Terms Associated to Foochow Entrepreneur's Characteristics/traits From Past Literature

| |
|--|
| <p>Industrious, Thrifty, Innovative, Enterprising, Resourceful, Ambitious, Hard working, Adaptable, Cooperative, Frugal, Sober, Law abiding, Fore-sight, Sincere, Committed attitudes to work, United spirit, Alert,</p> |
|--|

| |
|--------------|
| Risk takers. |
|--------------|

Table 3: Summary of Findings

| What are your views of entrepreneurs? | N | What do you think of Foochow entrepreneurs? | N | What do you think of Foochow entrepreneurs compared to other entrepreneurs? | N |
|---------------------------------------|----|---|----|---|---|
| Risk taker | 11 | Hardworking | 11 | Hard work | 7 |
| Work hard | 10 | Risk taker | 9 | Daring | 4 |
| Management | 6 | Daring | 9 | Works in group | 3 |
| Business opportunity | 6 | Committed | 5 | Risk taker | 3 |
| Start a business | 5 | Business opportunity | 5 | Management style | 3 |
| New ideas / innovative | 5 | Thrifty | 4 | Self-confident | 2 |
| Visionary | 4 | Management | 3 | Mission | 2 |
| Meet challenges | 3 | Innovative | 3 | Independence | 2 |
| Professional | 2 | Trustworthy | 2 | Good negotiation skill | 2 |
| Learn | 2 | Take challenges | 2 | Flexible | 2 |
| Knowledgeable | 2 | Successful | 2 | Determination | 2 |
| Experience | 2 | Start business | 2 | Aggressive | 2 |

| | | | | | |
|--------------------|------|----------------------|------|---------------------|------|
| Ethical | 2 | Social entrepreneurs | 2 | Young entrepreneurs | 1 |
| Adopt strategies | 2 | Mission | 2 | Trust | each |
| Trustworthiness | 1 | Adventurous | 2 | Successful | |
| Transparent | each | Tolerance | | Sacrifice | |
| Tolerance | | Smart | | Research work | |
| Strong belief | | Show interest | 1 | Profit orientated | |
| Sacrifice time | | Responsible | each | Outstanding | |
| Responsible | | Money minded | | Opportunity seeker | |
| Resilient/flexible | | Learn | | Never give up | |
| Profit seeking | | Leadership quality | | Negative thinking | |
| Meet competition | | Knowledgeable | | Innovative | |
| Intelligent | | Initiative | | Expertise | |
| Enterprising | | Independence | | Expand business | |
| Endure pressure | | Helpful | | Encourage | |
| Effort | | Good planning | | Customer oriented | |
| Dynamic | | Firm | | Competitive | |
| Credible | | Excellent | | Commitment | |
| Ambitious | | Enterprising | | Adaptability | |
| | | Determination | | | |
| | | Cooperation | | | |
| | | Confidence | | | |
| | | Careful | | | |
| | | Capable | | | |
| | | Adaptation | | | |

Table 3: Summary of Findings (Continued)

| | | | | |
|---|---|--|--|---|
| What do you think motivated Foochow's to become entrepreneurs | N | | What motivated you to become an entrepreneur | N |
|---|---|--|--|---|

| | | | |
|----------------------|------|--------------------|------|
| Family business | 12 | Freedom | 7 |
| Hard work | 9 | Profit | 6 |
| Education | 9 | Better future | 4 |
| To survive | 8 | Comfortable | 4 |
| Standard lifestyle | 6 | Family background | 4 |
| Expand business | 6 | Support | 4 |
| Influence | 5 | Family business | 3 |
| Business opportunity | 5 | Management | 3 |
| Self-motivation | 4 | Opportunity | 3 |
| Responsible | 3 | Hard work | 2 |
| Independence | 3 | Independent | 2 |
| Ambitious | 3 | Learn | 2 |
| Sensitivity | 2 | Skills | 2 |
| Risk taker | 2 | Strong belief | 2 |
| Resourceful | 2 | Education | 1 |
| Profile oriented | 2 | Honor | each |
| Learn | 2 | Inspiration | |
| Innovative/creative | 2 | Mission | |
| Financial support | 2 | Own decision | |
| Financial burden | 2 | Prestige | |
| Daring | 2 | Provide employment | |
| Businessman | 2 | Recognition | |
| Autonomy | 2 | Responsibility | |
| Trustworthiness | 1 | Rich | |
| Training | each | Start business | |
| Knowledgeable | | Training | |
| Experience | | | |
| Confidence | | | |
| Cohesiveness | | | |
| Adaptability | | | |

Table 3: Summary of Findings (Continued)

| What do you think are the Foochow characteristics / traits that made them entrepreneurs | N | What do you think are the your own characteristics / traits that made you an entrepreneurs | N |
|---|----|--|---|
| Hard work | 13 | Hard work | 8 |
| Risk taker | 7 | Confidence | 5 |
| Opportunity | 7 | Risk taker | 5 |
| Management | 6 | Trustworthiness | 5 |
| Family business | 6 | Friendly | 4 |
| Education | 6 | Management | 4 |
| Expand business | 5 | Skills | 4 |
| Daring | 5 | Business opportunity | 3 |
| Thrifty | 4 | Flexible | 3 |
| Innovative | 4 | Leadership | 3 |
| Experience | 4 | Own business | 3 |
| Personal value | 3 | Patient | 3 |
| Financially support | 3 | Perseverance | 3 |
| Trustworthy | 2 | Responsible | 3 |
| Survival | 2 | Visionary | 3 |
| Relationship | 2 | Adventurous | 2 |
| Loyalty | 2 | Commitment | 2 |
| Leadership | 2 | Competitive | 2 |
| Knowledgeable | 2 | Energy | 2 |
| Independent | 2 | Freedom | 2 |
| Gain prosperity | 2 | Knowledge | 2 |

| | | | |
|------------------|--------|-------------|--------|
| Discipline | 2 | Motivation | 2 |
| Confidence | 2 | Planning | 2 |
| Comfortable life | 2 | Willingness | 2 |
| Strong belief | 1 each | Careful | 1 each |
| Straight forward | | Curiosity | |
| Sensitivity | | Discipline | |
| Profit orient | | Diversify | |
| Optimism | | Education | |
| Learnt | | Experience | |
| Humble | | Honest | |
| Good investor | | Improvement | |
| Competitive | | Interest | |
| Commitment | | Optimistic | |
| Capability | | Thrifty | |
| Adventurous | | | |
| Adaptability | | | |

Table 4 Cross Tabulation of Views of Entrepreneurship By Age

| What are your views of entrepreneurs? | Age Scale | | What do you think of Foochow entrepreneurs? | Age Scale | | What do you think of Foochow entrepreneurs compared to other entrepreneurs? | Age Scale | |
|---------------------------------------|-----------|-------|---|-----------|-------|---|-----------|------|
| | 39 < | > 40 | | 39 < | > 40 | | 39 < | > 40 |
| Work hard | 30% | 70% | Hardworking | 36.4% | 63.6% | Outstanding | 0.0 | 100 |
| Learn | 50% | 50% | Firm | 0.0 | 100% | Never give up | 0.0 | 100 |
| Intelligent | 0.0 | 100% | Smart | 0.0 | 100% | Works in group | 0.0 | 100 |
| Responsible | 0.0 | 100% | Risk taker | 55.6 | 44.4 | Daring | 25% | 75% |
| Risk taker | 54.5% | 45.5% | Daring | 55.6% | 44.4% | Sacrifice | 0.0 | 100 |
| Visionary | 50% | 50% | Committed | 60% | 40% | Competitive | 0.0 | 100 |
| Management | 50% | 50% | Management | 0.0 | 100% | Hard work | 28.6% | 71. |

| | | | | | | | | |
|----------------------|-------|-------|----------------------|------|------|------------------------|-------|-------|
| Professional | 50% | 50% | Business opportunity | 40% | 60% | Risk taker | 33.3% | 66.7% |
| Ethical | 50% | 50% | Take challenges | 50% | 50% | Determination | 50% | 50% |
| Start a business | 20% | 80% | Money mind | 100% | 0.0 | Management style | 66.7% | 33.3% |
| Endure pressure | 0.0 | 100% | Innovative | 100% | 0.0 | Flexible | 100% | 0.0 |
| Enterprising | 0.0 | 100% | Enterprising | 100% | 0.0 | Negative thinking | 100% | 0.0 |
| Strong belief | 100% | 0.0 | Social entrepreneurs | 100% | 0.0 | Aggressive | 50% | 50% |
| Knowledgeable | 50% | 50% | Successful | 50% | 50% | Opportunity seeker | 0.0 | 100% |
| Experience | 100% | 0.0 | Trustworthy | 0.0 | 100% | Mission | 50% | 50% |
| Meet challenges | 66.7% | 33.3% | Helpful | 0.0 | 100% | Adaptability | 100% | 0.0 |
| Dynamic | 100% | 0.0 | Thrifty | 25% | 75% | Good negotiation skill | 100% | 0.0 |
| Resilient/flexible | 100% | 0.0 | Capable | 100% | 0.0 | Profit oriented | 100% | 0.0 |
| Transparent | 100% | 0.0 | Excellent | 100% | 0.0 | Trust | 0.0 | 100% |
| Credible | 100% | 0.0 | Mission | 50% | 50% | Encourage | 0.0 | 100% |
| Adopt strategies | 100% | 0.0 | Careful | 100% | 0.0 | Expertise | 100% | 0.0 |
| Business opportunity | 50% | 50% | Leadership quality | 100% | 0.0 | Young entrepreneurs | 0.0 | 100% |
| Meet competition | 100% | 0.0 | Adventurous | 100% | 0.0 | Successful | 0.0 | 100% |
| Trustworthiness | 100% | 0.0 | Start business | 100% | 0.0 | Research work | 100% | 0.0 |
| New ideas/innovative | 60% | 40% | Show interest | 0.0 | 100% | Customer oriented | 0.0 | 100% |
| Profit seeking | 0.0 | 100% | Tolerance | 0.0 | 100% | Expand business | 0.0 | 100% |
| Sacrifice time | 100% | 0.0 | Responsible | 0.0 | 100% | Independence | 50% | 50% |
| Effort | 100% | 0.0 | Initiative | 0.0 | 100% | Commitment | 100% | 0.0 |
| Ambitious | 0.0 | 100% | Determination | 0.0 | 100% | Self | 50% | 50% |

| | | | | | | | | | |
|-----------|-----|------|---------------|------|------|------------|------------|-----|--|
| | | | | | | | confidence | | |
| Tolerance | 0.0 | 100% | Knowledgeable | 100% | 0.0 | Innovative | 100% | 0.0 | |
| | | | Good planning | 100% | 0.0 | | | | |
| | | | Learn | 100% | 0.0 | | | | |
| | | | Cooperation | 0.0 | 100% | | | | |
| | | | Independence | 0.0 | 100% | | | | |
| | | | Confidence | 0.0 | 100% | | | | |
| | | | Adaptation | 0.0 | 100 | | | | |

Table 5 Cross Tabulation of Motivation to Become Entrepreneur By Age

| What do you think motivated Foochow's to become entrepreneurs | Age Scale | | What motivated you to become an entrepreneur | Age Scale | |
|---|-----------|-------|--|-----------|-------|
| | 39 < | > 40 | | 39 < | > 40 |
| Family business | 50% | 50% | Hard work | 30.8% | 69.2% |
| Hard work | 22.2% | 77.8% | Gain prosperity | 0.0 | 100% |
| Businessman | 50% | 50% | Survival | 0.0 | 100% |
| Daring | 50% | 50% | Daring | 60% | 40% |
| To survive | 50% | 50% | Discipline | 50% | 50% |
| Education | 44.4% | 55.6% | Family business | 50% | 50% |
| Resourceful | 50% | 50% | Loyalty | 50% | 50% |
| Standard lifestyle | 66.7% | 33.3% | Risk taker | 57.1% | 42.9% |
| Sensitivity | 100% | 0.0 | Education | 16.7% | 83.3% |
| Risk taker | 100% | 0.0 | Management | 66.7% | 33.3% |
| Independence | 66.7% | 33.3% | Financial support | 33.3% | 66.7% |
| Autonomy | 50% | 50% | Knowledgeable | 50% | 50% |
| Responsible | 33.35% | 66.7% | Experience | 50% | 50% |
| Self motivation | 75% | 25% | Expand business | 60% | 40% |
| Business opportunity | 60% | 40% | Personal value | 66.7% | 33.3% |
| Influence | 60% | 40% | Optimism | 100% | 0.0 |

| | | | | | |
|---------------------|-------|-------|------------------|-------|-------|
| Ambitious | 66.7% | 33.3% | Leadership | 50% | 50% |
| Innovative/creative | 50% | 50% | Sensitivity | 100% | 0.0 |
| Learn | 50% | 50% | Opportunity | 57.1% | 42.9% |
| Training | 100% | 0.0 | Good investor | 0.0 | 100% |
| Knowledgeable | 0.0 | 100% | Thrifty | 50% | 50% |
| Profit oriented | 100% | 0.0 | Independent | 50% | 50% |
| Expand business | 50% | 50% | Trustworthy | 50% | 50% |
| Cohesiveness | 0.0 | 100% | Innovative | 50% | 50% |
| Trustworthiness | 0.0 | 100% | Competitive | 100% | 0.0 |
| Adaptability | 0.0 | 100% | Relationship | 50% | 50% |
| Financial support | 0.0 | 100% | Humble | 0.0 | 100% |
| Financial burden | 0.0 | 100% | Straight forward | 0.0 | 100% |
| Confidence | 100% | 0.0 | Comfort life | 0.0 | 100% |
| Experience | 100% | 0.0 | Profit orient | 100% | 0.0 |
| | | | Adventurous | 0.0 | 100% |
| | | | Capability | 0.0 | 100% |
| | | | Adaptability | 0.0 | 100% |
| | | | Confidence | 0.0 | 100% |
| | | | Learn | 0.0 | 100% |
| | | | Strong belief | 100% | 0.0 |
| | | | Commitment | 100% | 0.0 |

Table 6 Cross Tabulation of Entrepreneurial Traits By Age

| | | | |
|-------------|-----------|-------------|-----------|
| What do you | Age Scale | What do you | Age Scale |
|-------------|-----------|-------------|-----------|

| think are the Foochow characteristics / traits that made them entrepreneurs | 39 < | > 40 |
|---|-------|-------|
| Learn | 50.0% | 50.0% |
| Skills | 50% | 50% |
| Hard work | 0.0 | 100% |
| Opportunity | 33.3% | 66.7% |
| Rich | 100% | 0.0 |
| Better future | 25% | 75% |
| Profit | 66.7% | 33.3% |
| Own decision | 0.0 | 100% |
| Education | 100% | 0.0 |
| Training | 100% | 0.0 |
| Family business | 66.7% | 33.3% |
| Inspiration | 0.0 | 100% |
| Start business | 100% | 0.0 |
| Prestige | 100% | 0.0 |
| Honor | 100% | 0.0 |
| Responsibility | 100% | 0.0 |
| Provide employment | 100% | 0.0 |
| Freedom | 42.9% | 57.1% |
| Management | 33.3% | 66.7% |
| Family background | 75% | 25% |
| Recognition | 100% | 0.0 |
| Comfortable | 75% | 25% |
| Strong belief | 100% | 0.0 |
| Independent | 100% | 0.0 |
| Support | 25% | 75% |

| think are the your own characteristics / traits that made you an entrepreneurs | 39 < | > 40 |
|--|-------|-------|
| Skills | 50% | 50% |
| Motivation | 0.0 | 100% |
| Adventurous | 0.0 | 100% |
| Willingness | 50% | 50% |
| Education | 0.0 | 100% |
| Knowledge | 0.0 | 100% |
| Confidence | 60% | 40% |
| Business opportunity | 33.3% | 66.7% |
| Planning | 50% | 50% |
| Management | 75% | 25% |
| Careful | 0.0 | 100% |
| Own business | 66.7% | 33.3% |
| Flexible | 66.7% | 33.3% |
| Competitive | 50% | 50% |
| Risk taker | 60% | 40% |
| Diversify | 100% | 0.0 |
| Responsible | 33.3% | 66.7% |
| Leadership | 33.3% | 66.7% |
| Friendly | 50% | 50% |
| Perseverance | 66.7% | 33.3% |
| Hard work | 62.5% | 37.5% |
| Energy | 50% | 50% |
| Curiosity | 0.0 | 100% |
| Improvement | 0.0 | 100% |
| Patient | 66.7% | 33.3% |

| | | | | | |
|---------|------|-----|-----------------|-------|-------|
| Mission | 100% | 0.0 | Trustworthiness | 60% | 40% |
| | | | Experience | 100% | 0.0 |
| | | | Commitment | 100% | 0.0 |
| | | | Visionary | 66.7% | 33.3% |
| | | | Thrifty | 0.0 | 100% |
| | | | Honest | 100% | 0.0 |
| | | | Interest | 0.0 | 100% |
| | | | Optimistic | 0.0 | 100% |
| | | | Freedom | 100% | 0.0 |
| | | | Discipline | 10 0% | 0.0 |

DISCUSSION

A search of the literature has provided some early descriptions of the Foochow in Sarawak (See Table 2). In the current study, there are 36 different terms associated to perceptions of Foochow entrepreneurs. Most of the respondents still perceived Foochow entrepreneurs similarly as those in the past (Hard working, risk taker, money minded or frugal, innovative, enterprising, thrifty, initiative, good planning as in fore sight, cooperation and adaptability). Statements such as “One should work hard to be successful and learn as much as possible (Interview 1), ” “In my opinion, I think entrepreneurs are those business people with good understanding of business management, marketing and economics. They also have good ‘yen quang’ or foresight of the future (19)”, “(Foochow entrepreneurs are...) Hardworking. Struggle hard to support family. Willing to do anything to get money. Very outstanding. Never give up. Always work in a group or Association to formed cooperation among Foochow (10)”, and “(Foochow’s are...) Hardworking, ambition, ability to adapt to new environment, alert to opportunities, spirit of cooperation, independence, self confidence, willing and ability to take risks by finding resources and something to make profit (5)”.

Nevertheless terms such as industrious, resourceful, ambitious, sober, law abiding, and sincere do not emerge. New terms such as social entrepreneurs, leadership, knowledge, and determination appear in statements such as “Foochow are great social entrepreneurs when they are very clear and very driven to bring about positive social change (4).” There are also terms that indicate a self-confident attitude, such as independence, initiative and confidence. In contrast, a study on Chinese entrepreneurs in Singapore indicates them to be achievers, networkers,

and also hard workers (Lee and Chan, 1998). The similarity lies in only one factor, hard worker.

An important point to note here is that there is still some form of continuity in how Foochow's perceive themselves as entrepreneurs. This continuity hails good tidings as these traits have held the Foochow in good stead. What is more interesting is the evolution of how Foochow entrepreneurs see themselves now. They have become more confident and extrovert yet still careful. They see themselves as taking challenges yet have good planning. Foochow's also see themselves as social entrepreneurs, indicating a more integrated position into the social fabric in Sarawak as compared to the first generation of Foochow's.

Another interesting factor is how Foochow's see themselves against other ethnic groups. The 29 terms in Table 3 shows an aggressive, determined mentality with some modern modifications. These include research work and customer oriented. The aggressiveness is tempered by these modern modifications and realization of the importance of customers and that the spirit of an entrepreneur is universal. Statements such as "Foochow entrepreneurs compared to other entrepreneurs, they have hardworking spirit, thrifty, never afraid to take risks, self motivated, more ambitious and visionary (5)", "Foochow entrepreneurs can adapt to situation, they try to learn a number of Languages and dialects as compared to others (22)", "They are very hardworking and not afraid of hardship. They are willing to do all that it takes to be success despite adverse circumstances. They are more willing to sacrifice their time and resources to extreme limits to make their company a success (24)" and "They are no different from other entrepreneurs. In the Sarawak experience, they came from poor families to start a new life in Sarawak. Thus, they have the determination to succeed. Comparatively the Foochow appears to have better networking among relatives and friends (25)".

The interviews also probed on what are the respondent's perceptions of motivation factors to become an entrepreneur. Interestingly the highest mentioned motivator was that of family business yet when personally asked, respondents indicated freedom and profit (monetary gain). Statements such as "To earn more money, learn more business matter and be independence (27)" and "Money. Money is another reason for starting a new venture for men (3)" support this thinking. Family business and background as a motivator was a distant 5th and 7th point. This may tie in with Chinese values of family and filial piety (Yau, 1994). Statements such as "Firstly, my father encouraged me to venture into hardware business. My father was doing business related to daily food consumption. He thought that

hardware business was good in the sense that the hardware goods would not spoil as compare to food. During childhood, I also actively assisted my father in his business operations (15)” and “Family business background. Having a parent who is self-employed provides a strong inspiration for the entrepreneur (3)” support this view. Issues such as to survive, although mentioned equally by the young and old, were not personal motivators. Statements such as “I was concerned for my future income level. With annual increment of RM45 per year on clerical level, how can I survive with that sort of income level? (16)” support this view. The motivators may also have been the perception of motivators for earlier generations of Foochow that have been carried on through generational transference (Buller, 2006; Cosmides & Tooby, 1997).

An important point to note from this research is that there seems to be a common theme throughout the interviews. Hard work is seen as the cornerstone of entrepreneurship, be it perception, motivator or characteristic. This may be in line with the harsh history faced by the Foochow’s in the past (Leigh, 1988).

In line with the evolutionary psychology paradigm, this study found similar and differing views between the two generations studied as well as with that of the first generation Foochow’s. Hard work is especially significant as an elderly Foochow perspective and not that of the younger generation. The younger generation definition of entrepreneurs include terms such as risk taker, daring, committed, innovative, money minded, capable, excellent, leadership commitment, research work and innovative. On the other hand the older generation see entrepreneurship as work hard, commitment, profit seeking, ambitions, tolerance, cooperation, business opportunity, work in groups, never give up, opportunity seeker, and work in groups (Refer Table 4).

The same occurs for motivation and entrepreneurial traits (Refer Table 5 and Table 6). The older generation is motivated by hard work and survival, the younger see a lifestyle and independence as motivators. The older generation sees hard work, inspiration, freedom, responsibility, leadership, curiosity, and thrift as characteristics of an entrepreneur. The young see education, training, family, confidence, risk taker, discipline, patience, and flexibility as their characteristics.

Nonetheless, there are also similarities between the generations as predicted by the evolutionary psychology paradigm. These includes perceptions towards entrepreneurs in statements such as visionary, management, professional, ethical, knowledgeable, take challenges, successful, aggressive, mission minded, and independent. Similar terms were also used equally by both generations for

motivators, such as daring, to survive, learn, innovative, thrifty, independent, trustworthy, innovative and relationship based motivators. There were less similar and equally used statements for traits. These included Learn, skills, willingness, planning, friendly, energy and trustworthiness.

CONCLUSIONS

It is evident that there are differences between the generations of Foochow immigrants and the current generation businessmen. Nevertheless there are also similarities that have been passed down through the generations. This finding suggests that the evolutionary psychology paradigm can be used for understanding the movement of perception throughout generations. The accolades though are not being echoed and this is worrisome for the future of Foochow entrepreneurship. This exploratory study has looked into the Chinese values, Foochow characteristics and discussed the current situation and has now been able to look deeper into these factors.

Implication

This exploratory paper provides basis for thought, both theoretically and managerially. It is shown that it is crucial to relate entrepreneurial activity among the Foochow in the lines of Chinese values, family, and networking activities. This can also be correlated with Western values, such as the Protestant work ethic as well as between generations for comparison.

The brief exploration indicates the need to achieve is high among the initial immigrants, partly due to the push factors from China and pull factors by the Brooke government. This external pressures may have disappeared over the generations because of the very economic prosperity sought by the earlier generations has been achieved. This allows for further exploration on the creation of entrepreneurs in a high-income economy, which has been shown to be low (Lee & Chan, 1998).

Limitation

Although the sample of this research exceeded the generally acceptable level, a higher response rate would have further strengthened the research. Nevertheless, based on the limitations of scale and time, the response rate for the interviews was

good. By utilizing enumerators and a semi structured interview format, the authors obtained twenty-seven respondents.

Biases from experience of respondents could have affected the reliability of the findings. Majority of the respondents in this research are men who have working tenure of more than ten years. Younger entrepreneurs may not have sufficient experiences in wide variety of business and entrepreneurial situations and this could lead to biases in providing feedback. Older entrepreneurs on the other hand may have other form of biases collected through the years. Nevertheless the interview allowed for respondents to respond with their initial thoughts, which are often considered to be the most salient and valid one (Friedmann & Fox, 1989; Stafford & Stafford, 2003; Weeks & Muehling, 1987). These thought were then coded and used in the study, thus allowing for some degree of reliability.

Another limitation is that some respondents have doubt with the confidentiality of the research even after assurance. They feel uncomfortable to respond honestly about their perceptions. This will pose difficulties in getting the full co-operations and involvement of all the respondents.

Future Research

Future research will be to identify the current perception, motivation and entrepreneur characteristics of the second / third generation Foochow Chinese in Sarawak in a quantitative manner utilizing factor analysis. This will allow for some form of generalization of the perception, motivation and entrepreneur characteristics of the second / third generation Foochow Chinese in Sarawak.

Other interesting research that has been raised by this study is the need to determine other ethnic groups perception, motivation and entrepreneur characteristics. This then can be quantified and to note whether there exist any similar or different perception, motivation and entrepreneur characteristics of ethnic groups in Sarawak. From there, a generalizable model of perception, motivation and entrepreneur characteristics of ethnic groups in Sarawak can be created to be tested with current models of entrepreneurship.

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The Tsunami of Independent Directors - How to Handle the Demand -

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Abstract

Good governance is recognized as a fundamental indicator of the success of a company. For a small- mid-sized company, this is particularly so, as such companies must be able to competitively demonstrate their flexibility in the face of market forces. This flexibility is the primary advantage they hold over larger firms (Dalton, Daily, Ellstrand and Johnson, 1998).

Such companies, however, can find it difficult to attract good directors (Daum and Neff, 2003) and this makes developing improved strategies of governance a challenge. Taylor, Chait and Holland suggest top directors are not attracted to small/ medium companies because “the stakes remain low, the meetings process-driven, the outcomes ambiguous, and the deliberations insular” (Taylor, Chait and Holland, 2001). We suggest that the attraction of quality directors is a uniquely impacting situation for small and mid-size firms, as it is there where additional management resources should be needed most urgently.

Directors on the boards of small-medium sized businesses are often lagging behind directors of large companies in that they are less likely to be independent external directors and are less likely to represent a diversity of attributes (Dalton, Daily, Ellstrand and Johnson, 1998). Arthur Levitt, former United States Securities and Exchange Commission Chair, describes the culture of medium sized business directorships as a “kind of a fraternity of CEOs who serve on one another's boards” (Stainburn, 2005). In addition, evidence suggests directors of small- medium businesses are often insufficiently trained for the role. Uncertain directors may, for example, be unwilling to ask crucial questions of managers before making major decisions. “Board members sometimes are made to feel that asking a thorny question or advancing an alternative opinion is disloyal to the administration” (Taylor, Chait and Holland, 2001).

Small and medium businesses, however, are a growing contributor to the national economies of countries internationally. In New Zealand, small and medium-size firms recording large GDP values, ahead of many large businesses, which makes

our investigation into good governance practices of SMEs relevant to suggest areas in which these firms can improve their governance policies and practices.

We have reviewed more than 2,000 directors, executives and investors in New Zealand, making this one of the largest non-government surveys in governance. Supported by 16 large corporate organizations, such as KPMG, Business New Zealand, Simpson Grierson, Brook Asset Management, Porter Novelli, Sheffield and 'Management' Magazine, this work suggests that the current processes through which directors are selected and trained to serve on Boards of small and medium businesses needs to be altered. We are also concerned over the lack of director education and the close involvement of the Chief Executives as members of the Boards. There is a general concern over the lack of director independence and whether directors are effective in their roles.

We are recommending an alternative process for SMEs to select directors, which will hopefully expand the available pool of directors in quantity and quality.

Overview

Small and Medium Enterprises (SMEs) are the drivers of the economy in many countries, yet fall behind larger companies in the area of corporate governance (Dalton, Daily, Ellstrand and Johnson, 1998). We believe that the focus on governance processes and policies has been incorrectly placed on the relatively few large globally active firms where extensive governance regimes are established and monitored, overlooking the large group of GDP-driving small and mid-size firms in each country. Likely, this top-down approach has tainted the discussion and created an environment where governance is largely an audit and compliance tool, rather than an accepted component of long-term strategy for any sustainable business and warmly embraced by owners, operators and directors.

The failing of large corporations in recent years (such as Enron) has brought the issue of corporate governance into prominence and boards are being asked to improve their performance (Nicholson and Kiel, 2004). Due to the lack of financial and organizational resources, this call to arms for business operators of any size

represents a new challenge, and we are wondering how executives, directors and investors will approach this opportunity to improve the leadership resources of their firms.

The boards of smaller companies are far less likely to comprise independent outside directors (Daum and Neff, 2003; Stainburn, 2005). SMEs can find attracting quality directors difficult, research suggests, because such directors tend to be repelled by the insularity of meeting procedures and the “low stakes” involved (Taylor, Chait and Holland, 2001). Whether it is the glamour of large corporations with the large compensation packages and the news headlines, or the ability to influence operating results on a large scale, smaller firms seem to have to work harder to attract quality directors. We have asked directors for the reasons of joining a smaller firm, and it is clear that remuneration and glitz are not very high motivators for directors in New Zealand (Mueller, Dana, Taylor and Maier, 2006).

As you would imagine in smaller firms, people work closer together and in many cases the leadership also performs management tasks – and vice versa. In many firms the CEO is also a board member. In a smaller but still significant number of firms, the CEO is also the Chairperson of the board. This raises some obvious issues of independence and conflicts. How many CEOs, working closely with staff every day, can make tough staff layoff decisions without thinking about colleagues and friends? To what extent does a CEO vote for his own pay check and stature associated with the position, rather than for the shareholder interest (as a director would be obligated to do...). Notwithstanding the fact that many CEOs in smaller firms will also be shareholders and thus be expected to be aligned in their personal interests with those of their shareholders, we are mindful that a certain degree of schizophrenia is expected from CEOs who are expected to disassociate themselves from their day-to-day managerial duties when they enter the board room. Is this overlap of obligations helpful, or should board members all be independent, drawing on the CEOs expertise as a ‘consultant’ to the board, rather than being a full voting director?

Most research indicates that Boards function best when the CEO is not also the Chair of the board (Standard and Poor, 2004; Damodoran, 2004; Petra, 2005; Whitehead Mann Group, 2005). “Many CEOs don’t have the skills to be Chairman and certainly not in their own organisation, because they can’t let go” (Whitehead Mann Group, 2005). Inexperienced directors can feel unconfident about talking

thorny issues for fear of appearing disloyal (Taylor, Chait and Holland, 2001). SME Boards tend to lack the diversity of skills and attributes to “enable companies to evaluate key strategic issues more fully and monitor their performance more effectively” (Henderson Global Investors, 2003). The training and induction of new directors is also a cause for concern among SME boards. Boards also need to be prepared to submit their own performance, both as a whole and as individual directors, to self-analysis on a regular basis (Colin, 1994; Wilkes, 2004; Behan, 2004; Petra, 2005). The CEO of a smaller business may find it very difficult to step back enough to allow the Board to effectively function, and potential conflicts of interest can arise when the CEO is also the Chairperson of the Board (Petra, 2005). A CEO’s inability to let go makes them unsuitable candidates for chairship of their Boards as they do not always have the skills they need to overcome this and successfully guide the Board. (Whitehead Mann Group, 2005). The Chairperson should be able to run the Board rather than the organisation, have a positive working relationship with the CEO, and a clear separation of responsibilities (Whitehead Mann Group, 2005).

Methodology

With the help of an MBA team from the Waikato Management School, consisting of six international managers in the final months of their MBA program, we have developed an online survey (www.worldsurvey.info) with questions based on more than 100 of the most recent governance studies and academic reports in this area. To reach a widespread level of feedback, we developed questions suitable for company executives, corporate directors and investors and packaged all of those into one survey, mitigating confusion through clear separation of the three segments and instructions. The survey questions were reviewed and edited by leaders and executive staff of some of the most prominent firms, government departments and industry organizations in New Zealand, such as KPMG, Simpson Grierson, Business New Zealand, Brook Asset Management, Sheffield, Bank of New Zealand, Porter Novelli, NZ Venture Capital Assn, Crown Company Monitoring Advisory Unit, Business New Zealand, New Zealand Shareholders Association, New Zealand Institute of Chartered Accountants, New Zealand Institute of Management, several Chambers of Commerce and Management Magazine. This group represents one of the largest collectives of leaders and corporations ever in New Zealand to investigate the status of governance. In

addition to editing and editorial guidance, all of these supporters distributed an e-mail with the link to the survey to their respective client mailing lists. We have reviewed more than 2,000 responses to this ongoing survey to date, from directors, executives and investors.

The survey results were received anonymously, with some of the respondents completing all sections of the survey (executives, directors, investors), and others only completing the parts which applied to them. The survey has sensitive branching sections which only showed pages with questions applicable to the specific respondent.

The survey was also described on a daily morning business show on the largest TV station in the country and had long write-ups in national business magazines (Management Magazine and Director Magazine), business sections of daily news papers and industry magazines, further encouraging participation and creating a compelling call to participate.

We conclude that this is a representative sample of New Zealand business, without material bias as to geographic location, industry, size or other key demographics.

Results

We take notice of the fact that nearly 39% of respondents were women, as that indicates a reasonable participation of women, who are underrepresented as leaders of business organizations in New Zealand but seem to be better represented as members of a management team and as investors.

With 75% of the respondents requesting a copy of the summary report and 63% of the respondents volunteering to make additional 1-on-1 time available on the telephone to discuss their thoughts about governance, this topic clearly is of more than just passing interest. We believe this high level of interest in the topic, beyond the simple completion of a survey, indicates the importance of this discussion, and since 72% of the respondents were from small and mid-size firms, this issue has certainly now penetrated the business community beyond the large, publicly listed firms.

Possibly as a reflection of the large number of small and mid-size firms in this sample comes the report that 50% of the firms have no independent directors. Nam and Nam point out that a Board will function best where there is a good spread of inside/executive and outside/independent directors in order to provide objective judgments of managerial performance (Nam and Nam, 2004), and it is by now well documented that independent directors are favoured by investors and regulatory agencies worldwide. Independent directors can likely not be recruited with traditional means. As a CEO or as a board director, the tendency in recruiting a new director is often to focus on individuals where there is an existing personal relationship or on the stature of the candidate (Conger and Lawler, 2001), and this inward-looking approach likely excludes competent independent directors. Arthur Levitt, former United States Securities and Exchange Commission Chair, describes the culture of medium sized business directorships as a “kind of a fraternity of CEOs who serve on one another's boards” (Stainburn, 2005), something that may enable less effective monitoring (Shivdasani and Yermack, 1999).

A search process that is rigorous and takes in a wider range of possible candidates can offer SMEs access to directors with greater diversity in “background, experience, age, gender, ethnicity and nationality” (London Business School, 2003). Nominating committees comprising such independent NEDs are more likely to nominate NDEs to the Board who will challenge the decisions of the CEO (Shivdasani and Yermack, 1998), and we can confirm that investors are interested in directors who can vigorously debate issues at board level.

The call for more independent directors seems to have been heard loud and clear by the business community in New Zealand. In this study alone, respondents have indicated a need for more than 2,200 independent directors over the next five years, placing the total number of directors needed in New Zealand at much more than 10,000. This raises the issue how those directors are recruited, and where executives and their investors can find qualified directors to take on this important role.

For SME Boards, there may soon be no choice but to introduce improvements to the standard of governance. The pressure on Boards to improve their corporate performance and the ways in which they oversee the company's management has led to what Nicholson and Kiel describe as “a series of inquiries and reports” advocating corporate governance reform (Nicholson and Kiel, 2004).

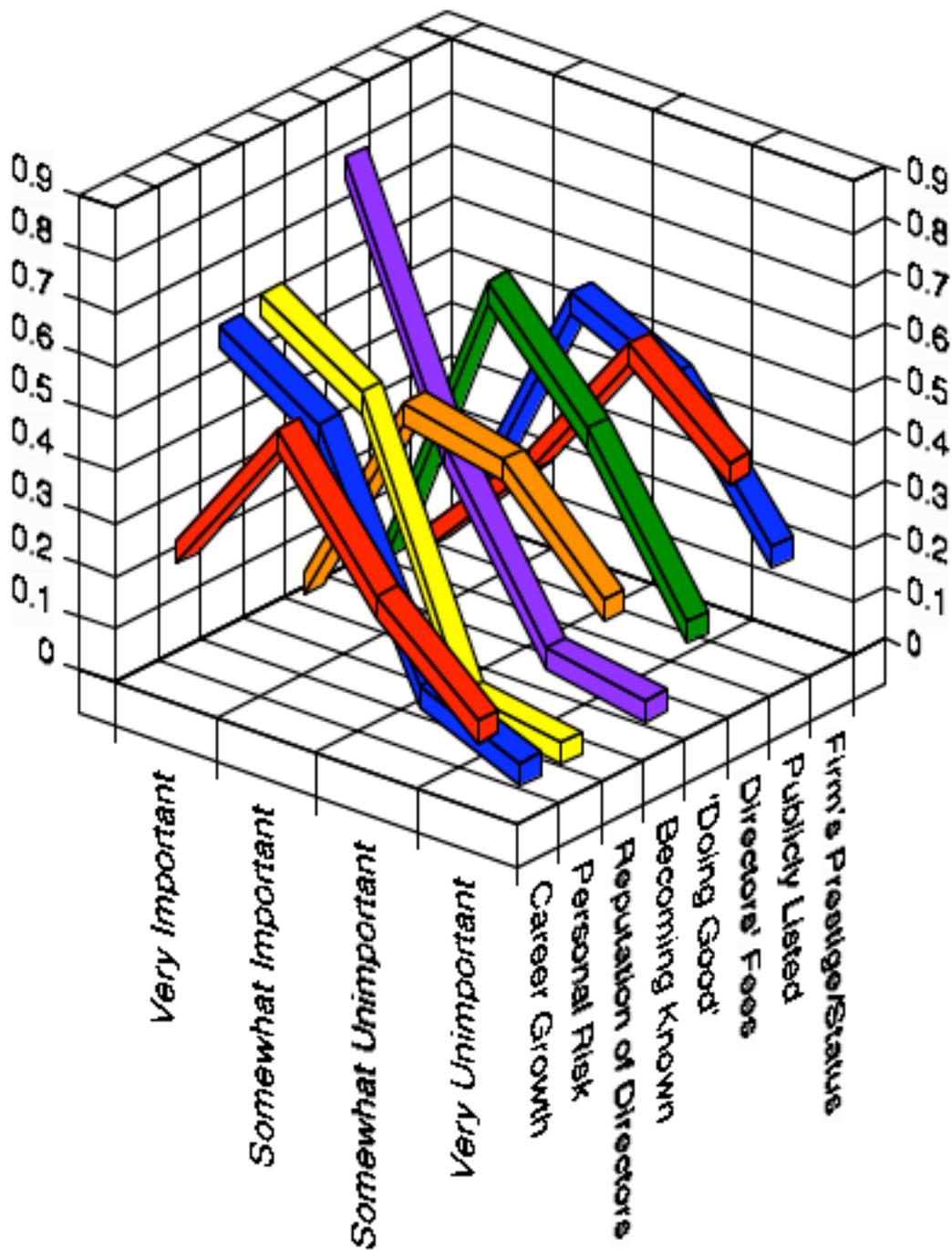
For a SME, the task of selecting independent directors becomes crucial to the credibility of the company, and we will propose alternate ways for SMEs to identify suitable new directors.

What makes these high quality directors join a Board?

Taylor, Chait and Holland suggest top directors are not attracted to small/ medium companies because “the stakes remain low, the meetings process-driven, the outcomes ambiguous, and the deliberations insular” (Taylor, Chait and Holland, 2001), and this raises concerns over how expectations of directors can be met by firms.

We now know from our work that it is not the money or the prestige associated with serving as a director of a publicly listed firm. Potential directors want to ‘do some good’, and presumably want to be able to use their talents to help shape the firm towards achieving better performance. They also are very concerned about the level of personal risk attached to their directorship position. The backdrop for this level of importance could be the more stringent personal liability risks for directors in New Zealand than in many other industrialized countries, and we speculate that firms with an interest in new independent director will need to demonstrate stable financial performance with a high degree of transparency and accountability – and access to director liability insurance.

Of greater concern to us is the reflection of 66% of our respondents that the reputation of the fellow directors is ‘very important’ to them (Graph 1). This raises the issue of how firms create diverse boards, bringing in new independent directors, if these new candidates use the existing make-up of the board as one of their key determinants for participation. Clearly, investors, executives and directors must begin to craft a board which is not only effective internally, but also signals to the pool of prospective directors outside an attractive environment created through reputable directors.



Graph 1: If you were offered a Board position now, how important would each of the following factors be for you?

Where can we find these thousands of newly needed directors?

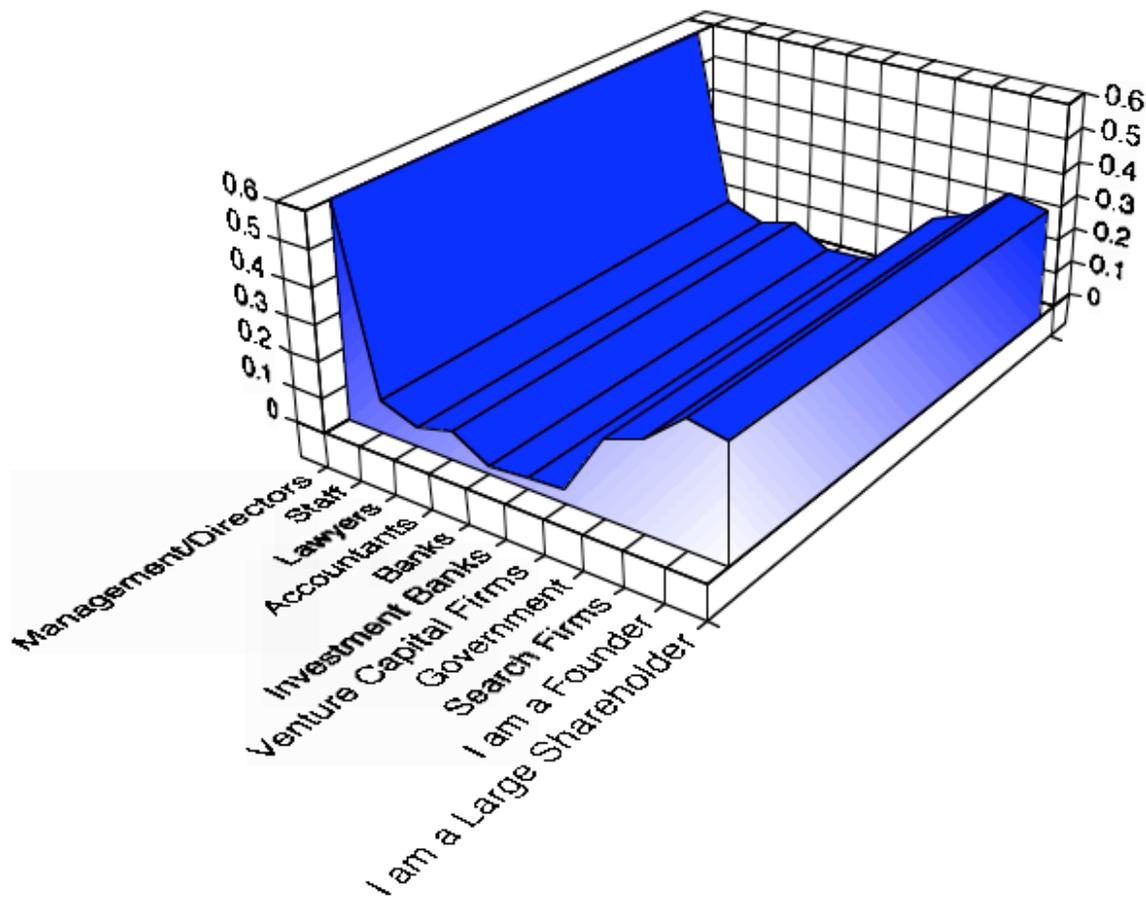
It has been advocated that a board of directors is the best bargain in modern business because it represents a cadre of expert consultants to management, with a level of talent and experience the company could never hire on a per diem basis (Charles and Caroline, 2003), and many small business owners will agree that consultants can be horrendously expensive and may not easily be available to smaller and less visible firms. If directors might now be available with a motivation other than of pure income, business leaders and investors might be able to re-position their needs and objectives to merge their long-term interests of achievement with those of prospective directors. The process of assembling the right mix requires a disciplined approach involving a careful assessment of the needs and challenges of the company (Charles and Caroline, 2003; London Business School, 2003) and this includes demonstrating to stakeholders that the company is committed to a rigorous selection process (London Business School, 2003). “Sharing information with shareholders, employees and other customers demonstrating that a company is committed to such a selection process is likely to foster greater trust in its NED appointments” (London Business School, 2003). We know from our work that the current selection process is primarily centered around recruiting friends and colleagues, rather than opening the funnel wide for the exposure to new categories and talents of directors.

Diversity and independence of the company are agreed key considerations in appointing a good mix of directors (Henderson Global Investors, 2003; Petra, 2005; London Business School, 2003; Nam and Nam, 2004), but there is less accord over what qualities the individual director should have. For some researchers, the ideal candidate will be a proven leader who has already addressed the kinds of issues the company is facing and will have financial acumen (Charles and Caroline, 2003; Petra 2005) while others say/believe a diversity of candidates, including those without a business background, bring with them different perspectives to apply to business problems and “enable companies to evaluate key strategic issues more fully and monitor their performance more effectively” (Henderson Global Investors, 2003; Taylor, Chait and Holland, 1996). Petra notes the recommendation that that the mix of talents and skills required be set down in writing in advance of appointing directors and include “business, finance, accounting, marketing, public policy, manufacturing and operations, government,

technology, and other areas the board deems desirable” (Petra, 2005). Nicholson and Kiel point out that corporate governance will rarely be a function of one component (such as social capital or human capital) and the challenge for a Board arises from its understanding of the roles required and its ability to match the intellectual capital of the board to those roles (Nicholson and Kiel, 2004).

We are concerned that in our population of directors in New Zealand, a large number of those directors (60%) learned of directorship openings through other directors (Graph 2), or were large shareholders themselves (32%) or one of the founders (34%). Although the debate over the suitability of founders and shareholders to also be effective directors is far from over, it is clearly restrictive that the vast majority of directorship positions are ‘marketed’ through the existing directors. This may very well tap into the diverse and rich network of professional friends and colleagues who otherwise might not respond to invitations from strangers, but it begs the question whether the recruitment of new directors through existing directors gives the firm access to the talent set it needs.

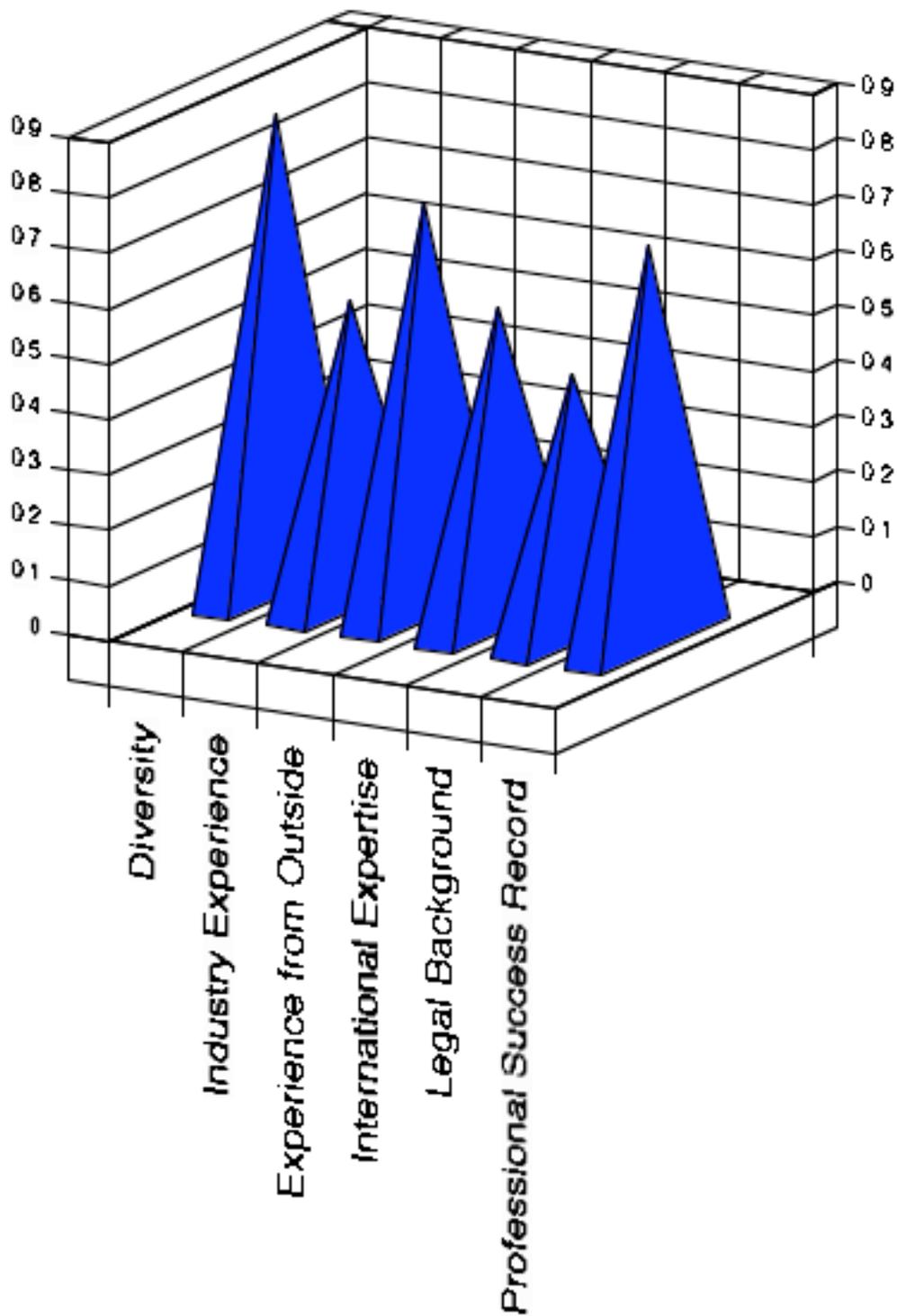
Early indications from our continuing work are that there is a large differential of competence between directors on the same board, and we wonder if the new directors are recruited more for their compatibility with existing directors than for their demonstrated competence. In the best case, this recruitment process yields directors of good competence and similar reputation. In the worst case, this process restricts the addition of directors which might not ‘fit’ for other than competence reasons.



Graph 2: How did you hear about openings for directorships?

Assembling the right mix of directors is the key to ensuring good governance (Charles and Caroline, 2003; Conger and Lawler, 2001; London Business School, 2003; Nicholson and Kiel, 2004). Knowing the appropriate mix of directors is not necessarily a matter of best practice, but depends on the needs of the particular Board (Felton and Watson, 2002; Nichols and Kiel, 2004). Felton and Watson describe the process as not a “ ‘checklist’ of the ten best practices” but a “state of mind – a considered balance between the need for the board to represent shareholder interests and the need to ensure management feels sufficiently free to focus on value creation” (Felton and Watson, 2002). In our sample, industry experience and a professional legal background scored low with investors. Investors want individuals as representatives with proven, preferably international, business accomplishments, which experience from outside the industry and

diversity to the board table. Directors who sit on many boards are less likely to win investor votes than those who bring a fresh perspective to the party, focused more on long-term strategic planning than on compliance policing.



Summary

"In the final analysis, it is our view that the best boards comprise high quality, committed, independent directors; every board has room for more of these types of directors" (Felton and Watson, 2002).

Our work has shown that thousands of new directors are needed in New Zealand over the next five years, and investors are predominantly looking for independent directors with a proven track record outside the industry, creating a diverse board. Directors are also considering the reputations of the existing board and their own personal level of risk, before they commit to a directorship where they largely wish to 'do some good'.

We are left with the conclusion that the selection process for directors in New Zealand is inadequate to supply these thousands of independent directors, many of which would likely not have served as directors before and might be well-performing executives in other firms. There is a need for a 'market' where prospective directors and firms' investors and boards can 'meet', to connect and recruit. We propose that the Directions work in several countries can establish criteria which may guide investors and executives in their search for directors, and that we can establish a globally valid benchmark score which can easily compare governance accomplishments across borders.

Note to readers: We are looking for interested academics and institutions who wish to be the research leaders for this work in their countries. Please contact the author at m@usainfo.net for more details.

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INTERNATIONAL OUTSOURCING TRENDS CREATE GROWING OPPORTUNITIES FOR ASIAN FIRMS

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ABSTRACT

The purpose of this paper is to address some aspects of outsourcing with particular emphasis of offshoring, (also named international outsourcing, international sourcing, cross border sourcing).

Outsourcing projects are not always successful, whether they are local, regional or cross border. The paper addresses some of the underlying theoretical fields that should be taken into consideration to make outsourcing successful for both parties, with emphasis on the international aspect.

Competitive pressures among firms in high cost countries (HCC) have forced them to look for more cost effective ways of operation. An increasingly important source of competitive advantage is buying components, finished goods and services from low cost countries in Asia. Strategic issues for HCC firms concerning offshoring are therefore addressed, as well as the growing political concern about lost jobs in the outsourcing countries that are in the lead of this trend.

The paper further suggests some underlying requirements for Asian countries to be able to benefit from offshoring trends in the short and long run.

Finally, some areas for research in the field of offshoring are suggested.

Introduction

We are witnessing a major shift in value creation that will have substantial effect both on the HCC and Asian employment and economies. Challenging structural changes will take place in the work forces in the two hemispheres as the offshoring trend is reinforcing.

A period of change creates new opportunities for Asian Small and Medium Enterprises (SMEs), both in market expansion and profit opportunities. The first due to improved access to HCC by means of digital technology and improved physical transportation systems. The latter is due to the present cost level differences, making the buyer willing to pay premium prices seen from the suppliers' point of view. Presently, huge savings are apparently possible. Anecdotal evidence suggests that cost levels at least 50% lower than in HCCs are common. The actual savings are, however, also dependent on the transaction costs associated with offshoring. These are unfortunately much harder to quantify.

An understanding of the underlying theories affecting a close relationship between the parties could aid in both interaction with international partners and making the co-operation successful.

Surprisingly little material relating to the principal aspects of international outsourcing has been published in academic journals. Mol et al. (2005) found that

from 1989 to 2000 only 7 articles contained the words “global” and “sourcing”. This author found 29 articles containing these words in 2005 alone, suggesting a substantial increase, but even so, still at a modest level. The general impression is that the topics in the articles are oriented towards industry issues, dominated by the finance, IT and manufacturing industries, and very few conceptual topics discussing underlying theories affecting the success rate.

What is happening?

External procurement of components as input to manufactured goods and outsourcing of services has become common practice among an increasing number of firms that are under competitive pressures in HCC. Local or regional providers that are specialized and thus can deliver goods and services at a lower unit cost normally perform the greatest part of delivery of outsourcing activities. That is not unexpected, as that does not require adjusting to a new business environment. The decision to let outside vendors take over some activities is in itself a change in the business model that can be difficult, and many outsourcing projects are reported to be unsuccessful. Lacity and Willcocks (1998) report that the success rate of IT outsourcing is only 56%. Aron and Singh (2005) state that “According to several studies, half the organizations that shifted processes offshore failed to generate the financial benefits they expected to”. Considering the fact that IT outsourcing is one of the earliest and most widespread outsourcing activities, the success rate is discouraging. Part of the cause of failures may be lack of understanding of the underlying theories regarding relationships with entities outside own organization, in addition to inadequate execution.

Over the past few years, the outsourcing phenomenon is being expanded to include offshoring of both goods and services, and it is growing at an increasing rate. Suppliers in countries with favourable factor conditions such as access to raw materials, lower priced energy, low labour cost and/or high education level are positioned to benefit from this development. Offshoring of services (business processes) is becoming increasingly widespread, and there seems to be tendency to move upward towards higher value creation activities. Asian countries have in particular benefited from the trend by offering lower cost, a pool well educated personnel and good language skills.

To make the transfer of work successful both for the outsourcer and the outsourcing partner (vendor), good understanding of strategic aspects, underlying economies and the required competencies is important. In the following, some aspects of this will be addressed.

Change in strategic thinking

The time of the fully integrated corporation that makes everything from its inputs to marketing and after sales service of the finished product may be coming to an end. Current thinking suggests that a concentration in the areas of the organization's unique (core) competencies and leaving the other activities to outside specialists increases competitiveness.

Numerous authors have in the past addressed the topic core competencies. It has been given several terms, such as invisible assets (Itami 1987) strategic assets (Dierickx and Cool 1988) meta skills (Klein et al. 1991) skills or competencies (Hall 1992) capabilities (Stalk et al. 1992).

The common denominator seems to be that a core competence is a unique organization specific quality. It has value if it gives a customer superior value of whatever is being delivered. There are two ways by which this is expressed: either by lower price or by increased performance for the user. In other words, a core competence has no value unless it can be converted into some form of customer satisfaction.

Identifying and nurturing such core competencies is thus an important issue for the organization as it is through them that a sustainable competitive advantage evolves. Most other value creation activities can be outsourced.

Some theoretical perspectives on outsourcing

Outsourcing, i.e. activities that are not considered to represent core competencies of the organization can be bought from specialized vendors outside the organization. Quinn (1992) states that if external vendors can perform the task better, the firm is sacrificing a competitive advantage by carrying it out itself. It may be added: unless the activity is critical to the business strategy.

A definition of the concept of outsourcing could be:

“Transfer to an outside entity of responsibility for production of a primary- or central support activity that formerly has been carried out by the organization”

Strategic aspects of outsourcing

Care should be taken when deciding on what to outsource. Obviously, activities associated with core competencies should not be outsourced as they are a very important part of the firm’s intellectual property.

A strategic evaluation must therefore be made even for all outsourcing proposals. It is of great importance to decide if the outsourced activity could mean loss of future control of processes and know-how. Even by outsourcing non-core activities, the company may facilitate transfer of own discretionary systemic competence to a vendor that will also use this to supply the competitors.

The outsourcer may also lose uniqueness that in the long run will reduce the full value proposition to the customers. Porter (2003) suggests that extensive outsourcing also has a tendency to standardize end products and thereby forego a strategic advantage. In the worst case, the outsourcing vendor develops into a full-fledged competitor over time. In case of a badly handled outsourcing process, the outsourcer may even be at ransom if their supplier develops a strong bargaining position.

Potential loss of intellectual property

Intellectual property consists of the rather obvious items as patents, trademarks and copyrights. But it also extends to trade secrets contained in internal systemic value creation activities such as planning systems and marketing approaches. The intellectual property extends in fact to all intangible proprietary information. An HCC firm may be reluctant to enter into an outsourcing agreement with an Asian partner for fear that important intellectual property may be diffused, sometimes by outright theft, but more likely by inadvertent leakage through employees or by employee attrition. Often, a non-disclosure clause on the part of the goods or service providing firm and its employees is thus required.

Mansfield (1985) found that the need for intellectual property protection varied with the intensity of R&D, the speed of technological change and the significance

of tacit knowledge. A starting point for both the HCC outsourcer and the Asian partner can be found in “A Guide to Intellectual Property Rights in Southeast Asia and China” by Deng and Townsend (1996).

A little transaction cost theory

Transaction cost theory assumes that market forces and hierarchies are alternative forms for control and decisions. Williamson (1979) suggests that the theory can be used to decide whether a transaction shall take place within the organization or outside, in the market. The cost is divided into two parts: production cost and coordination cost. The first is reflecting the direct costs of production, the second the need for meetings and management attention in a more complex setting.

In addition to the direct cost reduction, outsourcing also reduces the need for investment in plants or personnel, as well as operating capital.

Theoretically, it should therefore be rather simple to calculate whether an activity should be carried out internally by the organization, or be outsourced. Unfortunately, costs are difficult to identify clearly, partly due to allocation problems and inadequate accounting systems. The question is further complicated by the fact that human beings are not rational decision makers. Personal opportunism influences decisions, whether consciously or unconsciously. At best, the decisions are “intendently rational, but only limited so” (Simon 1976). A good understanding of the principal-agent theory is therefore useful in connection with an outsourcing decision.

A little alliance theory

Acknowledging the fact that no organization can be outstanding in all fields, one mode for compensating for this is establishing alliances with complementary organizations. An alliance has a greater degree of commitment than for example a regular supplier-customer relationship.

Hax and Majluf (1991) define a strategic alliance as

“Formal coalitions between two or more firms for short- or long-term ventures, borne out of opportunistic or permanent relationships that evolve into a form of partnership among players”.

Alliances are important instruments in the outsourcing context, as outsourcing is strategic, long term and requires formalized agreements. An outsourcing

relationship is therefore per definition an alliance. Outsourcing decisions can thus find a good theoretical basis in alliance theory.

Alliances can be placed on a scale from full ownership (internal alliances) through part ownership (joint ventures) to no ownership (formalized working relationship or outsourcing). An alliance contains a strategic component, and is therefore normally a long-term commitment.

A little relationship theory

This theoretical concept focuses on inter-organizational relations and the content of the relationship. A viable relationship is based on exchange of commercial, social and informational activities between organizations. Normally, a contract specifies the rights and obligations of the partners, and a long-term mutual benefit must accrue to both parties to make the relationship work.

Three elements of the relationship theory are important to be aware of in an outsourcing context:

Transaction content

In a commercial relationship, there is a stream of goods and services between the organizations. The contract that governs these transactions is according to Williamson (1979), established to avoid opportunism by the partners. Such contract clauses in an outsourcing relationship may for example be non-disclosure and exclusivity in addition to the ordinary price and delivery details.

It may be argued that in the long run the contract has diminishing value as the relationship develops organically, and the contract may even be irrelevant as the content of the relationship develops and changes.

Communication and information content

Proper communication with relevant content is essential when developing a lasting relationship. The success of an alliance is dependent on a steady flow of information to reduce transaction costs. Quality of content is part of this effort, so as to eliminate ambiguity and misunderstanding.

In an outsourcing situation, communication is of particular importance, as the partners often are expected to work intimately with each other for adjustments, information exchange, queries, etc. For many, a close, external cooperation is a novelty, and particular effort should be placed on establishing proper communication channels and content. The choice of communication medium (face

to face, group or individual, written or electronic) must be carefully selected for each particular relationship.

Social content

The qualitative part of a relationship is, according to Mitchell (1973), based on trust, norms and values, expectations, and feelings. The social aspect is in many respects the glue that ties the two partners together, and is of great importance in the outsourcing relationship. Personal relationships can act as a safety valve in case of disagreements that could develop into mistrust, and can to a certain extent substitute parts of the detailed contract that governs the relationship. A prerequisite for the well functional social interaction means a mutual understanding of the partners' cultural setting business ethics and conduct.

Offshoring

A big change took place in the latter half of the last century when offshoring, from the HCCs to low cost countries expanded in the 1990s.

Sourcing from firms in a totally different culture may yield substantial benefits, but it also requires different competencies in the outsourcing organization. Kotabe and Murray (2004) state that "sourcing directly from foreign suppliers requires greater purchasing know-how and is riskier than other alternatives that use locally based wholesalers and representatives". Fear of the unknown due to lack of knowledge about foreign cultures and business practices can furthermore hold back an otherwise rational decision to initiate international sourcing.

On the other hand, the offshoring company can benefit from both their own and their outsourcing partner's core competencies as well as factor condition advantages creating a lower cost. Substantial competitive advantages may therefore obviously be gained from offshoring if it is executed in the right way.

Offshoring of physical input factors

International sourcing of input components for one's own production process has been going on for a number of years, and has been well developed. Kotabe and Murray (2004) sum it up:

"Today, many companies consider not simply price but also quality, reliability and technology of components and products to be procured. These companies design the sourcing decision on the basis of the interplay between their competitive

advantages and the comparative advantages of various sourcing locations for long-term gains”.

It may be concluded that offshoring of physical goods has become a common practice, and seems hesitantly accepted by politicians, the public, management and employees in the HCC.

This trend has furthermore been developed into multi-nation sourcing (components bought in several countries and assembled in the HCC company’s home country or even in a third country). This is particularly evident in the electronic industries where relatively high value and low weight components can easily be shipped by air.

Offshoring of services

Offshoring of services (or business processes) is a rather new dimension that is growing rapidly, and it is definitely not uncontroversial in the home countries.

“Cheap labour is the beginning, not the end ” state Agrawal et al. (2003). Outsourcing of business processes such as data entry, payroll processing, call centres and other “back office” activities are among the most common types of work that are tempting to consider. Transfer of such activities can supposedly cut costs by up to 50%. More sophisticated applications are being implemented, however. Pharmaceutical research, engineering, software development and component R&D are examples of more advanced activities that are on the rise.

By developing the skills needed for the transfer of business processes over time, an entire dis-aggregation of the traditional value chain may result for the outsourcing companies. The result is a massive transfer of work and competencies from HCCs to lower cost (and high competency) countries. The HCC’s economies will benefit from lower priced products and the countries to which work is transferred will benefit from competence transfer and increased economic activity.

Models for offshoring of services

Kaka (2003) outlines six models for cooperation between the outsourcer of business processes and the outsourcing partner within the IT field. The outlined approaches can suggest solutions (but with different content) for both goods and service industries.

The contribution of the offshoring partner in the IT industry may be:

1. To supplement staff. This is mainly to cover peak demand on a temporary basis.
2. To build turnkey projects or provide ongoing support.
3. To assist in building permanent offshore centres.
4. To build and operate a facility
5. To provide specialized assets, human or physical.
6. To enter joint ventures, i.e. to be joint owners of a to exploit a business opportunity.

Information and Communication Technology (ICT) is the key

The success of both physical and business process outsourcing is dependent on ICT. Until a few years ago, ICT was reserved for the large, resourceful companies because of the high cost of equipment and software and the associated highly skilled personnel required to operate the systems.

This situation has changed dramatically. The PC revolution and extreme competitive pressures have brought down the price of hardware and software. The systems have been easier to operate (although the man-machine interface is still rather primitive) and networks have become available to everybody. Today, the cost of ICT is no longer an issue, as virtually unlimited capacity is available at low price. The question is now who can make use of ICT in the most innovative way.

The starting point is that anything that can be digitalized can be carried out over distance by means of ICT. Time and distance have been eliminated, as all authorized recipients will have the information at the same time regardless where they are located. It does not matter whether the recipient is a next-door factory or service provider or one thousands of kilometres away. Information exchange can be made continuous and seamless, keeping the processes uninterrupted except for the disadvantages (and sometimes advantages) of time zones.

By means of the Internet, suppliers of goods and services can easily be reached by interested HCC buyers, ranging from the largest corporations to SMEs. Buyers can receive physical goods within acceptable delivery times either by rapid ocean shipping services or by air. Services are delivered by means of digital networks. The groundwork is ready for rapid development of offshoring.

Political considerations in HCC

Globalisation is nothing new in the world of commerce. Goods have always been bought from where they have a cost advantage, and have been part of the economic growth in HCC countries. The new aspect is, however, that the rapid growth is made possible by ICT and improved delivery systems (logistics).

Projections indicate vast transfer of work with assumed loss of jobs in the home countries. Globalisation has in many countries been associated with unemployment. The impact of both physical and service outsourcing to low cost countries is becoming a touchy issue in HCC, and some countries are contemplating establishing barriers to transfer of work.

What is the magnitude of offshoring?

McKinsey and Company, a consulting firm, estimates the value of offshoring to between \$25 and \$32 billion in 2002. Agrawal et al. (2003) refer to a consensus estimate between three consulting firms showing a projected growth of 30 – 40% per year. They further estimate that 400.000 US jobs have been transferred already, and that by 2015, 3.3 million jobs have been transferred. The figure will undoubtedly be substantially higher if all HCC are added.

The win-win proposition

The fact that work can be carried out at a lower cost means that the outsourcing company enjoys higher profits that can be used for profitable investments which again creates wealth and associated benefits for the home country.

Many of the tasks such as call-center work, data entry and basic accounting that can be offshored are considered unattractive in HCC. In low cost countries it may be an attractive and rather highly paid job. Motivation and quality of work can thus be better than in the originating country. Low cost countries also offer high competency capabilities in several fields that may be equal or better than in the HCC countries. Offshored activities may in turn develop into new business opportunities abroad that create repatriated earnings.

There seems to be a certain movement toward better acceptance of offshoring. The Economist (2004) quotes Gregory Mankiw, the US president's chief economic adviser, saying that if a ting or a service could be produced more cheaply abroad, then Americans were better off importing it than producing it at home.

The economy of HCC countries must be assumed to be able to convert the increased value creation into new economic activity that absorbs the employment made redundant by offshoring. Any HCC's ability to convert its workforce to new activities is the key, and activities such as education and re-training programs must be developed to ease the transition. The offshoring trend can thus be of benefit both for the high and low cost countries.

Opportunities for entrepreneurial SMEs

Transitional periods of transition like the one that is experienced presently create instability until the new structures for value creation are established. This instability creates a window of opportunity for Asian SMEs as they can more easily enter the market when it is in flux. It does, however, require determination and good planning. Even if a firm can deliver a high quality product or service, it is still obviously a substantial task to be known to potential outsourcers in other parts of the world. Sometimes a small company may be able to "piggyback" as subcontractor on a more established local firm. But normally a plan for presentation to potential partners should be created. This can be in the form of participation in trade shows and delegations visiting HCC countries or at least by creating a good Internet site presentation.

SMEs in an industrial cluster could potentially form network organizations in which each partner contributes its core competency and the group is presented outward as if it were a larger entity. Access to HCC markets can thereby be more effective and convincing than trying to penetrate them as an unknown SME.

What is required to benefit?

Even local outsourcing is not as easy as it appears. Working closely together with another organization requires different skills than working with departments within one's own. There are indications, however, that the networked organization is becoming more common. See for example Collins (2003), Jackson and Stainsby (2000), Schwartz and Brock (1998).

Offshoring is obviously even more difficult. Emotional distance, culture, language and different modes of conducting business make the transfer of work even more precarious. Asia is well positioned, however. A. T. Kearney, a consulting company, has prepared an Offshore Location Attractiveness index based on the financial structure, business environment, people skills and availability variables,

and five of the six highest ranking are Asian: India, China, Malaysia, Czech Republic and Singapore and the Philippines.

To be able to benefit from the offshoring trend, Asian countries must prepare the ground for transfer of work. The intellectual property issue should also be addressed in earnest to make potential partners confident that their interests are taken care of in that matter, as there is little doubt that there will be a fierce competition between countries to attract high quality outsourcers and expanded volume.

The following suggests some of the issues Asian countries should address to prepare for a future competitive advantage:

Availability of trained staff

It is obvious that no offshoring can take place without the local skills and competencies needed to perform the tasks with required quality level. In 2002, McKinsey and Company carried out survey among 30 executives at companies using outsourced labour in India. They found that a dominant factor for selecting an offshore outsourcing location was access to the right human resources.

Adapted educational system

As outsourcing ranges from simple physical labour contribution to business process activities and highly skilled research work, the low cost country should make an assessment of how to move up the value creation ladder over time and what the corresponding national education content should be.

At present, it seems as if the countries with English as one dominant language (India, the Philippines, Malaysia and a few more), seem able to benefit from the outsourcing trend sooner than others. English language education should therefore be high on the priority list for all countries.

Working conditions

Western societies have become increasingly concerned about working conditions for those who produce on behalf of the national buyers. There are cases where public opinion has forced offshoring firms to change suppliers due to unacceptable working conditions in the supplying firms. Even some cases of brand names that have been adversely affected by unfavourable news coverage are known.

The consequence is that countries that hope to stay competitive in the long run must not only have laws that protect employees from exploitation, but must enforce the laws vigorously.

Corruption

In most Western countries, it is illegal to pay bribes nationally or internationally. If the firm paying a bribe is discovered, severe penalties may result. In the long run, countries with a culture in which smaller or larger bribes are part of the business or public administration culture will be at a competitive disadvantage.

Political stability

It takes substantial energy and resources to develop a smooth working offshoring relationship. HCC firms will therefore avoid such investment in countries with a history of radical system changes. Such abrupt changes may lead to disruption of deliveries or even endanger the offshoring investment. A well functioning democracy seems to be the best long- term guarantee for continued growth.

Infrastructure

In the McKinsey survey mentioned above, a high quality infrastructure ranked as the most important factor for selecting an offshoring location. The infrastructure would encompass physical (air, road and sea) as well as the digital one.

Predictable government policies

Frequent changes in the legal system increase uncertainty for investors in offshoring relationships. It particularly pertains to unexpected state ownership (nationalization), taxation or cost increasing regulations. This aspect ranked very high in the McKinsey survey.

Summing up

Offshoring has the potential to expand the economies in Asian low cost countries and regions faster than traditional organic growth is able to. At the same time it increases wealth creation in the offshoring countries by giving access to lower cost goods or services and re-directing capital to the most efficient use.

As offshoring is not easy, both outsourcer and the partner need to understand the underlying theories as well as practical processes involved to make it successful. This may develop into a core competence in itself and thereby be a source of competitive advantage.

Aggressive and flexible SMEs in low cost countries have a unique opportunity to establish themselves as outsourcing partners for HCC firms. That takes, however,

good planning and systematic execution to succeed. The potential rewards are substantial for those who understand the somewhat difficult theoretical and practical aspects of offshoring processes.

Asian countries wishing to attract business from HCC need to satisfy a number of underlying conditions that are required to compete successfully, as price is not by any means the only determining factor.

Suggestions for areas of research

It must be anticipated that as offshoring trend continues, academia and practitioners will focus on understanding the processes and developing the skills needed. That will increase the success rate of offshoring activities and further stimulate international transfer of work.

The following may be of interest to investigate further to aid Asian SMEs in exploring the offshoring opportunities:

- Awareness of offshoring opportunities among Asian SMEs
- Information sources and support for Asian SMEs regarding access to HCCs
- What can be learned from Asian firms with ongoing offshoring business?
- Intellectual property protection attitudes among Asian SMEs
- How are post contract operating relationships between the partners in an offshoring relationship evolving?
- Effect of transaction costs on profitability of offshoring

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Sales Challenges In China As A Dynamic Competitive Opportunity

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Introduction

China is an important market for sales organizations because it is the fastest growing economy in the world. In addition, China has overtaken Japan as the

leading exporter to the United States at \$110 billion and the standard of living has improved dramatically. From a selling standpoint, Customer Relationship Building and “Quanxi” which is networking, trust and giving back are recurring selling themes.

Why Rapid Growth?

In 1997 80-90% of the traffic in the streets in Beijing, China’s capital city, were full of bicycles like a third world country. Now, the percentages are reversed and those same streets are full of cars, and in some cases they are better cars than in the U.S. The mushrooming traffic, the growing number of cell phones at Chinese ears and pagers in Chinese pockets, the new Beijing airport and the proliferation of Western-style clothes are all symbols of the phenomenal economic expansion in China in recent years and the standard of living is improving dramatically.

The keys to sales growth in China have been the increased manufacturing and availability of high quality technology and quality products at affordable prices. World Trade Organization membership has also promoted foreign investment, sales activity and has opened up more sectors for investment. Joint Ventures have been the most common mode of sales entry, Free Trade Zones have also facilitated foreign entry and the Chinese Banking Industry is more actively extending credit to large companies there.

Since 1978, when the late ruler Deng Xiaping began the opening of the Chinese economic system, China has seen unprecedented growth. The average personal income rose nearly four times, from \$200 to \$300 per year in 1978 to \$1100 per year in 2003. That is still very low, of course, but represents huge progress in a relatively short time. The economy on the whole has grown nearly 10 percent per year in the last two decades.

In China, in 1997 most people had never heard of the Internet. Now, there are 30 million Internet e-mail accounts in China. The big word in China is e-commerce and nearly \$92 billion of revenue in business-to-business transactions is expected this year alone. By 2004, that figure is expected to top \$1 trillion so that if you compare all those figures, you get a sense that something’s happened from 1978 to 2004.

Foreign investment is responsible for much of the economic expansion and driving a lot of the growth in China. One very successful U.S. company in China is Motorola, which in 1986 made a \$1.5 billion investment in manufacturing and marketing, building a factory for cell phones and pagers in a coastal city not far from Beijing in an effort to capture the Chinese. Motorola saw \$20 billion in sales revenue from 1995 to 1999 and their return on investment is phenomenal. So, there are tremendous opportunities for American sales organizations in China. There is no reason that companies from the U.S. should not take advantage of increasing trade with the nation of more than 1.3 billion people.

For example, Motorola is the largest foreign investor in China and in 1986, they invested \$1.5 billion to enter the market and \$3 billion in total since. Their sales practices are relationship building, trust building, ads and Customer Advisory Boards. From 1995- 2003, they generated \$40 billion in revenue, making China their most profitable market and accounting for 27% of their overall revenue.i

“Open Door Policy”

The “ Open Door Policy” which began in 1978, made growth reforms that wited the emphasis from a central planning system, to a market oriented system. This change resulted in an increase of 200 million industrial jobs in China, economic growth of 9% each year from 1978-2003. Also, individual income grew from \$300 annually in 1978 to \$1,100 in 2002 and 250 million people at the poverty level in 1978 decrease to 80 million in 2005. The education levels went from an average of 5 years in 1978 to 10 years in 2006 and foreign investment has noticeably increased, from \$40 billion per year in the 1990’s to \$53 billion in 2005.

Sales Role

In order for a corporation to be a player in the global economy it is hard for them to ignore the China market. Two decades after China initiated market driven economic reforms, its appeal to foreign investors is still strong. In recent years, Motorola, Sony Corporation, Intel Corporation and Matsushita Electric Industrial

have invested billions of dollars in China. General Motors alone is investing \$1.5 billion to build a new auto factory in Shanghai. What attracts these corporations is growth of the economy, size of the population at 1.2 billion and Chinese consumers that prefer and trust foreign products. Consumer spending in China is increasing with retail sales in 2006 up 13% over 2005 levels. While the average urban Chinese consumer per capita income of \$700 per year is low by western standards, it still reflects a rise in average urban household income and has driven increased household spending. At \$40 billion, China has attracted more foreign capital than any other developing country in 1996. China is now the world's 11th largest trading nation and a commercial export power.

Future economic growth in China will be favorable because there is still a lot of investment opportunity, especially in many basic industries, such as manufacturing, transportation, services, communications and electronics. Many of the foreign firms entering China are using joint venture arrangements which allow them to share costs and risks, as well as complementary assets and skills with host country partner firms. By doing so, these firms are able to reduce the long term investment uncertainty at a lower cost than through pure hierarchical or market approaches.

Understanding how to reconcile the structural balance in Chinese economy between potential high market growth and a sizable low income consumer base is important. The rapid growth of China's population minimizes the average per capita income level because there are enough of Chinese citizens with very high income levels that still provide significant consumer income potential. For example in the Wang Fu Jing Street shopping district in Beijing the Civic Store which sells high priced commodities still makes a profit even if only 2%-3% of its potential customer base shops there, because in China this still represents many purchases.

Sales effectiveness is playing a big role in China. For example, Qing Shue, which is a liquor company in Tianjin, had marginal annual sales. They started to use television ads in 1995 which cost \$7.5 million. This was the highest amount spent on commercials in that year in China. However, in 1996 their sales revenue increased to \$125 million and they are continuing to buy television commercial time and will spend \$413,000 on advertising. While the actual use of advertising,

to this extent, is a relatively new phenomenon in China, it can have significant sales potential. Not only has advertising been an underutilized form of promotion, but using the government organized television stations viewed by the whole nation can provide broad exposure. Coca-Cola is an example of a firm that has commercials on television that are more popular than regular television programming.

Other American companies that have used Sales to drive their efforts in China are McDonald's and Kentucky Fried Chicken. The various reasons for their success is that they use the product, price, place and promotion strong points of marketing through good food, affordability, convenient and visible locations. With China's "one child" policy, every child that is treated by a company like a king or queen can be rewarded with customer satisfactions. Core competencies are very important because of the level of competition in China. Many firms are also using Customer Advisory Boards which are groups made up of senior executives or consumers that are current or prospective customers, as a way to monitor customer satisfaction.

Sales Process In China

Selling in China means developing friendships and trust. It is important to get to know customers and let them get to know the sales force responsible for customer development. This takes time and it can mean attending functions, joining organizations, pursuing memberships and doing the things that demonstrate interest, involvement, reliability and trust. These are the things that must occur first before business activity will take place. The key factor to reach and sell to Chinese customers is the ability to identify product or service needs and affordability. Firms must conduct customer research prior to entering China to understand the nature of the market and those factors that will help reach and sell to Chinese customers. It is also important for sales organizations to have a strategy and a long term plan and ensure that the product or service meets standards and customer expectations.

Further Growth

Newly built highways opened to traffic totaled 4,740 km, including 1,895 km of expressways. A total of 1,005 km of newly laid railway tracks and 547 km of double-track lines were opened to traffic. 35.6 million - The number of e-mail accounts in China at the end of last year. Of these, 26.7 million are Web-based free e-mail accounts. 5% - The average income increase Beijing Mayor Liu Qi promises his fellow Beijingers this year. In 1999, the annual per capita income of workers in the capital was 13,500 yuan (US \$1,625), while the average farmer pulled in just 4,316 yuan (US \$520). The financial crisis that wracked the region beginning in mid-1997 forced many companies in manufacturing and trade to retrench. But it had a surprising positive effect: It spurred the emergence of e-business, according to international research firm Gartner Group. The crisis did slow the region's adaptation to the new "e-economy", though. That is set to change, with regional businesses now "rapidly" adopting e-business practices.

In 1999, revenue from B2B – or business-to-business – e-commerce in the region was just US \$9.2 billion. But by 2005, revenue is expected to be closer to US \$1 trillion – an annual growth rate of 155%. Of course, even newly imposed government regulations can barely dampen the enthusiasm here for investing in the Net and the enormous opportunities it represents. According to government figures, e-commerce turnover in China leapt to US \$400 million in 1999 from US \$8 million in 1998. Investing in China's Internet industry is not without its headaches, though, particularly ones induced by the government, which fears being unable to control the Net. While Beijing is actively seeking high-tech investment, its actions seem also to be discouraging investors. In February, the government banned the discussion of "state secrets" on the Web. These could include anything from discussions of the weather to the mention of statistics and figures released by the official China News Agency. Last year the government tried but failed to prevent foreign companies from owning a piece of the country's Internet industry. Foreigners can now own up to 50% of an Internet or telecoms-related venture on the mainland.

The listing of PetroChina in Hong Kong and New York in spring, 2006, provides a vivid and successful example of how China's cumbersome State monopolies can be remolded. Even though Petrochina's current performance on securities markets is far from what was originally expected, the listing should be regarded as an overwhelming triumph. PetroChina was spun off from its parent firm, the China

national Petroleum Corp., a wholly owned State oil giant. The listing has helped PetroChina diversify its shareholdings, to break a State monopoly in such a way as to open the way for other investors. This lies at the core of China's lingering State-owned enterprise reconstructing program. The listing cements PetroChina's efforts to form a truly effective "corporate governance" structure the Chinese Government and State-owned enterprises have yearned for a long time.

The new mechanism will help PetroChina take full advantage of its potential on stock markets in the future. The listing provides a good opportunity for China's leaders to better understand capital markets and to rethink the country's overall plan for reform.ii

Motorola in China 2005

Motorola is a global leader in advanced electronic systems and services. It liberates the power of technology by creating software-enhanced products that provide integrated customer solutions and Internet access via wireless and satellite communications, as well as computing, networking and automotive electronics. Motorola also provides essential digital building blocks in the form of embedded semiconductors, controls and systems. By the end of 1998, Motorola had already committed more than US \$1.5 billion in China. The largest American investor in China, Motorola has a wholly-owned venture in Tianjin, a holding company registered in China, and is involved in six equity joint ventures, more than 20 branches and dozens of other significant investments.

Due to the nature of its investments, its technology innovation and development and its good corporate citizenship, Motorola has enjoyed solid support from the Chinese government at all levels. In 2005, the company was presented with two certificates by the Chinese government: the Advanced Technology Enterprise Status Certificate and the High-Tech Enterprise Status Certificate. These awards are tangible evidence of the government's recognition of Motorola's on-going commitment to prosper with China. Motorola was cited specifically for its achievements in research, development, production, sales and after-sales service in China. In 2005, Motorola was second among the Top 500 Foreign-Invested Enterprises in China.iii

A four-point strategy guides every Motorola investment in China

Investment/technology innovation and development: Motorola has not only committed US \$1.5 billion in China, but reinvested all profits from its China operations back into the country. Motorola manufactures only world-class equipments in China with the highest technology available.

Management localization: Motorola is committed to localizing the staff of its operations in China as quickly as possible. To this end, the company provides intensive training to its employees and requires that every single employee attend at least five days of training each year.^{iv}

Local sourcing: Motorola spent US \$750 million in China last year on locally-sourced materials, components and services. By the year 2000, the company expects to purchase US \$1 billion in locally-sourced materials each year in China. Motorola works actively with local Chinese suppliers to help them reach top-quality standards.

Joint ventures and cooperative projects: Since 1995, Motorola China has established 6 joint ventures and 10 cooperative projects with some of China's best enterprises and research facilities.

Investments and technology transfer

Motorola first opened a representative office in Beijing in 1987. Since then the company has enjoyed rapid growth and has been an active participant in China's transition to a market economy. Motorola (China) Electronics Ltd. (MCEL), a wholly-owned corporation, was incorporated in March 1992. In June of that year, Motorola broke ground on its first major manufacturing facility in the Tianjin Economic Technology Development Area. The facility became operational in March 1993 and manufactures pagers, cellular phones, two-way radios, communications components and semiconductors, largely for sale in China and other markets in Asia.

In November 1995, Motorola began construction of a large integrated circuit wafer fabrication plant, also in Tianjin. The semiconductors manufactured at the plant supply makers of automotive, communications, personal computer, peripherals and digital products. In addition, Motorola's investments in China include branch offices in Shanghai, Guangzhou, Tianjin, Harbin, Shenyang, Nanjing, Xian, Dalian and Chengud, as well as the Motorola service shop and software center in Beijing and Motorola University training centers in Beijing and Tianjin. Future plans call for opening sales and service offices in other 20 cities throughout China.

R&D in China

Motorola has spent a total of US \$48 million on research and development in China to date. This investment is expected to reach US \$108 million by 2001. The company has set up 14 research and development centers in China with 435 researchers. By 2003, 20 research and development centers were established to include 900 research staff. Major research items included: advanced semiconductor materials, microprocessors, CDMA & Will systems, cellular phone chips and software development.

Local Sourcing

Motorola is committed to identifying local suppliers for the key components of all equipments manufactured by the company's ventures in China. In 1998, Motorola spent a total of US \$750 million on locally sourced components, materials and services, a figure that represents 42% of total expenditures. The company expects to spend US \$1 billion annually on locally-sourced products at the start of the millenium.

Motorola has accomplished this by forming partnerships with Chinese suppliers and helping them improve their management, efficiency and quality control systems. In addition, Motorola provides suppliers with designs and new technology, helps them secure credit for necessary capital improvements and facilitates advantageous joint ventures with appropriate foreign suppliers.

This approach has helped Motorola develop a pool of local suppliers that has already grown to 200 across China. With Motorola's help, these suppliers were able to export US \$247 million worth of products in 1998, Motorola has also helped local companies grow and improve their technology, an initiative that dovetails with the Chinese government's strategy for upgrading state-owned enterprises.

Joint development: joint ventures and cooperative projects

Since March 1995, Motorola has formed 6 joint ventures with local partners in China to manufacture a range of high-tech products from pagers and multi-media computers to CDMA infrastructure and semiconductor products. These joint ventures afford opportunities to manufacture advanced equipments, in partnership with China's strongest high-tech companies, using world-class technology. Motorola brings cutting edge technology and new technical and management skills to its partners in order to manufacture the highest quality products for the Chinese and oversea markets.

During the last four years, Motorola has provided some 3,000 scholarships to Chinese students at major universities throughout the country. The company has established three micro-processors/micro-controller laboratories at universities in China, and will expand this program to 20 additional universities over the next five years. Motorola has supplied electronic kits and technical manuals to some 30 universities throughout China over the past three years.v

With contributions of more than US \$1.44 million to date, Motorola is one of the largest donors to China's Project Hope. This foundation has built hundreds of Hope Schools in impoverished areas in China, and has helped more than one million underprivileged rural children go to school. Motorola funds have built 24 Hope Schools and provided training for teachers of those schools. Motorola employees in China have contributed additional money and support to encourage children to go to school.

Quality

All of MCEL's products, equipments and management systems are designed to be of the highest quality, in line with Motorola's worldwide standards. At the end of 1996, ISO9002 quality certification was awarded to the semiconductor, pager, cellular communications and land mobile products sectors of the Tianjin facility. In addition, four of MCEL's units, the Paging Products Group, the Finance Department, the Human Resources Department and the Land Mobile Products Sector Materials Department were awarded Motorola's CEO Quality Awards, and the Paging Products Group won gold medals in Motorola's Worldwide Total Customer Satisfaction Competition early this year.vi

Sales Training

Motorola evaluates each employee based on results and performance on the job. In order to ensure that its sales and marketing staff have the skills necessary to succeed, Motorola University has developed a sales curriculum, customized for the specific needs of the Chinese market. This course helps equip its sales and marketing staff with modern marketing skills that translate into tangible results for the company. Motorola believes that everyone who has a role in selling the company products must be well trained. For this reason, it offers to train its distributors throughout China.

Alcatel in China

Alcatel is a French firm that builds next-generation networks, delivering integrated, end-to-end voice and data network solutions to established and new carriers, as well as enterprises and consumers worldwide. It is one of the world's leading telecommunications solutions providers. With 120,000 employees and sale of EURO 23 billion in 2003, Alcatel operates in more than 130 countries.

In anticipation of the explosive growth of the data/Internet business worldwide, Alcatel has adjusted its strategy in time to maintain and strengthen its competitive edge in the new telecommunications world. In the past 18 months, Alcatel has

purchased seven new companies including DSC, Packet Engines, Xylan, assured Access, Internet Devices, Genesys and Newbridge, further consolidating its position as a leading global provider of broadband data/Internet solutions.

Partnering with China

Alcatel has been a highly successful partner in China's telecommunications market. It has consistently applied a proven, two-pronged strategy of early introduction of new technology and timely formation of industrial joint ventures.

Alcatel came to China in 1983. So far, it has set up 17 joint ventures and 5 wholly owned companies to produce and supply the full range of telecommunications systems and services, including public switching system, SDK/WDM optical fibre transmission system, radio communications network, intelligent network and network management system, space and business communications system. Besides, Alcatel is able to provide turnkey services to its customers by offering integrated telecommunications solutions across space, land and sea.vii

Fully aware of the growing importance and great potential of the China market in the world economy, Alcatel has greatly increased its investment in China in recent years, especially in the field of R & D. More and more Alcatel R & D institutions have been set up, offering tailor-made telecommunications solutions and services to Chinese customers as well as customers from the neighboring countries and regions.

Public Switching

Alcatel was among the earliest providers of digital switching systems and technology to China. From the early 1980s until the end of 1998, Alcatel, including the activities of its joint venture Shanghai Bell, has sold units totaling the equivalent of 54 million lines of public switching equipment to China. Shanghai Bell – officially recognized as one of China's top 10 foreign joint ventures from 1989 to 1994—has evolved into one of the world's largest switching manufacturers, with an annual output of 7.8 million lines in 2005.

Transmission

Alcatel is taking the lead in the world SDH/WDM market. In China, Alcatel's leading technology in SDH and WDM is bringing benefits to its customers in a wide scope. So far, Alcatel has carried out more than 60 different optical backbone transmission projects based on SDH, WDM, digital cross-connect and video products. Alcatel has also supplied microwave transmission systems for many important backbone and inter-provincial links, with a total length exceeding 23,000 km.viii

Major projects implemented by Alcatel over the past two years include:

- Qingdao-Jinan-Shijiazhuang-Taiyuan SDH project
- Chongqing-Chengdu WDM project
- Shijiazhuang-Jinan SDH microwave transmission project
- Cross-connect project for the landing of the Sino-US submarine link

Besides, Alcatel is the number one submarine network supplier in the world. In 1994, Alcatel signed a significant contract with China Telecom and Korean Telecom to supply an international submarine cable connection – a 450 km optical submarine link between China and South Korea. In 1997, Alcatel was awarded the major part of a US \$950 million contract for a new submarine telecommunications network across the Pacific, linking China with the US. This link, with a total length of 30,000 kms, is the largest capacity transoceanic undersea system operating in the world.ix

Radio Communications Network

As a provider of the latest technology, Alcatel entered the mobile communications market in China with digital GSM technology, and was the first to deliver a GSM cellular mobile network to China in 1994 – in the city of Jiaxing in Zhejiang Province. The project has remained the study object for Chinese experts for several years.

Shanghai Bell Alcatel Mobile Communications Systems Co., Ltd. (SBAMC), Alcatel's joint venture with Shanghai Bell, was set up in 1994 and has so far

implemented GSM networks in 11 provinces and cities, including Gansu, Guizhou, Jiangsu, Chongqing, Jilin, Ningxia, Shanghai, Shanxi, Zhejiang, Liaoning and Tibet. It remains a major supplier of GSM networks in China with a total contracted capacity of over four million subscribers.

As a world leader of the mobile high-speed Internet technology, Alcatel implemented the world's first commercial WAP and GPRS network in France. It is also the first to run WAP applications on the GPRS system. Alcatel, through SBAMC, is now actively introducing its state-of-the-art WAP and GPRS solutions to Chinese customers. In November, 1999, SBAMC successfully opened a trial WAP network in Hangzhou, paving the way for the future commercial implementation of the Alcatel mobile Internet solutions.

Alcatel has recently set up its third global R & D center in SBAMC, with a focus on the development of the 3G mobile communications technology.

Alcatel's fixed wireless access technology, particularly catering to the rural but densely populated areas in developing countries, has been well accepted by Chinese customers. In early 1998, Alcatel signed a US \$50 million contract with Sichuan PTA to supply 100,000 lines of wireless access equipment to the vast rural areas of the country's most populated province. In November, 1999, Alcatel was selected by Hubei PTA as the supplier of US \$20 million WLL (Wireless Local Loop) systems to the province.

Data/Internet

Alcatel has an unparalleled world leading position in the ADSL market, with 50% of the market for ADSL infrastructure systems and a 33% market share for ADSL modems.

In September 1998, Alcatel and Guangdong Post and Telecommunications Administration (PTA) signed a multi-year framework agreement on the deployment of up to 50,000 Alcatel ADSL lines across the province. By selecting

Alcatel's leading end-to-end ADSL solution, Guangdong PTA is able to provide a wide range of interactive multi-media services, such as Internet visit, data access, video-on-demand, home working and distance learning, via copper telephone lines at a high speed 100 times that of the ordinary analogue modem.

Other Alcatel ADSL successes in China have been achieved with Fujian PTA, Shanghai PTA, Jiangsu PTA, Beijing Telecom and Heilongjiang PTA. The recent acquisitions have further strengthened Alcatel's competitiveness in the data field.x

Other Areas

In the business systems sector, Alcatel started the sales of PABX via Shanghai Bell and later set up a joint venture – Shanghai Bell Alcatel Business Systems Co., Ltd. (SBABS) – dedicated to PABX manufacturing and sales. Alcatel 4400, the latest PABX product range, is getting popular among the Chinese customers for its strong capabilities and unique features. In the newly emerging Intelligent Network (IN) market, Alcatel was the first company to receive such a contract in China, which is to build up the national toll switching network for the former Ministry of Post & Telecommunications. As one of the largest satellite communications suppliers in the world, Alcatel is now seeking opportunities to cooperate with Chinese partners in this promising area.

Alcatel's full range of cabling systems, including high-speed specialized data cables, connectors and terminations, have equipped hundreds of intelligent buildings and networks in China. Alcatel started to introduce its mobile terminal products to China only four years ago, and its One Touch range of handsets enjoyed great popularity as soon as they were launched. In order to meet the high demand from the Chinese market and other nearby countries, Alcatel has recently established a manufacturing base in Suzhou.xi

With more than US \$420 million investment and 5000 employees in China, Alcatel seeks to grow together with its Chinese partners and customers with a long-term commitment to the high speed construction of China's telecommunications infrastructure.

Conclusion

Global perspectives are an important dimension of doing business and customer dealings. It is important for the sales force to examine strategic issues for an international sales effort because it cannot only point to new market opportunities, but can also show different creative and effective sales methods used in other parts of the world. Besides using “face to face” selling techniques, knowing “How To Select Target Countries” and “How To Enter Target Countries” can help penetrate international markets. A market, in particular, that can pose exciting dynamic sales challenges is China.

American companies can be even more aggressive in taking advantage of China's economy. There are plenty of lucrative opportunities to base a business venture in China. A key selling factor is building relationships, trust and demonstrating value. To sell effectively in China you must get to know the Chinese people, their culture and customs. You must also be patient and tolerant when it comes to developing a business relationship because it can take time. Even table manners and etiquette during meals become an important criteria to establish a business relationship in China.

Business opportunities are not the only consideration in pursuing customer development in China. Some of the problem issues range from the aftermath of the 1989 Tiananmen Square massacre, reports that orphans are systematically allowed to die, possible threats of military action with maneuvers off the Taiwan coast, poor treatment of its own citizens and the imprisonment of U.S. Human Rights Activist Harry Wu. According to the International Intellectual Property Alliance, piracy in China of intellectual property music, compact discs and software totals \$2.5 billion. Should U.S. firms “carte blanche” rush in to do business in China despite these dilemmas?

By taking a socially responsible position while doing business in China, some U.S. firms may actually serve as a catalyst in helping China face their various dilemmas. It could also facilitate China's economic transition from a planned economy to a market mechanism. For example, Motorola has developed a supporting educational program called “Project Hope.” This helps the 200 million illiterate people in China, which accounts for 25 percent of the illiterate population in the world. The “Project Hope” program also helps the one million children in

China, annually, who cannot afford to go to school. In addition, Motorola has launched the Employee Home Ownership Program to facilitate home ownership for their employees in Tianjin and Beijing, and they have invested over \$300,000 for fellowships in universities in China in the past three years.

In China, the concept of “quanxi” not only means developing a network of good connections, but giving something back to the community. As Motorola has demonstrated, this should be a part of a customer development strategy in China since

there is far more at stake than sales revenue.

NOTES

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