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## BRIEF GLANCE INTO THE UNDERSTANDING OF THE FIRM SUSTAINABILITY ON THE MARKET OF MARKET RESEARCH SERVICES IN RUSSIA AND URAL REGION

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## ABSTRACTS.

### INTRODUCTION.

We report a review of the brief glance into the understanding of the firm sustainability on the market of marketing research services (MRS) in Russia and Ural Region. We find that “firm sustainability” is more theoretical definition than practical one for main share of the mention market. It is explained Russian market MRS is stay on the stage of formation now as well generally as in regions (for instance, Ural).

### METHOD.

Our research is based on the following methods: 1) expert’s values; 2) customer’s interviews; 3) web-sites content analysis; 4) finance’s analysis. Also we used basic theoretic marketing conception and apply it to MRS market.

### ANALYSIS.

We carried out quantitative and qualitative analysis on this data. We used standard Microsoft Excel Program for quantitative portion and original Vortex-31 Program for questionnaire analysis, and developed a figures and tables to categorize qualitative information.

### RESULTS.

Our researches prove the following main results: 1) particularities of the modern MRS market in Russia and Ural region; 2) attempt of understanding term “firm sustainability” for MRS market in modern Russia; 3) first steps into developing new method of segmentation MRS market for the “firm sustainability” criteria.

### CONCLUSION.

A firm sustainability in the MRS market in Russia should stay in a management focus as a part of the business tactics increases the awareness of the staff as to long-term operating success. And we sure it will be so pretty soon.

## GENERAL CONTENT.

### INTRODUCTION.

It is well-known, that an essential element of financial management is the analysis of financial sustainability of the enterprise. In the general view stability of the enterprise - «is stability of a financial position of the

enterprise, provided with a sufficient share of an ownership capital in structure of sources of finance <sup>2</sup>.

In other words, sustainability is a financial condition of the enterprise, at which in normal conditions economic activities provide performance of all of its obligations before workers (other organizations and the state), due to presence of two factors: firstly, the sufficient income and, secondly, to conformity of incomes to charges. The universal set of the standard factors is traditionally applied to the analysis of financial sustainability (an autonomy, financing, a long-term financial independence, a maneuverability of an ownership capital) which sufficiently illustrates a level of financial sustainability, but does not reply, whether this level is sufficient. Calculation of these factors, as it is known, is made on parameters of scheduled or actual balance of assets and liabilities. With some reserve and specifications the level of factors can be served as a starting point for an estimation of financial sustainability at the enterprise.

It is necessary to notice, that in Russia for the separate markets the analysis of financial sustainability of the companies is rather problematic. It is caused by the following principal causes.

Firstly, according to the existing legislation in the Russian Federation the basic accounting financial papers of the firms (the balance and the report on the profit and losses) are not subjected to the obligatory publication in the wide press.

Secondly, under these conditions it is far from being all companies consider it necessary to publish in a wide press (and even to place on a site in the Internet) the balance and - or the report on the profit and losses, though these documents are not a commercial secret.

Thirdly, some markets are just being formed, and consequently, on the one hand, the information on financing activities of the subjects of the market is poorly accessible. On the other hand, profitableness of the companies in conditions of the formed markets always is not of stable size. All this refers to the market of services as a whole and to the MRS market, in particular.

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<sup>2</sup> Krejnina M.N. Financial sustainability of the enterprise: an estimation and acceptance of decisions // Financial management. 2001. N 2. // <http://ngo.org.ru/ngoss/get/id15624.html>

Really, one of the global economic trends now is being phenomenal expansion of a service trade which in economically advanced countries is named one of the most significant phenomena of an economic life of second half of the XX century.

According to N.V. Mironova's researches<sup>3</sup> « ... the tertiary sector of economic activity brings the powerful contribution to increase of well-being of many countries, first of all the countries of " gold billion ». On the average about 70 % of gross national product of the advanced countries is made in the services sector, and growth rates of this sector (16 % per year) are much higher than growth rates of sphere of trade (only 7 % per year) ».

Tendencies of growth in a service's sector are observed in Russia, as well. So, production of services in the Russian Federation in volume of gross national product has been made in 1990 – 210, 1 billion roubles, in 1995 – 500,1 trln. roubles, by 2000 – about 1 000 trln. roubles, and by 2005, by different estimations, more then 1 200 trln. roubles. Sweeping changes in the economy of the Russian Federation in the 90-th have resulted not only in the increase of growth rates of non-productive sphere, but also to the formation of essentially new kinds of services for our country. It concerns, first of all, marketing researches (MR). At present MR present wider concept, than simply « gathering, processing, the analysis and interpretation of the data on the external and internal environment of a firm with a view of reduction of uncertainty of its activity (reduction) of risks in the market»<sup>4</sup>. As well as in all the civilized world, MR in our country by degrees cease to be only one of directions of activity of firms, but become essentially a new kind of services.

We have been engaged in research of the consumer and industrial markets of the Urals since 1989 and we can ascertain, that at present the following situation is observed when marketing researches are more and more singled out in a separate service trade. It is caused by the fact that with the development of market relations in our country the increasing number of the leaders start to understand that a necessary condition of optimal utilization of resources and achievements of competitive advantages of a firm is considered to be an active use of such market tools as marketing and strategic management.

Really, perfection of management in non-productive sphere and functioning in its frameworks the MRS market demand introduction of modern methods and the receptions, allowing to make the market more "transparent". To these methods and receptions it is possible to relate what

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<sup>3</sup> Mironova N.V. Marketing of various types of services // Marketing in Russia and abroad. 2003. N 4.

<sup>4</sup> Shaposhnikov V.A., 2002.

allows to segment the MRS market and to estimate financial sustainability of the company as the major characteristic of efficiency of its activity. However, in the literature, accessible for us, we have not found adequate methodical maintenance. Everything indicates that there should be an imperative need of theoretical and applied aspects concept development of MRS, methodical maintenance of its segmentation and maintenance of firms financial sustainability of the given market.

In connection with above-stated we consider it is necessary to dwell on the following principal points in full detail:

1. Specificity of the Russian MRS market.
2. Peculiarities of formation of the regional market of services of marketing researches and the characteristic of its basic problems.
3. Methodical approaches to segmentation of MRS market, proceeding from financial sustainability of subjects of the market.

#### 1. Specificity of the Russian MRS market.

As it is known in the whole civilized world, MR in Russia gradually cease to be only one of directions of activity of firms, but become essentially a new kind of services.

The Analysis of the reliable sources allows us to approve, that we can allocate the following peculiarities which are typical for the Russian market and caused by its history:

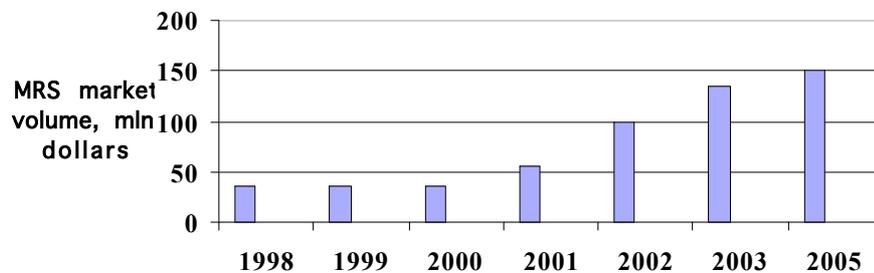
- "youth" of the MRS market (the origin in the beginning of 90th);
- outstripping development of the "capital" MRS markets in comparison with the regions owing to earlier "birth";
- occurrence of "capital" representations of foreign marketing agencies the beginning of 90th. Among the first representatives are ACNielsen (USA), Gfk (Germany), Gallup Media (Finland), MEMRMB (USA - Cyprus) etc.;
- initial orientation of a domestic MRS market not on the Russian businessman, but on the western companies;
- "birth" of the regional markets of MRS in 1993-1994 and occurrence of first attributes of a competition between "centre" and regions;
- occurrence of orientation MR on the national businessman, especially precisely designated after the crisis of 1998;
- occurrence of federal and regional marketing communities<sup>5</sup> (1998-2003) and activization of their activity (2003-2005), first of all keeping within the bounds of ordering formal procedures of realization MR, certification of MR quality and coordination of joint activity.

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<sup>5</sup> For example, the Russian Marketing Association and its regional branches; Marketers Guild; branches Marketers Clubs; etc.

Thus, by the current moment it is possible to ascertain presence of an active process of establishment and development of the MRS market in Russia. So, due to the data submitted by Marketers Guild<sup>6</sup> and the information, received from other sources, it is obvious to note, that there is positive dynamics of market MRS development in Russia since 1998 till 2005 (fig. 1.). Further, on the data for 2001 we can name about ten leading companies on a domestic MRS market, proceeding from volume of cumulative proceeds (fig. 2.). These "ten" companies are still the leaders by the current moment<sup>7</sup>.

Besides proceeding from the information submitted on sites of the Russian association of marketing, Marketers Guild, etc. the Russian companies specializing in the field of marketing, business administration, management-marketing audit and consulting, it is possible to find out companies "Unipravex" and etc. obvious tendency of increase in assets of the Moscow companies. However, as the sources testify<sup>8</sup>, despite of rough growth of the Moscow companies in the MRS market, turnovers of domestic subjects of the given market considerably concede to turnovers of the transnational foreign companies.



<sup>6</sup>Shaposhnikov V.A., 2002.

<sup>7</sup> The conclusion is made by us on the basis of data Informational-ranges agency (IRA) of experts-analytical company "Unipravex" " by calculation of the federal integrated rating of the consulting companies on results of work for the first half-year 2004.

<http://research.rbc.ru/author.shtml?10049>

<sup>8</sup>In more detail about it see in work: Astratova G.V., Shaposhnikov V.A., Abramova E.A. Feature of becoming of the regional market of marketing researches // BCI. Practical marketing. 2004. N 86 ( 4 ). PP. 2-7.

Fig. 1. Dynamics of MRS market development in Russia

Notes to fig. 1:

- 1) Diagram is made up on the information received from the following sources: D.A. Shevchenko “Marketing Researches in the Market of Educational Services in Russia // Marketing in Russia and abroad. 2003. N 4; website of the Marketers Guild: <http://www.marketologi.ru/lib/resrch01.html>; website of the Journal BCI marketing: [http://www.bci-marketing.aha.ru/s\\_berez.htm](http://www.bci-marketing.aha.ru/s_berez.htm); website: <http://www.dis.ru/market/arhiv/2000/4/7.html>; M. Vishnevskaya. Russians inheritors of Kotler // Expert. N 40. 23.10.2000; websites: <http://www.penza-online.ru/news/irp/20022156104.shtm>; <http://www.ram.ru/> ; <http://www.marketingandresearch.ru/> ;etc.
- 2) In secondary sources we have not been found appropriate data. That is why in 1999 we indicate medium data between 1998 and 2000.
- 3) Data for 2005 is value forecasted by author.

Nevertheless, there is a number of favorable forecasts for the further development of the Russian MRS market. So, in the opinion of experts<sup>9</sup>, potentially<sup>10</sup> the market of MRS and consulting in Russia in the nearest 3-5 years can bring up on 95 % (or on 200 million dollars) per one year.

At the same time, the researchers mark a number of essential problems, which the presence of which, speaks about the initial stage of becoming of the MRS market in Russia:

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<sup>9</sup> Site of the company BCI marketing: <http://www.bci-marketing.aha.ru/bci.htm>; < [http://www.bci-marketing.aha.ru/s\\_berez.htm](http://www.bci-marketing.aha.ru/s_berez.htm); **Shaposhnikov V.A.**, 2002; etc.

<sup>10</sup>The market potential paid off on the basis of a share of a national economy in the world economy.

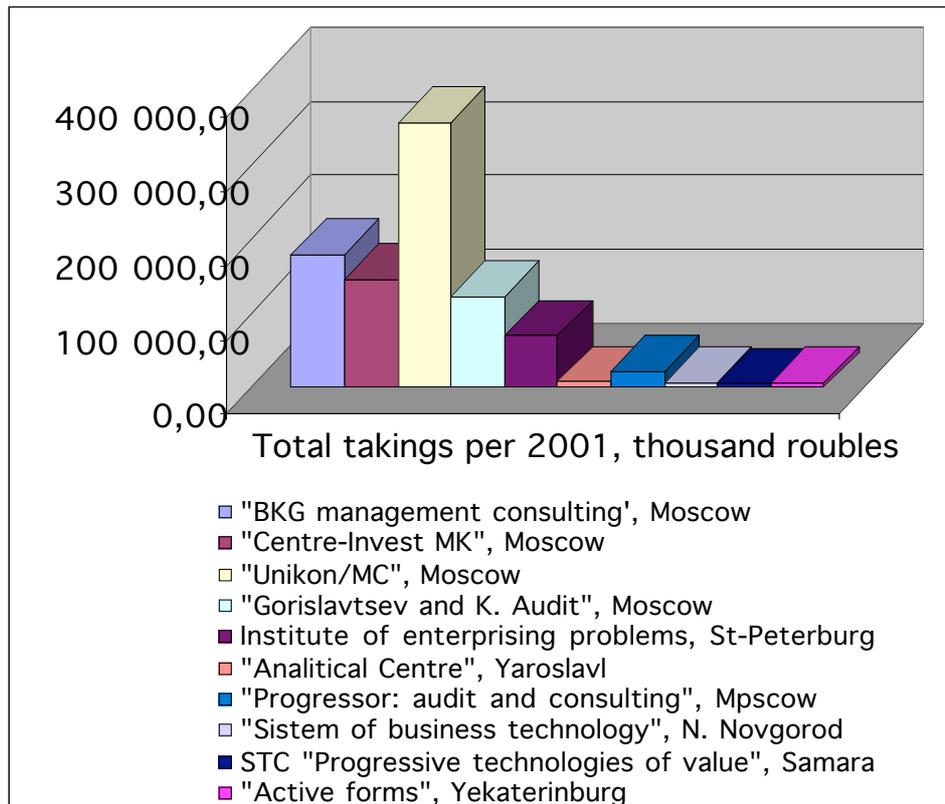


Fig. 2.

Ranges<sup>11</sup> of leading Russian companies in MRS and PR markets in 2001<sup>12</sup>

1. Insufficient "transparency" of the MRS market, as we marked earlier, many companies do not disclose the financial indexations. In the given connection it is difficult enough for independent researchers to carry out any calculations and forecasts on development trends of the market.

2. Today in the Russian MRS market the set of various managing subjects are presented, both legal, and natural persons of a different level of the special preparation, giving "poorly tangible" for the customer's quality of services in conditions of absence of the formalized and legislatively fixed criteria of the quality of MRS is submitted.

3. Even the project of the bill of the Russian Federation about necessity of obligatory certification and licensing of MRS is not made up, yet, which the customer of defining with a choice of necessary quality, depth and assortment of given MRS by the current moment. Probably, these questions

<sup>11</sup>The proceeds of consulting group from rendering consulting services include proceeds from the services accompanying consulting, except for services in realization of auditor checks.

<sup>12</sup> It is made by the author on the basis of a source: **Expert**. N 14 ( 321 ) from April, 8. 2002.

will be considered within the bounds of the Law of the Russian Federation discussed by the current moment «About consulting ».

It is important to emphasize, that the problems set above are consequence of the fact that MRS represent a special kind of activity which by the current moment formally is not reflected by legislative base of the Russian Federation. So, according to GOST 30335-95/ГОСТ Р 50646-94 « Services to the population. Terms and definitions » - the Interstate standard of GOST 30335-95/ГОСТ Р 50646-94 service is considered to be a « result of direct interaction of the executor and the consumer, and also own activity of the executor on satisfaction of the want of the consumer » (item 2.1.). In the same document the services can be distinguished on functional purpose, on material and welfare, but there is no concept of MRS.

It is important to stress, that due to its contents MR services neither to material nor to welfare services (as it is treated in the Interstate standard of GOST 30335-95/ГОСТ Р 50646-94), as marketing research is special one «the kind of the activity sold in the system of economic relations between various subjects of the market and are called to provide functioning of a producer's commodity by means of the decision of his problems»<sup>13</sup>. In V.A. Shaposhnikov's research convincingly, in our opinion, it is shown, that MR services consist of four blocks (general economic, marketing, information and unique components); having a number of specific features in comparison with other services of an industrial infrastructure: complexity of a consumer choice, objectivity and subjectivity of MRS, scientific and intellectual MRS, a seller's price of MRS, presence of highly skilled and differentiated on various directions MR of the personnel<sup>14</sup>.

In other words, MRS represent a special kind of activity connected both with a research activities, and with commercial activities. Thus, it is obvious, that MRS demand separate регулятивной norm, however by the current moment in Russia the legal vacuum in sphere of normative regulation of marketing researches takes place.

## 2. Peculiarities of becoming of the regional market of services of marketing researches and the characteristic of its basic problems.

Questions of becoming and development of the MRS market at a regional level on the whole and in Yekaterinburg, in particular, are not reflected in the modern scientific-practical sources. Nevertheless, on the basis of our own researches we consider it necessary to allocate the following basic

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<sup>13</sup> **Shaposhnikov V.A.** Formation market of the marketing research services. Thesis of Ph. D. (Economics). Yekaterinburg, 2003. PP. 50.

<sup>14</sup> **Shaposhnikov V.A.** Formation market of the marketing research services. Thesis of Ph. D. (Economics). Yekaterinburg, 2003. PP. 47-50.

specific features of the regional market of MR services, caused with a history of its becoming:

the beginning of formation of the regional MRS market coincides with the whole Russia;

- 1 formation of the regional market occurred in the natural way, i.e., instead of "outside" under the pressure of arriving the foreign companies, as in the "capital" markets;
- 1 there is a difference in development of the regional MRS market depending on two stages of evolution: "pre-crisis" (August, 17, 1998) and "post-crisis";
- 1 « the pre-crisis stage » is characterized by prevalence of the "field work" which is carried out according to orders of "capital" firms and on standard (as a rule, western schemes) and techniques of research;
- 1 « the post-crisis stage » is characterized predominately by a reference point on customers of a home market and attempt of creating the author's techniques of research of the market.

It is obvious, that the "post-crisis" stage of development of the regional MRS market is the most actual. We'd like to consider the basic current problems of the regional MRS market.

1) The MRS market structure. It is necessary to note, that structure of the MRS market for the last few years has undergone significant changes not only in qualitative, but also the quantitative respects. Firstly, the amount of market participants has changed. Not long ago there existed only four basic subjects of the market: 1) the Firms specializing on MR - marketing agencies; 2) the Specialized departments, i.e. the structure of high schools and scientific research institutes; 3) Services of marketing (information-analytical departments) of the establishments and organizations of various patterns of ownership; 4) Private persons (individually practicing marketers)<sup>15</sup>. However at the present the fifth participant (the auditor companies) come on the market from the adjacent sphere of intellectual services. Really, many companies specializing in the field of tax consulting, auditor and legal services, began to render additional, "adjacent" services: realization of business administrative consulting and MRS to customers (especially - to regular customers).

Secondly, the share of the budgetary organizations and the private persons engaged in MR has appreciably decreased. It is caused, in our opinion, by the following facts: number of the given market participants practically invariable, and the share of others - steadily grows. The given situation has

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<sup>15</sup> In more detail about it see in work: **Astratova G.V., Shaposhnikov V.A., Abramova E.A.** Peculiarities of formation of the regional market of marketing research services // BCI. Practical marketing. 2004. N 86 ( 4 ). PP. 2-7.

arisen and because the budgetary organizations (and in the majority the - private persons) work, as a rule, on a basis of annually prolonged economic contracts (grants) with constant customers which number is usually limited and varies slowly.

Thirdly, the quality of rendered MRS appreciably began to grow owing to going wide experience in the market, that it is especially typical of the companies which started to work before 2000. All this, accordingly, has resulted in changing of the structure in the regional MRS market (fig. 3).

Nevertheless, for the present situation the following, in our opinion, basic problems of the MRS market are characteristic:

- insufficiently precise organization MRS market structure results in problems of the characteristic of financial sustainability of the subjects of the market, and, accordingly, difficulties of the choice of potential

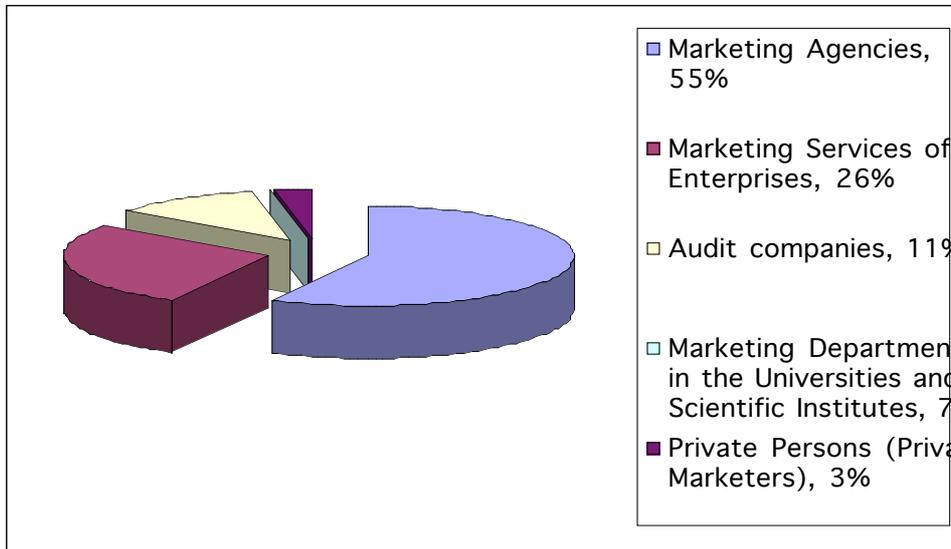


Fig. 3. The Structure of the Regional MRS Market due to the Volume of Total Takings<sup>16</sup>

- customers of assortment and the quality of MRS adequate to needs of the client;

<sup>16</sup> The data are received by results of the expert interrogation which has been carried out in Yekaterinburg in 2005.

In January - February 2005 we carried out expert interrogation (participated about 50 experts, experts in the field of municipal management, and theory and practice of MR as well. Interrogation concerned a wide spectrum of the questions connected with a level of the decision and a degree of importance of some significant problems of Yekaterinburg. 30 special questions were given about, not considering the personal information, estimated in 5-mark system (5- maximum, 1-minimum value). As a result the data were received on structure of MRS marketing in Yekaterinburg. Data processing was conducted in program Microsoft Excel.

- the weak level of a competition between segments of the MRS market owing to presence of sufficient quantity of "free" niches which results in problems of warranties of MRS too, and also to asymmetrically wide disorder of the prices for the given services;
- in the nearest prospects there can be seen the availability of the obvious threat of Moscow consulting companies appearance at the regional market with the purpose of the local firms specializing on MRS<sup>17</sup>.

2) Problems of the subjects activity of the MRS market. During 2000-2005 we carried out gathering, processing and the analysis of the information on the regional MRS market, and at the beginning of 2005 we carried out the interrogation of experts by phone. In result the following is established:

◆ the regional companies predominary investigate the markets of the Urals region though the share of their participation in researches of other home markets is also high. The participation in research of abroad markets (and especially - outside the CIS) is not high, but practically all companies interrogated by phone have expressed a desire to take part in the international projects (fig. 4.). The received data correlate with materials of a round table on the problems of spatial planning: «Sales volumes, as is known, depend on dynamics of the market, and this parameter recently does not show rapid growth. For increasing of sales volumes it is necessary to grasp and master other territories, to go along Russia, without waiting for the muscovites and foreigners' arrival»<sup>18</sup>;

◆ up to 2005 the leading priority in the marketing politics practically was the increase of a sales volume for all those taken part in the interrogation. In the given connection, the questions of strategic character, namely, searching of new groups of consumers (clients), development of the new goods and services remained on the second plan (fig. 5.);

◆ at last, our long-term researches show, that problems with which specialized companies, and separate services of marketing collide while carrying out marketing researches, both in the organizations, remain former ones. Their importance (fig. 6.) varies only. So, by present the search of the objective information and criteria of the objectivity are the major problem for the majority of managing subjects.

It is necessary to note, that the data received by us are coordinated to results of the research carried out in August, 2003 under the title «the

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<sup>17</sup> If, for example, you have a look on a site of RAM section « regional branches » you will see, that a number of the Moscow companies which have opened in the Urals the representations belonging to the Ural Federal District as well.

<sup>18</sup> **Kulchitskiy B.** To touch a stratosphere // Business quarter of Yekaterinburg. N 15 ( 491 ) from April, 25 2005. PP. 25-26, 28-30. (the citation on PP. 26).

European marketing research project»<sup>19</sup>, in which specialists from 14 European countries participated, including Russia. In result it is established, that the key questions for marketing experts from Europe and Russia by the current moment are various problems connected with the information.

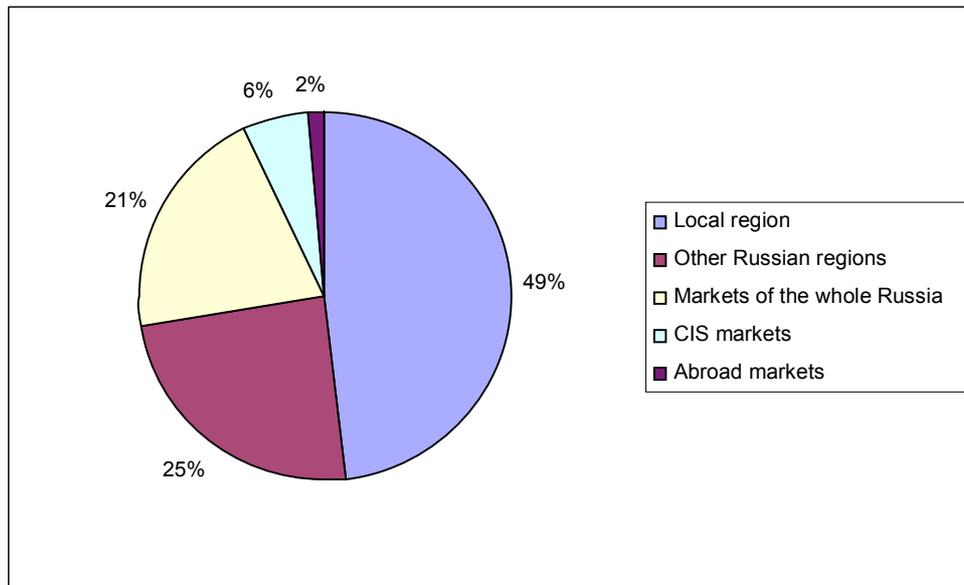


Fig. 4. The main markets analyzing the companies involved in MRS market<sup>20</sup>

3. Methodical approaches to segmentation of MRS market, proceeding from financial sustainability of subjects of the market. The major investigation phase of the MRS market, the analysis and the characteristic of efficiency of activities of its subjects.

In the given connection in 2000-2003 we carried out<sup>21</sup> researches on development of the technique of segmentation of the MRS market. Segmentation of the MRS market is the marketing process providing not simply breakdown of the market on a number of segments according to various principles, methods, criteria, but a deep analysis, research and definition of the market organization with the use of MR toolkit.

<sup>19</sup> **Marketing in Russia and abroad.** № 1(39). 2004. PP. 65-69.

<sup>20</sup> The diagram is made up by V.A. Shaposhnikov, 2002 and was confirmed by telephone questioners of 20 leading regional companies, which was lead by the author in March of 2004 and 2005.

<sup>21</sup> Researches were carried out together with post-graduate student V.A. Shaposhnikov.

Being basing on the works of various authors in the field of marketing, we have offered the following principles of segmentation of the MRS market<sup>22</sup>:

1) The MRS market should be divided into the groups essentially different from each other;

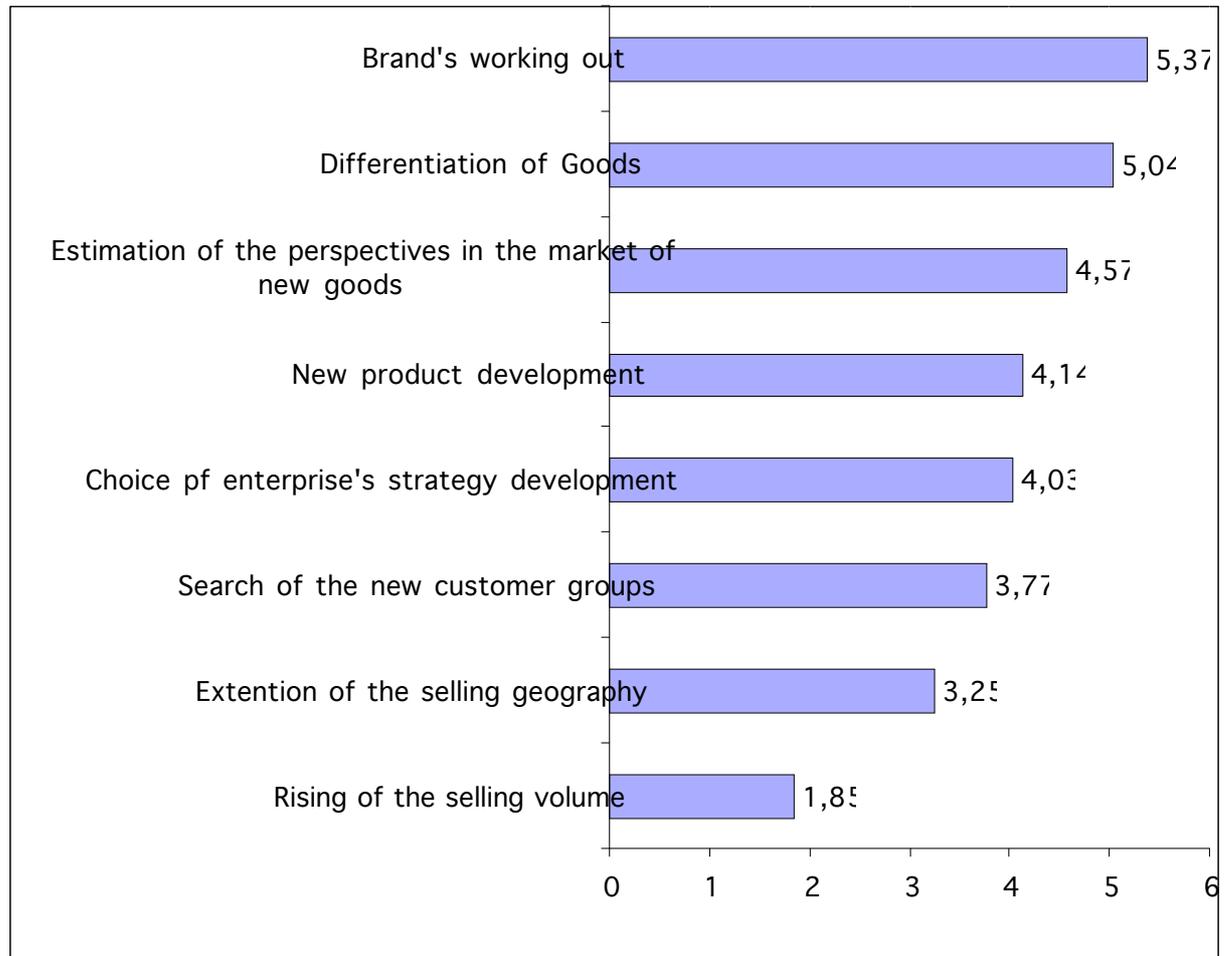


Fig. 5. The diagram of medium-suspended estimations of the rank<sup>23</sup> which makes priority of the marketing goals at Yekaterinburg enterprises<sup>24</sup>

2) Division of groups is necessary to carrying out on the basis of strictly certain criteria describing specificity of subjects activities of the MRS market;

<sup>22</sup> Researches were carried out together with post-graduate student V.A. Shaposhnikov.

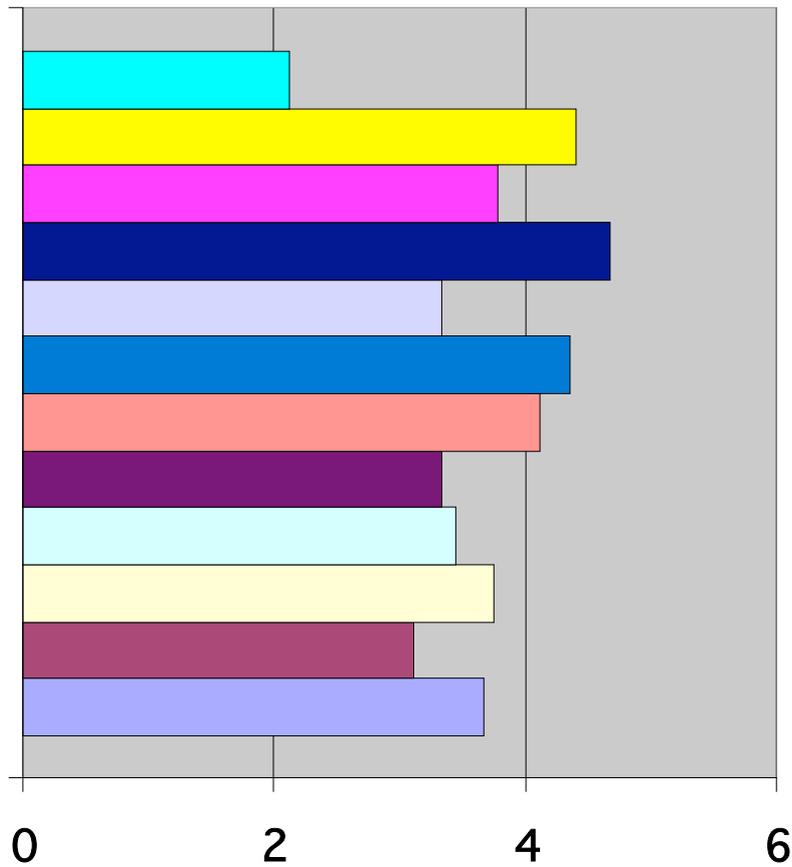
<sup>23</sup> The medium-suspended estimation of the rank is from 1 to 8, where 1 is the most important trend; 2 is the important one and etc.

<sup>24</sup> The diagram is made up by **Shaposhnikov V.A.** in 2002, based on the information, received from the following source: website of the company **Fund "Socium"**: [http://socium.ur.ru/files/mar\\_research.rar](http://socium.ur.ru/files/mar_research.rar). and confirmed by data of telephone questioners of 20 leading regional companies, which was lead by the author in March of 2004 and 2005.

3) Segments of the MRS market should represent not only the individual subject, but significant number of the subjects getting under certain criteria;

4) Characteristics (criterion of division) of the subjects of MRS market should be measurable;

5) The subjects of the MRS market allocated in one segment should have similarity from the point of view of specificity of the organization and features of granting of MR services;



- Other problems
- Problems of searching/choicing promotions methods
- Problems of searching/choicing sales stimulation methods
- Insufficiency of methodical literature of MR
- Insufficient qualification of marketing department employees
- High costs of MRS
- High costs of services in brushing up qualification
- Insufficient qualification of MRS specialists
- Search/choice specialists for solve special problems of 1
- Search/choice methods of market analysis
- Search/choice of solving the directions of the activities
- Formation of the marketing department

Fig. 6. List of the main problems, experiences by the subjects of the MRS market of the Urals region in 1996-2004, due to the data of our researches

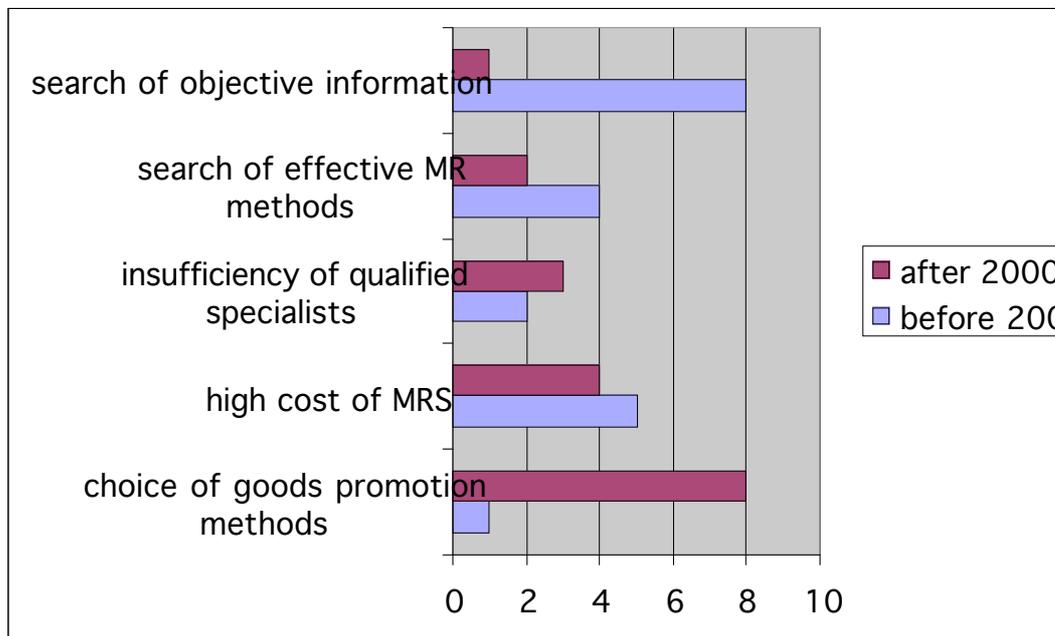


Fig. 7. Diagram of medium-suspended estimations of the rank<sup>25</sup> the importance of the problem, experimented under carry out of MR in different markets of Yekaterinburg<sup>26</sup>

6) Any of the revealed subjects of MRS market is connected with other subjects strictly by certain channels of communications.

Besides that, while segmentation of MRS market there should be used various criteria. The variants of criteria submitted in the literature, in our opinion, do not to the full reflect specificity of MRS market. In this connection we have offered some criteria most suitable to the given procedure, one of which is considered to be a pattern of ownership, directions of researches, a number of the personnel, a market share. However more later researches (2004-2005) have convincingly proved, that under conditions of actively formed MRS market it is necessary to present as a conducting

<sup>25</sup> The average weighed estimations ranging from 1 up to 8, where 1 - the most important direction, 2 - the following on importance; etc.

<sup>26</sup> The diagram is made by the author on the basis of long-term researches of MRS market with 1996 on 2004.

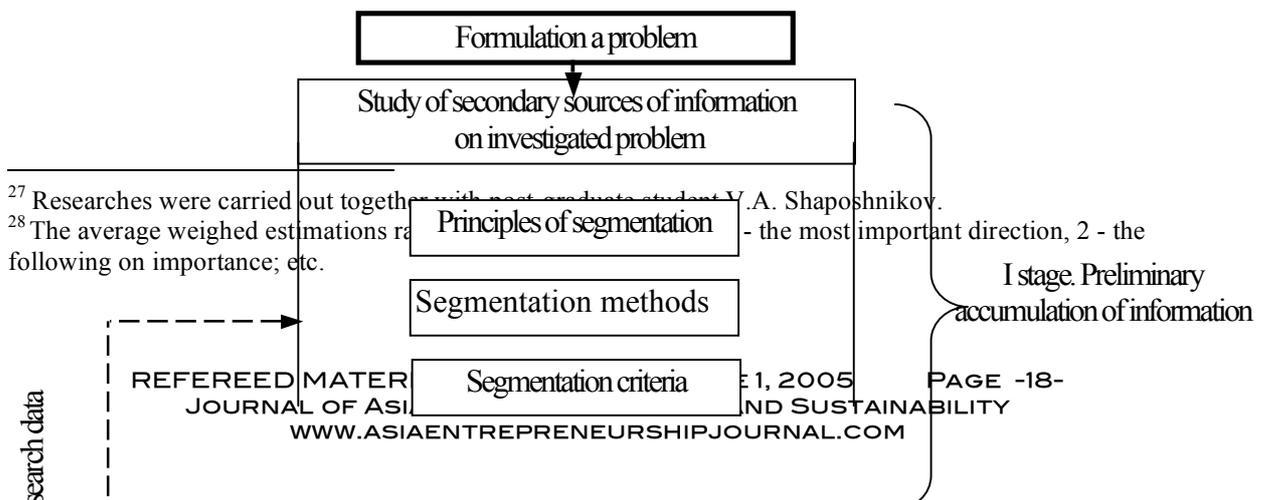
criterion of segmentation of this market such a parameter, as «financial sustainability of the company».

On the basis of the specified theoretical representations about segmentation of the market, principles and criteria we have offered an author's technique of segmentation of MRS market (on the example of Yekaterinburg), consisting of four stages (fig. 8.). This technique has received approbation in 2004-2005 on the example of MRS market<sup>27</sup> of Yekaterinburg therefore the social and economic indices were designed describing efficiency of activities of managing subjects of this market.

In result the following data is established. Firstly, the analysis carried out by us has revealed the basic problems of MRS market on the whole and with reference to separate segments, in particular. The basic problem, according to the opinion of respondents is the problem of searching a solvent customer (4,09 points<sup>28</sup>). Besides the problem of an insufficient qualification of customers/clients it is worthy to pay attention in the field of practical use of the market information (3,79 points). Being is not less important is the problem of searching information in questions attracting managing subjects (3,78 points).

Secondly, studying of the squares maps constructed on the basis of opinion of experts and heads of managing subjects of MRS market, has allowed to reveal a number of peculiarities, on the basis of which it is also possible to draw a conclusion on specificity of activities of separate segments of the market.

Thirdly, the integrated parameters describing specificity of commercial, scientific - methodical and social and economic activities of managing subjects of MRS market, were designed on the base of qualimetric methods. Finally integrated parameters were expressed by the following formula (1).



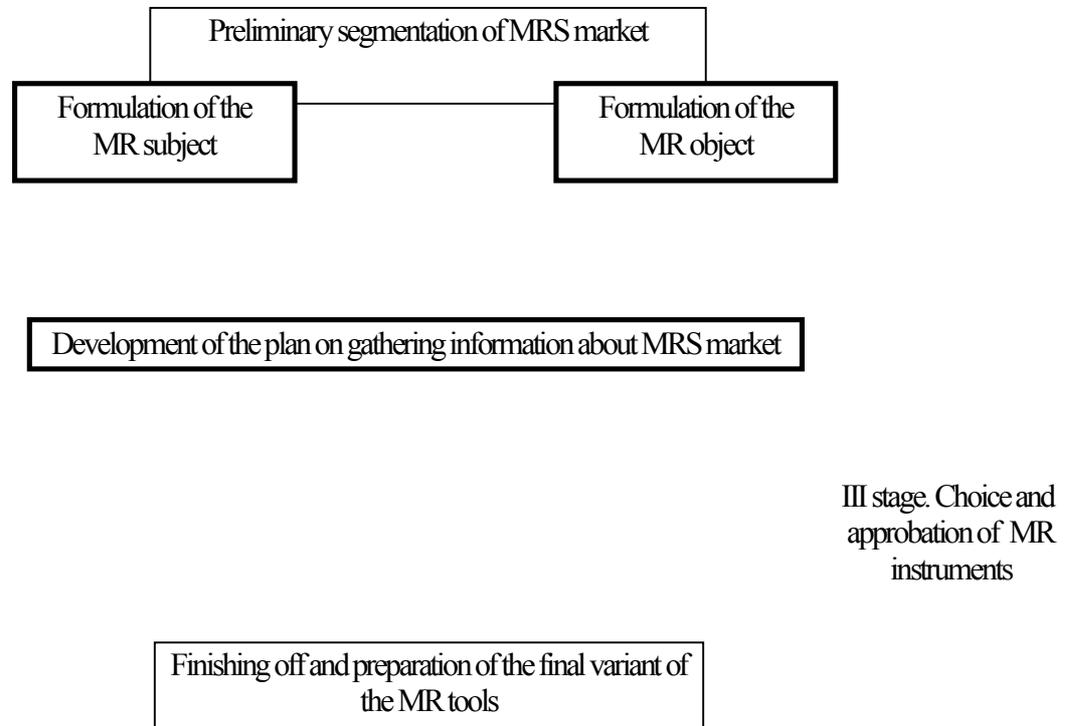


Fig. 8. Principal scheme of the four-staged program of MRS market segmentation due to research, done by G.V. Astratova and V.A. Shaposhnikov

$$Z_s = \sum_{i=1}^m S_i \cdot M, \quad s = 1, \dots, 4 \text{ (the number of segments)}^{29} \text{ (1)},$$

where  $S$  - average value  $i$  - that parameter of all subjects of MRS market with calculation of importance of all parameters among all set of indices, and  $m$  - quantity of parameters.

<sup>29</sup>  $M$  - a ratio of the given quantity of parameters to actual. It is important to note, that there are some parameters which cannot be calculated with reference to some subjects of MRS market. For example, the mark estimation of organizational structure cannot be designed for individually - practising marketer.

Fourthly, the designed parameters allow to determine the efficiency of managing subjects activities in each segment of the market. For example, only at «specialized companies» the value of a parameter of a commercial effectiveness is equal to average value (3 points<sup>30</sup>) that proves rather sufficient high level of employees wages and presence of the profit. Besides that at this segment of the market, scientific-methodical work is much more developed (3,75) and the parameter, characterizing the efficiency of social and economic activities are also the highest in the market of Yekaterinburg (3,59). On the second place stand are «individual marketers» (2,68 - a commercial effectiveness; 3,48 - scientific - methodical; 3,22 scores - social and economic spheres). According to the received data, parameters on segments of «the specialized departments of high schools and scientific research institutes», and also «departments (services) of marketing of the various enterprises» are very close. The integrated parameter of social and economic activities practically coincides (3,18 and 3,17 scores, accordingly). Besides that for the given segments of MRS market in Yekaterinburg it can be noted the presence of rather a low parameter of a commercial effectiveness (2,44 and 2,28 scores, accordingly). However on the background of the development of a low parameter of a commercial effectiveness, at the segments of MRS market designated above, rather high level of scientific - methodical work (3,39 and 3,33 points, accordingly).

The technique of segmentation, developed by us on the example of Yekaterinburg allows us to solve problems of research of MRS market in a new way and to define social and economic efficiency of the subjects managing in the market specializing on MR.

Practical importance of the research also consists in an opportunity of application of the developed conceptual approaches and methods of marketing research in practical activities of managing subjects in the various markets, and realization of segmentation of the market of services.

It is important to emphasize, that as a result of the research the basic problems of maintenance of financial sustainability of the firms specializing on realization of MRS are revealed also. These basic problems, in our opinion, are the following two:

- 1) the absence of guarantees of stable maintenance of profitability of the company;
- 2) a high specific share of constant costs.

We consider, mentioned problems are caused, in turn, by the following main factors:

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<sup>30</sup> min=1 score; max=5 score; average meaning=3 score.

◆ MRS represent a special kind of "product" in the system of marketing. In particular, to provide promotion of these services is not enough and in other cases it is absolutely not obligatory, i.e. to use traditional ways of promotion (advertising, sales promoting, direct dispatches, the Internet etc.). Much more effective ways of the MRS promotion is considered to be personal sales which in conditions of Russia demand not only personal communication skills and high professional qualities of the sales manager, but, first of all, having good connections in administrative/power structures and a high rating of business reputation with potential and present customers;

◆ MRS represent a special kind of activities connected with research activities, and commercial activities as well, and possessing a number of specific peculiarities (complexity of a consumer choice, scientific and intellectual MR services, the necessity of attraction of highly skilled personnel and differentiated in various directions of MR etc.). These features result in the share of constant costs in the structure of the cost price of MR services, are obviously high and the ways of its reduction are rather limited.

All noticed above proves that the problem of maintenance of financial sustainability of the companies in MRS market is rather actual and demands its further research, because as the present market in Russia and in the Urals, in particular, is in the stage of an active formation.

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# JOURNAL OF ASIA ENTREPRENEURSHIP AND SUSTAINABILITY

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## **SUSTAINABILITY AND ETHNIC MINORITY BUSINESSES: AN EXAMINATION OF THE ASIAN BUSINESS SECTOR IN THE UK**

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## ABSTRACT

The purpose of this paper is to examine the main drivers behind the economic performance of the Asian business sector and to consider the extent to which this performance is sustainable. In meeting this aim the paper makes use of data from the Asian Wealth Index.

The findings of the research suggest that the Asian business sector has a higher capacity for wealth creation than the UK economy as a whole, that growth in this sector is primarily driven by small and medium sized enterprises and that the Asian business sector is making a successful shift into higher technology and higher value added businesses.

For policy makers and the business support community the paper offers new insights into the economic nature of this growing business sector. The originality of the research process and data raises new issues in research into Asian entrepreneurship and economic sustainability and thus offers significant challenges to the academic community.

## INTRODUCTION

Traditionally ethnic minority enterprises are perceived as being concentrated in low entry threshold industries with low value-added activity and limited opportunity for market expansion. However, the continued success of Asian entrepreneurs in the UK testifies to the sustainability of the Asian business community which appears to combine the dynamism of the free market with the dynamic, risk taking heroism of the entrepreneur. Accordingly, Asian enterprises have attracted the attention of academics, policy makers and practitioners and are increasingly enjoying a higher profile in the media. When charting the success of the Asian entrepreneur, such studies have tended to focus on the transformation from 'rags to riches' and on the characteristics of the owner, start up and the barriers to accessing finance. This study analyses the longer established, more successful enterprises of the Asian business community and seeks to draw out trends within this increasingly important sector of the economy and consider their economic sustainability. The primary objective of this paper is to consider and explain how the Asian business sector in the UK sustains and maintains its economic performance and, in doing this, the paper raises a number of important ancillary issues such as the extent to which the dominant stereotypes of the Asian enterprise and Asian entrepreneur maintain their validity and currency.

Over the past quarter of a century, a recurring theme in the commentary on the performance and characteristics of the UK economy has been its top heavy nature; national levels of output, turnover, profitability, research and development expenditure etc are determined by the larger organisations (see, for example, Williams et al., 1983, Hutton, 1996 and Froud et al. 1997). This problem definition has resulted in two streams of policy initiative and suggestion. The first suggests that improved economic performance can be achieved only by accepting the reality of this situation and so policy attention should be directed to the behaviour of these big economic corporations (see for example Williams et al. 1994 and Floyd et al. 1999). The second and more relevant for the purposes of this paper, suggests that long term economic prosperity can only be attained through the reversal of this trend and the development of a thriving SME sector.

The UK's record as far as the creation of new businesses and SMEs is concerned has, over the past two and a half decades, not been overly successful. For example, since the early 1990s the Bank of England's data suggests that the stock of small businesses has fallen by roughly 50,000 (Bank

of England, 1999, 2002). For the economy as a whole the key issue in this respect is the difference between the number of start-ups and the number of closures. The Department of Trade and Industry reports the overall negative outcome of this equation with, for example, over 1.5 million jobs lost in British SMEs over the past few years ([www.sbs.gov.uk](http://www.sbs.gov.uk)). At the broad macro level this has resulted in an economy where wealth creation is focused on large firms; by 2002, whilst SMEs accounted for over 99% of all enterprises, they accounted for just 52% of total turnover and roughly 55% of all employment (DTI, 2002). These macro figures also reflect a number of international weaknesses; the proportion of the UK's population engaged in business start-ups or new business growth is, for example, just half of that of the United States and only just parable with mainland European economies like Germany and Italy (Flash Eurobarometer, 2002). If the overall results are disappointing, it is inevitable that they serve to mask a number of successful sectors such as the UK's Asian business sector; historically, from just 8% of the UK's population this sector accounts for over 10% of all new start-ups (Barrett et al. 1996) and self employment rates in the UK's Asian communities are over 25% higher than in the white community (Small Business Service, 2003)

In considering the nature of the ABS in the UK, most academic research offers a rich analysis of the entrepreneurial events, activities and personalities which underpin this thriving business sector. However, much of this analysis lacks a hard empirical economic foundation. The aims of this paper are to examine a number of much-neglected issues within this important area of entrepreneurial research.

## THE ECONOMIC SIGNIFICANCE AND STEREOTYPING OF ASIAN ENTREPRENEURS

A significant proportion of the literature on ethnic minority businesses in the UK, either explicitly or implicitly, uses stereotypes as a central point of analysis. For example, first generation businesses are usually seen as embodying a home and work environment where traditions and values are maintained in order to deliver comfort and security. This approach survived as the culture was heavily interwoven with religious beliefs and the view that there was no need to integrate with the wider host population. Long hours, mentally and physically demanding work often led to the Asian entrepreneur developing emotional ties with the business where the entrepreneur spends more time at work than with the family (Janjuha and Dickson, 1998). Brought

up in the west and exposed to influences from their schools, the media and peer groups, the next generation of Asian entrepreneurs are stereotyped with the characteristic of increasing independence. Faced with this challenge, the typical response was that the first generation closed ranks to outsiders and became increasingly reliant on advice from the community or co-ethnic professionals (Dhaliwal, 2002).

The push-pull factor explanation of the development of the ABS is also prevalent in the stereotyping literature. Push factors are reactive to negative circumstances such as discrimination in the workplace as a motive for turning to self employment, whereas pull factors can be considered as much more proactive motivations for example. a desire for rewards and independence. For example, Chavan and Agrawal (2000) argue that the first generation moved into business due to push factors whereas second and third generations placed a greater significance on the pull factors. For first generation entrants into the ABS, many businesses were set up as a cohesive family strategy which kept the family members together and in employment (Dhaliwal and Amin, 1995, Ram, 1992, Ram and Jones, 1998 and Dhaliwal, 2000). Furthermore, the status of being business people was enjoyed as it carried weight in the local community (Dhaliwal, 1998 and 2000). This was particularly the case with East African Asians trying to recapture the self-esteem they lost as they were forced to leave their businesses behind in Africa to become an unwelcome minority in the UK where the businesses compensated, to some degree, for the lack of respect from the wider community (Gidoomal 1997).

Cultural stereotypes of success for the first generation entrepreneur include thrift, hard work and reliance on family labour (Werbner, 1990 and Waldinger et al., 1990) which, according to Soar (1991) give Asian entrepreneurs a competitive edge on other businesses. However, the stereotype also suggests that cultural factors may restrict growth by creating excessive reliance on the local ethnic community market, informal sources of finance and family controlled businesses (Jones et al., 1992, Metcalf et al., 1996, Ram, 1994 and Basu and Goswami, 1999). The result of this is the stereotypical Asian business which is perceived to be concentrated in low entry threshold industries with low value-added activities and limited opportunities for market expansion through the development of non-local sales.

A significant body of research (Ram 1996; Ram and Jones 1998, Ram and Smallbone 2001, Stanworth and Gray 1991) suggests that this performance of

the ABS has occurred against a backdrop characterised by a lack of support; the growth in the sector would seem to have happened despite, rather than because, of the support mechanisms in place. There is still a lack of consistency and the fact that continuity in small business support for ethnic minority businesses (EMBs) despite their high presence has resulted in some recognition from government initiatives (Ram and Jones 1998). Although the business support sector has evolved significantly, research suggests that these support structures have not proved popular with many EMBs (Curran and Blackburn, 1993). For example, African-Caribbean entrepreneurs were significantly more likely to use the support of an agency than either White or Asian owned businesses (Jones and McEvoy 1992; Ram and Deakins 1995). Whilst equal opportunity agendas and quotas suggest that there is a wide-scale recognition of this poor take-up of support services by EMBs, there is, as yet, no national co-ordinated policy to address this issue. Activity tends to occur at the local level through support organisations exploring different avenues as to how to increase the take-up of their services by EMBs or to customise their services to meet the specific needs of EMBs. However, Ram (1996) suggests that this approach tends to focus on myopic target setting, such as a focus on a specific ethnic minority group each year, rather than the development of a cohesive long-term strategy. More recently Smallbone et al (2003) conducted a large-scale survey into the accessing of finance which showed variation between ethnic minority groups. This shows that support needs to target the specific group rather than treat minority businesses as homogenous.

The macro picture reinforces this view as take-up rates for these support services are universally very low; typically only 4-5% of all new start-ups access the various support networks (Storey, 1994 and Barratt et al., 1996) and, within the EMB community, take-up rates are even lower (Bank of England, May 1999). Fadahunsi et al. (2000) suggest that the two main causes of this are problems of cultural reluctance and wider issues of trust. This conclusion is further supported by Dhaliwal (2003) amongst others who argues that the main sources of business advice and support for the ABS are professional accountants followed by family and friends. Ram and Carter (2003) note the diversification into professions and explore the case of ethnic minority accountants operating as entrepreneurs. The most recent evidence (Bank of England, 2002) suggests that little has changed and suggests that official support agencies are not sufficiently tailored to the specific needs and demands of EMBs in general and the ABS in particular. The Government's Small Business Service is keen to address this issue and has made it a part of its seven key policy themes.

Despite all of these shortcomings in support structures and the resultant low take-up rates, ethnic minorities in the UK have, nevertheless, generally higher self-employment rates than the rest of the population (Barrett et al.,1996). Although there is some disparity between the different groups, this move towards business start-up can be accounted for by both push and pull factors (Ram, 1996, Ram and Jones, 1998). The push factors which force individuals into entrepreneurship as a personal economic choice include prejudice found in employment and frustration at being overlooked for promotion. Pull factors include cohesive family structures and strategies, the desire for a greater degree of independence and keeping the rewards of your own efforts (Ram and Jones, 1998, Dhaliwal, 2003)

Having considered the growth in the EMB sector and the ABS in the context of a relatively unsupportive environment, the paper now turns to consider how this sector has been treated once it has been established. In dealing with the phenomena of EMBs and the ABS, this study would argue that much of the literature makes use of stereotyping and the result of this is that, rather than deal with the sector on a case by case basis, it is treated as an homogenous group. These stereotypes take a number of different forms. For example, Asians tend to be risk averse relying, first, on personal savings and then family money followed by community support, before finally considering bank finance (Dhaliwal 2003). The ABS is characterised as being more easily frustrated with bureaucracy thus preferring informal relationships and minimum paperwork. A common problem faced by new entrants into the ABS is over ambitious and poorly written business plans which, given the banks' reluctance to talk to potential business customers until they have produced viable business plans, serves to deter many serious business propositions.

There is a paradox at the heart of much of the literature on Asian entrepreneurship. On the one hand are the quantitative studies that suggest a thriving and flourishing sector and, on the other, is the deeper evidence, often qualitative in nature, which suggests a largely unsupportive environment and a business sector characterised by uniformity, homogeneity and a whole series of different stereotypes. This has implications for both economic and social sustainability.

The article finally turns to the issue of purpose and an explanation of what may come out of the analysis which follows. The article does not intend to draw specific conclusions and recommendations from this data. In

questioning the value of the dominant stereotype, for instance, the aim is not to close one debate but rather to open new debates and potential avenues of investigation. Thus, the intention is to examine broad trends and, in so doing, attention will be drawn to the consistency within the results of the analysis both in terms of the data itself and in terms of other studies carried out in the general area.

## METHODOLOGY AND DATA

The data on which much of this paper relies is drawn directly from the annual wealth index produced by Eastern Eye magazine in the UK. This source, edited by the lead author of this paper, provides a respected guide to Asian wealth in the UK. In this case, Asian is defined more specifically as South Asian, and so the index is drawn, in the main, from those of Indian, Pakistani, Bangladeshi or east African origin. Whilst this is, therefore, an unusual and possible underutilised resource, we would argue that its value and usefulness is supported by a number of factors. In particular we draw attention to the consistency in compiling the index across the seven years of its publication where the methodology has remained constant throughout: First, stakes in public companies are valued on their rating at the end of each year as published in the Financial Times; second, whilst the valuation of privately owned companies is dealt with on a case by case basis, it is inevitable that in some cases sectoral price/earnings ratios or equivalent companies will be used as a proxy; third, assumptions sometimes have to be made about the value of, for example, holding companies located in tax havens and, finally, individual wealth is often aggregated into family wealth. Thus the data collection and presentation process used in each of the seven years for which figures are available is consistent and follows the same guidelines. For example, to appear in the wealth index, individuals must generate their wealth from primarily UK based activities.

In attaching weight and significance to any conclusions that are drawn or recommendations that are made in a study of this nature it would be impossible to draw specific conclusions about, for example, generalisability, or to make a series of bold recommendations. Here we would make a further point about the quality of the data and also point out the intentions behind this paper. In drawing conclusions about both the traditional stereotype of Asian entrepreneurs and the economic significance of the top end of the ABS, the constituents of the wealth index are an important consideration. Practically all of the wealth which appears in the index is generated from business activities;

less than 1% of the total over the seven year period is generated from non-business activities (which are mainly lottery wins and inheritance). Using, for example, the DTI definition of an SME, the inference is drawn that most of the wealth is generated from this sector.

## BUCKING THE TREND: THE NUMBERS BEHIND ASIAN WEALTH CREATION

This section of the article considers two key issues: First, how does this sector of the economy perform in terms of the creation of wealth and, second, what are the main drivers behind that wealth creation. The analysis of Asian wealth creation which follows rests on the a priori assumption that wealth must be created, it is not, for example, simply harvested. This is neither a new nor original idea. For example, as far back as the 1930s, Schumpeter (1934, 1939) argued for the central role of the entrepreneur in wealth creation and economic development and, more recently, Chaharbaghi and Newman (1997) have discussed a “crisis of wealth creation” which again places the entrepreneur in a central role. At the broader, macro-economic level, writers like Hutton (1996) discuss this issue of wealth creation in a wider economic context and draw attention to 2 central weaknesses in the UK economy. The first weakness is the inability of the economy to deliver sustained economic growth over the long term due to a lack of competitiveness. Whilst measures of international competitiveness are riddled with difficulty, when measured by simple comparative economic performance, the UK’s record against its cross-Channel and trans-Atlantic competitors is poor over the long term. The second structural weakness of the UK economy is its’ top heavy nature which means that when growth does occur, it tends to be concentrated in a few giant firms. In terms of overall wealth creation in the UK, the 600 biggest companies account for something in the region of 70% of total wealth (Froud et al. 1997). The study, therefore, makes the general point that the performance of Asian wealth creators must be analysed in the context of a top heavy and sluggish economy with an ever widening gap between top and bottom.

Table 1 offers some basic data on the top 200 Asian wealth creators in the UK along with some broader economic data for the purposes of comparison. Over the past 7 years, the UK economy has demonstrated sustained growth which can be characterised as more steady than spectacular. This is in marked contrast to the sector of the economy on which this article focuses; Asian

wealth creation has happened at almost 3 times the level of the economy as a whole.

Table 1: Index of Real Asian Wealth Generation and GDP 1998-2004

Year	Nominal Asian Wealth Creation	Real Asian Wealth Creation	Real GDP
1998	100.0	100.0	100.0
1999	117.9	116.1	104.4
2000	145.4	139.1	106.4
2001	160.6	150.9	110.1
2002	165.7	153.2	113.2
2003	159.5	145.7	117.5
2004	175.0	156.6	120.9

(Source: Eastern Eye 1998-2004, OECD)

This part of the Asian sector has grown, on average, at just over 8% per annum compared to just over 3% for the economy as a whole. Just as growth rates are significantly different, so too are the constituents of this growth. Table 2 suggests that, unlike the UK economy, the Asian wealth creating sector is not overly reliant on just a few stellar performers. For example, since 1998, the top 10% of Asian wealth creators have accounted for a diminishing proportion of total wealth generated; whilst almost two-thirds of Asian wealth was generated by the top 20 performers in 1998, by 2004 this proportion had fallen to under a half. Despite the proportionate fall in the contribution of these elite wealth creators, the point should not be lost that in 2004 the top 10% accounted for almost £900 million more wealth than 7 years previously. This suggests that the general British economic problem of slow growth is not one seen in this element of the ABS and this conclusion is reinforced through further examination of key components of this wealth creation.

Table 2: Components of Asian Wealth Generation 1998-2004

Year	Asian Wealth Generated (£ mill)	High Value (£ mill)	Low Value (£ mill)	Share Taken by Top 10% of Wealth Generators (%)
1998	4437.4	500	2.0	60.5
1999	5232.3	450	5.0	54.9
2000	6453.6	325	6.0	48.9

2001	7124.9	300	6.0	45.6
2002	7354.7	450	8.8	43.4
2003	7078.4	460	4.0	44.8
2004	7767.5	500	4.0	45.8

(Source: Eastern Eye 1998-2004)

Over the period of analysis there have been some significant changes in the composition of wealth creation. For example, there has been a shift in activities away from traditional manufacturing companies towards newer, higher-tech, higher value companies in industries like pharmaceuticals. However, despite these changes in activity, there are relatively few changes in the value of individual wealth at the top end of the scale. Between 1998 and 2004, the average value of those entrepreneurs at the top of the scale was usually between £400 and £500 million. Given the falling proportion of wealth accounted for by the top 10% of wealth creators, changes in the composition of wealth creation elsewhere would not necessarily be expected. At the bottom of the scale, for example, the entry level criteria for joining the elite wealth creators has increased dramatically from an initial £2 million in 1998 through to a high of almost £9 million in 2002 before stabilising at £4 million in 2004. Stability at the top coupled with the changes towards the bottom of the league table have resulted in a dramatic growth in average wealth across the sample; in the period average wealth has grown by over two-thirds. Our general conclusion on this issue is that growth in this area of the ABS is characterised by economic push from the middle and bottom rather than economic pull from the top.

This article now turns away from the issue of absolute wealth creation and considers the main drivers behind that wealth creation. The data and commentary suggests that this sector of the economy has behaved in a significantly different manner to the UK economy as a whole in two important respects. First of all, as we have already seen, growth and success in this sector is not driven solely by the large firms at the top but has a significant bottom up element to it. Second, the industries which are driving the growth are now significantly different to the traditional Asian business of the past; this is a sector of the economy which would appear to be making a successful transition from old to new economy activities. Williams (2001) for example, in discussing the UK economy as a whole draws attention to its increasingly “hollowed out” nature as a result of unsuccessful transition where more and more firms are retreating into areas of low technology, sheltered competition, low wage locations and inorganic growth. In the Asian

business sector, however, whilst traditional businesses do remain important, the highest wealth creating sector was the pharmaceuticals industry and, whilst it is not reflected in a simple “league” table, other industries like fashion and IT have grown strongly.

Table 3: Ranking of Sectors by Contribution of Asian Entrepreneurs to Total Wealth Creation 1998 and 2004

Ranking	1998	2004
1	Manufacturing	Pharmaceuticals
2	Retailing and Wholesaling	Manufacturing
3	Fashion and Textiles	Fashion and Textiles
4	IT/Media/Internet	Retailing and Wholesaling
5	Food and Drink	Hotels/Property
6	Hotels/Property	IT/Media/Internet
7	Pharmaceuticals	Food and Drink

(Source: Eastern Eye, 1998-2004)

One of the main causes of this shift in ranking is the variable growth rates across the different sectors under discussion. In real terms the fastest growth has been seen in the pharmaceuticals sector which has grown almost 50 fold in the time period and the big loser has been the basic textiles sector which has contracted by just over 5% in real terms. Given that the time series is for just seven years, it is probably too early to conclude that these represent structural shifts in wealth creation but the changes that have taken place are notable nonetheless. For example, one of the main criticisms of the UK economic performance over the past quarter of a century has been its apparent inability to make the shift from an industrial to a post-industrial base but, as Table 4 demonstrates, the Asian sector would seem capable of making that shift: Whilst the increase in wealth creation from the manufacturing sector has been relatively small, between them, the pharmaceutical, fashion and new economy sectors have seen wealth creation increase by more than £2.2 billion.

Table 4: Asian Wealth Creation by Sector 1998-2004 (£ mill)

	1998	1999	2000	2001	2002	2003	2004
Food and Drink	386	569	724.8	697.8	548.8	582.5	760
Hotels/Property	321.2	509.4	634.7	730	1212. 8	1113. 8	900. 5

IT/Media/Internet	489.6	496	390.5	568.5	704.1	725.6	770
Manufacturing	853.2	847	1236.5	1154.5	1068.5	989.8	1147
Pharmaceuticals	31	295.4	448	943	1222.4	1264.5	1517
Retailing and Wholesaling	647.9	650	953.2	901.7	1019.6	1080.7	1024
Fashion and Textiles	632.5	700	499.4	631.6	831	837.3	1068
Other	1076	1165.5	1566.5	1497.8	747.5	484.2	581

(Source: Eastern Eye 1998-2004)

These shifts in make-up are also influenced as much by the growth in some sectors as by the decline in others. The crowding out explanation of British de-industrialisation may be paralleled in the Asian sector as new entrants tend to come from growing rather than mature industries. For instance in the broad Asian 'rag' trade sector (comprising Fashion and Textiles) there is a major shift from basic, low value activities such as sub-contracting towards more specialised high value fashion houses such as The Legendary Joe Bloggs. Whilst there is certainly a cyclical element to these changes, the overall picture in Table 5 perhaps suggests something more structural.

Table 5: Composition of the Asian 'Rag' Trade 1998-2004 (% share)

	1998	1999	2000	2001	2002	2003	2004
Fashion	48	58	76	69	63	63	66
Textiles	52	42	24	31	37	37	34

(Source: Eastern Eye 1998-2004)

The final element of this sectoral analysis is comparative in nature and looks at the performance of the Asian sectors against performance in the UK sectors as a whole. In this case a comparison is made between the performance of the two fastest growing Asian sectors, pharmaceuticals and hotels and property, and the two of the poorer performing sectors, manufacturing and fashion and textiles. Whilst the individual cases have their own peculiarities, the general conclusion drawn is that this Asian sector has outperformed the wider UK economy. The quadrupling of value in the pharmaceuticals sector has happened at the same time as relative stagnation in the UK sector as a whole

and, given continuing uncertainty in the tourism and property industries, the growth in the Asian sector has been more pronounced than the general trend despite a significant downturn in the past two years. In terms of the poorer performing sectors, the Asian manufacturing sector has more than sustained its position against further hollowing in the UK and, in the fashion and textiles sector, over the period, growth has been roughly the same as the national sector as a whole.

Table 6: Comparative Sectoral Performance 1998-2004

		1998	1999	2000	2001	2002	2003	2004
Pharmaceuticals	Asia		100	152	319	414	428	514
	UK		100	124	108	77	83	90
Hotels/Property	Asia	100	159	198	227	378	347	280
	UK	100	97	90	89	72	80	81
Manufacturing	Asia	100	99	145	135	125	116	134
	UK	100	122	100	91	62	67	67
Fashion and textiles	Asia	100	111	79	100	131	132	169
	UK	100	140	130	123	120	155	164

(Source: Eastern Eye 1998-2004, OECD, UN, [www.comdirect.co.uk](http://www.comdirect.co.uk), [www.londonstockexchange.com](http://www.londonstockexchange.com))

## CONCLUSION

The aim of this article was to consider how and why the Asian business sector is able to sustain and improve its economic performance. Given the data and analysis presented, three key interpretations are offered:

- First, the capacity for wealth creation in the upper reaches of the ABS would appear to be much higher than in the UK economy as a whole and across many sectors;
- Second, in this part of the ABS, overall growth is pushed by the lower and middle section of the sector. More specifically the Asian business sector behaves differently to the UK economy as a whole where growth is dependent on a few large companies at the top

- Third, there is a change in the composition of the sector with important shifts away from the traditional Asian business sectors like retailing, textiles and manufacturing towards higher tech and higher value activities with higher levels of economic sustainability

This raises a number of key issues for both academic researchers in the area and policy makers, in particular it raises some key questions about the extent to which the traditional stereotyping and characterisation of the ABS maintains its value and currency. Traditional stereotypes tend to focus on the Asian business as a traditional and ‘old’ economy set of activities whereas this research suggests, for this part of the ABS at least, something very different; the upper echelons of the ABS are subject to constant and reasonably dynamic change which has had a major impact on its ability to grow and sustain itself. The implications of all this for ethnic minority theory is to appreciate the changing dynamics of this sector and to challenge existing stereotypes.

The paper also raises related issues for policy makers. Over the past two and half decades the promotion of SMEs in the UK has tended to focus on the promotion of specific industries and certain economic activities and, as the paper has argued, this has led to limited success. For policy makers, therefore, consideration of alternative methods of promotion and support, perhaps through ethnic or socio-cultural characteristics, may be a priority.

This study is not without its limitations and the conclusions that we draw are both tentative and equivocal and we would suggest that the value of the paper may lie in the new avenues for investigation opened. In particular we would suggest two areas for future research: First, further testing of the push/pull thesis is required through, for example, more qualitative based research in order to widen understanding of the motivations behind this dynamic economic sector. Second, further investigation is required concerning the more traditional and old economy activities within the Asian business sector. For example, future research could focus on the next tier of Asian businesses below that examined in this paper where industries such as textiles may well be thriving still. The next challenge for ourselves and others, therefore, is to move the debate forward through the addition of both depth and breadth to the analysis in order that we can more fully understand the dynamics of this economic sector

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# JOURNAL OF ASIA ENTREPRENEURSHIP AND SUSTAINABILITY

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## **CREATING ENTREPRENEURIAL SOCIETIES: THE ROLE AND CHALLENGE FOR ENTREPRENEURSHIP EDUCATION**

**Joseph A. Kayne  
John W. Altman**

### BACKGROUND

Rarely is one given the opportunity to meet either a great political statesman or a true intellectual. During our most recent visit to Singapore, we had the once in a lifetime experience to do both. The occasion—a private audience with Lee Kuan Yew, leader of Singapore’s independence movement and the country’s first Prime Minister. In the space of one hour, we received the equivalent of a post-doctoral lecture on global economics, their subsequent geo-political implications and a history of the British Empire. Additionally, Senior Minister Lee shared his candid and humble insights about his

country's economic and social future and the role that entrepreneurship must play in the transformation.

Reflecting on Singapore's link to British colonialism, Lee explained that too much emphasis was placed on creating a superior civil service. Toward that end, Singapore's education system is geared towards producing managers and professionals who either become employees of the government or the multi-national corporations that have established offices in Singapore, or for that matter Asia-Pacific. This may have been the formula for a stable and disciplined society; but not one that promoted risk-taking, personal initiative or entrepreneurship. Senior Minister acknowledged that he, and others who had led the nation during its early years, may have erred in making the people too dependent on government services and or the absentee leadership of multi-national corporations.

## THE CHALLENGE

We realized from this meeting that Singapore's transformation to an entrepreneurial society would require more than simply a change in business perspective. It would require a substantial change in culture. Our small role in this formidable task was to create a pedagogical environment for 30 students in the Senior Management Programme at the Singapore Civil Service College who were being groomed for major leadership responsibilities within their respective ministries. These best and brightest of Singapore's future generation of national leaders had exemplary academic credentials, including graduate degrees from the world's best institutions of higher learning.<sup>31</sup>

This challenge of melding knowledge with creativity paralleled one previously articulated by Alfred North Whitehead in a 1927 address to the American Association of Colleges and Schools of Business. In this speech Whitehead lamented the lost opportunity when individuals failed to connect technical expertise and entrepreneurial creativity.

Imagination is not to be divorced from the facts: it is a way of illuminating the facts. It works by eliciting the general principles which apply to the facts, as they exist, and then by an intellectual survey of alternative possibilities which

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<sup>31</sup> Singaporeans who are identified as public sector leaders have an opportunity to complete graduate studies at leading universities (e.g., Oxford, Adelaide, Harvard, and Stanford) at the government's expense. In return, beneficiaries of this program make a multi-year commitment-based on the cost of their graduate studies—to government service.

are consistent with those principles. It enables men to construct an intellectual vision of a new world, and it preserves the zest of life by the suggestion of satisfying purposes.

Conversations with the Dean and staff of the Civil Service College about the scope of work for our engagement led to an agreement that the course content should cover both the role of entrepreneurship in making the public sector more responsive to citizens' needs and the role that government can play to encourage and promote entrepreneurial behavior in the private sector. From a pedagogical perspective, the task seemed relatively easy. We addressed the first issue by drawing on the broad range of content and teaching cases associated with entrepreneurship in complex organizations, now commonly referred to as "corporate venturing," and previously as "intrapreneurship." Our construct included a combination of the classical Opportunity-Team-Resources model of entrepreneurship (Jeffrey Timmons)<sup>32</sup> and a corporate entrepreneurship model which was previously published in, "An Integrative Model for Corporate Venturing." (John W. Altman and Andrew Zacharakis)<sup>33</sup>

For the second issue, we relied on our own experience at the Kauffman Center and as partners of the consulting firm Exit Strategies, Inc. working with U.S. states and communities to create pro-entrepreneurship environments. Additionally, we used materials provided by the National Commission on Entrepreneurship, especially its final report, "American Formula for Growth: Federal Policy and Entrepreneurship 1958-1998."<sup>34</sup> For both topics, we chose cases to create Socratic dialogue about the role that entrepreneurship could play in the Singaporean government, economy and society.

After eight weeks of careful preparation, our initial engagement with our students became the equivalent of an educational Chapter 11 bankruptcy. The first daily teaching evaluation by our students gave us with a clear frame of reference. In contrast to our experience with American students, the basic precepts of entrepreneurship that work in our society—risk and reward, skin in the game and creation of personal versus collective wealth--did not fit their cultural paradigm. National service, by its very nature, focuses on the

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<sup>32</sup> Jeffrey Timmons and Stephen Spinelli, *New Venture Creation: Entrepreneurship for the 21<sup>st</sup> Century*, McGraw-Hill, New York, 2003.

<sup>33</sup> John W. Altman and Andrew Zacharakis, "An Integrative Model for Corporate Venturing," *The Journal of Private Equity*, Fall 2003.

<sup>34</sup> "American Formula for Growth: Federal Policy and Entrepreneurship 1958-1998," National Commission on Entrepreneurship, Washington, DC, 2003. This report is available on-line at [www.kauffman.org](http://www.kauffman.org).

common good through a highly structured system of laws, rules and procedures which results in an algorithmic versus heuristic approach to problem solving.

Another early indication that we failed to grasp the nature of our challenge occurred during class discussion of a case in public entrepreneurship involving the Johnson County, Kansas Bureau of Motor vehicles. In this case, the customer agent (who for purposes of the case we named "Martha") finds that the current rules and operating procedures do not meet a customer's unique needs. Rather than telling the customer, "I'm afraid I cannot help you," the clerk comes up with a creative way to skirt the rules and the customer leaves the Bureau with a new, positive attitude toward bureaucracy, and public employees. When we present the facts of this case to American students, they seldom come up with a solution as innovative as the one Martha devised. After we outline Martha's entrepreneurial approach to the problem (including self-empowerment and a certain level of personal risk), American students share the customer's elation. They are generally pleased to know there are public sector employees who understand value creation and are trying to make a difference. Perhaps "public entrepreneurship" is not an oxymoron, and Martha is one of many heroes on the front lines of this movement.

In contrast, when we taught this case to our Singaporean students, the reaction was just the opposite. They unanimously condemned the clerk's behavior as potentially "undermining the integrity of the entire civil service system" and suggested she be reprimanded or even removed from her position. "What if everyone made their own rules? What kind of chaos would this create?" they asked. For us, this was the "eureka" moment. Research beginning with Joseph Schumpeter<sup>35</sup> and our own experience teach us that entrepreneurship is neither algorithmic nor orderly. It begins with market disruption. Could students who are seldom, if ever, exposed to market disruptions in their own experience appreciate the role that entrepreneurs play in an economy or society?

Two comments on the student on these initial evaluations provided the beginnings of our understanding of what we had missed in our preparation. Several students questioned how entrepreneurial leadership differed from what they had learned about organizational leadership and behavior during

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<sup>35</sup> Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, originally published in 1942 by Harper & Row, Publishers, Inc.

their formal educations. Second, they felt the cases we presented (dealing with U.S. businesses and institutions) were not relevant to their professional or personal situations.

In eight hours our students had completely destroyed the validity of a tried and true approach to teaching entrepreneurship in America when presented in a different context. They may not have understood market disruption in theory, but they clearly knew how to create it. Our challenge now shifted from simply introducing 30 of Singapore's best and brightest to the rewards, requirements and challenges of entrepreneurship to becoming entrepreneurial educators ourselves. Between Monday afternoon and class the next morning, we needed to respond effectively to the market disruption our students created for us. But our students through their evaluation comments had provided valuable market information. Somehow we needed to develop a different pedagogical approach that focused on the concept of risk and reward and which also was more relevant to our students' experience.

## INTRODUCING AN ENTREPRENEURIAL PROCESS MODEL

In *Creativity in Business*, Michael Ray and Rochelle Myers<sup>36</sup> focus on the importance of observation and curiosity as essential to problem solving. As we contemplated re-designing the curriculum for the remaining three days, we kept coming back to the disconnect between what we were hearing from the Singaporean leadership about their inability to maintain government services at their current levels and our students' seeming lack of concern about this issue. We continued to ask ourselves the question, "How can our students ignore this pending reality?"

Again, drawing on our own experiences, we realized we had faced similar reluctance to change in our work with U.S. cities and states. Based on research conducted by the Kauffman Center, the National Commission on Entrepreneurship and the Global Entrepreneurship Monitor<sup>37</sup>, U.S. policymakers increasingly understand entrepreneurship provides the engine for economic growth. They too, however, hesitate to make significant policy or program changes until faced with a crisis. For example, the explosion of

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<sup>36</sup> Michael Ray and Rochelle Myers, *Creativity in Business*, Doubleday/Broadway Books, New York, 1986.

<sup>37</sup> The Global Entrepreneurship Monitor is a joint project sponsored by the Ewing Marion Kauffman Foundation, Babson College and London Business School. Information about the project and research reports are available at [www.gemconsortium.org](http://www.gemconsortium.org).

entrepreneurial activity in San Diego, California came only after reductions in military expenditures that had been the heart of the regional economy. Similarly, entrepreneurship as an economic development strategy in Pittsburgh, Pennsylvania and Birmingham, Alabama emerged in response to the decline of the steel industry in these two communities.

This was the key to our pedagogical dilemma. Create the kind of market disruption that would force our students to face their emerging economic reality head on. And involve the students in a Socratic examination of the options. However, there were no existing cases we could easily substitute for those we had planned to teach. This turned out to be more fortunate than one might have expected. An existing case, even one dealing directly with the relevant issues, could be easily discarded as “something that happens to someone else.” It would prove to be only another intellectual exercise. We now recognized that changing the Singaporean culture dealt with the “heart” as much as the “head.” We needed to create a new learning case that was timely, relevant and challenged the students’ belief in the perpetuity of their current way of life.

Here too the lack of any past experience in Singapore’s history proved serendipitous. What if a learning case was developed, not on an entrepreneur’s past experience, but instead on a future scenario? Could we create a situation with the attendant facts that resulted in a believable situation in which the students would feel there was really something at stake, that they had skin in the game?

Everything we considered brought us back to our meeting with Senior Minister Yew. What if the current government announced it could no longer support the current level of public services? What if there were major reductions in force? How could we take advantage of our students’ knowledge that we had a private audience with their referred former leader? What if we walked into class the next morning and announced that we had advance knowledge that the prime minister was proposing a 40 percent reduction in public employment within the coming week?

Much as in any entrepreneurial venture, once we agreed that an opportunity existed, the hard work lay in identification of the resources and team through which we could exploit this opportunity. To some extent we were limited. It was too late to add members to our current team. However, we could better utilize the skill sets that each of us brought to the table, in particular Dr.

Altman's experience with seven start-ups and Dr. Kayne's thirteen years in public service as a state economic development official. In terms of resources, our major asset was a high-speed connection to the internet that provided access to materials we had not included in the original reading package.

The following summarizes each of the major elements of the hypothetical teaching case we developed to overcome the students' objections and lack of energy around our initial curriculum and pedagogy.

- To add an element of reality to the announcement, we downloaded a copy the front page of the on-line version of the Strait Times, the major daily newspaper. We then stripped out the top headline and replaced it with the following, "Prime Minister Announces 40 Percent Decrease in Public Employment." The accompanying story talked about the decline in public revenues and the need to streamline the bureaucracy.
- We placed 30 slips of paper in a fish bowl. Forty percent of these read, "We are sorry to inform you that on July 1, 2003 your position will be terminated. Best wishes for success in your next career." The remaining pieces of paper contained the following language. "Your employment status will not be affected by the July 1, 2003 reduction in force. However, you will now need to prepare a strategy for maintaining the current level, and quality of services, with a 40 percent reduction in budget!"
- The twelve "terminated" students were asked to leave the room with Dr. Altman to explore their entrepreneurial options in the private sector. The remaining 18 students were placed in six teams based on broad governmental functions. Under our guidance, both groups used the Timmons model of opportunity, team and resources to develop entrepreneurial responses to their respective situations.
- The initial response from the "terminated" students focused on how the employment reduction would affect their personal lives. Some students talked about having to give up their cars and taking their children out of private schools. Only then did they realize how dependent they were on government employment.
- Likewise, the "retained" students were overwhelmed at the prospect of sustaining productivity with significantly less employees and financial

resources. They expressed concern about the prospects of public backlashes as some services would have to be reduced or even eliminated.

Once the initial shock subsided, both sets of students earnestly began to pursue their respective tasks with the energy and commitment we hoped to stimulate. The private sector group identified commercial opportunities they never considered while under the protection of the public service “safety net.” As they took on their private sector roles, the students also began to identify how the rules and procedures for which they had been responsible might inhibit their own entrepreneurial aspirations.

Likewise the public sector groups explored strategic alliances through which agencies that had never drawn on resources beyond their own organizational structure could increase their reach through collaborative efforts. These included sharing staff, facilities and information. In the remaining two days, these teams developed both a framework for an entrepreneurial approach to government and specific recommendations that could be presented to leaders in their respective ministries. Among the most radical ideas that emerged from the teams were the imposition of fees for specific services (excluding basic health and safety) and the total elimination of program divisions that had outlived their utility.

By the time the class adjourned at the end of the fourth day, we were pleased that the changes in pedagogy and curriculum appeared to have the intended outcome. This is not to suggest that every student bought into the concept of entrepreneurial leadership. There were still skeptics in the group. However, by making the instruction timely and relevant to the students’ own experiences, we were able to introduce the essential elements of personal risk and reward and how that variable affected the mindset of entrepreneurial leaders. We believe the development and use of other hypothetical, real-time learning cases, particularly in nations and societies with limited entrepreneurial history, provides an effective pedagogy for engaging students and adults in a learning experience in which they can experience first-hand the rewards, requirements and challenges associated with entrepreneurship.

As a footnote, our experience in Singapore did validate one important aspect of entrepreneurship education. In the United States, we recognize that we can teach students the theory and techniques (e.g., opportunity recognition, break even analysis, risk vs. reward) associated with successful entrepreneurship. However, we cannot teach students to be energetic, committed or passionate.

These qualities can only be modeled in the classroom or experienced through practicum opportunities. One means of exposing students to these behaviors is through interaction with successful entrepreneurs in the classroom as guest speakers or in association with a learning case based on their individual experience. Outside the classroom, we facilitate this interaction through mentoring and internship opportunities.

Traveling half-way around the globe, and having to compress so much content into a four day-session, we did not have the opportunity to include outside speakers or provide a practicum experience for the students. Based on the students' final evaluations, we found we had unintentionally played this role ourselves. Regardless of what students said about the content or the quality of the instruction, they stated how they marveled at the way we had responded to their criticism and adjusted the curriculum. They shared a story about a previous experience at the Civil Service College where an outside faculty member had received similarly critical evaluations after his first day in the classroom. Contrary to our approach, this professor plowed forward with his original design and was asked to leave after the second day. In other words, their observation of our entrepreneurial approach to responding to the market, recognizing an opportunity and acting on that opportunity, more than anything else, answered their earlier question about the difference between entrepreneurial leadership and more generic management practices.

## THE FUTURE

One might be overwhelmed or even discouraged looking at the enormity of the cultural change that may be needed to make entrepreneurship an accepted and appreciated career option among the Singaporean people. Our combined experience in multiple complex organizations clearly indicates that cultural change within a corporate setting often takes five to seven years, or even longer. What does this imply for an entire nation?

During our time with these students, we made three observations that suggest the residents of Singapore are merely waiting for a signal from the political and economic leadership that entrepreneurship is a valued way of life. The first indication came during our simulated government downsizing. As noted above, the students that were asked to leave government service were randomly selected by lot. We later asked the students, "If we had asked for volunteers, how many of you would have elected to give up your civil service position and pursue an entrepreneurial career?" To our surprise a solid

majority said that they would have chosen this option. The percentage mirrored the figures in the 1992 Gallup Survey conducted by the Kauffman Center for Entrepreneurial Leadership which indicated seven in ten Americans wanted to own their own business one day. We then asked, "Why would you choose the private sector over civil service employment?" Their answer was, "Because there are more opportunities in the private sector even though the outcomes are uncertain."

The second indication occurred when the students who were chosen to retain their civil service jobs began to develop strategies to maintain the same quality of service following the 40 percent reduction in resources. In several instances, the students began to question whether their agency or program had outgrown its utility. This clearly indicated to us that our students understood the concept of value and that they could transfer this entrepreneurial premise to any private sector endeavor. They also began to look at potential fee structures for some services. Would citizens value these services enough to pay directly? Or, did a specific public service only have value if it was bundled in a larger package of public benefits and services for which the true costs to consumers could be hidden within the general tax structure?

Third, those students who remained in government service, during our simulation, recognized that Lee Kwan Yew's vision for Singapore as an entrepreneurial society depended on more than the behavior of the business community. It also required a new relationship between the people and their government, one that shifted the emphasis from dependence, to personal initiative. Our students' best articulated this new approach in a mission statement they drafted as the overarching philosophy that would drive the transformation of the Singapore government. "The public sector must be responsive to the needs and expectations of the resilient, independent and responsible people of Singapore." Under this new vision, the students recognized that civil servants must become societal change agents, not just efficient managers.

As we continue to reflect on this experience, our final "epiphany" was the reaffirmation that entrepreneurship requires a commitment to life-long learning. We now realize that we were as much the students as the instructors. We expected to gain new and valuable insight from our short time with Senior Minister Yew. Less predictable were the new perspectives and knowledge we gained from the interaction with our students. Among the most important may be the critical role of entrepreneurial leaders and their

vision to transform societies. It is no less important that creating value in the business arena. The fact that Lee Kuan Yew, a trusted and revered leader, has stepped forward in this role increases the probability of success for Singapore and its people. We remain optimistic Singapore will continue its' transformation to an entrepreneurial society!

Joseph A. Kayne and John W. Altman are partners in Exit Strategies, Inc., worldwide consultants on the application of entrepreneurial theory, leadership, practices, and behavior in creating entrepreneurial societies and organizations. Kayne also holds the Cintas Chair in Entrepreneurship at Miami University in Oxford, Ohio. Altman is currently Visiting Professor in the Berkeley-Columbia Executive MBA, and concurrently the Richard A. Forsythe Visiting Professor in Entrepreneurship at Miami University. He has held four endowed chairs in entrepreneurship, and has founded eight companies.

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## **Traditional Societies and Entrepreneurship: an analysis of Australian and Tanzanian Businesses**

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## **Traditional Societies and Entrepreneurship: an analysis of Australian and Tanzanian Businesses**

### Refereed Abstract

Traditional cultures are under increasing pressure to build ample and sustainable business enterprises to better provide economic development and social advancement for its citizens. Pressure comes from within as well as from outside such societies. There is pressure from inside such societies in that citizens are now more aware than ever before of how other people in other parts of the world live – other people elsewhere have more robust economies and hence lifestyles. There is also external pressure to the extent that external financial institutions and Organisation for Economic Cooperation and Development (OECD) nations impose conditions on these societies.

The paper argues that individuals and groups in traditional societies are becoming increasingly aware of the need for sustainable holistic economic development and social advancement. To that end, the paper examines the evolution of grassroots small business initiatives in South Australia and Tanzania, with Special focus on the specific processes that facilitate or hinder successful entrepreneurship in these societies.

I argue that traditional entrepreneurship is an area that does not get the attention and focus it deserves. There is an argument for more attention, especially in view of the fact that two thirds of the world's population is categorised as being poor and developing. This developing world, comprising primarily traditional societies, is perceived by developed economies as largely unproductive, yet these developed economies have not stopped pillaging the natural resources of these developing nations. In many ways the underdevelopment of developing countries by developed economies continues unchecked even today, save for a few exceptions such as Singapore and perhaps China.

In examining traditional entrepreneurship, it is arguable that in some cases traditional entrepreneurs can have a competitive advantage. For example, as owners and custodians of cultural resources and heritage, they should be able to influence and determine how these resources are used. Within the Australian and Tanzanian communities there is now a growing realisation and

recognition of the vital contribution that traditional entrepreneurs make and can make to the growth of small business enterprises and how in turn, the business sector can be used to serve the holistic economic development and social advancement needs and interests of Indigenous peoples.

This paper explores three business enterprises located in South Australia and one business venture located in Tanzania that are traditional in orientation and have successfully established small business enterprises, promoting individual and community holistic development in the process. The research explores the processes, issues and challenges traditional entrepreneurs and their enterprises face. It also examines the factors that influence practice and success in Indigenous businesses and entrepreneurship.

## Introduction

This paper examines three indigenous business enterprises located in South Australia and one business venture located in Tanzania that have successfully established small businesses, promoting individual and community economic and social advancement. The paper looks at the processes, issues and challenges Indigenous entrepreneurs and enterprises face and looks at factors that influence practice and success in Indigenous business enterprises. The purpose of this research project was to investigate and ultimately analyse what specific Indigenous business ventures in South Australia in order to determine what works, for Indigenous businesses. In doing so the project identified the following aims:

- The impact of business enterprises and how Indigenous people/communities have responded to it
- Nature and structure of Indigenous business enterprises
- Issues and challenges facing Indigenous entrepreneurs and their businesses
- The role of Indigenous organisations
- Future directions and expectations

In this paper, when referring to the Australian situation, the terms Aboriginal and Indigenous are used synonymously. For example, Aboriginal tourism in a business context, may be defined as a tourism product which is either: Aboriginal owned or operated, employs Indigenous Australians or provides consenting contact with people, culture or land (South Australian Tourism Commission, 1995: 5)

The nature and extent of Indigenous business in Australia and Tanzania is varied. In the case of tourism in Australia, for example, while many Indigenous-owned tours and attractions focus on presenting Indigenous Australian culture, Indigenous involvement in other mainstream enterprises, including accommodation or visitor service facilities such as roadhouses, resorts, and regional airlines, is growing. This expansion from culture-based to service-based business ventures is appropriately referred to as ‘diversified Indigenous’ tourism (Hinch and Butler, in Zeppel 1998b: 24). Indigenous Australians are increasingly presenting their own culture as a tourist attraction in Australia. According to ATSIC, in 1997 there were around 200 Indigenous tourism businesses in Australia, with an estimated value for Indigenous Cultural tourism of \$5 million a year. ATSIC also reported that income from selling Indigenous arts, crafts and souvenir products is \$200million per annum, with half of this amount estimated from overseas tourists (Hinch and Butler, in Zeppel, 1998b: 24).

Indigenous Australians still experience inequality and are generally politically, socially and economically disadvantaged. From time to time, when it is expedient, politicians and government bureaucrats talk about the need to redress the situation for the benefit of the Indigenous community and Australia at large. It has to be said that Indigenous people in the two study areas are not incapable of doing things for themselves. Indeed, in the context of self-determination, it is important that (survival) skills, experience and knowledge of Indigenous peoples are nurtured so as to create an environment which is conducive to Indigenous communities taking control of their own economic development and social advancement. For the purpose of this paper, the term holistic development means development of the whole person. The term ‘holistic’ here is used to mean an analysis based on the Indigenous worldview of connectedness and interdependence, similar in many ways to a ‘systems analysis’ approach.

## Background

While business entrepreneurship is a relatively old, well-established discipline Indigenous entrepreneurship is a ‘new’ discipline by comparison. Its prominence in recent times can be explained by the awakening of Indigenous cultures around the world coupled with international shifts toward first nations’s rights and self-determination. Indigenous entrepreneurship is potentially a powerful tool that can be used to promote economic

independence, self-determination and cultural preservation within Indigenous communities (Buttler and Hinch, 1996). At the grassroots level, Indigenous entrepreneurship in areas such as tourism is accessible to individuals and groups, it requires limited capital and skills, and appears to easily accommodate values and environmental concerns shared by many Indigenous groups (Hall, 1996). Furthermore, Indigenous entrepreneurship in tourism, for example, is potentially capable of rejuvenating local economies, minimise the impact of negative tourism through local intervention, and strengthen, support and value national heritage (Brokensha, 1992).

Despite potential benefits, the growth of Indigenous businesses is not immune from controversy. In the case of tourism for example, critics see Indigenous tourism as a ‘double edged sword’ that promises prosperity on the one hand while potentially exploiting Indigenous people and their cultural heritage on the other. Commercial contact almost inevitably gives rise to the threat of abuse, the risk that external interests or forces will dominate local needs and that through commercialisation, Indigenous culture will be irreversibly contaminated (Butler and Hinch, 1996).

Arguably there are negative and positive impacts of Indigenous business. Some of these have been documented (Brokensha, 1992; Kesteven, 1988; Sofield, 1996) are summarised in Table 1 below:

Table 1: Positive and negative impacts of Indigenous business

POSITIVE	NEGATIVE
Economic base to revive Indigenous communities	Increased cost of living for local residents
Maintenance and growth of income generating arts and craft	Risk of decline in artistic quality and authenticity
Job creation; Indigenous entrepreneurship and small business development	Domination of external interests and control of managerial and decision-making processes
Cultural revival and preservation	Exploitation of human and cultural resources
Investment in environment conservation	Risk and actual desecration of sacred sites and natural resources
Development of remote communities	Exploitation of remote communities and increasing incorporation into mainstream society

While the positive factors tend to encourage Indigenous people into the business or private sector the negative factors have the reverse effect - they discourage and even undermine their rightful involvement into this sector.

## Methodology

The research was conducted in the second half of 2002. This is a qualitative (case study) research project that I believe is most suited to this kind of investigation. As Merriam (1988: 10) points out, this approach is especially suited to situations where it is impossible to separate the phenomenon's variables from the context. It is argued here that Indigenous business development fits the bill. The case study method (Fielding, 1988; Lincoln & Guba, 1985; Stake, 1978); is advantageous and enables:

- an analytical focus on Indigenous peoples' construction of their experiences and attitudes related to holistic development;
- a conceptual framework of holistic development for Indigenous people;
- the provision of contextual thick description which is essential for:
  - transferability of application and comparative analysis within the case study
  - a grounded assessment of the impact of Indigenous business development within an organisational context and in terms of identity.

Three Australian Indigenous business enterprises were identified through networking with the Business Unit of ATSIC (Aboriginal and Torres Strait Islander Commission), South Australia branch, Adelaide. Two of the three are community-run business ventures while the third one is an individual-run (privately operated) business venture. Both community-run business ventures came up with the idea of establishing a cultural (tourist) centre in their respective communities as a business arm designed to tap on the growing tourism and hospitality industry. These cultural centres provide a whole range of artifacts for sale to international as well as local tourists. They also provide cultural workshops to schools and tourists. The tourism business arm compliments other business arms such as market gardening, bush food/tucker, dairy farming, and farming.

The third case study is an individual-run (privately owned and operated) Indigenous tourism business enterprise. It operates tourist tours for schools, international and local tours. It also liaises and networks with Indigenous communities in Adelaide and its environs in order to optimise cultural and other resources for the benefit of both parties - the communities, and the privately owned business.

The fourth and final case study is a Tanzanian privately owned and operated Indigenous business enterprises. Its main business is to provide tour guides for tourists and general transport for the public.

Once the four business enterprises were identified formal arrangements were made to contact them in order to request their participation in the study. The requests were granted and both participants and the researcher duly signed consent forms.

#### Data collection

In-depth interviews were employed as the main method to collect data. Data collection techniques included open-ended semi-structured interviews. These techniques were designed to collect data on:

- the conditions for success in establishing Indigenous business enterprises
- the significance of Indigenous business enterprises to Indigenous economic development and social advancement
- the implications of Indigenous business enterprises for traditional Indigenous society.

A semi-structured interview format allows the interviewee a great deal of freedom, while covering a given set of topics in a more or less systematic fashion (Moser and Karlton, 1973). Such a format gets away from the inflexibility of fixed and formal questions, yet gives the interview a set form and ensures that all relevant topics are discussed.

To ensure that the research aims were met, participants were treated as co-researchers. Accordingly, the term participants is used, instead of the conventional term, subjects. Here there is an acknowledgement that the participants are the experts not the researcher. Treating participants as co-researchers facilitated their participation in common learning with the

researcher in which action, reflection, and theorising are part of the same process and take place as a dialogue between equal partners (Karlsen, 1991: 148). Ultimately, however, the task of analysing data and writing the findings into a coherent finished product rests with the researcher.

## Data analysis

Data from the case studies and interviews were collated and recorded in the form of narrative description based on the main concept cues provided during interviews. Further interpretation focused on the significance of Indigenous enterprises and entrepreneurship in the advancement of Indigenous holistic development. In order to minimise the risk of misinterpretation and trivialisation of the results by some readers, this qualitative interpretation transcended the “merely descriptive” (Merriam, 1998:131).

Where relevant, discourse analysis was used to analyse documents essential to this study. These were mainly government policy statements on Indigenous development. According to McHoul (1986, in Fisher and Todd (eds): 187-202) this process

acknowledges that a social fabric is constituted and saturated by discursive formations; that policy, policy-making, policy writers, policy studies, and so on effects of determinate techniques of signification, and that these techniques of signification provide the ‘rules’, the conditions of possibility for policy.

This is a qualitative study, which is essentially a type of interpretive research. This type of research presupposes

That reality is holistic, multidimensional, and ever-changing; it is not a single, fixed, objective phenomenon waiting to be discovered, observed, and measured

(Erickson, in Merriam, 1988: 165).

It is a study about real people with real challenges. Order in their society is often unstable and changeable. Cause and effect are artificial concepts, which oversimplify complex, continuous processes of metamorphosis and ambiguity (Kellehear, 1993: 26-27). From a qualitative researcher’s viewpoint, social science should go out into the world but with only a desire to listen and participate and not to impose a pre-structured theory onto the world. Quantitative researchers may have reservations (as this approach forces them

out of the 'comfort zone' which revolves around quantitative methods). One must bracket one's former understanding about particular social phenomena and attempt to understand these processes from the point of view of the experience (Kellehar, 1993: 27)

## Results

The researcher found that the motives and expectations on the business by the operators of the community-run Indigenous business enterprises were similar to those of the individual-run (privately owned and operated) Indigenous business enterprises. Providing for and maintaining family relationships took priority over profit maximisation. To both types of business enterprises, that is, community-run, and individual-run, preserving and maintaining the 'soul and spirit' through relationships was more important making money. The latter was seen as merely a tool or a means to an end not an end in itself.

When asked: What outcomes did they want from their business?

There was a definite pattern in their responses. Community-run Indigenous enterprise one responded:

The biggest outcome for us would be to provide employment for Indigenous people. Given a choice between maximising profit and providing employment for our people the choice is very clear to us - employment. ...

Community-run Indigenous enterprise two responded:

Our main aim, sometimes at the cost of making a dollar, is providing employment for our people; developing and nurturing relationships within our community and also with the local non-indigenous community. ...

The third business, an individual-run Indigenous business enterprise gave the following response:

Oh, now this is a tricky one. I want to be able to accomplish and sustain achievable goals or objectives; improved quality of life in 20 or 30 years. Seriously though, the main outcome for me would be to have the capacity to employment Indigenous people. For example, it would be rewarding to be

able to take Indigenous students on board for work experience because they need it to position themselves in the job market. ...

A similar pattern emerged in the fourth case, the Tanzanian business enterprise:

You know, many of our people are doing it tough these days. It would very rewarding to be able to provide employment to our people. God only knows that they desperately need jobs. We want to make money so we make a positive difference by creating jobs for our people.

Clearly, these responses provide testimony to the earlier observation about Indigenous peoples' perception on money and its role. In both the two community businesses, and the two individual-run business enterprises the driving force for their establishment was primarily an attempt to cash on the booming tourism and hospitality industry locally, nationally, and internationally. There was also the realisation that non-indigenous operators were profiteering on Indigenous culture and heritage while at the same time trivializing. Alice Springs is a good case in point. However, it is not prudent to discuss this in detail in this paper.

Indigenous communities generally sanction and approve the business activities that are undertaken in their respective communities. Community involvement was critical for the success of Indigenous business enterprises. In the case studies in this paper positive and harmonious relations between Indigenous business enterprises and the wider Indigenous community were evident in situations where the Indigenous community was actively involved in their consensus decision making processes and accrued tangible benefits from the Indigenous business operations. Occasionally, however, friction or conflict can surface over unresolved kinship and quasi-kinship issues, resource allocation, and competing individual or group interests.

In general, the Indigenous enterprises in this study mainly employ Indigenous people. For now at least, in Australia non-indigenous staff occupy such positions as consultants, trainers, accountants, and financial advisers. There is the perception that non-indigenous employees in these organisations enhance organisational capabilities because of their mainstream networks, business experience and skills.

There is something empowering about management in these Indigenous business enterprises. The management style tends to be participative and inclusive of staff and community members. Staff and community members actively participate in making decisions especially on new business developments. This approach enhances commitment by all to the success of the business activities because people seemingly identify themselves with the projects and take pride in their success.

#### Facilities and services

The following is a summary of the facilities and services the three Indigenous tourism business enterprises provide:

Table 2: Summary of Indigenous business enterprises

Facility/Service	Community-based enterprise 1	Community-based enterprise 2	Individual-based enterprise
Traditional dancing	*	*	
Cultural training and workshops	*	*	*
School presentations	*	*	*
Bush food	*	*	*
Bush tours/camps	*	*	*
Museum displays	*	*	*
Conference facilities	*		
Retail shop	*	*	
Kiosk/canteen	*	*	*
Accommodation		*	
Multi-media theatre	*		
Indigenous art/painting	*	*	*
Traditional story telling	*	*	*

Note, apart from providing facilities and services to local, national, and international tourists, these business enterprises also provide a wide range of services to the local indigenous community. As one Indigenous manager put it:

Networking is very important for us. Accordingly, we engage in community exchange programs whereby we bring people here for work experience, take people from here to the wider indigenous community to participate in celebrations, sports carnivals, festivals, etc. We also recruit people from the wider Indigenous community to work here, and accommodate them so they can get experience in operating business.

(D. Walker, Pers comm, 2001)

## Staff Training

Each of the four business enterprises in this study has some form of formal as well as informal staff training put into place. In each of the two community-run enterprises there is an on site consultant who coordinates and facilitates staff training in areas such as business management; marketing; bookkeeping and financial management.

Interviewees from the three enterprises asserted the importance of adopting a holistic approach to skills training which focuses on both personal and professional development. According to the participants, the essential skills required for business success included: cross-cultural management skills, cross-cultural communication skills, assertiveness, public speaking, technical (bookkeeping, financial management, computer, information technology) skills, food handling, and crisis management skills. Participants also emphasized the importance of generating marketable skills and building self-confidence and self-esteem in the Indigenous community.

## Staff Training Outcomes (STO)

In the interest of holistic development, participants were asked 'what outcomes they wanted from their work for themselves, their Indigenous

community, and the wider community.’ The following is a summary of their outcomes:

Table 3: Outcomes of Indigenous participation in business

GROUP	OUTCOMES
INDIVIDUAL PARTICIPANTS	Self-confidence, self-esteem, financial security, respect, educational and skills development, professional advancement, personal growth.
INDIGENOUS COMMUNITIES	<p>Increased employment opportunities for Indigenous people.</p> <p>Community skills development.</p> <p>Local and national Indigenous communities networking and cooperation.</p> <p>Promoting Indigenous peoples’ achievements and positive images.</p> <p>Empowerment of Indigenous peoples.</p> <p>A ‘cultural renaissance.’</p> <p>Promoting Indigenous communities as a vital community resource for the use and benefit of Indigenous and non-indigenous citizens.</p>
THE WIDER COMMUNITY	<p>Dissemination of knowledge.</p> <p>Economic growth through business start-ups and job creation.</p> <p>Cross-cultural training and development.</p> <p>A meeting place to learn, reflect, and develop networks and friendships.</p>

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## Challenges facing Indigenous business

Indigenous entrepreneurship and business enterprises have to wrestle with many challenges. Participants in this study identified several challenges. These are now briefly discussed.

- External forces

The dominance and control by government agencies in particular, was seen as a major challenge. While government funding was regarded as necessary and inevitable in Indigenous tourism, for example, participants had reservations about the stringent conditions on funding contracts that are administered by government bureaucrats, including bureaucrats.

- Lack of education and training

Participants expressed that Indigenous people have limited formal education, lack of self-confidence, low self-esteem, substance abuse, and dependency on welfare are all factors that help explain their disadvantage and disempowerment. They also asserted that the 'handout mentality' perpetuated by welfare had given rise to an attitude of entitlement at an individual as well as community level. Consequently, Indigenous organisations had to deal with problems of absenteeism, high labour turnover and low employee morale.

- Racism

Participants reported that racism, stigmatisation and negative attitudes as one of the major challenges Indigenous Australian businesses encountered. The community-run cases in this study reported that there was resistance from local non-Indigenous residents toward the establishment of an Indigenous cultural tourism centre. In some cases such resistance included threats of sabotage, and offensive comments being made. Indigenous operators also have to deal with stigma and negative attitudes such as:

‘Will they (Indigenous people) turn up on time? Will they be drunk? Are they dirty? Are they reliable?, etc.

- Regional bias

South Australian participants, for example, made the observation that there was bias within the media and the tourism commission when promoting Indigenous tourism. These tend to place emphasis on the ‘top end’ of Australia, almost at the expense of other parts of this continent. Clearly, this puts operators outside the Northern Territory at a commercial disadvantage. It also perpetuates myths and stereotypes about Indigenous peoples. One participant succinctly summed up the situation as follows:

“people tend to go to the top end (Northern Territory) where they think the ‘real Aborigines’ are. That is the exotica to them, the ultimate exotica, because these people are still seen as traditional people. Whereas we down here, they do not think we strictly pursue that Indigenous culture – going bush, traditional dancing, singing, story telling, initiation, reaffirming who we are, genealogy, and kinship, etc.”

(D. Walker, Pers comm., 2001)

This perception is further reinforced by the work of Simondson (1995, in Zeppel 1998: 67-81) thus:

... These stereotyped visual images of traditional Aborigines in the northern and central Australia are prevalent in general sales and advertising material produced by large tourism organizations responsible for marketing international images of Australia such as the Australian Tourism Commission, Ansett Australia, Qantas, and the state tourism authorities. This marketing ignores nontraditional Aborigines, particularly in the southern states of Australia, and “denies the reality of Aborigines’ lives in the contemporary world.”

- Indigenous community dynamics

Participants cited Indigenous community politics as another challenge. Conflicts within Indigenous communities can stem from competing interests of kinship and quasi-kinship groups – competing for scarce community

resources, land and counter land claims. Participants also stated that the widespread ‘tall poppy syndrome’ affected Indigenous communities as well. Successful individuals or groups may attract envy and resentment from those who are less successful. At another level, participants explained that traditionally Indigenous communities do not see the need for aggressiveness (that seems to be the norm) in tourism and other forms of business and in fact resent it – they consider it to be arrogance, which to them is quite unnecessary. They believe Indigenous business can successfully be promoted and marketed without aggressiveness.

- Scarcity of resources

In general there is a dearth of resources in the Indigenous communities. Participants cited securing capital and other resources necessary to keep abreast with innovation and the development of infrastructure as one of the main obstacles facing indigenous businesses. Shortage of capital severely restricts business capacity. Limited financial resources made it difficult to market and promote their products and hence unable to expand their business operations.

- Coming to terms with operating a business

Generally, while the thought of running one’s own business is exciting, venturing into it was not an instant success for Indigenous communities. They quickly learned it demands perseverance, patience, and compromise. Above all, the business did not offer immediate returns on capital invested. They realized that rewards had to be a long-term proposition. As one participant put it:

‘We had to come to terms with operating a business: what is it? It calls for a lot of hard work and training. Many of our people are not up to it because we are shy we have got disadvantages in certain areas. Many cannot read, cannot write, cannot spell, and lack self-confidence.’

(D. Walker, Pers comm, 2001)

Participants reported that their organisations have had to adjust and cope with seasonal fluctuations, increased competition, and pressure to innovate regularly. Employees have had to come to terms with business protocols, overcome personal insecurities and generate enough self-confidence to deal

with (often) an intimidating (or discerning) public, especially those who are dealing with the public for the first time.

### Managing the challenges

Granted that the Indigenous enterprises examined in this study have to deal with many challenges, they all have made steady progress and are becoming success stories. Their success is due to a combination of provision of a quality product and a participative management approach, which empowers staff resulting in their commitment and determination to succeed. The traditional Indigenous consensus decision-making approach is still the preferred way of doing business. As far as community-run organisations are concerned, the injection of capital through government and joint venture partnerships has contributed to infrastructure and market development giving rise to positive outcomes to the wider Indigenous community.

Individual-run Indigenous business ventures tend to remain small and focused. This is mainly because of scarce financial resources and limited support. At any rate, success has also come as a result of strategic partnerships, which allow them to build their products while at the same time cutting on their overheads. They heavily rely on the word of mouth for the promotion and marketing of their products.

### Conclusions

This study has examined four Indigenous business enterprises that are reasonably successful. They have had to overcome many challenges in the process. Apart from being an economic resource for their staff and their respective indigenous communities, they are also a cultural resource not only to their own community but also to the wider community. Contrary to negative stereotypes about Indigenous people in relation to 'laziness', Indigenous people involved in these four enterprises have demonstrated capacity for hard work, creativity, and a never give up attitude. They have persevered in situations where it would have been much easier to give up and heap the blame on somebody else-bureaucrats, funding bodies, financial institutions, tourists, etc. Their attitude has been 'if it is going to be it is up to us.' This attitude has guided them through many 'rough' times.

Data collected indicate that Indigenous business enterprises may provide benefits to its operators in the long-term rather than the short-term. The data

also shows that jobs in areas such as tourism are predominantly seasonal or casual and often do not provide financial security. Consequently, people have to juggle between welfare payments and casual work when it is available. In the case of Tanzania, there are no welfare payments. Active participation in Indigenous business presupposes training, compromise, and flexibility. These three factors seem to be the ingredients for success here.

In order for Indigenous businesses to continue making a positive contribution toward holistic development of Indigenous peoples and their communities, the challenges discussed earlier in this article should be addressed. Relevant Indigenous authorities together with the government have to shoulder this responsibility. There has to be goodwill and a genuine willingness to act on developing and supporting Indigenous businesses that transcends rhetoric.

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## **EFFECT OF PERCEPTION AND PERSONAL TRAITS ON COMPUTER TECHNOLOGY ADOPTION BY WOMEN ENTREPRENEURS IN MALAYSIA**

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## ABSTRACT

This paper examines the role of perception (e.g. perceived usefulness and perceived ease of use) and entrepreneurial traits (such as, innovativeness, risk-taking propensity, perseverance, and flexibility) on computer technology adoption by women entrepreneurs in Malaysia. Members of the national association of women entrepreneurs in Malaysia (NAWEM) were surveyed. The findings show that women entrepreneurs are driven by instrumentality in technology adoption. Contrary to the process orientation reported in previous studies for women in general, Malaysia women entrepreneurs are outcome oriented in technology adoption. Innovativeness and risk-taking propensity are the key influential traits. Important implications on theory and practice are discussed.

**KEY WORDS:** Women Entrepreneurs. Perception. Entrepreneurial Traits. Computer Technology Adoption. Malaysia

## INTRODUCTION

While advances in technology continue with rapidity, the use of these upcoming technologies has fallen below expectations (Ndubisi, Gupta & Massoud, 2003; Johansen & Swigart, 1996; Wiener, 1993; Moore, 1991) and has been identified as one of the plausible explanations for the productivity paradox (Sichel, 1997; Landauer, 1995). A number of studies have shown that successful investment in technology can reap immense benefits for the adopting individuals and organisations. On the basis of these benefits, various governments are taking steps to motivate the business community particularly entrepreneurs, to take advantage of the benefits of these technological advances. However, despite these significant technological advances and increasing governmental investments in promoting technology adoption at individual and organizational levels, it is still unclear, the extent of computer technology adoption among Malaysia women entrepreneurs, the determinants of usage, and the role of personal traits. Clearly, understanding the determinant structure of these key variables is critical for researchers, entrepreneurs, as well as systems developers and vendors targeting entrepreneurs.

The focus of this research on women entrepreneurs reflects the growing number and importance of women owned businesses in Malaysia, and is precipitated by the dearth of well-deserved research on this important sector.

Besides, entrepreneurs have been reported in personality and psychological research as exhibiting unique traits that distinguish them from others; these traits could have different implications on their computer technology adoption.

In this study, perceived usefulness and ease of use (two key constructs in the technology acceptance model) along with entrepreneurial traits were investigated to understand their roles in the adoption of computer technologies by Malaysia women entrepreneurs. Studies comparing the salience of perceived usefulness and ease of use between male and female users of technology have shown that perceived usefulness is more important for male users while female users emphasize ease of use in technology usage decisions. For example, Venkatesh et al., (2000) reported higher instrumentality (i.e. outcome) for men and higher process orientation (ease of use/difficulty) for women in technology adoption decisions. Hennig and Jardim (1977), Rotter and Portugal (1969) had earlier shown that women tended to focus on the methods used to accomplish a task – suggesting a greater process orientation. Given the process-orientation reported of women generically in some of the past studies, it is important to examine whether the preponderance of ease of use over usefulness in computer technology adoption also applies to women entrepreneurs, given their unique personal traits. We also examined the effect of these traits on adoption.

## REVIEW OF EXTANT LITERATURE

A number of models have been developed to investigate and understand the factors affecting the acceptance of computer technology in organisations such as the Theory of Reasoned Action - TRA (e.g. Fishbein & Ajzen 1975; Ajzen & Fishbein 1980), the Technology Acceptance Model – TAM (e.g. Davis 1989; Davis et al., 1989), the Theory of Planned Behaviour – TPB (e.g. Ajzen 1991; Mathieson 1991), the Model of PC Utilisation (Thompson, Higgins, & Howell 1991), the Decomposed Theory of Planned Behaviour (e.g. Taylor & Todd 1995), Innovation Diffusion Theory (e.g. Agarwal & Prasad, 1997; Brancheau & Wetherbe, 1990; Rogers, 1995), and recently The Moguls Model of Computing (Ndubisi, Gupta & Ndubisi, 2005). Some of these studies were carried out at the individual level (e.g. Agarwal & Prasad, 1998), and some at the organisational level (e.g. Cooper & Zmud, 1990).

The theoretical model employed in this research is the technology acceptance model (TAM). The study focuses on the TAM because it helps to understand

the role of perceptions such as usefulness and ease of use in determining technology adoption. TAM theorises that external variables influence behavioural intention to use, and actual usage of technologies, indirectly through their influence on perceived usefulness and perceived ease of use. Two important TAM constructs are perceived usefulness and perceived ease of use. Davis (1989, p320), defined perceived usefulness as “the degree to which a person believes that using a particular system would enhance his or her productivity”, and perceived ease of use as “the degree to which a person believes that using a particular system would be free of effort”. A significant body of TAM studies has shown that perceived usefulness and perceived ease of use are determinants of usage (e.g. Davis 1989; Mathieson 1991; Adams et al. 1992; Segars & Groover 1993; Szajna 1994; Igbaria et al. 1997). Technology adoption decisions have been typically characterised by a strong productivity orientation (Venkatesh and Brown, 2001). In many studies (e.g. Mathieson 1991; Agarwal and Prasad 1997; Igbaria et al. 1997), perceived usefulness, one of the constructs related to the use-productivity contingency has emerged as one of the strongest predictors of adoption and usage behaviour.

Although TAM is recognized for its parsimony and predictive power, it has also been reported that while parsimony is TAM’s strength, it is also the models salient constraint. For example, Venkatesh (2000) asserted that while TAM is powerful in helping to predict acceptance, it does not help understand and explain acceptance in ways that guide development beyond suggesting that system characteristics impact usefulness and ease of use, thereby placing a limitation on the ability to meaningfully design interventions to promote acceptance. Mathieson (1991) believed that TAM is predictive but its generality does not provide sufficient understanding from the standpoint of providing system designers with the information necessary to create user acceptance of new systems. Furthermore, Straub et al. (1995) questioned intention as a predictor of actual behaviour. Bentler and Speckart (1979), and Songer-Nocks, (1976) earlier disagreed with Fishbein and Ajzen’s assertion (on which TAM is based) that attitudes and norms can influence behaviour only indirectly through behavioural intention.

Nevertheless, the TAM is one of the most popular technology usage models with numerous adaptations and replications. TAM has also been compared with other models (see for example, Taylor and Todd 1995; Ndubisi 2005) and found to be more robust in predicting user acceptance of different technologies. The model remains the most suitable for measuring usefulness

and ease of use perceptions which are salient constructs in this research. However, in response to the call by past TAM researchers for future research to use actual usage instead of usage intention to test the TAM, the present study touts this line of suggestion by investigating actual or current usage as the dependent variable. Two hypotheses were framed to test the effect of perceptions on computer technology adoption by women entrepreneurs in Malaysia.

Hypothesis 1a: There is a significant direct positive relationship between perceived usefulness and computer technology adoption.

Hypothesis 1b: There is a significant direct positive relationship between perceived ease of use and computer technology adoption.

### Women and IT Usage Decisions

Research has shown that women exhibit more “feminine” traits (e.g. tenderness) (Bem, 1981). The meta-analysis of Taylor and Hall (1982) suggested that these feminine traits correlate with “expressive” behaviors. Some past studies claimed that perceived usefulness is more important to male users of technology, while perceived ease of use is more salient for female users, which suggests an outcome orientation of male and process orientation of female users of computer technologies. There is substantial evidence in organizational behavior and management information systems research (e.g. Davis, 1989; Davis et al., 1989; Mathieson, 1991; Taylor & Todd, 1995) suggesting that the key underlying cognition determining an individual’s attitude toward the behavior of adopting and using a new technology in the workplace is her/his perceptions about the usefulness of the technology. Specifically, the link between usefulness perceptions and attitude toward using a new technology has been shown to have path coefficients ranging from .50 (Davis et al., 1989) to .79 (Taylor & Todd, 1995). Given these strong results, it could be concluded that an individual’s attitude toward using a technology in the workplace reflects instrumentality and intrinsic motivation to use technology.

Venkatesh et al., (2000) reported higher instrumentality (i.e. outcome) for men and higher process orientation (ease of use/difficulty) for women as determinants of technology adoption. Their finding supports the notion of earlier research (such as Hennig & Jardim, 1977; Rotter & Portugal, 1969) that women tend to focus on the methods used to accomplish a task – suggesting a greater process orientation. Given the process-orientation of women and the lower levels of control (see Mirowsky & Ross, 1990)

generally perceived by women in the work environment, the perceived ease of use or difficulty of using technology is expected to have an important influence over their decisions to adopt or reject a new technology (Venkatesh et al., 2000). Further, there is evidence to suggest that women display somewhat higher levels of computer anxiety (Bozionelos, 1996; Morrow, et al., 1986) and lower computer aptitude (Felter, 1985) compared to men (Chen, 1985). Both computer anxiety and computer aptitude have been related to perceptions of effort, thus suggesting that constraints to technology use (perceived difficulty) will be more salient to women. It is implicit therefore, that ease of use is more important than usefulness to women in technology adoption if women are more interested in process than outcome. However, a body of research has shown that entrepreneurs possess unique personal traits. These traits could play important roles in the perception and adoption of computer technology adoption by women entrepreneurs in Malaysia.

### Entrepreneurial Traits

The traits suggested by previous empirical research which describe entrepreneurs are: (1) high need for achievement (Decarlo & Lyons, 1979; Hornaday & Aboud, 1971; among many others); (2) internal locus of control (Hornaday & Aboud, 1971; Miller, 1983); (3) high need for independence and effective leadership (DeCarlo & Lyons, 1979; Hornaday & Aboud, 1971); (4) high need for autonomy (DeCarlo & Lyons, 1979; Sexton & Bowman, 1983, 1984); (5) information processing capability (McGaffey & Christy, 1975); (6) preference for moderate level of risks (McBer & Co., 1986); (7) low conformity (DeCarlo & Lyons, 1979; Sexton & Bowman, 1983, 1984); (8) aggression, support, and benevolence (DeCarlo & Lyons, 1979); (9) energy level, risk-taking, and change (Sexton & Bowman, 1983, 1984); (10) dominance, endurance, innovation, self-esteem, low anxiety level, and cognitive structure (Sexton & Bowman 1983); and (11) low interpersonal effect, social adroitness, low harm avoidance, and low succorance (Sexton and Bowman, 1984).

Yonekura (1984) in the discussion paper on “Entrepreneurship and Innovative Behaviour of Kawasaki Steel” suggested the following traits: assertiveness, insistence, forward-looking, critical thinking, creativity, innovation, continuity, preparedness, responsibility, open-mindedness, etc. Burch (1986) mentioned nine salient traits, which dictated a high propensity for one to behave entrepreneurially. They are: a desire to achieve, hard work, nurturing

quality, able to accept responsibilities, reward oriented, optimistic, excellence-oriented, an organiser, and money oriented.

From the review of literature it is observed that innovation, risk-taking propensity, perseverance, and flexibility are more common and consistently reported traits among entrepreneurs. Table 1 shows a summary of some of the previous studies on the four entrepreneurial traits.

Table 1: Entrepreneurial Traits Reported in Previous Research

Entrepreneurial Traits	Author	Comment
Risk taking, Low harm avoidance	McClelland (1961); Ansoff (1972); Sexton & Bowman (1983; 1984); McBer & Co. (1986); Jantan et al. (2001); Ndubisi & Jantan (2003); Ndubisi et al. (2005).	Majority of the authors argued for high risk-taking propensity of entrepreneurs, and few think entrepreneurs take calculated risks.
Innovativeness or Low Conformity	McClelland (1961); Decarlo & Lyons (1979); Stevenson (1983); Sexton & Bowman (1983; 1984); Yonekura (1984), McBer & Co (1986); Jacobson (1993); Harper (1996); Kitchel (1997); Schumpeter (2000); Jantan et al. (2001); Ndubisi & Richardson (2002).	Going by the number of authors listed here, it is clear that many agree that innovativeness is one of the most common traits of entrepreneurs.
Flexibility or Change	Sexton & Bowman (1983; 1984); Kitchel (1997); Jantan et al. (2001); Ndubisi & Richardson (2002); Ndubisi & Jantan	Flexibility has received much evidence as an entrepreneurial trait as did innovativeness, risk-taking and perseverance. Yet it is

	(2003); Ndubisi et al. (2005).	still attracting more research attention.
Perseverance/endurance , High energy level	McClelland (1961); Stevenson (1983); Sexton & Bowman (1983; 1984); Yonekura (1984); Burch (1986); McBer & Co (1986); Wells (1994); Henzel (1995); Kitchel (1997); Glick-Smith (1999); Jantan et al. (2001); Ndubisi & Jantan (2003)	Another common trait of entrepreneurs is perseverance. With innovativeness, risk-taking and flexibility, perseverance form the set of most common entrepreneur traits. Hence, justifying their selection for the purpose of the current research.

The entrepreneurial role has long been recognized as a prime source of innovation or creativity. For many entrepreneurs, the basic drive is creativity and innovation to build something out of nothing. They are always looking for something unique to fill a need or want (Ndubisi et al. 2003). Thus, more innovative women entrepreneurs are more likely to adopt computer technologies. It is therefore hypothesized as follows:

Hypothesis 2a: There is a significant direct positive relationship between innovativeness and computer technology adoption.

Risk refers to the uncertainty of outcomes of an organisations resource commitment. Women entrepreneurs with higher risk-taking propensity are more likely to meddle with matters of uncertain outcomes. It has been reported that organisational innovations result from, among other factors, risk taking in organisations. According to Nohria and Gulati (1997) and Singh (1986), innovation can often result from successful risk taking. Hence, the higher the risk-taking propensity of the entrepreneur, the more likely she is to experiment with computer technology and to eventually adopt it. This leads to the next hypothesis:

Hypothesis 2b: There is a significant direct positive relationship between risk-taking propensity and computer technology adoption.

Perseverance is the ability to continue doing something one believes in for an extended period, enduring difficulties, and finding a solution when facing a barrier (Ndubisi et al. 2005). Kitchel, (1997) reported that a CEO whose perseverance level is high keeps on working on achieving goals despite repeated failures. Thus, computer technology adoption is likely to be greater among more persistent women entrepreneurs. This assumption is captured in the following hypothesis:

Hypothesis 2c: There is a significant direct positive relationship between perseverance and computer technology adoption.

Lastly, the extent of flexibility exhibited by women entrepreneurs could have some implications on their technology adoption. More flexible women entrepreneurs are likely to adapt more easily to rapid technological obsolescence. Depending on the frequency of technology replacement or upgrading need, the more flexible entrepreneurs may have a more rapid adoption. McCalman and Paton (1992) asserted that technological change due to its dynamic impact on existing system and also its threatening image can create many challenges for the change agent. While such challenges may deter less flexible users, more flexible entrepreneurs are more likely to flow with technological fad. Hence, the next hypothesis will be verified:

Hypothesis 2d: There is a significant direct positive relationship between flexibility and computer technology adoption.

## METHODOLOGY

### Participants & Procedure

The population of study consists of women entrepreneurs that are members of the National Association of Women Entrepreneurs of Malaysia – (NAWEM). The list of members of NAWEM was taken from the NAWEM Business Directory. The women entrepreneurs were surveyed using structured questionnaire. All the one hundred and twenty-five members of NAWEM were contacted to participate in the survey. Each was sent a copy of the questionnaire, and seventy-four (59.2%) usable responses were received.

The design of the questionnaire took the approach of that by Davis et al. (1989), which has been adapted by many other researchers (such as Venkatesh and Davis 1996, Igbaria et al. 1995; 1997; Ndubisi et al 2003), but in this study with modifications to capture the hypothesised effect of

entrepreneurial traits. Part 1 measured actual system usage with two indicators, the number of computer supported business tasks performed and the number of different software applications used. In line with International Coalition of Library Consortia (ICOLC) (1998), the indicators used in enhancing the reliability of measuring the system usage were specifically: (1) use of a wide variety of software packages in CBIS environment (e.g. spread sheet, word processing, graphic, data processing, etc); and (2) the number of business task performed using systems such as budgeting, planning, analysis and forecasting. Achieved reliability measure was Cronbach's Alpha 0.83.

Parts 2 and 3 respectively measured perceived usefulness and perceived ease of use. Perceived usefulness indicators were improvement on job performance, increase in productivity, enhancement of job effectiveness, and system usefulness in the job. Indicators of perceived ease of use included; clear and understandable interaction with system, system compliance to commands, minimal mental effort in interacting with the system, finding the system easy to use. These indicators were adopted from Davis et al. (1989), with reliability estimates of  $\alpha = .90$  for perceived usefulness and  $\alpha = .88$  for perceived ease of use.

Part 4 measured the traits of the entrepreneur. Entrepreneurial traits in this study included innovativeness, risk-taking propensity, persistence/perseverance, and flexibility. Traits items were adapted from Kitchel (1997) and Harper (1996). The following items were used to measure innovativeness (e.g. acting to diversify business, products, or service into new fields; finding a unique way to solve problems; producing new ideas or innovative solutions and trying out new ideas); risk-taking propensity (for instance not hesitating to put money into new business that could fail if the possible reward is high; seeing risk-taking as an integral part of a challenging career, willingness to take profitable business risk); perseverance (don't easily give up on things, even on very difficult tasks; having staying power to do work that requires long hours and hard work; looking for alternative solutions when one fails); flexibility (willingness to apply changes that will bring better results; willingness to change position even on important issues, if faced with a good argument; not afraid of change). The reliability of the items was confirmed based on the following alpha values: innovativeness (.92), risk-taking propensity (.83), perseverance (.70), and flexibility (.82). Part 5 measured the demographic variable using single items such as: age, educational background, job function, primary business activity, period of establishment, number of employees, and prior computer experience (Ndubisi

et al 2003). For parts 2-4, respondents were asked to indicate the extent of agreement and disagreement on a five-point Likert scale ranging from (1) “strongly disagree to (5) “strongly agree”. The schema of the proposed relationships and p-values are schematized as Figure 1.

## RESULTS

Respondents are engaged in various activities, from manufacturing, to sales, education, interior decoration, fashion designing, etc. Seventy-three percent of the entrepreneurial ventures have been established for over five years, 20.3% and 79.7% are respectively in the manufacturing and service sectors, 89.2% are employing less than one hundred staffs, and 84.6% are owner-managed. A total of 58.1% of the entrepreneurs are graduates, 43.2% are below forty years while the rest are forty years or more. There are more Chinese (64.9%) than Malay (32.4%) and Indian (2.7%) women entrepreneurs.

### IT Usage Pattern

The results in Table 2 show that all respondents (100%) are using word processor, 73% are using electronic mail, 57% are using application packages, and so on. Job tasks where systems are used are letters and memos (88%), producing reports (77%), internal communication (66%), data storage/retrieval (62%), budgeting (49%), controlling & guiding activities (47%), etc. It is observed that 59.5% of respondents are using a minimum of four out of the seven varieties of systems presented, and 54.1% are using a system for at least five out of the ten job tasks.

Table 2: IT Usage

System Variety	Percentage of respondents using	Specific Job Tasks	Percentage of respondents using
Word processing	100	Letters and memos	87.8
Electronic mail	73.0	Producing report	77.0
Application Packages	56.8	Communication with others	66.2
Graphics	41.9	Data storage/retrieval	62.2
Spreadsheets	40.5	Budgeting	48.6
Databases	40.5	Controlling &	47.3

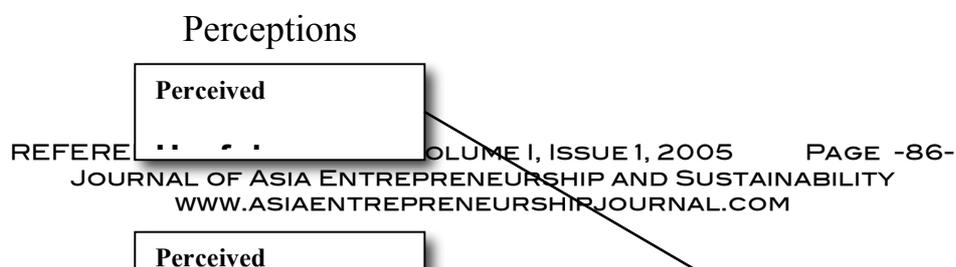
		guiding activities	
Programming Languages	31.1	Planning/forecasting	44.6
		Making decisions	43.2
		Analyzing trends	41.9
		Analyzing problems/alternatives	24.3

System variety was subsequently combined into two larger groups as follows: Basic Systems (namely, word processing, electronic mail, spreadsheets, graphics, & databases), and Advanced Systems (e.g. application packages & programming languages). Specific job tasks were grouped into those for administrative purposes (such as producing reports, letters & memos, data storage/retrieval, & communication with others), planning purposes (e.g. analyzing trends, planning/forecasting, analyzing problems/alternatives, & making decisions), and control purposes (e.g. budgeting, controlling & guiding activities). All the respondents are using at least one basic system, and 58.1% of respondents are using a minimum of one advanced system. A computer system is in use for at least one administrative task by all respondents, 59.5% of respondents are using an application for at least one planning and control task.

### Relationship Testing

The multiple regression analysis was employed to analyse the relationships in the model and the results are summarised and schematised in Figure 1 below.

Figure 1: Relationships among Perceptions, Traits and Adoption (with P-values)



.000

.126

Traits

.000

.048

.873

.631

From Table 3 it is observed that perceived usefulness and ease of use contribute significantly ( $F = 8.53$ ;  $p < .001$ ) and predict 20 percent of the variations in technology adoption by women entrepreneurs. Details of the result show that perceived usefulness has significant positive relationship with technology adoption ( $t$ -value = 3.93;  $p < .001$ ), while perceived ease of use does not ( $t$ -value = -1.55;  $p > .05$ ). Thus, there is sufficient evidence to accept hypothesis 1a and to reject hypothesis 1b. The above values for usefulness and ease of use indicate that perceived usefulness is more salient than perceived ease of use in technology adoption by women entrepreneurs.

Table 3: Perceived Ease of use and IT Usage (via Perceived Usefulness)

Perception	t-value	p-value
Perceived usefulness	3.93	.000
Perceived ease of use	1.55	.126

$R^2 = .20$      $F = 8.53$      $F$  Sig. = .000

#### Entrepreneurial Traits and Adoption

Table 4 summarizes the regression analysis of the relationship between traits and computer technology adoption.

Table 4: Entrepreneurial Traits on Adoption

Traits	t-value	p-value
Innovativeness	3.69	.000
Risk-taking propensity	2.02	.048
Perseverance	-.160	.873
Flexibility	.483	.631

$R^2 = .58$      $F = 24.03$      $F \text{ Sig.} = .000$

Entrepreneurial traits namely innovativeness, risk-taking propensity, perseverance, and flexibility contribute significantly ( $F = 24.03$ ;  $p < .001$ ) and predict 58 percent of the variations in computer technology adoption by Malaysia women entrepreneurs. It is further observed that innovativeness ( $t\text{-value} = 3.69$ ;  $p < .001$ ) and risk-taking propensity ( $t\text{-value} = 2.02$ ;  $p < .048$ ) are significantly related to adoption, hence we accept hypotheses 2a and 2b. Both innovativeness and risk-taking propensity are important determinants of technology adoption among women entrepreneurs in Malaysia. Perseverance ( $p\text{-value} = .873$ ) and flexibility ( $p\text{-value} = .631$ ) are not significant drivers at 5 percent significance level, which leads to rejection of hypotheses 2c and 2d.

## DISCUSSION

The findings show that Malaysian women entrepreneurs' adoption of computer technology is driven directly by their perception of the system's usefulness and indirectly (via perceived usefulness) by perceived ease of use. Women entrepreneurs in this study deem easy to use systems as useful systems and in turn adopt. In fact, ease of use in itself is not a determinant of adoption, but becomes influential when easy to use systems are perceived as useful systems. These findings are also consistent with Ndubisi et al., (2003) and Ndubisi et al (2005).

The lack of direct influence of ease of use on adoption is contrary to the postulation of the technology acceptance model, but plausibly explained by the outcome orientation of entrepreneurs. As shown in the literature, entrepreneurs, have a high need for achievement (Decarlo & Lyons 1979; Hornaday & Aboud 1971; Burch 1986, etc). Such a desire to succeed, plausibly explains why they tend to adopt useful systems. In other words, the need to achieve goals causes perceived usefulness to overshadow system's difficulty in use, thereby ensuring that the system is adopted.

Another interesting finding of this research is the difference in antecedents of adoption between women entrepreneurs and other female (non-entrepreneurs) technology users. Venkatesh et al (2000) reported higher process orientation (ease of use) for women generally in technology adoption. Earlier, Hennig and Jardim (1977); Rotter and Portugal (1969) reported that women tend to focus on the methods used to accomplish a task. The evidence from the present research shows otherwise. It is clear from the current study that women entrepreneurs are somewhat different from other women (non-entrepreneurs) in the earlier studies in that they are outcome oriented more than process oriented. In fact women entrepreneurs in this study focus on outcomes rather than processes in making technology adoption decisions.

Two important traits that bear on women entrepreneurs' technology adoption are innovativeness and risk-taking propensity. Clearly, both traits are directly associated with adoption. Specifically, the higher the risk-taking propensity of women entrepreneurs, the greater the level of adoption. It has been reported in prior research that women display somewhat higher levels of anxiety (Bozionelos 1996), which is inversely correlated with computer aptitude (Felter 1985) and technology adoption. However, women entrepreneurs are different. Just like other entrepreneurs, women entrepreneurs exhibit a low anxiety level and high risk-taking propensity (Sexton & Bowman, 1983, 1984), which translates to greater computer technology adoption as shown in this study. This is because low risk aversion has the potential to create a favourable atmosphere for adoption by eliminating anxiety and phobia for uncertainty, thereby making women entrepreneurs more willing and ready to tryout new technologies. As trial rate increases, so does acceptance, all things being equal.

Similarly, more innovative women entrepreneurs tend to make greater use of computer technologies. Rogers (1995) in his innovation diffusion theory described innovators as initiators or originators of innovations and ideas. Innovators generally lead the way and others follow their footsteps, and even when there are no followers, innovators move on. Such revolutionary persona, which has been associated with entrepreneurs, proves to be an important factor in the adoption of computer technology by Malaysia women entrepreneurs. Innovativeness has also been associated with high risk-taking propensity. Since innovators are always at the forefront, they shoulder a higher risk of uncertainty, which others may not experience eventually.

Therefore, adopting new technologies is not surprisingly a function of innovativeness and risk-taking propensity of women entrepreneurs.

With regards to perseverance and flexibility, both traits have no important impact on adoption. Clearly entrepreneurs' perseverance and flexibility do not lead to enhanced technology adoption. High level of perseverance can lead to sticking to an older technology and reluctance to experiment with novel ones, while flexibility can lead to openness to new ideas but not necessarily its acceptance. These are logical reasons why perseverance and flexibility traits are not key computer technology adoption factors among women entrepreneurs in Malaysia.

## STRENGTH, WEAKNESS AND FUTURE RESEARCH

Some of the strengths of this research are highlighted. Firstly, the data are based on a poll of entrepreneurs who are officially recognised as Malaysian entrepreneurs by their membership of the national association of women entrepreneurs in Malaysia (NAWEM). Secondly, the model is based on theory grounded on existing management information system studies – the TAM model. Moreover, actual IT usage was used rather than usage intention (as a predictor of usage behaviour), which has been questioned by some scholars.

This research focuses on women entrepreneurs only. To some, this may be considered a limitation. However, this arguable limitation is defensible. This study deliberately studied only women entrepreneurs because of the small amount of research in this sector compared to their male counterparts. Secondly, as more and more women are setting up entrepreneurial ventures in Malaysia in recent times, many of which are availing the benefits of computer technologies, it is becoming increasingly vital to unveil the specific (women) entrepreneur factors of adoption (rather than a pooled information about both sex) that will assist in designing strategies for approaching this niche market. Nevertheless, future research could be geared towards a comparative study of male and female entrepreneurs in Malaysia to examine if there are any differences in their technology adoption and adoption drivers. It is also necessary to examine the moderation effects of gender in the relationship between perceived usefulness, perceived ease of use, traits and computer technology adoption.

## IMPLICATIONS AND CONCLUSIONS

Theoretically, this work supports the theorization of the technology acceptance model that perceived usefulness is directly related to technology adoption, and perceived ease of use is indirectly (via perceived usefulness) associated with adoption. Further, contrary to the ease of use-adoption relationship in the TAM model, there is no evidence among Malaysia women entrepreneurs in this study. The research findings also challenge current theory on the process orientation of women with respect to technology adoption as well as the focus of women on the methods used to accomplish a task as against the outcome of undertaking the task. Clearly, the findings of this research show that for women entrepreneurs, perceived usefulness is much more important than perceived ease of use. Thus, women entrepreneurs are outcome oriented (not process oriented) and also focus on the result rather than the method used to accomplish a task. The end is more important than the means. Entrepreneurial traits namely, innovativeness and risk-taking propensity have shown strong evidence as important personality factors of computer technology adoption by women entrepreneurs. This evidence adds value to the current knowledge in this field.

Practical implications of the research are discussed next. First, with regards to the management of technology in entrepreneurial ventures, (women) entrepreneurs should invest in useful systems; such investments should not be hindered by slight system's complexity or difficulty. There is evidence that such perceived difficulty usually fades away with time as users gain more and more experience with the specific system. Further, as ease of use is not a key direct factor of adoption women entrepreneurs should not place priority to ease of use in making technology adoption decisions, instead, beneficial outcomes of such applications should be emphasized.

Systems developers and marketers on their part should supply visibly beneficial systems. The strong direct impact of system's perceived usefulness and indirect impact of perceived ease of use suggests important strategies for market oriented systems designers and marketers. They should in addition to providing useful systems also deliver user friendly technologies. Since easy to use systems are deemed useful systems and consequently adopted, designers and vendors should not neglect the ease of use factor. This is because albeit this factor has no direct influence on adoption, it anchors perceived usefulness, which directly predicts adoption.

In conclusion, it is germane to reiterate some of the discoveries made in this study. Women entrepreneurs are outcome oriented in their technology

adoption decisions. They focus more on the beneficial outcomes rather than on ease or difficulty of use process. They emphasize the end rather than the means to the end, which is contrary to what has been reported for other women (non-entrepreneurs) in previous research. Innovativeness and risk-taking propensity are influential traits in technology adoption decisions. These traits can be capitalised on in attempting to create a favourable environment for computer technology adoption among Malaysia women entrepreneurs. Hence, entrepreneurial traits, user perceptions of system's usefulness and (indirectly) ease of use are potent keys to understanding the technology adoption decision processes of women entrepreneurs in Malaysia.

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## MODERN INFORMATION TECHNOLOGY AND ORGANIZATIONAL THINKING OPEN A WINDOW OF OPPORTUNITY FOR ENTREPRENEURIAL SMES

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## **Modern Information Technology and Organizational Thinking Open a Window of Opportunity for Entrepreneurial SMEs**

### Abstract

The paper addresses recent organizational trends, and the opportunities created by these, combined with information technology. For SMEs to exploit this opportunity, however, their traditional management thinking must change. A research program to identify needs and create educational opportunities to facilitate this is proposed.

Three major trends are presently merging and seem to lead to a reconfiguration of how business is conducted:

1. Larger corporations are looking for ways to develop their core competencies to gain competitive advantage. On the other hand, they seek to outsource some of their non-core business functions to outside entities. That means new business opportunities for smaller firms.
2. Smaller firms create cooperating networks, where each one contributes a specialized competence. An organization consisting of a number of independent firms working in a network can be envisaged. Each member performs a superior core activity on behalf of the network. The firm may belong to several networks, performing the same task in each one. If the trend catches on, it may be a golden opportunity for smaller firms (which normally are rather specialized) to grow in one or multiple networks. The network acts as one vendor in the marketplace.
3. Information technology, which formerly favored the larger companies, is now within reach of all firms that want to make use of it. Consequently, information technology acts as glue for the network, making all information available to all partners at the same time. The playing field is getting even!

The paper finally points out the need for research to assist SMEs to exploit the opportunities that arise from the identified trends.

## Introduction

This paper addresses the issues of focus on core competencies of the firm, the resulting tendency towards outsourcing of non-core activities to SMEs by larger companies, and finally virtual organizations that can be created by SMEs as a way to achieve the advantages of larger firms while keeping the entrepreneurial spirit of the smaller firm.

The paper further suggests a research agenda to identify the forces that enable the implementation of these trends, as well as those forces that restrain this development. The findings can be used by businesses, in education and in public support organizations to improve competitiveness for SMEs.

## Need for new ways

Competition is not any more only a local or national issue, but is extended to regional or global scopes. The “global village” is becoming a reality, with the resulting fierce competition. The result is that there will be an increasing demand for higher efficiencies in the way business is conducted. Cooperation in various forms of alliances between firms seems to be one way to achieve this. New ways of organizing work through networks may redefine processes and tasks to create a “work locally but interact with the world” setting. Both large and small companies need to have an understanding of the underlying economics pertaining to transaction cost to be able to successfully change their mode of operation.

## What is happening?

Three major tendencies seem presently to be emerging, leading to a reconfiguration of how business is conducted:

Larger corporations are looking for ways to increase competitiveness. One approach is to develop their core competencies and outsource other business functions to outside entities. That means new business opportunities as outsourcing partners for a large number of small and entrepreneurial firms.

Smaller firms with different special competencies have started joining forces into cooperative networks (virtual organizations) to increase competitiveness.

Information technology, which formerly for cost reasons favoured the larger companies, is now within reach of all firms that want to make use of it. The

playing field is getting even!

The combination of the trends, creating closely linked outsourcing relationships as well as cooperating networks, glued together with information technology will most likely result in improved competitiveness both for the larger corporation and the smaller firms.

#### Trends in strategic thinking for larger companies

Over the past few years a discussion has been taking place both among practitioners and academia if a larger company shall be integrated, i.e. carry out all administrative and operational functions themselves, as has been the tradition. Integration has the advantage of managerial control over all activities. That may be beneficial in many circumstances, but can create a false feeling of security.

#### A changing environment forces change in strategic thinking

There is an increased awareness that a concentration in the areas of the organization's superior competencies increases competitiveness. The time of the fully integrated corporation that makes all from its inputs to the finished product may be coming to an end. This has been experienced painfully by numerous companies, with IBM as a notable example. After having maintained an unchallenged leadership position as a completely integrated corporation in the IT industry until the 1990s, it experienced a dramatic downturn due to competition from smaller, specialized, non-integrated firms. These new competitors had developed core competencies such as technology development, marketing or superior software. Several of these firms, for example Sun Microsystems, Dell and Compaq Computer, grew into multi-billion companies within a short time span, partly due to a strategy of outsourcing non core activities. (IBM withered, but has later staged a come back through a complete strategy change).

#### Core competencies

Identifying and nurturing core competencies is considered to be an important issue for the organization as it is through them that the competitive advantage evolves. The term "core competencies" was coined by Prahalad and Hamel in 1990. The topic has been addressed by numerous authors, however, and 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 that cannot readily be bought, and is furthermore difficult to imitate. It has value only if it gives the customer a superior, real or perceived, 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 only has value if it can be converted into some form of customer satisfaction.

Do more of what you are best at

It seems that no organization can be the best in all fields over time. It must make choices as to what to concentrate on. The resources should obviously be concentrated where they are best leveraged to achieve competitive advantage. An example of this outsourcing trend is given by Doig et al (2001) stating that in 2001 the average electronics OEM was hoping to outsource 73% of their manufacturing.

Outsourcing in a large company perspective

The activities to be considered outsourced are activities not considered representing core competencies of the organization. They may be bought more inexpensively 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.

One definition of the concept of outsourcing could be:

Transfer to an outside entity of responsibility for production of a primary production or central support activity that formerly has been performed internally by the organization.

Successful outsourcing requires an understanding of the strategic issues as well as benefits and costs affecting the end result, however. An overview of the underlying economic factors is therefore of interest.

In its simplest form, the strategic question is whether the activity considered outsourced is of strategic, i.e. important for the long term competitive position or not. Core competencies are obviously not chosen, but in some cases also non-core (for example selected support activities) are kept in-house for strategic reasons even if they could be bought in the market at a lower price.

Transaction cost theory Williamson (1979) assumes that market forces and internal hierarchies are alternative forms for control and decisions. The economic aspect of the outsourcing decision must be understood by both the outsourcer and the outsourcing partner to reach a satisfactory decision.

The potential cost savings can be divided into three parts: production cost, internal coordination cost and communication cost. Production cost is the direct, calculated cost per unit. Coordination cost arises from internal communication between individuals within organizations to achieve the optimum way of coordinating internal activities. Internal meetings are a good example of this. Communication costs arise from the need to interact with the outside world, for example hiring of workers, negotiation with banks to finance raw materials or accounts receivable, etc.

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

Outsourcing has, however, also the potential for an increased cost side. Milgrom and Roberts (1992) state that the process of establishing a contractual relationship with an outsourcing partner can be named bargaining costs. They consist of resources needed to identify, negotiate and possibly the cost of a non-agreement.

Monitoring (or management costs (Demsetz (1993)) are incurred in connection with the execution of the relationship. They include control of performance, adjustments to the contract, etc.

Dahlstrom and Nygaard (1999) mention maladaptation cost, i.e. costs related to communication and coordination failures between the outsourcing partners.

The networked company

Present thinking goes one step further than a one to one outsourcing relationship. An organization consisting of a number of independent, non-

competing entrepreneurial firms working in a network can be envisaged. A small firm may, in some cases, belong to several networks, performing the same task in each one. Each member performs a superior core activity on behalf of the network. The network may be permanent or temporary. As a result, the “virtual” organization is being created.

If the trend continues, it may be an opportunity for smaller, entrepreneurial firms (which normally are rather specialized) to grow in one or multiple networks. See for example Davidow and Malone (1992) for further description. The group of companies in the network can behave in the marketplace as if it were a larger, integrated company.

### Sources of advantages for the networked SMB

#### Specialization

Resource based theory, (see for example Barney (1991)), suggests that organizations that can develop leading edge skills or utilizing specialized production equipment are particularly well suited in network organizations. By combining the members’ specialized capabilities, the network as a whole can get a broader and deeper competency than the integrated firm.

#### Flexibility

The partners in the network can be geographically dispersed. Information technology eliminates distance. Theoretically, the network can consist of firms on different continents.

The participants can have numeric flexibility; i.e. they may achieve their optimal capacity utilization and scale advantages, resulting in the lowest unit cost of production.

Functional flexibility is the ability to combine the unique competencies of each of the participants in ways that can create a value chain different from the traditional one of the large, integrated competitor. Such a reconfigured value chain can result in competitive advantage.

#### Resource utilization

In case there are several potential vendors in the network, resource balancing can be achieved by allocating tasks to those with unused capacity. The network can also act as an internal market mechanism, using the price mechanism for allocation of work to partners in the network.

Four important issues for the network

Hakansson and Sharma (1996) point out some important focus areas in developing the network:

Value concept

A “network captain” develops the value concept that defines a target market and a product or service offering that will provide clear value to the target customers.

Relationship development

Gaps between the value concept and the resources necessary to execute it and help define the characteristics of ideal partners and the capabilities they will contribute to the network.

Network management

The underlying motivation for network members to organize and integrate activities is to create competitive advantage for the network as a whole. Mutual value objectives are important and must be constantly reinforced for the partners to focus on cooperation in the network.

Partner learning

This includes both transfers of specific skills as well as tacit learning as the partners work together.

Opportunities created by developments in information and communication technology

Information technology is the glue that will tie the firms together and make cooperation “seamless” and potentially efficient. Several factors pull in this direction:

Price

The price and performance level for hardware and software place the tools within reach of any firm.

Software

All kinds of packaged software are available to cover most applications and networking for smaller firms. Functionality and ease of use is rapidly improving. Only modest in-house technical competence is required.

Networking capabilities

Data networks, intra-company, regional or global, are becoming commonplace. Time and distance are eliminated, and information is available to all authorized individuals at the same time. Computer networking is

perfectly suited for outsourcing relationships or virtual organizations where participants can work together as if they were one organization.

In marketing, the “web” will create an open, global market that can be exploited by SMEs in network organization at no size or location disadvantage. A world wide pool of buyers and sellers can be reached. Prices will be more transparent and the value of the large firms’ physical, local presence, which has constituted a marketing and production advantage, may be reduced.

#### Effects of reduced interaction costs

The combination of constantly reduced cost of information technology and greater processing power that are available (and there is no indication that that trend will change) will further reduce the interaction costs and change the way business is done.

Because of the lower interaction costs made possible by information and communication technology, the result may be reduced value of vertical integration, whereas outsourcing will be less costly as buyers can benefit from superior economics of specialized suppliers. The total transaction costs have been considered increasing by outsourcing, however, reducing its attractiveness to some extent.

Horizontal integration and cooperation (alliances) will become more economically attractive as lowered interaction costs will allow companies better to coordinate the activities in for example marketing and distribution of a wider variety of products and services.

#### Conclusion

This paper has suggested that larger firms are increasingly focusing on developing their core competencies to achieve sustained competitive advantage. The non-strategic activities are increasingly being outsourced, which gives the specialized SMEs a unique opportunity to expand. Reduced interaction cost accelerates this trend.

Reduced cost and increased power of information technology mean that SMEs can be linked with the outsourcer as if they are part of the organization independent of geographical location.

Specialized, entrepreneurial SMEs can link in a co-operative (and IKT) network, each one supplying unique input to an entity that works in concert towards the market. Thereby scale advantages can be achieved without losing the entrepreneurial spirit of each participant.

A research program is needed

It is not difficult to describe the above trends that converge into an opportunity to be exploited by SMEs. It is far more difficult, however, to change the ways of how SME owners and managers think and act. Operating in close cooperation with one or several partners requires a different way of thinking. Firstly, the firm is no longer an integrated entity, but a specialist delivering just one part of the final product. Secondly, a greater degree of openness is required. The business partners, (who could, in the worst case, become future competitors), gain insight into both each other's strengths and weaknesses. Thirdly, managers and employees in a network must be comfortable with working via computer screens with little face to face contact. Finally, the networks must be configured in a way that the benefits are fairly distributed between the partners.

To address all these issues and help the small, entrepreneurial firms to develop a cooperative mode of operation, a better understanding of forces promoting and resisting such development must be gained. Some suggested areas to be investigated are:

Status of organizational and technical networking

How widespread is organizational networking and to what extent is computer networking involved?

Status of organizational thinking among larger companies

It is important to identify the present status for outsourcing and alliances among the larger companies, as this forms the basis for business opportunities for the SMEs.

SME and large company attitudes to cooperation in networks

What are the forces that promote and constrain these opportunities?

Management styles and competencies in SMEs that seem to facilitate cooperation in organizational networks

It is important to identify characteristics of early adopters of the outsourcing and networking concept. Differences between family-owned and managed vs. professionally managed firms could also be an issue. Based on these observations, a selective approach can be chosen to maximize impact.

#### Information technology competence among SMEs

This is not only of importance for this project, but also for the field of information technology in the SME sector. To what degree is information technology a real instrument for expansion of SMEs? What are the main conditions for successful use of information technology in SMEs? The findings can help in designing information technology for education and training programs in this segment.

#### Employees' attitudes towards new ways of working

Any change in the ways of organizing work depends on support from the workforce. The degree of resistance to change determines the approach needed for organizational change.

#### Use of research results

#### Develop a theoretical framework

It must be expected that the findings will result in a number of constructs that can be classified. A good theoretical framework can help in advancing the research and education in this field.

#### Increase awareness of networking advantages for SMEs

A set of information programs should be developed to make smaller firms aware of the opportunities in the field of networking. Academia could be updated through research reports and published articles, lectures and books. Government institutions and trade organizations can be made aware of the opportunities in this field to adapt policies.

#### Develop an educational program

Upon completion of the research program, the insights should be converted into educational programs for SMEs to help them reap the benefits of cooperation through networks and information technology.

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## **THEY TALK THE TALK, BUT DO THEY WALK THE WALK? SUSTAINABILITY ACCEPTANCE IS LOW IN GERMAN AND NEW ZEALAND FIRMS**

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## Overview

Through the International Sustainability Acceptance Measurement (ISAM), we intend to better understand the level of acceptance of sustainability as a practical management tool in business around the world ([www.worldreply.com](http://www.worldreply.com)). It was observed by others that sustainability concepts often stay on a rather general level where it is hard to identify specific indicators and the potential for future development.<sup>i</sup> In an effort to contrast the level of sustainability in the ISAM countries, the participating universities analyze their respective country data and then co-operate to benchmark and compare this information around the globe. This makes the ISAM work one of the few world-spanning efforts to look at the practical implementation of sustainability.

## Background

“Sustainability“ as a term considers the long-term value creation, and it should contribute to managerial decision-making in modern enterprises, in recognition of the responsibilities to stakeholders. Following the apparently overly myopic focus on financial statements as the exclusive indicators of business health, the Triple Bottom Line reporting standard has been established to expand the transparency of corporate reporting<sup>ii</sup>. In a more traditional definition, sustainability is the act of exploiting natural resources without destroying the ecological balance of a particular area through global resource depletion and environmental pollution<sup>iii</sup>, and we speculate whether the emphasis on physical resource conservation has shaped the discussion about sustainability in business to focus too narrowly on firms with heavy involvement in physical resource extraction and use. It is obvious now, that activities that consume too many non-renewable resources, produce too much pollution, or harm people are not sustainable in the long run<sup>iv</sup>, and expect that stakeholders are being made aware of these future constraints. We are mindful that a large majority of business in industrialized ‘first world’ countries are no longer overt resource users. They do not excavate mountains, dam rivers and emit noxious fumes from their factories. Many German businesses report that their activities affect neighbours not at all or to a minor extent<sup>v</sup>. Our concern is that managers in these comparatively ‘clean’ businesses may not be sufficiently informed as to the application of sustainability characteristics in their firms and, thus, may disconnect from an engaging discussion of this issue. Even “white collar” businesses use

resources, affect climates and create waste; and a lack of focus on sustainable operations likely causes social, environmental and financial hardship for them and their stakeholders. Rather than adopting the general notion that sustainability relates mainly to physical resources, we support the suggestion that the concept of sustainable development is rooted in the management tradition, that is, it emanated from the professional management paradigm.VI

A number of companies believe that the entire concept of sustainable development is an abstract and only theoretically possible goal of business operation. VII VIII Some businesses are critical of the sustainability debate as they believe it will impede their competitive growth and profit performance,IX and without doubt many firms will view any ‘new’ reporting standard as a burden. We want to elevate the discussion of sustainability to include practically relevant action items where managers can see their peers and where competitors take notice.

The following analysis is focused on responses from 155 German managers, mainly from firms in the State of Hesse and including the Frankfurt metropolitan area, and 366 New Zealand managers from a nationwide review. We thank the bifego Institute in Germany for their help with distributing the survey.

The term “sustainability” began getting widespread international attention in the Future Report of the International Commission for Environment and Development, which was established in 1983 by the United Nations as an independent body of experts.X This, generally known as “Brundtland Report”, initiative introduced the frequently cited definition for the now highly relevant sustainability discussion: “Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs.” In an environment of aggressive worldwide competition among the large export nations and their trade blocks, new rules in one economic region usually attract the attention of the other trade partners, with an interest to comply or a fear of surrendering a competitive edge. Therefore, it is of great interest to determine how and to what extent sustainability practices have been accepted worldwide.

Even earlier, in 1972, the concept of sustainability in business was introduced by researchers at the Massachusetts Institute of Technology, in research commissioned by the Volkswagen Foundation in 1972. Their results were published as the First Report of the Club of Rome, with alarming predictions over the expected decline of living standards as a result of disregard for sustainable resource management, and the concurrent increase in world population numbers.<sup>xi</sup> The Brundtland Report was one of the foundations for the widely attended Environment Conference in Rio de Janeiro in 1992, where a global action program for sustainable development was agreed upon as “Agenda 21”.<sup>xii</sup> Modelled after the Brundtland Report, this program set goals for individual countries to create their own sustainability action plans. Subsequently, in Johannesburg in 2002, another action plan was ratified among nations as a platform for national and Europe-wide sustainability strategies.<sup>xiii</sup>

The German government ratified its national strategy for sustainable development in 2002<sup>xiv</sup>, and formed a parliamentary committee in March 2004 to focus on sustainability efforts in Germany. Researchers there are now being challenged to include sustainability issues in their work; since then a new directive, “Research for Sustainability”, was published in June 2004.<sup>xv</sup> The four key areas in this plan are “Regional Utilization”, “Resource Management”, “Social Activities” and “Industry and Economy”.<sup>xvi</sup> The German Minister for Education and Research considers that the development and export of innovative technologies for sustainable business operations are essential drivers for German enterprises. There is no doubt that the careful management of resources will be a critical factor for the long-term sustainability of businesses.<sup>xvii</sup>

In New Zealand, the Parliamentary Commissioner for the Environment reports that the country could have been a leading light in sustainable development by 2002, but is not.<sup>xviii</sup> Specific guidelines are recommended for the future, to support the implementation of sustainability rules, largely centered around the use of natural resources. The New Zealand Business Council for Sustainable Development expands the application of sustainable management to the establishment of a sustainable supply chain<sup>xix</sup>, which arguably is applicable to a much larger population of firms than a singular focused discussion on resource use. The Sustainability Council of New

Zealand shows 12 current publications, all of which focus on land use or seed contamination, issues likely to escape the attention of many New Zealand firms.XX

Sustainable enterprise management is one of the “key challenges for management teams worldwide”.XXi Prior research asked the question why do companies adopt corporate sustainability practices, and answered that companies either feel obliged to do it; are made to do it, or they want to do it.XXii Recent reporting in New Zealand indicates that Governments may not be the best drivers to influence sustainability practices. XXiii We believe, as a basis for this global research attempt, that knowledge given to business managers about the level of acceptance of sustainability in other firms, throughout the same or differing industries, could be the first step to the introduction of sustainability as a competitive feature in businesses.

### Methodology

Firms were invited to submit their data by invitation from other firms, through industry organizations, from universities and business schools and from interest groups. The link to the internet-based survey was e-mailed to prospective firms, or was available as a link on home pages, or printed in newsletters and the media. The national researchers in each country formed alliances with government agencies, foundations, media and other groups to distribute the survey.

In Germany, the Bifego Institute worked together with the Hessian Technology Foundation (TSH) to distribute the ISAM survey. Participants in this study were approached by TSH in March 2004 with an invitation to submit their data. 91% of the participants requested a copy of the study results, indicating significant interest in this topic. 153 completed surveys demonstrated that this topic is relevant for discussion. In New Zealand, both Waikato University Management School and UNITEC distributed the survey to New Zealand businesses, without constraints as to their size, location or other criteria, and 366 responses were analyzed. The total response rate for German and New Zealand firms were comparable at 31%.

Through an internet-based survey instrument translated into local language ([www.worldreply.com/isamcountries](http://www.worldreply.com/isamcountries)), the firms were asked a series of

questions which related to the areas and the extent of understanding, planning for or implementation of activities related to or supportive of sustainability. In addition, key demographic data was collected to allow appropriate benchmarking among firms in similar industries, size ranges, activity profile and geographic locations. Ownership details, differentiating the firms by shareholder distribution and composition of the leadership, enabled a review of sustainability practices based on whether the firm was family-owned or owner-operated.

## Study Results

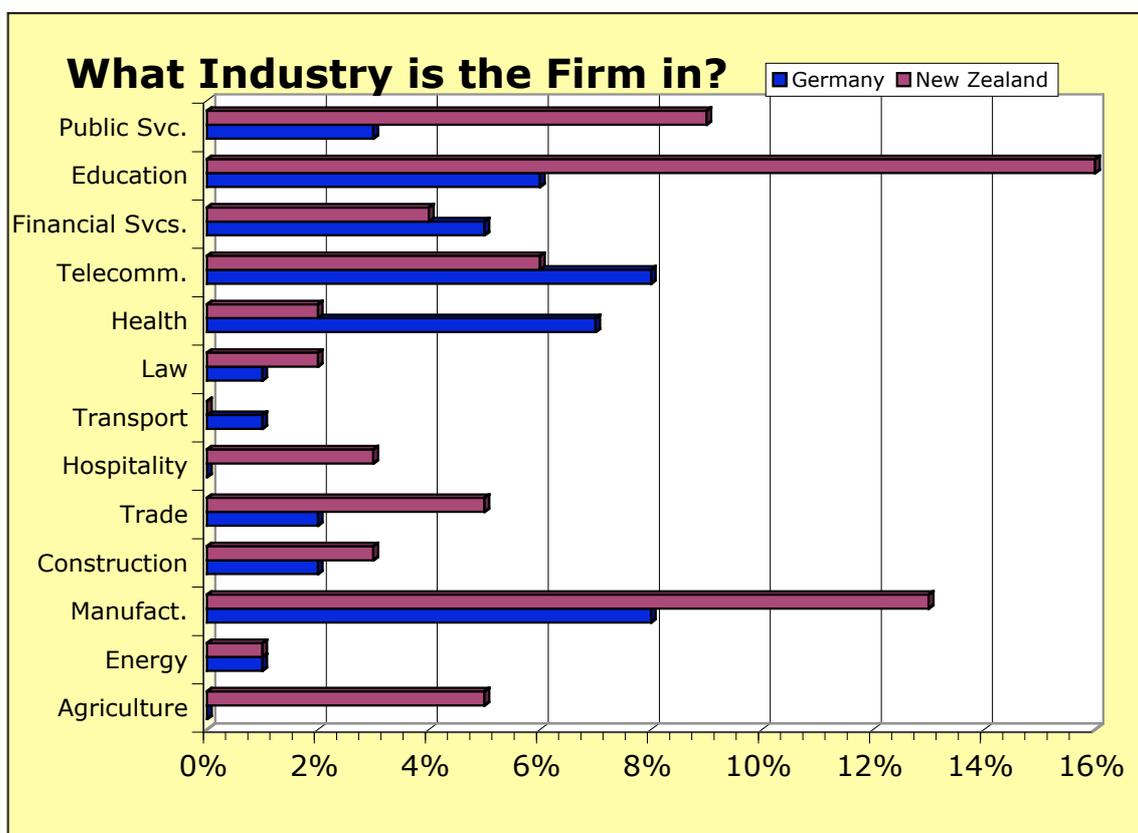


Table 1

Due to the different methods of distribution in both countries, the samples show heterogeneity in the industry representation of each country and thus does not permit an easy comparison by industry groups. In New Zealand, public service firms, education providers and manufacturers are over-

represented and, in Germany, health providers were represented disproportionately, and a large number of German firms (52%) indicate “Other” industries. In neither country was one industry representation dominant, and most responses are from businesses traditionally not engaged in resource-intensive production.

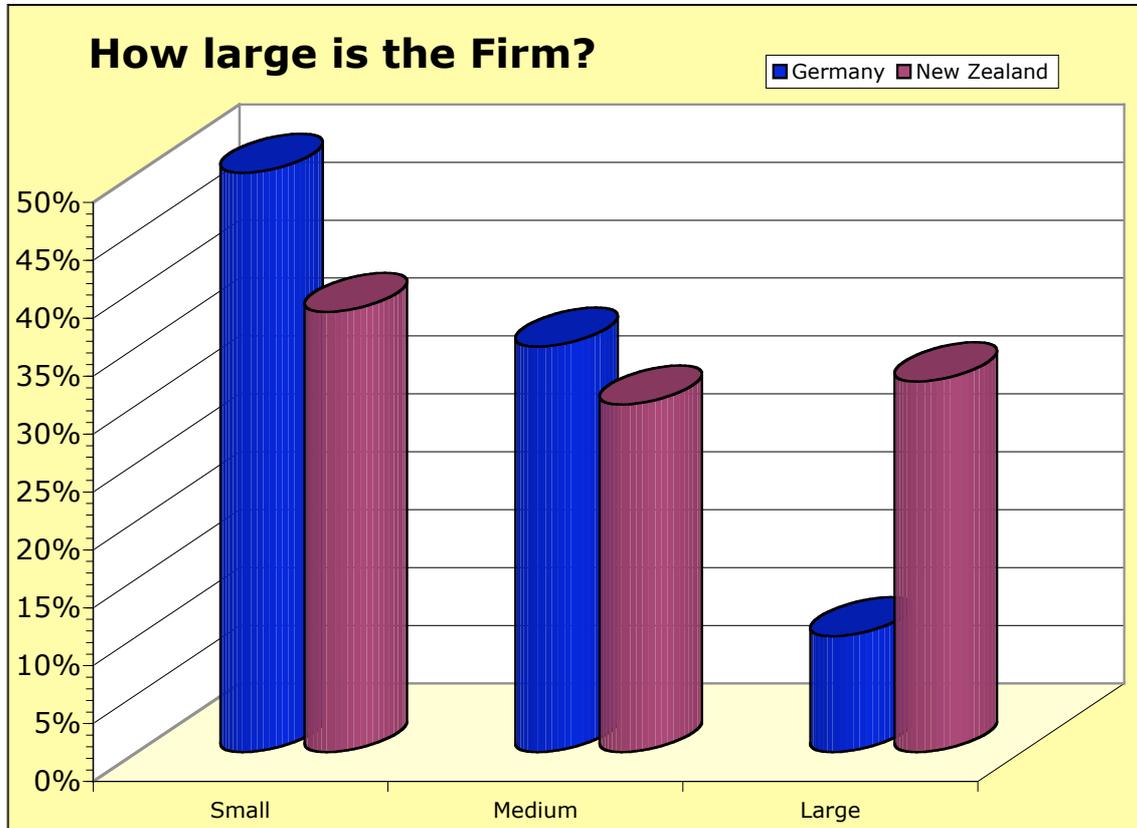


Table 2

For both countries, small and medium sized firms are represented about equally, while in New Zealand a significantly larger number of firms rank themselves as ‘large’ in their respective industries.

The acceptance of the various elements of sustainability in a firm was measured through a range of indicators. A subjective ranking of the importance of sustainability within the respective industry segment and among the management, set the scene to understanding how well the topic had been considered by the firms and their competitors. Basic knowledge of various elements of sustainability were tested to understand which parts of the term had found a ‘home’ in the firm. We then tried to understand which

operational tactics were used when considering sustainability in the firm, and how well the firm used sustainability as a competitive feature in promotional materials, annual reports and other media, such as newsletters. Lastly, the survey attempted to gauge to what extent plans for sustainable operations had been implemented and were found in practice. Our underlying premise is that business has much to do to contribute to sustainable development, including engaging in areas with which it previously did not concern or involve itself.<sup>XXIV</sup> We, therefore, intentionally drafted a range of questions which touched on different areas of sustainability application in practice, hoping that some of the areas where we felt sustainability considerations applied, had resonated with the surveyed firms.

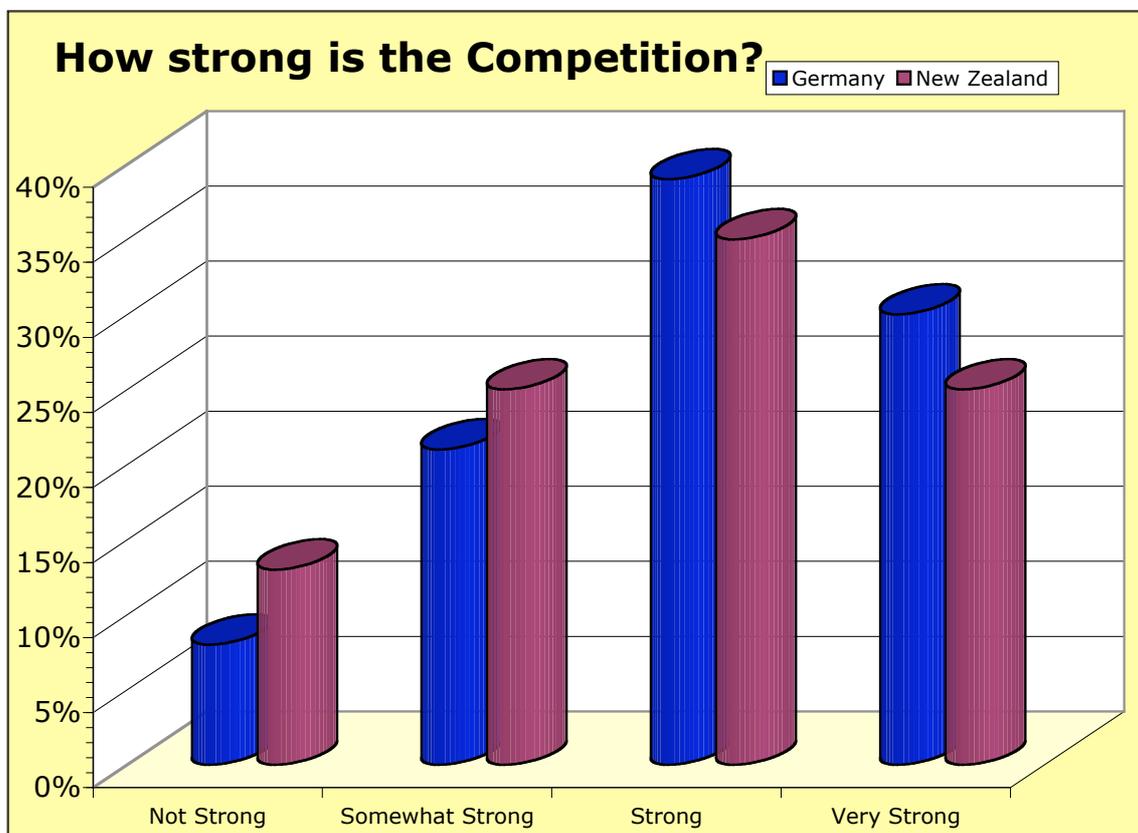


Table 3

In both countries, competition is a considerable factor for management. The majority of firms in Germany and New Zealand rank competitive pressure as ‘strong’ or ‘very strong’. We believe these companies are looking for innovative ways to grow into the future, and we suggest that they would benefit from applying sustainable management practices. Other challenges named by our survey respondents are lack of available expansion capital, governmental rules and regulations, as well as difficulty in recruiting qualified staff.

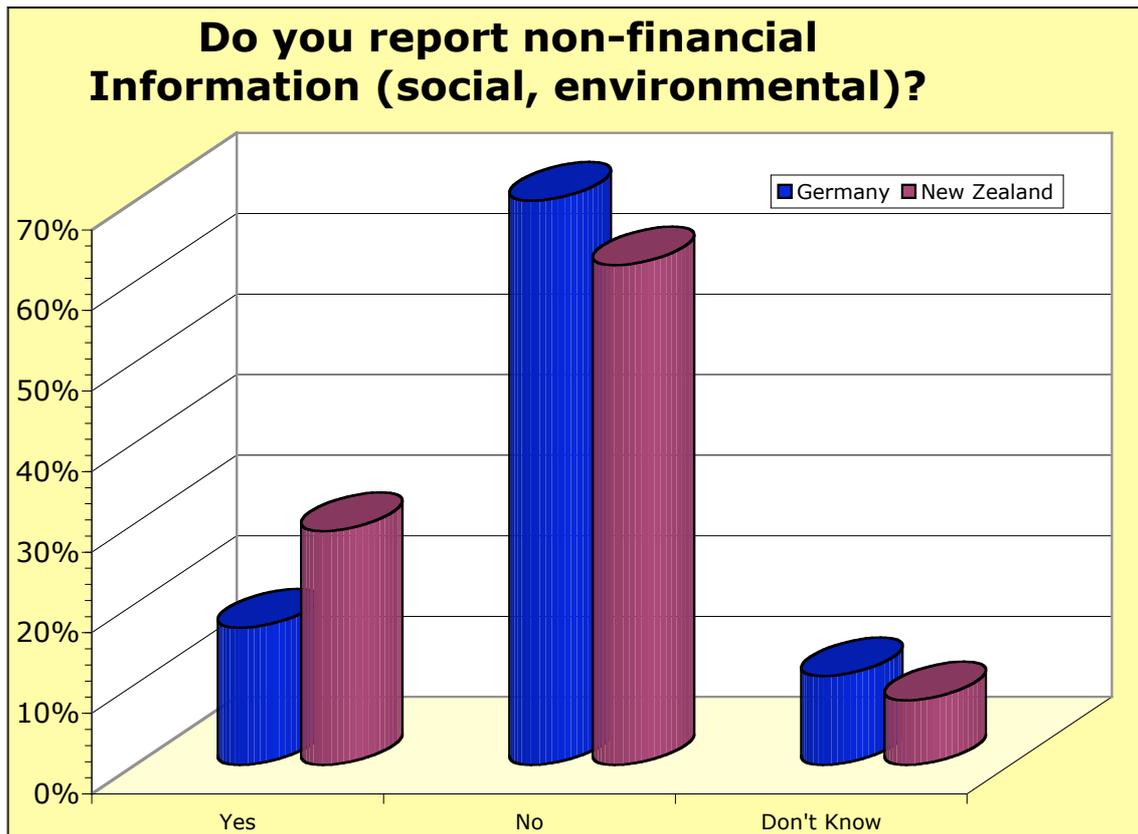


Table 4

For financial and other regulatory reporting, sustainability-related issues which expand the traditional financial reporting framework, are largely irrelevant. Fewer than a third of all firms in New Zealand and fewer than 20% of German firms reported social and environmental information as part of their annual report or other corporate materials. Approximately two-thirds of companies in each country focus exclusively on traditional financial information in their corporate materials. This appears at odds with the

anecdotally reported emphasis firms place on demonstrating sustainability awareness in their PR materials.

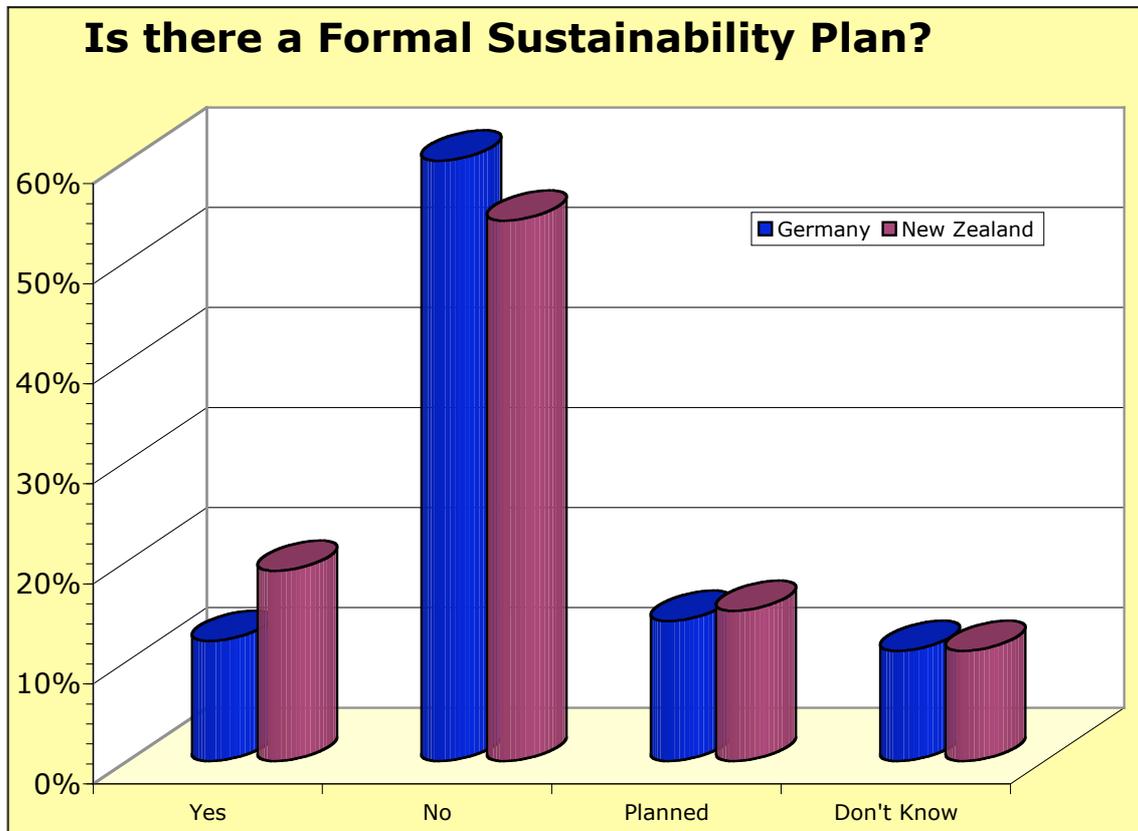


Table 5

The implementation of sustainability concepts via a formal plan, or as a component of a formal plan, are still noticeably absent. The issue of sustainable operations is generally not part of any formal business planning in Germany or New Zealand, with a slightly higher rate of plan development in New Zealand. We doubt whether there will be a significantly increased uptake of these concepts in practice if there is no planning process available for its implementation, measurement, evaluation and reporting.

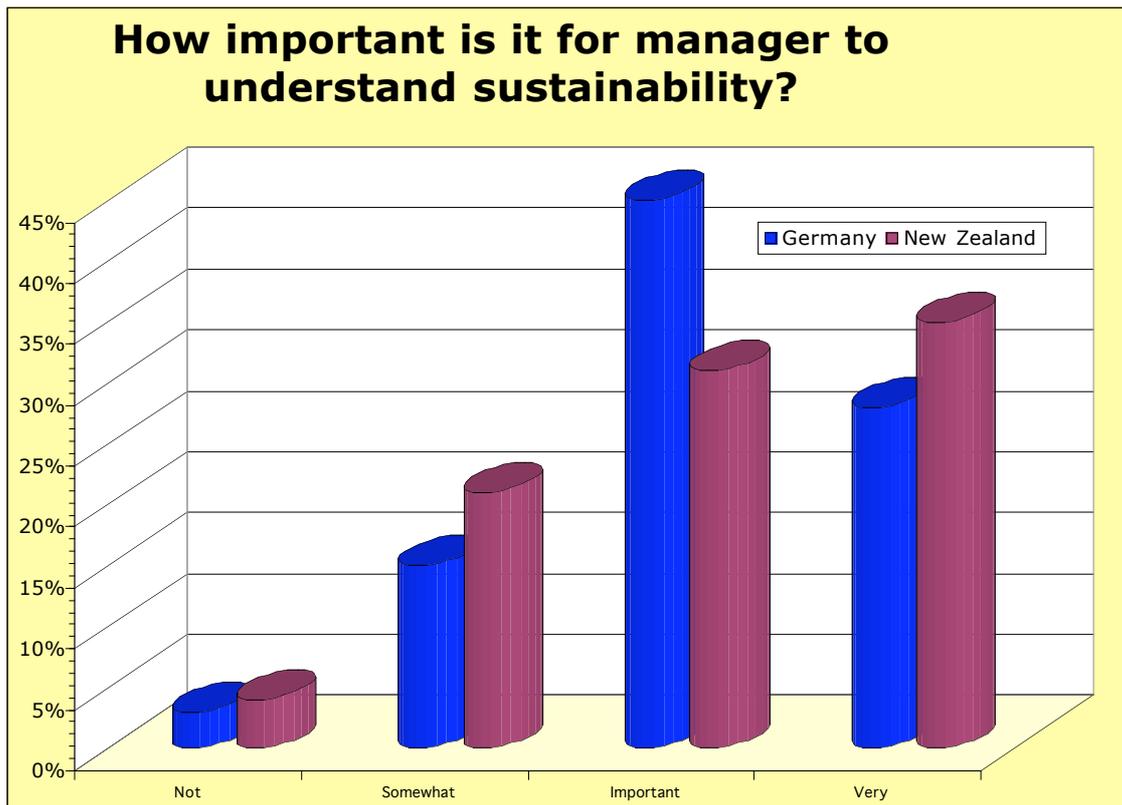


Table 6

As a boost for the supporters of sustainability arguing for the importance of sustainability in commerce, the majority of managers in both countries feel it is 'important' or 'very important' for managers to understand sustainability. This is clearly at odds with the information that there is very little planning for sustainability undertaken by firms. Either, there is a disconnect between management and leadership/owners, or managers are more exposed to sustainability as a discussion point when they meet peers, sell against competition or travel.

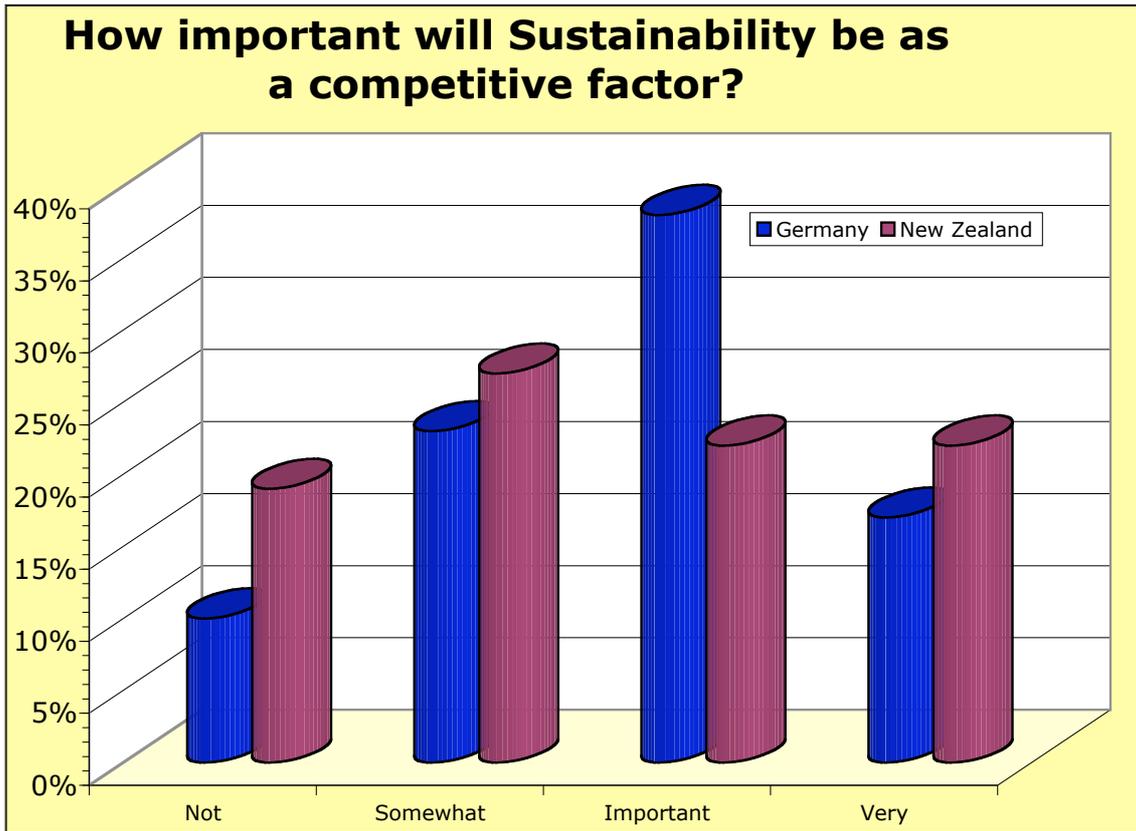


Table 7

To a larger extent in Germany than in New Zealand, there is a feeling that sustainability will become an ‘important’ or ‘very important’ competitive factor and, together with the strong indication that sustainability is an important issue for the future, we will likely see much greater management interest in implementation of sustainability practices. With the economies of both countries focused on exports, companies will be competing in their own or foreign markets. If sustainability is considered a competitive argument with some traction for customers, its internal implementation may be accelerated based on competitive pressures. Several global buyers, for example Wal-Mart, require sustainability compliance statements from their vendors, and competition might become an effective driver of sustainability implementation.

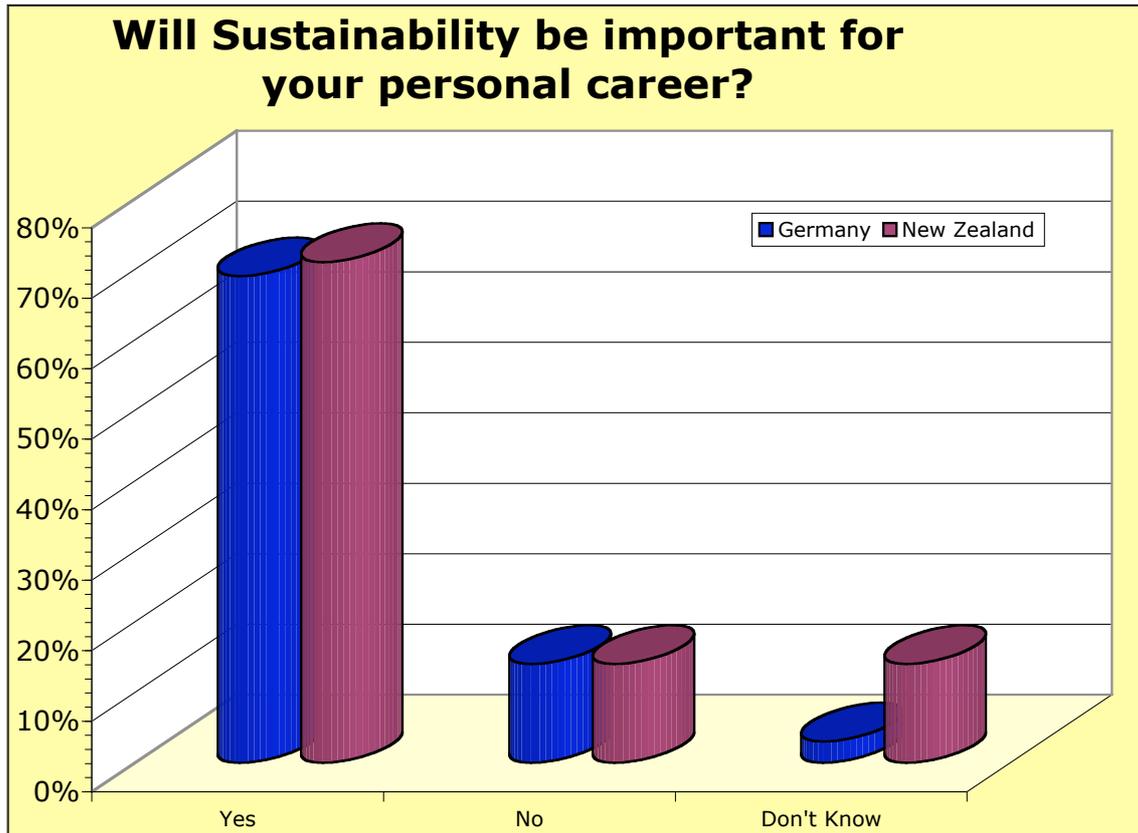


Table 8

Even more so than for their firms, managers see sustainability as an important issue for their personal career development. Highly consistent between the countries, nearly three-quarters of managers in Germany and New Zealand consider this topic impacts on their careers. Managers either intend to become knowledgeable about this issue to maintain their competence, or they believe knowledge adds to their marketability. We question whether managers believe that they need to demonstrate ‘sustainability’ competence in future job roles or when challenged by stakeholders, or whether this reaction is a result of the media exposure given to the issue of corporate sustainability. Either way, we speculate that, if firms are not committed to adding sustainability planning to their planning process, even managers with good intentions will be discouraged in their interest to become more involved with this issue.

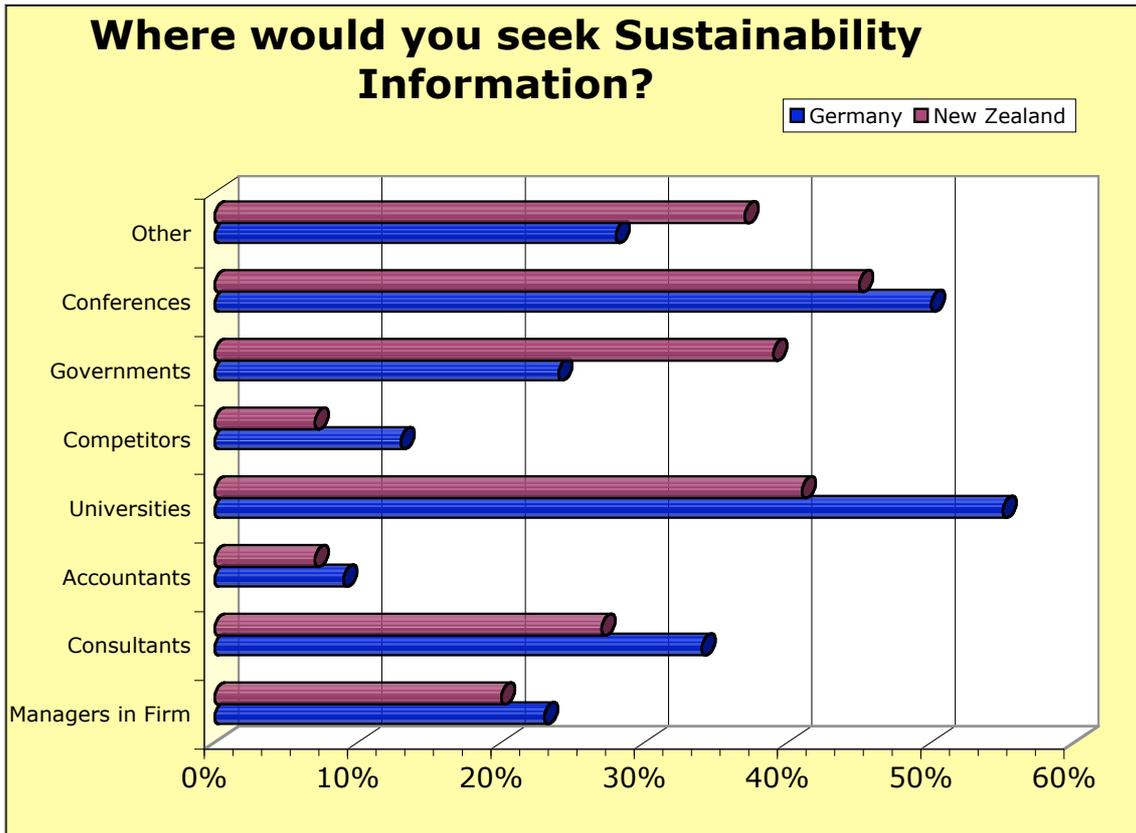


Table 9

Given the high degree of publicity about sustainability, the perceived importance for individual careers and the competitive importance of the topic, managers will look for information about sustainability in the future. While German firms appear to rely on competitors more to teach them about sustainability, they mainly look to universities and consultants for more information. New Zealand firms rely more strongly on the government for sustainability updates and, in both countries, managers expect conferences and consultants will disseminate information about this topic. Accountants are reported as not ‘in the loop’ when it comes to obtaining sustainability information.

## Summary

We have reviewed the practical uptake of sustainability efforts in New Zealand and German firms and found that the firms believe they operate in a highly competitive market place. We interpret the responses by managers in those firms to indicate a general disinterest in sustainability as a managerially important issue. Few firms had a formal plan for sustainability within their firm. Only 25% of the surveyed firms included sustainability information in financial reports and other company information, such as brochures and newsletters.

Contrary to this corporate lack of interest, a large majority of managers in both countries were convinced that, for their own personal career, it will be important in the future to understand sustainability issue better. Many also considered sustainability as an important competitive factor within their industry.

We believe these results allow the conclusion that in both countries a large-scale implementation of sustainability activities is not currently contemplated. There is an inconsistency between the personal interest of managers, although we cannot tell the basis for this interest, and the stated commitment of their businesses.

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