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TABLE OF CONTENTS

| | |
|--|-----|
| EDITORIAL REVIEW BOARD..... | III |
| LETTER FROM THE EDITORS..... | VI |
| ENTREPRENEURIAL COMPETENCIES AND BUSINESS FAILURE | 1 |
| Italo Fernando Minello, University of Sao Paulo | |
| Laura Alves Scherer, Federal University of Santa Maria | |
| Leticia da Costa Alves, Federal University of Santa Maria | |
| WHAT DO WE KNOW ABOUT THE CORE COMPETENCIES OF MICROMULTINATIONALS? | 17 |
| Jeffrey E. Johnson, St. Mary's University | |
| Pavlos Dimitratos, University of Glasgow | |
| BUSINESS INCUBATORS: WHAT SERVICES DO BUSINESS OWNERS REALLY USE? | 29 |
| Sherry Robinson, Penn State University/Buskerud University College | |
| Hans Anton Stubberud, Buskerud University College | |
| THE ROLES OF FOREIGN LANGUAGE IN EXPORT OPERATIONS OF THAI SMES..... | 41 |
| Jarin Asasongtham, Bangkok University, Thailand | |
| Saovapa Wichadee, Bangkok University, Thailand | |
| IMPACT OF MICROFINANCE ON ENTREPRENEURIAL ACTIVITY IN EMERGING ECONOMIES: PANEL DATA FROM ARGENTINA, BRAZIL, COLOMBIA & SOUTH AFRICA | 59 |
| Michelle L. Washington, Arcadia University | |
| Zaneta Chapman, Arcadia University | |
| EMPIRICAL STUDY ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL MINDSET AND THE FACTORS AFFECTING INTRAPRENEURSHIP: A STUDY IN INDIAN CONTEXT..... | 69 |
| Rekha S K, Research Scholar, Anna University (Coimbatore Region) | |
| Ramesh S, Mount Carmel College(MCC), Bangalore | |
| Jaya Bharathi S, Coimbatore Institute of Engineering & Technology (CIET) | |

| | |
|--|-----|
| IMMIGRATION AND ENTREPRENEURSHIP IN GREECE: FACTORS INFLUENCING AND SHAPING ENTREPRENEURSHIP ESTABLISHMENTS BY IMMIGRANTS | 77 |
| Konstantinos S. Skandalis, Visiting Scholar, Claremont Graduate University | |
| Issam A. Ghazzawi, University of La Verne | |
| ENTREPRENEURSHIP AND ECONOMIC FREEDOM..... | 101 |
| John C. Gardner, University of New Orleans | |
| Carl B. McGowan, Jr., Norfolk State University | |
| Macki Sissoko, Norfolk State University | |
| THE INFLUENCE OF ORGANIZATIONAL CAPABILITIES ON ENVIRONMENTAL STRATEGIES IN THE RESTAURANT SECTOR: SME EXPERIENCE | 113 |
| Maria Victoria P. Tibon, De la Salle University, Manila | |
| FROM 1980 TO 2010: AN OVERVIEW ABOUT THE BRAZILIAN SCIENTIFIC PRODUCTION IN ENTREPRENEURSHIP | 129 |
| Edmundo Inácio Júnior, University of Campinas (UNICAMP) | |
| Hilka Vier Machado, University of Maringá (UEM) | |
| Fernando A. P. Gimenez, Federal University of Paraná (UFPR) | |
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LETTER FROM THE EDITOR

Welcome to the *International Journal of Entrepreneurship*. We are extremely pleased to present a journal which is rapidly becoming a primary vehicle for communication of entrepreneurship research throughout the world.

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M. Meral Anitsal
Tennessee Tech University

ENTREPRENEURIAL COMPETENCIES AND BUSINESS FAILURE

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ABSTRACT

This paper aims to analyze entrepreneurial competencies before, during and after business failure. This is a descriptive study with entrepreneurs who have discontinued their businesses. It adds economic value to the organization and social value to the individual. We analyzed interviews of Brazilian entrepreneurs by using the technique of content analysis. The categories chosen a priori were: to know to act, to know to mobilize resources, to learn to engage, to compromise and to take responsibility to know and learn and to have a strategic vision. As a result of this study, we can show that these competencies influence the behavior of entrepreneurs, and this in turn is reflected in the success or failure of the organization. These competencies were analyzed in three separate stages of research, before, during and after business failure. Prior to business failure, skills emerge as a form of personal and professional development; during business failure, the skills emerged infrequently, or are absent, and after business failure, these skills resurface as a way to overcome adversity.

Keywords: competencies - entrepreneur - business failure

INTRODUCTION

GEM research (2010) provides an overview of entrepreneurial activity in Brazil. The results demonstrate some aspects that guide the attitude of organizations, and consequently, the entrepreneur's attitude. One of the aspects is the importance of intangible actives in an entrepreneur's professional life as a condition of the quality of the entrepreneur's training. Training prepares him to learn to act and think independently, with creative leadership and a future orientation. This allows the entrepreneur to innovate and occupy a place in the market, as well as acquiring knowledge and developing behaviors. Training aims to decrease the incidence of business failure.

In addition to training, the entrepreneur's behavior may be related to underlying features that emerge in a professional context. Behavior singularities in the entrepreneurial environment can be translated into forms of competencies (Zarifian, 2001; Lenzi, 2008).

Accordingly, research aiming to understand the entrepreneur's behavioral features are relevant, in order to contribute to the understanding of which competencies can be recognized in entrepreneurs relating to their business success or failure.

This paper focuses on business failure, as this theme has not been explored in much detail in business literature to date (Fleck, 2009; Singh, Corner & Pavlovich, 2007). This paper will also focus on the competencies recognized in entrepreneurs before the failure of their business.

In this context, the success or failure of an organization may be related not only to aspects of the manager's behaviour, but also to the elements internal to the organization as well as elements of the external environment (Zacharakis, Meyer & DeCastro, 1999; Minello, 2010). In terms of aspects of the manager's behaviour, the results may be dependent on the manager's unique features and competencies. This is related to an entrepreneur's activities which are the pursuit of the best performance of his business based on his peculiar personal features and competencies (Fleury & Fleury, 2001). If the features and competencies are absent or inadequate, the organizational result will not be the one expected, and this may lead to the discontinuity of the business.

Business failure, according to Dotlich and Cairo (2003), Finkelstein (2007), Singh Corner and Pavlovich (2007) is connected to the manager's decisions and behaviors, and the way he conducts his enterprise. Therefore, the entrepreneurial features which influence behavior and the competencies of the manager appear to be very closely linked, and this reverberates on the organization's behavior.

From this viewpoint, this paper aims to analyze the entrepreneurs' competencies before, during and after business failure. This is a descriptive study with entrepreneurs who have discontinued their business. We adopt Fleury and Fleury's (2001) concept of Competence – "a recognized know how to act responsibly which implies in mobilizing, integrating, transferring knowledge, skills and resources which adds economic value to the organization and social value to the individual" (p.188). We analyzed interviews conducted with entrepreneurs through the technique of content analysis. The categories chosen *a priori* were: to know to act, to know to mobilize resources, to learn to engage, to commit and to take responsibility to know and learn and to have a strategic vision.

THEORETICAL REFERENCES

ENTREPRENEUR'S COMPETENCIES

The concept of entrepreneur has developed following economical transformations. Its definition pervades different aspects, depending on the conceptual approach. According to Filion (1999), the entrepreneur is a creative individual. He has the capacity to delimit and to reach objectives and he always observes the opportunities in his environment. Dornelas (2008) also

points out the observation of opportunity, adding calculates risks, initiative, passion and capacity of maximizing available results in a creative way. Hisrich, Peters and Sheperd (2009) state that the entrepreneur is an individual who allies experience to knowledge, seeking to optimize resources in order to change or innovate, accepting the consequences of his actions and taking the necessary risks.

It is important to note that, in the previous accounts, the entrepreneur is an individual possessing some specific features which define him. Among such features, Bueno, Leite and Pilatti (2004) point out the predisposition to learn, the search of self-knowledge, the updating and adaptation to the environment. Dornelas (2008) expands this account adding future view, coherent decision, opportunity exploration, determination and dynamism, dedication, optimism and passion, independency, leadership, good relationships, organization, planning, knowledge, acceptance of calculated risks and value creation to society. Dornelas emphasizes these as the most relevant features for the entrepreneur to possess adequate conditions to take opportunities present in the market.

Hisrich, Peters and Shepherd consider executing skills, adapting in a cognitive way and learning with failure as features of the entrepreneur. Zarifian (2001) considers that entrepreneur's features are related to the entrepreneur's competencies, because of the translatability between behavior singularities and forms of competencies. The author considers work activities not only as predefined activities, since the environment is changeable, but as a way to adopt reflective thinking and responsibilities. Accordingly, work is not a set of tasks associated to a role; it becomes a direct extension of the competency that the individual needs to mobilize in order to attend the constantly changing environment.

According to Dutra (2004), there are various definitions to the term competency, as well as various accounts. However, we can consider the different accounts as being complementary. The author related different concepts into two approaches: one considers competencies as a set of knowledge, skills and attitudes required to execute work, and the other considers competencies as the individual's commitment to the organization. Accordingly, we may understand competencies as the action which combines and accelerates capacities and tangible resources, as long as they are needed. Thus, the author claims competencies are not only a set of tasks related to a role, but also, a set of capacities.

Mussak (2003) considers competencies as the capacity of an individual to solve problems and to reach established goals. He suggests a relationship between competency and organizational result. Accordingly, the author claims that "competency is directly proportional to the obtained results, but inversely proportional to the consumed time to reach it and to the volume of resources" (Mussak, 2003, p. 53).

On the other hand, Le Boterf (1998) considers that competencies can be understood as a know-how to act responsibly through mobilization, articulation, transference and resource integration (knowledge, capacities) in a specific professional situation. Accordingly, competency rises from action, and does not exist before it.

Fleury and Fleury (2001) consider that the word competency has been being used to designate an individual qualified to develop an activity, pointing out that the opposite does not imply the absence of this capacity, but it also brings a depreciative feeling. The authors define competency, according to Le Boterf's approach (1995), as "a recognized know how to act responsibly which implies in mobilizing, integrating, transferring knowledge, skills and resources which adds economic value to the organization and social value to the individual" (Fleury & Fleury, 2001, p. 188). Among the concepts of competency featured in this paper, this one is the concept adopted by us. The competencies are listed in Table 1.

| Table 1. Competencies | |
|---|---|
| Competency | Concept |
| To know to act | To know what and why he does To know to judge, to choose, to decide. |
| To know to mobilize resources | To create synergy and to mobilize resources and competencies. |
| To know to communicate | To understand, to work, to share information and knowledge. |
| To know to learn | To work knowledge and experience, to revise mental models and to know to develop oneself. |
| To know to engage and compromise | To know to undertake, to take risks, to compromise. |
| To know to take responsibilities | To be responsible, taking the risks and consequences of his action and being acknowledged for that. |
| To have strategic view | To know and to understand the organization or enterprise and its environment, identifying opportunities and alternatives. |
| Source: Fleury and Fleury (2001) | |

With respect to entrepreneurial competencies and their inherent individual specificities, these features can be related to the entrepreneurs who possess them. Under this perspective, Paiva Júnior, Leão e Mello (2003), according to Man and Lau (2000), found the following entrepreneurial competencies: opportunity, relationship, conceptual, administrative, strategic and commitment competencies. These competencies are described in table 2.

Going back to the concept defined to guide this paper, and observing the theoretical assumptions of the entrepreneurial competencies account (PAIVA JÚNIOR, LEÃO e MELLO, 2003) represented above, we can notice the conceptual similarity between these two ideas of competency, which will be pointed out in table 3. Accordingly, the term adopted to describe both conceptions was "competency".

| Table 2 – Entrepreneurial competencies | |
|--|--|
| Entrepreneurial competencies | Concept |
| Opportunity competencies | To identify, to evaluate, and to search for market opportunities. |
| Relationship competencies | Capacity to create a confident image, to have a good reputation, compromise and behavior along with relationship networks with effective and potential partners. |
| Conceptual competencies | Capacity of evaluating risk situations that rise as a consequence to his actions in any environment. |
| Administrative competencies | Efficient talent, physical, financial and technological resources allocation. |
| Strategic competencies | To visualize medium and long term realistic perspectives; to be able to identify forthcoming trends, to connect with various kinds of information and to notice the direction of environmental forces. |
| Commitment competency | Maintaining dedication to one's work, especially in adverse situations. |
| Source: Developed by the author according to Paiva Júnior, Leão and Mello (2003). | |

| Table 3 – Conceptual similarity of relationship between competency and entrepreneurial competencies. | |
|---|--|
| Competency | Entrepreneurial competencies |
| To know to act | Relationship competencies |
| To know to mobilize resources | Administrative competencies |
| To know to communicate | Relationship competencies |
| To know to learn | Commitment competencies |
| To know to engage and to compromise | Conceptual and commitment |
| To know to assume responsibilities | Conceptual competencies |
| To have strategic view | Strategic and Opportunity competencies |
| Source: Developed by the authors. | |

According to the table above and the fact that entrepreneur's features influence his competencies, when the features are not adequate, or when there are derailment factors, such as arrogance (Finkelstein, 2007), competencies can also be affected. This can lead to business discontinuity, once it is apparent that the competencies influence organizational performance. In the next section, we will approach theoretical accounts concerning business failure and its correlation to entrepreneurs' competencies.

BUSINESS FAILURE

Fleury and Fleury (2001) consider that competencies support a high level performance of the organization in the market. The best results are connected to personal intelligence and personality. This relationship points out the influence of behavioral aspects of entrepreneurs on business failure or success. Accordingly, in case entrepreneurial features don't support these

competencies, we can assume this will affect organizational performance, possibly leading to business discontinuity. Under this assumption, Minello (2010) points out that even when the entrepreneurs have these competencies, the individual's perception in an adverse situation differs from the moment of success. This might affect his evaluation capacity, disturbing the process of making decisions.

According to Hisrich, Peter and Shepherd (2009), business failure occurs when income decreases and/or expenses increase, leading to insolvency of the company and restricting the possibilities of attracting debt financing or net equity. The authors point out that business discontinuity is common in entrepreneurial companies, because these ones are based on innovation, which leads to uncertainty and oscillating conditions.

Bruno, McQuarrie and Torgrimson (1992) consider that business failure may have various causes, including legal problems, society disputes, death or simply change of interests. Accordingly, in order to define a concept which involves different causes for the failure, the authors define business failure as business discontinuity. McGrath (1999) seems to agree with them by suggesting that an enterprise experiences failure when it is discontinued as a consequence of a real or predicted performance inferior to a minimal basis. In other words, failure is the end of an initiative that has not reached its goals. In this paper, we will adopt the concept of entrepreneur failure as business discontinuity, described by Bruno, McQuarrie and Torgrimson, since it is adequate for the objective of this research.

Concerning the causes that lead to an enterprise's discontinuity, we can notice that this is related to behavioral aspects, as well to the company's internal and external aspects. In this research, we will focus on the behavioral causes, since we will analyze the relationship between entrepreneurs' competencies and business failure or success and the ways these competencies are connected to the entrepreneurs' behavior and features. Accordingly, in case the entrepreneurial features don't support these competencies, we can say this will affect organizational performance, which might lead to the discontinuity of the business.

RESEARCH METHODS

This research consists in a descriptive and exploratory qualitative research, and its objective is to analyze entrepreneurial competencies before, during and after business failure.

The qualitative approach is justified as being adequate for situations which aim to understand psychological aspects related to this phenomenon (Richardson, 1985). Descriptive research aims to measure or to collect information, independently or not, about concepts and variables (Sampieri, 2006). Exploratory research is supposed to examine themes not explored much, or not yet approached (Sampieri, 2006), such as the analysis of competencies of entrepreneurs who have experienced failure.

According to the theme and the suggested goal, we will analyze six entrepreneurs who have discontinued their business, from Greater São Paulo, Brazil. In this research, these entrepreneurs are represented as E1 (first respondent), E2 (second respondent) and so forth.

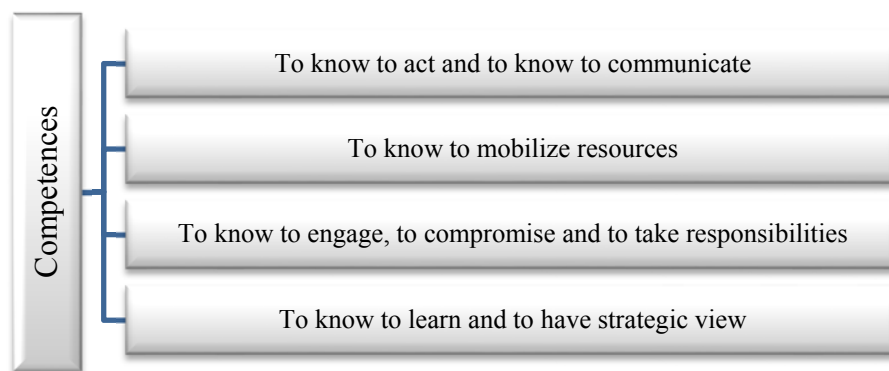
We collected data through the use of semi-structured interviews and its application permitted the gathering of data before, during and after business failure. Interviews lasted one hour and thirty minutes on average, and were performed in places of the individual's preference, recorded, transcribed and analyzed.

With respect to data analysis, we applied content analysis technique, with categories defined *a priori*. Bardin (1977, p. 42) claims content analysis is

“a set of communication analysis techniques that aim to obtain, through systematic and objective procedures of description of message content, indicators (quantitative or not) which permit the inference of knowledge concerning conditions of production/reception (inferred variables) of these messages”

Categories of analysis were *a priori* defined from the similarity between the concepts of Fleury and Fleury (2001) and Paiva Júnior, Leão and Mello (2003) described in table 3. The term adopted in this paper to refer to both conceptions is “competency”. Seven competencies were presented, from which four were chosen, in order to keep the coherence with the research goal. Table 4 describes the categories of analysis used in this research.

Table 4: Categories of a priori analysis



Source: Developed by the authors

We aimed to identify in the interviews the entrepreneur's competencies before, during and after business failure and check whether there was any change in these periods. The analysis followed this sequence:

- 1) Characterization of interviewed entrepreneurs
- 2) Characterization of entrepreneur's competencies – before, during and after business failure
- 3) Analysis of *a priori* categories, through the content analysis technique

PRESENTATION AND DATA ANALYSIS

Firstly, we performed a characterization of the respondents, presented in table 5.

| Table 5: Entrepreneurs respondents characterization | | | | | | |
|--|--|---------------|--|---|---|--|
| Entrepreneurs/ respondents | Data concerning respondents biography | | | Data concerning business failure | | |
| | Age | Gender | Formation | Duration | Business segment | Current activity |
| Entrepreneurs/ respondents | 49 | F | Incomplete Post-secondary education | 7 years | Cargo transportation | Entrepreneur in cargo transportation (another enterprise) |
| Respondent 1 (E1) | 49 | F | Incomplete Post-secondary Law School | 3 years | Cargo transportation | Inn owner and retired University teacher |
| Respondent 2 (E2) | 55 | M | Incomplete High School | 6 years | Cosmetics industry | Cosmetics industry owner (another enterprise) |
| Respondent 3 (E3) | 49 | M | Complete Administration Post-secondary School | 2,5 years | Commercial segment, Computer Processing and Electronic Design | Owner of 4 gas stations, 2 recycling industries and 1 restaurant |
| Respondent 4 (E4) | 56 | M | Complete Post-secondary Music School, attending Arts | 10 years | Editorial segment Editorial and Gold Jewelry commerce | Orchestra Maestro, Art focused NGO Coordinator and City Councilman candidate |
| Respondent 5 (E5) | 87 | M | Complete High School, USA Business Course | 48 years | Public works engineering and garbage collection and recycling segment | Shares an acknowledged Law Office and takes care of financial investments |
| Respondent 6 (E6) | 87 | M | Complete High School, USA Business Course | 48 years | Public works engineering and garbage collection and recycling segment | Shares an acknowledged Law Office and takes care of financial investments |
| Source: Developed by the authors. | | | | | | |

KNOW TO ACT AND KNOW TO COMMUNICATE

This competence appears when the individual executes a specific action, in order to develop a qualified activity (Le Boterf, 1998; Fleury, 2001). One of the entrepreneurs' actions,

identified by Lenzi (2008) was persuasion action with the network. The authors agree with the respondents, exemplified by E1, in the phase before business failure. The entrepreneur seems confident and qualified to propose conjunct action to his network; this shows an entrepreneurial competency of relationship (Paiva, Jr., Leão & Mello, 2003).

“I told you, you are doing it wrong, you’re selling wrong. That’s not the way it is.... Then he said, how’s that? I said, You got to get a laboratory. Then we can have a partnership, and life gets well again. Life gets well, and then your field gets well as well, right?” (E5)

The competency focus then changes to the moment of action, to the combination and mobilization of capacities. That is, the time at which the question of competency is affirmed (Dias *et al.*, 2008). The interviewed entrepreneurs revealed moments when they needed to act based on their competencies. During business failures, these actions were exemplified by E3, who firstly seemed to have tried to use his competencies at the right time to avoid or minimize failure. However, the competencies did not stand out, because of the recognized lack of skill in the conducting the business, as we can see in the following report.

“At that moment, if we didn’t do that, we would break down. No, at that moment, if we knew how to administrate, we wouldn’t have failed. It was not the enterprise, the enterprise was o.k., the partners were wrong. The enterprise would be nice, would be going. But we were both were wrong, we didn’t know how to act, to talk. ...to plan, to plan a worksheet, do you understand? A strategy to organize, and to make it grow, you know? Maybe I didn’t know to work behind a desk, administrating everything?! I used to go out every day, to go out on the streets every day.”(E3)

Dutra (2001) considers that the set of competencies – knowledge, skills and attitudes – consists in delivery of results towards innovation, renovation, creation, generation of new businesses, developed by means of his own action. Among these results, we wish to highlight renovation and generation of new businesses; as in the case of E3, who, after failure, had to search for new business alternatives, as demonstrated in this quote:

“My wife started baking wheat bread, which she knows how to, and I started selling, to feed my family. The Adventist community eats a lot of wheat food, wheat bread. So, my wife, and she really likes to do it, started to bake breads and cakes, and I sold it. On Fridays I used to go to the Church, you know? There’s a school next to it, an Adventist school. Then I stood there, selling bread on Fridays. The Adventists used to buy it. They don’t do anything on Saturdays, you know? They don’t cook, so they have everything prepared for Saturday on Fridays. And I sold to them, I went to their houses, and I used the money to feed my family. Paying bills and feeding my family.” (E3)

From the reports above, we can note that their actions were not planned, and were defined based on the immediate results, in order to fight the adverse situations (Minello, 2010; Dotlich & Cairo, 2003)

TO KNOW TO MOBILIZE RESOURCES

Dutra (2004) considers competency as the action that combines and speeds up capacities and tangible resources, when they are needed. Another aspect is the importance of intangible actives, the qualification to create an entrepreneur. Training prepares him to learn to act and to think on his own, with creativity and future view, in order to innovate and occupy his place at the market, as well as acquiring knowledge and developing certain behaviors, which aim to lower the enterprises mortality rate (GEM, 2010). This situation was observed on the reports and can be seen in E1's moment before failure.

“So, to administrate without administrative formation. I learned a lot when I broke, because you have to be always prepared. That's how the manager acts, first you earn, and only then you spend. You can't spend more than you earn, so you have to earn 30, you have to earn 30% of what you spent, and then you need to calculate all the costs and the profit, you know? Today we work with a profit of 30% or 40%. You pay all your costs, and you have 15% or 20% of net profit, then we pay costs, taxes, employees and everything else.” (E1)

According to Paiva Jr, Leão and Mello (2003), the entrepreneur needs to know to maximize the enterprise's value creation. It is therefore important to optimize available resources, in order to reach the objectives, which characterizes resources mobility. Accordingly, there is a similarity on the respondents' reports. On E1's report, we can note the absence of this competency.

“It was pretty tight, I had great expenses. I was alone, with few commercial partners. Some would work on components, others the plaques. I started to get more and more expenses, and that was very unfortunate. The enterprise began to break, I couldn't pay my rent, my car expenses, I couldn't support my family needs anymore, and then finally, I broke. I had a big debt...it took me 5 or 6 years to be up again, to reestablish things properly. Thank God I could get things properly, including credit. Those were difficult times.” (E4)

In order to take on the right opportunities, and in case he has to fight an unforeseen situation, the individual needs to be always mobilizing resources to solve new situations (Zarifian, 2001). This competency implies in knowing to mobilize, integrating and transferring knowledge, resources and skill. In E3's case, the entrepreneur had already experienced business failure, and even so, succeeded in mobilizing available resources in order to surpass the adversity, as we can see in the next report, describing the period of time after business failure.

“Firstly, my charge was financial. I made all contact with other companies. I bought things, paid people, sold everything, you know? And then? What about now? We had bills to pay, and I paid all of them. After the enterprise went out of business, we had still some goods, which I sold. When I got paid, I paid everything else I still owed. No one knows that, I paid everyone, two big companies, everything was paid. We had no money, but no bills.”(E3)

We note that the respondents’ mobilization of resources and competencies is focused on financial resources, as the study of business failure is the main objective of this paper.

TO KNOW TO ENGAGE, TO COMPROMISE AND TO TAKE RESPONSIBILITIES

Dias *et al.* (2008), characterizes market and work based on the necessity of including instability, the event, flexibility and responsibility as components of a new entrepreneurial context. Accordingly, Ruano (2003) reports that by developing their competencies, people transfer their knowledge to the organization, supporting them in new challenges. According to this, we can assume that individuals who must seek knowledge before they undertake an activity will have better chances at succeeding. Another aspect, according to Dornelas’s (2008) assumptions concerns the entrepreneur’s features, which are connected to competencies. The author claims that, among other aspects, entrepreneurs need to have knowledge, dedication and need to take calculated risks. These can be related in this category, as we can see in E2’s report about the period before business failure.

“The possibility to accomplish goals. I might not have the skills, but I have the capacity to develop these skills. It is a question of training: I remember people saying, you got to train, you got to always train. [...] The dedication to what you do, if you have to, you get things well done. If you have to do it, do it well.”(E2)

Capable people are, in general, attracted to new challenges, and as long as they respond in a positive way, they are given even bigger challenges (DUTRA, 2001). Mussak (2003) says a responsible individual takes responsibility for the consequences of his actions. The author also states that taking responsibilities includes admitting to failures, as well as sharing success. Responsibility emerges as a competency where the entrepreneur is responsible for his actions and the consequences of his actions. In this research, one of the consequences that can be observed is business discontinuity. These can be observed in E6’s report during business failure.

“[...] we lost dozens of million dollars. I realized we had to sell the company. It was one of the most brutal things we have to do professionally. You have a wonderful professional life, and then, all of a sudden, you see it going down, like a sand castle. What if you can’t sell it? But I negotiated it in 1992’s first semester, the bankruptcy happened in 1990.” (E6)

According to Paiva Jr, Leão and Mello (2003), entrepreneurs must assume the risks of their actions in any environment, compromising with the consequences. Accordingly, the entrepreneur who has experienced failure is supposed to identify new opportunities, to try to rebuild and to overcome adversity, compromising with his personal development. The respondents' reports show that they were able to overcome their businesses' discontinuity, engaging in a new activity that brought emotional satisfaction, as we can see in E1's report, after failure.

"I owned a house located eastside of the city, and I traded it for a little grocery store. I used to work with transportation, and suddenly, I started to work with groceries, in a grocery store. I didn't understand anything, but after 11 months, I was doing well. After this, I decided to have a partner, but he cheated on me. I broke, and so did the grocery store. For some time I had difficulties, few time. Then I thought that I should get back to the transportation business. But I didn't have any money, and no house. I thought, I will sell the store, and try to get a house near the airport, where I can start a new business, and restart again." (E1)

From this we can conclude that the competencies of engaging, compromising and taking responsibilities, as well as taking risks, were identified in the three periods analysed – before, during and after business failure. It appears as an important competency to overcome adversity.

TO KNOW TO LEARN AND TO HAVE STRATEGIC VIEW

Before an unforeseen scenario, having the capacity to view the future differently from the present is necessary to distinguish which competencies are required to compete in the new scenario (Nisembaum, 2000). Under this perspective, identifying new market opportunities seems to be an important factor, as we can see in E4's report. This respondent viewed strategically an unexplored market opportunity. This report represents most of the respondents' behavior before business failure.

"Back when I was an employee, I was looking for new options. My employers' positive experience and a new market opportunity made me realize that was the chance. I thought that was my chance. Back then, Computer Processing was a really new field, Eletronics. I had good partners, I was graduating. So let's start a representation office, let's work with electronic design. That was new, and things started to work out." (E4)

Accordingly, Paiva Jr, Leão and Mello (2003) report that the entrepreneur must have the capability to identify scenarios which relate to organizational goals, identifying opportunities, and by means of his vision, to change them into positive situations for the organization. Although this competency has been identified in the time period before business failure, we can notice that during failure this competency was not so often present with the respondents. E5's report exemplifies this.

“[...] I knew I had potential. But I wasn’t aware of the opportunities; I wasn’t really looking for them. And I learned that sometimes you got to hold on to what you have. Because when you run away, you break down.

Dias *et al.* (2008) point out the importance of the competency concerning strategic acumen adopted by the organization, because that might affect the company’s competitive development. According to the interviews, we can conclude that the absence of strategic view might be a contributive factor to business failure, as in E5’s case. Therefore, strategic view can be risky to business, however it might also come out as a contributive factor to the overcoming of adversities and learning with failure, as in E6’s case.

“Well, I got it...I’m a very optimistic person. I’ve always overcome the adversities. That happens when you take an error and changes it into a hit. Then we get better and better. Whenever I worked in selling, I lower my standards, at the moment. And things have been well ever since, I’m ok until today”

Here, we want to highlight that learning is connected to resilient behavior, which shows a possible new approach concerning entrepreneurs’ competencies represented especially before facing adversity, as in the case of business failure. Accordingly, resilient behavior, i. e. “the skill to perceive reality, based on the establishment of meaning upon the adverse situation, to enjoy the situation to develop, to learn with the crisis experiences and establish a set of adequate strategies (*coping*) to overcome adversity” (MINELLO, 2010, p. 52). This concept, associated to the concept of learning, can be considered to be a competency.

FINAL CONSIDERATION

Considering the reports of respondents, we can affirm that there is a relationship between entrepreneurs’ competencies and organizational competencies, since organizations can’t afford to get by without people’s expertise, and vice-versa. The value aggregation of individuals contributes to the effectiveness of the organization, which allows the organization to maintain its competitive advantages throughout time (Ruano, 2003).

Accordingly, based on categories *a priori* defined, we can suggest that the competencies of individual entrepreneurs’ that have experienced business failure have influenced their enterprises’ performance. This is demonstrated by the analysis of the results in each of the categories before, during and after business failure.

Concerning the first category, “to know to act and to know to communicate” (Fleury & Fleury, 2001), we note the entrepreneurs’ concern about their business results. Before business failure, actions were focused on taking new market opportunities based on qualifications and networks. During business failure, entrepreneurs seem to utilize their competencies in order to

minimize the effects of business failure. After business failure, competencies stand out as a way to seek for alternatives to overcome the adverse situation.

The “to know to mobilize resources” competency (Fleury & Fleury, 2011) includes personal and financial resources. Before failure, training received on managing organizational resources is identified as a competency, but it was not identified in most of the entrepreneurs. After and during failure, financial concerns stood out.

In the category “to know to engage, to compromise and to take responsibilities” (Fleury & Fleury, 2001), competencies were identified in all periods analyzed – before, during and after business failure. We wish to highlight that such competencies took three distinct forms in the three periods. Before business failure, we notice the commitment with actions. During the failure process, the development concerning taking responsibility for the consequences of actions was important. After failure, the competency most frequently highlighted was the taking of risks, in order to rebuild a professional life.

Finally, the competency “to know to learn and to have strategic view” (Fleury & Fleury, 2001) was identified before failure in most of the respondents. However, during business failure, these competencies did not stand out. After failure, these competencies emerged again, showing that they have contributed to the overcoming of the adverse situation of business failure. This is noted as a positive resilient behavior.

The result of this category seems to suggest a new scope of analysis that introduces resilient behavior as an entrepreneur’s competency. This is due to the fact that entrepreneurs have experienced adversity and that they have overcome it through resilient behavior. Therefore, we wish to highlight the possibility of wider research suggesting that resilient behavior may be one of the required competencies for entrepreneurs to overcome the adversity, which are featured in the business world.

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WHAT DO WE KNOW ABOUT THE CORE COMPETENCIES OF MICROMULTINATIONALS?

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ABSTRACT

While there are many studies concerning internationalized small and medium-sized enterprises (SMEs), examination of a special type of internationalized small firm, notably the micromultinational, is scant. Following the definition of Dimitratos et al. (2003, p. 165), the micromultinational is an SME “that controls and manages value-added activities through constellation and investment modes in more than one country”. Drawing on the resource-based view and an in-depth case study analysis of 15 firms in Scotland, we examine core competencies that may facilitate the growth of micromultinationals. The study found that micromultinational competencies include being a visionary leader, proactive strategist, customer listener, market nicher, global player and effective networker. We explore these factors along with implications for research, management and public policy.

KEYWORDS: micromultinationals, core competencies, organizational capabilities, success factors

INTRODUCTION

Traditionally, small and medium-sized firms (SMEs) were considered to seldom proceed beyond the export stage in their internationalization ventures. Advanced modes of internationalization involving constellation and investment (C&I) modes, such as licensing, franchising, joint ventures, strategic alliances, and subsidiaries, were typically used to characterize the international growth of large firms. The word multinational has been traditionally reserved for activities of these large international firms (e.g. Caves, 1982; Oman, 1984). However, C&I modes of internationalization have been increasingly used by SMEs that seek to gain competitive and collaborative advantages worldwide. Recent research (e.g. Dimitratos, Johnson, Slow, & Young, 2003; Ibeh, Johnson, Dimitratos, & Slow, 2004; Borchert & Ibeh, 2006; Allison & Browning, 2006; Ibeh, Borchert, & Wheeler, 2009; Prashantham, 2011) has acknowledged the emergence of micromultinationals (mMNEs), which are SMEs “that control and manage value-added activities through constellation and investment modes in more than one country” (Dimitratos et al., 2003, p. 165). Mathews & Zander (2007) add to this

literature, highlighting the innovation integration strategies of mMNEs and identifying specific mMNEs that serve as examples of this emerging class of firms. Further research into this growing and special category of internationalized firms is warranted, and mMNEs thus form the focus of enquiry in this study.

Limited evidence exists on the success factors related to mMNE international activities. Knowledge of SME export operations is extensive, yet there is a lack of studies investigating the enablers to internationalization for small firms that go abroad through C&I modes. In order to study this theme, we borrow concepts from the resource-based view of the firm, which provides valuable insights into how organizational routines and capabilities may render a competitive advantage likely to provide rents to the firm. An equally significant theme for the mMNE research agenda is how these small firms can overcome their resource constraints and effectively manage to prevail over complexities stemming from both organizational inefficiencies and environmental challenges (Ibeh et al., 2009).

Providing insights into these issues would have valuable research, managerial and public policy interest. Researchers would be able to develop a more coherent body of knowledge concerning this unique category of internationalized SMEs. mMNE managers may be able to attain superior organizational performance. Public policy organizations can formulate courses of action and intervention measures designed to assist mMNEs in their internationalization ventures. Therefore, the research objective of this study is to determine the competencies upon which these firms may rely on in order to successfully expand abroad.

The article proceeds as follows. In the next section we explore the existing body of knowledge on mMNEs and key themes in the resource-based view literature that may be related to the organizational competencies of these firms. Following this, we elaborate on the case study methodology we followed to collect data on the investigated firms. We then discuss the empirical findings structured around success factors that enable mMNEs to succeed abroad. Finally, we draw implications for theory, practice and public policy.

RESEARCH BACKGROUND

Although there are many studies on the internationalization of small firms (see Coviello & McAuley, 1999 and Manolova & Manev, 2004 for literature reviews), no cohesive body of literature on mMNEs appears to exist. The body of literature that is perhaps the closest to mMNEs is that of international new ventures or born globals. These firms become 'global' from the beginning of their business operations, often disregarding their domestic markets (McDougall et al., 1994; Oviatt & McDougall 1994, 1997). Research suggests that these firms often employ networks in order to service foreign markets (Oviatt & McDougall, 1995; Madsen & Servais, 1997; Coviello, 2006). However, examination of mMNEs emphasizes the market servicing mode criterion rather than the speed to internationalization criterion, as is the case with international new ventures. It is likely that mMNEs that go abroad through C&I modes have to develop

different competencies in order to internationalize and necessitate different policy interventions than other internationalized firms (Dimitratos et al., 2003). For this reason, the study of mMNEs should involve firms irrespective of the speed to internationalization, the age of the firm, or its sector.

Relatively few studies on mMNEs exist. In these works some exploratory insights into success factors of mMNEs are provided. Dimitratos et al. (2003) note that successful mMNEs tend to be distinguished by a founder and top management team that have the determination, vision and experience to succeed worldwide, and have capable human resources, necessary financial capital, competent networking capability in many countries, and the implementation of adaptation strategies in order to meet the demands of foreign customers. Ibeh et al. (2004) note that a core competence of mMNEs is their global assertiveness. Allison and Browning (2006) find general support for these characteristics and additionally suggest that mMNEs should emphasize more organizational aspects and develop a climate that is likely to be conducive to enhanced performance. In particular, they posit that mMNEs should favour and facilitate a decentralized decision-making system that supports internal firm entrepreneurial leadership, and meticulously track staff and customer engagement. Ibeh et al. (2009) found that the Canadian mMNEs they investigated tended to rely on product and relational capabilities to neutralize and compensate for observed gaps in physical resources and human capital. Prashantham (2011) found in his study of 102 Indian software SMEs that key facilitators of mMNEs to expand beyond exporting and succeed internationally include the utilization of network relationships and cross-border social capital.

Success factors related to mMNEs can be linked to the tenets of the resource-based view. This view regards the firm as a unique bundle of tangible and intangible resources (Penrose, 1959; Wernerfelt, 1984; Barney, 1991). According to the resource-based view, a firm's specialized resources, as well as imperfections of resource markets, generate organizational heterogeneity. Successful firms are those that acquire and maintain valuable idiosyncratic assets for sustainable competitive advantage and economic rents. The sustainability of rents is safeguarded by barriers to imitation that are called 'isolating mechanisms' (Rumelt, 1984). The resource-based view posits that specialized resources or core competencies of the firm must possess four attributes in order to provide sustainable results. Specifically, resources must be valuable, rare, imperfectly imitable and imperfectly substitutable.

The emphasis in studies that embrace the resource-based view has been on core competencies or success factors conducive to superior performance. The success of SMEs in their internationalization pursuits has been linked to their internal firm capabilities and core competencies (Zahra, Ireland & Hitt, 2000; Knight & Cavusgil, 2004). Knight and Kim (2009) recently found that high levels of International Business Competence (defined as international orientation, international marketing skills, international innovativeness, and international market orientation) lead to superior international performance for SMEs.

However, core competencies may be transformed into core rigidities, inhibiting the innovation and growth of the firm (Leonard-Barton, 1992; Dimitratos et al., 2009). Leonard-Barton (1992) suggests that core competencies may be impeded by their dysfunctional side, failing to incorporate blends of skills, capabilities or knowledge. In turn, this can reduce the competitive advantage of the firm, leading to ‘incumbent inertia’ (Lieberman & Montgomery, 1988). This is likely to take place due to changes in the organization or the external environment of the firm. Dimitratos, Johnson, Ibeh and Slow (2009) focus on core rigidities of mMNEs and identify the following impediments to international growth: failure to monitor external changes, prioritize market opportunities, and acquire access to financial resources; and the existence of a production orientation, opportunistic and reactive international management style, and centralized and non-participative organizational culture.

Overall, our knowledge of mMNEs is limited, fragmented and essentially unexplored. Hence, we set out to examine the core competencies of mMNEs that may lead to enhanced international growth and higher levels of success abroad.

METHODOLOGY

This research project is based on case study analysis, which is suggested when little knowledge exists on the phenomenon under investigation and when the researcher wishes to acquire evidence on organizational phenomena that take place over a long period of time (Yin, 1989). Since we aimed at obtaining a dynamic and holistic view of organizational capabilities in the study, a case approach would effectively identify critical aspects of such complex phenomena (Patton, 2002). The firms that participated in this study were included in the Global Companies Development Program of Scottish Enterprise, the main public policy organization for internationalized SMEs in Scotland. These Scottish firms voluntarily took part in this program in an attempt to identify areas of weakness that hampered their growth abroad and areas of accomplishment that were conducive to enhanced international performance. Scottish Enterprise pledged appropriate support and intervention for the firms that participated in the program. The firms could operate in any sector and be of any age, but had to have (any degree of) international presence through sales in the international marketplace.

In this article we present data on those firms in the Global Companies Development Program that met the mMNE criteria, namely those that were SMEs, independent (not subsidiaries of other firms) and employed C&I modes to go abroad (although they could concurrently engage in exporting). In doing so, we present data on the international activities of 15 Scottish mMNEs. This number of firms was deemed adequate for providing an accurate picture of the phenomenon under investigation. The firms scored differently across a range of international performance measures, and thus it is argued that they offer a reliable account of the core competencies of mMNEs.

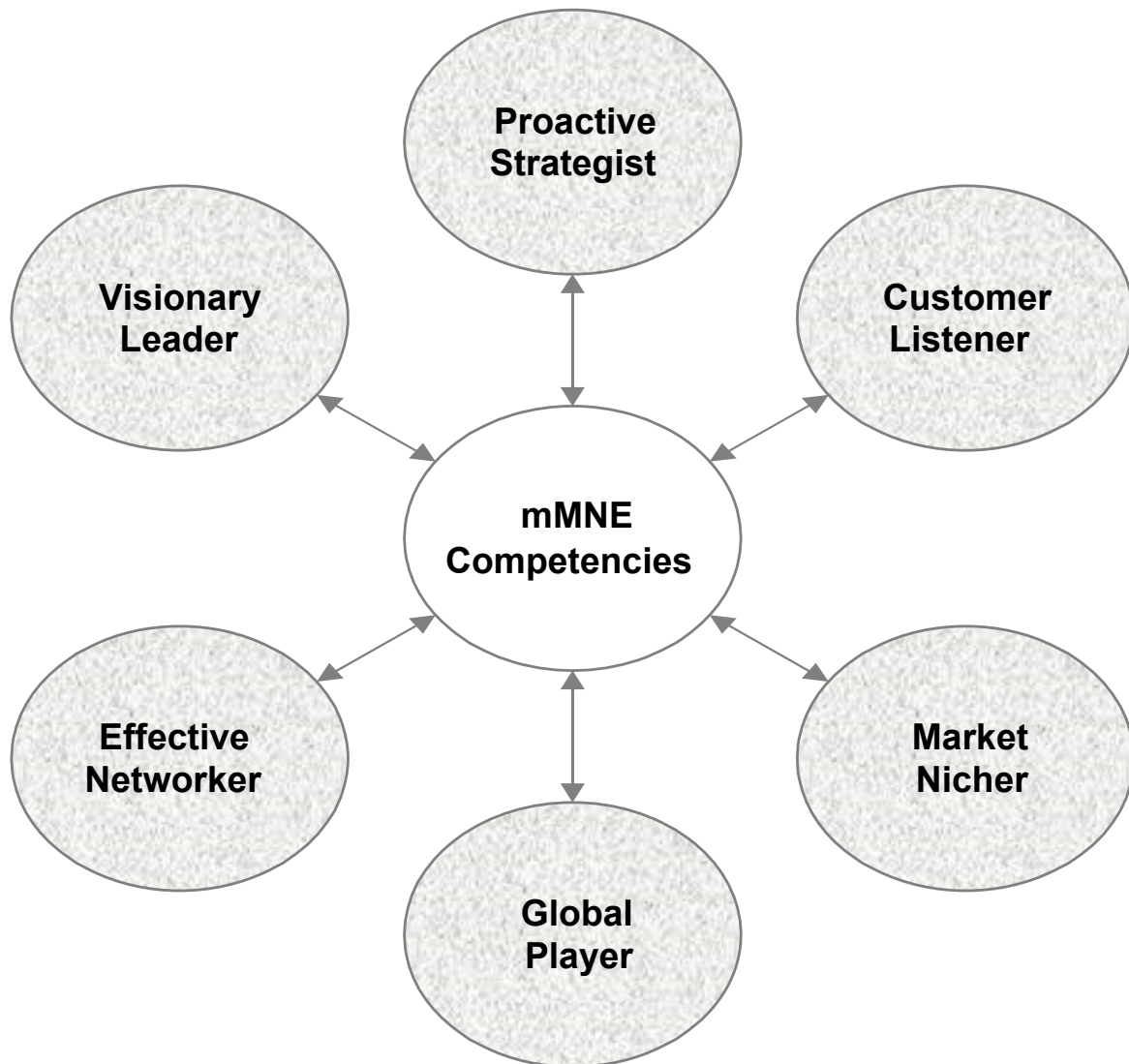
The 15 Scottish firms in our sample operated in both high technology and low technology sectors. While the anonymity of the specific firms was assured by the researchers in order to obtain data viewed as sensitive and confidential in nature, we nonetheless are able to construct a general profile of the firms included in the study. Examples of the high technology sectors the firms in the sample operated in are medical product manufacturing, web-based software development services, semiconductor production, bio-manufacturing, and home cinema product manufacturing. Although many of the firms in the study operated in high technology industries, others operated in low technology sectors such as alloy processing and consumer goods. The mean number of employees for the firms was 75. Many of the firms serviced their international markets through FDI (primarily overseas sales offices), while others utilized strategic alliances, joint ventures and licensing agreements. Four of the firms chose not to export at all, instead favoring other C&I modes to reach their foreign markets. Interestingly, two of the firms derived 100% of their sales from international markets, effectively bypassing their domestic market.

Our research into these 15 mMNEs involved in-depth personal interviews with the top management team of each firm, about half of which were Chief Executive Officers or Managing Directors. This was supplemented with observation and an examination of archival and secondary sector data. The data was collected by the authors utilizing an interview guide comprised of semi-structured open-ended questions focusing on the enablers to the growth of these firms. These factors may have existed in the organizational or external environment of the firms. Collected data constituted a formal retrievable database, which contained more than 150 text pages for further elaboration and analysis. The analysis of the results was based on the content analysis technique and conducted by means of NUD*IST software index. Company documents accessed through the World Wide Web were also used either to support or disconfirm the material analyzed from other sources. The use of content analysis is of value to this study for four reasons: (1) it facilitates the elaboration of verbal data, particularly case studies (Carney, 1972; Krippendorff, 1980); (2) it is appropriate for exploratory research and theory building purposes (Easterby-Smith et al., 1991); (3) it serves to detect patterns emerging from the text data; and, (4) it assists the analysis of deeper meaning embedded in the data and the process of making inferences (Holsti, 1969).

FINDINGS

Through content analysis of the data collected in the study, we identify six recurring and intertwined competencies of mMNEs facilitating successful growth in the international marketplace (see Figure 1). These competencies refer to management systems and processes, which have frequently been reported to be key capabilities in the resource-based view of the firm (Leonard-Barton, 1992; Mehra, 1996). It is suggested that mMNE managers could benefit if they possess the characteristics of the following six competencies.

Figure 1: Core Competencies of MMNEs



PROACTIVE STRATEGIST: mMNE managers should be in touch with and be fully informed about environmental changes. Developments in the political, economic, social and technological international milieu related to their target markets affect the survival and growth of the firm. Scotland's geographically peripheral location could be a disadvantage if it creates for small firm managers the illusion of an 'isolated island' that may be different from the rest of the world. One interviewed Scottish mMNE top manager emphasized the critical need to "*recognize similarities, differences and changes in trends*" in their international markets, while another discussed the need to have a "*clear view of the market*" and maintain an "*open, responsive and flexible*" posture. Proactive firms benchmark their systems, processes and strategies against their worldwide competitors, seeking ways through which they can improve and excel in the international marketplace (Simon, 1996). These firms do their best to lie ahead of international competition and use a proactive strategy to perform better than their rivals, rather than reactively follow and lag behind them. An interviewee described this important process and added, "*Doing the difficult thing is how to make money, not doing the easy thing*".

CUSTOMER LISTENER: The examined mMNEs appear to score well in technological and innovative aspects related to their product offerings. Nonetheless, the firms are often based on an innovative breakthrough invention and tend to pay less attention to their customers, assuming that products would be perfectly suited to match their needs. In other words, they follow an 'inside-out' approach, wherein organizational strategy is essentially initiated by the production or R&D department. However, they tend to disregard what their customers really require and whether their products are tailor-made to their needs (Simon & Kumar, 2001). Being first to the market, as sometimes these mMNEs seek to do, is a successful strategy only if the product offering is congruent with customer preferences. However, the findings of this study do not suggest that firms have to pursue an 'outside-in' approach that is completely dictated by customer needs, ignoring organizational strengths and weaknesses. This would be an imprudent strategy bearing detrimental implications for the firm. Rather, the findings point to the need for mMNEs to better balance their 'inside-out' approach, which should be at the forefront of technological developments, with an 'outside-in' attitude by listening to what customers demand and ensuring that innovative product offerings closely match customer needs. One interviewee stated that a "*customer-focus is ingrained*" in his organization, while another highly successful mMNE top manager explained that "*customer-driven product ideas are developed into strategy*" at his firm.

MARKET NICHER: mMNEs should carefully select the market segments that they choose to service. Our research shows that it is often the case that products would fit the needs of a variety of customers across different and often unrelated market segments. mMNEs should make sure that they carefully choose to tap the most profitable customers in thin segments of their markets. An interviewed manager summed up this necessity by asserting that "*you must identify and*

pursue market niches in order to produce something unique” in a company. mMNEs do not possess abundant human, financial and production resources that can be wasted while experimenting with the preferences of a broad spectrum of customers. Instead, they should follow a ‘deep-niche’ strategy of serving niches of target markets wherein it would be cost-ineffective for large firms to operate (Voudouris et al., 2000). Moreover, persistently accommodating these thin market niches of customers on a long-term basis could lead to a prolonged and effective relationship in which the client organization would incur high transaction costs should it decide to switch to other suppliers.

GLOBAL PLAYER: Related to the above competency is also the fact that customers are much more similar in the same thin market niche of the industry across countries rather than in the same country across industries. Therefore, mMNEs would significantly benefit from economies of scale in production and marketing and from economies of scope if they serve the needs of similar types of customers worldwide (or in the key countries of their industries). Therefore, based on the evidence of this investigation, we posit that these internationalized small firms could do well abroad if they succeed in becoming ‘global mMNEs’ (cf. Berry et al., 2002). Becoming a mMNE is the first stage to international success, and becoming a small global firm may be the ultimate stage. mMNE managers are advised to consider the key markets/countries of their specialized niches worldwide as their target markets. If they manage to accomplish this, they will also achieve physical interaction with customers, building long lasting relationships and providing them superior service. An interviewed mMNE manager stated that his firm successfully *“looked at the core value of our product, profiled key customers around the world, and marketed to them”*.

EFFECTIVE NETWORKER: Having concluded that building an effective relationship with customers is vital to international success, one should also acknowledge that small firms do not have the resources to achieve physical presence in all their key markets/countries worldwide. Therefore, it is suggested that mMNEs expand abroad intensively through constellation modes with suppliers, distributors or competitors. It was interesting to discover that many investigated firms tend to prefer acquisitions or greenfield investments over constellations modes in international markets, although other mMNEs were actively involved in strategic alliances and joint ventures. Given the resource constraints that SMEs face, successful mMNEs have to master the art of effectively expanding abroad through collaborative modes. While it is acknowledged that such partnerships are hard to manage and possibly necessitate an increase in transaction costs (Williamson, 1975; Mosakowski, 1991), it is equally important to emphasize that alliances can offer mMNEs the opportunity to rapidly serve their international customers, perhaps faster than their competitors. Furthermore, it is clear that small firms must ensure that they take all necessary measures to make international alliances a ‘win-win’ relationship in order to facilitate the longevity and ultimate success of the partnership (cf. Hamel et al., 1989).

VISIONARY LEADER: The findings of this study suggest that successful mMNEs are managed by far-sighted top management teams who succeed in motivating all participants towards leadership in their thin market niches. Such leadership takes place through a ‘global vision’ that management teams continually pursue because they are committed to achieving international growth through proactive and opportunity-seeking behaviour. This finding is supported by similar evidence in the international new ventures literature (e.g. Jolly et al., 1992; Oviatt & McDougall, 1995; Madsen & Servais, 1997). While these mMNEs are successful in orchestrating all organizational resources towards their ‘global vision,’ they also favour a participative and entrepreneurial organizational culture, wherein innovative and creative ideas are likely to emerge. Additionally, they endorse international alliances, understanding that the mMNE can remain small, flexible and successful if a constellation of organizations works towards accomplishing a common goal in international markets. This visionary leadership was described by three mMNEs as *“tenacity and determination”*, *“believing it can be done”*, and having *“blind ambition”*.

DISCUSSION AND IMPLICATIONS

This study has identified six areas of core competencies for mMNEs, which constitute a unique type of internationalized small firm with special characteristics and needs. In doing so, the study adds insight into this emerging class of firms and adds to its developing research stream. The prevalence of these firms is expected to grow in the future (Dimitratos et al., 2003), and hence, research into the facilitators to their international growth is essential. This study contributes to the knowledge of mMNEs and provides key implications for research, practitioners and public policy makers, as delineated below.

The implications for research on mMNEs relate to incorporating the resource-based view to a greater extent in relevant future studies. The resource-based view has received significant attention in international business studies (Peng, 2001), and the findings of current research suggest that there is also merit in related studies linked to how mMNEs grow, succeed and fail abroad. However, while this research has identified areas of core competencies, it remains unclear *how* these factors evolve over time. In other words, how do mMNEs develop these competencies? Also, since the investigated firms were based in a small country on the European periphery, further research can identify the degree to which these characteristics exist for mMNEs originating from different home countries.

Managers of mMNEs have to pay special attention to managerial aspects that can make a difference in the growth of the firm abroad. Overall, it appears that a ‘harnessed entrepreneurial style’ works best for mMNEs inasmuch as they have to combine the traits of proactiveness, visionary leadership and customer listening. Targeting niches of the global market through effective collaborative arrangements also seems to be vital to success. Additionally, managers of

mMNEs have to make sure that they are not hampered by a production orientation that may end up in financial distress and that they do not fail to prioritize market opportunities in a changing international environment. Also, they have to ensure that they follow a decentralized decision-making system, whereby key organizational participants have input in the major internationalization decisions of the firm (cf. Kanter, 1985; Stopford & Baden-Fuller, 1994).

Public policy makers have to make certain that they appropriately intervene in the management systems of mMNEs. Perhaps the most recurring theme that emerges from the findings of this study is that managerial attributes play a catalytic role, either positive or negative. The role of appropriate management and strategic planning for international expansion should be highlighted and communicated to mMNE management. In addition, public policy makers may assist mMNE managers by providing names of potential international partners. Furthermore, suggesting sources of financial capital in the local environment and possibly liaising mMNE management with interested banks and venture capitalists seems to be a prudent policy to take. Through these measures, policy makers can work with mMNE management to ensure that core competencies are instilled in the organization in an effort to enhance the firm's propensity for success.

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BUSINESS INCUBATORS: WHAT SERVICES DO BUSINESS OWNERS REALLY USE?

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ABSTRACT

Business incubators assist tenants by providing three major types of services: infrastructure, business support, and mediation (Bergek & Norrman, 2008). Infrastructure refers to the physical facilities such as the building itself and office equipment, while business support and mediation services relate to intangible services. Business support services include the consulting services and expert advice provided by incubator employees. Through mediation services, incubator employees connect tenants with experts and support systems outside the incubator. If used, these services can be very beneficial. The question remains, however, as to whether incubator tenants actually take advantage of the opportunities presented to them. This study examines the extent to which these different services were used by tenants of incubators in Norway. While the physical infrastructure is often viewed as a central benefit of being in an incubator, the small business owners in this study used the intangible services more extensively.

INTRODUCTION

Business incubators aid new business owners by providing supportive environments in which they can establish and grow their enterprises. These environments provide not only the necessary infrastructure (physical facilities, office equipment, etc.), but also the business support (managerial advice) and mediation services (assistance with networking) essential for growth and success (Bergek & Norrman, 2008; Rice & Matthews, 1995). Incubator tenants also form relationships with each other that can be conducive for expanding their businesses (Chrisman, Bauer Schmidt & Hoyer, 1998; Neck, Meyer, Coben & Corbett, 2004). Although these various forms of assistance can be helpful in establishing a business, they are only beneficial if tenants actually take advantage of these opportunities. The purpose of this study is to determine the frequency with which five types of services are used by business owners whose enterprises are in business incubators in Norway. In addition to the frequency with which these services are used, this study also examines tenants' satisfaction with the services they have received. This study also compares the responses of women and men, and of business owners who have been incubator tenants for various amounts of time. The following section provides a brief background on business incubators. The results of this study are then presented.

BUSINESS INCUBATORS

Business incubators provide start-ups with a nurturing environment, hands-on assistance, and a variety of other services during their crucial first years of development. The term “incubator” is appropriate because these organizations foster the development of new companies, helping them survive their vulnerable start-up period and grow more quickly into successful firms (Finer & Holberton, 2002). Incubator facilities are quite diverse. The opportunities and resources offered by incubators are usually related to their purpose, goals, and resulting management policies (Hannon, 2005). Some incubators aim to provide an “artificial” environment that will aid the development of new firms that are expected to provide jobs and economic development for the local area. Others primarily seek to accelerate commercialization of knowledge research or technology, often at a profit to the sponsors (Hannon 2005). Universities and vocational-technical schools are often interested in training opportunities for students and commercial outlets for faculty research. Despite these differences, the common goal is to increase the chances of new firms’ survival.

Bergek and Norrman (2008) identified five components that are typical of most incubation models: selection, infrastructure, mediation, business support, and graduation. Selection and graduation procedures pertain to entry/exit policies while the remaining components describe the type of resources and services provided to tenants while they are in the incubator. Basic items such as photocopiers, postage machines, and other office equipment are useful and even necessary, but would present high costs to a single small venture just starting out. Large and specialized facilities and equipment such as loading docks, forklifts, autoclaves and water purifiers would be out of reach for most new businesses, but incubators can provide these through the cost-sharing model of the incubator organization (Boyd, 2006). These services and resources, conveniently provided in one location, are a great help to new businesses. Hansen, Chesbrough, Nohria and Sull (2000, p. 76) found that during the first six to nine months of operations, many managers of new ventures spend up to half their time just establishing the basic infrastructure they need to run their businesses. They quoted an incubator tenant extolling the virtues of his incubator where tenants do not have to deal with “back-office stuff like ‘Why doesn’t the fax machine work today?’...Here in the [named] incubator, we can focus entirely on the business issues at hand. I’ve made three years’ worth of decisions in three months” (p. 77).

Although these shared physical facilities and administrative services are the most easily observable benefit, mediation and business support services are highly important for increasing the probability of survival and success (Bollingtoft & Ulhøi, 2005; Hansen et al., 2000; Lee, Lee & Pennings, 2001; Peters, Rice, & Sundararajan, 2004; Smilor, 1987). Expert advice and business support provided by incubators can substitute for direct experience and help business owners acquire the tacit knowledge shared by other managers in the industry (Aldrich, Reese, & Dubini, 1989; Miller, Besser & Riibe, 2006). By indoctrinating firms in standard business practices (such as business planning, financing, and administration), business incubators raise up

tenant firms so that they comply with norms of the larger social, political, and business communities (Aldrich & Fiol, 1994).

In addition to the facilities and services provided directly by the incubator and its staff, incubators also help embed start-ups in external networks much more quickly than would occur otherwise. They serve as central meeting points for meetings with important consultants such as accountants, lawyers, bankers, investors and marketing and public relations firms (Bergek & Norrman, 2008; Hansen et al., 2000; Lender, 2003; McAdam & McAdam 2006). Shahidi (in Lewis, 2001, p. 15) found that technology incubator tenants had more opportunities for networking than did similar non-incubated firms. These network ties were related to increased sales, lower costs, enhanced capabilities and overall reduced risk in addition to improved chances for obtaining equity capital, grants, and seed money (Lichenstien, in Lewis, 2001, p. 14). This shows that contact with the right people can lead to additional resources for new firms and thus improve their chances for success in terms of survival and sales (Aldrich & Zimmer, 1986, 1987; Baum, Calabrese & Silverman, 2000; Brush & Chaganti, 1999; Cooper, 2001; Lerner, Brush, & Hisrich, 1997; Miller & Besser, 2005). Hansen and associates (2000, p. 75) state that without a focus on networking, an incubator is “little more than a place to set up shop.”

Entrepreneurs who already have “strong personal connections to the right industry players” or do not need to move quickly may not require the services of a networked incubator (Hansen et al., 2000, p. 81). Previous studies (Aldrich, 1989; Brush, 1997; Renzulli, Aldrich & Moody, 2000; Robinson & Stubberud, 2009; Robson, Jack & Freel, 2008) have shown that women are less likely than men to have these strong personal connections. Incubator tenancy may be particularly effective for linking them with lawyers, accountants, and sources of information, thus increasing the diversity of their networks and decreasing disadvantages they would face compared to men with better networks.

The overall goal of incubation is, of course, graduation. It is important for firms to stand on their own feet rather than relying on the continued support of an incubator for an extended period of time. Additional new ventures can then benefit from the limited slots available within incubators (Hackett & Dilts, 2004). Most incubators expect tenants to strike out on their own after three to five years (Bergak & Norrman, 2008; CSES, 2002). Such policies also help to ensure that resources are not wasted on firms that cannot survive long-term without assistance.

The success of incubated businesses can be examined through both hard measures (e.g. sales turnover, profitability, growth, and graduation from the incubator) and soft measures such as increased professionalism, improved business skills, increased networks, increased knowledge, and decreased costs (Voisey, Gotnall, Jones & Thomas, 2006). Success rates for incubated firms are generally favorable (Allen, 1985; Campbell, 1987; Smilor & Gill, 1986), but positive results are not guaranteed simply by incubator tenancy (Johannison, 1987). Sherman and Chappell (1998) found that incubated firms had significant performance gains in terms of gross sales and annual payroll between the time they joined the incubator and the time of the study. The greatest average gains were seen in companies associated with technology incubators.

Interestingly, only about two-thirds of the participants in the study agreed the incubator experience was important to their success, while the remaining third rated it as somewhat important or not at all important. No significant association was found between this rating and either financial performance or success in creating jobs. Looking at business survival, Campbell (1987) found that only about 14% of the companies that were admitted to an incubator discontinued operations. On the other hand, Allen (1985) determined that for every two tenants that graduate, one discontinued operations while still a tenant. In a later study of incubated and non-incubated firms in Pennsylvania, USA, Allen and Bazan (1990) concluded that firms in incubators were more likely to survive and to perform better (sales and employment growth) than other firms. However, performance differences after graduation were not evident. These findings were criticized by the Pennsylvania Incubator Association due to the time lags, possible biases, and the lack of comparability between the two groups of companies (Lewis, 2001). Pena (2004) came to a similarly conflicted conclusion. In his study of business incubators and new firm growth in the Basque country, he found that firm growth is mostly the result of the entrepreneurs' own skills and organizational factors related to the start-up period of the firm. According to his findings, new firms should be able to develop themselves without any assistance from a business incubator because the only significant association he found was between firm success and training/assistance services. Likewise, Brisett (2001) contends that although incubators are fast becoming a popular tool for local economic development, their long-term impact is less obvious. Given these conflicting results, it is not surprising that critics contend that it is difficult to determine whether incubators achieve significant results beyond extending the suffering for new firms that would otherwise quickly fail (Brisett, 2001).

Incubators can provide a variety of services, from giving access to physical facilities to providing management development to improving networks. In light of the research (e.g. Pena, 2004) showing the importance of services related to training in particular, this study seeks to examine which services are most used by incubator tenants in Norway. If incubator tenants do not take advantage of the opportunities presented to them, they cannot benefit from them, and funds used to ensure they are available (even if not used) may be better used in other ways. To examine this issue in the context of one country, Norwegian incubator tenants were asked about their use of a variety of services and their opinions of the quality of the services they received. The methodology and results of the study are explained in the following section.

METHODOLOGY AND RESULTS

Norway has a total population of just under 5 million people. Microbusinesses account for approximately 91.8% of the countries enterprises, and 99.8% are SMEs (European Commission, 2010/2011). Between 25 and 30% of sole proprietorships are owned by women (OECD, 2012). Data were collected through a survey conducted in Norway in December 2011/January 2012. This study includes only those who had started businesses within the last

three years. The National Business Incubator Association (NBIA), located in the United States, is the world's largest incubator advocacy organization. It categorizes incubator programs as technology, manufacturing, services, mixed-use and "other" (Boyd, 2006, p. 12). Given the small sample size, this study did not distinguish between these types of incubators, which could have an influence on the results. All participants were housed in SIVA (Industrial Development Corporation of Norway; www.siva.no) incubators. SIVA provided the names and contact information for participants, who were then contacted by telephone. A total of 117 business owners in incubators participated in the survey. They were asked to indicate the frequency of their use of five types of services in the past 3 months on a Likert scale from 1–7 (1=not often, 7=very often), with 0 indicating the services had not been used. Likewise, they were asked to evaluate the quality of these services on a Likert scale from 1-7 (1=very poor, 7=very good). The survey was conducted in Norwegian and translated into English for this report.

Five types of services were included in the survey. Physical services are those related to the use of the facility such as conference rooms, kitchens/break rooms and audio visual equipment. General services refer those provided by employees of the incubator, including handling mail, copying and staffing a reception desk. Financial consulting includes help with accounting and finance as well as with contracts and investors. Business development refers to assistance with business plans, marketing, research, human resources, etc. Legal advice, help with patents and IT consulting fall under the category of other special services. Table 1 shows the mean rating for the frequency with which each of these services was used for the overall group and broken down by the amount of time the business owner had been in the incubator.

Table 1: Frequency of Use of Services by Time in Incubator

| Type of service | Overall | Less than 1 year | 1-2 years | Over 2 years | F | P< |
|------------------------|---------|------------------|-----------|--------------|-------|-------|
| Financial consulting | 3.3 | 3.3 | 3.6 | 3.0 | 0.570 | .567 |
| Business development | 3.1 | 3.1 | 3.3 | 2.9 | 0.234 | .792 |
| Physical services | 3.0 | 2.4 | 3.5 | 3.0 | 1.412 | .248 |
| Other special services | 2.8 | 2.8 | 3.2 | 2.6 | 0.525 | .593 |
| General services | 2.6 | 2.2 | 2.2 | 3.4 | 3.475 | .034* |

Financial consulting and business development, both intangible services, were the services most frequently used by incubator residents. These were also the two services that had the lowest percentage of respondents saying they had not used those services (see Table 2). Financial consulting received the highest mean rating for use by the overall group (3.3), and the lowest percentage of participants who had not used this service (18.8) in the last 3 months. Business development was slightly behind financial consulting in terms of frequency of use. These two types of services are very similar in that they involve helping business owners develop knowledge about running a business. Physical services received a 3.0 mean rating, but 25.6% of participants stated they had not used these services in the last 3 months. General services received similar ratings (2.6, 23.1%). Analysis of variance shows that business owners

who had been in the incubator more than two years were significantly more likely to use general services, with a 3.4 ratings, compared to 2.2 for both of the others groups. In fact, general services was the most commonly used service with financial consulting and physical services ranking second (3.0). This may suggest that business owners needed general services more as they grew their businesses. Those who had been in the incubator 1-2 years were the most likely (38.7%) to say they had not used general services in the last 3 months. Despite their 2.2 rating, only 16.7% of those who had been in the incubator less than 1 year said they had not used general services in the last 3 months. It is possible that newcomers to the incubator tried many of the available services when they first entered the incubator, but did not necessarily use them repeatedly. Their use of services then changed over time as their businesses developed.

| Table 2: Services Not Used by Time in Incubator | | | | | | |
|---|---------|------------------|-----------|-------------------|------------|-------|
| Type of service | Overall | Less than 1 year | 1-2 years | More than 2 years | Chi-square | P< |
| Financial consulting | 18.8% | 11.1% | 30.6% | 15.6% | 5.0 | .084 |
| Business development | 21.4 | 11.1 | 33.3 | 20.0 | 0.3 | .589 |
| Physical services | 25.6 | 19.4 | 30.6 | 26.7 | 1.2 | .547 |
| Other special services | 22.2 | 13.9 | 27.8 | 24.4 | 2.2 | .330 |
| General services | 23.1 | 16.7 | 38.7 | 15.6 | 7.3 | .026* |

It is not clear whether these results are related to business owners' satisfaction with the services provided (see Table 3). Physical services received the highest overall rating for quality of service (4.5), just ahead of financial consulting and business development (4.4). Although those in the incubator 1-2 years gave each set of services higher ratings than did the other 2 groups, these differences were not statistically significant. If incubator tenants try certain services and are not very satisfied with them, they are naturally inclined to stop using them. On the other hand, other services might be most appropriate at different stages of development, as suggested by the data in Tables 1 and 2.

| Table 3: Evaluation of Services by Time in Incubator | | | | | | |
|--|---------|------------------|-----------|--------------|------|------|
| Type of service | Overall | Less than 1 year | 1-2 years | Over 2 years | F | P< |
| Financial consulting | 4.4 | 4.5 | 4.5 | 4.1 | .569 | .568 |
| Business development | 4.4 | 4.4 | 4.7 | 4.1 | .032 | .361 |
| Physical services | 4.5 | 4.1 | 4.9 | 4.5 | .689 | .191 |
| Other special services | 4.2 | 3.9 | 4.5 | 4.1 | .923 | .401 |
| General services | 4.2 | 3.9 | 4.4 | 4.3 | .709 | .495 |

Frequency of use and satisfaction ratings were also analyzed by gender (see Tables 7, 8 and 9). Only 100 participants were included in this analysis because 17 did not provide gender information. The differences in mean ratings were not statistically significant.

Table 7: Frequency of Use by Gender

| Type of service | Overall | Women | Men | T | P< |
|------------------------|---------|-------|-----|-----|------|
| Financial consulting | 3.3 | 4.2 | 3.1 | 1.9 | .066 |
| Business development | 3.1 | 3.2 | 3.0 | 0.3 | .741 |
| Physical services | 3.0 | 2.2 | 3.4 | 1.9 | .057 |
| Other special services | 2.8 | 2.7 | 3.0 | 0.6 | .541 |
| General services | 2.6 | 2.4 | 2.8 | 0.7 | .463 |

Table 8: Service Not Used by Gender

| Type of service | Overall | Women | Men | Chi-square | P< |
|------------------------|---------|-------|-------|------------|------|
| Financial consulting | 18.8% | 16.0% | 22.7% | 0.5 | .478 |
| Business development | 21.4 | 20.0 | 25.3 | 0.3 | .589 |
| Physical services | 25.6 | 36.0 | 25.0 | 1.1 | .304 |
| Other special services | 22.2 | 28.0 | 22.7 | 0.3 | .599 |
| General services | 23.1 | 20.0 | 26.7 | 0.4 | .505 |

Table 9: Evaluation of Services by Gender

| Type of service | Overall | Women | Men | T | P< |
|------------------------|---------|-------|-----|-----|------|
| Financial consulting | 4.4 | 5.1 | 4.3 | 2.0 | .052 |
| Business development | 4.4 | 4.7 | 4.3 | 0.9 | .395 |
| Physical services | 4.5 | 4.3 | 4.8 | 1.0 | .316 |
| Other special services | 4.2 | 4.6 | 4.2 | 0.9 | .384 |
| General services | 4.2 | 4.2 | 4.4 | 0.5 | .590 |

The data were also examined based on both gender and time spent in the incubator so that analysis of variance could be conducted (see Table 10). There were no statistically significant differences between the ratings for the use of incubator services. Financial consulting and business development were clearly the most commonly used services for women in their first year, with these men giving the highest rating of any group for any service to business development (5.1). Over time, the use of business development tends to decrease, especially among men, but also among women.

Table 10: Use of Services by Gender and Time in Incubator

| Type of service | Women | | | Men | | | F | P< |
|------------------------|--------------|-----------|--------------|--------------|-----------|--------------|-------|------|
| | Under 1 year | 1-2 years | Over 2 years | Under 1 year | 1-2 years | Over 2 years | | |
| Financial consulting | 3.8 | 4.3 | 4.3 | 3.3 | 3.4 | 2.7 | .964 | .444 |
| Business development | 3.5 | 3.2 | 2.9 | 5.1 | 3.2 | 2.8 | .138 | .983 |
| Physical services | 2.0 | 3.2 | 1.0 | 2.6 | 3.6 | 3.7 | 1.902 | .101 |
| Other special services | 1.7 | 1.6 | 4.0 | 2.4 | 2.5 | 3.3 | .345 | .885 |
| General services | 1.7 | 1.6 | 4.0 | 2.4 | 2.5 | 3.3 | 1.533 | .187 |

The one statistically significant difference found in satisfaction ratings pertained to business development (see Table 11). Women and men seemed to have opposite patterns of

satisfaction over the 3 categories of time. The results showed that women (5.0) had higher ratings than men (4.2) in the first year, the same time at which they used this service most. Among the participants who had been in the incubator 1-2 years, women's ratings were only 3.9 while men's were 5.3. In the final group, women's ratings were again high 5.5 even though the usage rate was only 2.9. Men's satisfaction rating was only 3.8, the lowest of all 5 services. This may suggest that by this point, men desired advanced assistance that could not be provided, or perhaps their expectations were very high and the services they received were not up to their satisfaction. Their satisfaction with other services ranged from 4.0 to 4.8. Among women who had been in the incubator over 2 years, ratings ranged from 4.8 to 5.5.

| Table 11: Evaluation of Services by Gender and Time in Incubator | | | | | | | | |
|---|--------------|-----------|--------------|--------------|-----------|--------------|-------|-------|
| Type of service | Women | | | Men | | | F | |
| | Under 1 year | 1-2 years | Over 2 years | Under 1 year | 1-2 years | Over 2 years | | |
| Financial consulting | 5.8 | 4.7 | 5.1 | 4.3 | 4.6 | 4.0 | 1.343 | .256 |
| Business development | 5.0 | 3.9 | 5.5 | 4.2 | 5.3 | 3.8 | 2.462 | .001* |
| General services | 3.4 | 4.0 | 4.9 | 3.9 | 5.1 | 4.4 | 1.953 | .097 |
| Other special services | 4.4 | 4.5 | 4.8 | 3.7 | 4.6 | 4.2 | .724 | .607 |
| Physical service | 3.4 | 4.7 | 4.8 | 4.3 | 5.2 | 4.8 | 1.275 | .285 |

This study has sought to examine the services used by incubator residents and their satisfaction with those services. A limitation of this study is that the relatively small sample size (especially of women) did not permit means testing between men and women in the same incubator time category. Future research should examine this area more closely, especially in the area of expectations and satisfaction over time.

CONCLUSIONS

It was expected that physical and general services would be the most frequently used of the services included in this study. The building facilities and business services provided by incubators are often thought to "be" the incubator. Tenants find a common place to set up shop and share the services of staff, thus saving them the expense of hiring their own people and purchasing their own equipment. This was not, however, the case in many instances. Physical services had the highest proportion of incubator tenants who said that they had not used these services in the last three months. General services received the lowest frequency of use ratings and were similar to physical services in terms of the proportion of people who had not used this service in the last three months. Men seem to use physical services more relative to the other

services when compared to women, but their usage ratings were not different from women's as a statistically significant level.

Businesses at various stages of development tend to use different services, relatively speaking. For example, business owners who had been tenants of incubators for more than two years used general services more than the groups that had been in incubators for less time. This could explain why those who had been in the incubator the longest were the most likely to have used general services such as mail handling, reception services, etc. Businesses that are about to graduate from an incubator are more likely to have more customers and suppliers who visit the incubator for meetings or send mail or packages.

Sharing of knowledge seemed to be much more common than the sharing of facilities. Services based on business expertise—financial consulting and business development—were used more frequently than the other services and had the lowest proportions of people who had not used them in the last three months. Given these results, education programs may be more cost efficient than incubators. While some individual participants used physical services quite often, there were clearly many that did not use them. Mentor programs or educational programs may provide appropriate financial consulting and business development services without providing physical facilities and general services. Further analysis should be conducted to determine what type of businesses would benefit most from incubator tenancy.

One facet of incubator tenancy that was not included in this study was the frequency/quality of interaction with other incubator tenants. The development of relationships between tenants can be an important benefit of incubator tenancy (Hamel et al., 1989; Neck et al., 2004; Sherman & Chappell, 1998). This is an area for future research. This interaction may be a valuable benefit that helps justify the cost of incubators. Boyd (2006, p. 6) states that because “business incubation is still an emerging industry,” new discoveries as to how to manage incubators and assist community development are made every day

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THE ROLES OF FOREIGN LANGUAGE IN EXPORT OPERATIONS OF THAI SMES

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ABSTRACT

Foreign language ability has a significant role to play in doing business since it helps to increase understanding the target customers (Griva & Sivropoulou, 2009). The success of a small and middle-sized enterprise depends, in a great extent, on how foreign language can be used in a company. This research compared Thai SMEs' perceived importance of foreign language in exporting business, perceived influence of foreign language on choices of export market, the use of foreign language in export operations, and the use of strategies to deal with foreign language problems classified by business size, gender, and export experience. Data were collected from the questionnaire and an in-depth interview. The results indicate that export experience had an effect on Thai SMEs' perceived importance of foreign language, the use of foreign language, and the choice of their markets while gender and business size did not. That is, SMEs with deep export experience perceived more importance of foreign language than those with little export experience, and foreign language was seen to be more influential to SMEs with deep export experience than those with low export experience in terms of choosing export markets. Also, it was found that SMEs with deep export experience used more foreign language in their job than those with little export experience. Statistically significant differences were found between the two groups at $p < .05$. The most popular strategy to handle with language difficulties is hiring staff with good command of language. However, SMEs with different gender, business size, and export experience did not differ in their use of strategies to deal with the problem. Furthermore, this study discusses the interview results which provide deeper understanding of role of foreign language for Thai SMEs, especially when AEC will occur in 2015.

Keywords: SMEs, language skills, export, trade, internationalization, foreign language

INTRODUCTION

Small and medium enterprises (SMEs) are firms which are now playing an important role in a nation's economy and global trade. They make substantial contributions to employment and comprise the majority of businesses (Holmes et al, 2003). Like other countries in the world, the Thai government had policies to support SMEs under the 10th National Economic and Social

Development Plan (2007-2011) where strategies are established to create economic balance and sustainability through development and fortification of SMEs (Office of the National Economic and Social Development Board, 2007) in order to make SMEs become a driving force of the country's economy.

Due to increased competition in national markets, SMEs are changing strategic direction to international markets. SMEs engaged in exporting tend to be more productive than those that are not. One of the factors pushing SMEs to international markets is the Association of Southeast Asian Nations or ASEAN in the year 2015. The collaboration within the ASEAN Community involves three areas: ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC) and ASEAN Socio-Cultural Community (ASCC). The AEC will be a collaboration of particular significance as it will create a single market where manufacturing capacity, products, services and labor can move freely across member countries (ASEAN, 2008). Such an arrangement will increase the value of trade among the ASEAN countries. Hence, the ASEAN community has forced SMEs to start looking to the international market place for new customers.

However, doing international business transactions is not an easy task. The ability of SMEs to export is generally regarded as a measure of its competitiveness. To accomplish the achievement, SMEs need to be ready in many aspects such as resource capacity (Williams, 2011) and the role of networks (Bhagavatula et al., 2010). Apart from those factors, managerial characteristics are an important resource that is crucial for them to launch an international base (Reid, 1983). In many studies, language is seen as a managerial resource which is a significant factor in influencing exporting decision. Language is important to every kind and size of business, especially SMEs (Williams, 2011). Many findings reveal that when entrepreneurs have a mastery of a foreign language, they are more likely to become exporters (Lautanen, 2000; Obben & Magagula, 2003). In a competitive business environment, a company needs to be sure that it reaches its full potential. Therefore, having knowledge in a career alone doesn't guarantee one's success. According to Crystal (2003), in today's business, knowing a foreign language is a bit like having an extra instrument or one more piece of software to use.

In the past, the language playing a vital role the most is English; people need to know English in order to use it for international communication when they work. However, at present, knowing only English language might not be enough; it is necessary for all firms to adjust or improve themselves to the new circumstance. According to Herbig and Krmer (1991), the world is growing smaller every day." The smaller world which is full of high competition requires communication capabilities to understand better and interact with those from foreign cultures. That is, the ability to understand and communicate with each other through more than one language is strongly required. The more customers are satisfied, the more the organization gains advantages. In order to run the business successfully, employees need to know other languages necessary in doing a business apart from English.

Since little research has been done on Thai SMEs' export business with regard to the use of foreign language, the current study intends to investigate the role of foreign language in export operations of SMEs in Thailand. It is beneficial to know how important language is in their job and how much they are using it. This study also studied strategies which SMEs utilized to solve the problems of foreign language as well as their training policies. Although there is a significant degree of research on training policies in larger business, there is little research done in SMEs. SMEs play a crucial role in the economy and our understanding of their ability to contribute to the economy. The needs for language skill may be changing all the time. The result of this study can be used to determine the needs to implement the training required by entrepreneurs. Therefore, it is easier for the government and concerned organizations to provide any useful language courses as needed.

LITERATURE REVIEW

THE ROLE OF SMES IN ECONOMY

Small and medium enterprises (SMEs) in Thailand are defined as firms with 15 to 200 employees and 30 to 200 million Baht in fixed assets (depending on the business sector). According to Institute for Small and Medium Enterprises Development, SMEs in Thailand are classified into three major categories including production sector, service sector, and trading sector. SMEs are defined by fixed assets and size of employment as follows (Institute for Small and Medium Enterprises Development).

SMEs in Thailand presently account for 90% of all industrial businesses, hiring as many as 79% of all labors (Institute for Small and Medium Enterprise Development, 2008). The significance of SMEs within an economy such as generating employment, adding value, bringing in foreign currency and investment, and improving labor skills has caused the Thai government to launch policies to support them in many ways (Sarapaivanich, 2003). The sectors or organizations set up to provide help are Institute for Small and Medium Enterprises Development, Industrial Estate Authority of Thailand, and the Federation of Thai Industries etc. However, Thai SMEs are facing a series of external and internal factors that have significant adverse effects on their growth. Some of the external and internal obstacles include deficiencies in management capabilities, marketing, technology, problems arising from global economic as well as language.

THE IMPORTANCE OF FOREIGN LANGUAGE IN THE EXPORT OPERATIONS

Foreign language competency is a key factor in dealing with customers in international markets. Communication problems occur because of the difficulty of understanding different types of English used by nonnative speakers or poor translation of written material (Charles &

Marschan-Piekkari, 2002). Many studies indicate that when entrepreneurs have a mastery of a foreign language, they are more likely to become exporters (Lautanen, 2000; Obben & Magagula, 2003). The importance of the English language as the international language of communication should be emphasized because knowledge is gained either by experience, learning and perception or through association and reasoning (Lee, 2012). Deficiency of English language can have a negative effect on business in many studies. For example, Batt (2008) conducted the research study entitled 'English Skills Gap is Costing Thai Businesses', published in Business Week Thailand. He pointed out the case lost business worth upwards of Thai Baht 17 million (US\$500,000) because of a failure to deal with English language communications from a British business. This indicates that language plays an important role in business administration (Barlas *et al.*, 2002; Batt, 2008; Rasouli *et al.*, 2008). However, in a study it is found that in a context where firms are located in English speaking markets and their principals are native English speakers or have mastered the language, language is a significant barrier to export (Williams, 2011).

However, the importance of other languages cannot be denied. Whilst English is the most commonly used foreign language, it is clear that many other languages are commonly playing a significant role in doing business. For example, when products are sold to a Chinese company, the use of Chinese language is needed for responding in the language of the customer. The literature reviews suggest that other languages also have a significant role to play in foreign trading. Lautanen (2000, cited in Williams, 2011) identifies that it is the language skills of the entrepreneur that matter the most on their market choice. Graddol (2006) charted the linguistic dimension of globalisation and its implications in particular for English. The findings reveal that while English isn't becoming any less important on the Internet, other languages, such as Chinese, Russian, Spanish, and Portuguese, are becoming comparatively more important.

Crick (1999) reported on the use of languages within UK small and medium-sized enterprises (SME) which are engaged in export activities. Results from a postal survey and subsequent interviews provide a contribution to the literature by reporting on empirical findings in relation to four areas: managers' perceived importance and benefits of using foreign languages, issues preventing their use, the functional use of languages within businesses and issues affecting firms' recruitment and training in respect of languages. The results suggest that, although most firms are aware of the importance of languages and the benefits they can bring, this is not reflected in their use in certain functional areas and within the recruitment and training policies of many businesses.

Thitthongkam, Walsh, and Bunchapattanasakda (2011) found that some problems about language occurred because of differences between customers. Not all foreign customers can communicate in a foreign language, whether or not it is English. Many could speak only their own language, whether it is Russian, Italian, French or Danish. They could not speak English very well and sent in orders in very bad English in terms of grammar and spelling mistakes. In such a case, the problem can be solved if the partners can adapt themselves to study a foreign

language in order to understand and respond to the order correctly, as well as other forms of interaction.

LANGUAGE POLICIES AND STRATEGIES USED BY SMES

It is clear that foreign language abilities have an influence on getting a good job. Recruitment and selection of employees is of strategic importance because hiring a qualified work force is a key source of competitive advantage (Som, 2006). Foreign language skill provides a competitive edge in career choices in the contemporary job market (Ebling, 2005). A shortage of well-qualified human resources in SMEs is certainly a bottleneck when it comes to dealing with the inescapable challenges of globalization (Nakagawa, 2012). Many businesses are, therefore, looking for people who are fluent in languages. They want their new employees to possess foreign language skills, so they need people with high levels of proficiency.

Furthermore, SMEs owners also place an importance on training. Training is defined as a learning experience creating a relatively permanent change in an individual that improves their ability to perform on the job. To sharpen the language skills of existing employees, some companies provide foreign language courses as a means of staff development. According to Thassanabanjong, Miller and Marchant (2009), language training is utilized to varying extents. For example, organizations can invite professional trainers to help improve English skills in vocabulary and conversation. Writing skill for employees is also important, so that employees can complete written tasks such as letters, memos, reports and so forth. Training can enhance employees' language ability to complete current tasks (Stone, 2008). Hagen (1999) points out that some companies are increasing their investment in language training, so they introduce an incentive scheme to encourage their personnel to learn a language.

The ELAN study included 195 SMEs in 29 countries, focusing on small and medium-sized businesses and language strategies. The report revealed that companies applying one or more of the following practices were more profitable than the average SME. The practices were 1) developing a language strategy; 2) hiring native speakers; 3) recruiting people with proven language skills; and 4) using language professionals, such as translators or interpreters.

The British Chambers of Commerce language survey (2004) explicitly looked at the impact of language skills on export performance. It identified four different profiles of export managers based in the UK, taking into account their motivations, ambitions, education and individual language competence and classifying them as: *opportunist*, *developer*, *adaptor* and *enabler*. These behavioral styles were then linked with different types of export performance in their companies. This increased to 54% for developers, 67% for Adaptors and 77% for enablers, who placed the most value on language skills within their business. Moreover, export sales by Opportunists were declining by an average of €75,000 a year per exporter, while enablers' exports were increasing by an average of €440,000 a year per exporter. The survey found there was a direct correlation between the value an individual export manager placed on language

skills within their business and annual turnover. Only 33% of opportunists, who valued language skills the least, had an annual export turnover above €750,000.

Furthermore, Crick (2004) did an exploratory investigation on two issues first, reasons why a sample of executives from small firms discontinued export activities and second, perceptions towards policy assistance that may motivate them to recommence overseas activities in the future. Analysis in this study establishes that differences exist between two distinct groups of firms, namely, those indicating their discontinuation of exporting was a short-term measure compared with those that viewed the decision as longer term. Entrepreneurial learning was found to be present in firms that influenced some managers to overcome identified obstacles and engage in alternative modes of international activity to the export route, whereas others decided to pursue domestic opportunities.

Given the structural differences between developed and developing countries, it is possible that SMEs in developing countries may place an importance on foreign language and have language policies that are different from those in the developed countries. Therefore, the present study explores the role of language in exporting areas of SMEs in Thailand by focusing on three variables: business size, gender of the owner, and export experience. It is hoped that the findings from this research will bring a better understanding whether language is a significant factor in export business where owners do not have a mastery of foreign language when these variables are taken into account.

OBJECTIVES/PROPOSED CONCEPTUAL FRAMEWORK

The importance of the contribution of SME to the Thai economy, and particularly export earnings is, therefore, clear from the literature review. Exporting is one of the factors to growth. Hence, the need for SMEs to overcome the problems of foreign language usage is a key factor in their existence. These considerations and an examination of the literature have led to the following major research objectives:

(1) to compare the importance of foreign language in export operations as perceived by Thai SMEs classified by business size, gender, and experience in exporting; and

(2) to investigate possible differences of Thai SMEs' use of foreign language classified by business size, gender, and experience in exporting; and

(3) to find out the relationship between SMEs' use of strategies to deal with the language problems and business size, gender, and experience in exporting

The conceptual framework for this study is as follows:

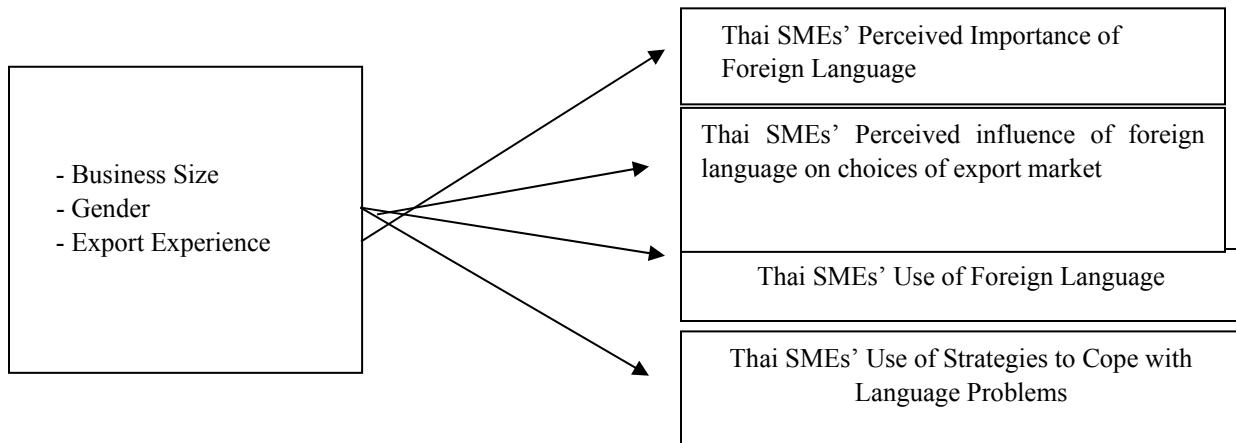


Figure 1. The conceptual framework for this research

RESEARCH METHODOLOGY

SAMPLES

The empirical data for the paper stem from exploratory research among SMEs exporters in Thailand. In determining a sampling frame for this investigation, the study restricted to SMEs that were only engaged in export activities. So, non-exporters were excluded from the study. SMEs in Thailand are divided into three main sectors: production, service, and trading, each of which was set by capital and labor. The researcher decided to limit this study to production and trading sectors and excluded service sector from this study due to its irrelevance to exporting business. The appropriate sample group, as determined by quantitative variables with known population size (Cooper and Scindler, 2001) was 480. Eventually, attempts were made to have 500 questionnaires in order to compensate for possibly incomplete questionnaires. Five hundred respondents were selected using simple random sampling, from a directory of SMEs in Bangkok and suburbs (Community Development Department, 2006).

INSTRUMENTS

A quantitative, exploratory research design used a paper-based survey as the primary research tool, following in-depth interviews. The questionnaire developed after reviewing the literature in this area was used to collect data from the samples for this study. A draft questionnaire was constructed with the major issues of interest. In the first part, survey questions covered demographics of the respondent, business type, number of members, and years in

existence. The second part asked about the importance of foreign language and its influence on choices of export market as perceived by entrepreneurs. The third part inquired SMEs' use of foreign language in their business. The three parts were in a 5-point rating scale ranging from "not at all" to "very much". Part four investigated whether language skills are adequate in the office and find out difficulties due to language proficiency. Part five asked about strategies SMEs employed to solve the problem of foreign languages. Further questions addressed policies of language training used to develop staff. Furthermore, 20 owners or managers, ten from production and ten from trading sectors were interviewed to provide more understanding of questionnaire responses and to validate conclusions (Cuba & Milbourne 1982).

DATA COLLECTION

The drop off and mail survey were employed to collect data during the months of October 2012-February 2013. Regarding ethical approval, all respondents in this study were voluntary; they had been informed that they could withdraw from a reply whenever they felt uncomfortable. The respondents also signed a consent form that briefly described the study before completing the questionnaire which took about half an hour.

A total of 500 questionnaires were distributed mainly in Bangkok and collected around twenty-five days later; 275 questionnaires were received. The drop off method provided higher response rate when compared with the mail survey. As we know, in any large survey a small percentage of all questionnaires will be returned even though return envelopes and prepaid postage were included. Deadlines dates were also specified on the first page of questionnaire. Three follow-ups were employed to stimulate a response. After a month, a phone call was made to remind the non-respondents to complete and mail the questionnaire. Two months after the original mailing, a new questionnaire was sent by certified mail in order to stimulate returns, along with a letter telling non-respondents that the questionnaire had not been received. Three weeks later, the remaining non-respondents were asked by calls. A total of 466 completed questionnaires were returned (representing a response rate of 93.20 %). Upon reviewing the completed questionnaires, a total of 452 copies or about 96.99 % of all were found to be valid. In the sample, 44 % were small businesses and 56 % were medium sized businesses. The number of questionnaire was sufficient for further analysis.

Later on, in-depth, face-to-face qualitative interviews were conducted with twenty managers or owners. The aims were to explore their perspectives concerning the importance of foreign language in export operations, to study the problems of foreign language usage in communication with customers, to find out how AEC in 2015 affects the company in terms of language policy, and to discover preferable modes of developing employees' foreign language ability of SMEs in Thailand.

RESULTS FROM THE QUESTIONNAIRE

When basic demographics of Thai SMEs were analyzed, it was found that the largest age group among respondents was 25-35 years with nearly fifty percent, followed by 36-45 years with twenty-five percent. Most respondents were business owners (80.97 percent) while some were managers (19.03 percent). The number of respondents classified by gender was almost equal with male (52 percent) and female (48 percent). In terms of educational level, a large proportion (90.04 percent) had completed university studies. Percentage of business sizes was nearly equal (49.12, 50.88 percent). Nearly half of the SMEs had exporting operations between 5-10 years (47.8 percent).

Table 1 Demographic Information of Thai SMEs

| Demographic | Number | Percent |
|-------------------------------------|---------------|----------------|
| Age group | | |
| <i>Less than 25</i> | - | - |
| <i>25-35</i> | 217 | 48.00 |
| <i>36-45</i> | 113 | 25.00 |
| <i>46-55</i> | 68 | 15.05 |
| <i>56+</i> | 54 | 11.95 |
| Status | | |
| <i>Owner</i> | 366 | 80.97 |
| <i>Manager</i> | 86 | 19.03 |
| Gender | | |
| <i>Male</i> | 235 | 52.00 |
| <i>Female</i> | 217 | 48.00 |
| Education level | | |
| <i>Elementary (primary) school</i> | - | - |
| <i>High school</i> | 9 | 2.00 |
| <i>Diploma/Technical</i> | 36 | 7.96 |
| <i>University</i> | 407 | 90.04 |
| Business Size | | |
| <i>Small</i> | 222 | 49.12 |
| <i>Medium</i> | 230 | 50.88 |
| Period in exporting business | | |
| <i>Less than 5 years</i> | 145 | 32.08 |
| <i>5-10 years</i> | 216 | 47.79 |
| <i>Over 10 years</i> | 91 | 20.13 |

IMPORTANCE OF FOREIGN LANGUAGE FOR THAI SMES

Independent t-tests were employed to find out how SMEs perceived the importance of foreign language in their work in relation to their business size, gender and experience in exporting business. The results revealed that there was no statistically significant difference between small and medium-sized businesses in terms of the perceived importance of foreign language ($t = 1.518$, $p > .05$). Also, male and female owners also had the same perceptions on importance of foreign language, and statistically significant difference was not found between the two groups ($t = .484$, $p > .05$). In this study, two groups of SMEs namely *little export experience* (< 5 years) and *deep export experience* (> 10 years) were of interest and were taken into analysis. The finding revealed that export experience was found to be statistically significant. This means, SMEs with deep export experience perceived more importance of foreign language than those with little export experience ($t = 2.061$, $p < .05$).

Table 1 SMEs' Perceptions on Language Importance Classified by Factors

| Perceived Importance of foreign language in business | N | Mean | t | p |
|--|-----|------|-------|------|
| Business Size | | | | |
| <i>small</i> | 222 | 3.86 | 1.372 | .171 |
| <i>medium</i> | 230 | 3.93 | | |
| Gender | | | | |
| <i>male</i> | 235 | 3.91 | .484 | .629 |
| <i>female</i> | 217 | 3.88 | | |
| Years in Exporting Business | | | | |
| <i>Little export experience (< 5 years)</i> | 145 | 3.82 | 2.061 | .041 |
| <i>Deep export experience (> 10 years)</i> | 91 | 4.02 | | |

**Responses were rated as follows: 1=not at all, 2=little, 3=moderate, 4= much, 5=very much.

When asked how much foreign language influenced the company's choice of export markets, the results revealed that the responses of small-and medium-sized businesses did not differ. In other words, business sizes did not affect the company's choices of export market at the significance level of .05 ($t = 1.439$, $p > .05$). Also, males and females were not statistically different in their perceptions ($t = .699$, $p > .05$). However, it was found that export experience had an effect on SMEs' responses. That is, foreign language was seen to be more influential for SMEs with deep export experience than those with low export experience in terms of choosing the export market. A difference was found between the two groups at the significance level of .05 ($t = 2.066$, $p < .05$) as indicated in Table 2.

Table 2 SMEs' Perceptions of Language Influence on Export Market Choices Classified by Three Factors

| Perceived influence of foreign language on choice of export markets | N | Mean | t | p |
|---|-----|------|-------|------|
| Business Size | | | | |
| <i>small</i> | 222 | 3.87 | 1.439 | .151 |
| <i>medium</i> | 230 | 3.95 | | |
| Gender | | | | |
| <i>male</i> | 235 | 3.93 | .699 | .485 |
| <i>female</i> | 217 | 3.89 | | |
| Years in Exporting Business | | | | |
| <i>Little export experience (< 5 years)</i> | 145 | 4.06 | 2.066 | .040 |
| <i>Deep export experience (>10 years)</i> | 91 | 4.27 | | |

** Responses were rated as follows: 1=not at all, 2=little, 3=moderate, 4=much, 5=very much.

THE USE OF FOREIGN LANGUAGE BY THAI SMES

The respondents were asked to rate how much foreign language was being used on a 5-point scale in the five areas. The overall mean score of SMEs' use of foreign language was at a high level (mean = 3.80). The most frequently used areas in businesses were communication face-to-face and by telephone (mean = 4.16), followed by writing correspondence (mean = 4.10), presentation (mean = 3.90), and meeting (mean = 3.63). The least frequently used area in all businesses was foreign travel (mean = 3.32). All areas are rated at a high level except foreign travel which was at a moderate level. See Table 3 below.

Table 3 SMEs' Use of Foreign Language

| Areas | Mean | S.D. | Level |
|---|-------------|------------|-------------|
| Communication (face-to-face and by phone) | 4.16 | .61 | high |
| Writing correspondence (letter & e-mail) | 4.10 | .74 | high |
| Presentation | 3.90 | .98 | high |
| Meeting | 3.63 | .95 | high |
| Foreign travel | 3.32 | 1.14 | moderate |
| Total | 3.82 | .60 | high |

** Responses were rated as follows: 1=not at all, 2=little, 3=moderate, 4=much, 5=very much.

When SMEs' use of foreign language was compared in terms of business size, it was found that there was not statistically significant difference between small and medium-sized businesses ($t = .908$, $p > .05$). Similarly, gender was not found to have an effect on their language use ($t = .674$, $p > .05$). However, when experience in exporting was taken to analyze, it was found

that SMEs with deep export experience used more foreign language than those with little export experience. A statistically significance was found between the two groups at $p < .05$.

Table 4 Comparisons of Foreign Language Use of SMEs Classified by Factors

| Factor | N | Mean | t | p |
|--|----------|-------------|----------|----------|
| Business Size | | | | |
| <i>small</i> | 222 | 3.79 | .908 | .365 |
| <i>medium</i> | 230 | 3.85 | | |
| Gender | | | | |
| <i>male</i> | 235 | 3.84 | .674 | .501 |
| <i>female</i> | 217 | 3.80 | | |
| Years in Exporting Business | | | | |
| <i>Little export experience (< 5 years)</i> | 145 | 3.75 | 3.424 | .001 |
| <i>Deep export experience (>10 years)</i> | 91 | 4.04 | | |

** Responses were rated as follows: 1=not at all, 2=little, 3=moderate, 4=much, 5=very much.

STRATEGIES USED TO DEAL WITH FOREIGN LANGUAGE PROBLEMS

Respondents were asked to comment on the adequacy of the language skills in their own office. The answers were almost exactly split between those believing there were adequate skills available and those feeling there was a need for improvement. That is, 85.2 % of the respondents believed the language skills were deficiencies and need improvement while only 14.8 % of them needed no improvement.

When asked whether the company has ever experienced difficulties with foreign customers due to foreign languages, on average, 91.2 % of the total sample of SMEs claims that there have been difficulties in the exporting task while contacting foreign customers while only 8.8 % stated that foreign languages do not cause any trouble when communicating with customers.

After the respondents identified what strategy the company has used to support trading in foreign market, data were calculated using multiple responses. The results revealed that the strategy which they used the most was hiring staff with good command of language, followed by providing language training for staff, and employing native speakers in the company. Hiring external translators or interpreters was the strategy employed by SMEs the least. Then SMEs' use of strategies was analyzed to find out the relationship with business size, gender, and export experience. Results from Chi-Square tests indicate that business size, gender, and export experience were not related to strategy use in all items ($P > .05$). This can be concluded that Thai SMEs used similar strategies to deal with the problems of foreign language. In other words,

the three factors namely business size, gender, and export experience did not have relationships with their strategy usage.

Table 5 Chi-Square Results of Business Size and Strategy Usage

| Strategy | Yes | No | Chi-square | p |
|---|-----|-----|------------|------|
| Hiring staff with good command of language | | | | |
| - <i>small</i> | 199 | 23 | .364 | .546 |
| - <i>medium</i> | 210 | 20 | | |
| Providing language training | | | | |
| - <i>small</i> | 126 | 96 | .105 | .746 |
| - <i>medium</i> | 134 | 96 | | |
| Employing native speakers in the company | | | | |
| - <i>small</i> | 111 | 111 | .137 | .712 |
| - <i>medium</i> | 119 | 111 | | |
| Hiring external translators or interpreters | | | | |
| - <i>small</i> | 81 | 141 | 1.860 | .173 |
| - <i>medium</i> | 70 | 160 | | |

Table 6 Chi-Square Results of Gender and Strategy Usage

| Strategies | Yes | No | Chi-square | p |
|---|-----|-----|------------|------|
| Hiring staff with good command of language | | | | |
| - <i>male</i> | 213 | 22 | .013 | .909 |
| - <i>female</i> | 196 | 21 | | |
| Providing language training | | | | |
| - <i>male</i> | 138 | 97 | .289 | .591 |
| - <i>female</i> | 122 | 95 | | |
| Employing native speakers in the company | | | | |
| - <i>male</i> | 121 | 114 | .072 | .789 |
| - <i>female</i> | 109 | 108 | | |
| Hiring external translators or interpreters | | | | |
| - <i>male</i> | 70 | 165 | 2.883 | .090 |
| - <i>female</i> | 81 | 136 | | |

Data got from asking the respondents to identify the policy (policies) of their company on language training were analyzed using multiple responses, and the finding revealed that the policy utilized the most was paying for training out of office hours and providing in-house training was selected as the second order. The strategy of employing native speakers in the company was used in the third order while the strategy of hiring external translators was chosen the least.

Table 7 Chi-Square Results of Export Experience and Strategy Usage

| Strategies | Yes | No | Chi-square | p |
|---|------------|-----------|-------------------|----------|
| Hiring staff with good command of language | | | | |
| - <i>low experience</i> | 131 | 14 | .109 | .741 |
| - <i>deep experience</i> | 81 | 10 | | |
| Providing language training | | | | |
| - <i>low experience</i> | 86 | 59 | .026 | .871 |
| - <i>deep experience</i> | 53 | 38 | | |
| Employing native speakers in the company | | | | |
| - <i>low experience</i> | 79 | 66 | 1.552 | .213 |
| - <i>deep experience</i> | 42 | 49 | | |
| Hiring external translators or interpreters | | | | |
| - <i>low experience</i> | 48 | 97 | 1.808 | .179 |
| - <i>deep experience</i> | 38 | 53 | | |

Table 8 Company's Policy on Language Training

| Policy | Frequency | Percentage |
|---|------------------|-------------------|
| The company pays for training out of office hours. | 384 | 85.9 |
| The company provides in-house training. | 371 | 83.0 |
| The company allows time off for language training. | 181 | 40.5 |
| Employees need to pay for their own language training | 14 | 3.1 |
| The company does not encourage language training. | 8 | 1.8 |

RESULTS FROM IN-DEPTH INTERVIEWS

From the interviews, it becomes apparent that foreign language proficiency is significant in exporting business for SMEs, especially for communication with customers. According to the replies, in the many forms of communication, dealing with negotiations is prominent. All of the informants agree that the company needs to be able to communicate at least in English. It is necessary for the import and export businesses to be able to negotiate with their partners in trading because they have to gain benefit from any deal while retaining good relationships for future interactions. Apart from language, three informants state that learning and understanding other cultures is also important when the companies deal with customers from various countries.

Eleven out of twenty informants state that they have experienced difficulties in export operation due to language. Exporting problems occur because the company staff cannot communicate well in the customer's language. Usually, there are errors in communication. Four informants explain that their companies are placing more importance on foreign language policy since they have just encountered the difficult situation with regards to language. For them,

language is a means to make foreign customers feel satisfied and have good impression in doing business.

Nine informants agree that joining the ASEAN Economic Community (AEC) in the coming years has led to observable enthusiasm of language policy. Five out of twenty informants accept that their companies have already planned for opening a new market to reap the benefits of ASEAN cooperation, so languages used in ASEAN countries are also considered important. Staffs are now encouraged to take a basic conversation course dealing with business negotiations and presentations. However, four of them state that the companies do not have a plan to invest in the English language training as a means to cope with this situation, but they will recruit new staffs who can communicate with the target customers. However, eleven informants reveal that their companies will not get involved with new foreign language as they were not ready to expand the export operations to ASEAN countries; they are busy doing business in the present exporting market.

Regarding preferable modes of developing employees' foreign language ability, 10 out of 20 informants agree that inviting professional trainers to help improve foreign language skills covering conversation, writing, and vocabulary is deemed necessary. The rest prefers to send their staff to learn after working hours. All of them need training that yields immediate results. The program which can raise a poor level of language proficiency after a couple of months is given the most consideration. They believe that accumulating ability in any language is not a long-term effort. Providing support for language skill development is, therefore, deemed important for all. Most of the informants further point out that in-house training should be provided from time to time, and the policy which forces the employees to pay for their own training should be abandoned.

DISCUSSION

Findings from the present study suggest that Thai SMEs place a lot of importance on foreign languages used in their export operations. The owners agree that language use is highly important. This is due to the fact that owners or entrepreneurs live in the country where they speak only the local language. Therefore, English and other foreign language skills seem to be the most critical factor for Thai SMEs. This is in accordance with Graddol (2006) who found that languages, such as Chinese, Russian, Spanish, and Portuguese, are becoming important. As expected, the replies from SMEs to the question about the importance foreign language are similar to many previous studies (Crick, 1999, Lautanen, 2000, Obben & Magagula, 2003). SMEs use foreign language to communicate with customers. There are a lot of benefits to be gained from speaking a foreign language. For example, it will facilitate effective planning and control of business operations in the export market. There will be more understanding of foreign business practices with good interaction with foreign customers. According to the result, correspondence is found to be the most necessary area for foreign trading. This is supported by

Thassanabanjong, Miller and Marchant, (2009) who state that writing skill is important for employees in written tasks such as letters, memos, reports and so forth. For instance, it can enhance employees' language ability to complete current tasks (Stone, 2006).

In this study, export experience is the only one factor that has an impact on SMEs' perceived importance of foreign language, the choice of their markets, and the use of foreign language in their job. SMEs with deep export experience seem to depend on foreign language more than those with little export experience. Due to longer experience in export operations, they know well that customers will appreciate the language use and will not feel like they are strangers but close to their business partners as people on whom they can rely. In addition, knowing the target language enables them to understand all the details and conditions of products and services so as to make better decisions. Most SMEs also report that deficiency of language skills has an effect on choices of export market. They miss a good opportunity to export the products to any countries whose languages are not familiar. The finding is found to be similar with Batt (2008) who reports the case that loses business worth upwards of Thai Baht 17 million (US\$500,000) because of a failure to deal with English language communications from a British business.

Regarding strategies used to deal with the problem of foreign language, hiring staff with good command of language is found to be the most popular way Thai SMEs employ nowadays. This is probably because SMEs owners can choose the right people in an interview. If they need people with a high level of language proficiency, they tend to set the language as a required qualification in the application. They know well that once they hire the competent staff, they can reduce a lot of training cost. The finding in this study confirms that recruitment and selection of employees is of strategic importance because hiring a qualified work force is a key source of competitive advantage (Som, 2006). In contrast, SMEs do not see hiring external language specialists as a worthwhile investment because many of them are small and have low export ratios. The use of external staff for translation may lead to feelings of dependence and lack of information. Other than that, those external specialists may have a loss of information since they do not have contextual knowledge of local practices and routines (Von Glinow et al., 2004). In addition, this study reveals no relationship between SMEs' strategy use and the three factors namely business size, gender, and export experience. A reason for this finding is that SMEs are more placing a lot importance on foreign language; they are using various strategies to deal with export operations. This can be explained on the basis of competitive environments in overseas markets where good command of language and cultural understanding are required in communication.

When it comes to language training, Thai SMEs choose to carry out two main policies the most. These include the company's paying for training out of office hours and providing in-house training. The percentage of their selection in the two policies is not much different. Choosing the first policy is probably because providing in-house training is a waste of time while paying for training out of office hour costs lower expense for some companies. In-house training

has many benefits. First, all staffs can be developed at the same time. By so doing, everyone can have practices of languages in exporting areas and develop an understanding of cross-cultural matters. Second, language is taught by a highly qualified and experienced trainer to serve the company's needs, so it can enhance their language ability to complete current tasks (Stone, 2006). Companies will benefit from an individually designed language training programme. Even though the expense is rather high, the outcome is worthwhile. The findings are found to be similar to the study conducted by Thassanabanjong, Miller and Marchant (2009) in that organizations should invite professional trainers to help improve various skills such as vocabulary and conversation and writing.

IMPLICATIONS FOR PRACTICE

The results presented in this article have implications for export policymakers in terms of finding the strategies to encourage SMEs to grow. For example, language training courses in the exporting areas can be provided by organizations concerned to decrease any difficulties SMEs are encountering. In this regard, SMEs with low export experience should be paid more attention since they do not seem to be confident in using languages in their exporting. With the help from the government, SMEs can increase the level of their exports since they are getting involved in the export trade like the large firms.

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IMPACT OF MICROFINANCE ON ENTREPRENEURIAL ACTIVITY IN EMERGING ECONOMIES: PANEL DATA FROM ARGENTINA, BRAZIL, COLOMBIA & SOUTH AFRICA

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ABSTRACT

Since the 1970s, microfinance, or small-size loans offered to poor people to use for start-up or working capital so that they might improve their financial circumstances through entrepreneurship, has grown in popularity and availability throughout the world. Across the globe, millions of individuals have borrowed billions of dollars through microfinance institutions. Emerging economies, in particular, view microfinance as a significant economic development tool. However, limited empirical evidence exists to substantiate the impact of microfinance. In this study, we use panel data from Argentina, Brazil, Colombia and South Africa to investigate the effects of microfinance on early and later stage entrepreneurial activity. For early stage entrepreneurial activity, we examine this relationship, overall, as well as by gender. Our study's results prove interesting. We find that microfinance relates positively to early stage entrepreneurial activity overall and by women. On the contrary, microfinance negatively relates to early stage entrepreneurial activity conducted by men. It also negatively relates to later stage entrepreneurial activity overall. These findings add empirical evidence to the scholarly discourse about microfinance and its impacts.

Keywords: microfinance; entrepreneurship; female entrepreneurship; emerging economy

INTRODUCTION

Since the early 1970s, microfinance has been extended to impoverished citizens of emerging economies so they can start or grow their own microenterprises and lift themselves out of poverty. In recent years, the gross loan portfolio balances of microfinance institutions (MFIs) around the world have grown to over \$13 billion (www.worldwatch.org). Microfinance is defined as “small-scale loans of \$70 to \$100 that are accessible to the very poor” (Woodworth, 2000, p. 20). Because impoverished individuals typically lack collateral and the magnitude of their borrowing is relatively limited, MFIs often lend money to groups of villagers who in essence co-sign for one another or rely on peer pressure as a form of “collateral” to achieve repayment rates that

encourage MFI sustainability. Nevertheless, the ability of MFIs to continue to attract government and private funding is becoming more challenging as funding sources want reassurance that microfinance is accomplishing its objectives. Consequently, MFIs need conclusive evidence that microfinance encourages sustainable entrepreneurial activity.

Not surprisingly, many studies have been conducted to investigate the impacts of microfinance at various levels of analysis including the individual, household, enterprise and community. Most are case studies of individual or regional groups of MFIs. We contribute to this area of research by empirically investigating the relationship between microfinance and entrepreneurial activity using panel data from four emerging economies - Argentina, Brazil, Colombia and South Africa. According to Mixmarket.org, microfinance institutions (MFIs) in Argentina have a little over 39,000 active borrowers and \$40.4 million (2010 USD) in outstanding loans. Brazilian MFIs have outstanding loans of \$1.4 billion (2010 USD) with over 950,000 active borrowers while their counterparts in Colombia loaned over \$4 billion (2010 USD) to 1.5 million active borrowers. South African MFIs had 4,176 active borrowers with \$1.6 billion in outstanding loans in 2010 (www.mixmarket.org). The Global Entrepreneurship Monitor (GEM) research program collects survey data each year on entrepreneurial activity from multiple countries. Argentina reported high rates of early-stage entrepreneurial activity among efficiency driven economies in the 2009 GEM Global Report. According to GEM's 2010 Global Report, Brazil showed the greatest amount of entrepreneurial activity among efficiency-driven Latin American economies. GEM 2008 data on Colombia shows that this country has one of the highest levels of early-stage entrepreneurship in the world. South Africa, on the other hand, has shown very low levels of entrepreneurship relative to efficiency driven economies (www.gemconsortium.org). We seek to investigate the effect of microfinance on entrepreneurial activity in emerging economies.

We organize the remainder of this paper in the following manner: In the next section we review segments of the microfinance and entrepreneurship literatures pertinent to our study and present our hypotheses. We then describe our data, identify data sources, and discuss our analytical techniques. Next, we share and explain the results of our hypotheses tests as well as their implications for scholarship, practice and policymaking. To conclude we discuss our study's contributions, identify its limitations, and offer suggestions for future research.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

MICROFINANCE AND ENTREPRENEURIAL ACTIVITY

According to the environment for entrepreneurship literature, access to financial capital, such as microfinance, is a critical impetus for entrepreneurial activity (Bruno & Tyebjee, 1982). Many microfinance impact studies investigate individual MFIs or groups of MFIs in a region or country. For example, Copestake, Bhalotra & Johnson (2001) found that Zambian microenterprises that were MFI clients experienced greater increases in profits than non-client

businesses. In a 2005 study that compared clients of a Ugandan MFI with non-clients, Morris & Barnes found product and market expansion were more likely among MFI clients. These microenterprises were also more likely to reduce operating costs and increase inventory levels than were their counterparts who were not clients of an MFI. Another study showed that rural women in Bangladesh chose to start microbusinesses after receiving financial management training from local MFIs (Afrin, Islam & Ahmed, 2010). The results of Eversole's (2003) study of Bolivian MFIs, however, were mixed. Some clients shared that microfinance allowed their businesses to continue operations and, in some instances, to grow. Other clients, however, believed that MFI business policies were designed to promote MFI sustainability more so than that of its clients.

Since microfinance impact studies generally reveal that microfinance encourages entrepreneurial activity, we predict that

H1: The pool of microfinance in an emerging economy will positively relate to entrepreneurial activity in that emerging economy.

FEMALE ENTREPRENEURSHIP AND MICROFINANCE

In addition to its influence on overall entrepreneurial activity, a large proportion of microfinance impact studies examine its effects on women socially, politically and economically. Since "UNDP [(United Nations Development Programme)] estimates that women comprise over 70% of poor people in the world" (UNCDF, 2003), they can represent a majority of microfinance borrowers (Woodworth, 2000). In their ethnographic case study of ten MFIs in Senegal, Kah, Olds & Kah (2005) found that the group-based mechanisms through which these MFIs extend credit encouraged modest improvements in the lives of the female clients economically and politically. Similarly, a study of 400 female clients of MFIs located throughout eastern India found that the solidarity that developed among the women who formed these MFIs' borrowing groups fueled not only economic but also political agency (Sanyal, 2009). Furthermore, studies have shown that female economic participation, in general, and female entrepreneurship, in particular, benefit more than women. The income earned by women as a result of entrepreneurial pursuits not only provides economic resources for these women but also is associated with lower child mortality rates (Sen, 1999). Another study discovered that families of female clients of an Ethiopian MFI experienced higher nutritional levels in comparison to male clients' families (Doocy, Norell, Teffera & Burnham, 2005).

Accordingly, some MFIs lend exclusively to women. Female MFI clients have been shown to repay their loans at higher rates than their male counterparts. It has been suggested that this global pattern of lower repayment default among women occurs "because women are more risk-averse, or have fewer possibilities of obtaining credit outside microfinance, or take more seriously the consequences for their children of their failing to repay, or a combination of the above" (Velasco & Marconi, 2004).

Therefore, drawing upon prior research, we also hypothesize that,

H2: The pool of microfinance in an emerging economy will have a stronger positive relationship with female entrepreneurial activity than with male entrepreneurial activity.

RESEARCH MODEL

DATA COLLECTION AND MEASUREMENT OF VARIABLES

This empirical study uses panel data from Argentina, Brazil, Colombia and South Africa to test its hypotheses. The key variable of interest, microfinance, was measured by the gross loan portfolio balances from 2000-2009 of MFIs operating in these countries. These data were collected from Microfinance Information eXchange (MIX), a source used in prior studies (Crabb, 2008). The dependent variable, entrepreneurial activity, was measured four ways with data from 2001-2009 gathered from the Global Entrepreneurship Monitor (GEM). Each of the four measures is presented as a percent of the working age population or individuals aged 18 through 64 years. OLD_BUS is one measure of entrepreneurial activity and consists of owner-managers of businesses that have been in operation for at least 42 months. Another measure, NEW_BUS, captures owner-managers of businesses that have operated for at least 3 but fewer than 42 months. The third and fourth measures represent the percent of working age females (FEM_BUS) and males (MALE_BUS) who are actively starting businesses or who own and manage businesses that have been in operation between 3 and 42 months.

Since the environment for entrepreneurship literature indicates that entrepreneurial activity can be affected by factors other than access to financial capital we include at least one other variable in each model (Manolova, Eunni & Gyoshev, 2008). That is, in all models we include per capita GDP (PCGDP) to capture overall macroeconomic conditions. Annual per capita GDP figures were obtained from the United Nations and were converted into 2009 US dollars to be consistent with the microfinance data. For tests in which OLD_BUS and NEW_BUS are dependent variables, we also include a variable, GOVT_POL, representing the number of procedures to formally register a business. The data for this variable were obtained from World Bank “Doing Business” reports for 2003 - 2009. Doing Business reports collect and share data on the regulatory environments of small and medium sized firms operating in 183 economies (www.doingbusiness.org).

METHODOLOGY

Panel data were gathered and used to test our study’s hypotheses. Panel data sets consist of cross-sections of data collected over time. Since the data for each country are repeated observations, positive correlations among the data are likely and potential unobservable time invariant factors may result. Therefore, we follow the example of Liu, Siler, Wang & Wei

(2000): First, we run several models of each hypothesis test. These models include ordinary least squares (OLS), one way fixed effects, two way fixed effects, one way random effects and two way random effects. Second, we use the likelihood ratio, Lagrange multiplier and Hausman specification tests to determine which of the aforementioned models best addresses cross-sectional variation.

RESULTS

Descriptive statistics for each of our study's variables are displayed in Table 1. Colombia shows a substantially higher average level of microfinance in comparison with Argentina, Brazil and South Africa. Similarly, entrepreneurial activity level in Colombia exceeds that of the other three countries for all four measures. Nevertheless, Colombia shows the lowest per capita GDP. In each of the emerging economies included in our study, a larger percent of the working age male population engages in entrepreneurial activity than of females. Entrepreneurial activity is lowest in South Africa even though it requires the fewest registration procedures for businesses.

Table 1. Mean and standard deviation of variables used in regressions by country

| | Argentina | | Brazil | | Colombia | | South Africa | |
|--|-----------|-------|--------|---------|----------|----------|--------------|---------|
| | Mean | SD | Mean | SD | Mean | SD | Mean | SD |
| MFI Gross Loan Portfolio (million dollars, 2009 US) | 9.57 | 9.52 | 264.94 | 305.521 | 2,482.89 | 5,665.86 | 145.02 | 196.272 |
| NEW_BUS (percent of population) | 6.089 | 2.391 | 8.111 | 1.671 | 11.950 | 3.092 | 1.850 | 0.389 |
| OLD_BUS (percent of population) | 8.844 | 3.406 | 9.756 | 3.109 | 12.175 | 1.567 | 1.388 | 0.455 |
| FEM_BUS (percent of population) | 11.03 | 3.467 | 12.10 | 2.421 | 18.30 | 1.187 | 5.20 | 1.404 |
| MALE_BUS (percent of population) | 17.55 | 4.217 | 14.56 | 1.776 | 26.65 | 2.234 | 7.38 | 2.024 |
| GOVT_POL (no. of procedures) | 14.857 | 0.378 | 16.625 | 1.188 | 12 | 3.423 | 7.75 | 1.488 |
| PCGDP (2009 US dollars) | 7,928 | 2.440 | 5,297 | 1.982 | 3,677 | 942.90 | 4,810 | 937.14 |

We present our correlation matrix in Table 2. The positive and statistically significant correlations between MFI and each of the four measures of entrepreneurial activity provide preliminary support for our first hypothesis. The magnitude of the correlation between FEM_BUS and MFI exceeds that of the correlation between MALE_BUS and MFI, indicating preliminary support for our second hypothesis. Contrary to the environment of entrepreneurship literature that suggests that higher governmental regulation serves as a deterrent to

entrepreneurial activity, GOVT_POL positively correlates with all measures of entrepreneurial activity. Nonetheless, it is only significantly and positively correlated with OLD_BUS and NEW_BUS. All of the measures of entrepreneurial activity, except for MALE_BUS, correlate positively with PCGDP, though the only statistically significant correlation is between PCGDP and OLD_BUS.

| Table 2. Correlation Matrix | | | | | | | |
|-----------------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| MFI | 1.0000 | | | | | | |
| NEW_BUS | 0.5662 0.0014 | 1.0000 | | | | | |
| OLD_BUS | 0.4070 0.0284 | 0.8709 <.0001 | 1.0000 | | | | |
| FEM_BUS | 0.7585 <.0001 | 0.9620 <.0001 | 0.8787 <.0001 | 1.0000 | | | |
| MALE_BUS | 0.7098 0.0002 | 0.85344 <.0001 | 0.7848 <.0001 | 0.9144 <.0001 | 1.0000 | | |
| GOVT_POL | -0.2713 0.1545 | 0.4384 0.0364 | 0.6022 0.0024 | 0.2499 0.3505 | 0.14811 0.5841 | 1.0000 | |
| PCGDP | 0.1271 0.3843 | 0.1587 0.4024 | 0.3682 0.0453 | 0.0915 0.678 | -0.0845 0.7016 | 0.1147 0.5389 | 1.0000 |

Our first hypothesis (H1) predicts a positive relationship between microfinance in an emerging economy and entrepreneurial activity in that economy. We ran separate tests of this hypothesis for each measure of entrepreneurial activity. In our tests with OLD_BUS and NEW_BUS as dependent variables, we regressed each of the entrepreneurial activity variables on MFI controlling for PCGDP and GOVT_POL. Due to data limitations, we only controlled for PCGDP when we regressed MFI on FEM_BUS and MALE_BUS respectively. As explained in the prior section, we ran multiple models and used diagnostic tests to identify the best statistical model for each measure of entrepreneurial activity. The selected models are presented in Table 3.

The results of our tests of hypothesis 1 are mixed. In support of our prediction, MFI positively relates to NEW_BUS and FEM_BUS. Contrary to our prediction, MFI negatively relates to OLD_BUS and MALE_BUS. The coefficients for MFI in all four models are highly statistically significant. Albeit the low R^2 for the model predicting female entrepreneurship indicates that less than 13% of the variance in female entrepreneurship can be explained by microfinance.

We predict in our second hypothesis (H2) that microfinance will more positively influence entrepreneurial activity on the part of females relative to males. As shown in the fourth column of Table 3, the highly statistically significant coefficient for MFI is positive when predicting FEM_BUS but is negative in the fifth column when predicting MALE_BUS. These

coefficients suggest that microfinance has a positive relationship with female entrepreneurial activity and a negative relationship with male entrepreneurial activity.

Table 3: Impact of Microfinance on Entrepreneurial Activity

| | <i>Hypotheses tests</i> | | | |
|--------------------------------------|-------------------------|------------------------|-----------------------|------------------------|
| | New Business | Old Business | Female Business | Male Business |
| <i>Constant</i> | -5.0886 0.024** | | | |
| <i>MFI</i> | 2.63E-09 <.0001*** | -1.65E-09 <.0001*** | 2.03E-09 <.0001*** | -2.49E-10 <.0001*** |
| <i>PCGDP</i> | 0.00021 0.4962 | 0.001364 0.1349 | -0.00018 0.6642 | -0.00033 0.8642 |
| <i>GOVT_POL</i> | 0.67949 <.0001*** | -0.12971 0.8516 | | |
| <i>R²</i> | 0.7927 | 0.9522 | 0.1263 | 0.9228 |
| Tests | | | | |
| <i>F-Test (for no Fixed Effects)</i> | 1.73 (0.2028) | 2.74 (0.0660) | 8.05 (0.0022) | 4.46 (0.0172) |
| <i>Lagrange Multiplier</i> | 1.64 (0.2004) | 0.24 (0.6226) | 0.31 (0.5759) | 2.61 (0.1063) |
| <i>Hausman Specification</i> | 2.24 (0.5233) | 1.61 (0.6577) | 1.81 (0.4042) | 1.02 (0.6005) |
| Selected Model | OLS | 2-way FE | 2-way FE | 2-way FE |

DISCUSSION AND CONCLUSION

With this study we ultimately sought to determine if microfinance affects entrepreneurial activity in emerging economies. The results of our empirical tests using panel data from Argentina, Brazil, Colombia and South Africa proved interesting.

We found that microfinance relates positively to early stage entrepreneurial activity but negatively to more established businesses. These results suggest that microfinance may serve effectively as start-up capital but not working capital. Perhaps its ineffectiveness as a source of working capital can be attributed to the non-financial aspects of microfinance. According to Eversole (2003), some microentrepreneurs felt that the business training workshops that the MFI required them to attend and the amount of information they were required to divulge to the MFI were burdensome and counter-productive. Furthermore, “some [borrowers]...found that the loans were too small and not appropriate to their credit needs” (Eversole, 2003, p. 185).

Although we expected that microfinance would relate differently to female and male entrepreneurial activity, we find it interesting that microfinance was found to negatively relate to male entrepreneurship. The negative relationship between microfinance and male entrepreneurial

activity contradicts environment of entrepreneurship scholarship that indicates access to capital as an antecedent to entrepreneurship (Bruno & Tyebjee, 1982). Although Liedholm (2002) states that “large numbers of [micro and small enterprises] MSEs in Africa and Latin America are owned and operated by women” (p. 230), the inverse relationship between microfinance and male entrepreneurship remains unclear and should be investigated further.

These results have implications for managers of MFIs as well as national policymakers. For several decades, these stakeholders have viewed microfinance as a tool for reducing poverty and encouraging economic development by fueling entrepreneurship. The results of this and prior studies indicate these efforts appear successful with respect to women-owned and nascent enterprises. Nonetheless, this study reveals that MFI managers and government officials should consider modifications to the mechanisms of microfinance so that it supports rather than hinders later stage entrepreneurship and male entrepreneurial activity. Persistent reductions in poverty and long-term economic development will require sustained entrepreneurial activity conducted by men and women.

This study adds to the scholarly discourse on microfinance and its effects on entrepreneurial activity. It seeks to address the dearth in empirical investigations into the impact of microfinance by analyzing panel data from four emerging economies. Despite this study’s contributions, its results suffer from limitations and lay the foundation for future research. First, the generalizability of the results may be limited since they were based on only four emerging economies. Future research using data from more countries might provide further insight. Second, the different relationships between microfinance and entrepreneurship at early versus later stages suggests that time series analysis might prove useful. Third, future research using research methods that allow for deeper inquiry into the effects of microfinance on male entrepreneurial activity could be revelatory. Fourth, an empirical study representing a “wider impact” approach that also includes data on cultural, social and political consequences of microfinance may well uncover additional understanding.

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EMPIRICAL STUDY ON THE RELATIONSHIP BETWEEN ENTREPRENEURIAL MINDSET AND THE FACTORS AFFECTING INTRAPRENEURSHIP: A STUDY IN INDIAN CONTEXT.

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ABSTRACT

Intrapreneurship, also called corporate intrapreneurship, corporate venturing, Intra corporate. Intrapreneurship is the spirit of entrepreneurship within the employees working in an established organization. The data collected through personal interview from 380 employees spread over 376 companies has revealed that entrepreneurial mindset or the entrepreneurship in the employees is one of the main factors, influencing intrapreneurship in the Indian companies. Entrepreneurship mindset in itself is a set of four qualities. They are, risk taking ability, learning from mistakes and successes, always in search of innovative ideas and being optimistic & motivated. Study is also focused on the demographics and its relation to the entrepreneurship mindset. Knowing the intrapreneurship factors existing in any organization helps the organization to understand the existing situation in the organization and focus on the area which needs attention. This knowledge enables the organization to keep up the intrapreneurial spirit in the organization and face globalization challenges with ease. Nurturing intrapreneurship has resulted in the growth of organization such as 3M, Google.

KEYWORDS: Intrapreneurship, Entrepreneurial mindset, Behavioral aspects, Intrapreneur, Entrepreneurship, Intrapreneurial factor.

INTRODUCTION

INDIA AND INTRAPRENEURSHIP

Intrapreneurship term has been derived from Intra-corporate entrepreneurship; which explains the spirit and the culture of entrepreneurship carried out inside the organizations. In the present century, Indian corporates have entered the global market on a large scale. Information Technology industries are in the forefront. Traditionally, Indian economy is supported by

entrepreneurship. The Indian mindset has cultural advantage, which is evident from the following. 'Artisans –system' was a well-known practice in India. The artisans developed their profession and made it richer in skills and knowledge by continuously innovating, experimenting and expanding. In joint families, the family head as well as other elders in the family play the role of mentor. There are certain castes, which promote their own community members as entrepreneurs in a very systematic manner. (Anu,2007). Evidently, Entrepreneurship and Intrapreneurship are not new concepts in India. Companies such as Tata Steel and 3M have exhibited extraordinary levels of growth by encouraging Intrapreneurship (Seshadri & Tripathy,). It is thus very important to study the factors that affect Intrapreneurship on a personal level as well as on an organisation level. Understanding this can help organizations to create conducive environment for its employees to develop Intrapreneurship as a skill. This study makes an attempt to identify the intrapreneurship factors, and its influence on demographic factors such as age and education in Indian companies.

LITERATURE REVIEW

Intrapreneurship term describes organizations that are willing to follow prospects and opportunities, change actions and innovative products or services (Pinchot, 1985). Every company in business needs new innovative ideas to create a unique position and survive beneficially and, therefore, it has to find ways and means to tap the potential intrinsic in its employees. Corporate entrepreneurship is the survival attitude of the organization (Pinchot, 2000). Success of the Intrapreneurship is very difficult one and future benefits of the organization are desirable. (De Coning, 1992). Changing the organization's culture by establishing new goals, policies, increasing cross feedback system and developing and implementing result oriented rewards can be used gradually but firmly establish the spirit of Intrapreneurship in an existing organization (De Coning, 1992). There are many internal and external factors that affect the Intrapreneurship. Risk taking ability, Creativity, innovation, learning from own experiences are some of the qualities seen in an entrepreneur. Creativity is the process of generating new ideas (Van Aardt, Van Aardt & Bezuidenhout, 2000). Innovation refers to beginning of a new idea, and frequently involves many people, each one presenting dissimilar contributions and suggestions for the same problem (Fuller, 1995). Pinchot (1999) research results explain that innovation is important in order to keep up with the high output of competitors. (Covinand & Slevin, 1991) model reveals the external factors like technology modernizing, product life cycle, dynamism, hostility and internal factors like organization strategies, values, attitude, structure, culture and competencies play main role in affecting Intrapreneurship. Risk taking ability, productivity, autonomy, motivation, orientation to achieve and self-control are the some individual characteristics that affect the Intrapreneurship (Menzel

Hans C, 2007; Hornsby et al, 1993; Lumpkin and Dess, 2001). Internal personal factors like proactive, risk tenancy and achievement spirit of the individual are the some motivational factors of the intrapreneurs (Pinchot, 1985) Organizational support such as management involvement encourages employees to generate new business ideas (Sundbo, 1999). Creating new idea requires time and relaxed mind. Flexible timings and relaxed workload can be excellent support from the management. But this should be without affecting routine activities of the organization (Bamber, et al., 2002). Sometime innovation and creativity also tied with availability of performance based reward systems and promotions (Kuratko et al., 2005).

STATEMENT OF THE PROBLEM

Entrepreneurship development has significant relation to the country's economic growth. Companies must grow by introducing new innovative approaches and one such tool is inculcating intrapreneurship among the employees for better productivity and profitability. In India, very limited studies have been carried out in intrapreneurship. It is necessary to identify the factors that affect the intrapreneurs and generate an environment for a better growth of the organization and the country at large. Main objective of this article is to find and understand the factors that influence Intrapreneurial mindset as opposed to the employee's mindset. This study would be helpful to companies in India particularly in Bangalore, looking forward to practice intrapreneurial culture.

HYPOTHESIS

- H1** *There is an association between demographic factors of respondents and Intrapreneurship.*
- H2** *Entrepreneurial quality positively influences intrapreneurship.*

MATERIALS AND METHODS

Total of 376 organizations are selected for this study. These 376 organizations were grouped into ten categories. 376 companies include large scale corporations, small scale industries, service industries, consultancy organizations and mini enterprises. The pilot questionnaire of 48 questions was prepared by considering the 14 questions depicting behavioral aspects directing towards motivation, performance, innovation, judging ability, feedback, risk taking, all indicative of intrapreneurial qualities in a person. Research Instrument includes questions on organizational culture, demographics of the individual. For this paper, the focus is mainly on the behavioral aspects related to entrepreneurial mindset of an employee contributing to intrapreneurship. Sample of 1880 employees working in 376 companies in Bangalore, India,

was chosen. Researcher conducted personal interviews, from 376 companies and 380 employees. SPSS 21 statistical software was used to analyze the collected data.

RESULTS

| Table 1 Reliability Test | | | |
|--------------------------------|-------------------------|-------------------------|--------------------------------|
| Factor | Cronbachs Alpha Group A | Cronbachs Alpha Group B | Guttman split-half reliability |
| Intrapreneurial Employee Index | 0.805554231 | 0.691682669 | 0.877237738 |

The results in the table 1 indicate the Intrapreneurial Employee index CronbachsAlpha for Group A is 0.805 and for Group B is 0.691. The Guttman split half reliability is 0.877. Inter-rater reliability is the variation in measurements when taken by different persons but with the same method or instruments. Nunnally and Bernstein (1994) point out the fact that “group research is often concerned with the size of correlations and with mean differences, for which a reliability co-efficient of 0.70 is adequate”. In addition, the Guttman’s split-half reliability scores appear to all predict a high level of reliability, with scores equal to or exceeding 0.872. From the result (table 1) consistency of set measuring instruments are reliable.

| Table 2 Demographic details of the respondents(Age and Education) | | |
|--|-----------|------------|
| Age | Frequency | Percentage |
| Below 30 years | 280 | 73.68 |
| 31 to 40 | 49 | 12.89 |
| 41 to 50 | 36 | 9.47 |
| Above 51 years | 15 | 3.95 |
| Education | Frequency | Percentage |
| Graduate | 248 | 65.26 |
| Postgraduate | 125 | 32.89 |
| Higher | 7 | 1.84 |

The results in the table 2 indicate the number of respondents from different age group. 73.68% of the respondents are below the age group of 30 years, 65.26 % are graduates and 32.89% are post graduates.

| Table 3 Chi square analysis between Age, Education and Intrapreneurial mindset | | | |
|---|------------------|---------|----------------|
| Chi square analysis | Chi square value | P value | Result |
| Age | 11.332 | 0.501 | No Association |
| Education | 8.385 | 0.397 | No Association |

The results in the table 3 indicate the dependency of demographic factors like Age and Education on the Intrapreneurial mindset. Since the P values are greater than 0.05, they are independent.

| Table 4 Rotation component matrix | | |
|--|-----------------------------|----------------------|
| Factor Name | Enterprising mindset | Communalities |
| Eigen Value | 3.33 | |
| Total Variance Explained=60% | 0.19 | |
| I am willing to take risk to complete my task | 0.70 | 0.54 |
| I learn from my success, mistakes and failures. | 0.69 | 0.55 |
| I am always in search of innovative ideas, processes, products, which is beneficial for my organization | 0.66 | 0.51 |
| I am optimistic and I create positive feeling within myself which inspires me to work enthusiastically in my task and towards my goals | 0.53 | 0.49 |

Totally 60 per cent total variances explained by Entrepreneurial mindset, an Intrapreneurship factor.

The results of the table 4 indicate the factor analysis of a set of behavioral variables. The variables are grouped into four categories and the same is named as entrepreneurial mindset depending on the type of behavioral variables involved. The four behavioral variables viz., risk taking ability, learning from experience, innovating ability, positive attitude are put together to form one factor influencing intrapreneurship in companies, “entrepreneurial mindset”.

| Table 5 Correlation analysis organizational culture, Entrepreneurial mindset and overall Intrapreneurial score. | | | |
|--|-----------|-----------------------------------|----------------|
| Correlation | No | Organizational culture (r) | P Value |
| Entrepreneurial mindset | 380 | 0.816** | 0.000 |
| Overall Intrapreneurial score | 380 | 0.553** | 0.000 |

Note: ** $P \leq 0.01$

The results of the table 5 indicate the correlation of the identified Intrapreneurship factor and the overall intrapreneurship score with the organization culture. The result says the P value is less than 0.05. Therefore, Entrepreneurial mindset and the overall Intrapreneurial score both are interdependent on the organization culture. The findings of the current study is indirectly consistent with De Coning and several others research studies. This study confirms that Entrepreneurial mindset affects intrapreneurship and organization culture in the working environment. Organizational culture has positive effect on entrepreneurial mindset and overall intrapreneurial score.. Researcher can take up further study on other internal and external organizational factors with a varied sample size to come out with near accurate results. The risk taking ability, one of the earliest attempts to explain the entrepreneur, a French term for risk taking, was made by Robert Cantillon before 1734. Risk, as far as employee is concerned, will be within the limits of an employee, not of investing money.but attempting challenging tasks, taking up challenging responsibility. Companies have to invest in human resources, relationships and organizational procedures in order to raise their innovation capabilities to take on the globalization. The learning capacity, creativity, teamwork capacity, flexibility, motivation and education are regarded as important features positively influences innovativeness and

performance of firms (Bassi and Van Burren, 1999). The management of medium to highly innovative SMEs seeking to foster their innovation capabilities is concerned should invest primarily in human capital. from an innovation perspective.(Leitner, K. H, 2011).Regarding attitude, organizations need to develop and retain a highly committed workforce(Coopey and Hartley, 1991; Guest, 1992). Here the study is based on the personality traits. Thus positive attitude, a factor within the main factor, entrepreneurial mindset, contributes to intrapreneurship and the growth of the organization.

CONCLUSION

This study concludes that Entrepreneurial mindset is found as one of the factors associated with Intrapreneurship in the Indian companies. As study reveals Entrepreneurial mindset means qualities of an entrepreneur within an employee. Study indicated that risk taking ability, learning from experience, innovating ability, positive attitude are put together to form one factor which influences intrapreneurship and is named “entrepreneurial mindset”. Entrepreneurial mindset is the contributing factor for intrapreneurship in the Indian companies. Employee with entrepreneurial mindset contributes to the spirit and the environment of intrapreneurship in turn to the growth of the organization. To keep up the entrepreneurial mindset of an employee the organization can expose the employees to continuing programs resulting in enhancing the entrepreneurial mindset. The study has also revealed that intrapreneurship in Indian Companies is independent of age and education. Encouraging an employee to give his best ignites his entrepreneurial quality which in turn contributes to the product development. This prepares the organization to keep up with the global competition. It also enhances the life cycle of the product and the organization. The research can be further carried out with varied sample size to get a near perfect statistics.

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IMMIGRATION AND ENTREPRENEURSHIP IN GREECE: FACTORS INFLUENCING AND SHAPING ENTREPRENEURSHIP ESTABLISHMENTS BY IMMIGRANTS

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ABSTRACT

Immigration takes place for many reasons including: Socioeconomic, political, and religious and it has no boundary. It does impact a few countries for reasons as either a transit or a destination. Immigrant entrepreneurial activities can serve as a route of economic advancement and social mobility for most immigrant groups in their new host countries.

Similar to the rest of the South Mediterranean sea countries, modern Greece has always been connected to immigration and to immigrants. After the communist era in Europe at the end of the 1980s, a large number of immigrants from the former communist countries of Eastern Europe and the Soviet Union have arrived in Greece during a relatively short period of time. With the number of immigrants continually increasing, immigrant owned businesses started to mushroom in Greece.

Utilizing field interviews and a survey questionnaire of 164 immigrant entrepreneurs, this study inquired into the reasons some immigrants turned to entrepreneurship in Greece during the period preceding its financial crises. Accordingly, this study provides insights into a variety of critical factors which determine the creation of immigrant enterprises.

Key Words: Immigrant Business, Entrepreneurship, Greece, First Generation Entrepreneurs, Entrepreneurship Success, Ethnicity, Immigration.

INTRODUCTION

Migration is an important social force shaping the structure and changing the demographic composition of many advanced economies. As migration flows into a country, it could bring social and economic challenges to the host nation. In the year 2010, the number of migrants was estimated at 214 million; and if this number continues to grow at the same pace as the last two decades, it could reach 405 million by 2050 (International Organization for Migration's World Migration Report, 2010).

Sowell (as cited in Robert, 1997) suggested that migration is strongly influenced by the push-pull model of labor mobility. This model is shown to incorporate many of Ravenstein's laws of migration, to be equivalent to a quadratic transportation problem, and to be related to the mathematics of classical continuous flow models. The push factors are those life situations that give one reason to be dissatisfied with one's present locale; the pull factors are those attributes of distant places that make them appear appealing (Dorigo & Tobler, 2005). Accordingly migrations occur because of people variations in their geographic settings and historical experiences; and ethnic groups usually differ in their knowledge, skills, and values, which are referred to as human capital, that lead to prosperity (Sowell as cited in Robert, 1997). Most ethnic groups according to Sowell "are transfers of peoples from places where their human capital is abundant to places where it is scarce. Such migrations, he further claims, tend to be redistributions of human capital that benefit the migrating groups and the places in which they settle" (as cited in Robert 1997: 445).

North America and Australia were both destinations for a great number of immigrants. These two lands were settled by migrant groups arriving into North America since the 17th century, and into Australia in the 18th century (Sporakowski, 1993). However, towards the end of the twentieth century, Europe had emerged as a great magnet for millions of immigrants displaced from their homelands by political and economic reasons. Many European countries have attracted many immigrants as results of governmental changes in the Eastern European countries.

Greece was no exception; it did and continued to receive a wave of immigrants from the former Communist bloc counties as well as other nations as a result of traditionally good and peaceful relationship with these countries. In addition to that, the proximity of Greece to these countries (see the map in Figure 1) as well as its relative better standard of living as compared to immigration's source nations were the main reasons that led many to choose Greece as a country of destination (Karassavoglou, Alexiou, & Zoumboulidis, 2008).

The aforementioned wave of new illegal immigrants in the early 1990s, constituted one of the most important changes in the Greek economy and society. The increase in small business activities among immigrant groups in the US and Europe has been of great interest to social scientists (Rath & Kloosterman, 2000). When immigrants start their own business and become successful, they also create job opportunities for others within the same ethnic group.

According to Rath and Kloosterman:

If economically successful, immigrant entrepreneurship provides work and income exactly for those members of categories of the population who face, on average, substantial obstacles on the labor market which leads to their persistently high rates of unemployment. The economic impact of immigrant entrepreneurs is even more important than just providing jobs for themselves and their employees because they may indirectly contribute to employment opportunities for immigrants by networking along the suppliers' chain (2000: 3-4).

The new immigrants coming into the Greek society grew in number and as a consequence many of them chose to become self-employed by starting their own business; mainly in Athens, the Greek capital.

The purpose of this paper is to examine what factors influenced immigrants to engage in new business activity in Greece and how such factors have shaped Greece's entrepreneurship in the era before the country's historic debt crisis that exploded in fall 2009 and generated major challenges to the Euro-Zone as Greece was drowning in debts.

Figure 1. Map of Greece and Eastern Europe



Source: <http://camiapp.files.wordpress.com/2011/12/easterneuropecolortext.jpg>

THEORITICAL FOUNDATION OF THE STUDY

Greece: From Emigration to Migration

Since the establishment of the Modern independent Greek state in 1830 with the Treaty of London, Greece like many other South Mediterranean countries, has always been connected with immigration. Greeks immigrated to Central and Eastern European countries; Ottoman Empire, and to Egypt among other immigration destinations.

Two important waves of mass emigration took place after the formation of the Modern Greek state in the early 1830s, one dated to the era of late 19th and early 20th century; and the second following the Second World War. During the later period almost a sixth of Greece's population emigrated to the United States and Egypt (Kasimis & Kassimi, 2004).)

Greeks Early Immigration: The Era of the 19th century

The Greek immigration to the Western World was shaped in the 19th century. The very first significant Greek community to develop in the US was in the 1850s in the city of New Orleans in Louisiana (Federation of the Hellenic Societies of Greater New York, n.d.). By 1866, the Greek community became prosperous and sizable enough to have a Greek consulate and its first Greek Orthodox Church in the United States; and by the year 1890, an estimated 15,000 Greeks were living in the US (Federation of the Hellenic Societies of Greater New York, n.d.). The influx of Greek immigrants in the 1890s and early 20th century was due largely to economic opportunities in the U.S., and hardships caused by the Ottoman rule in the Asia Minor and Aegean Islands, the Wars of the Balkan, and the World War I. As a result, over 450,000 Greek workers and their families arrived in the US between 1890 and 1917 (Frangos, n.d.). While many of them reside in the cities of the Northeast states; some moved to the Western part of the country and labored on railroad construction and in mines. In the era of the 1918-1924, another 70,000 Greeks arrived in the U.S. While many of them remained laborers, some became entrepreneurs. At a rapid rate they established restaurants, markets, hotels, candy stores, bars, street vendors, and other small businesses (Federation of the Hellenic Societies of Greater New York, n.d.; Kitroeff, n.d.).

The Greek Civil War: 1946-1949

The Greek Civil War was the result of a highly polarized struggle between leftists and rightists which started in 1943 and targeted the power vacuum that the German-Italian occupation during World War II had created (Kotora, 1985). The Greek's Civil War was fought from 1946 to 1949 between the Greek government army and the Democratic Army of Greece (DSE), the military wing of the Greek Communist Party (KKE) (AvaxNews, 2011; Chomsky, 1994). This war signaled the first signs and showed one of the first conflicts of the Cold War. Accordingly, while the Greek's government army was backed by the United States and the United Kingdom; its rival-the Democratic Army of Greece (DSE) was backed by the regional Communist regimes of Bulgaria, Yugoslavia, and Albania. This war represented the early examples of postwar super power involvement in the internal strives of other nations (AvaxNews, 2011; Chomsky, 1994).

One of the most serious problems of post war Greece was unemployment which was followed by tremendous economic repercussions. The intensive emigration was inevitable. Many Greeks emigrated to the U.S., Australia and to the Western Europe. While it was estimated that approximately 1.2 million people left Greece, many of them returned (Cholezas & Tsakloglou, 2008).

In the first half of 1970s international (the oil crisis of 1973) and domestic events (the restoration of democracy in 1974 after seven years of dictatorship) combined with the

enhancement of the Greek economy and severely halted the emigration flow. In the early 1990s a drastic change started to happen making Greece an immigrant recipient country. The collapse of the communist regimes in Eastern Europe caused an unprecedented influx of economic immigrants. Like any other Southern European countries (i.e. Portugal, Spain, and Italy), Greece received a large number of undocumented immigrants mostly from the Balkans and the former USSR countries and experienced a rapid immigration shift predominantly from neighboring Albania (Hatziprokopiou, 2008).

On a television interview, Nikitas Kaklamanis, Athens former mayor, stated that one hundred thousand illegal immigrants cross Greek borders from Turkey alone every year, but only five thousand of them are sent back by state authorities (Skandalis, 2012). Additionally, Albania's long, porous border, bad economic conditions, and the need for cheap labor in Greece contributed and explained the fact that the majority of those who entered Greece illegally came from neighboring Albania (Hatziprokopiou, 2008; Skandalis, Danopoulos, & Liargovas, 2008).

Since 1990s, the increasing rate of immigration into Greece has been phenomenal. The first wave of immigrants came from Bulgaria, Romania, Poland and the former USSR countries. Hence, immigrants' inflow reached great numbers when Albanians started coming into Greece. By the end of the millennium, the immigrant population in Greece has risen to more than seven per cent of its inhabitants, thus making Greece a country of immigrants. The 2001 census showed that 762,191 immigrants reside in Greece, a figure that surpasses more than twenty times the approximately 30,500 immigrants of 1951 (Cavoundis, 2002; Skandalis, 2012). Those immigrants came mostly from neighboring Balkan countries due to geographical proximity (Cavounidis, 2002).

A 2004 report by the Mediterranean Immigration Observatory group, estimated the number of legal and illegal immigrants in Greece to about 950,000 (Hellenic Migration Institute, 2004); the majority-i.e. about 80%, are between the ages of 15-64 years old. Other sources put the number of immigrants at much higher level (Kathimerini, 2007). Cited European Commission sources, the Greek press projected that by 2030, the number of first and second generation immigrants will reach 2.75 million (Kathimerini, 2007). According to the Hellenic Migration Institute (2004) the composition of the residence permit holders in Greece (referring to legal immigrants) is 80% originated from Central Europe; followed by Asia (principally from Pakistan, Georgia, India, Philippines, Bangladesh, Armenia, and China); and lastly the European newly independent States (Russia, Ukraine, and Moldova).

The 2001 census has shown that immigrants from Albania alone account to more than half of all immigrants into Greece. Albanians constitute some 56% of total number of immigrants (Hellenic Migration Institute, 2004), making Greece a very unique country in the European Union by having one dominant immigrant group in excess of 50% of its immigrant population. Albanians are followed by Bulgarians (5%), Georgians (3%) and Romanians (3%). The greatest cluster of immigrant population lives in the Municipality of Athens and Thessaloniki (Hellenic Migration Institute, 2004).

In Greece, according to Cholezas and Tsakloglou (2008), over 90% of immigrants are employees, 6.5% appear to be self-employed and 2.8% are employers. Many immigrants and their families turned to small business, some in ethnic enclaves and others in wider markets. During the early 2000s, an immigration bill passed, and consequently has resulted in giving the majority of immigrants a legal status in Greece. That passage coincided with the European Union accession of ten Central and Eastern European states in 2004 and 2007 that eased requirements for a great number of nationals of countries like Bulgaria, Romania and Poland to live, work, and acquire business in countries that are part of the EU such as Greece (Hatziprokopiou, 2008).

On March 2010, a new bill became law in Greece. The bill opens a path to Greek citizenship to the children of immigrants who were or will be born and raised in Greece (Athens News, 2010). While the impact of legal status on self-employment is not clear, Kossoudji and Cobb-Clark (2002) examined the effects of the Immigration and Reform Control Act (IRCA) of 1986 in United States of America, which included an amnesty allowing illegal immigrants to obtain legal status; argued that Latino workers having legal status through IRCA started to gain increased wages. Accordingly, a wage increase is possible to make the entrepreneurial start-up a less likely choice among immigrants. Contrary to that, Fairlie and Woodruff (2010) argued that legal status, can affect earnings from self-employment via the ability of those who gained legal status to access institutional resources needed for entrepreneurs (i.e. court system). Furthermore, they argued that legal immigrants are more likely to own property that might be used as collateral when doing business, giving them access to line of credit. Accordingly, one can imply that the relationship between immigrants' legal status and immigrant entrepreneurship is positive.

Immigrant Entrepreneurship

Entrepreneurial initiatives represent a very important element in the dynamic development of a country's economy. It is an important economic phenomenon, increasingly addressed in the social science research. Governments all over the world, implement policies to promote new venturing activities. However, the problem of defining the word "entrepreneur" and establishing the boundaries of the field entrepreneurship still exists (Bruyat & Julien, 2000). Entrepreneurship is the act of being an entrepreneur and according to the French tradition, this implies "one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods" (Abouzeedan & Hedner, 2010: 1). Webster dictionary (2013) defines an entrepreneur as "the organizer of an economic venture; especially one who organizes, owns, manages, and assumes the risks of a business". Carpenter, Bauer, & Erdogan (2009) define entrepreneurship as the recognition of opportunities (needs, wants, problems, and challenges) and the use of resources to implement innovative ideas for new, thoughtfully planned ventures. This may result in new business (or start-up firms) or may be part of revitalizing mature business in response to a perceived opportunity. According to the European Commission

(2003), entrepreneurship is an attitude that reflects an individual's motivation and capacity to identify an opportunity and to pursue it in order to produce new value or economic success.

The entrepreneurship as a subject of research becomes more complex when seeing it from the angle of migration. The increase in numbers of immigrants in Greece in the last two decades, has also led to an increase in the immigrant entrepreneurship. In the early 1980s, only very few immigrants were registered as performing self-employment activities. According to Lazaridis and Koumandaraki (2003) "since the 1990s the majority of migrant workers have been taken low paid, unskilled jobs in the informal economy" (1). However, the self-employment structure of immigrants to Greece changed tremendously since the early years of the 21st century. Thus, the increasing number of immigrant enterprises reflects a business reality that has become more and more common after the advent of the new century. In this study, entrepreneurs are defined as those business owners who employ family labor as well as those who create employment for others.

Some surveys on immigrant self-employment identify the role of managerial and other individual abilities among significant determinants of engaging in self-employment. Many studies suggested the existence of certain personality features or traits that could be associated with the entrepreneurial activity (McClelland, 1961, as cited in Liñán, Rodríguez-Cohard, & Rueda-Cantuche, 2011). Immigrant and non-immigrant entrepreneurs alike share the majority of these traits. McClelland (1961) was the pioneer in studying the characteristics of an entrepreneur. He posited that individuals who have strong need for achievement are more likely to engage in activities or tasks that have a high degree of individual responsibility for outcomes; require personal skills and efforts; and include feedback on performance.

On the other hand, some people choose to become entrepreneurs as a way for independence and psychological improvement. Hisrich (1985) argued that one of the prime motivations for starting a business was a desire for independence (as cited in Shane, Locke, & Collins, 2003). Independence is connected to taking responsibility for one's own life rather than living off the efforts of others. Immigrants are no different; their desire for independence, their need for personal status, their values and characters can lead them to have the desire of grabbing entrepreneurial opportunities.

The entrepreneurial process involves acting in uncertainty. Venkataraman (1997) argues that several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty (as cited in Shane, Locke, & Collins, 2003). Furthermore, risk-taking propensity and opportunity influence entrepreneurial decisions (Shane & Venkataraman, 2000). Mata and Pendakur (1999) viewed self-employment as a natural extension of the ethnic enclave which offers both stability and employment to group members. Marger (2001) investigated the role of immigrant networks and family ties in the establishment and operation of Canadian businesses (cited in Liargovas and Skandalis, 2012). Access to networks in the home and host country is necessary for immigrant firms. An important motive for immigrant self-employment may be the enhancement of social status in the community. Furthermore, if ethnic communities have special sets of needs or

preferences that are best served by those who share those needs and know them intimately, then ethnic entrepreneurs have an advantage (Aldrich & Waldinger, 1990 cited in Liargovas and Skandalis, 2012). Yinger (1985) suggested that when ethnic person is linked to group, the members have some awareness of group membership and a common origin and culture. Agrawal and Chavan (1997) found that the ethnic community had varied reasons for undertaking business at their career including : arrival circumstances, settlement, education, financial status, family background, job market, knowledge of language, past experience, no job satisfaction, retrenchment, independence, bad job condition, discrimination, better opportunities, opportunities for better financial benefits, and personal characteristics. According to Agrawal and Chavan (1997:11) “Most of the Lebanese said they were into business because they had their uncles, fathers or brothers into business who helped them (a case of family background)” while “the Spanish and the Polish said that they had tried hard getting jobs but because of the lack of knowledge of English and the non-recognition of their qualifications they had to go into business to survive” (Agrawal & Chavan, 1997:11).

Despite the mounted literature on immigration and entrepreneurship, only a few researches have provide answers and explanations to the questions of why immigrants to Greece establish their own businesses and engage in self-employment.

Zhou (1992) argued that entrepreneurship represents a significant avenue for economic progress of immigrant minorities. The existing literature distinguishes between two main types of ethnic entrepreneurs: (1) The ethnic enclave entrepreneurs and (2) the middleman-minority entrepreneurs (Zhou, 2008). According to Zhou (2008), ethnic enclave entrepreneurs include those who are bounded by ethnicity, an ethnic community’s social structures and a by geographic location. This type of entrepreneurs operate businesses in immigrant neighborhoods where their own ethnic group dominates and they “themselves” are also connected in a system of ethnic social networks within a self-sustaining ethnic enclave. The second type “the middleman minority” refers to the minority groups that have played an intermediary economic role between producers of the dominant group and minority customers in different societies (Zhou, 2008; Min & Bozorgmehr, 2003). Those entrepreneurs trade in between a society’s elite and masses (Zhou, 2008). In the past they were sojourners, focused on making a quick profit from their businesses and then reinvesting their earnings elsewhere, often implying a return home (Bonacich, 1973).

Discrimination in the labor market is a form of disadvantage of ethnic minorities. It results in unemployment among immigrants, and thus becomes an impediment to well-paid jobs. That forces immigrants to undertake the self-employment opportunity.

According to Model and Lapido (1996) immigrants are given second preference to natives as employees. Clark and Drinkwater’s (1998) argued that self-employment for an immigrant is an escape from discrimination in the paid employment sector. New immigrants who are not fluent in the Greek language are limited in their ability to use the skills acquired in their native country of origin. Consequently, there is often no other option for some immigrants but to choose self-employment as their economic survival and social mobility. In other words,

entrepreneurship is the alternative means of economic advancement for marginalized groups (Hiebert, 2003). Self-employment experience of immigrants in the United States shows that the economic success of immigrant groups, such as the Chinese, Japanese, Jews, Italians, and Greeks among others, is partially due to their ownership of small businesses (Bonacich & Modell, 1980). Business ownership is the main alternative to wage employment for making a living, and thus it has significant implications for earnings and wealth inequality (Bradford, 2003).

Wennekers, Uhlaner, and Thurik (2002) proposed that technology, level of economic development, culture and institutions influence the demand for entrepreneurship by creating opportunities available for start-ups. On the other hand, Krueger and Pischke (1997) argued that the higher rate of job creation in the United States compared to that of Europe is likely linked to the relative easiness of new entry and expansion by an entrepreneurial firm. Immigration countries, like the United States, Australia and Canada place virtually no formal barriers to immigrant geographical or economic mobility and thereby facilitating the potential of immigrant business start-up (Aldrich & Waldinger 1990).

Some surveys on immigrant self-employment identify the role of managerial and other individual abilities among significant determinants of engaging in self-employment. Many authors looked for the existence of certain personality features or traits that could be associated with the entrepreneurial activity. Immigrant and non-immigrant entrepreneurs share the majority of these traits. Some people choose to become entrepreneurs as a way for independence and psychological improvement. Hisrich (1985) argued that one of the prime motivations for starting a business was a desire for independence. Independence is connected to taking responsibility for one's own life rather than living off the efforts of others. Personal status of immigrants, their values and characters can lead them to the desire of grabbing entrepreneurial opportunities. The entrepreneurial process involves acting in uncertainty. Venkataraman (1997) argued that several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty. Furthermore, risk-taking propensity and opportunity influence entrepreneurial decisions (Shane & Venkataraman, 2000).

Mata and Pendakur (1999) viewed self-employment as a natural extension of the ethnic enclave which offers both stability and employment to group members. Greve and Salaff (2005) argued that by sharing the same culture, ethnic enclaves enforce trust and business norms among ethnic groups and give business owners the opportunity to use co-ethnic networks for economic support and other resources. Marger (2001) investigated the role of immigrant networks and family ties in the establishment and operation of Canadian businesses. Access to networks in the home and host country is necessary for immigrant firms. An important motive for immigrant self-employment may be the enhancement of social status in the community. Furthermore, if ethnic communities have special sets of needs or preferences that are best served by those who share those needs and know them intimately, then ethnic entrepreneurs have an advantage (Aldrich & Waldinger, 1990). Yinger (1985) suggested that when an ethnic person is linked to group, the members have some awareness of group membership and a common origin and

culture. Agrawal and Chavan (1997) found that the ethnic community had varied reasons for undertaking business at their career pointing out the following : Arrival circumstances, Settlement, Education, Financial status, Family background, Job market, Knowledge of language, Past experience, No job satisfaction, Retrenchment, Independence, Bad job condition, Discrimination, Better opportunities, Opportunities for better financial benefits, Personal characteristics.

RESEARCH METHODOLOGY

Research Design and Procedures

This study assesses the factors influencing immigrants to engage in new business activity in Greece and how these factors have shaped entrepreneurship in the era before the debt crisis. The study included 164 immigrant entrepreneurs operating mostly in the Greek capital Athens and its suburbs. The study consisted of a short form standardized 14 questions' survey followed up with a short open-ended interview. Participation was totally voluntary and survey responses were confidential. Participants were asked to sign a consent form identifying the purpose of this study and indicating their awareness that their participation in this study was voluntary and that they had the right to withdraw at any time without consequences of any kind. The field study interviews and questionnaires took place during the year 2010, at the early stage of the Greek debt crisis.

Sample Description

The sample composed of 164 participants' (138 male and 26 female) immigrant entrepreneurs who own and operate small businesses that include: Manufacturing and distribution of wide variety of products and services; food establishments; tobacco shops; clothing; newspapers' stands; leisure goods; wholesale trade ; and other services. While these entrepreneurs came principally from east European countries (i.e. Albania, Bulgaria, and the former Soviet Union countries). Please refer to Table 1 for a summary of characteristics.

Immigrants' entrepreneurs were asked to respond to a survey questionnaire to indicate which of the fourteen suggested determinants of immigrant entrepreneurial variables were the most important to them when engaging in entrepreneurship. The list of said fourteen activities was based on both the existing literature (e.g. Liargovas & Skandalis, 2012; McClelland, 1961; Hisrich, 1985; Skandalis, Danopoulos & Liargovas, 2008; Venkataraman, 1997; Wennekers, Uhlaner, & Thurik, 2002; and on the pre survey conversations with immigrant entrepreneurs.

While preparing to map out the study and to validate its survey questions, the study utilized a pre-test by selecting a sample of 12 immigrants' entrepreneurs in Athens. Said sample were asked a simple question of "what was your reason(s) to engage in business venture in Greece" through giving them a menu of reasons (i.e. variables) that were summarized by the authors based on pre-study interviews.

All respondents to the survey have the knowledge to answer the survey. Respondents' age distributions were as follows: (1), 6.1% (n=10) 25 or under; (2), 16.5% (n=27) 26-35; (3), 36.6% (n=60) 36-45; (4), 27.4% (n=45) 56-55; and (5), 13.4% (n=22) 55 or above. When asked "if the respondents actually have started the business or it was acquired from someone else" it was revealed that 92.1% actually started their business (n=151) and only 7.9% (n=13) were not the original principal, and that they acquired it from someone. Please refer to Table 1 for detailed characteristics of the study sample.

| Table 1: Characteristics of the Sample (N= 164) | | |
|--|------------------------------------|-----------------------|
| Gender | Number of Entrepreneurs (n) | Percentage % |
| Male | 138 | 84.1 |
| Female | 26 | 15.9 |
| Total | 164 | 100.00 |
| Age | Number of Entrepreneurs (n) | Percentage (%) |
| 18-25 | 10 | 6.1 |
| 26-35 | 27 | 16.5 |
| 36-45 | 60 | 36.6 |
| 56-55 | 45 | 27.4 |
| Over 55 | 22 | 13.4 |
| Total | 164 | 100.00 |
| Country of Origin | Number of Entrepreneurs (n) | Percentage (%) |
| Albania | 59 | 36.0 |
| Bulgaria | 23 | 14.0 |
| Egypt | 13 | 7.9 |
| Former USSR* | 24 | 14.6 |
| India | 11 | 6.7 |
| Nigeria | 5 | 3.0 |
| Poland | 15 | 9.1 |
| Romania | 14 | 8.5 |
| Total | 164 | 100.00 |
| Business Type | Number of Entrepreneurs (n) | Percentage (%) |
| Manufacturing | 14 | 8.5 |
| Services | 58 | 35.4 |
| General Trade and Commerce | 92 | 56.1 |
| Total | 164 | 100.00 |
| Immigrants Generation | Number of Entrepreneurs (n) | Percentage (%) |
| First Generation*** | 154 | 93.9 |
| Second Generation**** | 10 | 6.1 |
| Total | 164 | 100.00 |
| Who Started the Business | Number of Entrepreneurs (n) | Percentage (%) |
| Founder | 151 | 92.1 |
| Non-Founder***** | 13 | 7.9 |
| Total | 164 | 100.00 |

- * Former USSR (i.e. Former Soviet Republics). These 15 independent states seceded from the Union of Soviet Socialist Republics in its dissolution in December 1991. These currently independent states in alphabetical order are: Armenia; Azerbaijan; Belarus, Estonia; Georgia; Kazakhstan; Kyrgyzstan; Latvia; Lithuania; Moldova; Russia; Tajikistan; Turkmenistan; Ukraine; and Uzbekistan (Smith, 2001).
- ** Services includes all types of businesses ranging from plumbing, money exchange business, restaurants, transportation services, entertainment business, to name a few.
- *** First generation means “being the first generation of a family to be born in a particular country”. It could also mean “to be a naturalized citizen of a particular country” (Dictionary.com)
- **** Second generation means “being the second generation of a family to be born in a particular country” (Dictionary.com). It could also mean “the native born child of naturalized parents” (Dictionary.com).
- ***** Means that the current owner purchased the business from someone else. He/she is not the original founder.

MEASUREMENTS AND METHODS

The fourteen identified variables in motivating immigrants to involve in entrepreneurship activities were: (1) Family financial needs; (2) Knowledge of immigrant needs (i.e. they know what products or services meet the needs of their compatriots); (3) Need for independence (“to be the boss of myself”); (4) The creation of job opportunity(ies) for other family members; (5) Existence of many immigrant compatriots in the area that could become customers (there is a market to serve and there are people to buy their products or services); (6) Need for achievement; (7) The level of unemployment, it is hard to find a job; (8) The support that I get through a close relationship among my compatriots’ community; (9) The existence of an opportunity-identification; (10) Enhancement of family/personal social status; (11) Available market segment (i.e. no other business in the area offers the needed ethnic products); (12) Risk propensity (i.e. not a risky venture); (13) Greek state policies, programs, and immigration laws (for example the Greek parliament passed two bills (in 2001 and 2005) extending legal status, but not citizenship, to the majority of documented immigrants. There are also available governmental and EU funds to support entrepreneurship); and (14) Technological and institutional support that aid economic development and business opportunities. Based on the last criteria, entrepreneurial training programs, business incubators, easy access to bank loans for business purposes (before the last economic crisis, obtaining a business loan was easy), telecommunications infrastructure, and available information technology all helped creating entrepreneurial opportunities in Greece. Additionally, during the last two decades the changes to the road infrastructure, rail, urban transport, and airports have all led to a vast improvement in transportation. These types of

infrastructure upgrades have played a key role in supporting Greece's economy, which in turn have created business opportunities to many in the era before the sovereign debt crisis.

Immigrants' entrepreneurs were asked to respond to the aforementioned fourteen questions. Our study is based on a Likert-type scale anchored with 9 frequency adverbs ranging from "not so important" to "extreme important". The inclusion of this type of scales in survey questionnaires is a popular technique for collecting data on human knowledge, behavioral preferences and attitudes (Santos and Clegg, 1999). Additionally, they were given the opportunity to write a brief testimonial or an experiential reflection.

Participants returned their completed survey to the researchers' mostly in person or in a provided envelope. They were also guaranteed that all information would remain confidential. Said confidentiality was maintained by means of separating participants' consent forms from survey and interviews' questionnaires.

The scope of the study is focused around four factors: (1) entrepreneurs' survival prospects at the host country (variables that are innate to the person), (2) influence by other immigrants, (3) entrepreneurial personal characteristics (pertain to the immigrant's entrepreneur), and (4) market conditions and other institutional support and infrastructure.

The measures of the entrepreneurs' self-motivation and survival prospects at the host country were derived from respondents' responses to four questions 1, 2, 3 and 4 of the study. These questions encompass the following variables: Family financial needs; (2) Knowledge of immigrant needs (i.e. they know what products or services meet the needs of their compatriots; (3) Need for independence ("to be the boss of myself"); and (4) The creation of job opportunity (ies) for other family members.

To measure the extent of the influence by other immigrants that is instrumental for an immigrant to start her/his business and becoming an entrepreneur, responses to the questions 5, 6, 7, and 8 of the study were gathered. These questions are: (5) Existence of many immigrant compatriots in the area that could become customers (there is a market to serve and there are people to buy their products or services); (6) Need for achievement; (7) The level of unemployment, it is hard to find a job; and (8) The support that I get through a close relationship among my compatriots' community.

We also measure the characteristics that pertain to the immigrant entrepreneur. These characteristics are based on the responses to the questions 9, 10, 11, and 12. These questions are: (9) The existence of an opportunity/opportunity identification; (10) Enhancement of family/personal social status; (11) Available market segment (i.e. no other business in the area offers the needed ethnic products); and (12) Risk propensity (i.e. not a risky venture).

Finally, we measure the conditions pertaining to the market. The variables included in this factor are related to the impact of the government (and other institutional) support and infrastructure that directly or indirectly encourages business creation. Accordingly, responses to two more questions 13 and 14 of the study were added: (13) Greek state policies, programs, and immigration laws (for example the Greek parliament passed two bills (in 2001 and 2005)

extending legal status, but not citizenship, to the majority of documented immigrants. There are also available governmental and EU funds to support entrepreneurship); and (14) Technological and institutional support that aid economic development and business opportunities.

RESEARCH PROPOSITIONS

The following priori propositions were developed by the researchers:

Proposition 1: Most immigrant entrepreneurs' engage in starting their own business as result of self-motivation and other personal needs.

Proposition 2: As new immigrant entrepreneurs become successful, they encourage other immigrants to start their new ventures.

Proposition 3: While immigrant entrepreneurs bring know-how business knowledge, they have innate personal characteristics that help identifying a new opportunity in their host nation.

Proposition 4: Market condition and institutional support of the host nation motivate immigrant entrepreneurs to start a new opportunity.

FINDINGS AND DISCUSSIONS

The purpose of this study was to examine the factors influencing immigrants' engagements in new business activity in Greece and how these factors have shaped Greek entrepreneurship in the era pre the country's historic debt crisis.

As indicated before, the determinants of entrepreneurship were measured using fourteen variables. Respondents were asked to indicate the importance of the various indicators for them to engage in entrepreneurship, using a nine-point Likert scale ranging from 1 (not at all important) to 9 (very important).

Table 2 shows study's minimum/maximum responses' values; mean, and standard deviation for each of the variables.

From the study, it was noted that a high degree of correlation existed among a number of responses to some variables. According to Santos et. al (1998) the traditional statistical methods for analyzing survey responses like measures of central tendency, frequency analysis and t-test do not account for correlation occurring at scale level responses. That is why we need a more complex analysis in order to test our propositions. Santos and Clegg (1999) argue that factor analysis is a variable-reduction statistical technique able to probe underlying relationships in variables using Likert-type scales because it removes metric redundancies from a survey and extracts the common thread that connects the variables together. In other terms factor analysis is a statistical procedure, which extracts a small number of latent variables from a larger set of

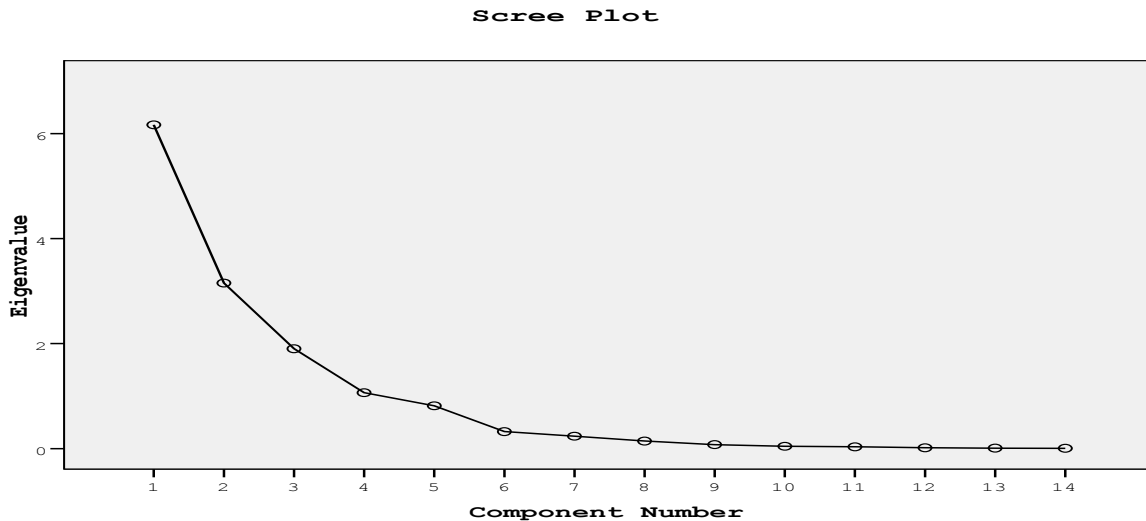
observed variables. It shows the interrelationships among the variables by forming new sets of data, which express commonalities among the original variables (Nickerson and Sloan, 1999).

Table 2: Study's Descriptive Statistics

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|---|-----|---------|---------|--------|----------------|
| 1. Family financial needs | 164 | 3.00 | 9.00 | 5.8293 | 1.46371 |
| 2. Knowledge of immigrant needs | 164 | 3.00 | 9.00 | 5.7012 | 1.55544 |
| 3. Need for independence | 164 | 3.00 | 9.00 | 6.0122 | 1.52681 |
| 4. Job positions for family | 164 | 3.00 | 9.00 | 6.2256 | 1.58724 |
| 5. Number of Immigrant compatriots in market | 164 | 2.00 | 9.00 | 6.0793 | 1.74786 |
| 6. Need for achievement | 164 | 3.00 | 9.00 | 6.4207 | 1.60897 |
| 7. Level of unemployment | 164 | 3.00 | 9.00 | 6.2439 | 1.59032 |
| 8. Close relations among immigrants | 164 | 3.00 | 9.00 | 6.5244 | 1.96425 |
| 9. Opportunity identification | 164 | 2.00 | 9.00 | 6.8110 | 1.82205 |
| 10. Enhancement of status | 164 | 2.00 | 9.00 | 6.6524 | 1.83555 |
| 11. Empty market segment | 164 | 2.00 | 9.00 | 6.9146 | 2.30870 |
| 12. Risk propensity | 164 | 3.00 | 9.00 | 7.2683 | 2.10199 |
| 13. State policies | 164 | 2.00 | 9.00 | 5.7195 | 1.65988 |
| 14. Technology, level of economic development, institutions | 164 | 3.00 | 9.00 | 6.1098 | 1.84362 |
| Valid N (listwise) | 164 | | | | |

Thus, to identify an underlying structure for the different determinants given above and to see whether certain factors measure one specific determinant concept, a factor analysis of all determinants was performed. We make an investigation to see if there are common factors that might explain underlying beliefs about perceived motivations for immigrant entrepreneurial activity in Greece. An important decision in factor analysis is the criterion for the number of components (or factors) to retain. According to Conway and Huffcutt (2003) some of the options to retain the number of factors with a high proportion of variance or the most interpretable solution include Kaiser's (1956) "eigenvalues greater than one" rule and the Scree plot test.

The Scree plot [in Figure 2], shows the components (the four factors as described in the study's methodology) as the X axis and the corresponding eigenvalues as the Y-axis. As we move to the right side, the eigenvalues drop. An eigenvalue criterion of 1 or greater was established as a criterion to determine the factors to be rotated and to aid in the identification of clusters of related responses. The eigenvalue of a factor shows the variance in all the variables for that factor. If a factor has a low eigenvalue, then it is contributing little to the explanation of variances in the variables and may be ignored as redundant with more important factors (Wikipedia, 2013). Orthogonal rotation (Varimax) with Kaiser normalization resulted in factor loadings reported in Table 3.

Figure 2: Scree Plot: Eigen values for factor analysis on initial motivations

The rotation was converged in four iterations, where the original orders of the responses have been rearranged to reflect the order of the factor structure. Four factors with eigenvalues greater than one were extracted, explaining 87.70% of the total variance. To assess the reliability of the explanatory power of the described factors, the Cronbach's alpha for each factor is calculated based on the determinants that are included in each factor. The Cronbach's alpha is 0.862 for factor 1 (self-motivation and success prospects' factors); 0.884 for factor 2 (influence by other immigrants); 0.875 for factor 3 (entrepreneur's innate personal characteristics) and 0.586 for factor 4 (market conditions and other institutional support, and infrastructure).

In many studies, a Cronbach's alpha more than 0.5 is used to indicate that the measurement is reliable. For the four factor analyses this means that factor 1, followed by factors 2 and 3 and 4 are valid measures for the variance in this study. This indicates that the determinants included in the above factor analysis are a reliable measurement for the importance of these factors at the period of research. When judging the factor loadings for their relevance to the explanatory capabilities of a certain factor, Kline (1994), suggests that a factor loading above 0.6 is high, a factor loading above 0.3 is moderately high and factor loadings under 0.3 can be ignored. This means that a factor correlates with the entrepreneurial motivation measures which have factor loadings above or near 0.6. In each of the four factors identified in the factor analysis, all factor loadings are near or above 0.6. In the rotated component matrix of the factor analysis, which is given in Table 3, the important loadings for each factor are italicized. The

reasons for the inclusion or exclusion of the entrepreneurship motivations regarding the four factors will be explained below.

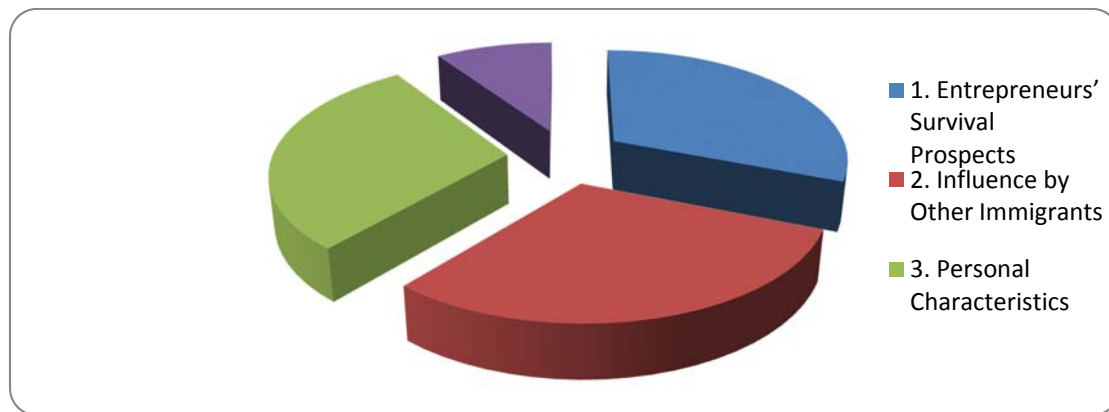
Table 3: Factor Analysis (Rotated component matrix converged in 4 iterations). Extraction Method: Varimax with Kaiser Normalization.

| Study Variables | Study Factors | | | |
|---|---------------|--------|--------|--------|
| | 1 | 2 | 3 | 4 |
| 1. Job positions for family | .956 | .058 | .211 | -.024 |
| 2. Level of unemployment | .947 | .091 | .193 | .043 |
| 3. Enhancement of status | .937 | .045 | .137 | -.007 |
| 4. Family financial needs | .920 | .059 | .237 | -.007 |
| 5. Close relations among immigrants | .042 | .960 | .170 | .067 |
| 6. Number of Immigrant compatriots in market | .087 | .953 | .155 | .091 |
| 7. Empty market segment | .001 | .933 | .149 | .077 |
| 8. Knowledge of immigrant needs | .126 | .896 | .186 | .068 |
| 9. Opportunity identification | .197 | .159 | .953 | .037 |
| 10. Risk propensity | .132 | .117 | .929 | -.013 |
| 11. Need for achievement | .260 | .221 | .921 | .086 |
| 12. Need for independence | .307 | .260 | .813 | .151 |
| 13. State policies | .112 | .030 | -.075 | .863 |
| 14. Technology, level of economic development, institutions | -.129 | .177 | .243 | .599 |
| • Cronbach's Alpha | 0.862 | 0.884 | 0.875 | 0.586 |
| • % of Variance | 27.198 | 26.484 | 25.795 | 8.294 |
| • Cumulative % | 27.198 | 53.681 | 79.476 | 87.770 |

When analyzing the component matrix in Table 3, one can see that the variance of 27.198% which is explained by factor 1, positively correlates with questions 1 through 4 of the study variables; the variance of 26.484%, which is explained by factor 2, also correlates positively with questions 5, 6, 7 and 8 of the study questions; the variance of 25.795% which is explained by factor 3 positively correlates with questions 9, 10, 11 and 12 of the study questions; and finally the variance of 8.294% explained by factor 4 positively correlates with questions 13 and 14 of the study questions. See also Figure 3.

This factor analysis resulted in four factors which together explained 87.77% of the variance, with the first two factors (personal factors and influence by others) explaining 53.681%.

Accordingly, we can describe the four factors by looking at the magnitude and sign of the loadings given in Table 3.

Figure 3: Factor Analysis Correlation with Study Variables

In factor 1 there are loadings higher than the other factors. “Job positions for family” and “Level of unemployment” are loaded with 0.956 and 0.947 respectively while “Enhancement of status” and “Family financial needs” are loaded with 0.937 and 0.920 respectively. The loadings for factor 1 suggest that immigrants who rank highly along this dimension display high need to find a job for themselves and their family members, to ameliorate their social position and support their family financially. We label this factor as a measure focused on the survival prospects at the host country. This factor supports proposition 1 of this study stating that “most immigrant entrepreneurs’ engage in starting their own business as result of self-motivation and other personal needs”. Additionally, this finding is consistent with some immigrants’ testimonials (stated and documented by the authors). As one Albanian immigrant entrepreneur named “Arben” told one of the authors:

I was unemployed and it was very difficult to raise my family. So, I purchased my small business in early 2007. My sons and my wife work with me now. Firstly I felt totally overwhelmed at suddenly being a business owner. Then I started feeling comfortable running the day to day operations. Being an entrepreneur has been one of the best decisions I have made for my professional and family development.

Another Albanian immigrant, Flori added “my family believed that I could do it and I lived up to their expectations as I organized and led my small business. They are proud for me!”

Additionally, a business owner from Poland “Krzystof” said:

I have known for some time that I am the type of person who needs to be self-employed. Prior to my dealings with my small business, I was trying to find what to do in order to achieve this goal. I even searched the business opportunities in my country with no success. However, once landing on an idea for my business here, I was able to realize my dream”.

As for personal reasons, one immigrant from Bulgaria named “Mitko” stated:

I borrowed €7,000 and started my own small business in Greece. Because I took the risk of starting a business and the fact that I am making money from the start, not only boosted my confidence, but it reinforced my belief that I can raise my family as an entrepreneur.

One immigrant, “Emir” from Albania commenting on the needs for independence said:

I did not like my previous boss. I dreaded going to work every day, so I decided to quit my job and start my own business. Now, I make the rules, rather than following someone else’s and I can create my own work environment as comfortable as possible. I also have a direct impact on the success or failure of my business, and on how much income I make.

Finally, Olion, an Albanian immigrant said:

I was laid off from my first full-time job in Greece eight months after I was hired. I went back to work only to discover a year later that it was time to resign. My job didn’t align with my goals so I wanted to move into a different role that better suited my skills and personality.

We label factor 2 as a measure of the influence by the other immigrants. This dimension is dominated by the variables of “Close relations among immigrants”, “Number of immigrant compatriots in market”, “Empty market segment” and “Knowledge of immigrant needs” because they have a higher loadings for component 2, compared to component 1, 3 or 4. Thus, this factor will yield a high score for immigrants that have been influenced in their social and economic way of life by other immigrants. This component supports proposition 2 of the study that states “as new immigrant entrepreneurs become successful, they encourage other immigrants to start their new ventures”. In a testimonial, Sasha (an immigrant from Ukraine) said:

My cousin was very instrumental in giving me access to the Greek market. He runs a similar enterprise in this country and he introduced me to key people, helped me understand the relationships between potential suppliers and customers, and provided strategic inputs to all aspects of starting my own business.

Another immigrant from Albania (named Mirela) added:

My former employer was a respectful business owner who motivated me to exceed my expectations. I felt comfortable and I actually enjoyed my job. One day he invited me for lunch. He was going to retire but he did not like to shut down his business and lay me off. So, he asked me if I wanted to be an entrepreneur and buy the business at a very reasonable

price. I did not want to be unemployed so I decided to take the risk and accept his offer. I run the business now.

Regarding factor 3, it is clear which incentives are important. The third largest factor describes the entrepreneurial personal characteristics. The weights for all four personality characteristics (“Opportunity identification”, “Need for achievement”, “Risk propensity” and “Need for independence”) are large and positive, which means that they are found to have strong relationship with the immigrants’ perceptions of the factors encouraging them to become entrepreneurs. This relationship shows that personality traits play an important role in shaping entrepreneurial characteristics among the respondents. Proposition 3 is confirmed. Proposition 3 states “while immigrant entrepreneurs bring know-how business knowledge, they have innate personal characteristics that help identifying a new opportunity in their host nation (i.e. Greece)”. This finding was beautifully illustrated by a Ukrainian immigrant named Gallina who stated “I was impatient but the excitement of seeing my small business fly is immense. It was a powerful feeling. It’s the hit that every entrepreneur waits for”. Another Russian entrepreneur named Irina added: “I was able to reconstruct my life here around the things that excite me which has attracted amazing clients. I love my small business”. See also Appendix I for excerpts from selective participants’ testimonials.

Finally, factor 4 is strongly influenced by two variables (state policies and host nation’s infrastructure). Immigrants who started their business because of Greek state policies, the available technology, the level of economic development and the institutions gave the highest values in this factor. We label Factor 4 as a measure of the conditions pertaining to the market. While this factor got a low loading, it is still positively correlated with the study variables. As stated in proposition 4, “market condition and institutional support of the host nation motivate immigrant entrepreneurs to start a new opportunity”. Accordingly, the study confirms its 4th proposition. As an Egyptian immigrant “Magdi” commented:

Perhaps most importantly, my involvement in entrepreneurship was facilitated by the infrastructure of the Greek market that enables the uninterrupted implementation of my entrepreneurial efforts. I think that here the flow of goods, services, and information is carried out efficiently, promptly, and cost effectively for me.

At this point it is good to mention that after the recent consequences of sovereign debt crisis (e.g. the level of economic development) the market conditions in Greece are subject to a constant change.

CONCLUSIONS, LIMITATIONS, AND IMPLICATIONS FOR FUTURE RESEARCH

Migration can be a positive and empowering experience for migrants, their patriots from their original home country, and their host societies. For the host nation, immigrant entrepreneurship can inject new dynamism into an economy and be a very important tool for the future of economic development. Before the outbreak of the financial crisis, immigrant entrepreneurship was an evolving phenomenon in Greece. Based on a review of the available literature and a field study, this paper analyzes a questionnaire collected at the very early stages of the Greek government debt crisis in order to find which factors can lead to immigrant entrepreneurship. The variables included in the analysis represented different ways to measure some antecedents of immigrant entrepreneurial intention. Factor analysis technique was used to reach a final model and find that the intention to become an entrepreneur depends on the survival perspectives at the host country, the influences by immigrant community, the personal attraction towards entrepreneurship; as well as the general economic conditions, state policies, and market trends. As a result of the Greek government debt crisis some of these determinants are likely to shift because immigrants have to face unprecedented experiences and come to terms with new socio-economic policies (e.g. drastic fiscal austerity measures, and structural reforms).

One of the limitations of the study was the obvious size of its sample; only 164 immigrants participated in this follow up study. Therefore the study recommends that more research with larger numbers of participants is needed to ensure the applicability of this research findings to the general population of participants. Another limitation is the lack of published data regarding similar projects' outcomes.

One direction of future research could be the investigation of the effects and the impact of the aforementioned economic crisis on immigrant entrepreneurship. We also suggest a future longitudinal research to cover several motivations to determine whether these study findings will hold true over time. Finally, future research should also investigate not only the actual entrepreneurial involvement of immigrants but also its sustainability.

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APPENDIX I

Excerpts from Selective Participants' Testimonials

- ❖ **"People see in you what you don't see in yourself when you are an entrepreneur.** People respect me now more than before. I gained my self-confidence" ~ Kiril, Bulgaria
- ❖ "By putting the proper financial and time structures in place, I'm able to enjoy the adventure of owning a company and still retain a sense of balance and security that satisfies my family. While I never thought I would be an entrepreneur in Greece, I'm glad I am one." ~ Vladimir, Russia
- ❖ "I saved up enough money to live on for a while and talked with my parents about starting a business. My first full-time entrepreneurial venture grew out of an extremely practical mix of market demand and income necessity." ~Lavinia, Romania
- ❖ "As a new entrepreneur I experience incredible highs and lows, often in the same day. I know I can't burden my spouse and my kids with my struggles. I have to toughen up and bottle it up but I can live better now than before." ~Roska, Bulgaria

ENTREPRENEURSHIP AND ECONOMIC FREEDOM

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ABSTRACT

The goal of this paper is to explore the relationship between the Global Entrepreneurship Monitor and the Index of Economic Freedom. We begin with the four measures of entrepreneurial activity published by GEM and the ten sub-indexes of the IEF. We use principal components analysis to control the multi-collinearity of both data sets to create principal components factors that are orthogonal, only one for GEM and two for the IEF sub-indexes. We find that the principal component factor scores for the IEF explain 22 percent of the commonality of the Gem variables.

INTRODUCTION

Over the past thirty years, the world has been experiencing a globalization trend, characterized by a growing interdependence among national economies, increased competition within domestic markets, and rapid technological innovation, especially in the fields of communication and transportation. Many nations responded to the forces of globalization by undergoing significant social, political, legal, and structural changes which contributed to the growth of entrepreneurship as a major factor of economic development. Moreover, many nations in Africa, Asia, South America, Russia and Eastern European nations have been privatizing many public sectors of their economies which are contributing to the development of entrepreneurship.

The growing entrepreneurial trend in the world has resulted into an increased interest on the part of scholars, policymakers and international organizations, about the nature of the relationship between entrepreneurship and economic development. Hence, the Global Entrepreneurship Monitor (GEM), whose membership rose from 10 countries in 1999 to 37 in 2009, was initiated by the London Business School and Babson College. The main objective of GEM is to explore the role of entrepreneurship in national economic growth based on a harmonized assessment of the level of national entrepreneurial activity (GEM, 2009). In 2005, the Organization for Economic Co-operation Development (OECD) held a conference entitled "Fostering Entrepreneurship: The Role of Higher Education," whose principal themes were: (1) higher education and entrepreneurship teaching, and (2) knowledge transfer from higher education to small and medium-sized enterprises (OECD, 2005).

Entrepreneurship is arguably one of the most important factors of production. Yet, the vast body of economic literature has been essentially focused on labor, capital, and land. The relationship between labor and capital is well documented both theoretically and empirically. Despite the various definitions and theories of entrepreneurship identified in the literature, the empirical research aspect is relatively scant. The objective of this paper is to explore the relationship between entrepreneurship, measured by the Global Entrepreneurship Monitor (GEM) and measures of economic freedom from the Heritage House data in the Index of Economic Freedom (IEF) for 2005. The research findings

Literature Review

Although economic theory identifies four basic economic resources, research effort has been essentially focused on labor and capital, and to a lesser extent on land for agricultural production. Hence, there is an extensive body of theoretical and empirical literature on labor and capital relationship and the dynamic impact of technological innovation on capital/labor ratio in production and economic development. In the neo-classical growth model developed by Solow (1956), economic development is essentially driven by enhancements to capital and labor inputs, and the role of entrepreneurship is treated implicitly. In contrast, entrepreneurship has been treated implicitly in mainstream economic research, despite its importance in business creation, technological innovation and economic development.

The role of entrepreneurship in economic development can be traced back to the early works of Schumpeter (1911) who viewed the entrepreneur as an innovator, whose role, though contributing to a creative destruction (Schumeter, 1942) is essential to economic growth. Hence, the innovative activity of entrepreneurs feeds a creative “destructive process” whose adjustment toward equilibrium causes an increase in the number of entrepreneurs, thus, leading to an increase in economic growth. More recently, several empirical studies have been documented on innovation as a factor of economic development (Lichtenberg, 1993; Coe and Helpman, 1995; Engelbrecht, 1997; Guellec and van Pottelsberghe de la Potterte, 2001). Other studies developed growth models in which economic growth is endogenous to technical change resulting from entrepreneurs pursuing profit-maximizing goals (Romer, 1986, 1990; Grossman and Helpman, 1991; Aghion and Howitt, 1992).

Many studies focused on the relationship between entrepreneurship and economic growth. Cipolla (1981) and Lazonick (1991) maintained that the adoption of new techniques by entrepreneurs, while, reallocating resources to new opportunities, contributed to the long-term economic growth. Jovanovic (1982) and Audretsch (1995) argued that entrepreneurs serve as agents of change, bringing new ideas to markets and stimulate growth through a process of competitive firm selection. Following Romer (1986), whose model treats entrepreneur as endogenous to economic growth, Schmitz (1989) considered new business formation as a

determinant that is endogenous to economic growth arising from the rational decisions of individuals choosing between the roles of employee and entrepreneur.

Due to the difficulty of measuring economic growth based on the national level of entrepreneurship, empirical studies on the relationship between entrepreneurship and economic growth have been very limited. To gain a better understanding of the links between the two, Wennekers and Thurik (1999) suggested the decomposition of the concept of entrepreneurship. They distinguish entrepreneurial willingness and ability and managerial concepts which cross with the distinction between self-employed and employee, and came up with three types of entrepreneurs: Schumpeterian entrepreneurs (entrepreneurial and self-employed), intrapreneurs (entrepreneurial and employee), and managerial business owners (managerial and self-employed). Moreover, they developed an operational framework highlighting the multiple roles of entrepreneurs, including newness (implementing inventions), and new entry (start-ups for entry into new markets).

Historically, small businesses have been a major source of employment in many countries around the world, especially in industrialized nations with a market-oriented economic system. The positive effect of business formation on job creation has been documented by many studies (Birch, 1987; Baldwin and Picot, 1995; Davidson et al., 1995; Reynold, 1999). Moreover, some studies argued that the relationship is either ambivalent or reverse (Audretsch; 2001; Fritsch and Muller, 2004); whereas, others maintained that, unemployment encourages individuals to seek self-employment, thereby stimulating entrepreneurship (Evans and Leighton, 1989, 1990; Reynolds et al., 1999).

Due to data availability from the Global Entrepreneurship Monitor (GEM), scholarly effort toward understanding the relationship between the role of entrepreneurship and economic growth has expanded over the past recent years. Reynolds et al. (200, 2001, 2002) analyzed the relationship between the rates of entrepreneurial activity and economic growth, measured in terms of short-term GDP rates with no attempt to control for other factors. Using cross-sectional data on 37 countries that participated in GEM 2002 and an augmented Cobb Douglas production model, Wong et al. analyzed firm formation and technological innovation as separate determinants of growth. Among the four types of entrepreneurship, namely, Total Entrepreneurship Activity (TEA) rates, high growth potential TEA, necessity TEA, opportunity TEA, and overall TEA, Wong et al found that only high growth potential TEA has a significant impact on economic growth.

GEM is a model used by Bosna and Harding (2006) to measure entrepreneurial activity in 2005 on four dimensions across 42 countries. GEM defines four measures of entrepreneurial activity: nascent entrepreneurs, new business owners, early-state entrepreneurial activity, and established business owners. Each of the GEM measures is calculated as the percent of the adult population engaged in the particular activity. Nascent entrepreneurs are individuals who have begun a new business in the previous year. New business owners have been active in a business for between three and 42 months. Established business owners have been in business for more

than 42 month. Early-state entrepreneurship is the proportion of the population willing to begin an entrepreneurial business. The IEF is an index with ten components designed to measure the extent to which a country is economically free (The discussion of IEF is taken from Mar, Holmes, and O'Grady (2006). <http://www.heritage.org/index/Download.aspx>). The ten indices in the IEF measure are business freedom, trade freedom, fiscal freedom, government size, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption, and labor freedom.

For GNI per capita to grow, total investment must increase more than population increases. Increased growth in total investment requires savings either from domestic sources or from foreign direct investment (FDI). Todaro and Smith (2003) show that the increase in investment equals the capital output ratio times the increase in GNI and this total must equal the increase in savings. If domestic savings is not sufficient to meet investment needs, the economy must have FDI or GNI per capita or it will not grow and may even sink. If the government wants to encourage savings, then, the economic environment must be amenable to saving to encourage domestic saving. In addition, the same environment that encourages domestic saving, also, encourages FDI.

According to Dunning (2006), Dunning (1980) is credited with the eclectic model of international production in which ownership, location, and internalization advantages drive foreign direct investment (FDI). This neoclassical approach defined as the "old development paradigm" in Dunning (2006) was static, one dimensional, and single equilibrium. The Dunning (1980) "old development paradigm" emphasized natural factors as means to development with little emphasis on created assets and a limited role for government or cultural considerations and little emphasis on the process of development. The target of policy was economic growth as defined by gross national product (GNP) per capita with little emphasis on public goods, with the means separate from the ends, and with little attention paid to external issues. MNC's were seeking to exploit OLI (ownership, location, and internalization) advantage(s) in terms of finding resources, markets, efficiency, or strategic assets.

Sethi, *et. al.* (2003) analyze FDI patterns both over time and across geographical regions for countries in Western Europe and Asia from 1981 to 2000. The authors argue that FDI may be driven by competitive pressure, by cost-cutting or by low-cost production locations and by liberalization of investment environments. The authors argue that changes in FDI destinations imply changes in the determinants of FDI. Early analyses of FDI were evaluated it in a portfolio context, Iversen (1935) and Aliber (1971). Hymer (1960), however, viewed FDI as a method of transferring knowledge and other firm assets overseas while retaining control of the assets. The Vernon (1966) product life cycle theory argues that firms begin overseas production for products that are standardized and can be produced with low skilled and low cost labor. Caves (1971) and Dunning (1958) show FDI as a means to exploit ownership advantages that are not easily transferred. Rugman (1979) shows FDI as a means to reduce risk through the portfolio effect.

Stoever (2002b) develops a model of the relationship between foreign direct investment and economic liberalization. Stoever (2002a) shows the process by which specific economic liberalizations impact FDI and economic development. The MNC has increased latitude of activity after the host country government liberalizes the environment. Economic liberalization reduces restrictions on activities of the MNC, which lowers the costs and risks of developing FDI in a country. Because of reduced costs and risks, the MNC requires a lower rate of return which increases the residual benefits to the host country. When a country develops economic policies that promote FDI, the government needs to 1.avoid inconsistency, 2.develop clear priorities, 3.evolve policies over time, 4.match the speed of deregulation with the rate of economic growth, 5.keep actions and statements consistent, 6. make reforms genuine, and 7. avoid excess political influence in the liberalization process.

According to Dunning's (2006) "New Paradigm of Development," contemporary globalization theory emphasizes market liberalization, technological advances, ideological changes, alliance capitalism, learning from the past, new players in the world stage, and institutional structure effects. Dunning's New Paradigm of Development (NPD) incorporates the work of three Nobel laureates: Sen (1999), North (1996, 2005 and 2005), and Stiglitz (1998 and 2002). Sen defines development in terms of goals enhancement, North in terms of institutions, and Stiglitz in terms of transformation. Sen defines the process of development in terms of eliminating restriction on freedom: poverty, tyranny, poor economic opportunities, neglect of public facilities, and government repression. Sen defines five types of freedom: political freedom, economic freedom, social freedom, transparency freedom and protective security. Stiglitz views economic development as economic and structural transformation of resources, capabilities, and preferences of societies. Stiglitz argues that the NPD should be more holistic, consensual, socially inclusive, open and participatory. North views economic development in terms of the incentive structure and enforcement systems in directing economic development. Institutions are the "rules of the game" and can be both formal and informal and are the mechanisms for enforcement of the rules. As a society develops, transactions costs increase while production costs decrease.

The NPD is a three stage model. Stage 1 sets forth the objectives of development which are multifaceted and context specific as well as dynamic with alternative processes, policies, and strategies. Stage 2 identifies the resources available to meet the objectives set forth in Stage 1. Economic factors include resources, capabilities, and market opportunities and institutions and institutional infrastructure. Sociological factors include values and belief systems such as religion which is one originating factor of belief systems. The goals of economic development are freedom as development (Sen), transformation of society (Stiglitz), and institutional change (North). Measurement of economic development is expanded beyond GNP per capita to include numerous other variables and measures such as relief of poverty, women's rights, health care, quality of life, education, the environment, and security. The models used to measure the relationship between means and ends are multi-causal, multifaceted, and holistic using

comparative static and dynamic processes including extra-market institutions. The NPD model posits stakeholders to include markets, governments, civil society, supranational entities with more local participation and local ownership.

RESEARCH DESIGN

We test the relationship between the GEM measures of entrepreneurship and the IEF indexes using a combination of principal component analysis and regression. The four GEM measures are each highly correlated as shown in Table 1. Thus, we use principal component analysis to extract a single factor that represents the commonality in the four measures. We use the principal component factor scores (PCF's) as the dependent variables in the analysis. Similarly, one can see in Table 1 that the ten components of the IEF are highly correlated in all but a few instances. The labor restriction index is the only component of the IEF that is not correlated with other components. Likewise, we use principal components analysis to extract two factors from the IEF data. These two components represent two orthogonal independent variables that are constructed to be independent of each other and we use the factor scores as the independent variables.

The regression that we run has the PCF's of the GEM as the dependent variable and the two PCF's of the IEF as the independent variables.

$$PCF_{GEM} = \alpha + \beta_1 (PCF_{IEF1}) + \beta_2 (PCF_{IEF2}) + \epsilon$$

where,

PCF_{GEM} = the principal component factor score for the four GEM measures for each country

α = the intercept term for the regression

(PCF_{IEF1}) = the first principal component factor score for the ten IEF measures for each country

β_1 = the regression coefficient for (PCF_{IEF1})

(PCF_{IEF2}) = the first principal component factor score for the ten IEF measures for each country

β_2 = the regression coefficient for (PCF_{IEF2})

ϵ = the error term

There are 42 countries listed in the GEM for 2005 which are matched with countries from the IEF.

EMPIRICAL RESULTS

Table 1 contains the correlation matrix for the GEM and IEF variables. The six correlation coefficients for the four GEM variables are all statistically significant. That is, all the GEM measures of entrepreneurship are statistically significantly correlated. For the IEF variables, nine of forty-five correlation coefficients are statistically significant at the five percent level. Thus, using either set of variables, GEM or IEF, is problematic because of multi-

collinearity. To overcome this problem, we will use principal components analysis to reduce the dimensionality of the variable sets and construct orthogonal factor scores.

Table 2 shows the results of the principal components analysis of the four GEM variables. Using the eigenvalue of one for greater, only one factor is extracted from the four GEM variables. That is, only one factor explains 80% of the variation in the four GEM variables. This result is consistent with the high level of correlation between the four GEM variables. Table 3 shows the component matrix for the single GEM factor. All of the four GEM variables load with a component of at least 0.80. Factor scores are constructed and used as the dependent variable in the regression analysis.

Table 4 shows the results of the rotated, principal components analysis for the ten IEF variables. Two factors are extracted and explain 67% of the variability of the ten IEF variables. Table 5 contains the rotated component matrix for the two extracted factors. Factor 1 is a general factor that is composed of all ten IEF variables. Factor 2 loads primarily on fiscal, government expenditures, and labor restrictions. Two sets of factor scores are constructed to use as the independent variables in the regression analysis.

Table 6 shows the results of the regression analysis for the factors scores with the GEM factor scores used as the dependent variable and the two sets of factors scores for the IEF variables used as the independent variables. The regression has an adjusted R^2 of 0.1831 meaning that the variation in the set of independent variables explains 18% of the variation in the dependent variables. The F ratio for the regression is 5.96 and significant at the 0.0073 level which is statistically significant at a level greater than one percent. The constant term is 0.0000 and has a t-statistic of 0.0000 and is not statistically significantly different from zero. The first regression coefficient for factor score one is -0.4163 and has a t-statistic of -2.99 indicating that this regression variable is statistically significant in explaining variation in the dependent variables at the 1% level of significance. The second regression coefficient is 0.2228 with a t-statistic of 1.58 which is significant only at the 12.25 % level.

SUMMARY AND CONCLUSIONS

In this paper we develop a model that relates entrepreneurship and economic freedom. Economic freedom is necessary to allow entrepreneurship to prosper. Entrepreneurship is necessary to encourage economic growth and development. Sen (1999) describes development in terms of reducing restrictions on choice (freedom). Stiglitz (1998 and 2002) defines economic development in terms of structural transformation (liberalization). North (1996, 2005a and 2005b) defines economic development in terms of defining the “rules of the game.” Stoeber (2002a and 2002b) shows the process by which a country liberalizes the economic environment to encourage economic growth and development. The empirical results of this paper indicate there is a statistically significant relationship between economic freedom and entrepreneurial activity.

| Table 1: GEM and IEF Data 2005 Correlations | | | | | | | | | | | | | | | |
|--|----|--------|---------|---------|--------|---------|--------|---------|---------|--------|--------|--------|--------|-------|-------|
| | | NEA | NBO | EEA | EBO | Reg | Trade | Fiscal | Gvt | Money | Invest | Fin | PR | CPI | Labor |
| NEA | PC | 1 | | | | | | | | | | | | | |
| NBO | PC | .628** | 1 | | | | | | | | | | | | |
| EEA | PC | .902** | .901** | 1 | | | | | | | | | | | |
| EBO | PC | .390* | .853** | .688** | 1 | | | | | | | | | | |
| Reg | PC | -0.192 | -.423** | -.341* | -.307* | 1 | | | | | | | | | |
| Trade | PC | -0.274 | -.350* | -.351* | -0.18 | .392* | 1 | | | | | | | | |
| Fiscal | PC | 0.235 | 0.297 | 0.302 | 0.177 | -.480** | -.306* | 1 | | | | | | | |
| Gvt | PC | 0.272 | .607** | .488** | .491** | -.406** | -0.264 | .615** | 1 | | | | | | |
| Money | PC | -0.096 | -.321* | -0.24 | -.316* | .618** | .368* | -.417** | -.328* | 1 | | | | | |
| Invest | PC | -0.164 | -.458** | -.343* | -.348* | .621** | .314* | -.431** | -.415** | .411** | 1 | | | | |
| Fin | PC | 0.078 | -0.188 | -0.06 | -0.083 | .601** | .309* | -.380* | -.309* | .490** | .614** | 1 | | | |
| PR | PC | -.334* | -.524** | -.481** | -.346* | .790** | .437** | -.448** | -.465** | .634** | .683** | .605** | 1 | | |
| CPI | PC | -0.29 | -.486** | -.439** | -.388* | .800** | .484** | -.474** | -.508** | .725** | .585** | .541** | .922** | 1 | |
| Labor | PC | -0.117 | 0.006 | -0.059 | -0.023 | 0.188 | 0.08 | .351* | 0.285 | 0.136 | 0.02 | 0.139 | 0.292 | 0.213 | 1 |

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

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

| Table 2: Principal Component Analysis GEM for 2005 | | | | | | |
|---|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| Total Variance Explained | | | | | | |
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 3.20 | 80.05 | 80.05 | 3.20 | 80.05 | 80.05 |
| 2 | .69 | 17.29 | 97.34 | | | |
| 3 | .11 | 2.63 | 99.97 | | | |
| 4 | .00 | .03 | 100.00 | | | |

| Table 3 Principal Component Analysis GEM for 2005 Component Matrix | |
|---|-----------|
| | Component |
| | 1 |
| NEA | .817 |
| NBO | .951 |
| EEA | .980 |
| EBO | .819 |

| Table 4 Principal Component Analysis IEF for 2005 | | | | | | | | | |
|--|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 5.17 | 51.68 | 51.68 | 5.17 | 51.68 | 51.68 | 4.90 | 48.99 | 48.99 |
| 2 | 1.58 | 15.77 | 67.45 | 1.58 | 15.77 | 67.45 | 1.85 | 18.45 | 67.45 |
| 3 | .79 | 7.89 | 75.34 | | | | | | |
| 4 | .65 | 6.47 | 81.81 | | | | | | |
| 5 | .54 | 5.39 | 87.20 | | | | | | |
| 6 | .39 | 3.94 | 91.15 | | | | | | |
| 7 | .35 | 3.53 | 94.68 | | | | | | |
| 8 | .28 | 2.78 | 97.46 | | | | | | |
| 9 | .20 | 2.03 | 99.49 | | | | | | |
| 10 | .05 | .51 | 100.00 | | | | | | |

| Table 5 Principal Component Analysis IEF for 2005 Rotated Component Matrix | | |
|---|-----------|---------|
| | Component | |
| | 1 | 2 |
| Reg | .87027 | -.10591 |
| Trade | .53969 | -.10555 |
| Fiscal | -.45534 | .74110 |
| Gvt | -.43110 | .70208 |
| Money | .75510 | -.08690 |
| Invest | .71686 | -.24243 |
| Fin | .72708 | -.08837 |
| PR | .93401 | -.04893 |
| CPI | .91883 | -.11363 |
| Labor | .35808 | .83159 |

| Table 6 Regression Results Factor Scores for GEM and IEF for 2005 | | | | | |
|--|----------------|-----------|-------------|--------|--------|
| R | 0.4722 | | | | |
| R ² | 0.223 | | | | |
| Adj R ² | 0.1831 | | | | |
| Std Error | 0.9038 | | | | |
| ANOVA | Sum of Squares | df | Mean Square | F | Sig |
| Regression | 9.1425 | 2 | 4.5713 | 5.5961 | 0.0073 |
| Residual | 31.8575 | 39 | 0.8169 | | |
| Total | 41.0000 | 41 | | | |
| | B | Std Error | t | | sig |
| REGR1 | -0.4163 | 0.1412 | -2.9496 | | 0.0054 |
| REGR2 | 0.2228 | 0.1412 | 1.5787 | | 0.1225 |

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THE INFLUENCE OF ORGANIZATIONAL CAPABILITIES ON ENVIRONMENTAL STRATEGIES IN THE RESTAURANT SECTOR: SME EXPERIENCE

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ABSTRACT

This study, covering 240 small and medium-sized restaurants in Manila, examines the influence of organizational capabilities on the implementation of environmental strategies. Results show that environmental strategies can be attributed to organizational capabilities. Among the three organizational capabilities of team learning, stakeholder management and shared vision, the ability to establish relationships based on trust with entities that have interests in the organization or stakeholder management is found to be the most important in implementing environmental strategies.

INTRODUCTION

Economic development is closely linked with the environment. Different business activities, which spur economic growth, either deplete or degrade the environment in varying degrees (WCED, 1987). The resulting environmental degradation in a global scale is alarming. After a century of industrial development, the world is now encountering pressing problems of global warming, ozone depletion, air and water pollution, soil erosion, and deforestation (Banerjee, 2001).

Tourism is a case in point. In recent decades, the tourism industry, which includes hotels, resorts, other forms of accommodations, restaurants, tour and travel agencies, transport operators and handicraft shops, has been an industry of great economic importance. Its total turnover is around USD3.4 billion, which represents 5.5% of the world's gross national product . In fact, tourism is one of the largest and steadily growing industries in the world (Perez-Salom, 2001).

Along with the growth of the tourism industry is the threat of environmental damage (Goodall, 1995). The restaurant sector, a strong support to a country's tourism industry (Jabson, 2000) has the following direct environmental impacts (Davies and Konisky ,2000):

1. Energy Consumption. Energy is used for cooking, lighting and refrigeration.
2. Solid Waste Generation. They generate solid waste, consisting mainly of food waste and packaging materials, which constitute a significant portion of the municipal solid waste stream.
3. Air Emissions. Vent hood systems of food service equipment generate emissions.

4. Water Emissions. Grease and food wastes are discharged directly into the municipal sanitary sewer systems.
5. Food Safety – Foodborne Illnesses. Foodborne pathogens are transmitted at the level of food service and food retail operations
6. Refrigerants. Being the largest commercial users of refrigeration and significant commercial users of cooling, restaurants make use of Chlorofluorocarbons that can deplete the ozone layer

Restaurants, along with other businesses, therefore, face the challenge to operate in an environmentally sustainable manner. The response of businesses to the environmental challenge is what constitutes environmental strategy. Environmental strategy refers to a “firm’s strategy to manage the interface between its business and the natural environment” (Aragon-Correa & Sharma, 2003, p.71).

Researchers have chronicled how businesses have reduced the environmental impact of their business processes through the implementation of environmental strategies. Much on the literature on typologies of environmental strategy refer to big firms (Hunt and Auster 1990; Winsemius and Guntram, 1992; Post and Altman, 1994; Shrivastava, 1995; Newman and Hanna, 1996; Rondinelli and Vastag, 1996; Berry and Rondinelli, 1998; Aragon-Correa, 1998; Brockhoff, etal, 1999; Henriques and Sadorsky, 1999; Winn and Angell, 2000).

In the case of SMEs, the focus has been on the obstacles SMEs encounter in implementing environmental strategies (Revell & Rutherford, 2003; Rutherford, Blackburn, & Spence, 2000). The prognosis of previous research into the SME sector with respect to the adoption of sustainable practices is almost always pessimistic (Vernon, Essex, Pinder, & Curry, 2003). Tilley (1999), in her study on the environmental strategies of small firms, found a relatively minor overall level of environmental activity. Those that are pro-environment are not strategic. They do environmental activities only as needed and the activities are of piecemeal in character.

Nonetheless, there is a need for SMEs to implement environmental strategies. SMEs usually outnumber the large firms in a national scale. Their collective impact is therefore significant. It has been noted, however, that large firms implement environmental strategies more than small firms. The difference in inclination to environmental activities between large and small firms is because of the latter’s resource constraints (Ahmed, Montagno & Firenze, 1998). The inability of SMEs to implement environmental strategies is seemingly attributable to limited capacities (Vernon, Essex, Pinder & Curry, 2003).

This research work seeks to boost the potential of SMEs to implement competitive environmental strategies. SMEs are unable to tackle the many issues that confront them daily because of limited capacities but they should and are likely to prioritize issues that affect competitiveness because they need to do so in order to survive (Hillary, 2000). The Resource-based view (RBV) clearly establishes the link between environmental strategies and competitiveness. Moreover, according to the resource based view (RBV) of the firm, “the ability

to compete does not require large resources, but rather effective combinations and capacity to create from within” (Baden-fuller & Stopford, 1994, p.139).

RBV posits competitive advantage is the outcome of the development of valuable organizational capabilities associated with a proactive environmental strategy (Hart, 1995; Sharma & Vredenburg, 1998). While environmental firms have been found to perform better than non-environmental firms (Ahmed, Montagno & Firenze, 1998), more attention should be given to factors influencing firms’ chances to implement advanced approaches to the natural environment and not only of the implications of corporate environmental strategies for performance (Aragon-Correa & Sharma, 2003).

Using RBV as a theory, Hart (1995) linked key resources such as continuous improvement, stakeholder management and shared vision to environmental strategies of pollution prevention, product stewardship and sustainable development. Certain key resources may also be present in SMEs.

Building on Hart’s framework, when applied to the small firm, RBV can be used to show that internal capabilities of team learning, stakeholder management and shared vision foster implementation of proactive environmental strategies such as pollution prevention, product stewardship and sustainable development.

STATEMENT OF THE PROBLEM

This research work would, therefore, provide empirical basis to the premise that small firms implement a whole range of environmental strategies through the development of organizational capabilities. Specifically, what is the extent of influence do organizational capabilities have on the environmental strategies adopted by restaurant SMEs?

OBJECTIVES

The researcher aims to look into the extent of implementation of environmental strategies of tourism SMEs, specifically, restaurants. Likewise, the nature of the relationship between organizational capabilities and environmental strategies in SMEs will be examined and analyzed.

SIGNIFICANCE

Tourism, as an industry, is a large industry and plays a significant role in the world economy. Tourism businesses are usually small (Welford, Ytterhus, & Eligh, 1999; Thomas, 2000). The restaurant sector is a good area of study because it is the tourism sector that has the most number of SMEs in the Philippines. Moreover, many of its environmental impacts, though specific to the industry, such as energy consumption and solid waste generation, can also be found in other industries (Davies & Konisky, 2000).

Previous studies on environmental strategies of SMEs focus on obstacles and usually depict a piecemeal or ad hoc approach. This study made a systematic analysis of environmental strategies of small and medium-sized restaurants in terms of recognizing their levels of implementation. Applying the resource-based view offers interesting insights on what resources SMEs need in order to implement environmental strategies.

SCOPE AND LIMITATIONS

Although the resource-based view is a theory of competitive advantage, this study did not cover the competitive advantage aspects of corporate performance.

Literature has different terms to designate environmental strategies of firms. The constructs for the environmental strategies that were used in this study are pollution prevention, product stewardship and sustainable development.

The respondents of the study were limited to the restaurant managers of SMEs in the restaurant sector. While the tourism industry covers other sectors, the representation afforded by the restaurant sector was deemed sufficient for the purpose of the study.

REVIEW OF RELATED LITERATURE

Tilley (1999) classified small-firm environmental behavior into four. The first classification is the strategic environmental behavior or proactive strategy. Firms under this classification have a managed approach to improving environmental performance. Firms that address environmental issues as they arise are said to exhibit piecemeal environmental behavior or reactive strategy. Those that have a resistant strategy either have accidental environmental behavior or omitted environmental behavior. Accidental environmental behavior consists of making environmental improvements accidentally or unintentionally. Firms with an omitted environmental behavior do not consider the environment in any of their decision-making processes.

Revell and Rutherford (2003) summarized several empirical studies on small firms and enumerated the causes of small firms' lack of engagement in environmental issues. They point to the fact that certain resources are key to implementing proactive environmental strategy.

The resource-based view is a useful theoretical approach in examining the strategic implications of environmental issues for organizations (Banerjee, 2001). It posits that competitive advantage is the outcome of the development of valuable organizational capabilities associated with proactive environmental strategy (Hart, 1995; Sharma, & Vredenburg, 1998).

According to Hart (1995), environmental strategy can be a source of competitive advantage when rooted in environmentally oriented resources that are tacit or causally ambiguous, socially complex and rare. Resources are of three (3) basic types: tangible assets, intangible assets and organizational capabilities. Tangible assets are the raw materials,

machineries and financial capital used to deliver services to the customers. Intangible assets cannot be seen or touched such as brand names, company reputation, organizational morale, technical knowledge, patents and trademarks and accumulated experience within an organization (Pearce & Robinson, 2000). Lastly, “organizational capability is a resource, just like tangible and intangible assets but unlike the tangible and intangible assets, they are not specific “inputs” but are rather, the skills – the ability and ways of combining assets, people and processes – that a company uses to transform inputs into outputs” (Pearce & Robinson, 2000, p.195).

Pearce and Robinson (2000) defines causally ambiguous resources as “organizational capabilities that arise from subtle combinations of tangible and intangible assets and culture, processes and organizational attributes the firm possesses” (Pearce and Robinson, 2000, p.197). A resource is tacit when it is unexplainable and comes out so naturally to those who possess it. It is also difficult to disseminate because it is unrecorded (Saloner, Shepard & Podolny, 2001). A socially complex resource, on the other hand, is a resource “that enables an organization to conceive, choose and implement strategies because of the values, beliefs, symbols and interpersonal relationships possessed by individuals or groups in a firm” (Barney, 1992: in Bourgeois, Duhaime & Stimpert, 1999, p.75). A resource is rare when it has attributes and capabilities that are not found in other firms (Lewis, etal, 1999).

The environmental strategies of pollution prevention, product stewardship and sustainable development are associated with key resources that are tacit or causally ambiguous, socially complex and rare. RBV can be used to show that organizational capabilities of team learning, stakeholder management and shared vision foster implementation of proactive environmental strategies such as pollution prevention, product stewardship and sustainable development.

Pollution prevention reduces or eliminates the creation of pollutants or waste at the source, that is, before they are created through the use of materials, processes or practices (Gupta, 1995; Enander, Gute & Missaghian, 1998; Bagneschi, 1998; Ling, 1998; Klassen, 2000b). Pollution prevention involves a lot of employees for its implementation. Tacit skills are developed in the employees that are involved (Cole, 1991; Lawler, 1986: in Hart, 1995).

Product stewardship minimizes the environmental impacts associated with the full life cycle of the product by earlier interventions (Preston, 2001). It is an approach from cradle to grave (Van Arnum, 1997) which aims to ensure that from inception to final disposal as well as from the time materials are extracted, distributed and processed until it is sold, used and disposed, the product only has minimal environmental impact (Breskin & Hunter, 1994; Welford, 1995). Its goal is to reduce the environmental footprint of a company (Preston, 2001). Concerns of the stakeholders are addressed by the involvement of representatives of all stages of the supply chain. Consumers and users along the supply chain are made to communicate their concerns to one another so that regulation is no longer needed (O’Driscoll & Barry, 2005; Chambers & Thisdell, 2005). Through product stewardship, voluntary mechanisms are put in

place that effectively and credibly meets society's needs and expectations (Robson, Jostmann & Zaruk, 2005; Chambers & Thisdell, 2005).

The concept of sustainable development stresses the link between economic progress and environmental conservation (Welford, 1995; Walkowiak, 1996). Sustainable development assures that growing economies are ecologically-oriented so that growth can be sustained over the long term (WCED, 1987). A sustainable development strategy entails that a firm makes substantial investments and long-term commitment to develop markets. Sustainable development requires a long-term vision and the involvement of the whole organization in order to enter the market of developing countries with low-impact technology and products (Schmidheiny, 1992: in Hart, 1995). The strategy relies heavily on organizational values that support the organizational mission and 'lines people up' behind a common vision or purpose (Jones, 2000). A firm's corporate and competitive strategies are complemented by a strong sense of social-environmental purpose promoted by a sustainable development strategy (Hart, 1995). Values needed to implement sustainable development are at all levels of the organization (Vernon, Essex, Pinder & Curry, 2003).

METHODOLOGY

A sample of 240 small and medium-sized restaurants in Manila was used through systematic sampling. The sampling frame used is the list of restaurants maintained by the Business Promotions and Development Office of the Manila City Hall. The National Statistics Office, in its 2002 survey, listed 535 small and medium-sized restaurants in Manila. To estimate the sample size, Slovin's formula (Pagoso & Montana, 1985) was used with a 95% confidence interval.

The firms were investigated through a survey questionnaire using measures validated by academicians and practitioners and those used in previous works. The survey questionnaire consists of six parts corresponding to the three (3) organizational capabilities and three (3) environmental strategies. The environmental activities under each environmental strategy were culled from the Environmental Management Manual for Restaurant Operators. A list of thirty four (34) activities was derived. In order to determine the dimensions of each of the environmental strategy constructs, academics and practitioners were asked to categorize the activities as either pollution prevention, product stewardship and sustainable development. Those who were asked to categorize included fifteen (15) Hotel and Restaurant Management teachers from nine (9) different schools and seven (7) restaurants managers from seven (7) different restaurants in Manila. The responses were subjected to a chi square test of independence and results show that the categorizations made by practitioners are not significantly different from those of academics except for two activities. These two activities were deleted and the remaining thirty two activities were classified into a category chosen by the most number of academics and practitioners.

The organizational capabilities of team learning, stakeholder management and shared vision were measured using dimensions used in previous works. Seven measures of Team Learning were adopted from Edmondson (1996)'s Team Learning Survey. Two measures of stakeholder management came from Heugens (2003)' Stakeholder Integration Scale and two measures from Freeman (1984) and Savage et al (1991)'s Generic Stakeholder Strategies. Four measures of shared vision were from Baker & Sinkula (1999)'s Learning Orientation Scale, one measure came from Kiedrowski (2006)'s Acceptance of Senge's concepts survey items and another measure came from Baker, Sinkula & Noordewier (1997)'s Learning Orientation.

The instrument was pre-tested by administering it to 45 restaurant managers. The results of the pre-test were subjected to Reliability Analysis to determine the reliability of the instrument. The alpha values obtained were found to be above the acceptable level of .60 in exploratory research as defined by Hair, et al (1998).

Primary data were collected through a survey of restaurant managers as respondents. The sampling frame used is the list of restaurants maintained by the Business Promotions and Development Office of the Manila City Hall. The National Statistics Office, in its 2002 survey, listed 535 small and medium-sized restaurants across 14 districts in Manila. To estimate the sample size, a 95% confidence interval was used. Using Slovincs' formula (Pagoso & Montana, 1985), the sample size determined is 229. This figure was proportionally allocated to obtain a stratified sample per district. Systematic sampling was carried out to obtain the 229 restaurant SMEs required by the study. The results of the survey were encoded, processed and analysed with the aid of a statistical software capable of carrying out linear regressions.

Using simple and multiple regressions, the nature of the relationship between environmental strategies with organizational capabilities was identified. Six hypotheses were tested to define the relationship between organizational capabilities and environmental strategies. In Hypothesis 1, Pollution Prevention was considered to be affected by Team Learning. The study, through Hypothesis 2, also proposed that Pollution Prevention is attributable to Team Learning, Stakeholder Management and Shared Vision.

With regard to Product Stewardship, Hypothesis 3 suggests that Product Stewardship is affected by Stakeholder Management. Hypothesis 4 states that Product Stewardship is attributable to Team Learning, Stakeholder Management and Shared Vision. Hypothesis 5 and 6 refer to Sustainable Development being affected by Shared Vision and attributable to Team Learning, Stakeholder Management and Shared Vision.

RESULTS AND DISCUSSION

Unlike Tilley's (1999) study reporting a minor overall level of environmental activity in small firms, this study found the overall level of environmental activity of small and medium-sized restaurants in Manila to be high. Results show that small and medium-sized restaurants are

strategic or proactive, that is, having a managed approach to improving environmental performance.

The level of implementation of environmental strategies is generally high because out of thirty two (32) environmental practices, twenty one (21) have averages of 4 (corresponding to “much” in the Likert scale) and above, nine (9) practices have averages of above 3 (moderate) but below 4 (much) and only two (2) have averages of above 2 (little) but below 3 (moderate). Organizational capabilities were also found to be generally present in the restaurants sampled as evidenced by relatively high mean scores. These are shown in Tables 1 & 2.

Table 1: Average Scores of Respondent Restaurants on Environmental Activities

| A. Pollution Prevention | Mean |
|---|------|
| V1. We have a two-stage counterflow for dishwashing operation | 4.16 |
| V2. We repair leaking and damaged water lines and faucets | 4.5 |
| V3. We improve the maintenance of the toilet flushing system by repairing leaks and by modifying the flushing system to autoflush type | 4.05 |
| V4. We reuse final washwater that is relatively clean for high-water consumption tasks like toilet flushing and floor mopping | 3.11 |
| V5. We install a central solid separator or screen and a grease/oil trap for all wastewaters leaving the restaurant | 4.3 |
| V6. We reuse or dispose of solids collected from separator/traps as solid waste not to be dumped into water bodies | 3.98 |
| V7. We reduce the operating hours for airconditioners and repair wall damages and leaks to improve wall insulation | 4.21 |
| V8. We turn off burners when not in use and cover equipment when cooking | 4.74 |
| V9. We check and adjust all cooking burners for uneven and yellow flames | 4.46 |
| V10. We install leak detection equipment on existing fuel tanks. We ensure that fuel storage tanks are constructed to a high safety specification | 4.44 |
| V11. We lower temperature of cold storage facilities overnight | 3.68 |
| V12. We avoid burning solid wastes as disposal option | 4.63 |
| Product Stewardship | |
| V13. We use automatic dishwashing machines over manual washing | 2.31 |
| V14. We collect and reuse hot condensates from steam boilers for use as boiler feedwater. | 2.32 |
| V15. We serve water to diners only upon request | 3.57 |
| V16. We sort waste at source by providing separate bins for solid and food wastes | 4.11 |
| V17. We sell sorted waste to interested parties like junk shop operators, paper millers, etc. | 3.52 |

Table 1: Average Scores of Respondent Restaurants on Environmental Activities

| A. Pollution Prevention | Mean |
|---|------|
| V18. We sell used or spent cooking oil to non-food related businesses | 3.27 |
| V19. We replace incandescent bulbs and fluorescent lamps with more efficient compact daylight bulbs | 4.1 |
| V20. We regularly clean fixtures | 4.74 |
| V21. We avoid overloading freezers with warm food so as not to overwork its cooling capacity | 4.58 |
| V22. We locate cold storage facilities from cooking equipment and other heat generating units | 4.33 |
| V23. We minimize frequent opening of refrigerator and freezer doors | 4.32 |
| Sustainable Development | |
| V24. We install low volume/high pressure nozzles or flow constrictors in faucets for all water lines | 3.58 |
| V25. We monitor water use and wastewater generation to measure cost and savings. We install individual flow meters in areas with high consumption | 4.12 |
| V26. We check line leakages (for water or gas) regularly especially those underground, for potential losses | 4.28 |
| V27. We keep tab of power efficiency of electrical appliances, especially the old ones and do repairs if necessary | 4.11 |
| V28. We make sure that all cold storage doors close properly and gaskets are tight | 4.6 |
| V29. We phase out the use of hazardous materials where possible | 4.35 |
| V30. We keep a register of all products with hazardous substances which are used. We provide guidance to staff on its use and disposal | 4.13 |
| V31. We require MSDS (Material Safety and Data Sheet) documents from bulk suppliers of products with hazardous substances | 3.94 |
| V32. We use automatic dispensers for soaps and detergents for more efficient consumption of these products | 3.55 |

The results of a series of simple linear regressions reveal that there is a one-on-one relationship between environmental strategies and organizational capabilities. Organizational capabilities affect environmental strategies, though only to a little extent

Table 2: Average Scores of Respondent Restaurants on Organizational Capabilities

| Organizational Capability | Mean |
|--|------|
| Team Learning | |
| V33. In our team, people discuss ways to prevent and learn from mistakes | 4.2 |
| V34. We regularly take time to figure out ways to improve our work processes | 4.27 |
| V35. People in my team often speak up to test assumptions about issues under discussion | 3.93 |
| V36. My team frequently coordinates with other teams to meet organizational objectives | 3.67 |
| V37. My team keeps others in the organization informed about what we plan and accomplish | 3.75 |
| V38. Team members go out and get all relevant information they possibly can from others such as customers or other parts of the organization | 3.54 |
| V39. We invite people from outside the team to present information and have discussions with us | 3.07 |
| Stakeholder Management | |
| V40. We are able to establish an open dialogue with our stakeholders | 3.48 |
| V41. We integrate the opinions of our stakeholders into our decisions | 3.67 |
| V42. We monitor our stakeholders for change in their beliefs/behavior/attitudes | 3.68 |
| V43. We link our stakeholders to the firm's wider objectives | 3.68 |
| Shared Vision | |
| V44. There is a well-expressed concept of who we are and where we are going as a business unit | 4.06 |
| V45. There is total agreement on our business unit vision across all levels, functions and divisions | 4.1 |
| V46. There is commonality of purpose in my organization | 4.15 |
| V47. All employees are committed to the goals of this business unit | 4.19 |
| V48. Employees understand how the work they do help the organization achieve its goals | 4.26 |
| V49. Employees view themselves as partners in charting the direction of the business unit | 4.07 |

When Pollution Prevention was regressed against Team Learning, it generated an R^2 of 1.9% and a statistically significant F-value. The regression coefficient for Team Learning was also statistically significant. Table 3 shows the results of the regression.

Table 3: Regression Results of Pollution Prevention against Team Learning

| Model | Equation of the Line | R ² | F | p | T | p |
|--|----------------------|----------------|-------|-------|-------|-------|
| Regression Pollution Prevention (dependent) | 3.884 + .08X | 0.019 | 4.683 | 0.031 | | |
| Team Learning (independent) | | | | | 2.164 | 0.031 |

When Product Stewardship was regressed against Stakeholder Management, the R² value indicates that 18.9% of the variation in Product Stewardship is accounted for by Stakeholder Management. The F-value is significant. Stakeholder Management was found to be a significant variable in explaining the variation in Product Stewardship with a p-value of .000. Results are shown in Table 4.

Table 4: Regression Results of Product Stewardship against Stakeholder Management

| Model | Equation of the Line | R ² | F | P | T | P |
|---|----------------------|----------------|--------|------|-------|------|
| Regression Product Stewardship (dependent) | 2.759 + .271X | 0.189 | 55.634 | 0.00 | | |
| Stakeholder Management (independent) | | | | | 7.459 | 0.00 |

Table 5 shows an R² of .188.. This means that 18.8% of the variation in Sustainable Development is accounted for by Shared Vision as indicated by The F-value is statistically significant at 5% level of significance, implying that Shared Vision is an important independent variable in the model. Shared Vision is a significant factor in explaining the variation in Sustainable Development with a p-value of .000.

Table 5: Regression Results of Sustainable Development against Shared Vision

| Model | Equation of the Line | R ² | F | p | T | p |
|---|----------------------|----------------|--------|------|------|------|
| Regression Sustainable Development (dependent) | 2.566 + .364X | 0.188 | 55.051 | 0.00 | | |
| Shared Vision (independent) | | | | | 7.42 | 0.00 |

This study also looked into the possibility that all of the organizational capabilities have an effect on the implementation of the environmental strategies. Using multiple linear regressions, results in Table 6, 7 and 8 show that the models have a good fit as reflected by statistically significant F-values. This implies that at least one organizational capability affects a particular environmental strategy. Indeed only Stakeholder Management is significant in explaining the variation in Pollution Prevention, Product Stewardship and Sustainable Development. Team Learning and Shared Vision are also significant factors but only in explaining Sustainable Development. These are reflected in the p values of the t stats. R^2 values of .071, .191 and .308 indicate that the 7.1%, 19.1% and 30.8% of the variation in Pollution Prevention, Product Stewardship and Sustainable Development, respectively can be attributable to the three organizational capabilities.

Table 6: Regression Results of Pollution Prevention Against Team Learning, Stakeholder Management and Shared Vision

| Model | Equation of the Line | R^2 | F | P | t | P |
|--|-----------------------------------|-------|-------|-------|--------|-------|
| Regression Pollution Prevention (dependent) | $3.684 + .026TL + .14SM - .025SV$ | 0.071 | 5.967 | 0.001 | | |
| Team Learning (independent) | | | | | 0.546 | 0.585 |
| Stakeholder Management (independent) | | | | | 3.584 | 0.000 |
| Shared Vision (independent) | | | | | -0.437 | 0.662 |

Table 7: Regression Results of Product Stewardship against Team Learning, Stakeholder Management and Shared Vision

| Model | Equation of the Line | R^2 | F | P | t | P |
|---|------------------------------------|-------|--------|---|--------|-------|
| Regression Product Stewardship (dependent) | $2.861 + .004TL + .282SM - .039SV$ | 0.191 | 18.592 | 0 | | |
| Team Learning (independent) | | | | | 0.087 | 0.931 |
| Stakeholder Management (independent) | | | | | 6.741 | 0.000 |
| Shared Vision (independent) | | | | | -0.643 | 0.521 |

Table 8: Regression Results of Sustainable Development against Team Learning, Stakeholder Management and Shared Vision

| Model | Equation of the Line | R ² | F | P | t | P |
|--------------------------------------|---------------------------|----------------|--------|-------|-------|-------|
| Regression | 2.237+.25TL+.105SM+.124SV | 0.308 | 34.971 | 0.000 | | |
| Sustainable Development (dependent) | | | | | | |
| Team Learning (independent) | | | | | 5.016 | 0.000 |
| Stakeholder Management (independent) | | | | | 2.552 | 0.011 |
| Shared Vision (independent) | | | | | 2.096 | 0.037 |

CONCLUSION

Contrary to previous studies that usually characterize small and medium sized firms as reactive, this study found them to be proactive in their approach to environmental management. The study was able to determine the extent of influence that organizational capabilities have on the implementation of environmental strategies of small and medium-sized restaurants. There is one-on-one causal relationship between Pollution Prevention and Team Learning; Product Stewardship and Stakeholder Management and Sustainable Development and Shared Vision, respectively. A firm which is able to generate and use knowledge as a team can prevent pollution at source. Being able to take care of stakeholders translates to the reduction of environmental impacts of operations. Moreover, when an organization moves toward a single direction or the achievement of future organizational goals, they are better able to consider the long-term environmental impacts of their operations.

Each of the three environmental strategies are likewise related to the three organizational capabilities at the same time. Thus, working as a team, taking care of stakeholders, and having a unified thrust towards the future are needed for the implementation of Pollution Prevention, Product Stewardship, and Sustainable Development strategies.

The findings provide empirical support to the proposition that organizational capabilities positively influence proactive environmental strategies. Despite the low coefficients of determination (R^2), all the organizational capabilities were found to be significant factors in the one-to-one interactions and at least one organizational capability was found to be significant in the one-to-three interactions. Thus, organizational capabilities are necessary, though not sufficient, to implement environmental strategies. The models used in this study can therefore be improved to include other factors that explain the variation in environmental strategies.

Stakeholder management, as an organizational capability, is found to be a significant factor in explaining the variation in environmental strategies. The results of the simple and multiple regressions made point to this. This means that small and medium-sized restaurants are implementing environmental strategies to meet the demands and expectations of its stakeholders other than government regulators. The ways stakeholders are managed have implications on the level of a firm's environmental proactivity.

RECOMMENDATIONS

The findings provide clear inferences for managers and theorists. Since environmental strategies were found to be affected and attributable to certain organizational capabilities, restaurant owners/managers and all managers alike have a specific responsibility to develop these among their subordinates.

Since stakeholder management significantly explains environmental strategies, how stakeholders are managed have clear implications on the level of environmental proactivity. In this regard, it is recommended that empirical work be further pursued on the relationship between environmental strategies and stakeholder management in several fronts. Future studies can be made to validate if firms truly attach importance to stakeholders when planning and implementing environmental strategies. A more inclusive stakeholder management analysis detailing importance and coverage of specific stakeholder groups is recommended.

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FROM 1980 TO 2010: AN OVERVIEW ABOUT THE BRAZILIAN SCIENTIFIC PRODUCTION IN ENTREPRENEURSHIP

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ABSTRACT

The aim of this paper is to map and analyze the Brazilian literature on Entrepreneurship, considering its evolution over the last forty years in order to identify patterns. We conducted a descriptive and exploratory research to classify this production in the following dimensions: i) the nature of study; ii) the focus addressed by the study; iii) the research approach used; and iv) the use of empirical data. Regarding the nature of study, we used two categories: descriptive and prescriptive studies. As for the focus addressed by the studies, we conducted a differentiation of it based on three levels: individual level, enterprise or organizational level and contextual level. Finally, we classified the research approach into quantitative, qualitative and mixed approaches. These criteria relied on seminal works by Low and MacMillan (1988), Gartner (1985) and Stevenson and Jarillo (1990). The information sources used in this study were based on publications from four annals from leading national academic meetings in the entrepreneurship and management fields and three main Brazilian management journals. The results indicate a minor presence (27%) of prescriptive studies on how entrepreneurs can be successful in their actions, compared to 73% of descriptive studies. The focus addressed by the studies pointed mainly to the enterprise level (50%), while both individual (20%) and contextual levels (30%) were less emphasized. Research approaches were evenly distributed among the three categories ("quantitative", "qualitative" and "mixed"). Prior to the 1990s, few studies were found regarding longitudinal analysis. In fact, after 1990, the literature showed significant growth in the number of research groups across Brazil. However, for the moment the research themes of each research group are not clearly delineated.

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INTRODUCTION

Entrepreneurship is a research field that has been growing quite considerably in the last fifty years. A range of studies was conducted since the 1950s, generating a research tradition in this field. Starting from different focuses of analysis, those studies have comprised economic, psychosocial and even political approaches. These studies also indicate the eminent character of this research area in the contemporary scholarly literature about Management. This growing level of activity in the field has led to attempts of establishing it as a discipline in its own right (see, for instance, FRIED, 2003; MACMILLAN 1991, 1993).

Nevertheless, the delimitation of this study field is not precise, and the question behind it has been discussed in recent papers, as by Shane & Venkataraman, (2000), Gartner (2001), and Moroz & Hindle (2012), for instance. Some aspects related to the nature of the studies in entrepreneurship as well as some perspectives of the field refer to some of the main issues that are in debate (DAVIDSSON *et al.*, 2001; LOW, 2001; GARTNER, 2001; ALDRICH & MARTINEZ, 2001; CHANDLER & LYON, 2001).

In the Brazilian context, studying the definition of the boundaries of Entrepreneurship might seem innocuous, since the experience in conducting investigation in this field remains still quite recent. However, from the 1990s on, a movement of valorization and multiplication of the studies about entrepreneurship has started to be advanced in Brazil.

That said, the purpose of this paper is, first, to map the literature on entrepreneurship over the last forty years in Brazil, in order to investigate aspects related to the nature, the focus and the methodology of the studies, elements that may have led to their publication. Second, from that analysis, we discuss some future perspectives for new studies in the field.

The paper starts proposing a general overview of the research in entrepreneurship. Following that, in the second section we present the methodology of our study and, in the third section, we discuss our results. In the conclusion we highlight a couple of recent developments in the field of Entrepreneurship in Brazil and we suggest future directions for the academic consolidation of this field.

RESEARCHING ENTREPRENEURSHIP: DILEMMAS AND PERSPECTIVES

The amplitude of themes which recent studies on entrepreneurship focus on has led researchers to discuss the very limits of this field of knowledge (BRUYAT & JULIEN, 2000; GARTNER, 1990; 2001; SHANE & VENKATARAMAN, 2000), as well as to stress the need for paradigms that should guide studies in this area (CHELL & HAWORTH, 1988).

In fact, this concern was originated from the diversity of approaches in the field of entrepreneurship. Thus, different themes constitute the body of studies in the area, such as the characteristics of entrepreneurs' behavior, the management of small firms, the creation of new

ventures, family businesses, incubators, innovation, franchises, among others. On the one hand, according to Low (2001), this diversity illustrates a vulnerable position of the studies on entrepreneurship yet, on the other hand, it refers to the numerous perspectives existent in the field.

Despite this fact, researchers from this field have agreed about the importance of applying a multidisciplinary perspective (LOW, 2001; UCBASARAN et al., 2001) to the studies on entrepreneurship. They have made use of approaches from psychology (GARTNER, 2001; FRESE, 2009) and sociology (REYNOLDS, 1991), enlarging the scope of the area.

One of the controversial aspects is the definition behind the concept of “entrepreneur” (BRUYAT & JULIEN, 2000) for different approaches are adopted to describe the entrepreneurial behavior, (KETS DE VRIES, 1985; CHELL et al, 1991; BARON, 1998) and to explain the psychological characteristics of entrepreneurs, as an attempt to develop typologies. Despite these contributions, there exists no consensus about who would be the “entrepreneur”.

Similarly, there exists no consensus about the concept of “entrepreneurship”. Meyer, Neck and Meeks (2002) proposed an interesting set of definitions of entrepreneurship, which have appeared in the literature since 1934. As Table 1 show, it should be noticed that researchers have tried to divert the focus of entrepreneurship from venture creation into a wider view such as the one proposed by Timmons (1997).

| Table 1. Selected Definition of Entrepreneurship | |
|---|--|
| Author | Definition |
| Schumpeter (1934) | “Entrepreneurship is seen as new combinations including the doing of new things or the doing of things that are already being done in a new way New combinations include (1) introduction of new goods, (2) new method of production, (3) opening of a new market, (4) new source of supply, (5) new organizations”. |
| Kirzner (1963) | “Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to “correct” the market and bring it back toward equilibrium”. |
| Drucker (1985) | “Entrepreneurship is an act of innovation that involves endowing existing resources with new wealth-producing capacity”. |
| Stevenson, Roberts & Grousbeck (1985) | “Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities”. |
| Rumelt (1987) | “Entrepreneurship is the creation of new business, new business meaning that they do not exactly duplicate existing businesses but have some element of novelty”. |
| Low & MacMillan (1988) | “Entrepreneurship is the creation of new enterprise.” |
| Gartner (1988) | “Entrepreneurship is the creation of organizations, the process by which new organizations come into existence”. |
| Timmons (1997) | “Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach, and leadership balanced”. |
| Venkataraman (1997) | “Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and with what consequences”. |
| Morris (1998) | “Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resources inputs to exploit opportunities in the environment. It can occur in any organizational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies”. |
| Sharma & Chrisman (1999) | “Entrepreneurship encompasses acts of organizational creation, renewal or innovation that occur within or outside an existing organization”. |
| Source: Meyer, Neck & Meeks (2002, p. 22). | |

As we said, although no consensus about what means to be an entrepreneur exists, there appears in the literature the recognition of the individual as an important element for the creation of new values and wealth (GARTNER, 1990; STEVENSON & LUNDSTRÖM, 2001; WHITING, 1988). Entrepreneurs certainly are not the sole creators of new values to the society through the creation of new ventures or different types of innovations. Instead they are responsible for a great percentage of new value creation.

Studies that put focus on the individual recognize certain aspects of behavior that presumably guide the entrepreneurial action, as follows: need for achievement; internal locus of control; propensity for innovation; creativity and leadership. Regarding the need for achievement, according to McClelland (1961), this concept corresponds to a social motivation oriented toward self-overcoming, which seems to characterize successful entrepreneurs, especially when reinforced by cultural factors (DAFT, 1999). It means that people are motivated to seek for situations where success is most likely. People who have a great need for achievement have to reach their own goals that are, in general, moderately difficult. Easy goals do not represent a challenge, non-real goals cannot be achieved and moderately difficult goals pose a challenge and offer high levels of satisfaction when achieved.

The internal locus of control concerns the idea that individuals, and not merely luck or fate alone, control their own lives. Both entrepreneurs and managers prefer thinking they are in total control of their own lives (DAFT, 1999). The task of initiating and managing a new business requires that a person can make things happen in a desired manner. The entrepreneur has not only the vision, but also the capacity of planning and defining objectives, including the belief that they will happen.

Finally, creativity, leadership and propensity for innovation have been reported as inseparable aspects from the typical entrepreneurial behavior (WHITING, 1988; BRAZEAL & HERBERT, 1999; RICKARDS & MOGER, 1999).

However, the field of studies in entrepreneurship should not be restricted to the studies on entrepreneurs and their related behavior. Other aspects, such as the environment or the context, the organization and the performance of the organization have also been researched (BRUYAT & JULIEN, 2000; CHELL & HAWORTH, 1988; JULIEN, 2010). From this perspective, Shane and Venkataraman (2000) state that environmental factors remain fundamental to understand entrepreneurial opportunities. For these authors, the existence of entrepreneurship is guaranteed by: a) the existence of opportunities to venture; b) the recognition and identification of these opportunities; and c) the exploitation of these opportunities. Similarly, Gartner (1985) considers that the environment represents one of the ramifications of the studies in entrepreneurship and that such studies may explain the cultural influence on the creation of businesses, as well as other factors, such as public policies and resources availability.

According to Verstraete (2002), studies in entrepreneurship may involve three distinct yet inseparable levels of analysis:

the cognitive level, referring to researches about the entrepreneur by him/herself, his/her vision and the capacity of reflection and learning;

the phraseological level, when the study demonstrates the multiple positioning of the entrepreneur inside the organization; and

the structural level, when the study focus on the transformation processes that the organization faces and on how entrepreneurs can deal with them.

Stevenson and Jarillo (1990) summarized the scope of research in entrepreneurship dividing the studies into three categories: a) studies concerned with the results from the actions of the entrepreneurs (what happens when entrepreneurs act?); b) studies dealing with the causes and the motives (environmental and individual motivation) of the entrepreneurial behavior (why entrepreneurs act?); and c), studies dealing with the characteristics of entrepreneurial management (how entrepreneurs act?).

In addition to these analyses about the very scope of the entrepreneurship field, a number of studies indicated gaps in this area. Some examples are the need for longitudinal studies (DAVIDSSON, 2001) and the movement towards causality (MACMILLAN, 1988; CHANDLER & LYON, 2001).

To understand the structure of entrepreneurship studies in the Brazilian context, we followed the classification suggested by Low and MacMillan (1998). This classification is based on four criteria: i) the nature of study; ii) the focus addressed by the study; iii) the research approach used; and (iv) the use of empirical data. By using these criteria of analysis, we tried to point out patterns of entrepreneurship literature from Brazilian studies.

METHODOLOGY

This is an exploratory study whose purpose is to study the Brazilian scientific production on entrepreneurship. Data collection was based on data from published papers such as conference annals, books written by Brazilian authors and Brazilian management journals.

As for conferences, we selected four national meetings. Two of them are considered the most important events in the area of Business Management (*Encontro da Associação Nacional de Pós-Graduação e Pesquisa em Administração* - ENANPAD) and Technologic Management (*Simpósio de Gestão da Inovação Tecnológica* - SGIT) in Brazil and both conferences also have a special track session on entrepreneurship. The remaining two events (*Encontro de Estudos em Empreendedorismo e Gestão de Pequenas Empresas* - EGEPE and *Encontro Nacional de Empreendedorismo* - ENEMPRES) are specially dedicated to entrepreneurship studies. ENANPAD and SGIT have been held for the last forty years, the former in annual and the latter in biannual editions. EGEPE is more recent, taking place for the last 12 years, while ENEMPRES took place for only one year, when it was discontinued.

As for the scientific journals, since there are no specific Brazilian journals about entrepreneurship (until the end of this survey), we used as data source three national

management journals considered the leading Brazilian journals in the field. The first journal is *Revista de Administração* (RAUSP), published by the University of São Paulo for over 30 years. The second journal is *Revista de Administração de Empresas* (RAE) that has been published by Fundação Getúlio Vargas – FGV-SP since 1962. The last journal is *Revista de Administração Contemporânea*. It is a more recent journal and is held by the Brazilian Academy of Management (*Associação Nacional de Pós-Graduação e Pesquisa em Administração* - ANPAD) since 1997.

During data collection, we selected articles and papers that directly mentioned “entrepreneurship”, or other correlated themes, such as, “entrepreneurial behavior”, “family businesses”, “micro and small firms”, “incubators”, “entrepreneurship education”, and “small firms networks”. The time frame established for our analysis was the last thirty (1980-2010) years, since before the 1980s studies that investigate entrepreneurship were scarce in Brazil.

The analysis of the collected material was conducted based on the following dimensions: i) the nature of the study; ii) the focus addressed by the studies, and iii) the research approach. Concerning the nature of the study, the articles were classified into descriptive and prescriptive studies. For us, descriptive studies were those which tried to explain a certain situation, while prescriptive studies referred to those studies that suggested guidance toward action. In relation to the focuses of the studies, we classified them into three categories: individual level, enterprise level, or contextual level. Clearly, a number of studies related to more than one of these focuses. In these cases, the dimension, which we identified as the more emphasized dimension in the study, was used to classify the article into one of these categories. Finally, we categorized the research approach into qualitative, quantitative or mixed approach, depending on the nature of the data reported in the papers. Another aspect that we also observed was whether empirical data were used or not by the authors.

DATA ANALYSIS

We conducted the process of classification of articles and papers in accordance with the methodology described in the previous section. However, in relation to the entrepreneurship conferences, especially in the case of ENEMPRES, the range of themes in the published papers seemed, in several situations, to extrapolate the scope of the field. In those cases, the papers were not considered by us. This situation indicates that there is still a need for more clearly defining the scope of studies on entrepreneurship in Brazil.

Table 2 reports a synthesis of the Brazilian scientific production in Entrepreneurship, which has been published during the last thirty years (1980-2010). To make the table more readable, we decided to group the articles into three categories separated by decades. The table also shows two mostly widespread statistics to association for nominal data (Person chi-square and Cramer's V) to support our analysis.

As we can see on Table 2, the number of papers and articles up to the 1990s was very small. This fact may be associated to two other factors. The first one refers to the economic situation, as the 1970s and 1980s were decades of very high rates of inflation. In that context with constant rising of prices, the creation of new firms did not symbolize an economic priority. This fact could lead, in turn, to the less academic interest that existed toward entrepreneurship. The second aspect is related to the formation of researchers in the area, since up to the 1990s, the number of researchers in the field was also very scarce.

| Table 2. Brazilian Scientific Production in Entrepreneurship | | | | | | |
|---|-------------------|------------|-----|-----|-------|----------------|
| Sources by type | | Decades | | | Total | |
| | | 80s | 90s | 00s | n | % ² |
| Congress / Symposium | EGEPE | | | 538 | 538 | 67 |
| | ENANPAD | | 8 | 110 | 118 | 15 |
| | ENEMPRES | | | 68 | 68 | 9 |
| | SGIT | | | 74 | 74 | 9 |
| | Subtotal | | 8 | 790 | 798 | 93 |
| Journal | RAC | | 1 | 13 | 14 | 24 |
| | RAE | 11 | 8 | 11 | 30 | 51 |
| | RAUSP | 3 | 7 | 5 | 15 | 25 |
| | Subtotal | 14 | 16 | 29 | 59 | 7 |
| Total | n | 14 | 24 | 819 | 857 | 100 |
| | % | 2 | 3 | 96 | 100 | |
| Statistics of Association ¹ | Person Chi-Square | 337.440*** | | | | |
| | Cramer's V | .627*** | | | | |
| Source: Primary data from authors; n = 857. | | | | | | |
| Obs. : ¹ Association calculated for 3x2 table (decades [3 classes] x Source [2 classes]). | | | | | | |
| ² The percentage in the left refers to the share within classes of congress or journal. The percentage in the right refers to the percentage between congress and journal. | | | | | | |
| *** Statistical significance at 0.001. | | | | | | |

The patterns shown in Table 2 reveals, both in statistical and practical terms, that there is an association between the growth in the Brazilian scientific publication on entrepreneurship along the three decades (both measures are statistically significant at 0.001%). It was only from the 2000s onwards that the Brazilian research on entrepreneurship has gotten stronger, with the implementation of specific conferences and meetings dedicated to the field, especially the EGEPE and ENANPAD congresses. As we can see, both of these scientific events corresponded to 82% of the articles of study, with EGEPE being exclusively dedicated to entrepreneurship and management of small businesses.

Despite the three most relevant Brazilian management journals represent only approximately 7% of the sample, we can note that the flow of articles on entrepreneurship has been relatively constant along the decades. These publications do have special issues about entrepreneurship, nor they are thematic publication that would focus exclusively on this theme.

Nevertheless, this framework also changed over the last years, taking as an example the *Revista de Empreendedorismo e Gestão de Pequenas Empresas* (REGEPE), which was created exclusively for this theme, and has already published five issues between 2011 and 2014 (see www.regepe.org.br).

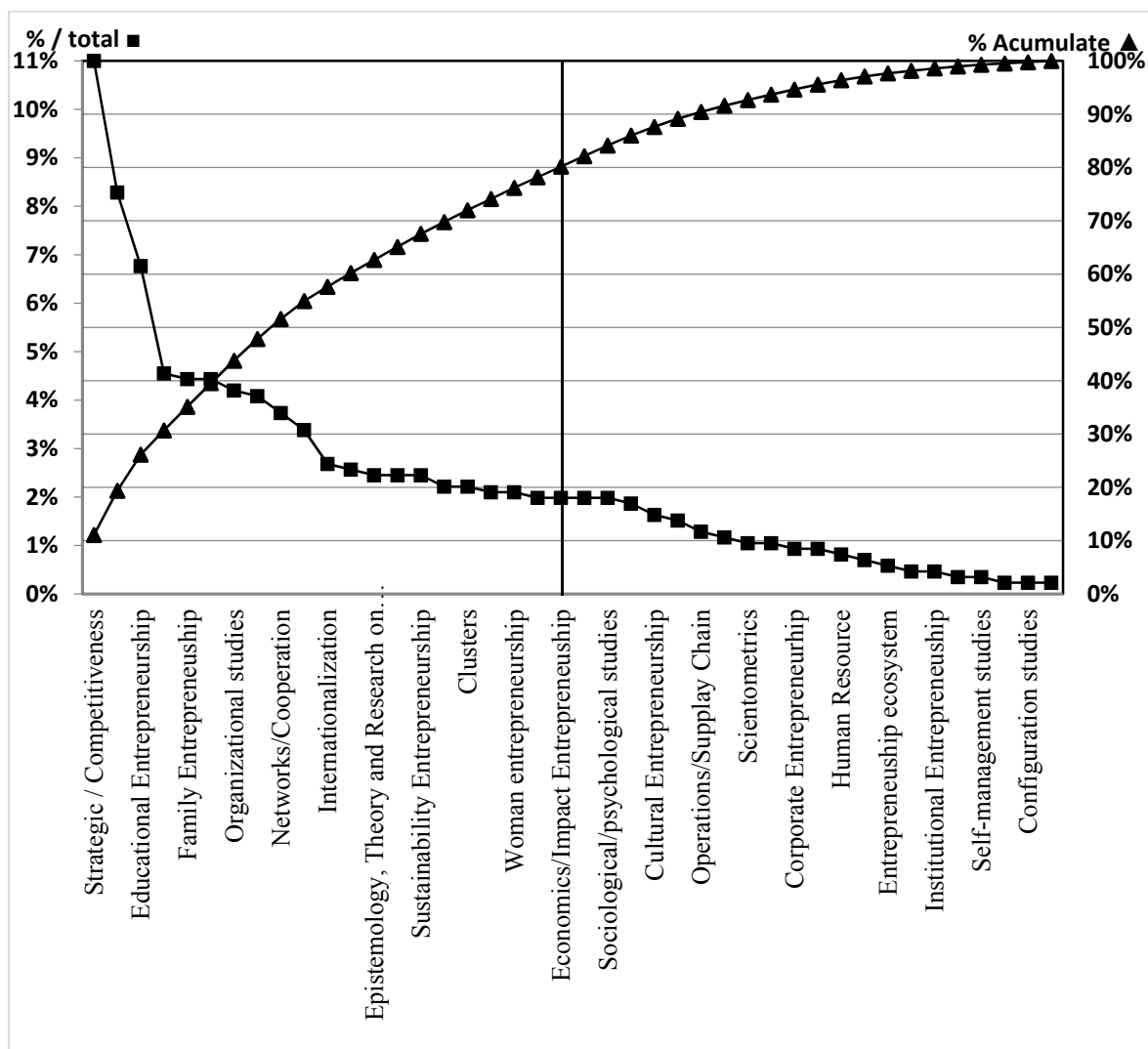
Another finding is that the number of publications in journals was quite reduced. This fact reinforces the conclusion that the entrepreneurship field in Brazil is still in its incipient stage. Although micro and small firms represent over 80% of local companies, the journals we analyzed have consistently published studies whose focuses are the large public, including Brazilian private firms as well as multinational companies.

Regarding the classification of the articles, out of 857 papers and articles analyzed, most of them are descriptive in nature (approximately 83%), focusing on the enterprise level (47%), with an exploratory character. Approximately 76% of the published papers and articles used qualitative research approaches, whereas 77% indicated the use of empirical data, mostly small local and regional samples, including case studies. Table 3 shows the results by type of source.

| Table 3. Brazilian Scientific Production on Entrepreneurship | | | | | | | | | | | | |
|---|----------|----------------------------|-------------------|------------------------------|------------|---------|-------------------|--------------------|-------|----------------|--------------------|-----|
| Sources by type: | | Criteria of Classification | | | | | | | | | | |
| | | Nature of the study | | Focus addressed by the study | | | Research approach | | | Empirical data | | |
| | | Descriptive | Prescriptive | Individual | Enterprise | Context | Quantitative | Qualitative | Mixed | Yes | No | |
| Congress / Symposium | EGEPE | | 471 | 67 | 99 | 300 | 139 | 84 | 431 | 23 | 432 | 106 |
| | ENANPAD | | 93 | 25 | 43 | 29 | 46 | 20 | 78 | 20 | 95 | 23 |
| | ENEMPRES | | 31 | 37 | 21 | 17 | 30 | 28 | 37 | 3 | 29 | 39 |
| | SGIT | | 66 | 8 | 13 | 37 | 24 | 6 | 66 | 2 | 65 | 9 |
| | Subtotal | n | 661 | 137 | 176 | 383 | 239 | 138 | 612 | 48 | 621 | 177 |
| | | % ² | 83 | 17 | 21 | 45 | 28 | 17 | 77 | 6 | 78 | 22 |
| Journal | RAC | | 12 | 2 | 2 | 2 | 10 | 4 | 10 | | 11 | 3 |
| | RAE | | 26 | 4 | 4 | 11 | 15 | 5 | 23 | 2 | 19 | 11 |
| | RAUSP | | 13 | 2 | 1 | 8 | 6 | 8 | 7 | | 10 | 5 |
| | Subtotal | n | 51 | 8 | 7 | 21 | 31 | 17 | 40 | 2 | 40 | 19 |
| | | % ² | 86 | 14 | 12 | 35 | 53 | 29 | 68 | 3 | 68 | 32 |
| | TOTAL | n | | 712 | 145 | 183 | 404 | 270 | 155 | 652 | 50 | 661 |
| % ² | | 83 | 17 | 21 | 47 | 32 | 18 | 76 | 6 | 77 | 23 | |
| Statistics of Association ¹ | | | | | | | | | | | | |
| Person Chi-Square | | | .509 ⁺ | | 13.365*** | | | 5.252 ⁺ | | | 3.129 ⁺ | |
| Cramer's V | | | .024 ⁺ | | .125*** | | | .078 ⁺ | | | .060 ⁺ | |
| Source: Primary data from authors; n = 857. | | | | | | | | | | | | |
| Obs. : ¹ Association calculated for 3x2 or 2x2 table (criteria [2 or 3 classes] x Source [2 classes]). | | | | | | | | | | | | |
| ² Numbers refer to percentage within subclasses of classification criteria. | | | | | | | | | | | | |
| *** Statistical significance at 0.001; ⁺ Not significant. | | | | | | | | | | | | |

Considering the hypothesis that standard differences may be found along the four categories of analysis among the articles from congresses and journals, Table 3 shows the subtotals for both categories. This hypothesis was partially rejected for three out of the four categories we used., The most important categories referring to the articles sent to congresses and symposiums (Descriptive [76%], Qualitative [77%] and Empirical [78%]) are the same categories found in the articles that were submitted sent to scientific journals (Descriptive [86%], Qualitative [68%] and Empirical [68%]), in relation to the nature of the study, the research approach and the use of empirical data, respectively.

Figure 1. Main topics covered in the Brazilian Scientific Production on Entrepreneurship



Source: Primary data from authors; n = 857.

Obs. : IT= Information technology; KM= Knowledge Management; BRICs= Brazil, Russia, India and China.

Only the category “focus of the study” was statistically significant at 0.001%. That said, we accepted the hypothesis of difference and we considered that the articles sent to congresses and symposiums focused on the Enterprise (45%), while articles submitted to journals focused on the context (53%). That is possibly explained by the increased rigor journals give to literature review, to the state of the art of the specific field and to the theoretical approach that supports the investigation.

In order to better illustrate the focus of the studies that we analysed, they were grouped, considering each category of analysis – enterprise dimension, individual dimension and contextual dimension. This classification is shown in Figure 1.

It is worth emphasizing that for each category of analysis, the presented themes do not indicate a set of papers in the specific theme. Rather, they represent isolated individual’s or small teams’ efforts. Hence, the analysis of the Brazilian production on entrepreneurship in the last thirty years highlights the lack of consolidated research groups in the country.

Another important aspect that can be apprehended from the data analysis is that a greater emphasis was attributed to studies on the contextual and enterprise levels. Only 20% of the studies focused on the individual level. Thus, since the scientific production oriented itself toward explaining the entrepreneurial behavior should be considered important, there remains the need to emphasize of this modality of study in Brazil.

A comparison of the themes shown in Figure 1 with the variables related to venture creation (Gartner, 1985, p. 702) reveals some gaps. Some dimensions were not used in the Brazilian studies and they still deserve further investigation. Among them, firstly there are those studies related to the entrepreneur by him/herself, focusing on the *locus* of control, the risk propensity, the antecedents (previous experience, parents), age, and educational level. Besides the entrepreneurial behavior, there are still other aspects related to the enterprise that should be more explored, such as franchises and joint ventures. Concerning the context, there are study in areas, such as government influence, university proximity, and contribution from experienced entrepreneurs.

Another parameter for analysis refers to the factors that influence the level of entrepreneurial activity (STEVENSON & LUNDSTRÖM, 2001). In this vein, one can notice that there are themes that represent possibilities for future studies, such as entrepreneurial models, entrepreneurial emphasis in different educational levels, simplification of procedures for the creation of firms, regional support and infrastructure for the development of entrepreneurship, including the participation of women as entrepreneurs.

Table 4 shows us that topics such as Innovation, Intraentrepreneurship, Social Entrepreneurship and Internationalization are emerging topics in the studies, while others topics as Education in Entrepreneurship and Family Business have been decreasing.

In conclusion, this study demonstrates the need to stimulate the publication of research reports on entrepreneurship in scientific journals. As we said above, the number of the articles dealing with entrepreneurship in the three main Brazilian management journals was very small.

Our study also identified a gap concerning the efforts to research entrepreneurship in Brazil, a fact that elucidates the lack of comparative studies on the regional or economic sector levels.

| Table 4. Main Changes in topics covered in the Brazilian Scientific Production on Entrepreneurship | | | | | | |
|--|--|--------|-------|--------------------------------|--------|------|
| | Most reported topics | | | Less reported topics | | |
| | Topics | Change | | Topics | Change | |
| | | % | n | | % | n |
| Increased | Innovation/Intellectual Property | 300 | 7-28 | Corporate Entrepreneurship | ∞ | 0-8 |
| | Intrapreneurship | 167 | 6-16 | BRICs | ∞ | 0-2 |
| | Social Entrepreneurship/Responsibility | 125 | 12-27 | Religion Entrepreneurship | ∞ | 0-2 |
| | Politics/Policy | 100 | 6-12 | Cultural Entrepreneurship | 267 | 3-11 |
| | Internationalization | 88 | 8-15 | Ethical entrepreneurship | 200 | 1-3 |
| | Economics/Impact Entrepreneurship | 83 | 6-11 | Institutional Entrepreneurship | 200 | 1-3 |
| | Finance | 64 | 11-18 | Scientometrics | 100 | 3-6 |
| Decreased | IT/Internet/E-com./Km | -69 | 13-4 | Configuration studies | -100 | 2-0 |
| | | | | Creativity | -80 | 5-1 |
| | Family Entrepreneurship | -54 | 26-12 | Marketing | -77 | 13-3 |
| | | | | Leadership studies | -50 | 2-1 |
| | Educational Entrepreneurship | -39 | 36-22 | Self-management studies | -50 | 2-1 |
| | | | | Sectorial studies | -45 | 11-6 |
| | | | | Decision-making process | -40 | 5-3 |
| Source: Primary data from authors; n = 857. Obs. : Change in numbers n corresponds to the total reported studies in the area before and after 2005, respectively. | | | | | | |

FINAL REMARKS

The development of this exploratory study revealed that the study of entrepreneurship is quite recent in Brazil. The reduced number of published reports up to the end of the 2010s demonstrates that no consolidated groups of research exist in the field. Therefore, there is a great dispersion of studies.

However, this scenery is being changed and some factors have contributed for it. One of them is the continuous realization of specific scientific conferences on the theme (EGEPE and ENENPRE). Another fact that shall contribute for a better focus of the studies on entrepreneurship is the creation of an academic association dedicated to group researching entrepreneurship, i.e., the ANEGEPE (*Associação Nacional de Estudos em Empreendedorismo e Gestão de Pequenas Empresas*), which was founded in 2012. In addition, there is the recent implementation of newly formed research groups in Brazilian universities and research institutes that have investigated entrepreneurship themes. This movement was stimulated by CNPQ – *Conselho Nacional de Desenvolvimento Científico* (National Council for Scientific and Technological Development), which has implemented a policy of funding only research proposals that originate from institutionalized research groups. The result of this action for the entrepreneurship field was the creation, in 2013, of 33 research groups distributed into several universities and research institutes all over Brazil. Entrepreneurship has also been introduced in Master's and Doctoral Courses in Brazil.

These recent transformations in the field of entrepreneurship may lead to a faster growth in the scientific production within the area in the future. This perspective of amplification of research efforts in the field will rely on the continuation of policies for education and public policies that give support to the groups that were created recently. However, studies on entrepreneurship such as Education in Entrepreneurship and Public Policies for Entrepreneurship remain still necessary on the structural level as pointed by Verstraete (2002).

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