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Implications of Poverty and Youth Unemployment on Nigeria Economy

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Abstract
The paper discusses the implications of poverty and youth unemployment on Nigeria economy. Nigeria was recently ranked 158th on the human development index an indication that poverty and unemployment is very prevalent in the country with far reaching implications for the stability of Nigerian economy. This paper identifies the main causes of poverty and youth unemployment in Nigeria. It anchors the explanation of poverty and youth unemployment in Nigeria on neoliberalism that created economic and social dislocations. The paper adopts library and desk research in gathering the information used in this paper. We recommend among other things that government and the entire stakeholders must make frantic efforts to reduce poverty and youth unemployment in Nigeria.

INTRODUCTION
With a population of over 140 Million people, Nigeria is the most populous country in Africa and the eighth in the world (NPC, 2006). With a nominal GDP of $207.11 billion and per capita income of $1,401 it has the second largest economy in Africa (Salami, 2011). As impressive as the above figures may appear, poverty and youth unemployment have been a critical challenge confronting the stability of Nigeria economy. While the labour force grows, with an increasing proportion of youth, employment rate is inadequate to absorb labour market entrants (Aiyedogbon & Ohwofasa, 2012). This situation has further geared the level of poverty being experienced among Nigerians especially the youth which constitute the major proportion of the unemployed. The high level of poverty and youth unemployment has a number of social-economic, political and moral implications. Unemployment and poverty are like two inseparable associates; where there is one, the other must be there. This means that unemployment sometimes result into poverty (Segun, 2010). Presently, the share of the total population living below the $1 a day threshold of 46 percent is higher today than in the 1980 and 1990s this despite significant improvements in the growth of Gross Domestic Product (GDP) in recent years (World Bank, 2008).

Unemployment and poverty are so closely related that one can easily use one for the other. Although it is possible for one to be employed and still be poor, this is
sometimes the case of underemployment. Unemployment and underemployment reflect the failure to judiciously employ the important factor of production that is, labour to foster economic growth. Low returns to labour as well as high unemployment indicates poverty (Aiyedogbon & Ohwofasa, 2012). Poverty deters investment in vibrant sectors that can grow the economy of the nation. Poverty is not limited to individuals; families, local government, state or Nation can experience it as it is transitory if not curbed at individual level. The social aspect of the problem of poverty and youth unemployment is believed to have caused the unwholesome activities such as kidnapping and militancy in the Niger-Delta, Boko Haram in the Northern Nigeria and MASSOP in the Eastern part of Nigeria.

The main objective of this paper is to identify the major causes of poverty and youth unemployment in Nigeria and the threat it has on the Nation’s economy.

**Statement of Research Problem**

Poverty and youth unemployment have continued to rise in Nigeria. All efforts by both previous and present government to curb the menace through different programmes such as National Directorate of Employment (NDE), the Family Economic Programm (FEP), the National Poverty Eradication Programme (NAPEP), Structural Adjustment Programme (SAP) and others have yielded little
or no result (Bamisile, 2006). Also, the rising rate of crime and insurgence in Nigeria today seems to be a reflection of the degree of poverty and youth unemployment that have ravaged the country. The prevalence of these twin evil pose a great danger to the entity called Nigeria and are capable of further deteriorating the already weakened Nigeria economy. These among other statements of research problems identified were addressed in this study.
THEORETICAL FRAMEWORK

This study adopted Neo-liberalism as its theoretical base to explain the problem of poverty and youth unemployment in Nigeria. Neo-liberalism refers to the desire to intensify and expand the market by increasing the number, frequency, repeatability, and formalizations of the transactions. The ultimate (unreachable) goal of neo-liberalisms is a universe where every action of every being is a market transaction, conducted in competition with every other being and influencing every other transaction. Neo-liberalism seeks to transfer part of the control of the economy from the public to the private sector, under the belief that it will produce a more efficient government and improve the economic indicators of the nation. The neo – liberal theory sees the nation primarily as a business firm. The nation firm is selling itself as an investment location, rather than simply selling export goods. A neo-liberal government pursues policies designed to make the nation more attractive as an investment location. These policies are generally considered to be pro-business.

The main features of neo-liberalism include: the rule of the market; cutting public expenditure for social services; deregulation; privatization; and eliminating the concept of “the public good” or “community”. Neo - liberalism assumes that higher economic freedom has a strong correlation with higher living standards;
higher economic freedom leads to increased investment, technology transfer, innovation, and responsiveness to consumer demand (Martinez & Gracia, 2000). Neo–liberalism believes staunchly on the freedom of individual contract. The freedom of contract is the right to choose one’s contracting parties and to trade or work with them on any terms and conditions one sees fit. The contracts permit individuals to create their own enforceable legal rules, adapted to their unique situations. Parties decide whether contracts are profitable or fair, but once a contract is made, they are obliged to fulfill its terms, even if they are going to sustain losses by doing so. Through making binding promises people are free to pursue their own interests. For neo-liberalism, it is a moral duty of human beings to arrange their lives to maximize their advantages in the labor market (Harvey, 2005).

Through the adoption of neo-liberal economic policies, which actually started with the introduction of structural adjustment programme (SAP) in 1986, Nigeria mortgaged her future in the hands of the international financial institutions to the extent that by the end of the 1980s, the world Bank and the international Monetary Fund (IMF) ordered borrowers countries to downsize their public sector and civil services (ILO, 2005). Consequent upon this, Nigeria reduced its workforce by 40% in less than two years. Particularly those that are hit hard as a result of the neo-
liberal policies are the women and youths, who often have jobs that are vulnerable to economic shocks. As a last resort, the Nigeria informal economy flourished with jobs such as hawkers, traders, repairers; these jobs were less likely to grow the economy and accounted for almost all the new jobs accessible to the young people (ILO, 2005). Commenting on the Nigerian Situation in the era of globalization neo-liberalism, Mazrui (2001) argued that on the attainment of independence, the economic marginalization of Nigeria was partly due to the fact that colonization had created elites of consumption, rather than elites of investment. However, in the period of globalized neo-liberalism, typical Nigeria elites are more adept at making money than at creating jobs and wealth. Money could be made in a network of capital transfer without generating genuine growth. The Nigeria elites have learned the techniques of circulating money without a talent for creating new wealth. Neo-liberalism had generated urbanization without industrialization; has fostered western consumption pattern without productive techniques; has cultivated among Nigerians western tastes without western skills; and has initiated secularization without the scientific spirit, thus, a stage has been set for a weak economy and massive unemployment of the youths (Mazrui, 2001; utomi, 2011).

Within this context, Adejumobi (2011) remarked:

“Graduate unemployment in Nigeria is over 50%, poverty rate-
less than $2 per day is over 70% basic infrastructures have completely collapsed- electricity, water, good roads, etc, there is general insecurity and oil exporting country imports refined petroleum for its local use so that oil buccaneers can live off the sweat of the people. Nigeria runs perhaps the most expensive civilian government in the world – the National Assembly consumes significant percentage of the national budget; some past leaders, who were virtually broke before luck smiled on them with state power now own private jets that they travel in; and some others who have little or no knowledge about the oil industry now own oil wells, which they sell for raw cash. The picture is that of a jungle.”

From the theoretical discuss above it is glaring that the growth of unemployment in Nigeria will have a lot of implications for the stability of the Nigeria economy. It is not debatable that the greatest threat to economic stability and sustenance in Nigeria is the rising number of unemployed youth and high rate of poverty currently ravaging the country.

The massive social and economic dislocations occasioned by the pursuit of neo-liberal policies by government over the years and the unrestrained and conspicuous
amassing and displaying of wealth by the politicians and other public office holders in the midst of wide-spread abject poverty in the present dispensation have not helped matters (Nwonwu, 2010). All these have serious implications for the stability of Nigeria economy in many ways:

First, unemployed youths who want to survive at all cost may become available tools in the hands of do or die politicians who want to win election even when they are not popular.

Beside using the unemployed youths for political thuggery, they have been used as local militants to attack, vandalize and destroy oil pipelines, lives and properties in the Niger-Delta region of Nigeria (Gilbert, 2010; Ojakorotu, 2010). More so, unemployment and poverty is partly responsible for the emergence of the deadly Islamic sect “Boko Haram” which has brought untold hardship and wanton destruction of lives and properties in the Northern Nigeria. The resulting effect of this is mass exodus of investors from these crisis prone areas to a more investment friendly environments.

CONCEPTUAL CLARIFICATION
The Concept of Poverty and Unemployment
Concept of Poverty

Poverty is not an easy concept to define. As a result, a range of definitions exist, influenced by different disciplinary approaches and ideologies. The dominant Western definition since World War II has defined poverty in monetary terms, using levels of income or consumption to measure poverty and defining the poor by a headcount of those who fall below a given income/consumption level or ‘poverty’ line’ (Grusky & Kanbur, 2006). However, this economic definition has been complemented in recent years by other approaches that define poverty in a more multidimensional way (Subramanian, 2007). These approaches includes the basic needs approach (Streeten et al, 2008), the capabilities approach (Sen, 2009) and the human development approach (UNDP, 1990). Their acceptance is reflected in the widespread use of the United Nations Development Programme’s (UNDP) Human Development Index (HDI), which is a composite measure of three dimensions of human development: (i) life expectancy, (ii) educational attainment and (iii) standard of living, measured by income in terms of its purchasing power parity (UNDP) (2006).

It is also reflected in the Organization of Economic Co-operation and Development’s (OECD) conceptualization of multidimensional poverty, defined and interlinked forms of deprivation in the economic, human, political, socio-
cultural and protective spheres (OECD, 2006). For the purpose of this study, poverty is also defined as a state of helplessness, dependence and lack of opportunities, self-confidence and self-respect on the part of the poor. Indeed, the poor themselves see powerlessness and noiselessness as key aspects of their poverty (Narayan et al., 2000). Furthermore, the acknowledgment of the multidimensionality of poverty is reflected in the range of both quantitative and qualitative methodological approaches adopted to conceptualize and measure poverty (Handley, et al., 2009).

The poverty situation in Nigeria is quite disturbing. Both the quantitative and qualitative measurements attest to the growing incidence and depth of poverty in the country (Okunmadewa, et al., 2005). This situation however, presents a paradox considering the vast human and physical resources that the country is endowed with. It is even more disturbing that despite the huge human and materials resources that have been devoted to poverty reduction by successive government, no noticeable success has been achieved.

A national poverty survey carried out indicates that the high tropic areas have moderate poverty while the northern regions have poverty levels that are as high as 60 percent (NBS, 2009).
According to Garcia, Kohl, Ruengsorn and Zislin (2006), Nigeria’s main challenges include, reducing poverty, diversifying its economy from the oil and gas sector towards more labor intensive sectors, and improving health and education. The oil has increased economic volatility and inflation while those living in poverty being most vulnerable to volatility and inflation. To add to it, instability of government revenues and a crowding out of agriculture (which provides the source of income to the poor) have made the situation worsen. The oil industry does not employ a sizeable number of unskilled workers, thereby contributes little to reducing poverty.

Ford (2007) discusses the oil crisis in the oil producing region of Nigeria. He states that poverty has been linked to high crime rates, especially in the Niger Delta region where there is a sharp contrast between the rich and the poor. The masses cause social unrest because the wealth gotten from their territory does not get to them. In the Nigerian society, the best way to acquire wealth is to enter the political sphere. Most of the time political success is tied to criminal activities. He ends the article by stating that the link between economic and political power must be broken for progress to be made.
Poverty Profile in Nigeria

Poverty is still prevalent in Nigeria. Available statistics shows that the poverty incidence in Nigeria has been on the increase since the 1980s. As reported by the UNDP (2010), between 1980 and 1996, the percentage of the core poor rose from 6.2 percent to 29.3 percent, and declined to 22.0 percent in 2004. According to Omotola (2008), about 70 percent of the population now lives in abject poverty.

In the geographical dimension of poverty in Nigeria, according to Aigbokhan (2000), poverty is higher in the rural areas than in urban areas. In 2004, the urban population with access to water was 67 percent, while it was 31 percent in the rural area. In terms of sanitation services, 53 percent of the urban population has access to sanitation services and 36 percent in the rural areas. This is worse than the situation in Cameroon, South Africa, Zambia, and Zimbabwe (Word Bank, 2008). Given the figures above, the rural dwellers in Nigeria grapple with difficult living conditions compared to the urban dwellers. This explains why there is prevalence of diseases among the rural poor in the country (Segun, 2010).

As observed by Garba (2006), the world’s per capita income as of 2003 was $7,140. Comparing this to Nigeria’s per capital income of $290 makes the country one of the poorest in the world, this relegated Nigeria to the ranks of Togo ($270), Rwanda ($220), and Mali ($210). Other indicators of development, such as life
expectance, for which Nigeria is ranked 155th out of the world’s 177 countries, and infant mortality, for which Nigeria is ranked 148th among 173 countries, were consistent with Nigeria’s low rank in income per capita (CIA, 2009). Based on these facts, Nigeria has been classified as a poor nation; a situation which can be described as a bewildering paradox given the vast resource base of the country. Simply put, unemployment describes the condition of people who are without jobs. The international labor organization (ILO) as cited by Akintoye (2008) defines the unemployed as numbers of the economically active population who are without work but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Bank, 1998). Also, for Adebayo (1999) this exists when members of the force wish to work but cannot get jobs. Youth unemployment, therefore, could be described as the conglomerate of youths with diverse background, willing and able to work, but cannot find any. When the supply of labor outstrips the demand for labor, it causes joblessness and unemployment. Given the lack of sufficient employment opportunities in the formal sector, young people may be compelled to engage in casual work and other unorthodox livelihood sources, thus leading to underemployment (Echebiri, 2005: Gibb & George, 1990; Onah, 2001).
Various forms of unemployment have been identified and elaborated upon in the literature. These include seasonal, frictional, cyclical and structural unemployment (Adebayo, 1999; Damachi, 2011; Hollister & Goldstein, 1994; Robert, 1993; Todaro, 1992). Unemployment is measured among people in the labor force (Obadan & Odusola, 2001; National Bureau of Statistic, 2010). The labor force of a country as defined by National Bureau of Statistics (NBS) (2009) is a set of people or citizens of a country who are willing and are able to make available at any point in time their effort for gainful employment. The unemployed are the individuals with no work, but are looking for work at the time of any study.

Unemployment is a global trend, but it occurs mostly in developing countries of the world, with attendant social, economic, political, and psychological consequences. Thus massive youth unemployment in any country is an indication of far more complex problem. The ILO (2007) report showed that the proportions of world unemployment are steadily increasing and that the number of those without jobs remained at an all time high of more than 195 million, or 6.3 percent, in 2007. For instance, during that period (2007), the Middle East and North Africa were the regions with the highest unemployment rate in the world at 12.2 percent, followed by sub-Saharan Africa at nearly 10 percent. East Asia’s unemployment rate of 3.6 percent remained the lowest. The report affirmed that population
growth, especially in South Asia, the Middle East, and North Africa, and Sub-Saharan Africa, was putting a lot of pressure on job creation. The report concluded that half of all workers in the world – some 1.4 billion working poor – lived in families that survived on less than US $2 a day per person. These people worked in the vast informal sector – from farms to fishing, from agricultural to urban alleyways – without benefits, social security, or healthcare. Some 550 million working poor lived on US $1 or less per day. In absolute terms, it is estimated that there are about 152 million youths on the African continent (Echebiri, 2011; Chigunta, 2009). Therefore, projections of the population growth into the 21st century indicated that the proportion of youths, in relation to the overall population, will continue to grow. Todaro (1992) pointed out that the high rate of unemployment is a result of continuous transfer of economic activities, especially the youths from rural to urban areas.

An Overview of Youth Unemployment in Nigeria

In Nigeria, accurate unemployment rates are difficult to access. However, according to Oyebade (2003), Nigeria’s unemployment can be grouped into two categories: first, the older unemployed who lost their jobs through retrenchment, redundancy, or bankruptcy; and second, the younger unemployed, most of whom have never been employed.
For Awogbenle and Iwuamadi (2010), the statistics from the Manpower Board and the Federal Bureau of Statistics showed that Nigeria has a youth population of 80 million, representing 60% of the total population of the country. Also, 64 million of them are unemployed, while 1.6 million are under-employed. The 1990-2000 data on youth unemployment showed that the largest group of the unemployed is the secondary school graduates. Also, 40% of the unemployment rate is among urban youth aged 20 – 24 and 31% of the rate is among those aged 15-19. Also, two-thirds of the urban unemployed are ranged from 15-24 years old. Moreover, the educated unemployed tended to be young males with few dependents. The authors, however, admitted that there is no consistent trend of unemployment rates in Nigeria. An increase in one or two years is sometimes followed by a decline in the subsequent years.

Specifically as regards the age group, educational group and sex, data provided by the National Bureau of Statistics (2010) further showed that as at March 2009 in Nigeria, for persons between ages 15 and 24 years, 41.6% were unemployed. For persons between 25 and 44 years, 17% were unemployed. Also, those with primary education, 14.8% were unemployed and for those with only secondary education, 23.% were unemployed. Furthermore, for those with post secondary education, 21.0% were unemployed. For those who never attended school and those with below primary education, 21.0% and 22.3% were unemployed respectively. As regards sex, data showed that males constituted 17.0% while females constituted 23.3%.

It is important to note that the figures above may not have captured in totality the youth unemployment situation in Nigeria, however, they are pointing to the fact that the phenomenon is a very critical issue with far-reaching implication for stability of the economy.

**Causes of youth unemployment in Nigeria**

The first is the rapidly growing urban labor force arising from rural urban migration. Rural-urban migration is usually explained in terms of push-pull factors. The push factors include the pressure resulting from man-land ratio in the rural areas and the existence of serious underemployment arising from the seasonal cycle of climate. The factors are further exacerbated in Nigeria by the lack of infrastructural facilities, which make the rural life unattractive. Youths move to urban areas with probability of securing lucrative employment in the industries. In addition to this, there is the concentration of social amenities in the urban centers. This meant that the rural areas are neglected in the allocation of social and economic opportunities. According to Sarr (2000), youth migrants in Africa are three times more in number than other migrants. The author argued that the urbanization rate of the youth was 32 percent in 1990, compared to less than 25 percent for the non-youth population. He estimated that by the end of year 2010, over 50 percent of the youths in Africa will be residing in urban areas where job opportunities are limited to a few modern sectors and establishments.

The second is the rapid population growth. Going by the 2006 census in Nigeria, the nation’s population was put at 140,431,790 and projections for the future indicate that the population could be over 180 million by the year 2020, given the annual growth rate of 3.2 percent (National Population Commission & and ICF
Macro, 2009). With this population, Nigeria is the most populous nation in Africa. It is argued that the high population growth rate has resulted in the rapid growth of the labour force, which is far outstripping the supply of jobs.

The third is the outdated school curricula and lack of employable skills. Some scholars and commentators have argued that as far as the formal sector is concerned, the average Nigeria graduate is not employable and, therefore, does not possess the skills needed by the employers of labour for a formal employment. Often, this is attributed to the Nigeria’s education system, with its liberal bias. The course contents of most tertiary education in Nigeria lack entrepreneurial contents that would have enabled graduates to become job creators rather than job seekers.

Furthermore, there is no vibrant manufacturing sector which has the capacity to absorb unemployed youths in Nigeria. There are over 800 collapsed industries in Nigeria and over 37 factories have closed shops in 2009 (MAN, 2010).

In a nutshell, the fact is that the Nigeria investment climate is not investor friendly. Besides, high and multiple levies and taxations being paid by these companies, energy crises have combined to make the cost of doing business in Nigeria to be very exorbitant. When the industries and factories closed shops or relocated to
friendlier economic environment, workers were laid off and prospects of recruiting new one were dashed. All these exacerbated the crisis of poverty and youth unemployment in the labor market (Adeloye, 2010, Onieade, 2011).

**Economic implications of poverty and youth unemployment**

The prevalence of poverty and youth unemployment in Nigeria is not without some consequences to the economy of the nation.

1. Increase in social vices such as kidnapping, militancy and Boko Haram insurgence which has led to the mass exodus of several multinational organizations from Nigeria to a safer abode is not unconnected with poverty and youth unemployment. This has robbed the government of the income which ordinarily would have accrued to her through taxation from these companies.

2. The country has continued to witness incessant rural-urban migration which is having negative impact on the economic and social development of the rural settlements. More so, the clamour by Nigerian youths to travel abroad for a greener
pasture may leave the country with aged and less energetic people who may not be able to contribute to the economic growth and development of Nigeria.

3. The gap in income and wealth between the developed and underdeveloped countries may continue to get wider when substantial productivity increase cannot be achieved as a result of under utilization of labour.

4. Poverty and unemployment if not quickly attended to can degenerate to anger which may result to civil war. It is often said that an hungry man is an angry man.

5. The menace can result to malnutrition and endemics as it is being witnessed in some parts of the world today.

**Conclusion**

The paper has attempted to discuss the implications of poverty and youth unemployment on Nigeria economy. It reviewed some relevant literatures as a basis for the appraisal of poverty and unemployment profiles in Nigeria. It is obvious that in Nigeria, the incidence of poverty and youth unemployment
remained high in spite of growth and the existence of a number of programmes put in place by both previous and the present government to curb the menace.

**Recommendations**

From all indications, poverty and youth unemployment is a monster that poses great threat to economic development. In view of this, there is urgent need by the government at all levels and other stakeholders to embark on massive job creation to gradually mitigate the menace of youth unemployment and poverty in the country.

Secondly, the challenge of insecurity being currently witnessed in Nigeria must be adequately tackled if the country is to witness industrial growth. This is because no investor will invest in an economy characterized with insecurity. Lastly, Nigeria education planners should design their curricula in such a way that students at all levels must be groomed in technical, vocational and entrepreneurial skills that will make them jobs creators rather than job seekers after graduation.
REFERENCES


Gläce Luxury Ice Co.

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ABSTRACT

This study examines the ideation and development of an entrepreneurial venture, Gläce Luxury Ice Company. The founder, Roberto Sequeira, created the luxury drink-ice segment of the packaged ice industry with his Gläce Luxury Ice brand. He uses a proprietary manufacturing technology to produce ice with purified water which results in consistent quality and zero taste. The ice pieces are beautifully designed and crafted, and they provide premium drinks with a captivating presentation. Sequeira focuses on building up brand equity with social media, and his ice brand is associated with luxury, innovation, quality, and consistency. Sequeira sells his ice products to upscale hospitality establishments. He is the sole owner of the company and self-finances his venture; he outsources all functions. He had no competitors when he first started, and current copycats have failed to come up with ice products that measure up in quality to Gläce ice pieces.
INTRODUCTION

The American Immigration Council (2014) has lauded the great contributions of immigrant entrepreneurs to the United States (US) economy. Based on 2010 data, Fairlie (2012) reported that 10.5% of immigrants and 9.3% of non-immigrants owned a business. Furthermore, the immigrant rate of 0.62% (or 62 per 100,000) with respect to business formation each month was higher than the non-immigrant rate of 0.28% (or 28 per 100,000). This paper reports on an entrepreneurial venture, Gläçe Luxury Ice Company, which is located in Davis, California. Gläçe Luxury Ice is the world’s leading brand in the luxury drink-ice segment of the packaged ice industry. The venture was founded in 2007 by an immigrant entrepreneur, Roberto Sequeira, who came to the U.S. at the age of 14 from Nicaragua. At that time, Sequeira could not speak English. He graduated with an Engineering degree from California State University at Fresno and earned a master of business administration (MBA) degree from the Anderson School of Management at University of California, Los Angeles (UCLA) (Epstein, 2011). Each of the following concepts pertaining to Gläçe Luxury Ice Company is discussed below: venture ideation; current packaged ice industry; philosophy, trademark, and mission; blue ocean strategy and proprietary manufacturing technology; products; brand equity and marketing; distribution and pricing;
competitors and market share; financing, organization, and management; social responsibility endeavors; expansion strategy; major challenge; and exit strategy.

Venture Ideation
While Sequeira was attending an entrepreneurship and venture initiation class at UCLA’s Anderson School of Management, the thought occurred to him that he could tap the knowledge and background experiences of his fellow classmates to come up with “the ultimate” business. Each student had to communicate in class ideas for an entrepreneurial venture, and Sequeira provided his criteria for a “perfect venture,” which included a high-end niche with minimal startup capital required and immediate profitability. His idea was not at first supported by the professor, who was later won over by Sequeira’s success in getting classmates to work with him to create a product that would satisfy his ideals of a perfect entrepreneurial business. After examining different product ideas, Sequeira’s group finally decided to work on “packaged ice” as a business project (R. Sequeira, personal communication, March 6, 2015). After graduation, each member of his team who worked on the ice project for the entrepreneurship class pursued his or her own career. Sequeira founded Gläce Luxury Ice Co. in 2007, and his friends and classmates offered him assistance in building up the drink-ice brand (Epstein, 2011).
In a personal communication, Sequeira further explained his decision to go into the packaged ice industry. At the time of his founding of Glâce Luxury Ice Company, the totally commoditized packaged ice industry accounted for around $4 billion in annual sales. Historically, ice companies were regional family-owned businesses with centralized production facilities. A regional ice business protected its territory by lowering prices when a competitor tried to take over the region. Therefore, the industry operated in a series of regional distribution networks, and the family owners used antiquated equipment. Very often, the family-owned ice businesses were acquired by larger companies such as Reddy Ice Holdings, Inc. and Arctic Glacier. However, the acquirers kept the antiquated equipment, employees, centralized production facilities, and regional distribution networks. The acquirers simply rebranded the ice products. Price was the only differentiator for competitors. As for the hospitality industry, the liquor distributors refused to deliver anything without liquor in it on their trucks. To avoid the costs involved in buying refrigerated trucks and regional warehouses, Sequeira decided to use FedEx and UPS to distribute his company’s products. Most hospitality establishments were making their ice in-house with tap water, with variations in taste and quality from one location to another. Therefore, Glâce Luxury Ice was launched as a luxury brand in a commoditized packaged ice environment. The brand was also
intended to overcome the inconsistent drink experience with ice made with tap water. Because of the company’s innovative manufacturing technology to produce ice with purified water, the Gläce ice pieces give the drink experience quality and consistency. Sequeira emphasized that “delivering consistency in a trusted, branded product is the one differentiator supporting the brand” and “this is essential to our messaging” (R. Sequeira, personal communication, April 4, 2015).

The Current Packaged Ice Industry
The packaged ice industry’s current production and transportation setup is similar to the historical model described by Sequeira. The setup involves packaged ice manufacturers producing and distributing packaged ice from a central production plant within around 100 miles of their customers. They engage in direct store delivery (DSD) by using refrigerated trucks. Some companies use third-party distributors to deliver packaged ice. Today, the process of freezing and packaging ice is almost totally automated. At retail locations with high traffic, automated in-store bagging (ISB) machines can be found on site to produce and package ice. Ice vending stations from which consumers can buy ice cubes in bulk are also available. Ice manufacturers sell products through supermarkets, convenience stores, mass merchandisers, hospitality establishments, vending machines, and special events. Material costs average about 20% of annual revenue for ice companies. The packaged ice industry has seasonal sales, and demand is highest
during the summer. The Packaged Ice Quality Control Standards (PIQCS) are self-imposed by the packaged ice industry, and the International Packaged Ice Association inspects its members’ plants to ensure compliance with these standards. According to the industry forecast, revenue for US water and ice manufacturing will grow at a 4% annual compounded rate between 2015 and 2019. The major industry drivers include energy prices, consumer spending, and government regulations. The most critical issue for the packaged ice industry revolves around transportation expenses (First Research, 2015).

Philosophy, Trademark, and Mission

With the company’s founding in 2007, the MBA class project was transformed into a “philosophy on life”; as a company press release stated: “From things as grand as where you live and what you drive, to the simple contents of your glass, life can be replete with refined and luxurious items” (Gläce Luxury Ice Co., 2011, July 5). The company’s trademark is: “On The Rocks, Just Got Better” (Gläce Luxury Ice Co., 2014, September 16). The mission of the company is as follows:

Gläce Luxury Ice is an exceptional ice brand driven by the need to match ultra-premium spirit brands and quality cocktail ingredients with a deserving ice brand. Part of Gläce Luxury Ice’s mission is its commitment to deliver innovative,
quality drink-ice products from a trusted brand source, eliminating the inconsistencies of tap-water ice commonly found at bars and home freezers (Gläce Luxury Ice Co., 2014, September 16).

Blue Ocean Strategy and Proprietary Manufacturing Technology
Sequeira created the luxury segment of the packaged ice industry. This exemplifies the blue ocean strategy which seeks to create a new market segment to capture new demand in an industry (Kim & Mauborgne, 2005). He uses a differentiation strategy to sell premium ice to upscale hotels, restaurants, events, private parties, and wealthy individuals. Traditional ice faces two problems. One problem involves the fast dilution of a premium drink with traditional crushed or cubed ice due to the drink’s exposure to the high volume of surface area. Another problem involves the making of traditional ice with municipal tap water, which carries more than 150 contaminants and varies in taste and quality from one location to another. Gläce uses a proprietary manufacturing process to produce ice with purified water, and the ice ends up with zero taste and consistent quality. The beautifully designed and crafted ice pieces provide the premium spirits with a captivating presentation. To prevent Gläce ice pieces from coming into contact with contaminants, they are put in pouches with a resealable top and a one-way air valve that is engaged to push encircling air between the ice pieces. The use of ice
tongs to handle the Gläce ice pieces preserves cleanliness at consumption; traditional ice in ice trays can easily come into contact with contaminants (Gläce Luxury Ice Co., n.d.: Products).

Products
Gläce products include Mariko spheres and the G-Cubed ice pieces. Compared to other shapes, the Mariko sphere has a higher volume-to-surface area ratio. It takes 15 to 30 minutes on average to dilute the Mariko sphere. A G-Cubed piece looks like an iceberg, and it takes 15 to 40 minutes to dilute. The purchase price of 10 Mariko pouches or 10 G-Cubed pouches, each consisting of five ice pieces, including the Federal Express delivery charges to an address in the US, amounts to $325. The purchase price for two pouches of Mariko spheres and two pouches of G-Cubed pieces with the inclusion of Federal Express shipping charges in the US amounts to $205 (Gläce Luxury Ice Co., n.d.: Purchase). To attract customers to the Luxury Ice Club, the company has developed Diamond, an unofficial third product, as a tester. Diamond is similar to G-Cubed pieces and Mariko spheres in terms of consistency and quality, and it has a 20-minute dilution rate. As an example of the big cubes that have started to flood the market, the introduction of Diamond creates the impression that the product is associated with luxury, which
differentiates the brand from others (R. Sequeira, personal communication, March 30, 2015).

Brand Equity and Marketing

To enhance the value of the business, Sequeira has been focusing on building brand equity (R. Sequeira, personal communication, March 6, 2015). Aaker (1991) defined brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers” (pp. 15-16). Brand equity is based on the following assets: “brand loyalty,” “name awareness,” “perceived quality,” “brand associations,” and “other proprietary brand assets” such as trademarks and patents (Aaker, 1991, p. 15). Sequeira has built the Gläce Luxury Ice brand to be associated with quality, consistency, innovation, and luxury. The brand also has a proprietary manufacturing process and patents. Aaker (2011) emphasized that a brand’s decline may be due to customers’ interest in a new category or subcategory. If so, the brand in question is no longer relevant, resulting in the brand’s decline, which has nothing to do with fading customer loyalty or the brand’s inability to deliver. The strategy is to develop new categories/subcategories with innovation to make existing competitors irrelevant. Aaker (2011) emphasized “the importance of defining, positioning, and actively
managing the perceptions of the new category or subcategory” (p. xv).
Furthermore, to lengthen the time that existing competitors are irrelevant, entry
barriers must be erected. Sequeira created the luxury drink-ice segment of the
consumable ice market in 2007 with his Gläce Luxury Ice brand, and there were no
competitors in this new segment of the market at that time. Competitors in the
general consumable ice market were irrelevant to Sequeira’s luxury ice brand,
which was created as a new category with innovation.

From the company’s website, one can see that it markets its products to upscale
hotels, restaurants, events, private parties, and wealthy individuals. Sequeira has
commented that the brand’s marketing is “aspirational, educational, and
complementary” (R. Sequeira, personal communication, March 6, 2015). To
explain these adjectives, Sequeira provided an advertisement on Instagram
(https://instagram.com/p/yHYeU4Ja5f/?taken-by=glaceluxuryice) which shows a
bottle of Jewel of Russia, one of the world’s most expensive vodka brands, a bottle
of Dolin Vermouth produced in Chambéry, France, a glass of martini served over
Gläce, and a package of Gläce ice pieces. Taglines are located to the right of the
advertisement. Sequeira pointed out that the taglines, such as “perfect drinks
require perfect ingredients” and regular ice “varies in taste and quality due to
localized production,” are “educational.” Gläce Luxury Ice’s associated branding
with Jewel of Russia, one of the world’s most expensive vodka brands, is “aspirational.” The advertisement also covers the “complementary” base, as explained by Sequeira in the following:

The use of Gläce not only perfects the martini, but enhances the experience, as any martini drinker will tell you, a warm martini is a bad martini. A martini served perfectly over Gläce maintains all the qualities of a perfect serve, the integrity of the spirit, the heavy mouth feel and the sustainability of temperature throughout the drink (R. Sequeira, personal communication, April 6, 2015).

Sequeira stated that social media is responsible for building up the Gläce Luxury Ice brand and that 99.9% of the media coverage has been pro bono. The social media coverage is a distinct advantage because advertising costs are high.

Excluding the production cost, a quarter-page placement cost of an advertisement in a glossy magazine can range from five to six figures. The production cost of an advertisement to be placed in a magazine can run to five figures. The advertising costs escalate with the use of other media outlets (R. Sequeira, personal communication, March 30, 2015). Sequeira has mentioned that advertisements can be traditionally paid or come from editorial content, and most of Gläce Luxury
Ice’s advertisements come from editorial content. The features of Gläce Luxury Ice Company can be found in *Chill* and *Bar Business*, spirits industry magazines, and *Robb Report* and *Vogue*, lifestyle publications. Therefore, Sequeira’s interpretation of advertising revolves around a “presence in certain magazines” (R. Sequeira, personal communication, April 9, 2015).

Videos on Gläce Luxury Ice’s Facebook page show various spirits served over Gläce. The videos also educate consumers about the shortcomings of regular ice made with tap water and the importance of using the ultra-premium Gläce ice pieces in ultra-premium spirits to achieve a perfect serve. The aspirational aspect is shown by associating Gläce Luxury Ice with ultra-premium spirits. The complementary aspect is portrayed with various premium drinks served over Gläce. The photos on Gläce Luxury Ice’s Facebook page show many beautiful women, each holding a bag of Gläce ice pieces or a drink served over Gläce. Photos of males are also associated with the Gläce product. Various photos show the pairing of Gläce with different ultra-premium spirits. From the photo collection, one can see that Gläce Luxury Ice has participated in festivities and events such as San Francisco’s Whisky Festival in 2009, Cocktail Week in San Francisco in 2009, Art Whino: Miami in 2009, Harrah’s MBA Poker Tournament at Caesars Palace in Las Vegas in 2010, Sysco New York Metro Food Show in

Gläce Luxury Ice Company launched the Frederic Tudor Luxury Ice Quarterly Club in October 2014 for discerning drinkers of alcoholic beverages. In the late 1800s, only the wealthy could afford the luxury of drink-ice. Gläce’s elite ice club was described by the company’s senior client coordinator, Shaelee Wood, as “the first ice service of its kind since the late 1800s” (Rowland, 2015, para. 2). Each quarter, ice club members receive one case of 50 Gläce ice pieces in one of three shapes (G-Cubed, Mariko sphere, or Diamond) together with branded gifts and special invitations to a limited number of top-notch special events (Rowland, 2015). The annual club membership fee with four ice shipments, each consisting of 50 ice pieces, is $1,100 ($275 quarterly). With pre-payment, there is a 10% discount and the annual fee drops to $995 (Gläce Luxury Ice Co., n.d.: Luxury Ice Club).

Distribution and Pricing
Sequeira has commented that direct sales contribute more to a producer’s bottom line than sales through a distributor. Most distributors list thousands of products in their catalogs. Very often, these distributors ask the producers to drop-ship the
goods, meaning ship the goods to the customers directly. Therefore, the distributors do not have to carry inventories for the producers. With this drop-ship model, the distributor takes a cut of the producer’s profit, as shown in the following illustration provided by Sequeira:

Direct Sale: Price 50 + Shipping 50 = Retail Price 100
Distributor Sale: Price to Distributor 30 + Distributor Markup 20 + Shipping 45 (assuming the “distributor” shipping rate is better due to their higher volume relationship with the shipper) = Retail Price 95 (R. Sequeira, personal communication, March 30, 2015).

The example shows that a producer makes a better profit with a direct sale than with a distributor sale. Sequeira explained the relationship between shipping rate and Gläce’s pricing strategy as follows:

If Gläce Luxury Ice were able to get the “distributor” shipping rate or better, we could maintain margins while offering a more attractive ultimate retail price. I realize it may not sound like much, but when dealing with a perceived “commodity,” you would be surprised at the importance of not paying more for the shipping than for the item received. That was a main driver in our pricing strategy.
People were not ok paying more for shipping, so we just kept raising the price until it was about even or a little more expensive to get Gläce (R. Sequeira, personal communication, March 30, 2015).

In 2011, Gläce Luxury Ice signed a distribution agreement with Sysco. This means that Gläce Luxury Ice products can be found in any hospitality establishment that has an order account with Sysco, a global leader in food and beverage distribution (Gläce Luxury Ice Co., 2011, July 5).
Competitors and Market Share

With respect to competitors, Sequeira mentioned that there were none when Gläce Luxury Ice first started. In other words, the company developed the world’s leading luxury drink-ice brand as a pioneer. Since the company’s founding, Sequeira has commented on market share and competitors as follows:

I have no idea what the Glace Luxury Ice market share is of the total ‘luxury ice’ market, since the market is still being defined, and mainly because I consider Gläce Luxury Ice the only luxury ice brand. There are others, ‘self-designated’ copycats, but upon closer inspection, they fail at their attempt. Undoubtedly, there will be many more entrants, that is expected and encouraging, especially because it means that my original idea was not totally crazy! I believe there is plenty of room for everyone. . . (R. Sequeira, personal communication, March 6, 2015).

When Sequeira first started his business, he estimated the consumable ice market to be approximately $4 billion. With the realization that bars and hotels made their own ice, he estimated that their ice consumption based on liquor sales would be huge. Thus, he targeted specific hospitality segments. With this expanding focus, international sales have increased annually in the past. Gläce now sells to countries with delivery services such as FedEx, DHL, and UPS, including countries in
Europe (Italy, France, and Greece), South America (Brazil), Asia (South Korea and India), and Mexico (R. Sequeira, personal communication, March 6, 2015).

Financing, Organization, and Management

Sequeira is the sole owner of his bootstrapped venture; he engages in self-financing with his own savings, cost controls, unpaid hard work, and so on. He does not engage in equity financing by having outside investors, and he does not engage in debt financing by having loans from banks. He has full control over the venture. The idea was devised in 2007, and transactions began in late 2008. Since then, the year-to-year growth has been 100% to 125%. In the first three years, the company suffered losses and cost control was imperative. However, with respect to company finances, Sequeira has said:

Technically, we are profitable on every sale, and our overhead is low, so the cash outflow is mostly our commitment to marketing. I keep a tight rein on that so the more we make, the more we spend and vice versa (R. Sequeira, personal communication, March 6, 2015).

Sequeira is the only full-time worker in his venture because he outsources functions such as manufacturing, marketing, and human resources. He also uses
contractual and temporary workers. Sequeira has described his management style as that of a “benevolent dictator” (R. Sequeira, personal communication, March 6, 2015). An executive or entrepreneur is described as a benevolent dictator when he or she performs for the good of the organization by placing all stakeholders, of which the customers are the most important, above himself or herself. Although a benevolent dictator solicits input from employees and provides opportunity for debate and analysis of the information, he or she makes the call for stopping further discussion so as to make timely decisions to outpace competitors. In other words, an executive or entrepreneur who is a benevolent dictator avoids analysis paralysis which leads to inaction. Instead of overspending time and resources to strive for consensus which leads to inaction, a benevolent dictator stops continuous discussion and takes decisive action (Feuer, 2011).

Social Responsibility Endeavors
Since its founding in 2007, Gläce Luxury Ice Co. has allocated a portion of its earnings to entities and endeavors supporting the worldwide improvement of water quality. The company attempts to improve the quality of life in countries such as Honduras and Nicaragua with financial contributions (Gläce Luxury Ice Co., n.d.: Responsible Luxury).
In July 2010, Gläce Luxury Ice Company participated in the first annual Louisiana Coastal Rehab benefit as one of the supporters of the Gulf Coast oil spill relief efforts. All proceeds from the benefit were donated to the Greater New Orleans Foundation’s Gulf Coast Oil Spill Fund. The proceeds assisted the relief efforts and the Louisiana community (Gläce Luxury Ice Co., 2010, July 22).

Expansion Strategy
To sustain its leadership position in the luxury ice segment of the packaged ice industry, it is imperative for Sequeira to grow the company’s customer base and geographic markets. There are cost savings with economies of scale as well.

In terms of an expansion strategy, Sequeira has stated the following:

The expansion strategy is extremely conservative, taking cues from exotic car manufacturers (Lamborghini) and food operators (In-N-Out). Make a few, make it good, make it consistent. We are considering a couple of international licensing offers and distribution requests, so we’ll see how those turn out. It is important that the brand strategy translates and each new market is essentially a new entrepreneurial adventure and growth curve (R. Sequeira, personal communication, March 6, 2015).
Major Challenge

Sequeira mentioned that the major challenge facing his venture involves finding ways to lower distribution costs. He must identify both an appropriate distributor to link his products to retail outlets/customers and the best method to transport his goods to end users from his manufacturing facility. To Sequeira, the “dream deal” would be to sell on Amazon Marketplace with, possibly, free overnight shipping to Amazon’s preferred customers (R. Sequeira, personal communication, March 30, 2015). Sequeira would like to make drop-ship deals with Amazon which involve the following: Gläce Luxury Ice Company agrees on a price to the distributor (Amazon), which adds to the distributor price the distributor markup and shipping cost to derive the retail price of a Gläce product to be listed on Amazon Marketplace. Amazon pays for the shipping costs. Gläce Luxury Ice Company ships the product from its manufacturing site to the customer at a lower shipping rate by using Amazon’s shipping account number to bill the shipping as opposed to using its own account number. Due to its shipping volume, Amazon is given a discount rate for shipping. If Gläce Luxury Ice Company uses Amazon’s account number, the shipping cost may be $50, but by using its own account number, the shipping cost may be $200. With a lower shipping cost, the ultimate retail price of the Gläce product looks more attractive (R. Sequeira, personal communication, April 6, 2015).
Exit Strategy

Every entrepreneurial venture should plan for its exit from the industry. Various reasons contribute to an entrepreneur wanting to get out of an investment, including health issues, retirement, an unexpected lucrative offer from a potential acquirer, and competitors coming out with better products at a lower cost with a better technology. Exit options include an initial public offering (IPO), strategic acquisition by another company, direct sale, and liquidation, among others.

In the early stage of Gläce Luxury Ice Company, a multinational firm approached Sequeira for acquisition discussions. Sequeira asked for $10 million, which was much higher than the venture’s worth at that time, and the multinational firm did not acquire Gläce Luxury Ice (R. Sequeira, personal communication, March 6, 2015).

With respect to an exit strategy, Sequeira has stated the following:

Acquisition or IPO would be equally satisfying. My reasoning for 'choosing' acquisition is that it seems to be where things are going. Many companies are becoming portfolio holders, and I thought Gläce Luxury Ice would be an ideal
addition to an existing traditional packaged-ice company looking to increase margins or a luxury brand portfolio holder. I think IPOs are expensive and somewhat risky, but… one should never say 'never' (R. Sequeira, personal communication, March 30, 2015).

CONCLUSION
The entrepreneurship literature indicates that idea generation involves creativity which is linked to innovation (Amabile, 1988; Baron & Tang, 2011; Zhou, 2008). In a meta-analytic review of the literature with respect to differences in risk propensity between entrepreneurs and managers, Stewart and Roth (2001) indicate that entrepreneurs had a higher level of risk propensity. Furthermore, the risk propensity of entrepreneurs who focused on the growth of the venture was higher than those who focused on the generation of income for the family. Gläce Luxury Ice’s Sequeira has exhibited creativity, imagination, and risk-taking propensity in starting and developing his venture. He has pioneered the luxury ice segment of the consumable ice market with his innovative manufacturing process to produce high-quality premium ice, and he has not yet found his match in this segment of the market.
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http://www.glaceice.net/responsible-luxury.html
Entrepreneurial orientation in a conflict environment: an analysis of high and low entrepreneurial SMEs

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Abstract
This paper investigates impact of the conflict environment on the five dimensions of entrepreneurial orientation. Using a mixed methodology, this paper reports the findings from a survey of 110 SMEs followed by 16 semi-structured interviews.
from the troubled area of North West of Pakistan. We classify our sample firms into: (a) High entrepreneurial firms (HEFs) and; (b) Low entrepreneurial firms (LEFs) on the basis of their growth and entrepreneurial performance prior to the conflict. We find that during the pre-conflict period, HEFs are likely to be more innovative, proactive, risk takers, and show greater competitive aggressiveness than LEFs, but interestingly, LEFs believe in greater employees’ autonomy and team work as compared to HEFs. Furthermore, the conflict environment negatively affected innovativeness, opportunity recognition, risk-taking capability and competitive aggressiveness. However entrepreneurs further empowered their employees by increasing their autonomy during the conflict; suggesting managements’ greater trust and confidence in employees to cope with the situation.

To our knowledge this study is the first one that investigates the impact of conflict environment on EO dimensions. Unlike most of previous literature, we consider competitive aggressiveness and employees’ autonomy as important EO dimensions.

Introduction
Environmental uncertainty can have significant implications on the viability and performance of a firm such that it is important for managers to properly understand and effectively manage these events, as well as for scholars to investigate what factors might explain the business performance difference between those firms
rising and falling in complex environmental conditions (Grewal and Tansuhaj 2001). Entrepreneurial activities in a conflict region are largely unexplored. Due to the lack of empirical data, these behaviours within a conflict environment are an under-researched area (Bruck et al., 2011; Robert, 2010). The interest in studying such environments is a growing trend but there are difficulties in collecting meaningful data.

Since the event of 9/11 in the US, many countries have experienced changes how entrepreneurs conduct their business activities. Many countries have suffered but Pakistan and Afghanistan have been severely affected, where the war against terror has damaged its, communication infrastructure, economic, political and entrepreneurial activities (Burki, 2008; Naude, 2007). The situation provides a fertile ground for insurgents to exploit the economically deprived communities to their advantages (Philips, 2011). The human loss in Pakistan alone surmounts to approximately 35,000 people (Dhume, 2011). The Economic Survey of Pakistan 2013-14 reveals that during the last 13 years, the direct and indirect cost incurred by Pakistan due to the instability and violence amounted to $102.51 billion.

Asif (2009) suggests that the root causes of the conflict in Pakistan are manifold e.g. poverty, unemployment, lawlessness and difficult terrain in the tribal areas. Although the main stronghold of insurgents is the Khyber Pakthunkawa and
Baluchistan provinces bordering Afghanistan, but in fact this evil has dissipated throughout the whole of Pakistan. Due to this instability and uncertainty entrepreneurial activities in the whole of Khyber Pakhtunkhwa (KPK) have declined drastically. Prior to the conflict, some of KPK regions such as Peshawar, Swat, Gadoon Amazai, Nowshehra and Risalpur were economically better and had some good industrial clusters. Swat is one of the regions where there were many manufacturing business units. The geographical location, the special tax incentives granted to the business sector, peaceful and relatively educated population, pleasant climate and abundant natural beauty made the region an attractive location for investment. It attracted capital both from within and outside the country. However, due to the existing ongoing conflict environment, it has deterred the entrepreneurial intentions of entrepreneurs. To find the impact of the conflict environment on entrepreneurial businesses, this paper explores the entrepreneurial performance of SMEs (manufacturing firms) prior to the conflict and during the conflict period by using entrepreneurial scale EO to analyse the relationship between the conflict environment and EO dimensions.

**Literature Review**

*Conflict Environment and Firm Growth*

Previous research related to environmental uncertainty has looked at the environment from different perspectives such as the effect of industry, location,
The existing emerging environment which severely affects firms’ growth behaviour and entrepreneurial intentions is the conflict environment. Nevertheless, research related to conflict environments and entrepreneurial activity has only recently become a focus for academic scholars (Ciarli et al., 2010; Bruck et al., 2011). Some studies have revealed the direct and indirect impact of a conflict environment on small businesses, particularly in Afghanistan (Binzel and Tilman, 2007; Justino, 2009; Naude, 2007).
Previous studies related to the conflict environment mainly discuss the impact of conflict environment on businesses in broader terms. For example, some studies examine how conflict environment affect core infrastructure elements (i.e. roads, bridges communications, monetary, and banking system) and ultimately the linkages between institutions and businesses (see Robert, 2010; Casson et al., 2008; Kuratko, 2008). Yet, some other studies (e.g. Abdukadirov, 2010) have looked at the impact of criminal entrepreneurs who indulge in criminal activities. It means how terrorists are motivated to act entrepreneurially to achieve objectives (Abdukadirov, 2010). Gaibulloev and Sandler (2008) and Bruck et al. (2011) investigate how a conflict environment affects entrepreneurial activities negatively. Solymossy (2005) and Boudreaux (2007) examine the impact of conflict environment in Kosovo and Rwanda respectively. They show how conflict creates immense difficulties for businesses and government authorities. It is evident that the impact of a conflict on these countries can be associated with many kinds of categories such as a conflict with the government or other ethnic or religious groups. Therefore, the nature and types of conflict vary with time and space.

In this paper, the word “conflict” refers to the instability and turmoil started in the aftermath of the 9/11 attacks on the US World Trade Centre. The most affected countries are Pakistan and Afghanistan and these two countries are continuously
under threat due to extreme conflict activities (Chen et al., 2007). Focusing on these issues, this paper looks at the impact of the conflict environment on Pakistan as to how the conflict created difficulties for small manufacturing firms where these firms have historically played a vital role in providing employment opportunities for the deprived people and economic growth to the country.

Storey (1994) suggests that firms differ from each other in respect of their characteristics, attributes of their entrepreneurs, and growth strategies. These differences lead them to behave and perform differently. Considering the phenomena of growth, a complex question for management is why some firms grow and some do not grow? There is no easy answer to this question but a common consensus is that firms grow when the environment is safe (Dollinger, 2003). Researchers use a number of different proxies to measure firm growth. However, changes in sales and in the number employees (Barringer et al., 2005; Becchetti and Trovato, 2002; Carpenter and Peterson, 2002; Chaganti et al., 2002) are the most commonly used factors to measure firm’s growth. In addition to sales and employees, Smallbone, (1993) and Storey et al., (1987) use multiple branches as the core indicator of growth.

In light of these studies, this paper uses sales, employees’ growth, multiple branches as growth factors and attempts to explore what sorts of growth factors
were active prior to the conflict environment. The growth pattern can also be considered by using growth models, but such models have previously failed to analyse the exact nature of firms in particular stages (Hamilton and Dobbs, 2007; Leive and Lichtenstein, 2010). Therefore, change in the number of employees, sales, exports and multiple branches etc. are considered to categorize firms in either successful or unsuccessful. This categorisation helps to understand growth performance and how growth is defined by entrepreneurs in a conflict environment.

**Entrepreneurial Orientation**

Entrepreneurial orientation (EO) refers to “the processes, practices, and decision-making activities that lead to new entry” (Lumpkin and Dess, 1996:136). That is a new entry for an existing firm into markets or niches, and/or, the creation of a new organisation. The scale, to assess firm entrepreneurial orientation, was first introduced by Khandwalla (1977, cited by Knight 1997) which was subsequently refined by Miller and Friesen (1978) and by Covin and Slevin (1989). Entrepreneurial orientation concentrates on three common features i.e. risk-taking, innovativeness, and opportunity recognition (Hughes and Morgan, 2007). Using these three dimensions and a large sampling of SMEs, Kreiser et al. (2002) and Hansen et al. (2011), found that the three dimensions have a strong influence on the entrepreneurial performance of firms. However, Lumpkin and Dess (1996)
drew on extensive research to characterise EO as being the product of five dimensions: risk-taking, innovativeness, opportunity recognition, competitive aggressiveness, and autonomy.

Later on two dimensions added by Lumpkin and Dess (1996) are key elements for measuring a firm’s performance. The dimension of competitive aggressiveness refers to “a firm’s propensity to directly and intensively challenge its competitors to achieve entry or improve position i.e. to outperform industry rivals in the market place” (Lumpkin and Dess, 1996:148). The other dimension is related to autonomy, which provides independent decision power to the entrepreneur in terms of decision implementation (Lumpkin and Dess, 1996). In this paper we use all five dimensions of entrepreneurial orientation to evaluate the behaviour of entrepreneurs grow and survive in extreme uncertainty. However, some modification has been made in this. Thus, the aim of using entrepreneurial orientation scale is to find out the linkages between growth factors and entrepreneurial orientation dimensions. However, the dimension of autonomy in this paper has been modified to denote employees’ independent decision making and implementation without consulting the entrepreneur (owner manager) of the firms.
The term employees’ autonomy conveys the freedom of employees to be self-directed, to exercise creativity, pursue opportunities, and look for novel ideas which are essential for effective entrepreneurial activity to occur (Lumpkin and Dess, 1996). This requires policies of empowerment, open communication, unrestricted access to information, and authority to think and act without interference (Engel, 1970; Spreitzer, 1995). Alternatively, the lack of employees’ autonomy would likely result in passivity when change is needed to initiate an effective response to opportunities, and threats to performance. The presence of autonomy, in contrast, should encourage a greater flexibility in the firm to facilitate active and reactive responses to change (Hughes and Morgan, 2007). The employee’s autonomy is therefore an essential driver of flexibility, which is an important attribute if a firm is to be able to response promptly to environmental changes and market signals by quickly reconfiguring its actions and activities (e.g. Grewal and Tansuhaj, 2001).

In line with results from earlier research on EO overall, it is expected that all five dimensions are positively related to the growth of SMEs. Thus, we hypothesize the following:
Hypothesis 1A: There is a direct positive relationship between the EO dimension of innovativeness and SMEs’ growth.

Hypothesis 1B: There is a direct positive relationship between the EO dimension of opportunity recognition and SMEs’ growth.

Hypothesis 1C: There is a direct positive relationship between the EO dimension of risk-taking and SMEs’ growth.

Hypothesis 1D: There is a direct positive relationship between the EO dimension of competitive aggressiveness and SMEs’ growth.

Hypothesis 1E: There is a direct positive relationship between the EO dimension of employees’ autonomy and SMEs’ growth.

The Relationship between a Conflict Environment and Entrepreneurial Orientation

Considering the impact of a conflict, this paper further scrutinizes how the direct and indirect impact of a conflict environment deterred entrepreneurs and what dimensions of entrepreneurial orientation have been affected during the conflict and what dimensions were active prior to the conflict. It means this paper also throws some light on whether there is a possibility of some gain factors due to uncertainty which some researchers have found in their studies (see Baumol, 1990; Naude, 2009; Aguilar, 2004; Naude and Rossouw, 2010; Bruck et al., 2011). In reality a safe environment is one of the core requirements for firms to grow.
(Dollinger, 2003). These studies enhanced our knowledge that entrepreneurial opportunities can emerge from a hostile environment. Some other scholars added that environmental instability or barriers can actually motivate entrepreneurs to grow their businesses (Doern, 2008). Therefore, we attempt to analyse innovation, opportunity recognition, risk-taking, competitive aggressiveness and autonomy as the key dimensions of EO scale and to what extent these are affected due to the conflict environment. In light of past research related to EO dimensions and environmental uncertainty, we hypothesize the following:

Hypothesis 2A: The innovativeness of SMEs is moderated by conflict environment for both HEFs and LEFs.
Hypothesis 2B: The opportunity recognition of SMEs is moderated by conflict environment for both HEFs and LEFs.
Hypothesis 2C: The risk taking capability of SMEs is moderated by conflict environment for both HEFs and LEFs.
Hypothesis 2D: The competitive aggressiveness of SMEs is moderated by conflict environment for both HEFs and LEFs.
Hypothesis 2E: The employees’ autonomy of SMEs is moderated by conflict environment for both HEFs and LEFs.
**Research Sample and Methodology**

In this study small manufacturing firms are selected from the Swat valley of KPK-Pakistan. A local trade association was contacted to obtain information about these firms. The association maintains a list of members. On the list, 450 firms were registered, but only 125 manufacturing firms were approached by the researcher. To these 125 firms, another 35 firms were added through ‘snowball’ sampling. This method of sampling is used when a researcher initially knows little about firms’ existing population they wish to study or they want to increase the response rate (Kumar, 2005). Eight manufacturing sectors were included in the study such as: pharmaceuticals, furniture, plastics, cosmetics, silks, soft drinks, food products, and paper manufacturing. Therefore, a total of 160 firms were selected for this study. Furthermore, entrepreneurs who manages the day-to-day operations of their firms and determine its strategic directions and who are familiar with all the aspects of the manufacturing industry were selected units or people of analysis. To study these industrial sectors, a mixed method approach was utilized to address the research hypothesis. At the initial stage, we use the most often used “survey method” for data collection (see Maylor and Blackmon, 2005; Sander et al., 2007; Sekaran, 2003).

A questionnaire was designed to get quantitative data. The questionnaire was ideal for this research project as it was difficult for the researcher to interact directly
with respondents due to security reasons. The questionnaire worked as a bridge between the researcher and respondents and it acted as leverage for further qualitative interviews where 16 survey respondents showed a keen interest to participate in the in-depth semi-structured interviews which formed an important component of this study.

The questionnaire designed has three sections. The first section attempts to know the High Entrepreneurial Firm (HEFs) or Low Entrepreneurial Firms (LEFs) status. Entrepreneurs were asked about the status of their firms prior to the conflict. In this section, entrepreneurs were asked which factors of growth were active and inactive in their firms prior to the conflict environment. The purpose of this section was to categorize firms into groups. The respondents were given a choice to declare their firms as successful (HEFs) or unsuccessful (LEFs). Furthermore, entrepreneurs were asked if they mark their firms as HEFs or LEFs, then what sorts of growth factors they had achieved (couldn’t achieve) prior to the conflict, where they were allowed to choose from among various variables (e.g. sales, or employees). These analyses help us know the factors considered by the entrepreneurs as important measure of business success.
The second section relates all five dimensions of the entrepreneurial orientation scale i.e. innovativeness, opportunity recognition, risk-taking, competitive aggressiveness, and autonomy on a five-point Likert scale ranging from “strongly disagree” to “strongly agree”. However, due to the nature of that particular region, some modifications were made, and respondents were given instructions that they should rate firms in terms of entrepreneurial orientation before the conflict environment. For ease of communication, the questionnaire was also provided in Urdu language using the back translation process (Bradly, 1994; Ghauri and Granhaug, 2005).

In the third section, other variables were developed by asking entrepreneurs to what degree their entrepreneurial orientation had been lost due to the ongoing conflict in the province. These were rated on a five-point Likert scale from “strongly disagree” to “strongly agree”. A total of 118 questionnaires were returned by entrepreneurs. However, 8 questionnaires had to be discarded as they were incomplete. So, a total of 110 (69%) questionnaires were included in the analysis. SPSS version 17 was used to analyse the quantitative data.

Finally, due to some interesting findings that emerged from the descriptive and in-depth quantitative analysis of the survey dataset, the researcher was keen to
explore these findings further. Therefore, 16 in-depth semi-structured interviews were carried out entrepreneurs where 6 entrepreneurs regarded their firms as growing whilst 10 categorised their businesses as struggling. The duration of these interviews with entrepreneurs ranged from 1 to 2 hours and was recorded digitally.

**Results**

**Firms categorisation into High Entrepreneurial Firms (HEFs) and Low Entrepreneurial Firms (LEFs)**

As mentioned above, in this research, there emerged two categories of firms. In the surveyed sample, there are 30 HEFs and 80 LEFs. Table 1 below shows that 11 (10.0%) HEFs reports that they have not only achieved their sales targets but there has also been an increase in the number of employees and bringing new products to the market prior to the conflict environment. On the other hand, 31 (28.2%) LEFs reported that they were keen to achieve their sales targets but reports difficulties in achieving them. Two firms marked their firms as HEFs but could not clearly point out what dimensions of growth they could achieve prior to the conflict environment. Also, four firms marked their firms as LEFs and could not answer what growth factors they wanted to achieve prior to the conflict. Thus, a total of six firms including both HEFs and LEFs did not answer this question. However, we were interested to keep their questionnaires in the data analysis, because there might be the possibility that they could participate in the in-depth interviews.
Table 1: Growth indicators for entrepreneurs

<table>
<thead>
<tr>
<th>Growth Areas</th>
<th>HEFs</th>
<th></th>
<th>LEFs</th>
<th></th>
<th>Overall count</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
</tr>
<tr>
<td>Sales</td>
<td>11</td>
<td>10.0</td>
<td>31</td>
<td>28.2</td>
<td>42</td>
<td>38.2</td>
</tr>
<tr>
<td>Employees</td>
<td>4</td>
<td>3.6</td>
<td>2</td>
<td>1.8</td>
<td>6</td>
<td>5.5</td>
</tr>
<tr>
<td>More branches</td>
<td>4</td>
<td>3.6</td>
<td>5</td>
<td>4.5</td>
<td>9</td>
<td>8.2</td>
</tr>
<tr>
<td>Product innovations</td>
<td>6</td>
<td>5.5</td>
<td>16</td>
<td>14.4</td>
<td>22</td>
<td>20.0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0.0</td>
<td>8</td>
<td>7.3</td>
<td>8</td>
<td>7.3</td>
</tr>
<tr>
<td>Market access</td>
<td>3</td>
<td>2.7</td>
<td>14</td>
<td>12.7</td>
<td>17</td>
<td>15.5</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1.8</td>
<td>4</td>
<td>3.6</td>
<td>6</td>
<td>5.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>27.3</strong></td>
<td><strong>80</strong></td>
<td><strong>72.7</strong></td>
<td><strong>110</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 1 suggests that prior to the conflict environment; LEFs were not satisfied with their sales targets and were very keen to increase sales. On the other hand, HEFs were well satisfied with their sales targets. However, overall, both sets of firms are proactive to increase their sales.
Entrepreneurial Orientation (EO)

In this part of the study, the entrepreneurial orientation scale was analysed using the Mann Whitney U test. Before analysing the scale, following Naman and Slevin (1993) we employ Cronbach’s alpha to determine the reliability of the items related to EO.

Table 2: Reliability analysis results for entrepreneurial orientation scale

<table>
<thead>
<tr>
<th>Variables</th>
<th>Category</th>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha Based on Standardized items</th>
<th>N of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale items</td>
<td>Entrepreneurial</td>
<td>.832</td>
<td>.827</td>
<td>15</td>
</tr>
<tr>
<td>Scale</td>
<td>Scale</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows that the scale is reliable, thus the author can be confident with the responses, which can be further analysed using statistical tests to indicate the significant differences between HEFs and LEFs in terms of EO. Table 3 shows that HEFs are significantly better than LEFs in terms of four dimension i.e. innovation, opportunity recognition, risk-taking and competitive aggressiveness. It means that HEFs are more entrepreneurial than LEFs. However, for the factor of autonomy, the difference between LEFs and HEFs is insignificant. In some cases, the mean
ranks of LEFs are higher compared to HEFs. These findings suggest that employees’ autonomy does not have any major impact on firms’ growth. In other words, table 3 reveals that achieved growth factors have a positive correlation with innovation; opportunity recognition; risk-taking; and competitive aggressiveness, but there was a negative but insignificant correlation between growth factors and autonomy dimension of EO.

Table 3: Entrepreneurial Orientation Differences between HEFs and LEFs

<table>
<thead>
<tr>
<th>Variables</th>
<th>Total Cases</th>
<th>Mann Whitney Value</th>
<th>Asymp sig (2-tailed)</th>
<th>Mean Rank HEFs</th>
<th>Mean Rank LEFs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Innovation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Prior to the conflict, our firm strongly emphasized research &amp; development, technological leadership and innovation</td>
<td>107</td>
<td>360.500</td>
<td>.000</td>
<td>83.48</td>
<td>45.01</td>
</tr>
<tr>
<td>b. Prior to the conflict, many new lines of products/services have been marketed since establishment</td>
<td>101</td>
<td>273.000</td>
<td>.000</td>
<td>86.40</td>
<td>43.91</td>
</tr>
<tr>
<td>c. Prior to the conflict, changes to products or services were usually quite dramatic</td>
<td>103</td>
<td>494.000</td>
<td>.000</td>
<td>79.0</td>
<td>46.68</td>
</tr>
<tr>
<td><strong>Opportunity recognition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Prior to the conflict in the region, our firm was first to explore opportunities before our competitors react</td>
<td>101</td>
<td>792.000</td>
<td>.004</td>
<td>69.10</td>
<td>45.01</td>
</tr>
<tr>
<td>b. Prior to the conflict, my firm was the first business to introduce new products/services, administrative techniques, operating technologies etc</td>
<td>98</td>
<td>686.000</td>
<td>.000</td>
<td>72.63</td>
<td>49.08</td>
</tr>
<tr>
<td>c. Prior to the conflict, my firm had a strong tendency to be ahead of others in introducing novel products</td>
<td>106</td>
<td>525.500</td>
<td>.000</td>
<td>77.98</td>
<td>47.07</td>
</tr>
</tbody>
</table>
Risk-taking

a. Prior to the conflict, my firm had a strong proclivity for high risk projects with chances of very high returns
   
   89  910.000  .037  65.17  51.88

b. Prior to the conflict environment, bold, wide-ranging acts were necessary to achieve the firm’s objectives
   
   103  702.000  .000  72.10  49.28

c. Prior to the conflict when confronted with decisions involving uncertainty, my firm typically adopted a bold posture in order to maximize the probability of exploring opportunities

   101  658.500  .000  73.55  48.73

Competitive Aggressiveness

a. Prior to the conflict, my firm was intensively competitive

   101  557.000  .000  76.93  47.46

b. In dealing with competitors prior to the conflict, our firm typically adopted a very competitive posture, aiming at overtaking the competitors

   99  436.000  .000  80.97  45.95

Autonomy

a. Prior to the conflict, employees in my firm were permitted to act and think without interference

   91  1126.500  .593  53.05  56.42

b. Prior to the conflict, employees were given freedom and independence to decide on their own how to go about doing their work

   86  1108.000  .501  52.43  56.65

c. Prior to the conflict, employees were given freedom to communicate without interference

   104  1153.500  .744  53.95  56.08

d. Prior to the conflict, employees were given authority, and the responsibility to act alone if they thought it to be in

   100  931.000  .052  64.47  52.14
the best interest of the firm

p < 0.05 highly significant
Impact of a Conflict Environment on EO
The second section of our questionnaire is suppose to measure the impact of conflict environment on each of the five dimensions of the entrepreneurial orientation by using the five-point Likert scale ranging from “strongly disagree” to “strongly agree”.

<table>
<thead>
<tr>
<th>Impact</th>
<th>Variables</th>
<th>HEFs</th>
<th>LEFs</th>
<th>Overall count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>Innovation</td>
<td>Due to the conflict environment, the innovative aspects of our firm have been severely affected</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0.0</td>
<td>2</td>
<td>1.8</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>0.9</td>
<td>6</td>
<td>5.5</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>2</td>
<td>1.8</td>
<td>22</td>
<td>20.0</td>
</tr>
<tr>
<td>Agree</td>
<td>25</td>
<td>22.7</td>
<td>64</td>
<td>35.5</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>2</td>
<td>1.8</td>
<td>13</td>
<td>10.0</td>
</tr>
<tr>
<td>No response</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total count</td>
<td>30</td>
<td>27.3</td>
<td>80</td>
<td>72.7</td>
</tr>
<tr>
<td>Opportunity recognition</td>
<td>Due to the conflict environment, our opportunity recognition process has been severely affected</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>11</td>
<td>10.0</td>
<td>27</td>
<td>24.5</td>
</tr>
<tr>
<td>Agree</td>
<td>16</td>
<td>14.5</td>
<td>40</td>
<td>36.4</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>1</td>
<td>0.9</td>
<td>9</td>
<td>8.2</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1.8</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Total count</td>
<td>30</td>
<td>27.3</td>
<td>80</td>
<td>72.7</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>In the present circumstances, it is very difficult to take risky actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>0.9</td>
<td>3</td>
<td>2.7</td>
</tr>
<tr>
<td>Neither agree nor disagree</td>
<td>7</td>
<td>6.4</td>
<td>11</td>
<td>10.0</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
<td>13.6</td>
<td>48</td>
<td>43.6</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>7</td>
<td>6.4</td>
<td>18</td>
<td>16.4</td>
</tr>
<tr>
<td>Total count</td>
<td>30</td>
<td>27.3</td>
<td>80</td>
<td>72.7</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>Due to the conflict environment, it is difficult to take active steps to beat our competitors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0.0</td>
<td>8</td>
<td>7.3</td>
</tr>
</tbody>
</table>
Table 4 shows that the conflict has created severe difficulties for the businesses in the region. The entrepreneurs accept that the conflict environment has negatively affected innovation; opportunity recognition; risk-taking; competitive aggressiveness for both HEFs and LEFs. However, respondents do not agree with the statement that the conflict has negatively affected the autonomy dimension of EO. Table 4 shows that a total of 53 (48.20%) respondents disagree with the statement that conflict environment have negatively affected employees’ autonomy.

<table>
<thead>
<tr>
<th>Employees’ autonomy</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
<th>No response</th>
<th>Total count</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18</td>
<td>16.4</td>
<td>31</td>
<td>28.2</td>
<td>49</td>
</tr>
<tr>
<td>Due to the conflict environment, the employee autonomy aspect of our firm has been affected and employees are no longer permitted to act independently</td>
<td>10</td>
<td>9.1</td>
<td>32</td>
<td>29.1</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>0.0</td>
<td>4</td>
<td>3.6</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>1.8</td>
<td>5</td>
<td>4.5</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>27.3</td>
<td>80</td>
<td>72.7</td>
<td>110</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2</td>
<td>1.8</td>
<td>4</td>
<td>3.6</td>
<td>6</td>
</tr>
<tr>
<td>Disagree</td>
<td>15</td>
<td>13.6</td>
<td>32</td>
<td>29.1</td>
<td>47</td>
</tr>
<tr>
<td>Nether agree nor disagree</td>
<td>9</td>
<td>8.2</td>
<td>27</td>
<td>24.5</td>
<td>36</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>1.8</td>
<td>11</td>
<td>10.0</td>
<td>13</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0.0</td>
<td>2</td>
<td>1.8</td>
<td>2</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>1.8</td>
<td>4</td>
<td>3.6</td>
<td>6</td>
</tr>
<tr>
<td>Total count</td>
<td>30</td>
<td>27.3</td>
<td>80</td>
<td>72.7</td>
<td>110</td>
</tr>
</tbody>
</table>
Based on these quantitative findings, it is clear that HEFs react more entrepreneurial than LEFs but the most interesting finding is when entrepreneurs stated that the conflict environment has undoubtedly created difficulties but report that employees’ autonomy still exists. In addition to these quantitative findings, the qualitative interviews report interesting results about the EO scale. Looking at the EO behaviour, HEFs preferred Schumpeterian innovation and were more open to technological changes. One entrepreneur of HEFs states:

“I always concentrate on technological innovations, because the textile industry needs production on time. However, I also prefer to do human innovation in my firm, I mean. If I feel that some skilled workers are very up-to-date and have high skills, I always give them a good offer and bring them in my firm, because they know how to bring about changes in the products”.

Figure 1: Impact of environment on employees’ autonomy
However, based on the EO performance prior to the conflict, LEFs also focused on technological changes in their firms but financial barrier prevented them to carry out such changes. It means that financial difficulty is the key obstacle which prevents firms from acting entrepreneurially. For example one entrepreneur from the LEFs states:

“Yes, we do product changes, I mean to bring new technology in our firm, but due to our financial limitations, we can’t take such measures properly”.

Related to the opportunity recognition behaviour, HEFs seek opportunity abroad, and access to European market. Furthermore, these firms showed keen interest to investment fertility, and such objectives according to them are possible when they open branches abroad. On the other hand, LEFs stated that prior to a conflict environment; it was not feasible for them to spot opportunities independently, because there were other factors associated to their opportunity scanning behaviour. These were financial instability and dependency over other firms. Thus, their opportunities were symbiotic prior to a conflict environment. One entrepreneur from LEFs acknowledged:

“Our firm depends on other firms; it is a symbiotic firm, if other firms scan opportunities we can progress”.
Regarding the risk behaviour of entrepreneurial orientation, entrepreneurs of both HEFs and LEFs acknowledged that prior to the conflict environment risk was related to other factors. It means that entrepreneurs mentioned risk-taking behaviours in the context of business. They stated that risk-means when we start business without experience and you do not know what lies ahead for the business. For example one entrepreneur of HEFs reported:

“I had no experience about the furniture industry before, my father used to run silks mills, but I personally like the furniture business and this is the biggest risk I have taken and I did make progress”.

However, entrepreneurs of LEFs described their risk-taking behaviour prior to a conflict environment and divided risk taking into two categories: strategic risk and policy risk. Strategic risk according to them was to launch a business independently without any support, and policy-related risk refers to frequent changes in government policies, which then creates business risk and make it difficult to carry out business activities. According to one respondent:

“Inflation is also a risk for us, because in Pakistan the inflation rate is very high which lowers the purchasing power of our customers”.

Furthermore, regarding the competitive aggressiveness factor, HEFs were more competitive than LEFs. It was observed that HEFs were financially stronger which provided them an advantage to compete in the market. To handle competition, both HEFs and LEFs were positive prior to the conflict and currently they focus on
product’s quality which is the biggest strategy for them to handle competition. In the quantitative data we found that the autonomy dimension was prevailing in both firms when we analysed their EO performance prior to a conflict environment. Even this dimension was observed more in LEFs as compared to HEFs. In this context, entrepreneurs revealed that employees’ autonomy is important, because employees know market structures. However, entrepreneurs from HEFs stated that employees’ autonomy is vital due to cultural reasons, because if they are given more autonomy, it is considered as respect by the employees. One respondent stated:

“In our culture, employees are just like a boss, because in our society we need to consider these issues”.

Regarding the impact of a conflict environment on entrepreneurial orientation performance, both HEFs and LEFs stated that the existing conflict environment affected the innovation and opportunity recognition dimensions, and in terms of risk, entrepreneurs were no longer actively taking business related risks, and also, they were no longer proactively competing with other markets. Furthermore, entrepreneurs also acknowledged that during the pre-conflict period, the government was actively delivering assistance to small firms. However, the current circumstances have taken away all these incentives. Regarding the severe impact of the conflict environment, entrepreneurs from LEFs also reported that due to
several suicide attacks, some firms were closed for several months and as a result they lost skilled workers due to these attacks. For example one entrepreneur from LEFs stated:

“My factory was completely destroyed due to the suicide attacks which happened near our firm and secondly, it was closed for six months. Due to these attacks, I lost my right hand and two of my employees were killed. These are the biggest losses I had during the insurgency”.

An interesting finding from both HEFs and LEFs regarding the impact of a conflict environment in the region is that their employees’ autonomy has been increased, because of an active role of employees in helping entrepreneurs to handle a harsh situation. One entrepreneur puts it:

“The conflict environment has increased our teamwork cooperation, I mean me and my employees, because they really helped me in that severe situation and I have given more autonomy to them”.

The findings regarding the employees’ autonomy show that whilst this dimension is not very dominant in the growth process, there were no significant differences between HEFs and LEFs, and in some cases the mean values for LEFs were greater than HEFs, but entrepreneurs accepted that this dimension has been a key one during the conflict which is somehow a positive impact of a conflict environment.

Discussion
This research paper identifies a number of issues regarding the entrepreneurial activities of small manufacturing firms before and during the conflict and adds a significant contribution to the existing literature of entrepreneurship and small firms’ growth. Firms considered as successful or unsuccessful during the pre-conflict period, by their owners are classified as High Entrepreneurial and Low entrepreneurial firms. This classification is based on growth factors (i.e. change in sales, change in number of employees, and multiple branches) drawn from the existing literature (see Hamilton and Dobbs, 2007; Barringer et al., 2005; Wiklund and Shepherd, 2003; North and Smallbone, 1993; Storey et al., 1987).

Based on their performance and entrepreneurial actions, both HEFs and LEFs grow and survive in a harsh and uncertain environment which shows enterprise and entrepreneurship, that is firms strive to achieve their goals. Furthermore, findings from this paper have added new insights to our understanding regarding entrepreneurship in the conflict environment. To the best of our knowledge this paper is the first one that uses EO scale in the context of a conflict environment, and examines the impact of conflict environment on the EO dimensions. In addition, unlike previous studies, this paper has analysed competitive aggressiveness and autonomy as the two dimensions of EO introduced by Lumpkin and Dess (1996). We find that these two dimensions have their own importance
and should be considered an essential tool to achieve business objectives considering the surrounding environment.

When analysing entrepreneurial orientation scale, it was revealed that achieved growth factors have a positive correlation with innovation; opportunity recognition; risk-taking; and competitive aggressiveness, but there was a negative and insignificant relation between growth factors and autonomy dimension of EO which emerged from HEFs. LEFs had more autonomy in their firms as compared to HEFs, but could not classify their firms as successful. The role of autonomy dimension could not achieve proactive role in the findings of some past studies (Hughes and Morgan, 2007). Conversely, Burgelman (1983, 2001) showed that autonomy is an essential element of a new venture development and growth and emphasized the role of autonomy dimension in a beginning stage. However, based on this research we could not find any significant role of autonomy in growth achievement, because LEFs had more autonomy as compared to HEFs, but were not satisfied from their firms’ performance.

We further analyse how the conflict has affected the entrepreneurial behaviour of entrepreneurs. It was revealed that entrepreneurs of both HEFs and LEFs have accepted that the conflict environment has created uncertainty and that business
climate has changed from before. Past studies regarding the impact of conflict environment identify difficulties that how conflict deters entrepreneurial intentions (see Casson et al., 2008; Kuratko, 2008; Ciarli et al., 2010; Chowdhury, 2011). They acknowledge that the core dimensions of EO have been lost and both HEFs and LEFs accepted they did not act entrepreneurially due to an existing uncertain environment. However, we find that despite the negative impact of the conflict environment, it does have a positive impact on firms. For example, entrepreneurs reported that during the conflict, they extended more autonomy and discretionary powers to their employees. Furthermore, they acknowledged that the active role of employees and their effective teamwork enabled the entrepreneurs to manage their businesses in a conflict environment. This demonstrates that besides the negative impact of the conflict environment on SMEs the ongoing conflict has also a positive impact on firms where entrepreneurs have showed spirit of team work. This result supports the views of (Gaibulloev and Sandler, 2008; Bruck et al., 2011) that the conflict environment encourages entrepreneurs to achieve business opportunities while some see only threats. However, our results are related to EO dimensions where past studies could not examine it.

Our results stated the autonomy or team-working has a positive impact on firms when environment threatens its growth. Some studies (e.g. Lumpkin and Dess,
1996; Stevenson and Jarillo, 1990; Guth and Ginsberg, 1990) have analysed that autonomy is a key dimension of an entrepreneurial orientation for firm growth. However, they do not discuss the role of autonomy dimension in a conflict zone. Therefore, one of the main contributions of this paper is how team-working plays a significant role in the conflict environment which has not been explored by other studies empirically.

To conclude, this paper revealed the relationship between a conflict environment and entrepreneurial activities of entrepreneurs. We have analysed the negative as well as the positive impact of a harsh environment. This paper will have policy implications for government officials who wish to take active steps to foster entrepreneurial activities in a conflict environment. It also provides guidance to other entrepreneurs who run businesses in the uncertain environment. Future research can be carried out in other troubled regions of the globe to verify universality of the findings.

Conclusion

Growth factors are strongly correlated with the EO dimensions of innovation, opportunity recognition, risk-taking and competitive aggressiveness but are weakly correlated with the autonomy dimension. However, the importance of these factors
in firm growth depends upon the nature of environment in which the firm operates. It means that firm’s environment has a direct influence on the type of strategy that the firm uses.
References


Organizational Culture as a Key Enabler of Intrapreneurship

A Critical Review of Literature

Cristine Margaret R. Atienza

I. Introduction

The stiff competition in a globalized economic environment required companies to constantly innovate in order to sustain a position of competitive advantage. Kuratko (2011, as cited in Wyk and Adonisi, 2012) explicated that intense global economic changes “pressurise businesses to be vigilant of threats and to act swiftly operationally.”

Clercq, Castaner, and Belausteguigoitia (2007) also stated that, in order to cope with business environment changes and stay competitive, firms must “evolve and renew themselves continuously in terms of their practices, routines, capabilities and activities.” (Clercq, Castaner, & Belausteguigoitia, 2007, p. 42)
Mohanty (2006) explained how the difference between low-performers and high-performers in the global competition is derived. The former adopted the “business-as-usual” approach and positioned themselves as either “paradigm-preserving” or “paradigm-stretching.” However, the successful companies came up with a “paradigm-breaking” approach, which is intended to create “industry breakpoints.” Simply put, they adopted the logic of innovation or corporate entrepreneurship, proposing new concepts and frontiers to society. (Mohanty, 2006, p. 99)

Certainly, in a dynamic business environment, companies can lose with “outdated business models” originally conceived by its entrepreneurs. It is then the intrapreneurs who can address this problem by reinventing organizations. However, the “paradox of organizations” is that intrapreneurs are “not always welcomed” in organizations. (Teltumbde, 2006, p. 131)

It is in this regard that I decided to make a deeper analysis of organizational culture and assess its role as an enabler of intrapreneurship and how it could be more welcomed by organizations. I tried to define, based on a critical review of extant literature on intrapreneurship, the different aspects of organizational culture that are required for intrapreneurship to occur in organizations. In the end, a
theoretical framework exhibiting how organizational growth depends on the intensity of intrapreneurship initiatives and actions is proposed in this paper.

II. The Process of Intrapreneurship

In this section of my review of literature, I focused on the construct of intrapreneurship by reviewing what has been widely accepted as the proper definition of intrapreneurship and how prevalent it is amongst organizations in the world business environment. I also presented how the definition and scope of intrapreneurship have been evolving.

A. The Definition of Intrapreneurship

Intrapreneurship can be broadly defined as entrepreneurship within existing organizations. (Menzel, Krauss, Ulijn, & Weggeman, 2006) This broad definition of intrapreneurship means that the individuals inside the organization behave in ways that pursue new opportunities, create new business ventures, and develop new products, services, processes and innovation (Antoncic & Hisrich, 2001, as cited in Stull & Aram, 2011).
Similarly, intrapreneurship was defined by Eesley and Longenecker (2006) as “the practice of creating new business products and opportunities in an organization through proactive empowerment.” (p. 19)

Most researchers agree that the term intrapreneurship refers to “entrepreneurial activities that receive organizational sanction and resource commitments for the purpose of innovative results.” (Balasundaram & Uddin, 2009, p. 19) Its major thrust is to cultivate the entrepreneurial spirit within organizational frontiers to promote an atmosphere of innovation.

On the other hand, Wyk and Adonisi (2012) claimed that no consensus has been reached as regards the definition of corporate entrepreneurship albeit it has been characterized by “(1) the birth of new businesses within existing businesses, (2) the transformation or rebirth of organisations through a renewal of key areas of businesses, and (3) the innovation and renewal within an existing organisation.” (Wyk & Adonisi, 2012, p. 66)

To better understand intrapreneurship, I noted its difference from entrepreneurship from Maier and Zenovia (2011):
### Table 1. Entrepreneurship and intrapreneurship: Advantages and disadvantages (Maier & Zenovia, 2011, p. 973)

<table>
<thead>
<tr>
<th><strong>ENTREPRENEURSHIP</strong></th>
<th><strong>INTRAPRENEURSHIP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
</tr>
<tr>
<td>• You are your own boss - independency</td>
<td>• Ability to stay in a friendly, well known environment</td>
</tr>
<tr>
<td>• The income increases</td>
<td>• Practicing your skills within an organization – lower risk</td>
</tr>
<tr>
<td>• You have the chance to be original</td>
<td>• Using companies resources, good name, knowledge</td>
</tr>
<tr>
<td>• You have part of excitement and adventure</td>
<td>• Access to customers, infrastructure</td>
</tr>
<tr>
<td>• There are a lot of possibilities</td>
<td>• • Reward may not be up to expectation</td>
</tr>
<tr>
<td>• Salary potential – you decide upon your own salary</td>
<td>• • Innovation may not be appreciated accordingly</td>
</tr>
<tr>
<td></td>
<td>• You can be innovative but to a certain limit – you are not your own boss</td>
</tr>
</tbody>
</table>

Zooming in to intrapreneurship, Bosmaa, Stama, and Wennekersf (2010) defined the phenomenon of entrepreneurship within existing organizations as 'corporate entrepreneurship' or 'intrapreneurship.' While these two terms are sometimes used synonymously, there is a distinction between them. Intrapreneurship pertains to bottom-up proactive employee initiatives to undertake...
new business activities in organization and, thus, relates to the individual level. Meanwhile, corporate entrepreneurship usually refers to a top-down process of fostering more initiatives and, therefore, pertains to the organizational level. Its operationalizations are Entrepreneurial Management, Entrepreneurial Orientation, Entrepreneurial Performance Index, and Corporate Entrepreneurship Activity Index. (Dyduch, 2008)

Concretely, intrapreneurship is a special type of entrepreneurship that falls under the domain of employee behavior and includes behavioral activities such as “opportunity perception, idea generation, designing a new product or another recombination of resources, internal coalition building, persuading management, resource acquisition, planning and organizing.” (Bosmaa et al., 2002, p. 8)

For the purpose of this study, I will focus more on intrapreneurship and the individual behavior pertaining to innovation. Nonetheless, I will also make reference to corporate entrepreneurship in some portions of the paper.

B. The Prevalence of Intrapreneurship

To further understand how far the market has understood intrapreneurship, Bosmaa, Stama, and Wennekersf (2010) made a comprehensive study on
intrapreneurship, using data from the 2008 Global Entrepreneurship Monitor, covering employees (ranging from 1,000-2000 persons per country) from four high and seven low-income countries. Using the two phases of intrapreneurship – that is, 'vision and imagination' and 'preparation and emerging exploitation' - the authors came up with a narrow and broad definition of intrapreneurship.

Table 2. Narrow and broad definitions of intrapreneurship (Bosmaa, Stama, and Wennekersf, 2010, p. 10)

Based on the results of the survey, less than five percent of employees were intrapreneurs, using both definitions and across varying organizational size, as shown in the figures below. Hence, it can be concluded that intrapreneurship is not yet a very widespread phenomenon with room for exploitation. It can serve as a powerful tool for organization to maintain and improve their strength.
<table>
<thead>
<tr>
<th></th>
<th>Intrapreneurship narrow definition in</th>
<th>Intrapreneurship broad definition in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% employees</td>
<td>% adult population</td>
</tr>
<tr>
<td>Low income countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Chile</td>
<td>3.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Iran</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Latvia</td>
<td>1.1</td>
<td>0.8</td>
</tr>
<tr>
<td>Peru</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1.9</td>
<td>1.3</td>
</tr>
<tr>
<td>unweighted average</td>
<td>1.5</td>
<td>0.9</td>
</tr>
<tr>
<td>High income countries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Korea Republic</td>
<td>1.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Norway</td>
<td>4.2</td>
<td>3.2</td>
</tr>
<tr>
<td>Spain</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>unweighted average</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Total unweighted average</td>
<td>1.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Table 3. Prevalence of intrapreneurship based on the Global Entrepreneurship Monitor (as cited in Bosmaa, Stama, and Wennekersf, 2010, p. 13)
Among the key characteristics of intrapreneurship, the most significant new business activities in which intrapreneurs have been involved during the past two years were: (1) acting on new initiatives, (2) overcoming internal resistance in developing new activities, (3) personal risk taking, (4) developing new products and services. (Bosmaa, Stama, & Wennekers, 2010)
Table 5. Characteristics of intrapreneurship, as percentage of total number of intrapreneurs, based on GEM (as cited in Bosmaa, Stama, and Wennekersf, 2010, p. 16)

<table>
<thead>
<tr>
<th></th>
<th>% own initiative</th>
<th>% overcoming internal resistance</th>
<th>% taking any risks personally</th>
<th>% new product or service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low income countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>50</td>
</tr>
<tr>
<td>Brazil</td>
<td>36</td>
<td>45</td>
<td>27</td>
<td>45</td>
</tr>
<tr>
<td>Chile</td>
<td>39</td>
<td>25</td>
<td>66</td>
<td>71</td>
</tr>
<tr>
<td>Iran</td>
<td>50</td>
<td>53</td>
<td>86</td>
<td>71</td>
</tr>
<tr>
<td>Latvia</td>
<td>57</td>
<td>57</td>
<td>43</td>
<td>71</td>
</tr>
<tr>
<td>Ecuador</td>
<td>25</td>
<td>75</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>Uruguay</td>
<td>40</td>
<td>50</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td><strong>unweighted average</strong></td>
<td>45</td>
<td>53</td>
<td>53</td>
<td>52</td>
</tr>
<tr>
<td><strong>High income countries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>60</td>
<td>56</td>
<td>30</td>
<td>58</td>
</tr>
<tr>
<td>Spain</td>
<td>73</td>
<td>40</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td>Norway</td>
<td>48</td>
<td>48</td>
<td>28</td>
<td>65</td>
</tr>
<tr>
<td>Korea Republic</td>
<td>50</td>
<td>50</td>
<td>25</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>unweighted average</strong></td>
<td>58</td>
<td>49</td>
<td>25</td>
<td>38</td>
</tr>
<tr>
<td><strong>Total unweighted average</strong></td>
<td></td>
<td>50</td>
<td>51</td>
<td>42</td>
</tr>
</tbody>
</table>
Using an expanded set of intrapreneurial activities, Dess and Lumpkin (2005) reviewed five dimensions of entrepreneurial orientation and its role in promoting entrepreneurship within the organization.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomy</td>
<td>Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion.</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes.</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand.</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>An intense effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace.</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>Making decisions and taking action without certain knowledge of probable outcomes; some undertakings may also involve making substantial resource commitments in the process of venturing forward.</td>
</tr>
</tbody>
</table>

Table 6. Dimensions of entrepreneurial orientation (Dess & Lumpkin, 2005, p. 148)

Dess and Lumpkin (2005) cited the case of Virgin Group, the British conglomerate that started as Virgin Airlines and, later on, managed to put up nearly 200 new businesses (e.g., entertainment megastores, cinemas, a fun-to-fly airline, an all-in-one consumer banking system, a hip radio station, a passenger train service, etc.) within a short time. Some of these have been launched by employees through their innovative ideas. Its inflight massage has become a valued perk
among Virgin Atlantic’s Upper Class passengers after the suggestion was received by the airline. Its Virgin Bride was started by a flight attendant, who later became the first CEO of this subsidiary, when she came up with the idea of offering an integrated bridal-planning service, which includes, wedding apparel, limousines, hotel reservations, etc.), just before she got married. (Dess & Lumpkin, 2005)

Meanwhile, Platzek, Winzker, and Pretorius (2010) presented an even more holistic and expanded intrapreneurship model, which featured the central elements of intrapreneurship as follows:

<table>
<thead>
<tr>
<th>Element 1: Entrepreneurial task</th>
<th>Element 2: External entrepreneurial operation fields</th>
<th>Element 3: Entrepreneurial organisation design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Element 4: Entrepreneurial strategy fields</td>
<td>Element 5: Entrepreneurial decision fields</td>
<td>Element 6: Entrepreneurial action fields</td>
</tr>
<tr>
<td>Element 7: Orientation towards viability</td>
<td>Element 8: Global Orientation</td>
<td>Element 9: Holistic orientation</td>
</tr>
</tbody>
</table>

*Table 7. Nine central elements for holistic intrapreneurship (Platzek, Winzker, & Pretorius, 2011)*
From the nine tasks, the three tasks for an entrepreneurial organization were derived: “(1) Entrepreneurial collection of information about the business environment; (2) Entrepreneurial creation of the future through exchange with the business environment; (3) Building the organizational architecture of the entrepreneurial organization to make it adaptable.” (Platzek, Winzker, & Pretorius, 2011, p. 477) The framework for the implementation of these tasks was captured in the “role model for entrepreneurial organization.” (p. 479) It integrated the different roles of intrapreneurship in the global business environment.
Figure 1. A role model for entrepreneurial organization

The scope of each of the five roles of intrapreneurship in the business environment is explained below:

(1) Knowledge manager - scanning, monitoring, forecasting and assessment: understand the (future) global business environment and the means for the organization;

(2) Idea manager - thinking up new things: identify new opportunities and risks in the global business environment;
(3) Innovation manager - doing new things: put new opportunities into practice and manage risks;

(4) Entrepreneurial manager – carrying out established business with an entrepreneurial posture: managing optimization, risks, flexibility and adaptation;

(5) Synergy manager – holistic management of resources and activities: organizational design for job-sharing, specializing and learning, coordination and motivation with harmonized organizational and individualistic objectives, as well as taking advantage of (cultural) diversity. (Platzek, Winzker, & Pretorius, 2011, p. 108)

Proposing intrapreneurial behavior (IB) to be a higher-order construct reflected in three dimensions of innovativeness, proactiveness and risk-taking, Jong, Parker, Wennekers, and Wu (2011) developed a nine-item measure, using survey data from 179 employees of policy research and consultancy services Dutch company and their peers, which they correlated with different individual and contextual variables. The results of their study revealed that IB was correlated with proactive personality, educational attainment, job autonomy and job types (with managers and sales people having greater likelihood to be intrapreneurs). The relationship of age with IB followed an inverted U shape. (Jong, Parker, Wennekers, & Wu, 2011)
After looking at various works on the definition and dimensions of intrapreneurship, I arrived at the conclusion that there are salient features of intrapreneurship that have always been present in extant literature. These are namely, innovation, proactivity, risk-taking, and new venturing.

III. Organizational Culture as a Key Enabler of Intrapreneurship

The importance of creating an intrapreneurship-supportive organizational culture has been increasingly stressed, given its importance in encouraging creativity and innovation. It provides the context in which new ideas, products, processes are born and implemented. (Amado, Montes, & Arostegui, 2010)

I believe that this is a logical proposition, taking off from the valid observation that as organizations grow and establish success, innovation, creativity, and initiatives may get stifled due to enforced structures, layers of management, systematic procedures, and strict efficiency policies, among others. (Eesley & Longenecker, 2006)

One of the keys to develop intrapreneurship is to promote a culture where people feel free to sell their new ideas. (Clercq, Castaner and Belausteguigoitia,
An organizational culture of intrapreneurship provides a stable context in which employees can develop initiatives that will be encouraged, supported, and rewarded. (Mohanty, 2006) - in short, a culture that is supportive of intrapreneurship.

Mohanty (2006), in a study that involved interviews with 800 managers from more than 100 manufacturing and services companies in India, gathered the result that 98 percent of the participants observed that, to be successful amidst increasing competition, intrapreneurship needed individuals who are highly motivated and a value innovation corporate philosophy that is embedded as an integral part of the organizational culture.

To further elucidate on the role of culture in intrapreneurship, I reviewed several studies that led me to establish two types of culture – one that is supportive of intrapreneurship and another that stifles it.

A. A Culture that Supports Intrapreneurship

Eesley and Longenecker (2006) made a survey of 179 managers from more than twenty manufacturing and service institutions in the United States. One question of the survey question was: “Based on your experience, what specific
things can organizations do to stimulate or encourage intrapreneurship?” (p.19), which yielded the following results:

Figure 2. Top ten "gateways to intrapreneurship" (Eesley & Longenecker, 2006, p. 22)

Among what they called “gateways to intrapreneurship,” a culture characterized by workforce empowerment and action came out as the top driver of innovation, cited by 52 percent of the respondents. This means that employees at all levels are enabled to create innovation proactively and are made to be aware
that organizational success depends on their initiatives towards innovation. (Eesley & Longenecker, 2006)

The second strongest “gateway to intrapreneurship” (41 percent) is recognition of the creativity and resourcefulness through the celebration and rewarding of new ideas, achievement of progress and delivery of results, which can come in various forms – such as public recognition, financial incentives, etc.

The third gateway, mentioned by 40 percent of the respondents, is the free flow of customer information and internal communications, which enable employees to anticipate customer needs and therefore, allow the company to offer innovations that respond to the needs of the customers in a timely manner, thus reducing the risk of developing unwanted solutions. Sharing of information leads to better coordination and consequently, builds a culture of mutual trust and support.

Another gateway was the support of management and the engagement of employees at all levels (36 percent). Generally, the underlying principle in the survey results was that the most crucial gateway is the creation of an organizational culture that promotes intrapreneurship and provides a “stable context in which
employees can develop reliable expectations that their innovative and risk-taking initiatives will be encouraged, supported, and rewarded.” (p. 23) All gateways that came out of survey pertain to institutional behavioral patterns that promote intrapreneurship. (Eesley & Longenecker, 2006)

Similarly, Mohanty (2006) came up with a list of “facilitating levers” from her interviews with 800 Indian managers. Organizational processes, vision, and culture were among the most important levers that encouraged value innovation.
Figure 3. Top ten "facilitating levers" (Mohanty, 2006, p. 102)

Carland and Carland (2007) also came up with a list of key factors that promote an “intrapreneur-friendly” organization, where creativity and innovation can flourish. The establishment of a culture of innovation came first in their list. Citing the earlier works of Rule and Irwin, this culture can be achieved through:

1) formation of intrapreneurial teams and task forces;
2) recruitment of new staff with new ideas;
3) application of strategic plans that focus on achieving innovation;
4) establishment of internal research and development programs. (Carland & Carland, 2007, p. 84)

Other key factors that were also connected to the creation of a culture of innovation were explained by Carland and Carland (2007).
B. A Culture that Stifles Intrapreneurship

I also examined the flipside of an intrapreneurship-supportive culture and found insightful studies on how organizational culture hinders and stifles intrapreneurship.

The second part of the survey done by Eesley and Longenecker (2006) tallied the major barriers to intrapreneurship. It is interesting to note that these barriers were not financial or time constraints but are mostly institutional in nature.
Among the barriers cited by the respondents, the punishment of risk taking and mistakes arising from new ideas came out as the largest factor that stifles intrapreneurship, cited by 57 percent of the participants. The second barrier, cited by 44 percent of the respondents, is when new ideas were not followed through and acted upon. The likelihood of innovation was also hindered when the organization does not sanction, promote, and encourage intrapreneurship, as noted by 38 percent of the respondents.

**Figure 5.** Top ten barriers to intrapreneurship (Eesley & Longenecker, 2006, p. 20)
of the respondents. Other barriers included unhealthy political environment and lack of cooperation in the workplace, poor communication and the existence of silos within the organization, among others. (Eesley & Longenecker, 2006)

Meanwhile, from the list of constraining levers derived by Mohanty (2006), the top items were also non-resource restraints. It also showed that the main barriers that hinder intrapreneurship are those which managers can control.

<table>
<thead>
<tr>
<th>(% of Respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punishing risk-taking, new ideas, and mistakes</td>
</tr>
<tr>
<td>Ideas with nowhere to go for follow-up or action</td>
</tr>
<tr>
<td>Failing to sanction, promote, and encourage intrapreneurship</td>
</tr>
<tr>
<td>Unhealthy politics, infighting, and lack of cooperation</td>
</tr>
<tr>
<td>Poor communications and organizational silos</td>
</tr>
<tr>
<td>People not encouraged to think about opportunities</td>
</tr>
<tr>
<td>Unclear organizational mission, priorities, and objectives</td>
</tr>
<tr>
<td>Lack of real management support</td>
</tr>
<tr>
<td>Improvement and risk-taking activity not rewarded</td>
</tr>
<tr>
<td>Inadequate time or resources</td>
</tr>
</tbody>
</table>

*Figure 6.* Top ten restraining levers (Mohanty, 2006, p. 102)
More concrete manifestations of culture being a hindrance to intrapreneurship were derived from a qualitative analysis of the innovativeness of 162 projects submitted for an innovation award in the petroleum sector in India. (Manimala, Jose, & Thomas, 2006) It revealed the following organizational constraints against intrapreneurship:

- Absence of failure-analysis systems (100%)
- Lack of patenting initiatives (97%)
- Lack of recognition for innovations in non-core areas (94%)
- Poor handling of change management (90%)
- Informal team formation (81%)
- Low emphasis on dissemination and commercialization (77%)
- Inadequacy of rewards and recognition (65%)
- Procedural delays (58%)
- Poor documentation and maintenance of records (58%)
- Easy access to foreign technologies (55%)
- Unclear norms on linking innovations with career growth (48%)
- Lack of recognition for contributions by support functions (45%)
- Ambivalent support from the immediate supervisor (39%)
- Inadequate systems for the promotion and management of ideas (35%)
• Lack of facility for pilot testing (29%). (Manimala, Jose, & Thomas, 2006, p. 49)

It is interesting to note that Clercq, Castaner and Belausteguigoitia (2007) singled out the strong presence of a political dimension of organizational as a potential barrier for intrapreneurship. They studied a logistics company in Mexico, which was founded in 1979 and now employs 3,500 persons, from a survey of 192 of its managers. The respondents were asked about the most recent entrepreneurial idea they proposed to their superior. An important finding from this study is the negative impact of the political dimension in the acceptance by the superior of the new ideas by the managers. The risk in a “ politicized decision-making process” was the “improper rejection of good ideas defended by less politically skilful proponents.” (p. 45)

C. The Determinants of an Intrapreneurship-Supportive Culture

Having noted several evidences on how organizational culture could influence intrapreneurship, either in a positive or negative way, I dissected the construct of culture needs to be able to define the determinants of a culture that supports intrapreneurs.
Menzel et al. (2006) referred to the onion metaphor of culture (Ulijn and Fayolle, 2004) through which people express, improve, and perpetuate their ideas, attitudes, and actions. Culture – defined as the “set of shared norms, values, beliefs and attitudes held by the members of a group” (Hofstede & Hofstede, as cited in Menzel et al., 2006) – was illustrated in layers, as shown in the figure below. Explicit culture pertained to the observable reality while the middle layers include norms, values, and attitudes. The core of culture contained the basic assumptions.
Figure 7. The onion metaphor of culture (adapted from Ulijn & Fayolle, 2004, as cited in Menzel et al. (2006, p. 5)

Employing literature investigation of more than 101 relevant publications, a list of factors or quotations that were deemed to characterize a culture that was supportive of intrapreneurship was derived Menzel et al. (2006). These factors were assigned to the any of the five dimensions of culture: power distance (PDI), uncertainty avoidance (UAI), individualism (IND), masculinity (MAS), and long-
term orientation (LTO) as well as a sixth additional dimension called innovation drive (IDR). The result is a radar plot that revealed that the ideal profile of intrapreneurship-supportive culture would be characterized by “low PDI, low UAI, medium IND, medium MAS, high LTO, and medium OSO.” (Menzel, Krauss, Ulijn, & Weggeman, 2006, p. 19) This extensive literature study suggested that an intrapreneurship-supportive culture demands “low power distance building on flat hierarchies, decentralized power, and egalitarian values in order to foster communication and interaction in all directions and empower employees.” (p. 21)

*Figure 8*. Proposed ideal profile of intrapreneurship-supportive culture (Menzel et al., 2006, p. 18)
Meanwhile, Wyk and Adonisi (2012) looked into three factors as independent variables that could help predict corporate entrepreneurship. These factors, which they considered as the dependent variable in the model they created, were market orientation, flexibility and job satisfaction.

Figure 9. Independent variables that support corporate entrepreneurship (Wyk & Adonisi, 2012, p. 69)
Using a sample of 695 participants from different industries, Barrett et al. (2012, as cited in Wyk and Adonisi, 2012) reported a significant positive correlation between market orientation and corporate entrepreneurship and the same for flexibility.

First, market orientation was the “organisation-wide collection, responsiveness and utilization of market intelligence.” (Wyk & Adonisi, 2012, p. 66) A proactive market orientation showed a willingness to adapt to the anticipated changes in customer demands (Atuahene-Gima et al. 2005, as cited in Wyk and Adonisi, 2012) and was a harmonized reaction to the threats and opportunities in the market (Kumar, Subramanian & Strandholm, 2003, as cited in Wyk and Adonisi, 2012).

The second factor tested by Wyk and Adonisi (2012) was flexibility, defined as “the extent to which the different business units react efficiently supported by administrative relations and situational proficiency.” (Barrett et al., 2012, as cited in Wyk and Adonisi, 2012, p. 67) A flexible organizational structure was seen to exhibit greater likelihood of encouraging free and open dialogue among employees, which helped in the development of intrapreneurial ideas and initiatives.
Third, job satisfaction was the “positive emotional state an individual experiences in the work situation,” (Wyk & Adonisi, 2012, p. 68) which was expected to translate into having more committed team in intrapreneurship.

Using a sample of 333 selected individuals from four different economic sectors in South Africa: life insurance (N=266), information technology (N=33), a university of technology (N=26) and a transport parastatal (N = 8), Wyk and Adonisi (2012) figured the existence of a strong relationship between the independent variables - market orientation, flexibility and job satisfaction - with corporate entrepreneurship. Corporate entrepreneurship was measured using the Corporate Entrepreneurial Assessment Instrument (CEAI) developed by Hornsby, Kuratko and Zahra (2002, as cited in Wyk in Adonisi, 2012) in an eight-factor solution. The factors were named as (Cronbach Alphas in brackets): Work discretion (0.84), Management support and risk-taking (0.82), Rewards and reinforcement (0.75), Innovative initiatives (0.84), Financial support (0.73), Sufficient time (0.76), Organizational boundaries (0.81) and Inadequate time (0.67).
Another set of determinants, which were more specific recommendations, for Intrapreneurship Development was prepared by Balasundaram and Uddin (2009) from an empirical study of forty managing directors from Chittagong, Bangladesh. Using a “Factor Analysis” model (Principal Component Varimax Rotated Factor Analysis Method) to group the indicators, the outcome of the study was a ranking of the indicators based on their mean scores.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Factor - I</th>
<th>Factor - II</th>
<th>Factor - III</th>
<th>Factor - IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Layout of the organization</td>
<td>.853</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intrapreneurial participants</td>
<td>.805</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New project meetings</td>
<td>.743</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal communication</td>
<td>.613</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mentality of the employees</td>
<td>.556</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge of the market</td>
<td></td>
<td>.807</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Encouraging the actions</td>
<td></td>
<td>.725</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reward of the personnel</td>
<td></td>
<td>.616</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Team work</td>
<td>.556</td>
<td>.523</td>
<td>.793</td>
<td></td>
</tr>
<tr>
<td>Availability of the Secrecy</td>
<td></td>
<td></td>
<td></td>
<td>.719</td>
</tr>
<tr>
<td>Innovative ideas</td>
<td></td>
<td></td>
<td></td>
<td>.573</td>
</tr>
<tr>
<td>Environment for creativity and diversity</td>
<td></td>
<td>.609</td>
<td>.719</td>
<td></td>
</tr>
<tr>
<td>Identification of the potential entrepreneurs</td>
<td></td>
<td></td>
<td>.568</td>
<td></td>
</tr>
<tr>
<td>Technically skilled labour force</td>
<td></td>
<td></td>
<td></td>
<td>.824</td>
</tr>
<tr>
<td>Sponsoring the intrapreneurial projects</td>
<td></td>
<td></td>
<td></td>
<td>.701</td>
</tr>
<tr>
<td>Taking actions</td>
<td>.528</td>
<td>.533</td>
<td>.568</td>
<td>.824</td>
</tr>
<tr>
<td>% of Variance</td>
<td>41.610</td>
<td>13.207</td>
<td>7.809</td>
<td>6.465</td>
</tr>
<tr>
<td>Cumulative percentage of %</td>
<td>41.610</td>
<td>54.817</td>
<td>62.626</td>
<td>69.091</td>
</tr>
</tbody>
</table>
Table 8. Factor analysis for intrapreneurial development (Balasundaram & Uddin, 2009, p. 33)

Four factors were identified – (1) Layout of the organizations, (2) Knowledge of the market, (3) Availability of secrecy, (4) Technically skilled labour force. Based on the ranking of their mean values, the most dominant factor was the presence of technically skilled labour force that will sponsor intrapreneurial ideas and projects. The variance explained by this factor is about 6.5 percent. The next most dominant was the layout of the organization followed by the knowledge of the market and the availability of secrecy. (Balasundaram & Uddin, 2009)

<table>
<thead>
<tr>
<th>Factors</th>
<th>No. of Variables</th>
<th>Mean</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor I: Layout of the Organizations</td>
<td>05</td>
<td>2.60</td>
<td>2</td>
</tr>
<tr>
<td>Factor II: Knowledge of the Market</td>
<td>04</td>
<td>2.28</td>
<td>3</td>
</tr>
<tr>
<td>Factor III: Availability of Secrecy</td>
<td>04</td>
<td>2.23</td>
<td>4</td>
</tr>
<tr>
<td>Factor IV: Technically skilled Labour Force</td>
<td>03</td>
<td>2.73</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 9. Ranking of factors by importance (Balasundaram & Uddin, 2009, p. 34)
Similarly, Ramachandran, Devarajan, and Ray (2006) gave some specific principles that organizations can follow to order to institutionalize entrepreneurship in their corporate culture. These are:

• selective rotation of talented managers to expose them to different business territories that can stimulate perception of new opportunities;
• resource allocation at various stages;
• clear communication by the leadership about its long-term, sustained commitment to entrepreneurship;
• learning from experiments and bet on people capabilities because not all ideas will be winners. (Ramachandran, Devarajan, & Ray, 2006, p. 92)

Carland and Carland (2007) also came up with their own set of specific recommendations to create an environment that fosters intrapreneurship.
| ✓ | Employ open spaces, not offices or cubicles, so that people interact freely and continuously |
| ✓ | Foster an environment of playfulness and fun |
| ✓ | Create teams and discussion groups to explore ideas; use both sexes and widely diverse backgrounds |
| ✓ | Forbid negative thinking; forbid critical thinking; forbid judgmental thinking; encourage wild ideas |
| ✓ | Embrace and laugh about failure; celebrate successes |
| ✓ | Eliminate numbers from evaluation systems and create upside potential without its corollary |
| ✓ | Focus on having fun; never focus on outcomes |

Figure 10. Ways to create an environment that supports creativity (p. 93)

From all these recommendations, I deduced that culture could certainly be adjusted to be able to adopt a more intrapreneurship-friendly work environment. There are small and big ways to achieve this, as seen from the many listings cited earlier. The intensity with which an intrapreneurship-supportive culture may be created could also vary. However, organizations will have to do an organizational audit in order to determine where and how they could jumpstart intrapreneurship within their frontiers.
IV. The Impact of Intrapreneurship on Corporate Performance

Organizational culture significantly contributes to organizational success through corporate entrepreneurship. (Duobienê, 2008) Felicio, Rodrigues, and Caldeirinha (2012) developed and tested a theoretical model that shows the effect of intrapreneurship on corporate performance. In the model, intrapreneurship was supported by innovation, risk/uncertainty, risk/challenges, competitive energy, proactivity and autonomy while corporate performance was reflected through financial performance, productivity, and growth and improvement.

Based on the data derived from a sample of 217 medium-sized Portuguese companies and using the confirmatory analysis method based on structural equation modeling (SEM), it was found that intrapreneurship significantly influenced growth and improvement. (Felicio, Rodrigues, & Caldeirinha, 2012)
In a similar way, Antoncic (2007) examined both the patterns and levels of relationships between intrapreneurship and firm growth and profitability across two countries (the United States and Slovenia) by testing both the zero-means and the latent-means model. Employing data from 192 respondents and using structural equation modeling, significant coefficients were derived for both models, indicating the positive effects of intrapreneurship on the firm growth and profitability, in both absolute and relative terms. (Antoncic, 2007)

While there are more evidences in existing literature showing the positive impact created by intrapreneurship on corporate performance, I think that it is not difficult to acknowledge that innovation, which translates into better ways of doing things, can lead to improved corporate performance. Should setbacks be
encountered, I have confidence that furthering the innovation process could almost always redound to positive effects to the organization.

V. The Intervention of Leadership and Management

The debate concerning the ‘how’ of entrepreneurship within an organization requires the top management team to create a setting wherein the individual participants in the innovation are given attention and their behaviors directed towards entrepreneurial ends. (Ramachandran, Devarajan, & Ray, 2006)

Seshadri and Tripathy (2006) was able to confirm, after interviewing 30 managers from Indian companies, that top management is an important enabler of intrapreneurship. They noted that the support given by the top management to the intrapreneurs, the freedom to fail, and the capacity of management to condone mistakes and create an atmosphere of learning serve to perpetuate intrapreneurship. (Seshadri & Tripathy, 2006)

Since corporate entrepreneurship was seen as a result of the collective effort of several members of an organization, Wyk and Adonis (2012) explained the importance of leadership to encourage and undertake corporate entrepreneurship. Entrepreneurial leadership was reflected in a “visionary approach” and through the
creation of appropriate structures to facilitate innovation. (Visser, de Coning & Smit, 2005, as cited in Wyk and Adonisi, 2012) In their study, the three major leadership factors that promoted corporate entrepreneurship were: (1) management style and orientation, (2) proactive action, and (3) innovative behavior. (Wyk & Adonisi, 2012)

Another proof of the significance of leadership intervention in intrapreneurship was provided by Ling et al. (2008). Using a sample of 152 chief executive officers (CEOs) and 416 top management team members (TMT) from small-to-medium-sized firms (SMEs) in New England, employing not more than 500 persons, a maximum-likelihood structural equation model (SEM) was tested. The final model yielded the results indicated in the final model illustration. Concretely, it was found that the transformation leadership exhibited by CEOs significantly influence four important TMT characteristics that promote corporate entrepreneurship - behavioral integration, decentralization of responsibilities, risk-taking propensity, and long-term compensation. It was also seen that, except for behavioral integration, these factors were strongly linked to corporate entrepreneurship. (Ling, Simsek, Lubatkin, & Veiga, 2008)
Figure 12. Model for transformational leadership and corporate entrepreneurship (p. 568)

One way through which leadership intervenes in the connecting organizational culture to intrapreneurship is through the influencing mechanism of trust. Stulla and Aram (2010) explored the construct of trust as an orientation manifested in the willingness of an employee to engage in specific actions due to the perception of trust given to them by their supervisor. Using a case study approach covering four organizations located in California over an eight-week period, it was proven from almost all the interview results that trust played a
significant role in cultivating intrapreneurship. Some crucial lines were: “I would not have the freedom that I have … because he [her manager] has a sense of trust.”

Respondents were also asked to rank the factors that influenced their activities. From these rankings, it came out that trust was the most important factor (N=21, mean=2.37) in influencing their behaviors. (Stull & Aram, 2010)

<table>
<thead>
<tr>
<th>Influencing Factors</th>
<th>Mean Score</th>
<th>Trust</th>
<th>Organization</th>
<th>Situation</th>
<th>Activity is interesting</th>
<th>Activity is enjoyable</th>
<th>Activity is rewarded</th>
<th>Self-interest</th>
<th>Behavior is expected</th>
<th>Reciprocity</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Respondents N=21</td>
<td>2.37</td>
<td>3.93</td>
<td>4.13</td>
<td>4.20</td>
<td>4.60</td>
<td>4.87</td>
<td>5.30</td>
<td>5.50</td>
<td>6.30</td>
<td></td>
</tr>
<tr>
<td>For-profit N=11</td>
<td>2.69</td>
<td>3.00</td>
<td>4.63</td>
<td>4.12</td>
<td>4.38</td>
<td>5.13</td>
<td>5.875</td>
<td>5.38</td>
<td>6.44</td>
<td></td>
</tr>
<tr>
<td>Nonprofit N=10</td>
<td>2.00</td>
<td>5.00</td>
<td>3.57</td>
<td>4.29</td>
<td>4.86</td>
<td>4.57</td>
<td>4.643</td>
<td>5.64</td>
<td>6.14</td>
<td></td>
</tr>
</tbody>
</table>

Table 10. Mean rank scores of trust and other factors relative to strength of influence (p. 24)

Management support (MS) was a significant internal environment factor that contributed to successful corporate entrepreneurship. MS was defined as the willingness of management to support entrepreneurial behaviour and actions. In the moderator analysis done by Bhardwaj et al. (2005), which employed hierarchical regression, and was measured by “receptivity (to employees’ ideas),
promoting innovative ideas, management encouragement, financial support, awarding ideas, and unconditional support” (Kuratko, as cited in Bhardwaj et al., 2005, p. 51). Data from 81 service and manufacturing firms throughout India were used and yielded the following results, which provided evidence on the strength of the impact of MS on corporate entrepreneurship.

Table 11. Results of the hierarchical regression analysis (Bhardwaj, Sushil, & Momaya, 2005, p. 53)

<table>
<thead>
<tr>
<th>Interaction Variable</th>
<th>Dependent Variable</th>
<th>Beta Values (Significance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Support x Risk Taking</td>
<td>Corporate Entrepreneurship</td>
<td>0.595 (0.000)</td>
</tr>
<tr>
<td>Management Support x Reward</td>
<td>Corporate Entrepreneurship</td>
<td>0.671 (0.000)</td>
</tr>
<tr>
<td>Management Support x Work Discretion</td>
<td>Corporate Entrepreneurship</td>
<td>0.777 (0.004)</td>
</tr>
<tr>
<td>Management Support x Organisational Flexible Boundaries</td>
<td>Corporate Entrepreneurship</td>
<td>0.646 (0.000)</td>
</tr>
<tr>
<td>Management Support x Time Availability</td>
<td>Corporate Entrepreneurship</td>
<td>0.653 (0.000)</td>
</tr>
<tr>
<td>Management Support x Intelligence Generation</td>
<td>Corporate Entrepreneurship</td>
<td>0.633 (0.026)</td>
</tr>
<tr>
<td>Management Support x Intelligence Dissemination</td>
<td>Corporate Entrepreneurship</td>
<td>0.812 (0.000)</td>
</tr>
<tr>
<td>Intelligence Generation x Intelligence Dissemination</td>
<td>Corporate Entrepreneurship</td>
<td>0.789 (0.000)</td>
</tr>
</tbody>
</table>

Leadership and management also serve to strengthen the impact of intrapreneurship and corporate performance. A proof was shown by Goosen,
Coning, and Smit (2002) by using the ‘key factor’ intrapreneurship instrument to measure corporate entrepreneurship and its impact on financial performance (FP), an indicator of corporate performance used in classical business models. The instrument consisted of three factors of which two focus internally and one externally, as illustrated in the model below.

![Model using the 'key factor' intrapreneurship instrument](image)

*Figure 13. Model using the 'key factor' intrapreneurship instrument (Goosen, Coning, & Smit, 2002, p. 23)*

A stepwise regression was done where FP was identified as the dependent variable and the three factors, as independent variables. The results showed that
there was only one major predictor of the dependent variable – the independent variable Management. (Goosen et al., 2002)

<table>
<thead>
<tr>
<th>Stepwise regression model</th>
<th>Retained variable</th>
<th>Beta</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td></td>
<td>0.416</td>
<td>0.000</td>
</tr>
<tr>
<td>Excluded variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovativeness</td>
<td></td>
<td>0.006</td>
<td>0.958</td>
</tr>
<tr>
<td>Proactiveness</td>
<td></td>
<td>0.140</td>
<td>0.233</td>
</tr>
</tbody>
</table>

*Table 12. Results of stepwise regression (Goosen, Coning, & Smit, 2002, p. 24)*

Goosen et al. (2002) further elucidated the interpretation of the key factor Management by coming up with a component matrix, which featured how the different aspect of management could influence financial performance.
Certainly, leadership and management influence the entire intrapreneurial process, from the creation of a culture that supports innovation and creativity to strengthening the impact of intrapreneurship initiatives on corporate performance, and therefore, function as an intervening and moderating variable in this process.

VI. Proposed Theoretical Framework

Based on the discussion above on the different constructs influencing and affected by the phenomenon of intrapreneurship, I propose a theoretical framework that integrates these constructs together.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Item correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal setting</td>
<td>0.891</td>
</tr>
<tr>
<td>Innovation and creativity systems</td>
<td>0.714</td>
</tr>
<tr>
<td>Rewards</td>
<td>0.934</td>
</tr>
<tr>
<td>Intracapital system</td>
<td>0.871</td>
</tr>
<tr>
<td>Communication</td>
<td>0.884</td>
</tr>
<tr>
<td>Staff input</td>
<td>0.737</td>
</tr>
<tr>
<td>Intrapreneurial freedom</td>
<td>0.702</td>
</tr>
<tr>
<td>Problem solving</td>
<td>0.706</td>
</tr>
<tr>
<td>Intrapreneurial championing</td>
<td>0.672</td>
</tr>
<tr>
<td>Empowerment</td>
<td>0.722</td>
</tr>
</tbody>
</table>

*Table 13. Component matrix for management (Goosen, Coning, & Smit, 2002, p. 25)*
Figure 14. Proposed theoretical framework

In this proposed theoretical framework, organizational culture is the input or independent variable and corporate performance is the output or dependent variable. Intrapreneurship is the process or the mediating variable. Depending on the intensity with which culture supports or stifles an intrapreneurship-friendly environment, intrapreneurship takes effect and is able to contribute to improved corporate performance.

The leadership and management variable serve as the intervening or moderating variable, which strengthens the relationship between organization
culture and intrapreneurship and between intrapreneurship and corporate performance.

At the very center of this proposed theoretical model is intrapreneurship, which I believe is a very powerful process in the life of an organization.
REFERENCES


Do Family Firms Invest More on Corporate Social Responsibility? 
The Role of Entrepreneurs’ Social Context

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Abstract: Extant studies come to inconsistent conclusion on whether family firms are more socially responsible than non-family firms. This study explores this question through the contingency lens. Using Chinese Private Enterprise Survey in 2010, we found family firms did invest more on labor protection than non-family firms, but perform similarly as non-family business on donation. As to the entrepreneurs’ social context, entrepreneurs’ social status and political status would negatively moderate the relationship between family business and labor protection dimension, but have no influence on donation. The strengthening role of economic condition is more stable for donation and labor protection. The findings contribute to our understanding on complicate mechanisms of Chinese private firms’ corporate social responsibility.
INTRODUCTION

Family business is central to Chinese economic growth and social development. In China, it is estimated that nearly 90% private firms can be defined as “family firms” (Zhu et al., 2011). Most extant studies related to family business are trying to find out whether families do firm good or bad, and what is the difference between family and non-family firms? Governance, leadership, management are popular topics in family business research, while some topics, like Corporate Social Responsibility (CSR) are ignored (Cuadrado-Ballesteros, Rodríguez-Ariza & García-Sánchez, 2015). Family Business Review (FBR) has called for a special issue on the role and contribution of family firms in dealing with social issues, such as climate change, environmental pollution, population growth, inequality, which indicates the increasing emphasis on this topic.

Family firms could be more or less socially responsible than non-family business (Cruz et al., 2014; Déniz and Suárez, 2005; Block and Wagner, 2014; Campopiano, De Massis, & Chirico, 2014), both in theory and practice. Self-interest hypothesis of controlling family deduced that family business owners may invade other stakeholders to preserve family benefits, and thus are less likely to do good to benefit all. However, arguments based on socio-emotional wealth (SEW) view argue that family firms are more eager to be socially responsible to protect their
family reputation and construct social insurance mechanism. Empirical studies also come to conflicting results, therefore this study tries to explore the contingency factors influencing family firm CSR behavior. Entrepreneurs’ social context, in this case, constitutes an important situation Chinese family firms are embedded in.

We firstly reviewed the theory and literature on family business and CSR, and proposed the hypotheses concerning the direct and moderating effect. In the methodology part, we used the Chinese private enterprise survey in 2010 to examine our hypotheses. Finally, we analyzed and discussed the results of the paper.

LITERATURE REVIEW AND HYPOTHESES

Corporate social responsibility, can be defined as “the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with traditional and economic gains which the firm seeks”(Davis, 1973, p.312). In many countries, family firms constitute the main force of social activities, including donation, social services, etc. (Feiliu and Botero, 2015). Numbers of studies have begun to explore the link between family and CSR.
Dyer and Whetten (2006) published the first influential articles on family business social responsibility, using a dataset from S&P 500 firms during 1991-2000, and found that family firms perform better than non-family firms in CSR. Actually, compared with improving social responsibility, family firms are more likely to play a role in avoiding social irresponsibility. Stavrou, Kassinis & Filotheou (2007) argue that family firms are prone to caring employees like family members and less likely to downsize in front of financial distress. Bingham et al. (2011) argues that family firms prefer more relational orientation toward their stakeholders than non-family firms, leading to higher levels of corporate social performance. Cennamo et al. (2012) suggests that family firms may have greater motivation to adopt proactive stakeholder engagement for preserving their socio-emotional wealth (SEW). Cuadrado-Ballesteros et al.(2015) found that in the case of family firms, the independent directors have little influence on CSR disclosure.

While other studies indicate that family firm CSR is a rather complex phenomenon. Déniz and Suárez (2005) argued that family business are not homogeneous concerning corporate social responsibility. Cruz et al. (2014) found that family firms can be socially responsible and irresponsible simultaneously. They may behave more social responsibly to external stakeholders, but negatively influence
the internal social dimension. Block and Wagner (2014) examined different dimensions of CSR, and found that family ownership has a positive effect on diversity, employee, environmental and product dimensions of CSR, but negatively related to community CSR performance. Campopiano et al. (2014) focused on firm engagement in philanthropy of family firms, and concluded that family ownership promotes firm philanthropy but negatively interacts with family involvement in management. Still other studies found family firms are “Selfish Philanthropist”, who may show double face to stakeholders, like be generous to social donation, but stingy to employees (Zhu, 2015).

Although family firms are heterogeneous, finding out the differences between family and non-family business is usually the first step to continue. Socio-emotional wealth (SEW) is regarded as the essential traits that distinguish from non-family business (Berrone, Cruz & Gomez-Mejia, 2012; Zellweger & Astrachan, 2008). It is first formally proposed by Gomez et al. (2007) and has been used in various topics of family firms. SEW model proposes the strategic reference point in family firms is the preservation of their SEW, referring to nonfinancial aspects or “affective endowments” of family owners (Berrone et al., 2012). Extant studies has emphasized the benefits of SEW, such as environmental protection (Berrone et al., 2010), proactive stakeholder management (Cennamo et al., 2012),
but also the adverse effect of too much SEW. Kellermanns, Eddleston & Zellweger (2012) argues SEW may also lead to family centric behavior, emphasizing the dark side.

In spite of different definitions of corporate social responsibility, it is generally accepted that firms performing social responsibly would win the respect and support of its stakeholders, except for those insisting on shareholder primacy. Based on the SEW model, family firms should tend to engage in corporate social responsibility to gain respect and reputation of their family to preserve their socio-emotional wealth. Based on the socio-emotional wealth argument, we argue that family firms in China will be more socially responsible than non-family business. Hence, we propose that:

\[ H1: \text{Family business will perform better than non-family business in terms of corporate social responsibility.} \]

The Moderating Role of Entrepreneurs’ Social Context

The role of founders in entrepreneurial and family firms has largely been recognized in the past research (Kelly, Athanassiou & Crittenden, 2000; Ling,
Zhao & Baron, 2007; Wasserman, 2006; Nelson, 2003). Even after the family founders retire, they still have great influence on firm decision (Davis, & Harveston, 1999). Therefore, we propose that the entrepreneurs’ social context should play a very important role in corporate social responsibility. After developing the main effect hypothesis, we will further examine how the entrepreneurs’ social context, including social status, economic condition and political connection, might influence the main effect.

![Figure 1 Research Model: Social status and family business CSR](image)

According to Weber (1968), social status can be defined as the honor attached to an individual’s position within a society. The relationship between social status
and individual behavior and attitudes has been widely studied in psychology and sociology literature. But studies concerning social status in management are still scarce. Maug, Niessen-Ruenzi & Zhivotova (2014) found that CEOs in more prestigious companies earn less but enjoying higher social status. Shemesh (2014) found CEOs with higher social status would subsequently reduce the operating risk, supporting the “lock-in” effect of relative high social status.

We argue that entrepreneurs’ status in local community will moderate the main effect. Social comparison theory argues that people would compare with others, including view, ability, status, etc., to make decisions (Kilduff, 1990; Suls, Martin & Wheeler, 2002). Entrepreneurs with high status in social, political and economic field are usually regarded as successful and gain respect or admiration for their families. According to the SEW argument, loss of SEW is an important reference point for firm strategic decision making. When the family gets high social status and prestige, they would do more good to arm against losing what they have. When an entrepreneur perceives himself as the high social status group in local community, he or she will cherish even more his or her family’s reputation in local community. Hence:
H2: The positive relationship between family business and corporate social responsibility is stronger when entrepreneurs perceive higher social status in local community.
Economic condition and family business CSR

The economic background of entrepreneurs is closely related to the success of their company. Successful entrepreneurs are more likely to have positive feelings about society and they will have more resources to support socially responsible activities (Adams & Hardwick, 1998). For another side, economic condition is not only the financial constraint for CSR, but also provide new motivations for social issues, especially when we consider the economic condition in the ranking comparative approach. Thus, when firms get better economic outcomes relative to other industry peers, they may see themselves as leaders and role models for other firms. Family firms with better economic conditions may be with more capability and willing to do more CSR to preserve their SEW. Thus, we propose:

**H3: The positive relationship between family business and corporate social responsibility is stronger when firms have greater economic condition in the industry.**

Political connection and family firm CSR
Political connection is important for private firms due to Chinese unique and intricate institutional environment. Although much has been improved since the reform and open-up policy in China, the government still captures unshakeable position for controlling key resources and has the last word for private firms’ development (Li & Liang, 2015; Shi, Markóczy & Stan, 2014). Chinese entrepreneurs are active to participate in government affairs through being members of the Regional/National People’s Congress or Regional/National People’s Political Consultative Conference. For example, Liu Yong-hao, chairman of New Hope Group is always the focus of media attention. Li Ka-Shing and his son Richard Li, whose family control the largest family business in China, are also elected to be members of Beijing People’s Political Consultative Conference.

Political connection not only brings the necessary resources for private firms, but also influences the firm behavior. Wang & Qian (2011) argued that corporate philanthropy could help firms achieve sociopolitical legitimacy and improve firm performance. As entrepreneurs have political identity, he/she even the whole family and the firm will be more visible to the society. Now that family firms care more about their socio-emotional wealth, they will confront with more emotional burden and potential cost for social irresponsible behavior than non-family firms. Meanwhile, the political identity an entrepreneur bears often carries higher
expectation of social consideration. They should act as role models for other private firms and this is also helpful for building family prestige. Specifically, we suppose that entrepreneurs’ political connection will strengthen the positive main effect. Thus:

\[ H4: \text{The positive relationship between family business and corporate social performance is stronger when entrepreneurs have political connection.} \]

**METHODOLOGY**

**Sample and Data**

Family business is prevalent in Chinese listed firms and privately-owned enterprises. Different from previous studies mostly focusing on public firms, our dataset is from the survey of Chinese Private Enterprises in 2010. This survey is conducted jointly by the United Front Work Department of the Central Committee of the Communist Party of China, the All China Industry and Commerce Federation, the China Society of Private Economy at the Chinese Academy of Social Sciences, and China State Administration for Industry & Commerce. To achieve a balanced representation across all regions and industries in China, the
The survey uses the multi-stage stratified random sampling method and selected 4900 private firms, distributing among different regional economic development, county and city, rural and urban, and industry affiliation.

The survey was based on questionnaire and interviews in necessary. Local employees of All China Federation of Industry and Commerce, and China State Administration for Industry & Commerce directly conducted the survey. The entrepreneurs or owners of the selected private firms were required to fill the questionnaire. 4900 questionnaires were distributed and 4614 initial observations were returned. The survey time span is 2008 to 2009 and covered 31 regions.

**Variables and Measurement**

**Family business.** Family ownership is often used as a tool to define family business (e.g., Berrone et al., 2010; Gomez-Mejia et al., 2007), while others studies argue that family succession or intention to pass over in the family should been used to define family firm (Chrisman et al., 2004; Chua et al., 1999; Litz, 1995) and as potential proxy for socio-emotional wealth for the family business (Gomez-Mejia et al., 2007; Chrisman et al., 2012). In this study, we define the family business as those that the entrepreneur and his/her family own at least 50%
ownership of the firm and have the trans-generational intention to pass over the firm. The survey provides relevant information for us to identify family firm. There are three questions on this: (1) What’s your equity ownership of the firm? (2) What’s your family member’s equity ownership of the firm? (3) How do you think about the succession issue of the firm?\(^1\) The first two are for ownership standard and the third question is about trans-generational succession intention. According to our classification, family business captures 21% of the whole dataset and is codified as a dummy variable (1 stands for family business, and 0 for non-family business).

**Corporate social responsibility.** The concept of corporate social responsibility is rather complex (Carroll, 1991). We focus on two dimensions of corporate social responsibility in this study, including externally oriented and internally oriented social issues (Li et al., 2015; Zhu, 2015). The first is *Donation*, representing how much the firm is caring about and would like to help people in society. We use the ratio of firm donation to sales to adjust for the size effect. The second is *Labor protection*, indicating how much the firm is striving to improve the working condition of their human talents and investment on labor protection. We use the

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\(^1\)The available choice of this question is: a. Let my children take over the business; b. Don't let my children work in the firm; c. Just give equity to my children but don't let them work in the firm; d. Only leave some living expenses to my children; e. others. f. Not considering this issue. If the entrepreneur chose a or c, it means he/she has the succession intention.
expenditure on labor protection to firm sales as the measurement for the internally oriented responsibility.

**Social status.** As is noted, social comparison would influence people’s behavior and role expectation. It is expected that people would act as role models when they see themselves as achieving higher social status in the society. Social status refers to the perception of the entrepreneur about his/her position in the social ladder in terms of economy, society and politics (Su & He, 2010). We reversely coded the original self-evaluation data and summed the average score as the measurement of entrepreneurs’ social status.

**Economic condition.** Firms’ economic conditions influence the boundary of firm actions, including CSR issues. Economic conditions reflect the financial restraints of conducting responsibility for one side and may formulate firm motivations for CSR issues. In this study, we measure economic conditions in a comparative approach, instead of the absolute value. Thus, economic conditions are measured by comparing firm financial performance to industry average level. Specifically, we adjusted the *return on sales* according to each industry profit.
**Political connection.** In China, the government still has great influence on firm behavior although the market is more open. Political connection not only acts as the protection defense for the private entrepreneur, but also an intermediary for obtaining scarce resources. Thus Chinese entrepreneurs are actively participating in government affairs and bridging their political ties. We define the political connection as whether entrepreneurs are the member of regional/national congress or regional/national committee and respectively coded according to the committee level (Li et al., 2015).

**Control variables.** According to previous studies, we control for the firm and entrepreneur characteristics, including industry, firm age, firm size, leverage, and owner age, owner gender, owner education and marketization index.
Table 1 reports means, standard deviations and correlations. In our sample of Chinese private enterprises, 21 percent are classified as family business and 79 percent enter into non-family business group. This ratio differs from traditional high proportion of family firms in China for the more stringent definition by considering the trans-generation succession intention of the entrepreneur. As to the corporate social responsibility behavior, a firm averagely donates 1% of its yearly
revenues for the charity and invests 1% on labor protection. In terms of the entrepreneurs’ social context, the average social status evaluation is 5.33. Most of our sample firms are entrepreneurial firms and have operated for about 8.87 years on average. We also report the owner characteristics of the firm. The average age of CEO is 45.8, lack of University education and only 13% are female. It shows that Chinese entrepreneurs are still male dominated and driven by not so well-educated people.

Table 2 and Table 3 report censored Tobit regression results for the firm, and owner characteristics. Table 2 used Donation as the dependent variable and Table 3 for Labor protection. Model 0 is the basic model, including control variables only. Model 1 adds family business dummy variable to test Hypothesis 1. Model 2 to 4 further incorporates the interaction effect of entrepreneurs’ social context one by one to test Hypothesis 2 to 4. In addition, all the models controlled for the industry effect, although not reported.

**Direct effects.** Hypothesis 1 predicts that family business identity is positively related to corporate social responsibility. Models 1 in Table 2 and Table 3 examined this effect. Model 1 shows that the coefficient estimate of family business on charitable Donation is positive but insignificant ($\beta=0.001$, $t=0.34$, in
Table 2), but family business is significantly positive to Labor protection ($\beta=0.033$, $t=1.88$, in Table 3). It suggests that family business perform better than non-family business in terms of internally oriented corporate social responsibility. Thus we claim that Hypothesis 1 is partially supported.

**Moderating effect.** To test for the moderating effect of entrepreneurs’ social context, we create three interaction variables, Family business*Social status, Family business*Economic condition and Family business*Political connection. Hypothesis 2 argues that family firms conduct more CSR activities than non-family firms when entrepreneurs perceive higher social status. In model 2, the interaction term Family business*Social status on Donation is insignificant ($\beta=-0.000$, $t=-1.15$, in Table 2), but significantly negative on Labor protection ($\beta=-0.003$, $t=-3.93$, in Table 3). Thus Hypothesis 2 is not supported.

Hypothesis 3 posits that entrepreneurs’ economic condition positively moderates the relationship between family business and corporate social responsibility. The coefficients of Family business*Economic condition on Donation and Labor protection are both positive and significant in Model 3($\beta=0.121$, $t=1.68$, in Table 2; $\beta=0.153$, $t=5.22$, in Table 3), supporting Hypothesis 3.
Hypothesis 4 asserts that entrepreneurs’ political connection positively moderates the relationship between family business and corporate social responsibility. The interaction term Family business * Local status in Model 4 is insignificantly and negatively related to Donation, but significantly negative to Labor protection ($\beta = -0.002$, $t = -0.46$, in Table 2; $\beta = -0.003$, $t = -2.48$, in Table 3), thus not supporting Hypothesis 4.

Table 2 Results of Regression on Donation

<table>
<thead>
<tr>
<th></th>
<th>Model0</th>
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<th>Model2</th>
<th>Model3</th>
<th>Model4</th>
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Note: + p<0.10; * p<0.05; ** p<0.01; *** p<0.001; Industry dummies are controlled, but not reported

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<th>TABLE3 Results of Regression on Labor protection</th>
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The results for the control variables are worthwhile to note. Most of the control variables except *firm size* are not significant when the dependent variable is *Labor protection*, but some are significant on *Donation*. Our results show that leverage and owner education are negatively related to firm donation and larger firms (in sales) will provide more donation for society and more labor protection for employees. The direct effect of social context moderators on corporate social responsibility also seems interesting. While entrepreneurs’ social status and political status only promote firms’ charitable *Donation*, firms’ economic condition only helps for *Labor protection*. 

<table>
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Note: + \(p<0.10\); * \(p<0.05\); ** \(p<0.01\); *** \(p<0.001\); Industry dummies are controlled, but not reported.
DISCUSSION

Conclusion

Recent interest in the role of SEW has contributed to understanding the behaviors of family-controlled firms. We extend the understanding by investigating the variations among family firms and non-family firms, specifically those issues related to corporate social responsibility (CSR). We found that family firms did conduct more investments on labor protection but not on donation than non-family firms. It shows family firms are also selectively performing social activities, which are internally and critically related to their long-term growth.

Moreover, we propose that entrepreneurs’ social context would moderate the relationship between family business identity and corporate social responsibility. Our empirical results show that the role of entrepreneurs’ social context differs for internally oriented and externally oriented responsible behaviors. As to the economic condition, measured by industry adjusted financial performance, we found family firms will perform better in donation and labor protection than non-family firms when they financially ranked better in the industry. While for social status and political status, we did not get any significant moderating effect on
donation, but negative and significant influence on labor protection, which is contrast to our hypotheses.

To further summarize, family firms do invest more on internally oriented CSR (eg. Labor protection) than non-family firms, but perform similarly as non-family business on externally oriented CSR activities (eg. donation). As to the entrepreneurs’ social context, externally oriented social context, including social status and political connection partially and negatively moderates the relationship between family business and labor protection dimension, but has no influence on donation. This is different from our assumption. While the examination of economic condition effect is consistent with our proposition, significantly strengthening the family business-CSR relationships. We may infer from these results, when family firms get the top or become the leader in the industry, they would do more socially responsible behaviors on both external and internal dimensions to preserve SEW (Naldi et al., 2013). But when entrepreneurs gain high social status or political connection, family firms maybe have the same motivation to contribute to philanthropy as non-family firms to obtain reputation capital as a kind of invisible strategic resources (Koehn & Ueng, 2010).
Contribution and Limitations

This study makes several contributions. First, this study examines the family business-social performance relationship in an emerging economy, and provides specific theoretical and empirical insight into when and how social context may shape the behavior of private firms. This study constructed a systematic understanding of the motivational factors underlying the family firm CSR activities.

Second, we have more refined measurement of family business, taking into account the family owner’s succession intention. Our study contributes to the research on family firms by suggesting that family involvement in ownership and management may not be a sufficient condition for the family to accumulate and maintain SEW. We argue that this occurs because family involvement only provides family members with the ability to maintain or increase SEW, whereas their intra-family succession intention determines their willingness to do so. Without intra-family succession intention, family members may not use their influence to pursue non-economic goals. To advance this perspective on SEW, research on family business should take both family involvement and intra-family succession intention into consideration.
Finally, we delineate the boundary conditions of family business-social performance relationship. Our empirical findings evidence that entrepreneurs’ social context interacts with family firms to influence firms’ external and internal dimensions of CSR separately, further enhancing our understanding on the evolving nature of family business in China.

A few limitations of this study should be acknowledged. First, we used the cross-sectional survey without considering the influence of the temporal change on CSR. In order to enhance the robustness of research conclusion, researchers could conduct longitudinal survey of firms in order to use panel data in the future.

Second, although we have argued that family firms engage in CSR to accumulate or preserve their SEW, data limitations prevented us from directly measuring all dimensions of CSR and SEW. The measurement needs refined.

ACKNOWLEDGEMENTS
The research is supported by National Social Science Foundation of China (Project No.14CGL011).
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