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The influence of Multi-dimensional Compatibilities on customer attribution in Corporate Social Responsibility practice

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Abstract

Purpose - Civil society constantly questions the fundamental motivations for Corporate Social Responsibility (CSR) practices of corporations. This is highlighted especially when some agitators misuse CSR strategy as a ‘greenwash

tool'. This paper explores the influence of corporate-customer compatibility and customer-cause fit on their judgement of CSR motivation attribution.

Methodology/design - This study briefly traces the conceptual evolution of CSR, drawing upon different scenarios in which enterprises decide to implement CSR strategies. Then the paper conducts a survey among customers in food manufacturing industry. Based on the data analysis it attempts to empirically demonstrate the link between multidimensional compatibilities and customer perceptions on reasons enterprises implement CSR strategies.

Findings –Corporate-customer compatibility and customer-cause fit significantly influence customers' altruistic (egoistic) attribution of corporate's CSR practice. Motivation attribution links multidimensional compatibility with CSR association to help us better understand the customer response mechanism.

Research limitations - The paper chose virtual CSR practice to better control and simplify the model and focus on one industry. And it focuses on motivation attribution as the main antecedent of CSR association.

Originality/value – Firstly, most surveys have discussed the motivation of CSR strategy from a corporate perspective. And the positive impact of CSR practice on customer loyalty and satisfaction has been a highly ranked topic in research agendas. But research linking corporate motivations with customer perception are scarce. Secondly, compatibility is frequently mentioned in the field of cause-related marketing, most of the research discussed the relationship between product line and CSR practice. However, for customers, corporate-customer compatibility and customer-cause fit make more sense. Therefore, this paper advances on the discussion of CSR motivations and links multidimensional compatibilities with CSR association through motivation attribution. Finally, it provides recommendations for developing and implementing positively perceived CSR strategies.

1. Introduction

With the evolution of corporate social responsibility (CSR) research, not only for transnational enterprises, but also for local players, CSR investment has become more significant instead of merely calling for enterprises to be profitable, law abiding, and ethically and socially supportive. Nowadays, CSR plan is not only a slogan or activity that springs from the altruism of enterprises but could also include green supply management, internal human resource strategy, and

community support events that include a wider range of stakeholders: the enterprise, consumers, employees and even the government. Therefore, the compatibilities between corporate, consumer and CSR practices has been put under the spotlight. Enterprises are constantly seeking ways to increase their engagement with target customers in CSR practices to build long-term relationships that build on the convergence of values and motivations. But how would the customers respond to these practices and assume the intentions of enterprise's CSR practices? Customer are more discerning than ever. Good CSR practice in the early stage does not necessarily increase shareholder value in the short term since the “insurance effect” brought about by CSR practice takes time. Do the customers buy-in the practice of the enterprise and think it is doing a right thing – that is, out of altruism instead of just meeting the bottom line? Is having a CSR plan a wise choice that positively results in building the good image of the corporate?

The paper aims to review the evolution of CSR research and taking into consideration attribution theory from the perspective of the customers. It will provide enterprises with 1) a way to consider their CSR plan effect more comprehensively from the perspective of customers perception; and 2) offers an

indication about corporate-customer compatibility and customer-cause fitness influence customer's perception of enterprise's true intention.

2. Literature review on CSR concept progression

Large corporations can no longer ignore topics like green supply chain, social citizenship and human rights while small companies are also called to take social responsibilities into account. CSR has become one of the most controversial concepts in recent years. But date back to 1919, CSR conception was vaguely framed and shareholders are not sure how it contributed to corporate interest and how it is related to corporate management. It was controversial whether businesses should have social responsibilities but pioneers began to call for corporates' concern of the new concept.

Research on CSR have evolved from two aspects

- Level of analysis: moving from a discussion of the macro social effects to an organizational-level analysis of CSR and its impacts on organizational processes and performance; and
- Theoretical orientation: shifting from normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies.

During the early stage, the necessity of CSR was pointed out, but the ‘how to implement specific strategy’ and the ‘inner conflicts’ were still not under discussion. Bowen’s milestone book *Social Responsibility of the Businessman* (1953) argues that corporates are under an obligation to take actions that meet social expectations. However, CSR is not a general solution for all businesses’ social problems. The comprehensive classification of CSR concept was first brought out by Archie B. Carroll. He also proposed the four domains of corporate social responsibility (1979) and pyramid of CSR (1991) to cater to the call for more tangible progress in conceptualization. According to his four-part definition of CSR, social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. Economic and legal responsibilities are imperative as the basis of existence. So existing research focuses more on ethical and philanthropic levels. Based on Carroll’s integration model of CSR and social issues, researchers further develop the idea of “public liability” and considered the relationship between business and society from the social contract perspective.

Even though researchers dissent on the definition of CSR, the topic has evolved to propose more feasible CSR plans. Many authors changed their focus to the real implementation process of CSR, no longer doubting whether it went against the

bottom line of business. Peter Drucker, Philip Cochran and Robert Wood's study relates CSR and financial profitability; and found a positive relationship. As long as Freeman proposed stakeholder framework, the difference between the social and economic goals of a corporation is no longer relevant (*Strategic Management: A Stakeholder Approach; Freeman, 1984*). Corporate performance is not only affected by profits but also by the whole stakeholder welfare, including customers, employees and the government. Topics like customer relations, stakeholder management were also embraced under the development of CSR topic (*Held*). In 1970s, words came that: "whoever does not use his social power responsively will lose it. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it because other groups eventually will step in to assume those responsibilities." (Davis, 1973)

From 1990 until now, the concept of CSR has become almost universally sanctioned and promoted by all constituents in society from governments and corporations to consumers and non-governmental organizations. Profit and non-profit organizations all aggressively built guidelines push forward the movement. In practice, firms start to promote environment protection events to improve air or water quality instead of merely controlling product quality.

By now, supervision on CSR performance are systematically built up. Some firms even redefined their core values and take business ethics into consideration. Corporates publish CSR reports to highlight their image as social citizens. The standards used include “Triple bottom line”, SA8000 as well as IOS14001. These reports make it possible for all the stakeholders to monitor firms’ activities.

An increasing number of companies are committed to CSR practice and the civil society never stops questioning the fundamental motivations for CSR. The ultimate goal of CSR strategy is to achieve the long-term sustainability. Chahal and Sharma (2006) probed into the antecedents and consequences of CSR and their effects on marketing works. Bhattacharya’s research (2001) confirms that CSR significantly affect customer purchasing behavior. The perception process of CSR activities is much more complex than we thought. Plenty of variables influence how people decode the events they observed.

3. Multidirectional compatibility

Many factors need to be considered when corporates decide to carry out CSR activities. In this study, we choose to go deeper into the essential attribute “compatibility”, since there remain controversial opinions on its relationship with the effect of CSR activities. The clarity of the goal or the creativity of the activity

are also mentioned by some authors but still lack formal definition under the CSR topic.

2.1 Corporate-event compatibility

According to cause-related marketing event, many researchers indicate the importance of the fit between corporate and the chosen activity. Information processing theory prescribes that when customers deal with cause-related information, they always seek after satisfactory comprehension level. When two incentives have high compatibility, customer will rationalize the connection and have positive impression on the incentives. But firms are still afraid that if the event has too much relation with the main product line, consumers would attribute it to egoistic motivations.

2.2 Corporate recognition

Corporate recognition describes the compatibility between corporate and customer. This dimension is usually ignored under CSR topic, but we cannot deny that people have desire for group identity. Based on social identity theory, when someone feels he is a member of a group he would try his best to get involved. As a result, they transfer their favor of the group to the judgement of individual member. Applying the theory to the field of CSR, when customers

possess brand identity, would they be more tolerant of the corporate's CSR activities?

2.3 Customer-cause fit

The cognitive process (the 'black box') of customers is so complicated that the congruence between customer and socially responsible marketing initiatives has an auxiliary effect on it. On the one hand, if the target customers are also the beneficiaries they would have more reasons to support the firm. It also means that the customer would be more engaged if they agree with the basic idea as a premise. On the other hand, when consumers have prior relevant experience they might have a stricter judging criteria and higher expectation on the outcome of those activities.

From the side of enterprise, there are myriads of CSR activities and different target customers to choose from. Evaluating these activities and investing in compatible ones is worth a discussion. Linking products with positive association is a most frequently used method. When corporates carry out CSR activities, they seek objects with public support. "Corporate-event compatibility is regarded as the key factor that influence customer perception." (Hoeffler, 2002) However, there is no consistent conclusion whether corporate should choose the activity

that is more “related” to its corporate image or not. Some corporate chooses to carry out programs with the least compatibility in fear that customers would think they are trying to maximize their own profit through speculative activities. Varadarajan and Menon hold different views and claim that CSR activities should ensure the congruence with product line or brand position. The increasing strategic importance and consumer relevance is evidenced in the consumer survey conducted by Cone and Roper (2004). Approximately 80 percent of consumers surveyed stated corporations who support a cause generate greater trust. And they would switch to a socially responsible corporate when faced with a choice of equal product price and quality.

It is a multidirectional problem rather than a unidirectional one. “Compatibility” is still a broad and abstract concept. Customers, corporates, and cause-related events – each two of these three factors influence each other. Social identity theory, information integration theory and equilibrium theory have different interpretation of Fit, Congruence and Compatibility. When customers are exposed to CSR activities they do not only decode the connection among these three factors but also try to recognize and attribute the motives of the corporation. The attribution results vary with the emphasis of activity promotion.

Even though compatibility is a multi-dimensional concept, we still hope to find out which compatibility has the most significant utility. According to Cao's research on the relationship between three-dimension compatibility and customer brand association (Cao, Dai, Zhao, 2012), a simulated experiment of market share shows that corporate recognition counts most, taking 53.5%, followed by customer-event compatibility and corporate-event compatibility, which accounts for 26.3% and 20.2% respectively. Therefore, in this study, we will only focus on the first two primary factors to simplify the model.

Although the importance of all these three factors was mentioned, but few researchers look at it from empirical perspective and reciprocal effect among them. Based on the former foundation of research, we found no consistent conclusion. Instead, we found that the main difference is how they looked at the problem. If customers are driven by the motivation that they perceived, they would doubt the purpose of CSR activity if they think corporate did that egoistically. But if they are more aware of the real effect and how the firm helped the people in need, the consequence rather than the motivation is the main consideration.

Both views are backed up by customer perception theory and only varies in research perspectives. In the hope of understanding customer's response to different compatibility, we need to build up an integrated model to discuss the perception process and mechanism.

3. Corporate social responsibility association and influential factors

Brown and Dacin define consumer's comprehensive knowledge of a firm as "corporate association" (1997). Dowling says the image of the corporate is gradually built up while positive association is accumulated in the consumers' mind. The concept was later being divided into "Corporate ability association" and "CSR association", which influenced each other. CSR association is the attitude towards the target corporate based on the responsibility and obligation the customers perceived (Brown, 1997). These responses reflect the corporate's status and whether they are good citizens or not.

The existing research focuses on the consequences of CSR association, such as corporate evaluation (Brown and Dacin, 1997), purchase intention (Auger, 2003) and customer loyalty (Luo and Bhattacharya), while the research about the antecedents and consumer intrinsic response process is almost absent in this field. Therefore, this paper seeks to examine the customers perception process towards

CSR activities and chose customers attribution of corporate CSR motivations as the variable.

4. Attribution theory

Attribution theory are often used to explain how people illustrate others' behavior. Customer deduce the motivation of corporates' CSR activity by observation. During this process, they do not only rely on advertisements or annual report but add in their own experience and value.

4.1 Corporate motivations

Extrapolating from Carroll's four domains CSR, an alternative approach to conceptualizing corporate social responsibility is proposed. Aimed at the shortcomings of Carroll's model of CSR concept, Schwartz put forward three dimensions of corporate social responsibility: Economic dimension, Legal dimension and Ethical dimension. For economic dimension, he groups activities that have direct or indirect positive economy benefits. In terms of legal one, it shows the corporates' response to law. And ethical dimension points out the moral responsibility which comes from the public or stakeholders.

The three-domain approach is presented in which the three core domains are depicted in a Venn model framework. The Venn framework yields seven CSR categories resulting from the overlap of the three core domains. Corporate examples are suggested according to the new model. Schwartz's three-domain approach is more comprehensive. But, in reality, few corporates are purely motivated by ethical factors. And the firm's CSR practice is just passive response if it is only driven by legal factors. What's more, it is really difficult to distinguish economic and ethical motivations since many ethical motivations can be explained in the way of achieving long-term economic outcomes.

Table 1:

<i>Egoistic</i>	Institutional	<i>Source</i>
<i>Motivation</i>	abide with the law	Carroll (1979)
	protect stockholder	Godfrey
	Economic motivations	
	generate new business	Carroll (1979)
	reduce the negative	<u>Ridurnolu</u>
	improve company's	Harrison
<i>Altruistic</i>	Ethic motivations	
<i>Motivation</i>	maximizing social	Godfrey
	customer welfare	Freeman
	protect environment	Carroll (1979)
	Philanthropic	
	sympathy for the people	Harrison
	believe it is a good thing	Carroll (1979)

As the Table 1 above shows, this paper lists out the existing assumption of corporate motivations. Law abiding, stockholder welfare and employee engagement are the institutional motivations that push firms to exercise CSR strategy due to external pressures to meet basic expectations of society. By now, institutional motivation has become a hygiene factor rather than an incentive to ensure that the operation is compliant. The tension between business goals and social goals cannot be wished away with the hope of co-creating private and public value. By its very nature substantive public value creation requires investing corporate resources for a payoff that is both distant and uncertain. The conflict was gradually resolved when the economic outcome no longer merely equals to short-term profits, but also takes the shape of new business opportunities, brand reputation and long-term intangible value. This motivation is still the biggest factor that drive firms. In other words, corporates would initiate CSR practice so long as it pays back real financial benefits. Economic motivation is the key component of classical economic theory to illustrate CSR motivations. (鞠芳辉, 2006) Therefore, this kind of view treats CSR as a tool and a means to achieve business goals. It is also called an “instrumental view of corporate social responsibility”. Some researcher analyzed the economic benefits brought by CSR activities. Branco systematically sums up CSR’s influence on company’s resource and competency (2006). He claims that corporate social responsibility brings

internal and external benefits for entity. The internal benefit equals to the ability related to technical know-how and organizational culture. While the external benefit equals to goodwill. Godfrey (2005), Baron and Diermeier (2007) even assumed that social responsibility plays the role of an insurance asset for corporates. It can reduce the dampening effect while the firm encounter with negative events. But unfortunately, some firms take advantage of the insurance effect of CSR activities and misuse it to greenwash their self-interest behavior. This paper will discuss the topic separately in the following part.

Even though egoistic factors might be the original motivations for corporates to participate in CSR, we cannot deny that some characterized social responsibility as the “soul” of the corporate. They believe that any business models are inherently based on the consumption of natural resources, no matter how efficiently they are executed. These firms’ prior motivation of CSR practice comes from their altruistic willingness. Giving back to the society is part of their key value proposition. Direct funding might be frequently transformed to non-profit entities or through foundations that are separate from the corporate entity. These charitable endeavors might be supported by the owner of private firms or the executive management teams of MNCs. This makes CSR activities motivated by ethical factors very much a top-down concept. As corporate philanthropy

evolves, it may integrate into its management training system to transmit the value proposition to lower levels.

It's rare that one firm is only motivated by only one kind of motivation, either purely egoistic or altruistic. And considering the disparate motivations underlying the diverse initiatives, it is impossible to force a company to weave all these together and integrate it as part of business strategy. The motivations listed out in this paper is just the first step of the research, to inquire diverse possibilities that encourage corporates, no matter positively or passively to think about CSR strategy.

4.2 Customer response

Drumwright pointed out that even though managers admit fulfilling social responsibility has dual goals of empowering the society and economically self-benefiting, they also believe that from the customer's point of view corporate motivation of CSR practice is simple. It is either to improve the society genuinely or for its own economic purpose. Empirical research shows that customer's judgement of corporate CSR motivation would be affected by the sort (Ellen, Webb, 2000), commitment level (Webb, Mohr, 1998) and timing (Becker, Cudmore, 2006) of the CSR practice.

Since the paper carries out research from the side of customer, to simplify the theoretical model, based on the model created by Carroll and Schwartz, we would classify corporate motivations into two dimensions: (1) Altruistic motivation: to help people in need and (2) Egoistic motivation: to meet the bottom line and the corporate would be the largest beneficiary. And propose the first hypothesis is as follows:

4.3 Pseudo Corporate Social Responsibility

The most direct way for customer to deduce the motivations is to observe the practice of firms. It can be direct funding to charitable organization or its endeavor to protect the environment. Therefore, in this paper, we would use real-life case to build the scenario. But pseudo CSR activities can confuse customers. As mentioned before, there is agitator noticing the insurance effect of CSR activities and promoting the so-called CSR activities as a greenwash tool to shift the focus on corporate scandals. For four successive years, Southern Weekend launched “Yearly Greenwashing List”, revealing a group of well-known enterprises that conduct superficial or insincere display of concern for the environment and social welfare. First, we shall take a look at the mechanism of CSR insurance effect.

Good CSR performance in its early stage does not necessarily increase shareholder value in the short term. The value resides in the formation of moral capital. Once enterprises encounter with negative events, the moral capital will exercise its "insurance" effect to protect stakeholder value. Thus, to some extent, the effect alleviates the economic losses suffered by stakeholders. The empirical investigation of 185 negative events of over one hundred 500 S & P companies that occurred during 1991-2002 has further confirmed the existence of such "insurance effect". Godfrey, Merrill and Hansen also pointed out that only institutional CSR behavior can generate moral capital and have "insurance effect". Low-quality products that cause injuries, quality controlling problems and environmental pollution can all be regarded as negative incidents related to stakeholder welfare. Faced with this kind of incidents, the core of the problem is the attribution of intent or motivation behind the incidents: either evildoers deliberately do bad things or good persons have unwittingly do wrong. If the firm has been identified as the former, then the business will suffer more punishment than the unintentional good firm. Conversely, if the enterprise won good reputation in its early years, then stakeholders may be more tolerant to believe that the damage is due to the negligence and the firm could possibly avoid harsh punishment.

When research showed a strong relationship between CSR practice and its insurance effect, some pretentious firms developed high consciousness of social responsibilities. Instead of proactively taking actions, external pressure is the motivation of their reactive behavior. In this paper, we define this kind of fraud behavior as “pseudo corporate social responsibility”. Extrinsic pressure and information asymmetry are the main reasons of pseudo CSR.

On one hand, extrinsic pressure comes from the stress that external environment changes put on corporate behavior adjustment. The theory of corporate adaptive ability claims that a key success factor is to maintain consistency with the external environment. In order to survive and develop, the firm should improve its ability to adapt to the changing external environment. Pseudo CSR behavior can be seen as an adaptation strategy in response to the global trend of sustainable development. In fact, the boom of sustainability concept has caused new changes in value orientation. That is, social responsibility became the new requirement for business entities. The value orientation increasingly penetrates into the areas of investment and consumption; thereby resulting in the unprecedented development of social responsibility investment and sustainable consumption. It is because society calls for corporate engagement in solving social issues that some firms

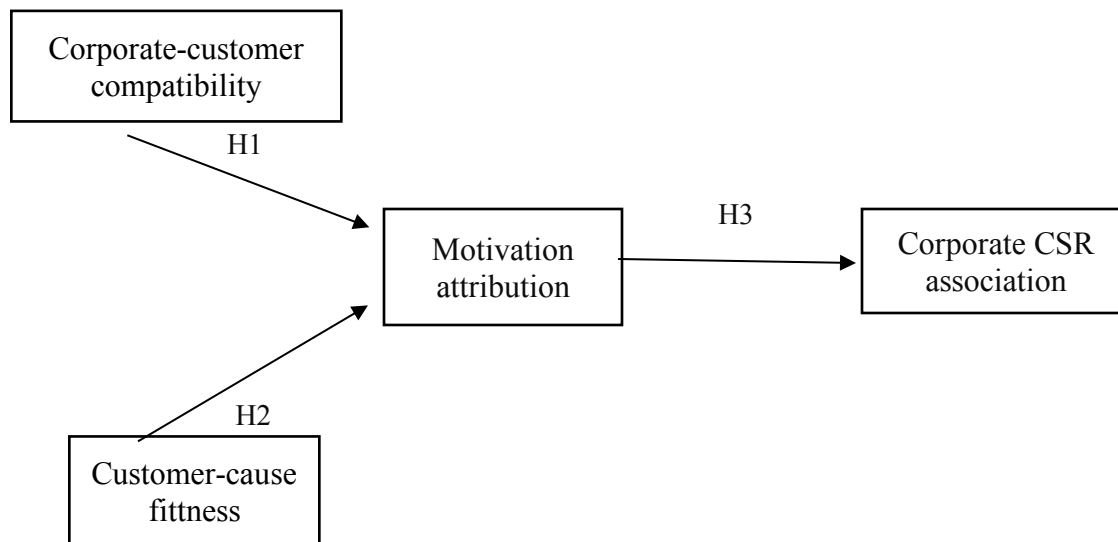
responsively practice pseudo CSR to cater to the new value proposition and the extrinsic pressure; and choose to ride with the tide.

On the other hand, information asymmetry can be commonly found in social politics, business activities as well as in corporate social responsibility. In fact, it is even more difficult since customers lack professional background knowledge and insights.

5. Research method

5.1 Hypothesis and theoretical model conclusion

Before we carry on, it is necessary to conclude all the hypothesis and give a clear theoretical model.



Theoretical Model

- H1: High (low) corporate-customer compatibility will enhance customers' attribution of altruistic (egoistic) motivations.
- H2: High (low) customer-cause fit will strengthen (weaken) customers' positive awareness of CSR activity's consequence.
- H3: Perceived altruistic motivation (egoistic motivation) will strengthen (weaken) customers' perception of corporate association.

5.2 Scenario

In this paper, the scenario we built is to control the variable of compatibility. Firstly, we need to find a certain type of corporate social responsibility practice. CSR can be roughly separated into 5 domains (Kinder): (1) community support (2) concerns for employee (3) environment protection (4) product liability (5) overseas operation

Among these 5 domains, community support and environment protection are the ones have developed the most in the research field of customer response. In China, the concept of community was just raised up and gained great concern. People turn their attention to disadvantaged groups and the community they live in. Women empowerment, education improvement and cultural conservation are

frequently cited as outstanding cases to represent corporate social responsibilities. So, in this paper, we chose community support event to design the questionnaire.

Secondly, we need to select one of the industries that is highly related to our respondents' everyday life. The paper will focus on the food manufacturing industry. Increasingly corporations, whether domestic or multinational, realize the importance of relationship with society in developing corporate and brand reputation. Food manufacturing industry attracts extensive attention in the areas of CSR. If confidence is shaken, the business can be severely impacted and may never recover. The blacklist starts with "Sanlu" baby milk tainted with industrial melamine that led to 158 renal failure and over 6000 illness. Food safety incidences continued to surface and Chinese citizens express great concerns about the danger of adulterated food. Therefore, it is imperative and instructive for food manufacturers to adopt CSR practices to win consumer trust.

In the early 70s, Nelson and Darby defined search goods, experience goods and credence goods. The definition is still widely accepted by scholars. "A search good is a product or service with features and characteristics easily evaluated before purchase." In a distinction originally due to Philip Nelson, experience goods are contrasted with research goods. Product characteristics can only be

ascertained upon consumption, such as quality or price. Credence goods (also called post-experience goods) utility impact is difficult or impossible for the consumer to ascertain even after consumption. Siegel (2007) found that in the group of experience goods, customer perceived CSR level has remarkably positive influence on product association and willingness to purchase. Typical experience goods could be drinks, household appliance and food. So, it makes sense for the paper to choose food manufacturing as the target industry.

5.3 Scale development

(1) Corporate-customer compatibility: Three questions were asked in this dimension, including “I identify with the corporate”, “I feel I’m related with the corporate”, and “The corporate image suits me well”. (Escalas, Bettman)

(2) Customer-cause fitness: The paper refers to the consumer involvement profile developed by Zaichkowsky (1985). The respondents were tested by four questions, including “I think this event is relevant to me”, “the event is important”, “The event is meaningful to me”, “the event is stimulating”. They are required to score on 7-point Likert-type scales (1=strongly disagree with the sentence, 7=strongly agree) based on their own perception.

(3) Motivation attribution: To test which end of CSR motivation (altruistic---egoistic) is closer to consumer perception. The study uses 3 questions out of Olsen's scale.

(4) Corporate CSR association: The association test scale is based on the one developed by Berens et al (2005, 2007). We also use the five-point Likert-type scales in this part to test all the information perceived by customers.

5.4 Control variable

To reduce the consideration time and memory disorder, we listed 15 common food manufacturing companies. Under high fit condition, the raised question is "Among the listed brands, whose brand position most related to you?" Under low fit condition, we asked in the opposite way. And the corporate they selected would replace the virtual company in the scenario we build.

In this study, we choose fictional cause-related events to control the class variable of event involvement. Charity/Health run is popular in China these years. Many NPOs or charitable organizations treat it as one of the innovative ways to attract people to engage into volunteer activities. Thanks to the growing fever of keeping fit, in the name of hiking, the new form of publicity campaign changes cold

fundraising into an affectionate program with human sympathy. A brief outline of the company using CSR attributes was given, followed by the description of the CSR practice. No specifics were given as to the amount of contribution made by the company. Respondents were only informed that the virtual company autonomously developed a mobile application to link the disabled and the jogger. The disabled struggling with life's inconvenience are encouraged post their needs onto the application. The joggers can take the query and deliver necessities of life right to the homes of the disabled. Responses for the assessment of customer-cause fit of the were split into two categories based on the mean response to company-cause fit.

5.5 Data collection

The sample mainly consists of college students (87.34%). It can be accepted in this study because they are educated on business ethics and have basic knowledge of what corporate social responsibility is, or we can say they are conscientious consumers.

We administer a pilot test to 25 students. Based on the feedback, some modifications were made to the items. Follow the effort, we research instruments

with 4 classes of indicators and 3 demographic questions. After the formal questionnaire to determine, we collected 226 validated online questionnaires out of 229. The questions were answered anonymously to ensure the authenticity of respondents' answers.

6. Analysis and findings

In the following part, we use SPSS 13.0 to analyze the collected data. Through structural equation model, this paper concretely verifies the hypothesis model. It's a statistical approach based on covariance matrix to test the complex interaction among variables, especially used for multiple variables.

6.1 Demographic analysis

Table 2

Characteristics		Percentage
<i>Gender</i>	Male	38.86%
	Female	61.14%
<i>Age</i>	18-25	75.55%
	26-30	3.49%
	31-40	10.04%
	41-50	8.3%
	Above 50	2.62%
<i>Education</i>	High school and below	5.68%
	Bachelor	87.34%
	Master and above	6.98%

6.2 Reliability and validity analysis

Reliability reflects the consistency of repeated measurements of the same objects. In other words, how the items reveal the actual situation. Composite reliability was used to assess reliability in this study because Cronbach Alpha may over or underestimate the coefficient when multidimensional measures are applied. Table 3 below shows the reliability of each variable.

Table 3

Variables	Number of questions	CR	VE
<i>Corporate- customer compatibility</i>	3	0.872	0.73
<i>Customer- cause fitness</i>	4	0.870	0.75
<i>Motivation attribution</i>	3	0.890	0.81
<i>Corporate CSR association</i>	3	0.880	0.76

Table 3 scores for four dimensions, ranging from 0.80 to 0.95 and are all higher than the benchmark value of 0.70 (Olorunniwo et al, 2006). Which means each dimension has high internal consistency and the response from the subjects are reliable.

The next step is to test whether the scales we used could help us to evaluate the characteristics that we research for. Convergent validity is supported because all the VE value are all higher than 0.5. Discriminant validity is also accepted since the AVE root square on diagonal are higher than the off-diagonal correlation coefficients.

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Table 4

Variables	CCC	CCF	MA	CCA
<i>Corporate- customer compatibility (CCC)</i>	0.7178			
<i>Customer- cause fit (CCF)</i>	0.04	0.6951		
<i>Motivation attribution (MA)</i>	0.37	0.04	0.6577	
<i>Corporate CSR association (CCA)</i>	0.15	0.04	0.01	0.6486

6.4 Manipulation check

Two manipulation checks were used to ensure that the manipulated variables were perceived differently by the respondents as intended. Firstly, the mean of high customer-corporate compatibility is 5.34, while the mean low compatibility is 3.06. This results in a significant difference between these two conditions ($t = -14.182$, $p\text{-value} < 0.01$),

The second manipulation is the means testing between the high customer-cause fit condition and the low congruence condition showed a significant difference between the two conditions. ($M_{\text{High Fit}} = 5.01$, $M_{\text{Low -Fit}} = 3.78$, $t = 7.831$, $p\text{-value} < 0.01$) all these two checks indicate a successful variable manipulation.

6.5 Model fit assessment and hypothesis test

Given the support of strong internal and external validity, structural modeling analysis is used to examine the hypothesis. This method is more suitable for the model that involves multiple variable relationships. The $\chi^2/df = 3.01$, much lower than the cutoff value of 3.0. But this indicator is very sensitive to sample capacity, and some researchers claimed that χ^2/df is very limited. They suggested on some descriptive measurement to help us better understanding the model. Absolute index is one of them to effectively test the error of model, e.g. RMSEA

takes model saturation into account. So, we changed the emphasis and placed it on SRMR, AGFI, NFI, NNFI, and CFI. All of these indicators are reported in Table 5. They all support the goodness of fit, indicating the acceptability of this structural model.

Table 5: Goodness of fit

GFI=0.94	AGFI=0.92,	NFI = 0.97	NNFI
			=0.98
CFI =	SRMR=	RMSEA=0.047	
0.996	0.05		

In Table 6, all the parameters estimating between items and their associated variables are shown. High corporate-customer compatibility would strongly enhance customer's altruistic motivation attribution. The path coefficient is 0.64, so H1 is supported. As for the second hypothesis, even though the path coefficient is not as significant as H1, customer-cause fit still plays an important role in influencing the skepticism of corporate's motivation. In the research, we assume that altruistic motivation attribution would enhance positive corporate CSR association. Refer to the data, the path coefficient is 0.54, so we also support H3.

Hypothesis	Standardized path coefficient	t- value	Results
H1: CCC-- -MA	0.64*	18.48	Support
H2: CCF--- MA	0.49*	8.77	Support
H3: MA--- CCA	0.54*	10.55	Support

Table 6

7 Summary and concluding remarks

The framework in this research makes several theoretical contributions by enhancing knowledge about the multidimensional compatibility and the antecedents of C-CSR association. The paper provides the following marketing inspiration to help them carry out CSR activities with high “rate of return”.

- (1) When customers feel they are highly related with the brand image or in other words, have high organization identification, they tend to beautify the

motivation of corporate's behavior. Members perceive themselves to be part of the group, so they are emotionally tolerant of other members. In this way, the existed reputation would be significant since it affects customers' credence of altruistic motivation. If the firm performs well consistently and has frequent interaction with its target customers, the CSR actions would be more acceptable and not that unexpected and strange so that gives rise to skepticism. This can also explain why customers are sensitive and antipathetic to pseudo CSR activities. Corporates encountering with scandals are also losing its brand equity. When they try to fix the relationship with customer and win back credibility by fake and short-term cause-related event, customers will link the unusual event with latest negative exposure. They would believe the action is out of egoistic motivation and the corporate just want to put out a fire instead of helping people.

(2) They are thousands of CSR practices for corporates to choose from. The result of this paper indicates that the ones relating to customers' value and have high involvement would be more effective. If the customer has volunteer experience before, they would be more familiar with the concept of corporate social responsibility and appreciate the social response of the corporate. Cause-related event resonates with their personal experience so that customers are inclined to believe corporate sincerely wants to help the poor out of kindness.

This indication requires firms to have a deeper understanding of their customers and try to make customer engaged in the designed activities. Just like higher brand recognition, the more customers be involved in, the more information they could perceive. Some of the CSR practices separate themselves from consumers, which makes them feel like unrelated spectators. As long as consumers have lower involvement their recognition lowers down as well.

(3) How people decode CSR practice is too complicated to conclude.

Motivation attribution plays an important role in customer internal response mechanism. So, the purchasing intent or brand recognition are not the only factors for corporates to consider. Firms should firstly ask themselves whether they really care about the social welfare and want to support the communities.

8. Limitations

In this research, we chose virtual CSR practice as the stimulus. And we limit the research only within the food manufacturing industry. But customers are exposed to real-life cause-related activities every day and those CSR practices could be more complex than the scenario we built. What's more, except for the compatibility between corporates, customers and specific CSR practices, there are more variables determining motivation attribution, such as the periodicity of CSR

practice and the activity creativity. Consumers would also infer whether corporate exercise social responsibilities consistently in the long run or just do it once as a publicity stunt.

9. Direction for future study

At last count, over 4000 companies are part of Global Reporting Initiative, and proposed more than 10 thousand of CSR reports. Even though the number of reports is increasing how could the public know whether or not the corporates really fulfill their social responsibilities? So, we hold that motivation attribution may not the only variable that results in customers' different response to CSR activities. It only explains the view of compatibility from one angle. Sometimes, customers may believe in the corporate's altruistic motivation, but the thing they doubt with is whether the activity can indeed help solve social problems. Awareness of consequences works in this process.

The awareness of consequences is very objective. It is part of organizational behavior theory and measures people's prediction of behavior. In 1991, Jones pointed out that the perceived moral consequences depend on many factors, including psychological, cultural and physical similarities. Jones's study held that higher similarity would contribute to better perceived moral consequences.

However, the interesting part is that when Corey asked the same questions both to corporate managers and customers, and their answers were different. Customer perception is more negative. Therefore, determining how the awareness of consequences influence CSR management is worth looking into. What's more, the awareness of consequences might also explain why some customers choose to disregard CSR activities. That is the result of a general revulsion against the pseudo CSR activities that we mentioned in the former part of this paper. Customers do not believe in that kind of corporates that would help people out of kindness.

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Business Incubation and Technology Start-up's: A review of the concept, impact, benefits and challenges in Indian perspective

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Abstract

Nascent entrepreneurs are people or individuals who are in the process of trying to begin a new firm. New venture creation is a long and strenuous process therefore support from government and local bodies, financiers and local groups will

increase nascent entrepreneurs' motivation to put effort in the venture creation process. India's emerging economy is home to 5200 technology start-ups thereby attaining the third position worldwide after the U.S. and the U.K. (NASSCOM, 2017). In this context, policy makers are interested in the early growth of new ventures and the entire start-up process in a Business Incubation facility. Business Incubators are engines of growth and support for start-up ventures, especially in developing economies like India. Even though the number of business incubators is increasing at an enormous rate, the concept of business incubation has not yet received substantial scholarly attention in India, though it represents a critical area in entrepreneurship research, where a potential body of knowledge is yet to be developed. This study provides a comprehensive qualitative review and evaluation of the literature on start-up process and how business incubation acts as an aid for nurturing start-up ventures to grow and survive amidst challenging environment. The paper also reviews the literature on Indian business incubation and the start-up ecosystem, its challenges and opportunities in a progressive economy like India.

Keywords: New Ventures, Start-ups, Nascent entrepreneur, Business Incubation, Incubators, Accelerators.

Introduction: The Start-up Process

The creation of a new venture is defined as a process similar to biological creation, and has four stages to be considered - conception, gestation, infancy, and adolescence, with three transitions (Reynolds and White, 1997; Reynolds et al., 2000). The start-up process begins when one or more persons commit time and resources to founding a new firm or venture. And if they do so, on their own, and if the new venture can be considered as an independent start-up, they are called nascent entrepreneurs (Reynolds et al., 2000 and Wagner, 2006). There is a period of entrepreneurial gestation prior to start-up, during which individuals become aware of, consider the feasibility, and prepare for engagement in the process of creating a new venture (Atherton & Hannon, 2006). Nascent entrepreneurs are individuals engaged in gestation activities and they statistically represent the sample of the population of individuals in the process of starting new ventures or start-ups (Carter, Gartner, and Reynolds 1996; Gartner, 2008; Reynolds 2008).

Nascent entrepreneurs can have significant consequences with respect to the development in the firm gestation process and the eventual outcome of the process which encompasses various stages such as quit, continued trying, or successfully establishing a new firm (Renko et al, 2012). A variety of perspectives have been used to distinguish the point at which a nascent firm shifts from “gestation” or “start-up” to being “operational” (Gartner and William, 2008). A start-up is said to

have "graduated" when it moves out successfully from an incubator or accelerator (Isabelle, 2013). Graduates of an incubator will possibly lead to innovation, generate new jobs, rejuvenate society, advances technological knowhow, and reinforce the local economic structure (Agarwal et al, 2010). Although new firms may bring new products, structures, ideas and processes to industries and markets, not all entrepreneurs and their firms qualify as innovators. Innovator organizations are those started by entrepreneurs whose routines and competencies vary significantly from those of existing organizations (Aldrich & Yang, 2014). The entrepreneurship literatures have reinforced the theme "New venture entrepreneur is often a person who "rushes in where angels fear to tread" which implies entrepreneurs are people who are willing to bear the risk necessary to bring a new product or service to market (McClelland, 1965).

Start-up efforts differ in terms of the characteristics of the individuals who start the venture, the organization that they create, the environment surrounding the new venture, and the process by which the new venture is started (Barrow, 2001). The motivation to start a new venture varies among nascent entrepreneurs which attributes to different personal and environmental characteristic's (Edelman et al, 2010). A number of factors are likely to influence a person's decision to engage in entrepreneurial activity and subsequently persist in efforts to start a new business

(Reynolds et al, 2002). Young students at school and college have higher orientation to start-up, where the student community has broader social networks, which can influence entrepreneurship and their chance to engage in a business start-up (Renzulli et al, 2000). The environment variables include industry crisis, demand for the product or service, regulatory authorities, predictability of financial markets, and hostility of the environment (Shirokova and Shatalov, 2010). There are a wide variety of areas which influence nascent entrepreneurship, including personal factors, environmental factors, resource factors as well as process-related factors (Kessler & Frank, 2009).

Start-ups are considered, studied and analysed at various levels in economies where the local economies intend to diversify. The measure of overall entrepreneurial activity and potential of new businesses are considered as an area of study by policymakers (European Commission, 2003; Reynolds et al., 2000). Policy makers have the intuition that new possibilities for growth, innovation, and job creation will arise from new ventures (Wennekers and Thurik, 1999). By considering the changes in external conditions over time, factors that affect the emergence of new organizations can be determined (Reynolds, 2015).

Business Incubators and the Start-up Synergy

According to OECD (2002) report, one third of start-up's do not persist the third year and about 60 per cent do not survive through the seventh year. But the percentage of survived start-ups falls to 15–20 per cent among incubated start-ups (Lalkaka 2002). Therefore, many countries have been focusing on establishing incubators at a high pace, and it is assessed that there are more than 2400 incubators in China, 1500 in The U.S., 190 in India, 130 in Israel and close to 50 in The U.K. (NASSCOM, 2016). In this context, early growth of new ventures and the entire start-up process have always been the focus of considerable research effort. Out of which, specific interest has been given to the understanding of the major aspects, features, and circumstances which promote the entrepreneurial practices, new venture formation, and that contribute to their success and achievement (Stuart and Abetti, 1987). Incubating organizations are part of a wide range of activities focussed and aimed towards promoting and creating entrepreneurship (Sofouli and Vonortas, 2006). Business incubators facilitate start-ups in the anticipation that they will later mature into self-sustaining, flourishing companies. New ventures have to face complex problems amidst challenging environment, thus policy makers widely promote an incubation environment as a solution to protect the start-ups from economic hazards. Business incubation can be termed as an innovative, progressing organizational method to generate value by linking the entrepreneurial motive of a start-up with resources normally accessible to large or medium sized

firms (Hamdani, 2006). Business incubators foster young enterprises during their initial years when they are most vulnerable, aiding them to mature, grow and survive into viable commercial firms. Business incubation concept relies on the aspect that if weak but promising with a high chance of growing into successful enterprises can be recognised at a young stage and assisted, major resource loss linked with creative destruction can be avoided.

Decades back, the incubation concept encompassed dimensions and facilities such as office space, shared resources, business support, and access to networks (Barrow, 2001). Later in 1990s, incubators altered their schemes beyond offering infrastructure, trying providing management and in-house business support services to promote new firms learning process (Lalkaka and Bishop, 1996). A business incubator can be termed as a “producer” of business assistance programs in association with the society in which it functions. The start-up firms located in an incubator, can be labelled as “consumers” of those outputs, which function in an interdependent co-production relationship with the incubator (Kelley & Rice, 2001). According to Grimaldi and Grandi, 2005 “The incubation concept seeks an effective means to link technology, capital and know-how in order to leverage entrepreneurial talent, accelerate the development of new companies, and thus speed the exploitation of technology. Incubators assist emerging businesses by

providing a variety of support services such as assistance in developing business and marketing plans, building management teams, obtaining capital, and access to a range of other more specialized professional services. In addition, incubators provide flexible space, shared equipment, and administrative services. After the incubating period, it is intended that ventures graduate to become independent, self-sustaining businesses.

While most incubators have certain common services and activities, however, they also offer distinct services that reflect their own customer-base as well as the specific resources available within their (respective) communities. These differences give rise to different ‘incubating models’. Besides this gush of interest among researchers and policy developers around the world, agreeable statements over the concept of business incubation is not reached. Also there has been no consensus regarding the major factors contributing to successful business incubation (Theodorakopoulos et al, 2014). This interchangeable notion of business incubation/ incubators appears throughout the entire literature, which does not clearly explain the same concept.

In India, Universities play a pivotal role in Business incubation and new venture development. Out of the total number of incubation facilities 56 % are located in the Universities of India and one third are located in private universities of the

country (FICCI, 2017). Out of the total 5200 technology start-ups in India 58 % are incubated in University, indicating the importance played by them in supporting entrepreneurship in the country (NASSCOM, 2017; FICCI, 2017). India also moves along with the global trend of having the most number of incubators in the technology sector. The healthcare sector follows in terms of the number of incubators. Telecommunications, industrials, and consumer goods come in the third spot. The number of incubators supporting other sectors is much limited. The notable point is that more than 50 % of the incubators were set up in the last five years.

Business Incubation- Understanding the concept

Besides the ambiguous nature of definitional paradigms pertaining to business incubators, the core concepts of incubation have always fixated on new venture creation. In the due course many incubators have tried and adjusted their value proposition to meet recent trends and latest incubation paradigms, subsequently generating many incubation models (Bruneel et al, 2011). The various types of incubators mentioned in the literature include Government, Private, University, and Public Private Partnership models (Khalid et. al, 2012). Various models of business incubation have emerged in both developing and developed countries to cater to the specific needs of incubate (Mian, 2014). Incubators are the solutions to deal

with downsides of start-ups such as complications in attaining access to resources which are of tangible and intangible nature (Tavoletti, 2013) by providing the meticulous framework to deal with entrepreneurial problems such as limited access to scientific knowledge, deprived management skills of entrepreneurs and new ventures in most developed countries. Researchers are trying to develop a process model to explain how and why the incubation process enables incubate growth and development. Business incubation can be analysed as a combination of creativity, entrepreneurship and innovation (Joseph P. Eshun Jr, 2009). As policy makers struggle with policies to stimulate the promotion of innovative technology-based firms (TBFs) in their respective entrepreneurial zones or areas, they are subsequently in quest for suitable mechanisms to help and stimulate these economic development objectives (Mian, 2014) and business incubators are perhaps the fastest growing approach to economic development and job creation which provide mechanisms such as physical facilities that “incubate” new and small ventures by providing them with varying support services and other assistance (Udell, 1990). Due to the difficulties met by small ventures, governments foster and support the development of a protected environment, in which these start-ups can ripen (Lalkaka, 2003).

Business Incubation- Impact

Business incubators act as a mechanism to nurture economic development pertaining to role of entrepreneurial movements in the economy (Gstraunthaler, 2010) and those which are primarily not for profit, function in communities with high levels of entrepreneurial activities in support of a large body of small ventures, else they can be formed in places that lack business existence to boost the formation and evolution of small business ventures (Qian et al, 2011). Thus the economy is increasingly influenced by incubators which have been observed as helping to build entrepreneurial cultures and clusters, acting as a catalyst for the development of integrated business support networks which include finance providers, universities, business schools, large companies, business professionals and government bodies (EUBICs, 2000). Advisors who are from various industries and professionals having prior experience will be able to assist entrepreneurs by providing access to varied information and to resources like venture capital, publicity, marketing, media attention, and access to potential customers, employees, thereby supporting venture survival and growth (Puķīte & Geipele, 2015). Although critical elements of successful “incubation programmes” are stakeholders; local demand; a range of facilities and services; effective management; throughput of businesses; economic impacts (Barrow, 2001) business incubators also provide a wide range of entrepreneurial services to their incubates including evaluating innovative ideas, financing, and helping them to develop and grow (M’Chirgui, 2012) providing

mentoring and training by experienced entrepreneurs who are able to bring increased knowledge and awareness to a new venture (Hackett and Dilts, 2004). Business Incubation provide clear advantages for progressive enterprises and a source of reference, knowledge and enabling skills in a “safe” environment, providing an incentive for immediate or future development of new enterprises (Voisey et al, 2006). Amidst all the positive sides, incubators alone are found to be insufficient to make an impact on business survival; rather other factors in conjunction with business incubators play a major role in the existence of firms (Mas-Verdú et al., 2014). Thus, incubators implementing a focused strategy and incorporating a wider network are able to increase tenant survival and growth through its customization approach (Vanderstraeten, 2014). The science park and similar initiatives such as incubation centres in the developed countries are setup to create an environment for innovation and entrepreneurship (Mubarak and Busler, 2014); for active collaboration between academics and industries; for brainstorming ideas, information, experience and services (Pals, 2006) for the growth of latest technologies and their timely transfer to the end user (Manjunatha and Nagesha, 2012).

Business Incubation- Benefits

Incubators play an active role in nurturing businesses and creating jobs. The support of mentors and advisors will provide a strong foundation for survival during the initial stages of the start-up ventures (Wynarczyk & Raine, 2005). Considering from an incubator's perspective, an incubate has the advantage of paying rent at below-market costs for workplace area, incubates support and network with one another, and every single tenant receive all aspects of business consulting services obtainable to them inside an incubation facility (Temali & Campbell, 1984, Allen & Rahman, 1985, Mian, 1994). Even though most number of entrepreneurs would have started on their own without the help of an incubator; entrepreneurs value the use of physical services, advertising and marketing, and risk management, insurance, and government grants that are being offered in an incubator (Allen & Rahman, 1985). There are substantial differences regarding the innovative output of incubated and non-incubated start-ups. The notable outcomes are job creation, education, and networking (Colombo & Delmastro, 2002). Incubators that offer coaching such as training and access to networking show higher rates of graduation of companies and there is significant difference among profit and non-profit incubator types, where graduation rates are higher for the latter (Peters et al., 2004). An incubation facility offers major benefits such as brand value, credibility, access to funding and business networking (Rothschild & Darr, 2005). Incubator mission and objectives should be in place with the services offered

by incubator in order to obtain the desired outcomes. The mentors and advisors should possess good technical and managerial skills to support a tenant (Von Zedtwitz & Grimaldi, 2006). The value addition for the tenants in an incubation facility is a combination of both tangible and intangible resources offered by the facility. The most important element of incubators in the early stages is tangible incubator services. But networking and clustering are the most important intangible factors behind firm success (McAdam & McAdam, 2008). Others include intangible benefits such as networking and opportunities, where a key role is played by the trust that allows exchange of information (McAdam & Marlow, 2007).

Business Incubation – Indian perspective

Business Incubators in India have existed since 1980s, under the Government of India and in the late 1990s private industries also joined hands. India is progressing leaps and bounds with its emerging number of new technology start-ups which are expected to grow at the rate of 8-10%. Incubators have played an important role in this growth by mentoring start-ups, nurturing ideas, providing technical support, helping them generate funds, and acquiring new customers. The role of incubators is to incubate ideas, help in product development, and provide seed funding whereas accelerators provide mentorship to companies with at least a ready version of the product, helping them scale-up (NASSCOM, 2016). In India the incubators

and accelerators are classified among four groups such as Corporate by Large Corporates, Independent by Independent private centres, academic by academic institutes, and Government supported which are started or supported by Government. According to NASSCOM, 2017 report the Indian incubator and accelerator ecosystem is estimated to grow multi-fold in the upcoming years, owing to the impetus given by academia, government and corporates. Incubators and accelerators (I/A's) play a major role in transforming the Indian economy by creating a sustainable start-up ecosystem. The number of incubators and accelerators has grown tremendously in place with growing number of start-ups. Incubators mainly deliver support throughout the start-up life cycle, accelerators are mainly concentrating on the growth and acceleration stage of the start-up ventures.

With the rise in awareness about start-ups and start-up initiatives along with 'starting your own thing' among young students, both public and private sectors are coming together to help find the next billion dollar start-up in India (NASSCOM, 2016). Entrepreneurship is flourishing in India and is now considered as the key to regional as well as national economy booster. Tier I cities in the country (Bangalore, Delhi and National Capital Region (NCR), Mumbai, Chennai, Hyderabad) are home to successful. On the other hand, the start-up boom is not

confined to the Tier I cities rather it is rapidly spreading throughout the country. Tier II cities (Kochi, Indore, Bhubaneswar, Ahmedabad, Lucknow) are quickly emerging with flourishing innovative incubator models. Incubators nurture young firms to grow, survive and establish during their start-up years, and can play a key role in the economic development of a community or region. In developing countries, including India and other similar countries like Israel, Business incubators can be promoted as a measure to help develop local economies, stimulate technology transfer, create new ventures, and produce new jobs (Al-Mubaraki & Busler, 2013).

In the last few years, India has emerged as one of the world's largest start-up centres and ranks third in the number of start-up incubators and accelerators in the world after China and the US. About 40 per cent of the total 190 active business incubators and accelerators are located in secondary cities such as Ahmedabad, Pune, Jaipur, Lucknow and Chandigarh. The Indian government too, has stepped up its support for start-ups, launching a special fund to invest in start-ups as well as offering tax breaks and bureaucratic simplifications within the Start-up India program. Start-ups created 65000 new jobs in India in 2015, 80000 in 2016, and crossed 100,000 in 2017. By 2020 the number is expected to touch 250,000 annually. Start-up incubators have grown from 80 in 2014 to 190 in 2017 (FICCI,

2016). Out of the total number of incubators, 90 are academic, while the rest are corporate, government supported and private in nature. Over the next 10 years it is expected that at least a minimum of 100,000 start-ups to come up, create \$500 billion of value and employ 3.5 million people, the largest high-quality employment in any sector.

Typical services provided by Indian Business Incubators include: Workspaces for entrepreneurs, High Speed Internet and Wi-Fi connectivity, Well-equipped conference and meeting rooms, Research Labs & Library Access, Start-up Boot Camps, Investor Networking & Pitching Sessions, Early stage investment and Seed fund providers and Mentors, E-Summits (attended by CEOs, investors, start-up founders), Entrepreneurship workshops, contests and networking events, Alumni Mentorship, Faculty and Industry Advisor Support, Technical & Leadership Training, Legal and Intellectual Property Services

Challenges - Indian Business Incubation

In India, it is assessed that there are about 190 start-up incubators out of which half are set up in non-metro cities outside National Capital Region, Bengaluru and Mumbai. But, India has witnessed many upcoming and funded start-ups shutting down due to lack of management experience, mentoring, training, guidance, and

consulting. Start-ups usually have a higher mortality rate of around 75-80%. Therefore, promoting sustainable business incubation environment has become inevitable for small firm growth, to reduce the chances of start-up failures in developing countries like India. The government support towards the is indeed vital, and can benefit in many ways as seen in Israel, Singapore and other countries, consistent and focused initiatives.

Even though India ranks third among the number of technology start-ups, there are only few incubation centres in India to cater to the need of the registered start-ups. The number of incubation centres are moderately less when compared to its counterparts US (1500 incubators), and China (2400 or more). Since India is in constant competition with its equals in attaining the first position, as well as to put India on the global innovation map, it is desirable to have a greater thrust in promoting and setting up of more technology business incubation centres to cater and nurture progressing number of start-ups. Even though successful and proven models of business incubation exist in India there are a lot of challenges ahead which needs to be resolved. Major challenges are include Lack of Mentors, Lack of Infrastructure, Limited access to funding, Limited contacts with the Industry, Limited Time Period for Incubation/ Acceleration and Evaluating start-ups is a big challenge when the number of start-ups are increasing at an alarming rate. Also,

the numbers of start-up applications are relatively high in India, the process becomes extremely tedious and time consuming as compared to the developed economies where benchmarks are well defined for the process of business Incubation (NASSCOM, 2016).

Challenges- Indian Start-ups

Even though the future of India lies in a strong start-up ecosystem, it must be noted that India still remains a nation with rigid rules with unfavourable conditions of doing business raking as per the World Bank report. Even though the government policies are slowly and steadily increasing, and start-up India movement has energized start-ups and entrepreneurs, there are some key challenges which are difficult to conquer such as:-

1. **Government Policies-** Due to stringent rules, laws and regulations, it is cumbersome for an aspiring entrepreneur to put forth tedious effort in starting a new venture in India than most of the other places in the world. Moreover, after launching a new business through year's long struggle, it takes even a bigger hassle to comply with individual sector, department, state and centre laws.
2. **Talent Acquisition-** Since start-up industry has already faced mass firing and downsizing in the past decade skilled talents are hesitant to join the industry.

Also, start-ups in the initial stage have lesser pay than their counterparts in the corporate world. Most new ventures in a bid to outperform, hire inadequate talent without proper process, and lastly wind up on the trailing side.

3. **Funding-** Raising the capital in the second stage has been an extensive and tiresome challenge for start-ups. Initial funds like angel seed investment is simpler to discover, as the sums are littler, it has become substantially harder to go for later stage rounds, as companies burn too fast and do not look at unit economics. Very limited funding is available in forms of larger cheques in India.
4. **Geographical variations-** The geographical spread of start-ups in India show an interesting trend in growth and number. The Tier 1 cities accounts for about two-thirds of the angel and venture funding. Tier 2 cities received 31% of the total investment and start-ups in Tier 3 cities accounted for only 2 % of the total investment. There exists an immense gap in the chunk of investment received by start-ups in Tier 1 cities and the other two tiers.
5. **Inadequate number of business incubation facilities-** the numbers of business incubation centres are very less in India. As India has more number of rural areas, the connectivity and reachability of business incubation facilities for the village residing population is still a matter of concern. China tops the list with more than 2500 incubators and US follows with more than

1500, whereas India has only 190 incubators which shows a high gap in the start-up incubator ratio.

6. **Infrastructure deficit-** Being a nation of 125 crore people, India is a huge market for start-ups to flourish, but owing to inadequate infrastructure start-ups are not able to penetrate in rural areas, major lack of facilities such as roads, internet and even electricity or telecom penetration is a matter of concern.

Without overriding these challenges entrepreneurs and start-ups cannot build a big business in a country like India. India with its emerging market has many interesting challenges but at the same time, provides many opportunities to solve them too.

Future Prospects

India's has witnessed a tremendous growth in the number of start-ups and the business incubators and accelerators continue to play an important aid in the growth of the Indian start-up ecosystem. This momentum has even triggered big corporates and established enterprises to start their own start-up programs in India. Not only does this benefit the potential entrepreneurs of the country, it also provides a platform for large and established companies to bind the possibility of the

alternative thinking and problem solving approach that takes place in start-up scenario. Incubators/Corporate Accelerators collaborate for co-innovation and co-product development that can help in solving customer centric problems. Start-ups are typically the centres of innovation, and larger companies are very good at scaling the innovative ideas, this co production potential can be tapped by associating with incubators. Since publically funded business incubators are also starting to make their presence felt, one of the newest trends to be noted in the Indian incubator and accelerator ecosystem is partnership-driven and sector-specific incubators and accelerators. Academic institutions, business industries and the central and state government are joining hands to set up sector-specific accelerators and incubators (Radhakrishna & Goud, 2017). These initiatives will certainly boost the growth of incubators and accelerators in the secondary cities of India, moreover big corporates are eyeing on start-ups for innovation and therefore more number of sector-specific incubators and accelerators will develop in the forthcoming days. Technology is the core focus where the major focus is on Big Data/ Analytics and Cloud, followed by core technology such as Internet of things (IoT), 3D manufacturing, Machine Language/Artificial Intelligence. Fin-tech, Healthcare, followed by Retail, Education-technology, Manufacturing are also some of the major focus areas (NASSCOM, 2017). In order to promote technology start-ups, the Kerala state government has launched the world's first online

incubator SV.Co, exclusively for college students to help them take up entrepreneurship (Kurian, 2016). The online platform SV.CO means to convey a fully digital incubation platform to five million students in 3,500 universities all through the nation. The aim is to establish a world class start up system to a huge mass of students in India consequently constructing a superior eventual group of business people in the nation. The programme, modelled on technology incubators in the Silicon Valley, US, offers both physical and virtual incubation for business communication and networking.

High net-worth individuals, local businesses and established entrepreneurs are grabbing opportunities to fund start-ups, though conventional white-collared investors may be uncommon in India's rising start-up hubs. Corporates are leveraging non-profit entrepreneurship networks such as Nasscom and The Indus Entrepreneurs (TiE) to engage with start-ups in India. Investment networks and entrepreneur support organisations are also co-creating events. There are co-working spaces, business contests and start-up conferences which also support and collaborate with the founders. It is notable that in the past decade many foreign start-ups have also started operations in India. In most sectors, there has been an equivalent Indian start-up to that of a foreign start-up (FICCI, 2017). Start-ups vary from the ones developing solutions for various grassroots-level problems in sectors

like healthcare, education, clean energy, agriculture, to those trying to solve India-centric problems with the use of modern, innovative and indigenous technologies. Even though the major chunks of start-ups are in the Tier I cities of India, the latest trend shows a tremendous increase of start-ups in the Tier II and Tier III cities driven mainly by the growth of active incubators and accelerators (Dutta, 2017). Further, the Government of India has introduced actions to develop a sustainable start-up ecosystem by initiating collaboration between government, industry and institutions, and catering to start-up challenges through innovative and sustainable measures. Such effective and proactive solutions have activated the growth of incubators and accelerators in tier II and III cities, which offer cheap manpower, lesser real estate investment, and inexpensive amenities to start-up companies with scarce or limited budgets (Balaji, 2017). Since, India's regional governments have acknowledged the importance of entrepreneurship; it seems to be assured that India's start-ups will begin to rise to secondary cities and rising metros, spreading the prosperity and innovation across the country in the years and decades to come. In addition to many future prospects and opportunities mentioned, there are as much limitations in the road of success for start-ups and business incubators in the country.

In India, B2B start-ups show higher stability, in 2016, 64% of B2C start-ups failed and it increased to 80% in 2017(NASSCOM, 2017). Most of the schemes in India are focussed for start-ups and the incubators in software industry. The infrastructure, facilities and the funds offered for hardware start-ups are very less, thus only a few venture into hardware start-ups. Although start-ups are seen as the need of the hour solution, the government is not deepening its efforts to create a sustainable start-up ecosystem (Vignesh, 2016). For instance, the government does not want to take risk when large investments are involved. Therefore the government should eliminate funding eligibility barriers, so that start-ups can participate and compete on equal grounds. The policies and programmes should be framed so as to ease the process for a start-up to grow and survive. The major challenge lies in providing mentorship to start-up because most start-ups do not know what they essentially want to do and undoubtedly do not know how to do it; they are doing just what they have been told to do. Compared to the enormous volume of start-ups, there is a dearth of good mentors in the Indian start-up ecosystem (NASSCOM, 2017). Furthermore, despite the effort of state governments launching competitive schemes, cities in the Northeast of India have hardly any takers for state incentives. Even though there is a consistent one per cent increase in the participation of women entrepreneurs since 2015, the overall number of women-led start-ups continues to be small (NASSCOM, 2016). Despite

the fact the government policies are slowly and steadily increasing, it must be noted that India still remains a nation with rigid rules with unfavourable conditions of doing business ranking as per the World Bank report. Therefore, in order to cultivate a sustainable ecosystem for start-ups, the research culture has to be intensively developed in the Indian start-up and incubation system to make it more practical oriented. Many challenges and barriers are yet to be solved through the government structural norms and policies. It is the need of the hour to go beyond theory, exploring deep into a focussed research and create a conducive environment to cater to the diversity of start-ups.

Conclusion

Even though incubation is a widely accepted phenomenon acting as an aid to start up activities, researchers have been mainly focusing only on new business development in entrepreneurial research papers, and there is little work existing on how incubating businesses develop within the incubator which outlines the experience of the incubates (Cheng & Schaeffer, 2011). Even when much research is done regarding new ventures, the extent to which business incubation supplements value to them has always been a substance of enquiry (Bruneel et al., 2012). The concept of Business Incubation has been quite successful in India over the last decade, with over 500 start-ups successfully graduating from their

incubators thereby creating value to the national economy. However, the challenges faced by them such as a lack of sufficient mentorship, follow up activities, lack of continued funding, and other bureaucratic issues persist which prevent the incubators in successfully achieving the targets. Future prospects seem to be high and wide for incubators as well as start-ups in the country, thus timely intervention by the central and state governments are needed to overcome the challenges by bringing together the key stakeholders of the ecosystem including start-up incubators/accelerators, angel investors, venture capitalists, start-up support groups, mentors and technology corporations to attain a global position in the start-up ecosystem.

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Discovering an Entrepreneur's Journey from Idea to Reality: A Phenomenological Study

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Introduction

Of late, the world is taking a renewed interest in Indian economy. According to International Monetary Fund (IMF) estimates, with a Gross Domestic Product (GDP) of US\$ 2.61 trillion, the developing mixed economy of India is the world's sixth largest economy (IMF, 2018) while World Bank estimates that India with US\$ 9.46 trillion is the third largest economy by purchasing power parity (World development indicators, 2018). India's ongoing growth story was the topic of World Bank's "India's Development Update" issue released in Mar 2018 wherein it was reported that India's rank in 'Doing Business' has improved from 130 in 2017 to 100 in 2018 (World Bank, 2018). This was the highest year-

on-year improvement ever experienced by any country and was the result of numerous reforms undertaken in various areas of the economy. An off-shoot of this growth story is that India is in the process of becoming a leading start-up hub of the world. It is expected that the number of start-ups in India is expected to increase from 3,100 in 2014 to a mindboggling 11,500 by 2020 (Yadav, 2016). The Global Entrepreneurship Monitor (GEM) 2016-17 report finds India ahead of global average in terms of perceived opportunity rate for entrepreneurship (with an average score of 44.92 against global average score of 43.43) and its impact on India's Innovation rate very near to global average (with average score of 25.60 against global average of 26.50) (Global Economic Forum, 2018). The reasons attributed for the emergence of such an impact are entrepreneurial action and development of start-up culture that drives an individual to nurture entrepreneurial aspirations, which featured prominently in a October 2016 study themed "*most Indian young employees aspire to be an entrepreneur*" who are undeterred by the prospect of failure. (Irving, 2016).

Although, almost all indicators provide a positive outlook towards entrepreneurial culture in India, that fact of the matter is that small businesses and/or entrepreneurial ventures also witnesses sizeable failures or closer rates. (Bann, 2009). Though due attention has been paid to entrepreneurship development

process in developed economies (Krueger *et al.*, 2000), there is a paucity of research on entrepreneurial intentions in developing economies (Iakovleva *et al.*, 2011).

There are two methods to gain an in-depth understanding of entrepreneurship in developing countries; 1. Contrast the studies of developing economies with other developing or developed countries (Bruton *et al.*, 2008); 2. Understand an entrepreneur by examining traits, characteristics, qualities and how he or she moves through a start-up (Bann, 2009). Two prominent frameworks for the study of entrepreneurial process as suggested are the theory of planned behaviour (Ajzen, 1991) as per which the intention behind an entrepreneurial process are the personal and social factors of an individual and the second one is attribution theory (Heider, 1958 in Shaver *et al.*, 2001) which has primarily been used to describe causes of entrepreneurial failure.

The journey of an entrepreneur is defined in myriad ways. It ranges from an individual who establishes business with the sole intention of making profits along with associated risks (Boyet, 1997) to present day culture of going in for start-ups, venture creations, and unicorns. The management of unexpected and discontinuous events has also been considered as a significant learning source for

entrepreneurship (Sullivan, 2000). It is the journey into uncertainty displaying bravado that propels the individual to achieve a worthy goal by taking appropriate actions (Kilman *et al.*, 2010). An entrepreneur is one who is endowed with more than average capabilities in the task of organizing and coordinating various actions as required (Walker F.A. in Mohanty S.K., 2005). The understanding of entrepreneur and entrepreneurship has come up a long way and has been defined as the coordination of four key elements - innovation, risk-taking, vision, organizing skill - which result in operational excellence (Vasant Desai, 2006). The journey that they undertake results in various interpretations and perceptions about the events that mould their deeply held beliefs, and values that in totality contribute to the experiences of an entrepreneur. Exploring the lived experience allows the researcher to explore the depth of understanding and insights, which have not been realised previously thereby arriving at a comprehensive understanding of what an entrepreneur really is besides exploring the factors that contribute to the entrepreneurial pursuit.

This study aims to provide an ‘insider perspective’ into an entrepreneur’s journey. It thereby also addresses the concern expressed by Shane and Venkatraman (2000) wherein they concluded that entrepreneurship has proven difficult to define theoretically, delimit empirically, and thus call for contributions from

alternate methodological perspectives. Therefore, the following are the research questions framed for the study:

RQ 1. How to turn an idea into reality?

RQ 2. How entrepreneurs achieve their dreams?

RQ 3. What are the factors, which influence/aids the entrepreneur process?

Literature review and theoretical backdrop

Entrepreneurship

Entrepreneurship has been defined as “*the process of acquisition and value creation led by entrepreneurs in an uncertain environment*” (Mishra and Zachary, 2014). This process is not in isolation or autonomous as entrepreneur’s intention and resources are intrinsic to the complete process. As per literature, majorly it comprises of a two-stage process with inter-dependence on various factors (figure 1).

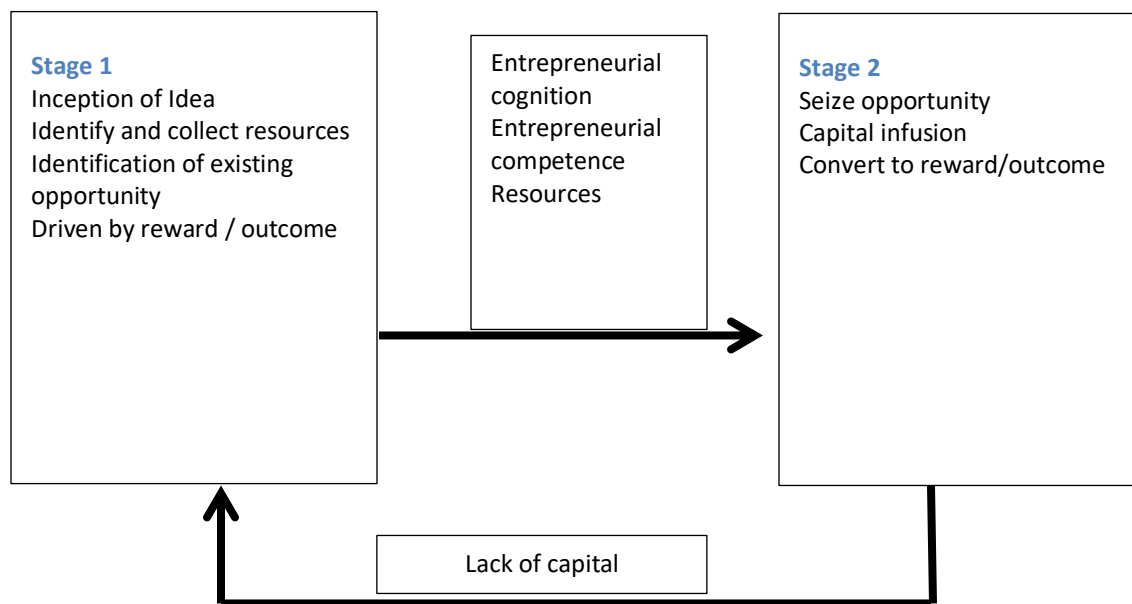


Figure 1: Entrepreneurial two-stage process

From among multiple arguments and interpretations by various researchers like Cartland (1984), Gartner (1988), Bull and Willard (1993), Shane and Venkatraman (2000) the definition that best covers all aspects of entrepreneurs has been given by Timmons (1999) who contended “*entrepreneurship is much more than the way of thinking, reasoning, obsessed with opportunity but it results in value which is not just for owners but also for all stakeholders associated with business underlying theme is to convert opportunities into rewards*”. In recent

years, the major focus of entrepreneurship research is to determine the extent to which an entrepreneur is different from non-entrepreneurs. Entrepreneurship has been defined as an emotional journey (Baron, 2005) in which entrepreneurial behaviour has been defined from passion to do something, optimism and enthusiasm in achieving (Cardon *et al.*, 2009) on one extreme to grief, doubt and fear on other extremes (Shepherd, 2003). It has been concluded that general character traits are causally too distant from actual entrepreneurship behaviour (Gartner, 1988) which led researchers to compare entrepreneurs with other business entities along more cognitive dimensions (Mitchell *et al.*, 2002). Research has concluded entrepreneur as having personal qualities like appetite for risk-taking, strive for innovation, inherent initiative and in totality do things differently as compared to non-entrepreneurs.

Approaches to study entrepreneurship

Much like social research, research on entrepreneurship has also been conducted with positivistic and interpretive approaches. The positivistic approach attempts to uncover various cognitive processes aimed at capturing the intra-individual perspective and uncover mental processes as an individual interacts with other individuals and his/her surrounding environment (Burguland, 2015). The cognitive properties possessed by the entrepreneurs are assumed to be existing

independent of the situation in which they act and thus can be studied in a fairly straightforward fashion (Burguland, 2015). The focus is on the dimensions under which an entrepreneur processes and stores information and thereby make sense of the behaviour (Mitchell *et al.*, 2002). As it is rooted in cognitive theory the primary aim of this approach is to explore personality traits which place him/her apart from others. In order to capture these traits, research methods include both inductive (Baron, 1998) and deductive (Sarasvathy, 2007) instruments in the form of questionnaire-based instruments to making detailed analysis of specific cases. Research using this approach revealed entrepreneurs having high risk-taking propensity with a unique set of cognitive processes (Palich and Bragby, 1995). Busenitz and Barney (1997) comparing the working style of manager and entrepreneur showed that latter are more confident in handling complex and taking strategic decisions. On the other side of the spectrum, researchers using social constructivist approach though also attempt to study personality traits but the focus on understanding how an individual utilises resources or focuses on processes through which an individual constructs narratives and storylines that make sense of both their identity and other activities (Gergen, 1991). Being subjective in nature, data collection here is by means of qualitative methods like interviews, ethnography study, and secondary data analysis wherein link between entrepreneur's action and underlying thoughts are studied.

Limitations of exiting approaches to study entrepreneurship

Though, both the approaches contribute to the understanding of entrepreneurship, they have their own limitations. On one hand positivistic or cognitive-based approach is situation- specific and operate on the sub-conscious level on the other hand interpretivist approach though focuses on how an entrepreneur creates his/her world but as a result downplay the richness and ambiguity of entrepreneurial life (Burguland, 2015) and hence fails to capture key elements like decision making, coping with uncertainty and building tolerance of ambiguity. Donald (2014) in their review of research methods adopted in entrepreneurship research from 1985 – 2013, found major qualitative bias. Consequently, they urged researchers to be transparent in their reasoning and explicit in use of whatever methods and methodologies employed. They further argue that dominance of qualitative methods means that instead of why and how, emphasis ought to be on measuring why, where, what, when, how big, how long, how many and how much of entrepreneurship. Kyro and Kanaka (2005) who reviewed the publication of entrepreneurship research from 1999 – 2000 have made a similar observation.

Taking further on the observations made on approaches adopted for entrepreneurial research it is felt that if the aim is to find answers to why and how

nothing can be a better alternative than to go into the phenomena of entrepreneurship and thereby feel and understand the nuances or dynamics of the complete process. Though methods like grounded methodology, ethnography study also provide a subjective perspective of the process but are unable to provide the perspective of the complete journey as a process including getting the feeling of the various ups and downs, frustration, challenges and travails of the journey. Phenomenology as a research method has established itself as a viable alternative to understanding the complete process.

Phenomenology: a viable alternative

Phenomenology literally implies study or description of phenomena as derived from two Greek words phenomena (appearance) and logos (reason) (Pivcevic, 2014). Hammond (1991) defines phenomenology as the description of things as one experience or of one's experience of things. M Heidegger and Alfred Schultz later developed phenomenology as a method that evolved from the works of Edmund Husserl. It has found its application in the field of sociology, psychology, health science, and nursing. Phenomenology as an approach aims to provide the experience of the lived world or *Lebenswelt* as described by Husserl thereby representing the world of immediate experience rooted in context. It is based on the premise that human beings cannot be studied in isolation from the

world in which they live and interact with fellow-beings. Husserl pioneered transcendental phenomenology, which means that one must go beyond his/her natural attitude to a philosophical one (Moustakas, 1994). The move from natural to philosophical attitude requires separation of one's pre-supposition termed as bracketing or phenomenology epoche, which helps a researcher to see elements of phenomena more closely and narrowly. In contrast to the concept of Husserl's bracketing of commonly held beliefs, Heidegger evolved a method of existential phenomenology in which an individual is not studied separately from the environment in which he or she lives but is the study of the totality of the human beings (Thomson *et al.*, 1989).

The phenomenology also stands to the test of ontological and epistemological stance as it the stance that determines the methodology adopted by a researcher to create a context in which research is being conducted (Guba and Lincoln, 1994). Therefore the subject under research along with the ontological and epistemological stance of the researcher determines the choice of research method. To understand why and how an individual embarks on the journey of entrepreneurship, it is necessary to understand the thoughts and emotions of participants as they traversed uncharted waters.

Methodology

To understand the entrepreneurial process the study adopted phenomenology as the method to gain valuable insights into the process. The study focused on two categories of entrepreneurs one; who singlehandedly founded a business/entrepreneurial activity recently (1-2 years old) and second who founded an organisation, which is successfully running for a period of more than 10 years with annual turnover ranging from US\$ 10 million - 20 million and US\$ 500 million – 800 million respectively. The study also focussed on only those entrepreneurs who have founded the business themselves and not inherited.

Sample and procedures

Bann (2009) argued that in phenomenological research sample size is not a major limiting factor due to the nature of data being captured and insights which it provides and thus do not follow any notion of representation similar to other qualitative and quantitative studies. Chell (2000) argued that qualitative researchers maintain that there is significant value in focussing on smaller samples to gain a more in-depth understanding of the workings of various business organisations. Accordingly, a total of 04 entrepreneurs were selected from the initial group of 08 entrepreneurs for the study. Though age was not a factor for purpose of study, entrepreneurs aged between 30 and 40 years were

shortlisted as it was presumed that those under-30s could not be experienced enough, although the contention is debatable.

The study was conducted by means of unstructured in-depth interview, which lasted for over 120 minutes each. Interviews were conducted in a manner that could help uncover the essence and meaning of human experience, focus on individual's experience, engage with interviewee fully and prevent any chance of establishing causal relationship with the information being shared and thereby bring out the meaning from information through descriptions and renderings of the information (Moustakas, 1994).

Data Analysis

The study adopted the data analysis technique as suggested by Moustakas (1994). It is at the end the interpretation of researcher where in his/her focus is on the very description of the interviewee's experiences to achieve or arrive at a universal essence of the phenomenon termed as *intuitive integration* (Moustakas, 1994). The first step towards analysis is *horizontalization* in which each statement of the interview so transcribed is analysed and given equal value, the aim is to analyse significant statement regarding the phenomena from the experience of the interviewee. While analysing each statement it is necessary that it should reflect

the moment of entrepreneurial experience to be understood and there is a possibility of extracting the idea to categorise it. The transcribed interview is required to undergo multiple readings to remove repetitive, redundant, and vague expressions. The second step is what (Moustakas, 1994) referred to *textural description* wherein themes are formed by clustering the meanings of statements. These themes represent associative groups of unique elements expressed by entrepreneurs as their lived experience (Bann, 2009). Some elements were unique to an individual and some of them were common for all individuals interviewed. Assigning equal weight ensures completeness of the experience so narrated in terms of their conversion to elements. The third step is the *structural description* (Moustakas, 1994) which represents the way the context influences the phenomena. It is rooted in the statements of the participants as it influences the overall experience of an entrepreneur.

Results

The technique applied in the present study was unstructured in-depth interview as it provides the interviewee adequate freedom in describing his/her entrepreneurial experiences in as much detail as possible. The advantage of an unstructured interview is also that it yields unexpected responses (Kvale, 1996 in Knox S and Burkard, 2009). In an unstructured interview, “*sometimes only a first, topic-*

introducing question is asked and the remainder of the interview proceeds as a follow-up and expansion on the interviewee's answers to the first questions" (Kvale, 1996, p. 127 in Knox S and Burkard, 2009). The interview started with a brief introduction of the interviewer explaining the purpose of the study, consent was taken to record the interview, accordingly a voice recorder was used. The face sheet and post-interview comment sheet (Kvale, 1996) was maintained wherein conditions before the commencement of interview and feelings, interpretations and comments during the interview were endorsed. To establish rapport it began with a simple introductory statement like "Can you give me briefly about your childhood and growing up?" and once at ease to ask as to "How it all started?" By asking the interviewee about growing up and childhood frames provides a comfortable starting point (McKenzie, 2007) and a continuous flow of storytelling is achieved (Tasnim *et. al.*, 2014). Though the basic themes and topic were determined prior to the interview their sequence and the content was subjected to the interviewee's answers. As most of the talking was done on part of interviewee the researcher stayed out of the conversation for most of the time, only intervening for the sake of clarity and to prevent subject getting digressed.

The interview was transcribed and analysed which involved re-reading of interview transcripts. The transcribed text of a 100 to 120-minute interview ranged from 35-37 pages. The textual analysis of transcripts involved line-to-line analysis done manually, along with re-listening to the recording. This enabled to comprehend the raw data fully and confirming inclusion of side notes prepared during the interview. The analysis process is iterative and involves breaking the narrative manually into chunks of data to get an understanding and confirming as what was expressed by the interviewee making sense of the narrative. These chunks of data generated some common and some distinct dimensions that characterized the evolution of firms under study. The themes were clustered, ordered coherently and were subsequently converted into a narrative account interspersed with verbatim extracts from the transcripts to support the case (Pietkiewicz, 2014).

The themes emerged out of this study have been partially covered by prior research thereby provides a fresh perspective on the formation of an enterprise or a *de novo* firm. When viewed holistically these dimensions provide a strategic representation of the lived experience of an entrepreneur. The study found that dissatisfaction in existing role coupled with encouragement from interpersonal relationship aided by possessing unique skill set initiates the process of

entrepreneurship; however, trust, mutual understanding at a personal level and adoption of innovative methodology coupled with possible realignment or taking mid-course corrections during organization growth are key drivers of a successful entrepreneur. The themes, which emerged, are as:

Theme 1: Dissatisfaction in existing role

The entrepreneurs often embark on a journey due to dissatisfaction from existing role or employment. The nature of the field in which an entrepreneur embarks ranges from something that utilises already developed knowledge or skills to a totally new field with no connection to previous employment.

Rakesh, owner-director-partner of a design and manufacturing firm, reflected on his dissatisfaction with the existing job, which propelled him to become an entrepreneur.

During 1998-2000, we worked in the event management company. We did exceptionally in our first project- learnt new things-loved our job-by the end of second year we started to know ins and outs of the business model-we saw our directors, we saw what they were doing- in terms of everything- in terms of effort- in terms of number of hours put in and what they were getting and what we were

getting- very simply purely in terms of money- then we thought if they are getting so much for such work—why don't we start.

Suresh, owner-director-partner along with Rakesh recalled his experience as
There is no particular reason.....we thought that we are going to create a company- or a big thought behind that- nothing like that. It was a kind of job we were doing. When we were working with the company we (I and Rakesh) were the key pillars in the company that means from start to finish i.e. from client handling to event execution we used to handle everything- none of our directors used to come or visit (not even once) - so it's not that we were not doing on our own we were already doing things on our own- what we wanted was an opportunity.

Ajay, founder-director of a healthcare and diagnostic centre recalls his key events that made him embark on the journey. There was no growth in the job which I was doing. Moreover I used to handle routine and mundane assignments- there was no challenge- though that job made me confident both financially and administratively, job satisfaction per se was not there. As my wife was a doctor, we discussed and I thought why we don't establish a private clinic, where I could handle all issues except the medical part, which was her domain.

These approaches to form an entrepreneurial venture can be somewhat termed as spin-offs or de-novo ventures (Helfat and Lieberman, 2002) wherein firms are set up by former employees running similar ventures. It has emerged from a number of studies on spin-offs, these former employee-founders exploit the knowledge they acquired from their previous employers (Furlan and Grandinetti, 2014). Studies on spin-offs have majorly focussed on firms that are expected to be innovative (Boschma and Wetery, 2005 in Farlan and Grandinetti, 2014) as entrepreneurship is the process by means of which opportunities to create products and services are discovered, evaluated and exploited (Shane and Venkatraman, 2000). Agarwal (2004) concluded that in spin-offs, the success of an entrepreneur is dependent on the founder's ability to identify an opportunity that has yet to be exploited by the parent firm. Though the entrepreneurs under study do share key elements of spin-offs however, it was a result of dissatisfaction in terms of not being provided what they deserved/ level playing field or monetary return that were disproportionate to their levels of productivity. In addition it also affirms the findings of (Leonidas *et al.*, 2008) which concluded that precursors for becoming an entrepreneur are attitude, intention and aspiration.

Theme 2 Opportunity Relationship

The research points to the opportunity that appears due to inter-personal relationship develop at the previous workplace, which when suitably exploited give rise to a new enterprise.

Rakesh recounts his association with one of the clients of his previous firm
There was a client that I was handling- we were handling series of events for them- a representative of theirs initiated as a thought that –if you are not happy at this place why don't you start on your own- we know your capabilities and will give business. It was then that a small thought took a more constructive shape, and then we decided to take a dive- we decided to quit – and start our own venture. We did that project, you see event management business is not that capital intensive- so we asked for credit from our vendors and they supported us.

Ganesh, recalls the moment that made him quit and starts his own venture
There were a lot of problems between the directors of the previous company. There was an issue while resolving cases, approaching them etc. - so we were a little disillusioned. There was an old client of ours who left the company due to some reason and joined another. They said why you guys don't do it because there is a lot of chaos in the company- you know the job - handle independent for

us – it was good opportunity- it was really a sizeable business- so we took the project and all our vendors supported us for credit.

Ajay, on the other hand, had a somewhat different reason, he recalls
As my wife was already a doctor and she had knowledge of the complete process, that is knowledge of the inner working of industry, it was somewhat of a preferred choice and was better than trying something afresh.

These approaches are much different from the conventional network approach for the formation of a new venture and studies based on interpersonal relations. Literature categorized relationship as formal and informal relationships (Barton *et al.*, 1991). Formal relationships are created once an employee comes in contact with a professional or organization and informal relationship develop on relationships that occur on the social front. In the present study, the relationship is found to be ad-hoc that gets manifested to a social one.

Theme 3: Skillset

The research reflects the fusion of various skills that are necessary for a newly formed venture to be successful. As against “jack-of-all-trades” theory by Lazaer (2005) wherein it was deduced that entrepreneur do not master each and every skill required but they rather focus on attaining adequate competence in each of

them or in other words that they are limited by their weakest skills thus they strive to achieve a balancing act.

Rakesh recollects the unique chemistry between three of the partners
We all have own strength- my strength is that I can get a lot of business and I can execute it from start to finish- Ganesh finds it difficult to handle clients but his strength is in building systems, processes- Suresh's strength is that he can get clients- execute orders- carryout procurement- he can successfully create relationship with clients.

Ganesh owed the success of the business to the close association among the partners: See I come from a background where everybody have been in business all their life- so I know intricacies of business- moreover I was doing freelancing projects before joining these guys- Rakesh is an excellent communicator and can handle presentations to clients easily- you know his forte is his convincing power- this is not my cup of tea- handling production is totally up to me – I am here in factory from the moment the factory starts and till its closing- Suresh is an all-rounder he can handle clients and production; thus we both at times share factory responsibilities

Suresh, gave the underlying reason of the close association to the unique understanding they have of each other

As initially we were into event management handling minor events- Ganesh had not joined at that time- he joined when we got our first retail design order – he being architect was very helpful in executing that order- it was because of his contacts in the industry that is dealers and various vendors and with peoples like carpenters, welders etc. - you know these kind of workers- he became a crucial member in successful completion of future orders, including designing ideas, detailing to arranging resources-we were totally clueless during those years- me and Rakesh we did management course together- so we knew each other's strength and limitations-he can face any type and any number of clients or audience- he's got good presentation skills- for me I can handle bit of marketing and production.

Ajay, on the other hand, lays importance to the skills he developed during his previous job: I am not at all conversant with medical terminologies- so I was totally focussed on administrative and non-medical issues like no-medical marketing, infrastructure, finance and hiring of employees- all medical and other technical issues were handled by my wife. In the initial stages it was quite

challenging but I had confidence in my administrative acumen, so all the necessary arrangements were carried out by me.

The above-mentioned cases throws two different perspectives- first is convergence of skills required for translating an idea to reality and second is complementary skills required for successfully establishing and subsequent running of a business as lack of one particular type of skill in one person gets compensated by another person endowed with such skills, which could be business partner, key employee or someone in top management person. The case here is against conventional understanding of an entrepreneur who needs to tick all the boxes to be successful. An entrepreneur needs not to be “jack-of-all-trades” but he/she is one who constantly scouts for qualities required instead of mastering on its own. An entrepreneur is an opportunity seeker who is alert to recognize business opportunities in the market (Kirzner, 1999). Studies in entrepreneurship research have constantly discussed the question whether opportunities are recognized or are created (Baron, 2007). However irrespective of the source of opportunities it is the effort, which counts and the innate belief that they have identified an opportunity which has not been recognised by any other person and thus they can reap dividends as pioneers in the market (Durand and Coerndevoy, 2001). The process of opportunity recognition has its roots in

pattern recognition (Matlin, 2004) based on human cognition. It includes the ability of an entrepreneur to recognize the link between trends, changes, and events that appear to be unconnected to a non-entrepreneur but an entrepreneur focus on the identifiable pattern using these connections. The present study summarises that opportunity also comes when complementary skill matches up and are sufficient to compensate for the void in the market.

Theme 4: Trust

Entrepreneurship and trust are closely related. Trust is critical for entrepreneurship and has the potential to fulfil different roles. It also acts as an instrument to dispel associated risks that are inherent to entrepreneurial activities thereby governs various aspects of entrepreneurial relationships (Welter, 2012) especially in the early stages of a new company. As defined by Rousseau (1998) trust is “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions and behaviour of another” thus it is relational and both the parties are interdependent upon each other to the extent that there is an inability to control and the relationship between trustor and trustee is filled with unpredictable outcomes.

Rakesh commented on aspect of trust in the existing partnership as: The partnership is not about business together – it is about trust. In fact, I will give more weight to business sense—if you think somebody cannot be trusted or if there is an iota of doubt throw him out or dissociate yourself with that person but if you are able to achieve 100% trust create equal partnership.

Suresh echoed similar views: With regard to partnership challenges, I personally believe that partnership is not about doing business together but it is about trust—partnership is much more than that—If I see an opportunity and I say that I can do it alone—that I can do it on the sides - with us it was underlying thing that we never wrote it ---that we never said to each other—it was always clear that whatever we do—we do it together be it small or big—you know balance has to be maintained—if we tilt the balance—everything will start falling apart—it’s like if I like an idea to invest in a restaurant but – we all did together—it was not like that he was my friend only I will invest and make money out of it—I was very clear that we all are equal partners in whatever business we do—even now two new things are on board and it is nothing like it was my idea - it is never discussed, leave aside thinking about it.

Ganesh, attributed to be having equal stakes as the reason behind unique chemistry between them: For me it is more of business understanding- if in a good business if you form something together with somebody and if you feel that you are much-weighted partner and you know more about particular concept as compared to another person, therefore, I should give him lesser stake—in such a condition, trust can never be built- if there is any type of imbalance the company will fail—there cannot be any trust deficit at any point in time.

Raj, had somewhat different take on trust in forging new relations: For me, though I had good acquaintances and friends who were open to my joining them-- but somehow the reasons or conditions as put forth by them or the whole arrangement were not convincing-- so you see there was an aspect of trust deficit at the beginning only—not from one side it was something which was though not spoken but could be felt—with my background and grooming it was difficult for me to accept such relationship--that's why I chose an option of a family based venture only.

For the successful foundation of any business network or any work-related relationship, trust plays an important role in terms of creating ideas and sharing knowledge. Trust plays important role in facing challenging situations in a

business where there is a chance of different thought process/ ideas between partners and lack of trust may appear or there is a chance of distrust creeping in gradually. Trust manifest itself in the form of cognitive, affective, and behavioural forms (Goel and Karri, 2006). The underlying belief and faith which one partner holds on the other is the bedrock of the relationship. The case here reflects the prominence of the cognitive component of trust as against research on trust from behavioural point of view.

In the early stages of venture creation when uncertainties are high and predictability low, it is important that entrepreneurs decide till what extent they place their confidence in each other. The transformation from swift trust (Meyerson, Weick and Kramer, 1996) which is based on faith, own ability and expectation of partners (Harrison, Dibbon and Mason, 1997) to more stable and stronger ties between partners is dependent on social networks coupled with clear expectations of future course of action with an aim to have clarity of thought without ambiguity of any kind.

Though literature has found that interpersonal trust developed on the basis of goodwill and competence prevails more as compared to contractual trust (Henry et al., 2005) however the unique nature of trust found in the study is dependent on

the behaviour exhibited by the individuals when they consider the partnership as a value. The various behavioural orientations on account of trust between two individuals were proposed by Weber (1992) as instrumentally-rational, value-rational, affectual, and traditional. Trust is developed based on complementary qualities that are necessary for the survival of each of the entity. The behaviour exhibited is value-rational as it flows from the conscious commitment of each individual independent of the chances of success of the behaviour. It involves the self-conscious formulation of value itself and of action which is consistent with it (Lyons and Mehta, 1997). Thus the people who regardless of the cost to themselves do what they perceive to be required by duty, honour, religion, and personal loyalty (Weber, 1992) exhibit this type of behaviour.

Theme 5: Mutual Understanding

A business right after its inception has to suffer numerous challenges in its initial years; the major reason for it goes to the endeavour of every entrepreneur to offer something new to the market. This goal of offering newness is affected by various unpredictability like doubtful suppliers, lack of reputation, employees performing varied roles. The literature on entrepreneurship finds two approaches adopted to overcome this unpredictability one is entrepreneurs developing social capital that translates into stronger and weaker ties and second is friends coming together as a

team to embark on an entrepreneurial mission. Research has shown that as compared to a sole entrepreneur, an entrepreneurial team is more likely to successfully go through the uncertainties and volatilities of starting a business (Vesper, 1990). An entrepreneurial team is a group of two or more individuals who identify themselves as a team (Schjbedt and Kranus, 2009) thereby work actively as they have a position of responsibility in the business and contribute holistically at different phases of the business life cycle (Stewart et al., 1999). Research on entrepreneurship gives out two major ways in which entrepreneur teams are formed, first is due to non-functional reasons such as friendship (Lechler, 2001, Francis and Sandberg, 2000) and second is due to family or communal ties (Brannon et al., 2013). The basis of the difference between teams formed by these two ways is in terms of aspects such as attachment and selection of individuals, which has a direct relation to the type of formation and evolution of teams (Tyson et al., 1994).

Rakesh recounts the role played by his friend Suresh during initial years of the company: I personally feel that for the business to be successful or unsuccessful one of the biggest reason is the level of understanding between founders—it's a big reason---in our path we received so many proposals like why don't you partner us—from friends, friend's friends--- always willing to join us—we all

figured out where we feel good and comfortable--- we will get into it or not---I don't think there is some science behind that but it is extremely important to have a right partner—its bigger than having a bright brainwave—so you get more ideas but won't get the right partner.

Suresh, on the other hand, had a different perspective on the closeness between the founder-partner Rakesh: I and Rakesh knew each other since college days—in our first job when we were ditched by our business associate Anish, it left us completely open to everything—we didn't know the methodology to handle projects—but it was, in a way, blessing in disguise as it made us realise the potential of both of us in terms of handling things independently—from there we were on our own—it made us realise that in business you cannot trust each and everybody irrespective of what association you have—past work, association or anything else—it brought both of us closer to each other—that bad incident resulted in more trust among us—though we never put anything in document we had dual signatory for everything, financial and decision making of every nature was combined—there was no ambiguity.

Ganesh, who joined the company as partner after almost one-and-half years of its inception had the following opinion of the relationship: We have a unique

chemistry—I think all of us have a kind of you know different properties—all of us enjoying working together—internally this bond of friendship is very important—business is separate part, altogether—but internally we are very close to close each other—I think that is most important – though Rakesh is my cousin now, Suresh is also like a cousin—that is the core of the whole thing—in our mind it’s like family owned business—we see each other as family—we’ve been fortunate that we never been had different directions normally—if one of us takes decision – we generally go in that direction together.

Raj, though having business with his wife had an interesting analogy: In spite of partnering with my wife—we do have a bit of professional relationship at workplace—it’s very simple and comfortable—she is a professional doctor so all medical decisions are her domain and non-medical mine. There’s no chance of any of us stepping on each other’s domain-but reality is that financial and other administrative matters are more of mutual thing. That’s why I always tell her that she’s the boss.

The case is in sync with the research that stronger the ties better will be the effectiveness of entrepreneurial teams (Zolin et al., 2011). The strength of ties has been defined as the “combination of the amount of time, the emotional intensity,

the industry and the reciprocal services” (Granovetter, 1973). The strength of these ties is based on network theory (Campbell, 1984) which provide two approaches one is to examine the closeness between people or emotional bond between founder partners and second by examining the origin of relationship. Research also differentiates between friendship and other inter-personal ties, on the basis of attachment with three dimensions as affective (Joy, 2001), sympathy (Ingram and Zou, 2008) and intimacy (French, 1998). The present study reflects a unique mix of affective and intimacy dimension. It reflects a stage between affective and intimacy dimensions. The present study provides a new dimension to the creation of entrepreneurial teams and their impact and functioning in carrying a business from its inception to success. It also extends previous research by Francis and Sandberg (2000) and addresses some concerns as expressed by Tyson (1994) in the role of friendship in creating and running a successful business.

Discussion

The journey of entrepreneur from the moment he or she conceives the idea to embark on the journey to the successful establishment of business witnesses number of considerations-from the underlying reasons behind such a step, ways, and means to recognize opportunities and seizing them to the factors which form

the bedrock of a successful entrepreneurial business. This research finds that in the first step entrepreneurs commenced their journey out of dissatisfaction from the roles that they were playing coupled with encouragement and opportunity that they were able to exploit and in the second step self-belief, skills, trust, mutual cooperation are the factors, which are required for a strong foundation, which differentiates a success and failure in business (figure 2).

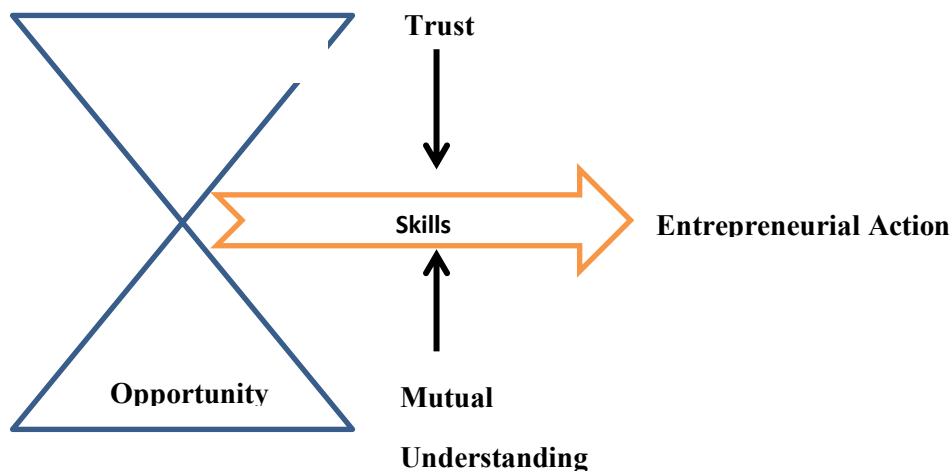


Figure 2: Conceptualising Entrepreneurial Action

The entrepreneurial process started from past job experience wherein the participants were in a situation which was ill-fitting, feeling of being unimportant, not having a level playing field, not being adequately rewarded either financially or professionally. The ill-fitted situation resulted in a desire to do something,

which should command recognition matching their capabilities. There is the inner quest of being capable, of self-belief, of personal skills and possessing self-confidence in whatever they do. These linkages indicate that entrepreneurs in the study are strong-willed, high of self-confidence and self-esteem but these needs are yet to be established.

The themes of trust and mutual understanding among friends are the terminal values selected by the sample and forms basis to the reasons, and nature of entrepreneurial relations. Factors like freedom of thought, action, and ability to take decisions thereby be responsible for the result of entrepreneurial pursuit help the individual to fully realise his/her potential. Participants also reflect that entrepreneurial journey is not about making money or just business but an action by which they can give meaning to their potential and capabilities.

Implications

The findings of the study suggest that the entrepreneurial journey is filled with emotional and rational elements. The main aim to embark on this journey is to improve respective work situation and is a process, which is very personal and engages him or her personally. As a result, values, assumptions, attitudes, self-esteem, self-belief of an entrepreneur are leveraged and tested simultaneously.

Irrespective of the business in, entrepreneurship is all about bringing value to the business and making a personal mark in whatever endeavour they take with the whole belief to bring about change by challenging themselves.

The study by means of lived experiences contributed to the existing knowledge on reasons for an entrepreneurial business to be a success by providing insight into the experiences as well as feelings of an entrepreneur about the whole process. The study also contributes to existing knowledge on entrepreneurial teams formed out of friendship thereby creating an association, which is not deviated by personal and professional factors.

Limitations and directions for further research

The study suffers from phenomenological limitations, which is that its results can neither be generalized nor be representative of the overall population. Study findings may differ with the composition of the sample. The nature of sample taken in this study was aimed at arriving at various experiences and feelings behind an entrepreneurial venture beyond basic defined sample criteria. The use of phenomenology provides an opportunity to explore phenomena from the view of the participant and is thus highly dependent on the capability to recall, understand, and interpretation of the participant. The study with its limitations can serve as an enabler for future research by identifying some criteria for an

individual to embark on an entrepreneurial mission and can be explored further to build a significant relationship between various entrepreneurial attributes.

Conclusion

The study has examined the effect of various elements which makes an entrepreneur in the Indian context. India is emerging to be fastest economy and entrepreneurs have a dominant role in it, with their share in creating jobs, contributing to country's GDP and per-capita income, and creating an environment for community and regional development. Though entrepreneurship is more of a practice-driven subject, it is the exposure to trials and tribulations that provide a meaningful approach to wholesome process of entrepreneurship. This study provides a different and interesting perspective to entrepreneurship-it is not that an idea scouts for an opportunity but an opportunity leads to number of ideas that can be exploited with the innate skills of an individual. The environment, both internal to an individual (neural, cognitive, affective) and external (interrelationship with others), plays an important role in pursuing entrepreneurial journey. Though the study is rooted in Indian context, the themes as discovered can find their applicability across different contexts.

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Foreword for the Chinese Bilingual Special Edition

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Since China started her economic reform program and open-door policy, one of the most remarkable progress achieved was a rapid growth of private enterprises. Today, private enterprises were active in most sectors and have contributed to more than 60% of China's GDP. Recently, the rapid development of information technology (IT) and the internet have offered Chinese entrepreneurs valuable opportunities and created a number of large enterprises, such as Alibaba, Baidu, Tencent, and others. These private enterprises have made astonishing impact on

and significant contribution to retailing, manufacturing, finance and investment sectors through technological innovations.

However, according to EUOBSERVER¹, 2018 was an exceptional year in China and elsewhere. The first half saw global recovery gaining ground. But in the second half, US-China trade war dampened market sentiments that will be felt even more in 2019, unless constructive trade talks materialize soon.

China's growth for 2018 was forecasted at 6.5-6.6 percent, after a strong first half. In the second half some moderation was expected and especially in 2019, as a result of U.S. tariffs and slower demand worldwide.

For 2019, Chinese GDP growth could eventually achieve around 6.2 percent in full-year growth, on the assumption that policymakers succeed in a challenging balancing act to sustain higher-quality growth while suppressing debt accumulation.

The anticipated government's GDP growth target is likely to reflect steady reduction, due to a challenging international economic climate, in particular the looming trade wars and more other pressures including demographics, slowing

¹ <https://euobserver.com/economic/143811>

global growth forecast, and other environmental, debt and real estate market issues.

Overall, a slower GDP growth is normal after decades of unprecedented industrialization and growth acceleration. In 2019, Chinese economy will have to cope with greater international uncertainty and even more market volatility. This raises challenges to private firms and entrepreneurs in China.

With such an economic globalization context, China will have to continue its emphasis on entrepreneurial orientation, develop strategic ecology and institutional entrepreneurship, and review mechanisms necessary to curb overinvestment in the real estate market.

“When China sneezes, everyone catches a cold!”. As a tectonic economy, China’s development and progress is watched closely by the rest of the world. It’s global economic significance and influence cannot be overemphasized. Hence, it is a natural extension for the *Journal of Asian Entrepreneurship and Sustainability (JAES)* to offer a *Special Edition section* in this issue on China.

Three papers presented in this section were carefully selected to reflect the current issues facing China with an insight into strategy and operations at the firm

level. The authors of the paper “*Is Entrepreneurial Orientation A Good Predictor of Sustainable Performance?*”² redefines ‘Entrepreneurial Orientation’ (EO) and investigates the inevitability and validity of reconceptualizing EO in light of sustainability, and thus advancing the new definition of EO as a good predictor of sustainable performance. They suggest that incorporating sustainable performance into EO action is meaningful.

Enterprises in the business ecosystem are closely related and connected. The growth process of a new venture is deeply influenced by the strategic decision-making model, the strategic role mechanism and the interactive system of the relevant organizations in its business ecosystem. It means that once any company or organization in the business ecosystem encounters any problem, the growth of the new enterprises would possibly be affected. This is the assertion of authors of the next paper “*Institutional entrepreneurship, Strategic ecology and venture growing*”³. They introduce the concept of strategic ecology to discuss the operation of the business ecosystem by incorporating the problems faced by enterprises in this commercial ecosystem into the strategic ecology and use the strategic group of enterprises as a support point to try to explore the impact mechanism of the enterprise strategic group ecology on the growth of new

² Yan Zhiwei, Cao Xuanwei, Dong Hongyi

³ Xie Hongming, Cheng Cong, Wang Limin

ventures. The authors purported that strategic ecology and institutional entrepreneurship are important supporting systems for analyzing the growth mechanism of new ventures, with profound theoretical significance and practical value; and has important guiding significance for entrepreneurial management practice.

The third paper in this special edition discusses “*The effect of debt structure on overinvestment – based on Chinese real estate listed companies*”⁴. The real estate industry plays an irreplaceable role in the economic development of China and has contributed significantly to its GDP. But overinvestment and excessive inventory has become the main source of pain for the industry. The authors used 131 public listed companies in the real estate sector as a sample to study how their liability source structure and term structure affect the overinvestment and found that 33.54% of the real estate enterprises have excessive investments. Commenting that long-term debt and bank loans cannot play a role in restraining overinvestment, solutions were offered to counteract overinvestment.

⁴ Xiaoyan Hao, Yongqin Wang, Song Peng

It is hoped that these papers will at least tickle the palate of the readers or better still shed some light on some issues and challenges that the rising dragon have to deal with in the coming years.

Is Entrepreneurial Orientation a good Predictor of Sustainable Performance?

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Abstract: The well-recognized significance of sustainability has catalyzed a paradigm shift in business today. In this respect, the orthodox definition of entrepreneurial orientation (EO) is not applicable and appears the inadaptability in reality. By gliding sustainability into the mainstream areas of EO, the purpose

of this study is to investigate the inevitability and validity of reconceptualizing EO in light of sustainability and thus advance the new image of EO as the good predictor of sustainable performance. Based on the emerging research fruits of EO towards sustainability in the academia, and in-depth case study of TONGWEI Group in China, we provide the theoretical implication and practical exemplification that incorporating sustainable performance into EO action is a meaningful scenario.

Introduction

Entrepreneurial orientation (Hereafter EO) is generally portrayed as a strategic posture (Gawel, 2012) or values-driven through discovering and exploiting the entrepreneurial opportunities upon which the managers act. Motivated by self-interest, the entrepreneurs predominately react to the entrepreneurial opportunities with the only seeking of greatest profit (Gawel, 2012). Obviously, the major challenges such as climate change, industrial toxins, resources consuming, water and air pollution (Jansson et al., 2017) have forced the firms to be socially responsible (Hooi et al., 2016) as they are supposed to be the effective drivers towards sustainability (Haddock-Fraser and Tourelle, 2010; Sandhu et al., 2010). Socially, the entrepreneurs should align their entrepreneurial behaviors with economic, environmental and social objectives to create unique “Triple Bottom Line” (Hooi et al., 2016). In this view, EO is no longer supposed to merely result

in profit, and the entrepreneurs should redirect the entrepreneurial thinking away from the narrow profit-centered perspective.

Entrepreneurship is assumed as a highly aggregated concept faced by challenging definition and theoretical explanation (Aghelie et al., 2016). The emerging academic terms labeling as “sustainable entrepreneurship”, “sustainopreneurship” or “sustainability-related entrepreneurship” add a new dimension to the general promise of entrepreneurship (Kuckertz and Wagner, 2010). Emergent literature has investigated the entrepreneurship theorizing in the sustainability-driven context since the sustainability and entrepreneurship are regarded as binary concepts (Schaltegger and Wagner, 2011). Being a cornerstone of the entrepreneurship field (Gloss et al., 2017), scholarship has also highlighted the function of EO ensuring sustainability and sustainable performance. While in reality, entrepreneurs may assert the tradeoff dilemma of how to achieve both profit and social/environmental benefits. In attempt to illustrate whether the entrepreneur’s orientation have the capability to achieve economic and non-economic gains in practice, we exploit the entrepreneurs with the sustainability mindset, aiming to exhibit stronger entrepreneurial intentions. The typical exemplification lies in the reporting and theorizing about Mr.Liu, the manager of Tongwei Group in China. Embedding our insights into the manager Mr. Liu’s

entrepreneurial actions towards sustainability via public reports and website introductions, namely “*Photovoltaic Poverty Alleviation*” and “*Fisheries and PV Integration*”, we provide the evidence that the manager Mr.Liu’s strategic EO actions are able to generate greatest profit together with the social and environmental goals. In doing so, and by being rooted in the EO theorizing for sustainability in the literature, it tightly links the entrepreneur’s EO and sustainable performance by indicating their interdependent relationship. Accordingly, in this research we will examine the inevitability and validity of reconceptualizing EO in the context of sustainability, or in other words, EO should become a good predictor of sustainable performance (economic, social and environmental goals). For addressing the ontological question, this paper makes two contributions: 1) to bibliometrically analyze the emerging EO publications in progress, illustrating the multifaceted role of EO towards sustainability; 2) to in-depth survey the manager Mr. Liu’ orientation of TONGWEI Group in China, suggesting the realistic scenario of achieving both profit and also social and environmental performance. The remainder of this paper is structured as follows: including the introduction, we start by reviewing the orthodox perspective of EO and present the emergence of entrepreneurship research within the context of sustainability. After explaining the bibliometric methodology, we put emphasis on reviewing the publications on EO towards sustainability and reveal the new

definition of EO. The following Section illustrates the entrepreneurial action conducted by manager Mr. Liu of Tongwei Group in China via public report and website. Finally, we conclude the main findings and discuss the implications for theory and practice, address the limitations and future research directions.

Literature Review

Entrepreneurship-related research have grown in recent decades with greater attention paid by academia and practitioner (Kuratko, 2009; Short et al., 2010; Hoskisson et al., 2011; Landström et al., 2012). Among the abundant studies, EO has become one of the most established constructs (Wales, 2016) as it is appropriate to characterize the entrepreneurial action in the firms (Covin and Lumpkin, 2011). Thus, the EO conversation has been occurring within the scholarly literature for well over three decades.

Orthodox Perspective of EO

EO can be viewed as an essential part of a unique and identifiable strategy (Wales et al., 2016). Although the historical roots of EO could be traced back to the works of Khandwalla (1972) and Mintzberg (1973), it was until the Miller's (1983) foundational publication that provided much needed clarity in this area. From then on, more researchers became interested in the subject and academic research was

developed at increasing rate (Covin and Lumpkin, 2011). *Table 1* lists the orthodox definitions of EO since they have evolved from the early 1970s till today.

Table 1 Orthodox Definitions of EO

Mintzberg (1973)	“In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities” as well as “dramatic leaps forward in the face of uncertainty” (p.45).
Khandwalla (1976/1977)	“The entrepreneurial style is characterized by bold, risky, aggressive decision-making” (p.25).
Miller and Friesen (1983)	“The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies” (p.5).
Miller (1983)	“An entrepreneurial firm is one that engages in product market innovation, undertakes somewhat

risky ventures, and is first to come up with proactive innovations, beating competitors to the punch” (p.771).

Morris and Paul
(1987)

“An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk” (p.249).

Stevenson and
Jarillo (1990)

“A firm has an entrepreneurial behavior if its actions and processes are oriented towards the recognition and exploitation of business opportunities” (p.17-27).

Merz and Sauber
(1995)

“EO is defined as the firm’s degree of proactiveness in its chosen product-market unit and its willingness to innovate and create new offerings” (p.554).

Lumpkin and Dess
(1996)

“EO refers to the tendencies, processes, and behaviors that lead a firm to enter new or already established markets, with new or already existent products” (p.136-137).

- | | |
|-----------------------------|--|
| Covin and Slevin
(1998) | “Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidenced by firms’ strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive” (p.218). |
| Zahra and
Neubaum (1998) | “EO is the sum total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes” (p.124). |
| George et al.
(2001) | “Firms with an EO are likely to follow an active networking strategy, indirectly leading to a higher performance” (p.269-285). |
| Voss et al. (2005) | “EO is defined as a firm-level disposition to engage in behaviors that lead to change in |

the organization or marketplace” (p.1134, [] added).

Avlonitis and
Salavou (2007)

“EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage” (p.567).

Cools and Van den
Broeck
(2007/2008)

“EO refers to the top management’s strategy in relation to innovativeness, proactiveness and risk taking” (p.27).

Rauch et al. (2009)

“EO is an important predictor of business performance” (p.761-787).

Pearce et al. (2010)

“EO is a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking and autonomy” (p.219).

Source: Authors

Despite a large number of studies, there are still ongoing ontological debates in the current research: the dimensionality of EO (Lumpkin and Dess, 1996), whether the dimensions necessarily covary (Lumpkin and Dess, 2001), and EO is reflective or formative construct (Covin and Wales, 2012). Building from Miller's work, EO consists of the simultaneous occurrence of three dimensions: innovation, risk-taking and proactiveness (Miller, 1983; Covin and Slevin, 1989). Lumpkin and Dess (1996) proposed the multidimensionality by adding competitive aggressiveness and autonomy to the original three dimensions and argued these dimensions do not necessarily covary (Gerschewski et al., 2016). Moreover, George and Marino (2011) concurred that EO is best operationalized as a reflective construct by using three dimensions, the study of Covin and Wales (2012) explored how the reflective and formative measurement models were used, noting that the one-dimensional and multidimensional measurement are consistent with different conceptualizations of the construct.

Indeed, the extant literature on EO as well as strategic competencies reveals that most of accumulated studies have primarily concentrated on profitability, growth and economic performance at the organizational level (Martens et al., 2016; Madichie et al., 2017), which has been explored by various researchers (Rauch et al., 2009; Andersen, 2010; Filser and Eggers, 2014). Most empirical research has

signaled EO is an important predictor of business performance (Martens et al., 2016). For instance, a meta-analysis based on 51 studies from 14 countries suggests that EO is strongly and positively related to both perceived and archival financial performance (Rauch et al., 2009). Another recent empirical research, building upon 177 studies from 41 countries also observes the significant relationship of EO-performance (Saeed et al., 2014). Besides, some research also suggests the impact of EO on business performance is long-term rather than short-term (Grühn and Stress, 2016). Proactive firms as the first-movers could acquire the sustained higher performance than their competitors' outcome (Zahra and Covin, 1995). Zahra (1991) presented empirical finding of positive and growing correlation between EO and performance within three consecutive years. Differently, one meta-analysis finds the effect size of EO and firm performance vary substantially (Rauch et al., 2009), and several authors have suggested the relationship may be contingent under the presence of additional conditions.

Inadaptability of Orthodox Perspective of EO

In the light of above, EO has a significant contribution to the firm performance, while some scholars and practitioners have criticized the EO actions centered on generating profits would damage the environment or social cohesion (Chang and Park, 2018). Hereby, the enterprises should also be responsible for the negative

social and environmental effects (Cohen and Winn, 2007) since they have been challenged by societal pressures and environmental legislation (Yang et al., 2017). Nowadays, sustainability has attached its great importance to government, NGOs and business after the WCED world commission, there is agreement that continuous economic growth of established economic systems is unsustainable. The society could not speak any more about cementing the economic basis if the environment is deteriorating or the community is falling back. The sustainability issues have laid huge emphasis on the purpose of business as an inclination to gain non-financial performance beyond economic benefits, transmitting an economic and non-economic perspective to the investors, entrepreneurs, and communities, stakeholders as a whole (Shepherd and Patzelt, 2011).

Furthermore, it is no doubt that the entrepreneurs differ in what they value (Tomczyk et al., 2013). From economics perspective, entrepreneurs are motivated by self-interest (Bacq et al., 2016) or profit-seeking motives (Parrish, 2010) as they insisted on the incompatible relationship between economic and non-economic benefits. That is, they think the higher considerations of the society and environment, the lower profits they could attain. Since the entrepreneurs are definitely made, not born (Ericsson and Charness, 1994), the sustainability mindset requires the entrepreneurs to deeply make better understanding of sustainable

issues (Kuchertz and Wagner, 2010). This new breed of entrepreneurs is dually oriented towards both entrepreneurial growth and sustainability. Likewise, in the Black Sun research named “*Purpose Beyond Profit*”, the majority of CEO argued they should shift the attention to wider value creation beyond profitability (Robèrt et al., 2013; Whiteman et al., 2013).

As mentioned before, the sustainability should be incorporated into entrepreneurial action, which means not only to generate profits, but also to solve social and environmental problems. Since the entrepreneurs they conduct EO, an indication of the firm’s processes, structures and specific behavior to exploit opportunities (Lumpkin and Dess, 1996) to create value, they are likely to become more open to social and environmental issues (Sota-Acosta et al., 2016). Therefore, the entrepreneur’s EO actions are required to bring additional potential for society and environment (Evans et al., 2017), not only profit. Thus, in the context of sustainability, the new image of EO should shift to the sustainable performance (economic, social and environmental). More incentives to testify the new image of EO are beginning with the emerging perspective of entrepreneurship linked to the notion of sustainability in the academia.

Emerging Perspective of Entrepreneurship Towards Sustainability

Entrepreneurship and sustainability are not mutually exclusive (Gawel, 2012) and it has been consolidated recognized that sustainability are inextricably intertwined with entrepreneurship (Criado-Gomis et al., 2017). Sustainability-related entrepreneurship has emerged as an increasingly important concept of great interest with different theoretical approaches like “Ecological Modernization Theory, Entrepreneurship Theory, Game Theory, Stakeholder Theory, Institutional Theory, Non-Institutional Theory, Dynamic Capabilities View, and Resource-based View” (Criado-Gomis et al., 2017). However, even those papers have brought up array of definitions, whereas it is well said that the sustainable entrepreneurship assume to put emphasis on forcing the entrepreneurial actions to contribute to sustainability.

In the extant literature, earlier research on sustainable entrepreneurship has originally dealt with environmental aspect, termed as “environmental entrepreneurship, green management, eco-preneurship, enviro-preneurship, and green entrepreneurship” (Staber, 1997; Keogh and Polonsky, 1998; Pastakia, 1998; Isaak, 1999; Schaltegger, 2002; Linnanen, 2002; Walley and Taylor, 2002; Schaper, 2005; Gibbs, 2009). As a consequence, the various scholars commonly assert the entrepreneurs had to play an active role in making profit through

decreasing the ecological problems. Another line of sustainable entrepreneurship research is centered on the social side (Brinckerhoff, 2000; Prahalad and Hammond, 2002; Mair et al., 2005; Prahalad, 2006; Nicolls, 2006; Hall et al., 2010; Ferreira et al., 2017). This type of entrepreneurship refers to the entrepreneurial actions aimed at improving social wealth through the creation of social capital, social change or focus on social needs.

Moreover, the recent literature has consequently integrated the social and environmental aspects (Shepherd and Patzelt, 2011; Levinsohn and Brundin, 2011), and simultaneously links the process of entrepreneurship. Regarding the definition, this new form of entrepreneurship can be described as “an understanding how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom, and with what economic, psychological, social and environmental consequences” (Cohen and Winn, 2007). Dean and McMullen (2007) established its definition as “the discovering, evaluating and exploiting economic opportunities existed in market failure which detract from sustainability, including those environmentally relevant”. In the study of Shepherd and Patzelt (2011), which argued that the sustainable entrepreneurship can be linked to pro-social behavior intended to provide benefits to human being. It is also conceptualized as combination of two key dimensions, sustainability and

entrepreneurship, and these dimensions can be interrelated to pursue entrepreneurial activities (Schaltegger and Wagner, 2011). Consequently, the sustainability entrepreneurship seems as possible pathway to sustainability through business activities and could form a sustainable entrepreneurial ecosystem (Chang and Park, 2018). *Table 2* summarizes the characterization of sustainable entrepreneurship.

Table 2 Characterization of Sustainable Entrepreneurship

Items	Sustainable Entrepreneurship
Motivation	Solving social and environmental problems through the realization of successful business
Aim	Creating sustainability through conducting entrepreneurial actions by entrepreneur
Economic Goals	Means and Ends
Non-Economic Goals	Core element of integrated end to contribute to sustainability

**Enterprise's
Development
Challenge**

From small contribution to large
contribution to sustainability

Source: Authors

Overall, as noted the emerging scholars' attention is the domain of entrepreneurship in terms of sustainability, and the concept of EO has been used to measure the level of entrepreneurship (Andersen et al., 2015), EO in the context of sustainable entrepreneurship would have been raised from the earliest years of the field's development. Given the rapid emergence of the sustainable entrepreneurship research, we will set out to examine the EO from the perspective of sustainable performance in following section.

Bibliometric Analysis of EO in the Context of Sustainability

Sustainable entrepreneurship is a concept that combines both sustainability and entrepreneurship, the concept of EO has been adopted to measure the level of entrepreneurship. Our illustrative starting point is that EO can no longer be understood as "the strategic posture without consideration of the environmental and social purposes". This section will investigate the academic publications of EO in the context of sustainability, and the deep analysis will adopt the bibliometric methodology (Analysis is conducted in March of 2018).

Methodology

In order to explore the new image of EO in the context of sustainability, we mainly focus on three convincing units: yearly evolution of publication, scientific journals and map of key themes. "Bibliometric analysis provides an interesting and revealing window into scholarly work" (Schildt et al., 2006), hence we would like to use this method. In addition, we carry out the comprehensive searching accessing the Scopus, the largest abstract and citation database for overview of the articles.

Searching Conditions and Procedure

The searching is conducted under the conditions shown in Table 3. To identify all publications with the topic of "EO towards sustainable performance", we define the searching terms as "EO" AND "Sustainab*" (Referring to Sustainable performance, Sustainability, Sustainable development, Sustainable orientation and so on) as for the title, keywords or abstract. Regarding the document type, we restrict to 'scholarly' journal publications for the higher quality (David and Han, 2004), also the decision is made to select the "articles" and "articles in press" as the up-to-date knowledge. Moreover, English is the search language and the searching of the whole disciplines would avoid the omission.

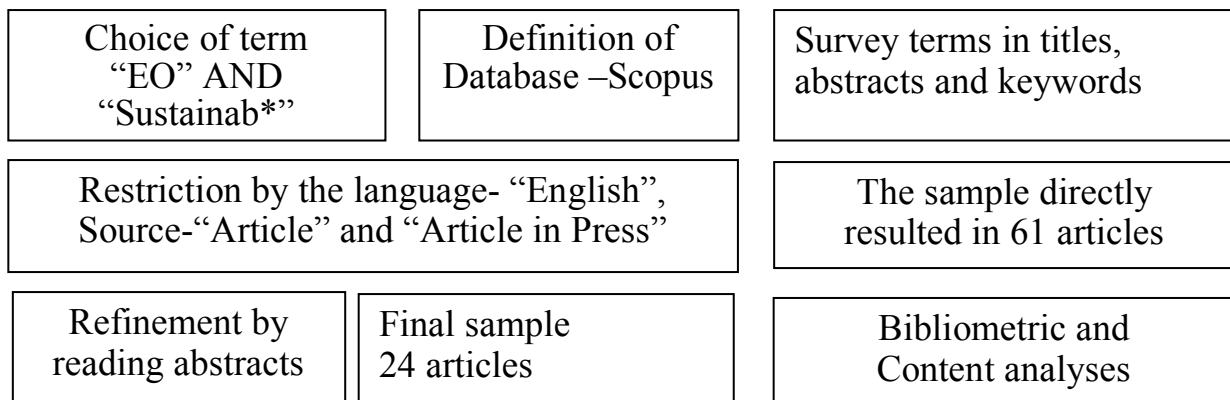
Table 3 Literature Searching Conditions

Terms	“EO” AND “Sustainab*” (Title-Abstract-Keywords)
Document Type	“Article” and “Article in Press”
Source	Journal
Type	
Publication	-2018
Date	
Language	English
Discipline	No Restriction

Source: Authors

In short, we follow a seven-step procedure to select academic articles published in scholarly journals. Taken together, the flow of sample survey can be seen in Figure 1. The initial survey resulted in a population of 61 articles available without discipline restrictions. After the refinement of the initial population through reading abstract, 37 articles were excluded.

Figure1 Flow of the Sample Survey



Source: Authors

Convincing Unit of Analysis

This section presents data on the evolution of scientific production and the key topics presented. The data represent a set of indicators of this field and can generate “economies of overview” (Sassmannshausen and Volkmann, 2013).

Yearly evolution of publication

Searching outcomes with the terms of EO and sustainab* reveals the emerging interests on EO in the context of sustainability from 2013. *Table 4* clearly shows the number of yearly publications between 2013 and 2018. These data show two publishing peaks: 2017, with 8 articles, and within the first three months in 2018,

with 6 articles. The special data apparently indicates the research topic has been observed since 2013 and fluctuated in the recent period.

Table 4 Number of Yearly Publication

NO.	Year	N. Publications
1	2018	7
2	2017	8
3	2016	2
4	2015	4
5	2014	2
6	2013	1

Source : Scopus-based survey

Scientific Journals that Published Relevant Articles

The 24 sample articles were published in 20 journals (Table 5), of which just the *Sustainability (Switzerland)* accounts for 20.8 percent (5 articles) of the scientific production. Noteworthy journals are *Journal of Business Venturing*, which published a special issue in 2017. *Small Business Economics* published the first and the highest cited paper (Cited by 59) as “Entrepreneurial processes in social contexts: How are they different, if at all? (Lumpkin et al., 2013)”.

Table 5 Journals Published Most

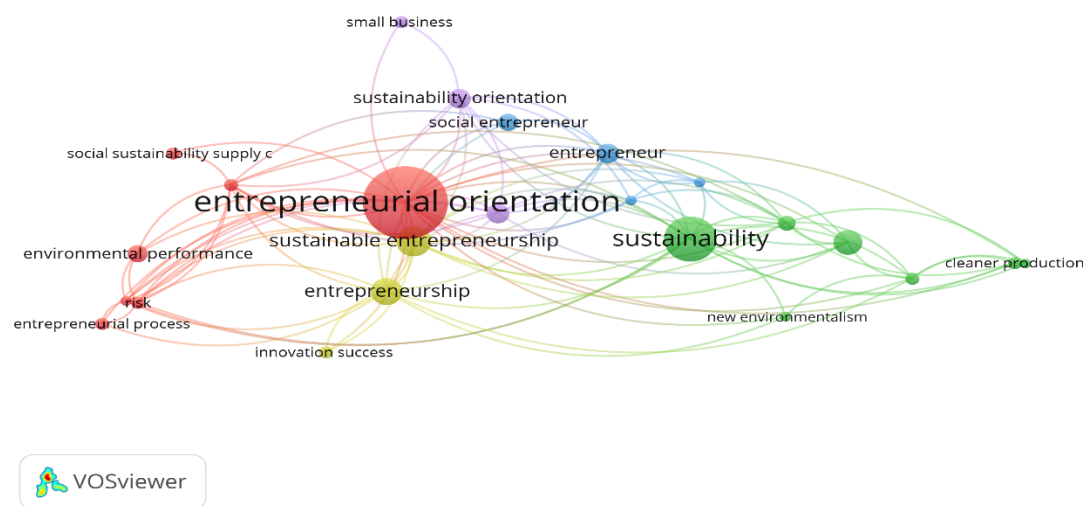
Scientific Journals	Articles
Sustainability (Switzerland)	5
International Entrepreneurship and Management Journal	1
Journal of Business Venturing	1
Small Business Economics	1
Journal of Cleaner Production	1
Corporate Social Responsibility and Environmental Management	1
Other 13...	13

Source : Scopus-based survey

Map of Key Themes

The analysis of the key themes addressed in the 24 articles was made by using VOSviewer (Waltman and Eck, 2015). The map of the key themes was produced from the analysis of titles and abstracts, which assured the visualization of the most frequent subjects, the intensity of occurrence, related topics, as well as topic clusters (Figure 2).

Figure 2 Map of Key Themes



Key: Ellipses show four clusters provided by VOSviewer.

Source : Scopus-based survey—Created by VOSviewer

Immediately noticeable are the keywords “EO” and “sustainability” with the high occurrence and strong centrality. Besides the keyword “EO”, the most frequent occurrence of the term “sustainability” indicates that majority of studies on EO are conducted from the sustainability perspective. It is reinforcing the importance in studies on EO. *Table 6 lists* the new definitions of EO in the context of sustainability.

Table 6

Lumpkin et al. (2013)	“Social EO processes differ from the commercial ones when applied to efforts to satisfy multiple stakeholders and achieve sustainable solutions” (p.761-783).
Abbade et al. (2015)	“EO is adopted by companies seeking to increase organizational performance, which is measured by more than just the economic dimension. The social and environmental performance have earned attention of academic researchers and executives” (p.49-62).
Carado-Gomis et al. (2017)	“The nature of Sustainable Entrepreneurial Orientation (SEO) is conceived both at a firm-based entrepreneurship and at an integrated triple bottom line sustainability level” (p.1667).
Hernández-Perlines and	“EO positively moderates the influence of CSR on the performance of family firms, also EO was observed to have a moderate

- | | |
|--|--|
| <p>Rung-Hoch
(2017)</p> | <p>effect size on the relationship between CSR and the performance of family firms” (p.1212).</p> |
| <p>Ayuso and
Navarrete-
Báez (2018)</p> | <p>“EO is indeed positively associated with sustainable development (SD) engagement. The positive effect of EO on the engagement in SD practices is observed for each of the three SD dimensions considered (environmental, HR and community concerns) and in both national contexts” (p.80-94).</p> |
| <p>Chang Soo
Sung
and Joo Y.
Park
(2018)</p> | <p>“Sustainability-oriented individuals tend to be better in recognizing business opportunities and running a business considering sustainability” (p.379).</p> |

Reconceptualizing EO in the Context of Sustainability

Source: Authors

Based on the 24 sample articles and the results of the analysis, it can be observed that recent scholars have developed the EO studies within the context of sustainability. Insofar as saying “the application of the construct to new contexts is a valid means of advancing new knowledge” (George and Marino, 2011), and EO studies in specific contexts can be considered of great opportunity and interest (Miller, 2011), *table 6* correspondingly presents the definitions of EO in the context of sustainability, compared with the commonly orthodox perspective of EO in *table 1*.

From the EO theoretical dialogue, we have compared and contrasted profit-centered and emerging sustainability-oriented EO along two varies of different definitions, suggesting the outcomes of EO differ within the sustainability context. Sustainability-based EO is advocated as a way of attaining social, environmental and economic benefits. Acknowledging that EO in the context of sustainability leads to the sustainable performance, we will set a real-world example to test EO is the predictor of sustainable performance.

Illustrative Case

So far, we have discussed EO in the context of sustainability. Although EO has contributed to economic growth (Kelley et al., 2011), business failures are also associated with negative environmental and social implications. In practice, there

are also some firms which have entrepreneurially oriented in sustainable performance. In this section, we focus on the Tongwei Group (T Group) in China which is the solar PV firm. The illustration comes from annual reports and website of T Group. Thus, the solar PV industry offers a good example to show how the entrepreneur could achieve the sustainable performance in western inland rural regions.

Background of Case Analysis

Solar PV industry in China has achieved tremendous development in the past decade. Within short time, this industry experienced ups and downs with swarm of entrepreneurs poured into. In this process, some ideologically strongly motivated entrepreneurs have participated in reforming the PV industry. Therefore, it is a good field to observe the entrepreneurial orientation of managers and the impact on the sustainable development. The case of T Group provides a good example to illustrate how particular ideology of entrepreneur impacts his decision making towards sustainable performance.

Mapping Mr.Liu's Orientation Towards Sustainability in T Group

Starting on the core business on aquiculture before 2006, T Group, a leading private enterprise established in 1984 by the manager Mr.Liu in Sichuan Province,

Western China, has grown to be the world's largest aquatic feed manufacturer as well as major livestock and poultry feed producer. After foundation, the manager committed himself to exploring entrepreneurial opportunities for sustainable development.

In 2007, T Group entered the solar PV industry firstly in the upstream producing polyvinyl chloride (PVC), as raw materials for the production of polycrystalline silicon with huge investments. Since then, T Group marches into solar energy industry, forming the dual core business structure. Actually, on getting involved in PVC business, Mr. Liu had planned to construct a comprehensive value chain on the PV power industry. In the words of manager Mr. Liu, T Group is a company devoted to providing green energy for society, with aquatic feed as the energy to satisfy the demand for food safety and as solar energy to satisfy the demand for energy safety of human being.

In July 2007, president Mr. Liu principally put forward the "*Photovoltaic Poverty Alleviation*" idea entrepreneurially oriented in support the ethnic minority areas in Western region of China, he set up the "*Siyuan Sunshine Plan*" with the funding support of 5 million RMB every year, in order to carry out photovoltaic energy transformation and provide solar energy production with the purpose of creating

social welfare in the area inhabited by the minority nationalities. Within the first ten years of the "*Siyuan Sunshine Plan*", Mr.Liu insisted on promoting the poverty alleviation projects around the minority area and impoverished regions in China, which definitely not only provided the economic income to the poor households for the longer period, but also successfully explored the new pathway to poverty alleviation through clean energy construction and ecological industry development in the domestic. Due to his orientation, Mr.Liu was awarded the "*China Siyuan Charity Award*" in recognition of great contribution to achieve the economic performance and social performance together through photovoltaic poverty alleviation in 2017.

Besides, in 2016, Mr.Liu creatively put forward another "*Fisheries and PV Integration*" model, which integrated green intelligent aquaculture and photovoltaic as "generating both the green aquatic products under the water and clean energy above the water simultaneously". The "Fisheries and PV Integration" model can not only increase the breeding benefits, but also newly increase the values of power generation. Meanwhile, about the environmental benefits, this model succeeded in saving 348 Ton standard coal and reducing CO₂ emission 1200 Ton on the water surface of 1.334 Hectares.

Evaluating The Sustainable Performance upon Mr.Liu's EO in T Group

To summarize, as firm's strategic posture, EO was treated as an opposite to sustainability (Gawel, 2012). As our case illustrated, the entrepreneurial actions were initialized by the personal value of Mr. Liu and his orientation towards sustainability presents in the "*Siyuan Sunshine Plan*" and "*Fisheries and PV Integration*". However, in considering the outcome of the manager's EO towards sustainability, we propose the framework consisting social, environmental and economic performance as a whole according to the annual report and website. *Table 7* classifies the three kinds of performance which has depended on the Mr.Liu's entrepreneurial actions towards sustainability. Undoubtedly, it is consistent with the academic literature findings in our case study. Thus, we insist on EO is the good predictor of sustainable performance in reality.

Table 7 The Sustainable Performance upon Mr.Liu's EO Actions

Mr.Liu's EO Actions	Social Performance	Environmental Performance	Economic Performance
Siyuan Sunshine Plan	Ethnic Minority Welfare	Clean Solar Energy Production	Energy Benefits

	Residential		
	Electricity		
Fisheries	Intelligent	Reduce CO ₂	Clean
and	Aquaculture	Emission	Energy
PV	Technology		
Integration	Reduce		
	Labor		Green
	Intensity		Aquatic
			Product
			Reduce
			Labor
			Cost
			Save Coal
			Using

Source: Annual Report and Website

Discussion

In the above, we hopefully manage to establish EO as a good predictor of sustainable performance from the academia and practitioners. In doing so, we put emphasis on building the theoretical dialogue between orthodox EO and the

emerging concept. And then we make T Group in China as the case, to investigate the entrepreneur's orientation towards sustainability and the outcomes of his entrepreneurial actions. Lastly, the study has emphasized the orthodox EO definition is not applicable and appears the inadaptability in reality, more importantly, this paper proved the inevitability and validity of reconceptualizing EO at the macro-level of sustainability. We now could address "EO is a good predictor of sustainable performance".

Summary of Findings

As our contemporary research on EO has concentrated on the macro-level of sustainability, this paper has provided some findings for deconstruction of EO concept by setting the theoretical dialogue and case exemplification.

Evidently, the EO and firm performance has always been the main area of interest in research (Andersen et al., 2015). With the sustainability idea rooted in the whole world, the orthodox profit-centered EO appears the inadaptability in the real-world reality. Therefore, we firstly conducted the bibliometric analysis of EO studies related to sustainability, to vividly present the definitions of EO within the different settings. It is evident that the some scholars has defined EO from the perspective of sustainability.

Practically, the firms ought to incorporate the sustainability into the strategy and can be highly entrepreneurial in the social and environmental issues beyond profitability. For example, in the T Group of China, the manager Mr.Liu always pays attention to the rural poverty and new technology. At the first glance, the T Group would most likely to make economic performance lower with only intention to enhance the social and environmental values. If someone analyzes this group in more detail, it will show that the T Group has capability to embrace social and environmental benefits without the profit loss.

Implication for Theory

Intellectual advancement pertaining to EO will likely occur as a function of how clearly and completely scholars can delineate the pros and cons of alternative conceptualizations of EO construct (Covin et al., 2006). Linking EO to the sustainability, we notice a meaningful upward trend on this topic appearing in the major management journals since 2013, then much more theoretical work is needed to map a course of EO towards sustainability. By adopting the bibliometric analysis in the Scopus, we set up a theoretical dialogue indicating the contrast definitions of EO, which has highlighted the potential as a means of enriching EO theory development.

In response, we have challenged the adaptability of the orthodox EO definition under the circumstance of sustainability. Moreover, our efforts to delineate the level of sustainability associated with EO. Referring to the previous literature on EO and sustainable performance, it has claimed that entrepreneurial action is needed to identify opportunities, create innovations and generate economic rents while addressing environmental and social challenges (Cohen and Winn, 2007; Shepherd and Patzelt, 2011).

Implication for Practice

Sustainability and entrepreneurship are considered as binary concepts, the entrepreneurs should confront with the challenge of trade-off dilemma. Although EO is the intention while sustainable performance is a set of aims implemented by the entrepreneur, the well-established EO theorizing has been less than helpful to practitioners. By being firmly rooted in a real-world case, our study holds important implications for firms contemplating strategic posture into sustainability and provides the entrepreneurs a better understanding that their entrepreneurial action with sustainability mindset could contribute to improve environmental and social performance while making profitability. Furthermore, the exemplification of Mr.Liu's EO in sustainable performance convinces the entrepreneurs to create

complicated and ambiguous decision between sustainable values and entrepreneurial opportunities.

Limitations and Future Directions

Our study has two limitations that present opportunities for future research. The first one, our case only comprises the one private company, T Group in China, in addition, the just annual reports and website of T Group may not comprehensively represent the entrepreneur's orientation towards sustainability. Therefore, future study assessing the relationship between EO and sustainable performance with different samples in various industries and different countries could provide additional insights through the approach like interview, questionnaire and data analysis.

Secondly, social science usually adopts the conceptual constructs which represent unobservable phenomenon as a way of providing a framework for developing and testing theory. It is meaningful to recognize whether the EO in the sustainability context and conventional profit-centered EO have distinct constructs, or sustainability is just a special context in which EO has been conducted. Notably, one paper "*Sustainable Entrepreneurial Orientation: A Business Strategic Approach for Sustainable Development*" proposes the configuration of sustainable

entrepreneurial orientation (SEO) as a multidimensional construct from the multiple orientation perspective (Criado-Gomis et al., 2017). Another one “*The impact of entrepreneurial orientation on sustainable performance: Evidence of msmes from Rio Grande*” directly investigates the impact of three dimensions of EO on the sustainable performance. We encourage the future research to discuss the EO construct in the sustainability context from the ontological perspective.

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Institutional entrepreneurship, Strategic ecology and venture growing

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Abstract: In the context of economic globalization, the competition model among business ecosystems is the main form of competition for current and future enterprises. Enterprises in the business ecosystem are more closely related and more connected. The growth process of a new venture is deeply influenced by the strategic decision-making model, the strategic role mechanism and the interactive system of the relevant organizations in its business ecosystem. It means that once any company or organization in the business ecosystem encounters any problem, the growth of the new enterprises would possibly be affected. In order to comprehensively analyze the growth of new ventures in the business ecosystem context, this paper introduces the concept of strategic ecology to discuss the operation of the business ecosystem by incorporating the problems faced by enterprises in this commercial ecosystem into the strategic ecology, and use the strategic group of enterprises as a support point to try to explore the impact mechanism of the enterprise strategic group ecology on the growth of new ventures. It is considered that strategic ecology is a combination of strategic decision-making, strategic interaction mechanism and external environment for enterprises and the related organizations in the commercial ecosystem to solve common problems. However, the independence and self-development of a single enterprise indicates that the strategic ecology cannot adopt the traditional organizational management paradigm to co-ordinate the

operation and implementation of enterprises in the business ecosystem, and it is necessary to support the successful implementation of the strategic ecology from the institutional level. As a creative institutional change paradigm and an innovative mechanism for building a new system, institutional entrepreneurship provides strong institutional support for strategic ecological management innovation. Therefore, under the current and future development trend of enterprises with competition among commercial ecosystems as the main competition mode, strategic ecology and institutional entrepreneurship are important supporting systems for analyzing the growth mechanism of new ventures, with profound theoretical significance and practical value. It not only provides theoretical support and practical reference for the academic and practical circles to more accurately understand and grasp the growth path of new ventures, but also has important guiding significance for entrepreneurial management practice.

摘要：经济全球化背景下，商业生态系统之间的竞争模式是当前及未来企业竞争的主要形式。商业生态系统中的企业间关系更紧密、联系性更强，处于特定商业环境中的新创企业成长受到整个商业生态系统的全方位影响，这就意味着商业生态系统中任何一家企业或组织出现问题都可能影响到新创企业的成长。为了全面分析这种商业生态系统情境下的新创企业成长

问题，本文引入战略生态的概念来讨论商业生态系统的运作问题。认为战略生态是一种商业生态系统中企业解决共同面临问题的战略决策的组合、战略相互作用机制及其外部环境。然而，单家企业的独立性和自主发展预示着战略生态无法采用传统的组织管理范式来统筹商业生态系统中企业的运作与实施问题，需要从制度层面为战略生态的成功实施提供支持，而制度创业作为一种创造性的制度变革范式，构建新制度的创新机制，则能够对战略生态的管理创新提供强有力的制度支持。因此，在当前及未来主要以商业生态系统之间竞争为主要竞争模式的企业发展潮流之下，战略生态和制度创业是分析新创企业成长机制的重要支撑体系，具有深刻的理论意义和实践价值，不仅能够为学术界和实践界更为准确地认识和把握新创企业的成长路径提供了理论支撑和实践参考，同时也对创业管理实践具有重要的指导意义。

1. 引言

创业活动作为科学技术转化为现实生产力的桥梁，能够更新现有组织并增强市场竞争力，正日益成为经济发展的重要推动力量(Aces et al. 2018 ; Bosma et al. 2018 ; 张明妍等 2017 ; 钟惠波等 2018)。近二十多年来，创业活动引起了国内外学者的普遍关注，学者们运用相关学科理论对创业相关问题进行了积极的探索和研究(Sussan, Acs. 2017; Neumeyer X, Santos SC. 2018; 孙秀丽等 2018)。生态理论、社会网络理论、制度理论、认知理论等

来自组织、战略与行为科学等领域的成熟理论被相继引入创业领域研究，这些理论虽然有助于我们认识创业活动的某些方面和规律，但并不能系统解释创业现象与创业行为，其根本原因在于创业者不同于管理者、创业机会不同于商业机会、创业活动也决不等同于经营活动。与此同时，学者们围绕创业研究的相关问题、研究对象以及研究方法等方面进行了积极探索，尽管还没有达成普遍共识，但已经取得了显著的进展(Low 2001)。作为一个快速发展中的新兴经济体，我国经济发展政策与体制的变革为创业者提供了难得的创业契机与空间。然而，伴随着我国经济体制及发展政策的逐渐稳定与成型，人口红利及成本优势的逐渐消失以及外部市场竞争的日趋激烈，传统的机会识别、创业导向及创业模式已经很难适应这种快速变化的市场环境，从而大大降低了新创企业获得成功的概率，因此，在新情境下探索我国新创企业发展规律就显得尤为迫切。

在当前持续的外部竞争压力下，企业需要通过搜寻、运用和整合各种资源，为客户提供卓越价值进而确立竞争优势，新创企业尤其需要通过这种产业链的资源整合而嵌入到价值创造之中。而产业链细化与工艺技术分离则使得单家企业无法独立为消费者提供完整的产品与服务，需要其他企业及相关组织机构的支援才能给客户提供完整的产品消费或服务体验，因此，当前市场上的绝大多数产品和服务都是企业间或企业与其他组织“团队协作”的结果。基于此，Moore (1993)提出了竞争生态的概念，即当前企业间

的竞争已经超越传统的产业竞争范畴，趋向于“生态系统”之间的竞争模式。此后，Moore (1996)正式提出了商业生态系统的概念 (business ecosystem)，并指出未来企业间的竞争将是以商业系统为主要载体的竞争模式。然而，信息膨胀、技术进步以及产品更新速度加快则意味着新创企业成长面临着较以往更高的风险，更让人担心的是，由于商业生态系统内部企业间或企业与其他组织间既存的“生产经营协作关系”，一旦某一家企业出现危机，就会迅速向其他企业或组织扩散，进而造成整个局部（区域）商业生态系统瘫痪或崩溃。例如温州民企资金链断裂引发的老板“跑路”事件、奥地利 A-TEC 集团下的能源子集团能源投资失败导致了旗下相对独立的电机子集团破产，更远的甚至雷曼兄弟破产引发的美国金融危机，美国房地产市场崩溃更是导致了堪称灾难性的次贷危机等商业生态系统的生存危机等。面对这种“牵一发而动全身”的商业生态系统中企业的“感染式”传播性问题，需要采取一种具有统率性的创新方法来应对。在本文中，我们以战略生态的视角来分析这种商业生态系统中企业面临的共同困境，将这种商业生态系统中企业共同面临的问题纳入到战略生态中进行考量，并以企业战略群为支撑点尝试探讨企业战略群生态对新创企业成长的影响机制。

转型期的中国企业实现持续成长的关键在于依据企业所在商业生态系统及其组织条件，不断进行适时和适度的战略变革和转型，选择与生态战略环境相适应的战略来谋求发展。然而，目前对中国新创企业的研究，多数是

以国外的创业管理理论和实践为标准来衡量国内企业的创业行为，忽视了商业生态体系之间的差异性。我国市场的开放与经济体制的改革是同步进行的，这种特殊的转型经济生态体系具有和西方国家成熟市场经济生态系统完全不同的制度背景特征(李新春, 何轩和陈文婷 2008)。由于当前中国产业集聚效应和商业网络的发展，处于同一商业生态系统中的企业在组织架构、资源配置以及竞争或合作模式上形成了一种较为动态稳定的空间结构，产业中新创企业的成长必然要求原有产业空间结构进行调整或重构。在新创企业的生成过程中，创业机会的有效发掘是基础(Lange, Mollov et al. 2007)，这种创业机会的发掘既可以是新产品市场的发现等机会，也可能是产业重构、转型升级以及政策制定空窗期或执行上的局限性所带来的机遇。而对于新创企业的成长来说，如何获得所在商业生态系统中的特定地位是新创企业必须面对的问题，即普遍意义上的新创企业组织合法化过程(Hargadon and Douglas 2001)。为了获得新创企业成长的合法性与顺利展开，新创企业需要从商业生态系统重构的过程中获得制度层面的支持(冷希炎 2006)，这就意味着新创企业的成长对这种地理空间内的资源及其他生产要素提出了重新配置和组合的要求，此时，传统文化和制度性的政策、法规是否能够满足新创企业的要求，即制度创业对于中国新创企业的成长，就显得尤为重要(邬爱其和贾生华 2002)。

正是基于上述考虑，在本文中，我们将从企业战略生态和制度创业的视角来阐述新创企业的成长问题。

2. 战略生态

近几年以来，我国新创企业的发展面临着更加复杂、困难的经营环境，资金链断链、企业倒闭及企业家跑路的现象屡屡发生，对我国经济发展造成了严重的冲击，引发了社会强烈的反响，引起了政府部门、相关机构和企业自身的普遍重视。例如，在 2011 年成为了各方关注的社会焦点话题，引发了强烈社会震荡的温州民企老板“跑路”现象。那么在这一系列被业界称为“中国式雷曼”、“中国式次贷危机”的民营企业老板“跑路”事件中，究竟隐藏着怎样的内在逻辑关系呢，与此事件有关的各方之间又存在着怎样的联系，他们对于在这次事件中又扮演着什么样的角色，对于事件的发展又起到了什么样的作用呢？

在温州民营企业老板“跑路”事件中，主要涉及到了民营企业经营者、员工、政府部门及其他相关人士或机构等三个群体。从宏观层面来看，在此次老板“跑路”事件中，每个群体的意见也都是非常明确的：作为企业经营者，经营成本过高，融资困难，债主讨债追债导致企业资金链断裂是一些老板“跑路”的根本原因。而作为政府部门，首要目的当然是希望将老板“跑路”所可能引发的潜在金融危机和社会震荡减至最低。而对于其他相关人士或组织来说，则主要关心老板“跑路”可能给自身带来的经济利益或社会福

利损失，例如企业员工非常关注企业倒闭后自己的工资能够按时足量发放，相关学者对于政府财政救助倒闭企业的质疑等。但不论三方或者多方之间意见分歧多大，更为重要的是，要彻底解决温州民营企业融资难问题，平息温州老板“跑路”事件所引发的一系列社会性、群体性事件，需要民营企业经营者、员工、政府部门以及其他组织之间的通力合作。那么如何才能让与事件发展休戚相关，但目标分歧较大的各方能够齐心协力，共同解决问题呢？

这是一起典型的商业生态系统中企业面临共同问题的案例。从企业战略的视角来看，民企老板、员工与政府部门都有自身的发展战略，并且这些战略之间具有较大的差异甚至冲突。但民企老板、员工与政府部门之间却面临着共同的问题——如何避免民企老板不断“跑路”。这就需要一个共同的解决问题的战略，即民企老板、员工与政府部门在自身战略的基础上，通过协商、合作构建一种共同的战略模式。那么，如何才能对众多不同子战略进行解构、整合以形成一种全新的应对企业共同问题的统一战略呢？企业商业生态系统是企业、中间组织、政府部门、其他机构及其环境构成的整体性系统，系统中的企业等组织之间的关系随着时间的发展而不断演化(丁青和吴秋明 2010;)。一些学者尝试从战略生态的视角去解读上述商业生态系统中企业之间的关系(蓝海林和谢洪明 2003; 张焱和张锐 2004 ; 张卫国和青雪梅 2012, 等)，他们主要是从组织生态学的视角切入，将生态

学理论与企业战略管理理论结合起来阐述企业间的战略协调与回应问题，将商业生态系统中的企业关系行为抽象成企业战略组合问题，强调企业战略的前瞻性。从张焱和张锐 (2003)和蓝海林和谢洪明 (2003)等人关于战略生态的界定中出发，战略生态是作为一种分析关联企业未来战略演化的工具，强调企业对未来可能面临的内外环境，特别是产业或者关联企业的战略演化的准确评估、预测和运用，从而适时地调整企业发展战略以适应内外环境的改变。谢洪明和蓝海林 (2004)更是将战略生态视为关联企业战略及其环境构成的整体性系统，这种系统具有生长性，具体体现在企业对于潜在竞争市场的整体认识以及对于自身所在企业战略组织发展、演变的评估，进而挖掘市场机会，扩展企业战略生存空间，强调企业战略的主动性。但这种主动性的企业战略决策却忽略了这样一个事实：商业生态系统中企业的紧密联系性，相对于企业前瞻性的战略决策，更多情况下是为了解决生态系统中企业共同面临问题而采取的被动战略。事实上，企业发展过程中存在着严重的惰性行为，组织结构老化、技术产品过时是企业发展过程中非常普遍的现象(Sørensen and Stuart 2000)。更多的研究表明，外部环境的急剧变化才是推动企业不断调整战略的重要因素，以往的战略生态研究中，虽然强调众多具有关联企业战略的集合，但仍然是从单独一家企业战略决策在整体战略集合中的独立性出发的，重视单一企业战略对于外部周围环境的应对策略与意义。但是单一企业的决策者是有限理性的，当他们在评估可选择的行动方案时会被自身利益追求和过去的成功经验所

束缚。而为了巩固自身在系统中的特殊地位，商业生态中占主导地位的企业或者企业联盟将会产生维持企业整体战略聚焦在他们所占据的资源空间和细分市场方面的动机(Pfeffer and Davis-Blake 1986)，这种资源空间和细分市场的长期占领能够给企业带来显著的企业效益和相对稳定的企业发展环境。但对于那些长期处于市场边缘的企业来说，频繁地暴露于快速变化的环境当中将促使它们不断积累组织与环境之间的匹配经验，增强环境适应能力，进而发展出领先于主导企业的特殊专长。如果这种特殊专长被主导企业所发现，即使这种特殊专长尚未对整个商业生态系统构成威胁，主导企业也会感受到自身利益受到威胁，进而采取进一步措施获取或者抑制这种特殊专长。这就说明，无论处于生态生态外围或边缘的企业采取怎样的战略策略（隐藏优势 or 主动出击），其与系统内部占据主要资源空间的核心企业之间都将在资源和市场方面形成博弈关系。从本质上来讲，就是同一系统中的企业由于面临环境冲击强度不同、资源配置差异以及组织变革矛盾所导致的企业关系中的各种问题和冲突。然而，持续不断的冲突并不利于整个商业生态体系的发展，需要有一个由多个企业参与的、相互依赖并且得到所有成员认可的组织协调模式来规范这种冲突行为。这与以往关于商业生态系统成员之间关系频繁变化的研究相呼应。因此，外部环境冲击才是造成战略生态演变的重要动力，即战略生态的被动性演进，并且这种被动演进是一个持续不断的过程，稳定性相对较差。战略生态的不断演进过程又意味着战略生态系统中企业战略的持续动态性。

那么，如何基于战略生态系统构建出既满足所有企业自身战略发展需求，又能够很好地解决企业面临的共同问题的战略生态运作与管理机制就显得尤为重要。在本文中，我们在参考了关于蓝海林和谢洪明 (2003)关于战略生态内涵的界定以及 Gerencser, Lee et al. (2010)组织“群”的观点之后，对战略生态的内涵进行了进一步地拓展，将战略生态定义为一种以企业共同面临的问题解决为导向的商业生态系统中企业及其他相关组织所采取的战略组合、战略相互作用机制及其外部环境。战略生态作为一种全新的组织战略环境组合模式，能够有效整合共同目标相关各方资源，激发组织潜力，通过“求同存异、优化管理”的方式实现企业共同问题的解决。从战略生态的视角出发探讨上述商业生态系统中企业如何解决共同面临的问题是一个可以尝试的有效方法。

商业生态系统中，企业间的关系依赖于资源空间的占据情况，而这种企业资源空间的分布状况是通过企业生态位来刻画的，那么，商业生态系统情境下的战略生态演进既包括作为企业群存在基础的生态位的演进，也包括企业战略群随着外部环境变迁的应对性变化。从组织生态理论的观点来看，战略生态中参与主体之间的这种既合作又竞争的关系可以通过企业生态位来反映。自然生态学中，Volterra (1926)关于生态系统中的不同种群之间的竞争性成长问题提出了经典的 Lotka-Volterra 模型。在这个模型中，核心思想就是物种对于生态位的争夺。而在企业生态理论中，企业生态位可

以划分为基础生态位与实现生态位，而企业基础生态位与实现生态位产生落差与分离则能够为新创企业的成长奠定物质基础以及创造生存空间。此外，蓝海林和谢洪明 (2003)认为，为了应对外部环境持续增加的竞争压力，战略生态系统中的企业之间往往会形成整合性的共同战略，即企业战略聚焦，这与战略生态的构建初衷是不谋而合的。

3. 制度创业

所谓制度创业 (institutional entrepreneurship) 是指组织或者组织中的个体认识到改变现行制度或者创造新制度能够带来潜在的利益，通过建立并推广获得认同所需的规则、价值观、信念和行为模式，从中创造、开发和利用盈利机会(Maguire, Hardy et al. 2004)。企业会通过制度创业策略影响制度环境，而制度朝着有利于企业的方向变迁，反过来又为企业的后续发展提供机会(苏郁锋，吴全能和周全 2017)。从经济学角度来看，制度创业是经济制度安排与市场需求之间存在一定的差距，以及由此带来的企业成长的产业基础资源整合与制度变迁的可能性空间的发掘与开拓过程。纵观以往学者们关于制度创业的研究，他们主要是在特定创业情境下（组织场域中）分析制度创业的问题，即制度创业理论的核心分析单元是创业行为的组织场域。所谓组织场域就是由一系列相似制度因素所构建的，能够对某一时空范围内的组织（企业及其他相关组织单元）产生同一或相似影响效果的群体性组织及相关因素，并且这种群体性组织和相关因素在空间分布上具有明确的布局与特定的状态。

尽管从制度创业定义来看，谋求企业的超额利益（也称为利益驱动）被认为是制度创业的主要诱发因素之一，但在具体的制度情境中，由于制度演化的整体性和系统性，以组织场域作为分析单元的制度创业理论一直以来都是制度变革整体主义方法论的坚定支持者，尤树洋等（2015）通过文献统计分析得出制度业的起因首先归结于组织场域的外部因素，另外，组织场域自身的两类特征——异质性和制度化程度，也是制度创业者出现的关键因素。因此，国内外关于制度创业的研究不外乎以下三个视角：制度创业动因、制度创业主体及制度创业过程。制度创业的动因主要包括经济与政治危机、技术创新等场域外部因素和利益驱使、战略调整等场域内部因素(Fligstein 1997; Hargadon and Douglas 2001)；而创业主体则可以是引导制度变革的任何组织或个人，但这种创业主体必须是在某一特定场域中的，并且其主要功能是改变所在组织场域的制度问题；最后对于制度创业过程，学者们提出了特定组织场域下的各种制度创业过程模型，如 Maguire et al.(2004)的新兴场域模型，Greenwood and Suddaby (2006)的网络位置模型，以及 Misangyi et al. (2008) 的网络位置模型。

无论是从制度创业动因还是从制度创业主体及制度创业过程来分析，基于组织场域的分析方法来探讨制度创业问题仍然存在局限性：一方面，坚持整体主义方法论观点的研究似乎难以概括出个体（单家企业）行为的独特性及其活动踪迹。另一方面，在组织场域形成过程中，制度和企业结构（

单个组织体系) 往往存在惰性, 其变革往往落后于组织场域本身和组织场域内行动者的演化, 而这种制度结构与市场结构之间的不一致为组织场域内行动者发挥更大的主观能动性提供了空间和机会, 那么该如何来梳理这种制度结构与市场结构之间的矛盾是一个非常棘手的问题。从企业及其集群存在的基础来看, 制度创业的空间可以划分为地理维度、经济与政治维度以及制度维度等三个维度(冷希炎 2006), 而制度创业实质上可以看做是上述三个维度内涵的变化过程, 即制度空间演化。从制度空间演化在经济发展中的实际作用效果来看, 制度空间演化又可以划分为基础制度空间演化与社会制度空间演化两方面(宋娟 2008), 其中, 基础制度空间演化是承载企业发展的经济与制度基础中原本就实际存在的产品、市场和制度自身灵活性空间的变化。而社会制度空间演化则是指经济发展、制度安排与消费者及市场需求之间存在的差距, 以及由此引发新创企业成长的经济与制度空间变化。

4. 战略生态与新创企业成长

新创企业的成长与企业生态系统中在位企业是相互影响的, 这种影响既可能是消极的, 也可能具有积极意义。例如, 新创企业既可能由于对企业外部产品市场产生冲击而遭到业内在位企业的排挤与打压, 也可能由于推进了产品升级, 引领产业发展而受到在位同类企业乃至关联企业的追捧。因此, 以企业生态位为研究基础, 全面分析企业生态系统内部的所有影响因素, 从企业生态系统的中观视角来分析新创企业的成长过程, 并认识到新

创企业的成长过程是一个需要不断适应生态系统变化，但必须坚持自身独立性和独特发展的过程就显得非常必要。另外，在传统的组织理论研究中，研究者往往将新创企业的成长作为独立的过程展开研究，即企业自身的独立边界就是组织理论中公认的组织边界。这种研究方式已经难以适应经济全球化及企业商业生态系统构建与发展的要求，因此，从基于单个企业的传统组织理论向企业商业生态系统研究转变是新创企业成长研究的必然要求(Petros Ieromonachou 2004)。伴随着知识经济时代的发展和科学技术的突飞猛进，当前的企业商业生态系统处于持续的动态演进过程中，作为新创企业，只有主动适应企业的这种商业生态系统动态、持续发展过程，才能获得较好的成长机会。从企业战略生态的角度评估新创企业成长所可能面临的外部环境是一个较为理想的选择。

4.1 企业战略生态位与新创企业成长

一方面，战略生态是商业生态系统中企业战略及其环境构成的整体性系统，具有共同问题决策导向性，并且伴随着商业生态系统的发展而不断进行策略性演进，作为商业生态系统中高度抽象化与策略化的生态系统存在形式，具有丰富的理论内涵与广泛的生态功能。另一方面，战略生态作为企业为解决共同问题而将彼此的战略进行协调与组合，使得企业战略在产业地理或空间布局上存在关联性，这种关联性不仅体现在为了解决共同问题而团结在一起的协作方面，还体现在每一企业为了自身独特的目标而奋斗方面，即战略群生态中企业生态位问题。生态位的概念和理论源自于生

态学，但由于研究的角度和性质不同，至今对其的定义还没统一，现有的理解主要从功能、空间和多维超体积三个角度界定。其中，功能生态位的本质含义是指某一物种最终的小生境，侧重于物种的空间分布和位置。SNM 研究中的技术生态位和市场生态位，侧重强调了空间上的意义（刘贻新等 2015）。对于新创企业来说，战略生态中企业生态位“空间”的大小——基础生态位、实现生态位以及它们之间的分离程度对于新创企业的成长非常关键。Hutchinson (1957) 指出所谓基础生态位是指商业生态系统中的企业禀赋与外部环境要素之间所能实现的最大适应（匹配）状态，是假定企业单独存在、无其他任何竞争环境资源的别的企业的干扰为前提，是企业的理想生存状态。而实现生态位则是指企业对商业生态系统的实际适应情况，即企业对各种环境要素的实际适应程度。因此，在大多数情况下，商业生态系统中基础生态位越宽，新创企业成长的空间越大；而实现生态位越窄，新创企业成长的空间则越小。然而，战略生态中企业的共同目标决定了企业之间具有更为广泛的联系甚至高度重叠的生态位体系，这就意味着战略生态中的生态位划分更具现实意义——基础生态位与实现生态位之间的重合程度将对新创企业的成长造成深刻的影响。战略生态中基础生态位与实现生态位之间若是高度重叠的，就意味着战略生态中的企业同质性程度高，竞争激烈，并且商业生态系统中已经没有充足的空间来容纳新创业的成长。相反，若战略生态中基础生态位与实现生态位之间分离、错位差距较大，则意味着战略生态中企业异质性较高，彼此间竞争程度较

低，更容易实现协作、整合功能，从而实现战略生态的共同目标，因此，相对来说，新创业成长的空间也较大。因此，我们可以推断出，战略生态中基础生态位与实现生态位的分离有利于新创业成长。

假说 1：战略生态中的企业生态位对于新创企业成长具有重要影响；

假说 1a：战略生态中基础生态位越宽，越有利于新创企业的成长；

假说 1b：战略生态中实现生态位越宽，越有利于新创企业的成长；

假说 1c：战略生态中基础生态位与实现生态位之间差异越大，越有利于新创企业的成长。

4.2 战略动态性及聚焦与新创企业成长

为了共同问题的解决，战略生态中的企业必须不断调整自身战略目标与运作模式，以不断适应商业生态系统的调整所引起的协同演变。因此，作为相对松散性、灵活性都很强的战略组织模式，战略生态的持续性发展对于企业共同问题的解决具有重要作用。在共同问题解决过程中，由于企业间利益的不一致性，使得彼此间往往存在分歧，因此，企业战略优化管理、持续协商和组织渗透是战略生态构建的重要原则。企业作为单独的个体，最大化利益是其追求的终极目标，但在战略生态中企业战略的集合目标是要完成共同目标，所有企业的利益最大化显然是不现实的。只有不断优化企业间的利益，才能在通盘考虑的基础上力求实现整体利益的最大化。因此，优化管理是战略生态最为理性且合适的管理模式，优化管理模式最大的特点是有限利用资源，均衡各方利益，也可以称为妥协管理。在这

种管理模式下，新创企业往往通过平衡各方关系而获得在企业战略生态中的合理地位，即所谓的组织合法性。持续协商则是战略生态正常运转的关键方式，从制度监管和约束角度来看，在为共同利益寻求解决方法的道路上，战略生态中的利益相关方总是需要通过协商来解决争端、达成行动协议或为自身利益讨价还价。显然，在多方协商或制衡的机制下，新创企业也能够从这种共同利益诉求当中获得企业的合法地位。组织渗透性则主要是针对战略生态的问题解决而言的，组织渗透理念要求战略生态中的任何形式的组织在利益交汇条件下必须重新调整自己的运作方式，从而为寻求更多的共同利益寻找出路，这无疑为战略生态中企业生态位的拓展创造了条件，这对于新创企业的成长显然是有利的。在普遍情况下，战略生态本身也孕育着各种形式的企业战略导向及战略聚焦的理念。在战略生态中，由于各企业之间的行动都是自发且相对独立的，往往缺乏相应的最高层领导者来统一对所有成员企业实施强有力的领导，这就容易导致战略生态总体目标导向的偏离，因此，战略聚焦在战略生态中就显得尤为重要。战略聚焦作为一种战略生态运作的约束模式，能够维持新创企业在成长过程中的稳定性，因此，我们作出以下推断：

假说 2：战略生态中的企业战略动态性对于新创企业的成长具有显著的正向作用；

假说 3：战略生态中的企业战略聚焦对于新创企业的成长具有显著的正向作用。

根据上述理论推断，我们对战略生态与新创企业成长关系进行了总结性评价，战略生态与新创企业之间的关系如图 1 所示：

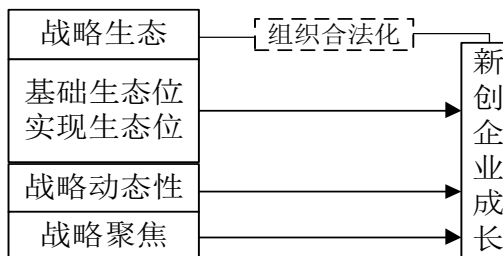


图 1 战略生态与新创企业成长

5. 制度创业与新创企业成长

制度创业是指组织或者组织中的个体在权衡制度变革成本与制度变革所带来的超额收益之后所决定的，因此，通过适应当前制度以获取稳定性收益的制度场域内部的组织或个人也可以是制度的变革主体。那么，既定制度条件下的组织场域“成员”行为、意识和理性既然都是建立在固有制度的基础上的，它们又是如何来改变这种制度的呢？换句话说，就是制度变革的动力和模式来自于哪里呢？Donna Marie De and Patrick (2006)认为，组织中的制度变革机制仍需通过对特定条件下特殊的制度情形进行个别、具体研究才能获得其内在的制度变革动因。一般来说，同一组织场域中的主体在地位、功能以及角色扮演方面存在差异，而处于场域底层的组织或个体对于改变现状，追求更高组织场域地位的诉求更加强烈。在商业生态系统中，企业之间广泛、多样的联系使得组织内部总是存在制度方面的不相容或效

率差异化，即制度本身的不合理性，这就给那些具有强烈变革和诉求的组织或个体提供了改革的机会，也许，这才是商业生态系统中制度变革的重要原因。所以，在本文中，我们强调经济利益和制度特征两者才是制度变革的根本动力。正如本文在前面所阐述的那样，从新创企业成长的角度来看，制度变革实质上就是新创企业所在制度空间的演化问题，并且这种演化主要是从经济与制度两方面反应出来的。超额经济利益的驱使和制度监管力量的削弱将对新创企业成长产生显著的影响。在下文中，我们将主要从经济维度和制度维度来阐述制度创业对于新创企业成长的影响机制。

5.1 经济利益驱使与新创企业成长

制度创业动力来自于创业者对于超额经济利益的获取的观点已经得到了众多制度创业理论研究学者的认同(Bjerregaard 2011; Brettel, Engelen et al. 2011; 项国鹏，胡玉和和迟考勋 2011)。制度创业所引发的制度变革、演化以及重塑过程，必然给新创企业成长带来深刻的影响。乐观者会认为，制度创业的不确定性给新创企业的成长创造了大量的机会，同时新制度的确立过程必然是一个循序渐进的过程，这就意味着新制度建立过程中的暂时不完善性会给创业者提供政策执行上的灵活性或政策空白来展示自己的创业能力。这从我国计划经济向市场经济转变的制度变革过程可以一见端倪，处于计划经济向市场经济过渡期的中国企业制度一方面具有自由市场经济理性的特点，另一方面又兼有社会主义和自由市场经济双轨制的特点(Katz 1993)，这种双轨制的经济模式显然是非理性的，当这些非理性经济逐

渐发展成为惯例，不仅导致了一些制度规定的行为本身倾向于导致低效率的产出，而且在制度一旦发生变革时，就会展露出大量的制度空白区域，这些制度空白将刺激制度创业者的极大创业行为。那时候我国大力发展乡村经济、劳动力充足，资源价格低廉，产业结构尚待建立，同时拥有广阔的市场空间，几乎没有什么竞争问题存在，这就是我国 80 年代“胆子大的人能致富”的重要原因。经济发展的基本规律则早已揭示，资源的多寡是制约新创企业成长的基本因素之一，没有充分的原料、人力资本和技术，新创企业的成长显然是不可能的。而产业结构的不完善，则意味着企业间的竞争并不激烈，新创企业具有足够的时间来增强自身实力。另外，市场发展离不开经济利益的驱动，虽然市场的成长与发展能够为新经济制度的建立提供一些体制方面的秩序感，但是这并不足以看成使充分开发的市场，这也就意味着为创新创业成长保留了足够的空间。显然，经济利益驱使下，资源禀赋、产业结构以及市场空间将对新创企业的成长产生重要的影响。因此，我们做出如下推断：

假说 H4：制度创业中超额经济利益驱使能够促进新创企业的成长；

假说 H4a：制度创业中丰富的资源禀赋能够促进新创企业的成长；

假说 H4b：制度创业中产业结构失衡能够促进新创企业的成长；

假说 H4c：制度创业中广阔的市场空间能够促进新创企业的成长；

5.2 制度解构与新创企业成长

制度理论家认为社会经济制度建立的目的是为特定的社会群体提供稳定性保障(Mitsuhashi, Shane et al. 2008)。然而，当每一项新制度最初出现的时候，制度创业者往往在制度建立之前就会有意识地引导建立所需的制度。那么，如何来看待这种有意识的制度建立引导过程呢？积极的方面在于这些行为通过允许集体行动支配对制度引导的需求最终形成了更高效的制度。但这种新制度由于颠覆了原有的利益分配模式，必然招来各种形式的反抗，使得新制度的稳定性有待进一步巩固，这时候就需要制度创业者与其他组织、人员进行谈判和磋商。这种磋商通过描述社会应有期望并识别制度在面临多重矛盾时的不稳定性所需的外部约束机制(Seo and Creed 2002)，同时也为新组织（新创企业）的出现提供了生存和竞争空间。从新创企业成长的演进来看，长期的制度变迁过程总是一系列不稳定的、组织松散的或狭义的专业活动中产生的有秩序的、稳定的社会行为方式的总和，这些社会行为方式并不是完美无缺的，也正是这些社会行为方式的不完善性才迫使它们之间不断的相互替代，创造了不同阶段的，与其相适应的新创企业或组织的出现。另一方面，既然制度是一个持续的演化过程，处于制度体系中的企业自然会对与自身相适应的制度长期稳定和有序的预期，这种稳定和有序往往会使制度更加稳健。然而，对于那些新出现的企业来说，稳定的制度并不适合其进一步发展——尽管曾经的稳定制度也曾给其成长创造了条件。因此，我们可以做出如下总结，制度的灵活性和重塑过程为新创企业的成长创造了良好的条件，但制

度的稳定性和有序性并不适合于新创企业的进一步成长，由此，我们做出如下假设：

假说 H5：制度创业中制度解构将对新创企业的成长产生显著的影响；

假说 H5a：制度创业中制度灵活性能够促进新创企业的成长；

假说 H5b：制度创业中制度稳健性将阻碍新创企业的成长；

假说 H5c：制度创业中制度有序性将阻碍新创企业的成长；

根据上述理论推断，我们对制度创业与新创企业生成及成长关系进行了总结性评价，制度创业与新创企业成长之间的关系如图 2 所示：

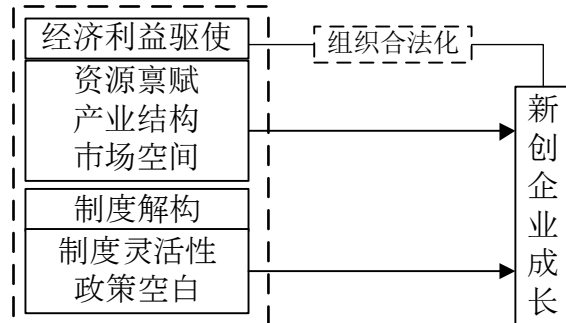


图 2 制度创业与新创企业成长

6. 战略生态、制度创业与新创企业成长

从发展的观点来看，战略生态与制度创业之间的互动是伴随着企业商业生态系统的演进同时进行的。作为商业生态系统动态发展过程中重要内容之一的新创企业成长显然会受到战略生态与制度创业的双重影响。正如上文所述，

从本质上来看，战略生态是一种共同问题解决导向的所有关联企业战略的组合、运作及其环境构成的系统，战略生态中的企业虽然是为了共同的问题解决而聚集在一起的，彼此间具有相互依存、彼此依赖关系，但每一企业在经营策略与市场目标方面必然存在着一套自身独特的观点，这就意味着企业之间在面临解决共同问题的过程中还会存在不同程度的意见分歧甚至竞争关系。那么该如何来应对这种新出现的新创企业的战略生态运作模式呢？或许制度变革能够给我们提供一些启发。新出现的战略生态管理难题肯定会导致现有制度的方向性困惑、概念模糊以及运作秩序混乱等，从而造成制度性震荡。原有制度体系的震荡必然要求制度的不断变革与进步，并产生相比于现有制度更加符合新出现的企业战略管理问题现状的新制度体系。因此，战略生态的运作问题需要从制度变革层面进行引导和创新才有可能达到预期的成果。

制度创业促进战略生态的运作。当原有的制度不再适应新的商业生态系统，即意味着旧制度已经缺乏足够的力量去触发和引导一种全新的管理模式，此时的制度力量就会受到外部的质疑和挑战，进而减弱原有制度的监管效力 (Droege and Marvel 2010)。通过允许由民营企业掌控对制度重构引导的需求，如果旧有制度的解构以及由此产生的社会秩序混乱能够得到很好控制，那么就会发展出更多适应企业发展新模式、更有效率解决新问题的新制度。战略生态的实施与管理问题导致了企业战略层面的“共同问题解决”和“目标统一”之间界线的模糊，这不仅为制度创业创造了条件，同时也为解决战略生态的

实施与管理问题提供了一个解决新问题的研究思路。制度创业通常能够塑造一位或几位非常有威望的制度创业家，正所谓“时势造英雄”，这些具有较高威望的制度创业家通常具备足够的能力和魄力来有效指导、约束战略生态中企业的集体行为。通过这种高效、协作的群体行动产生足够的生态活化因子来整合、支配战略生态系统中企业的资源、技术及市场需求，最终激发战略生态中企业的潜力。换句话说，制度创业能够激励战略生态中企业的协作行为，进而保持企业间的融洽关系，提升企业战略目标的高度统一性。另外，我们也意识到，制度创业本身也存在风险，具体来说就是制度变革导致的混乱结果可能会引发旧制度的复活，同时给制度创业者造成沉重的经济损失与政治报复。因此，指望制度创业能够给战略生态的顺利实施带来一条不紊、一帆风顺的促进作用显然是不现实的，相反，制度变革的反复性也意味着战略生态的动态性发展过程。因此，我们提出以下假设：

假说 H6：制度创业对于战略生态的实施与运作具有显著的促进作用；

假说 H6a：制度创业对企业生态位的拓展与整合具有积极作用；

假说 H6b：制度创业对企业战略动态产生显著影响；

假说 H6a：制度创业对企业战略聚焦产生显著影响。

战略生态的反馈机制。作为一种新的问题解决模式而出现的企业战略整合模式，战略生态也可以作为制度创业的一种产出成果。如此看来的话，战略生态的实施与运作的结果将对制度创业产生反馈作用。战略生态面临的最大挑

战是如何将众多目标不一致的企业整合起来，以其在共同问题解决过程中发挥最大功效。而这种整合功能的发挥不仅仅取决于制度变革的作用，还涉及到其他很多因素，包括战略生态的组建模式、企业类型、外部环境以及所面临的共同问题的复杂程度等，事实上，在战略生态中绝大多数企业间的合作、联盟或者其他形式的关系中，以及关系冲突、投机行为、不对称关系等消极合作行为与以互动、协调、相互帮助等积极合作行为通常是共同存在的，这就意味着围绕战略生态的制度变革面临强烈的外部阻力和挑战，将对制度创业者产生极大的身心考验。综上所述，我们提出以下假设：

假说 H7：战略生态将对制度创业产生反馈作用。

根据上述理论推断，我们对战略生态与制度创业关系进行了总结性评价，并构建了战略生态、制度创业与新创企业成长之间的关系如图 3 所示：

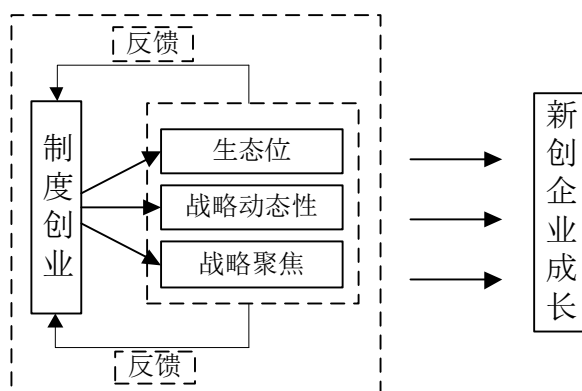


图 3 战略生态、制度创业与新创企业成长

7. 结语

经济全球化背景下，企业间这种跨越传统“产业”范畴，趋向于“生态系统”之间的竞争模式是未来企业竞争的主要形式。在商业生态系统持续演进的背景下，企业间的连接关系更加紧密，这有助于企业通过相对完善的商业网络来应对外部环境的产业震荡和竞争冲击。但不容忽视的是，商业生态系统中企业间以高度分工、协作为基础的协同关系也存在明显的不利之处，商业生态中任何企业或机构面临的问题可能迅速向整个生态系统扩散，从而发展成整个商业生态系统的问题。因此，需要构建一种全新的企业组织形式，寻找一种创造性的，以解决商业生态系统中企业共同面临的问题的管理范式。幸运的是，战略生态为我们提供了一个很好的研究视角。蓝海林和谢洪明 (2003) 指出，作为一种众多企业战略的集合，战略生态能够依据企业发展态势与其外部面临的动态环境做出未来的企业发展战略预测，并对这种战略预测进行客观评估。但他们关于战略生态的界定还是基于单家企业自身的战略发展，强调企业如何根据竞争对手和外部环境自主调整自身战略以获得最大竞争优势，这显然是与商业生态系统的整体发展存在偏差的，也不利于商业生态系统中企业共同问题的解决。因此，如何将战略生态中众多相关企业的战略进行整合，基于商业生态系统整体出发，找寻一种更为宏观视角的战略集群以应对这种企业共同面临的问题就显得尤为必要。正是在谢洪明和蓝海林 (2004)；张焱，张锐 (2003) 和张焱，张锐 (2004) 等人关于战略生态理论以及 Gerencser, Lee et al. (2010) 关于“群”理论的启发下，我们对原有的战略生态内

涵进行了进一步地扩充，将战略生态定义为商业生态系统中企业为了共同问题解决而将相关战略进行整合、运作的机制及其环境所构成的系统。在本文中，我们采用内涵经过拓展的战略生态来尝试分析商业生态系统中这种企业所共同面临的问题。

战略生态以战略生态中企业战略群组合为基础，通过构建一种解决商业生态系统中企业共同面临的问题的战略整合模式。战略生态通过整合战略生态的各方资源，激发企业潜力，通过“求同存异、优化管理”的方式实现企业共同问题的解决。这与以往的企业管理模式具有本质上的区别，在以往的企业战略管理研究中，学者们一直强调企业核心能力构建、竞争优势确立和企业战略管理者素质提升的重要性(Govindarajan and Fisher 1990; Fuentelsaz and Gómez 2006; 蓝海林 2015)，但忽视了现代企业竞争背景下企业战略群作为一个商业生态整体发展的实际价值，虽然学者们也重视战略联盟(Jiang, Tao et al. 2010; Moghaddam, K. et al. 2016; Dutta, D. K. , & Hora, M. 2017.)或者产业集群(Kim and Tsai 2012; Tang, C. 2016)对于企业发展的重要性，但仍然只是强调联盟或集群中的企业如何从联盟中获得优势地位或从产业集群中脱颖而出，并未能从联盟或产业整体的视角去看待企业发展问题。而在本文中我们提出战略生态的理念则很好地弥补了以往研究的不足。

商业生态系统企业之间虽然存在密切的业务往来，但作为一个独立经营的生态系统个体，其所有的商业活动必然基于企业自身利益出发。而作为一种以

生态系统中企业共同问题解决为导向的新的企业战略决策管理模式，需要统筹生态系统中所有企业及关联组织机构的战略决策，这就需要从制度层面给予高效、有力的支持。制度创业作为一种不断创新的制度变革行为(Xu and Shenkar 2002; Maguire, Hardy et al. 2004)，则能够为这种创新战略决策模式提供制度范畴上的支持。然而，战略生态实施情境下的制度创业过程与一般的制度创业过程不同，一般来说，制度创业往往是经济利益驱动的，带有强烈的创业者个人主义色彩，但战略生态则是一种问题解决导向的群体性行为，这就意味着战略生态管理实施进程中的制度创业具有更广泛的群众基础，是一种创业者群体倡导或引发的制度变革行为。这也是本研究对于制度创业领域研究的一个理论贡献。

最后，作为本研究的重要对象之一，新创企业无论在资源禀赋、技术条件还是竞争优势方面都需要依赖其所在特定商业生态系统的支持(Birley 1985; Moore 1993; Bonello 2008)，因此，我们认为，新创企业成长的研究需要借助于战略生态与制度创业相关理论，从而能够较为全面的探讨影响新创企业成长的重要因素及其影响机制。商业生态系统下的新创企业成长需要充分考虑整个商业生态系统的全方位发展，这种全方位发展意味着新创企业的成长必然是一个关系到商业生态系统运作的问题，并且具有强烈的问题导向性，而战略生态则是有针对性的企业共同问题解决导向性的企业战略整合模式。从战略生态的视角来看，新创企业的成长主要受到商业生态空间、战略动态以

及战略群聚焦等因素的影响。而从制度创业角度来看，经济利益驱使和原有制度解构则为新创企业成长奠定了基础。正是在此背景下，本文基于商业生态系统的视角，从战略生态与制度创业两个方面来探讨新创企业成长的问题，能够为学术界和实践界更为准确地认识和把握新创企业的发展路径提供了理论支撑和实践参考，同时，也对创业管理理论、组织生态理论以及制度理论的相关研究也将起到深化和拓展作用。

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The effect of debt structure on overinvestment: Based on Chinese real estate listed companies

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Abstract: The real estate industry plays an irreplaceable role in the economic development of China and has great contribution to GDP, but now overinvestment and excessive inventory has become the main contradiction of the development of the industry. In this paper, the public listed companies in the real estate sector are used as a sample to study how their liability source structure and term structure affect the overinvestment. It is found in this paper that 33.54% of

the real estate enterprises have excessive investment phenomenon. The commercial credit and short-term debt of these firms can actually constrain overinvestment, whereas the long-term debt and bank loans cannot play a role in restraining overinvestment.

1 Introduction

It is well known that effective investment can enhance the company's value and promote the long-term development of the enterprise. The real estate industry is a favorable support for China's GDP, which can stimulate the healthy development of many related industries such as building materials and home decoration. It has a strong correlation with the upstream and downstream enterprises and thus has a very significant impact on China's national economy. From 2007 to 2014, the contribution of real estate development investment to GDP increased year by year, while a slightly decreased in 2015-2016, remained just above 13%. With the introduction of various regulatory policies, the growth trend of investment in real estate enterprises has started to slow down. However, the entire real estate market is still oversupplied. overinvestment and excess inventory have become the primary contradictions in the development of this industry.

The real estate industry is highly capital intensive, with large investment and long term. Capital structure is an important factor affecting investment decisions, while there is a large proportion of debt in the capital structure, the average debt ratio reached 62.06%. In addition, more than 70% of the real estate enterprises in China adopt pre-sale forms, and other fund sources except pre-sale account for over 30%. Majority of this money comes from 1) the deposit paid in advance by buyers, 2) mortgage loans provided by banks, 3) the payable to the constructors. In 2015, the deposits and advances received accounted for 25.93% of the total sources of funds. In 2014, the deposit and pre-receivable accounted for 24.79% of the total sources of funds. Therefore, the data from the real estate listed companies in 2011-2015 is used as samples in this article to establish and analyses the relationship between debt structure and overinvestment, revealing its great significance.

2 Theoretical analysis and Research Assumptions

2.1 overinvestment generated

Overinvestment as a concept was joint-proposed by Meckling and Jensen (1976)^[1] for the first time. Their view is that due to the separation between ownership and business management power in most modern enterprises, there are always power struggling and even conflicting interests between shareholders and managers. The managers favor those projects that benefit themselves rather than shareholders,

which creates the problem of overinvestment. Jensen (1986)^[2] argues that when there is surplus cash flow inside an enterprise, the manager considers personal interests firstly, with biased decision on project investment, and probably puts fund on unprofitable projects, consequently, shareholder interests are infringed. Richardson (2006)^[3] argues that if the firm's investment expenditure is beyond the level that keeps normal business operation (such as depreciation) and NPV greater than zero. Hart (1995)^[4] argues that agents have a strong desire to create a business empire for their own ambitions. In fact, executives will enlarge their tangible or intangible benefits by increasing the size of the company. Tang Xuesong and Zhou Xiaosu (2007)^[5] argue that considering their own interest, executives may invest the remaining internal cash flow into non-profitable projects, resulting in overinvestment.

The real estate industry has made a great contribution to the growth of China's GDP. Therefore, the government is highly concerned about this over-weighted industry, and the government has taken some initiatives to interfere financing and investing behavior, and even to give financial convenience. The total investment amount in China's estate industry from 2008 to 2015 increased by 207.59%. From the beginning of 2010 to the end of 2015, the vacancy ratio of houses for sale rose continuously. At the end of 2015, the vacancy rate reached 46% and 720 million

square meters of the built-area for sale. Such a high vacancy rate indicates that the real estate in China is a serious issue, with problems in inventory backlog and overinvestment. For such scenario, it is reasonable to make the following assumptions.

Assumption 1: overinvestment phenomenon widely exists in China's real estate listed companies

2.2 debt structure and overinvestment in real estate enterprises

Stulz (1990)^[6] finds that the best financing decision is influenced by the net present value and cash flow of each period, and if the firm makes the optimal strategy, it will reduce the manager's overinvestment cost. Mills, Morling and Tease (1995)^[7] studied the data of listed companies in Australia from 1982 to 1992, concluded that the increasing of liabilities can make enterprises decreasing investment expenditure, while this influence are prominent in higher liabilities enterprises.

According to Wang Yanchao (2009)^[8], a Chinese scholar, the more cash flow it holds, the more likely it is to over-invest if an enterprise is not constrained by its financing. Zhao Qing (2012)^[9] found empirically that total liabilities had a significant impact on overinvestment, but most of this negative impact occurred in

non-state-owned companies. Li Laifang and Ye Yuhang (2013)^[10] found that debt can have the effect of weakening overinvestment by controlling other influencing factors; The sale volume or intensity of the market shows an inverse relationship with the overinvestment. Huang Qian fu and Shen Hong bo (2009)^[11] analyzed that the reason the cash flow and investment are very sensitive is not caused only by agency cost or information asymmetry, but the joint action of the both two. Huang Jun, Huang Ni (2012)^[12] found that the FCF (free cash flow) and overinvestment are positively related in the real estate business, and the more FCF surplus is, the more serious overinvestment will be. Hu Jianxiong and Tan Yongmei (2015)^[13] have found that the internal surplus funds will promote excessive investment. From the perspective of external governance, Xu Xiangyi, Li Xin (2008)^[14] think that the overall corporate debt can not form an obvious positive or negative relationship with overinvestment; the short-term debt has an obvious restraint effect on overinvestment but the long-term debt does not. Wang Jianxin, Gang Chengjun (2009)^[15] believes that debt can not have a restraining effect on overinvestment. Jensen (1986) also pointed out the effect of debt constraints while proposing free cash flow induced overinvestment. However, Jensen mentioned this governance function is based on the hard constraints of debt. The effect of overinvestment constraints will also be weakened when there are loopholes in the external environment of enterprises. Most of the banks in China are influenced by its

system. The state-owned ownership is more obvious. The banks is implicitly protected by the government, and less exposed to risk and more like to relax the terms of the loan. Based on the above analysis, the following assumptions are made.

Assumption 2a: it is not obvious that the effect of bank borrowing on overinvestment of real estate companies in our country.

The commercial credit of real estate enterprises mainly comes from the advances of the constructors and the deposit of buyers. In 2015, deposits and advances received accounted for 25.93% of the total source of funds, and a sum of money payable to the constructors accounted for 48.8% of the total payables. Generally, the advances of the constructors are larger amount of funds, real estate companies will suffer a new round of funding pressures if repayment is not on time. So the following assumption is proposed:

Assumption 2b: Commercial credit can have a significant restraining effect on overinvestment in real estate enterprises.

Jensen's (1986) research on shareholder-creditor conflict and shareholder-manager-agent conflict respectively, which states that firms can limit overinvestment led by agency conflicts through increasing short-term debt. Because business may face the pressure of repay the capital and interest in the short term, and in short term all managers of enterprises is so rational that they can make more reasonable decisions to reduce the possible abuse of funds. For long-term liabilities, long repayment term, it will not form a constraint in the short term but may provide managers with overinvestment funds. Xu Xiangyi and Li Xin (2008) think short-term debt is a counter-reaction to overinvestment. The more long-term debt is, the more serious the overinvestment problem is. Similarly, Yang Mianzhi and Ma di (2012) think that long-term debt cannot negatively affect overinvestment and may even lead to an increase in overinvestment, while short-term debt is negatively correlated with overinvestment. Based on the analysis put up with the following assumptions:

Assumption 3: Short-term debt can have a significant restraining effect on overinvestment in real estate enterprises, while long-term liabilities does not have a restrictive effect on overinvestment in real estate enterprises.

3 Research design

3.1 Data Sources

This article uses the data in the real estate listed companies from 2010 to 2015 as a sample. All the data came from the CSMAR database, presenting 755 observations from 142 real estate listed companies, excluding those newly listed real estate companies after 2009, as well as the current ST and ST * state listed companies and the companies with missing indicators and abnormal data, eventually with 650 valid data.

3.2 Variable Definitions

This article focuses on constraints on overinvestment from the banks borrowing, the related business credit formed with the downstream customers and the upstream suppliers, as well as the debt of different maturity. After reference to relevant literature of domestic and foreign scholars, the final selected variables as shown in Table 1.

Table I : variable definition and description

Variable type	Variable sign	Variable name	Variable explanation
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Explained variable	$Invest_{i,t}$	New investment	<p>Total investment = (expenditure on intangible assets purchased at the year plus expenditures on fixed assets + other assets with longer term assets + other investment expenditures at the end of the year)/(total assets at the beginning of the year).</p> <p>Maintaining investment in fixed assets = (depreciation of fixed assets +long-term prepaid expenses)/(total assets at the beginning of the year).</p>
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			New investment = total investment - Maintaining investment
	$OInv_{i,t}$	Overinvestment	£ of greater than zero in model (1)
Explanatory variables	$Bank_{i,t}$	Bank loan rate	(Short-term loans + long-term loans) / (total assets at the beginning of the year)
	$Credit_{i,t-1}$	Business credit rate	(Notes payable + deposit received + accounts payable) / (total assets at the beginning of the period)
	$Shortbk_{i,t-1}$	Short-term debt ratio	Current liabilities / total assets at the beginning of the year



	$\text{Longbk}_{i,t-1}$	Long-term debt ratio	Non-current liabilities / total assets at the beginning of the year
Contr ol varia bles	$\text{Fcf}_{i,t-1}$	Free cash flow	Net cash flow from operations - Investment maintaining the normal operation of the year - Estimated investment expenditures for the next year
	$\text{Dar}_{i,t-1}$	Assets liabilities rate	Total liabilities to total assets at the beginning of year
	$\text{Inv}_{i,t-1}$	Previous investment expenditure	Investment expenditures corresponding to the previous $\text{Invest}_{i,t}$



	Growth _{i,t-1}	Growth opportunities	Growth rate of the annual sales revenue
	Size _{i,t-1}	Company Size	Natural logarithm on the total assets of the beginning of the year
	Cash _{i,t-1}	Cash holding rate	Monetary funds / total assets at the beginning of the year
	Ret _{i,t-1}	Dividend distribution rate	Dividend distribution rate of the previous year
	Age _{i,t-1}	Time to market	Number of years from IPO to the end of the last year
	Year	Virtual annual variable	Taken as 1 if it is the study year,

			otherwise the value is 0
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3.3 Model Design

The research model in this paper is based on the model-construction method of Huang Jun, Huang Ni (2012) and Richardson (2006).

The model (1) is established below to test whether there is an overinvestment in the model of real estate enterprises in China. If ε is greater than zero, it is considered as an overinvestment problem exists. The positive residual in the model (1) represents the overinvestment phenomenon of the company in the corresponding years, and the positive residuals are denoted by OInv as the explained variables in the debt structure test model.

$$\text{Invest}_{i,t} = \alpha_0 + \alpha_1 \text{Invest}_{i,t-1} + \alpha_2 \text{Dar}_{i,t-1} + \alpha_3 \text{Cash}_{i,t-1} + \alpha_4 \text{Growth}_{i,t-1} + \alpha_5 \text{Size}_{i,t-1} + \alpha_6 \text{Age}_{i,t-1} + \alpha_7 \text{Ret}_{i,t-1} + \sum \text{Year} + \varepsilon \quad (1)$$

α_n is coefficient.

The model (2) is established to test the restraint effects of different sources of debt on overinvestment:

$$\text{OInv}_{i,t} = \gamma_0 + \gamma_1 \text{Bank}_{i,t-1} + \gamma_2 \text{Credit}_{i,t-1} + \gamma_3 \text{Bank}_{i,t-1} * \text{Fcf}_{i,t-1} + \gamma_4 \text{Credit}_{i,t-1} * \text{Fcf}_{i,t-1} + \sum \text{Year} + \varepsilon \quad (2)$$

γ_n is coefficient.

The model (3) is established to test the restraint effects of different term debt debt on overinvestment:

$$OInv_{i,t} = \eta_0 + \eta_1 Shortbk_{i,t-1} + \eta_2 Longbk_{i,t-1} + \eta_3 Shortbk_{i,t-1} * Fcf_{i,t-1} + \eta_4 Longbk_{i,t-1} * Fcf_{i,t-1} + \sum Year + \varepsilon \quad (3)$$

η_n is coefficient.

4 Empirical test results and analysis

4.1 The test on existence of real estate enterprises overinvestment

The test results of model (1) are shown in Table 2. The coefficient values between the various variables are within the reasonable range, showing that it does not exist any co-linearity problem. The adjusted R^2 values of the model is 0.492, which shows that the model is well fitted. $Dar_{i,t-1}$ and the current investment expenditure shows a clear negative relationship at the 1% confidence, indicating that the total debt, to some extent, restricts the investment expenditure of real estate companies in China.

Table II : Regression Results of The Expected Investment Model

Variable	Expecte	Co		T value
Constant	-	-		-0.933
Cash _{i,t-1}	+	0.0		1.128
Size _{i,t-1}	+	0.0		1.118
Dar _{i,t-1}	-	-		-2.034
Invest _{i,t-1}	+	0.6		24.006
Ret _{i,t-1}	-	-		-0.537
Growth _{i,t-}	-	-		-0.149
Age _{i,t-1}	+	0.0		1.973
Year			C	
Adj.R ²			0	
F			9	
Prob (F			0	

Note: ** Significantly correlated at 1% level, * Significantly correlated at 5% level.

The descriptive statistics of the residuals ϵ are shown in Table 3, in which the positive values accounted for 33.54% of the total sample, indicating that the overinvestment phenomenon exists in more than one-thirds of the real estate companies publicly listed in China. The mean value for measuring overinvestment is 0.10427, and the mean value for the under-investment is -0.0526, which shows that overinvestment is quite severer than under-investment. All these clearly show

that there is overinvestment in real estate enterprises in China, supporting our hypothesis 1.

Table III: Descriptive Statistics of Residuals

4.2

	Obsers	Minimum	Maximum	Mean	Proportion
$\epsilon > 0$	218	0.000212	1.850981	0.10427322	33.54%
$\epsilon < 0$	432	-2.140180	-0.000310	-0.05261938	66.46%

The Restraint Effect of Debt Structure on overinvestment

Descriptive statistics of the variables related to the source and duration of liabilities are shown in Table 4. There is a big difference between the maximum and minimum of overinvestment, and the standard deviation is 0.2059, which shows that the over-expenditure phenomenon exists in different degree in the real estate

companies in China, and the degree of difference is relatively large among the companies. The financing proportions in China's real estate companies are similar between banks borrowing and commercial credit, accounting for 20.94% and 21.39% of the total assets at the beginning of the period respectively. The short-term debt accounted for 46.54% of the total assets at the beginning of the period, and is more than three times that of the long-term debt. In addition, both of them accounted for 62.51% of the total assets at the beginning of the period, indicating that the proportion of debt is quite high in the capital structure of the real estate companies

Table IV: Description of Variables Related to Debt Structure Statistics

Variable	Observations	Minimum	Maximum	Mean	Standard deviation
$OIn_{i,t}$	218	0.000030	1.769500	0.10667726	0.205917723
$Fcf_{i,t-1}$	218	-2.140152	0.255368	-0.12047096	0.254078280
$Bank_{i,t-1}$	218	0.000000	0.866471	0.20948534	0.152831468
$Credit_{i,t-1}$	218	0.005315	0.644704	0.21396308	0.139686391
$Shortbk_{i,t-1}$	218	0.016132	1.030926	0.46542697	0.179078618

Lon					
gbk _i	218	0.00	0.84	0.1597	0.1364
,t-1		0000	4772	4460	99538

4.2.1 The Restraining Effect of Different Sources of Debt on overinvestment

As seen from Table 5, the adjusted R^2 value of the model is 0.271, which shows that the fitting degree of the model is fairly well and the explanatory variables can be used to analyze the explained variables. For the bank loan, its regression coefficient is negative, but this negative correlation is not significant, implying a lower restraining effect, which is related to the imperfect capital market in China and the insufficient supervision and regulation in the financial industry. This reflects that the bank loans had little restraint effect on overinvestment. The cross-coefficient of bank deposits and Fcf is positive at 1% significance level, indicating that bank loans actually filled up the funding gap of the real estate companies, provided the companies with a hidden cash flow and subsequently incurred overinvestment. These results are in supporting hypothesis 2a.

The regression coefficient in commercial credit is positive, with 5% significance at confidence level. When added with Fcf, the coefficient becomes negative, indicating that the credit relationship with the upstream and downstream customers

can restrain these companies' overinvestment behaviors. These results verify the hypothesis 2b.

Table V the source of debt structure and overinvestment

Variab	Expec	Coeffi		T
Consta		0.135*		4.454
Fcf	-	-0.110		-0.575
Bank	-	-0.132		-1.488
Bank*	+	0.569*		2.211
Credit	-	-		-1.794
Credit	-	-		-7.730
Year			Con	
Adj.R2			0.2	
F			19.	
Prob (0.0	

Note: ** Significantly correlated at 1% level, * Significantly correlated at 5% level.

4.2.2 The Restraint Effect of Different Maturities of Debt on overinvestment

Seen in Table 6, the regression coefficient of short-term debt is -0.261, which is significantly high at the level of 1%, indicating that debt with a relative short term has a negative relationship with overinvestment. The long-term debt has a

regression coefficient of -0.087. Although it shows that long-term debt is negatively correlated with overinvestment, the significance is very low, indicating that long-term debts failed to play a role in restraining overinvestment. The cross coefficient is 0.984 between variables Longbk and Fcf, very significant at 1% level, meaning that longer-term debt not only failed to play a controlling role in overinvestment, but also provided funds for the real estate business, leading to overinvestment and consequently reducing the whole value of the companies.

Table VI Results of regression of debt maturity structure and overinvestment

Variable	Expected Symbol	Coefficient	T Value
Constant		0.219 **	5.234
Fcf	-	-0.087 **	-3.688

Short bk	-	- 0.261 **		-3.642
Short bk*F cf	-	- 1.099 **		-5.834
Long bk	-	- 0.168		-1.634
Long bk*F cf	+	0.984 **		2.603
Year			contr ol	
Adj.R 2			0.216	
F			14.47 1	
Prob (F)			0.000 0	

** Significantly correlated at 1% level, * Significantly correlated at 5% level.

5 Conclusion and policy recommendations

In this paper, we take 131 real estate enterprises in Shanghai and Shenzhen from 2011 to 2015 as a sample, refer Richardson(2006) thought and method on building empirical analysis model. The results show that 33.54% of companies exist overinvestment phenomenon. Regarding to the debt sources, it shows that the credit relations between the upstream suppliers and downstream customers can play a restraint role in business operation, but bank loan enhances overinvestment. In essence, this type of loan provides an implicit free cash flow for the companies. For debt maturity, short-term debt will enable managers to repay and pay interest in a relatively short period of time, which will make them to invest cautiously, and reduce the abuse of funds. The short-term debt is able to play a role of monitoring overinvestment. However, long-term debt actually provides cash flow to the enterprise, in the hidden and disguised form, eventually contributing to overinvestment. Based on the above conclusion, the following suggestions are given:

5.1 Strengthen the supervisory mechanism of managers

In recent years, the rapid development of the real estate industry allows managers to see explicit or or hidden huge returns. They seized all available resources to invest. Therefore, we must strictly monitor the internal funds. In addition, we should increase the share-hold of managers in the company, gradually link managers' individual interests with the company interests, drive them to make the investment decisions on the basis of the company's maximum value .

5.2 Raise the governance effect on debt in all aspects

Firstly, we should reform the state-owned property of the bank, gradually realize commercialization of the bank, enhance the bank's external supervision function. Secondly, the special management of the pre-sale funds needs to be strengthened as to avoid the funds used for other purposes and effectively protecting the rights and interests of buyers meanwhile preventing overinvestment behavior from happening.

5.3 Diversify the way of China's debt financing

We should vigorously develop financial market and promote the level of marketlization, improve the construction of the bond market, and strengthen the effect of hard constraints on overinvestment. Meanwhile, we should improve the relationship between the company and the bank, gradually change the features of

the homogeneous ownership in banks and companies, further strengthen the supervision and restriction of the bank on the borrowing real estate companies.

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