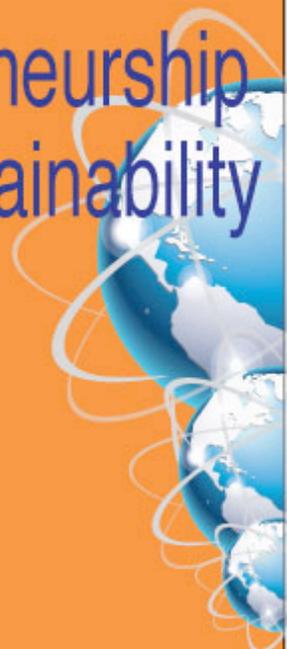


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Assessing the Factors Influencing Youth Participation in Technical Entrepreneurship in Nigeria

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Abstract

The aim of the study is to provide insight into why many youths, after receiving entrepreneurship education are not able to participate in technical entrepreneurship in Nigeria. One hundred and twenty science and engineering students and graduates from twelve universities (four federal universities, four state universities and four private universities) in Nigeria were purposively selected as respondents for the study. Two sets of questionnaire were administered. First set of questionnaire was administered to one hundred and twenty (120) selected science and engineering students in twelve universities with ten respondents from each school. The second set of questionnaire was administered to one hundred and twenty (120) fresh science and engineering graduates who were randomly selected, particularly youths who were currently on the National Youth Service Program. Data obtained was analyzed using



frequencies, means and percentages. Analysis of variance (ANOVA) was also used. This study finds that selected university graduates lack creative and managerial skills, start-up capital, technical training, conducive environment among others that are required for establishing feasible venture, though they were found to be sound in theoretical knowledge in entrepreneurship. This finding is supported by majority of the respondents. This may imply that such brilliant entrepreneurship education given to students will not be practiced since the ability to create needed venture is lacking. It became obvious that several students appeared to have theoretical capacity for venture creation but lack creative capacity.

Keywords: Technical, Entrepreneurship, Education, Nigeria, Universities, Factors.

1. Introduction

Technical entrepreneurship education has been recognized as one of the crucial factors that help youths with science and engineering background to understand and cultivate entrepreneurial attitudes. (e.g. Gorman *et al.*, 1997; Kourilsky and Walstad, 1998). Bassey and Archibong (2005) submitted that the goal of entrepreneurship education is to empower graduates irrespective of



their areas of specialization with skills that will enable them engage in income yielding ventures if they are unable to secure jobs. It is a reorientation from job seeking to job creation. The objectives of entrepreneurship education as succinctly presented by the European Union (2002) include: “raising students awareness of self employment as a career option; promoting the development of personal qualities that are relevant to entrepreneurship, such as creativity, risk taking and responsibility; and providing the technical and business skills that are needed in order to start a new venture”. From the foregoing it can be deduced that the exposure of university students to entrepreneurship education will *ginger- up* the entrepreneurial drive in them and if properly packaged, can be a significant factor in reducing unemployment among graduates. Studies (e.g Olaitan, 1984; Williams, 2002; Ogbimi, 2007) have shown that Nigerian graduates can only be self employed and marketable if they acquire the relevant skills and knowledge in both secondary and tertiary levels. This should transcend mere teaching of knowledge and skills in principles which are devoid of practical experiences in related fields.

Postigo and Tamborini (2002) reported that the academic programmes of most universities have a tendency to focus on the education of students toward a professional career as employees.



There is rarely any consideration for developing competences that will allow graduates to start their own venture. In order to solve this problem, Nigerian Universities Commission had mandated all Nigerian universities to teach entrepreneurship courses to their students and this is being done. However, a survey recently carried out in Nigeria by National Centre for Technology Management-NACETEM (2010), revealed that entrepreneurial interest among Nigerian students is quite high but the expression of the interest in practice is rather low. There is a need to investigate the factors responsible for this. The aim of this paper therefore, is to provide insight into why many youths, after receiving entrepreneurship education are not able to participate in technical entrepreneurship in Nigeria.

2. Literature Review

Entrepreneurship is a concept that involves mental activities such as creativity, innovativeness and proactiveness. Enterprise education is designed to prepare students for engaging in a self directed economic future such as seeking opportunities, taking risks and having the tenacity to push an idea through to reality combined into a special perspective that permeates entrepreneurs



(Adenipekun, 2004). According to Anyakoha (2006), the entrepreneur is one who chooses or assumes risks, identifies business opportunity, gathers resources, initiates actions and establishes an organization or enterprise to meet such demand or market opportunity. The business process includes the identification and assessment of opportunities, the decision to exploit them, efforts to obtain resources and the development of the strategy and organization of the new business project (Eckhardt and Shane, 2003)

Entrepreneurship is considered by several authors as the engine of economic growth in industrialized western countries. For example, Schumpeter (1934) argued that entrepreneurial manifestations in form of new business ventures have been instrumental in economic transformation of the Western Europe and North America. Schumpeter (1934) also saw innovation as the key for creating new demand for goods and services and entrepreneurs as owner-managers who started new, independent businesses to exploit innovation. To Schumpeter, an entrepreneur was a person who destroyed existing economic order by introducing new products and services, by creating new forms of organization, or by exploiting new raw materials. Technical entrepreneur is production



oriented, possesses innovative skills in manufacturing, quality control.

Entrepreneurship education as defined by Akudolu (2010) is the acquisition of knowledge, skills and attitude to enable the learner apprehend life challenges in whatever form and take decisive steps to realize new trends and opportunities for meeting those challenges in all aspects of human life. He also affirms that “the goal of entrepreneurship education is for learners to acquire entrepreneurial capacities and skills that will make them to be self-reliant and self-employed (Akudolu, 2001). UNESCO (2008) stated that entrepreneurship education is made up of all kinds of experiences that give students the ability and vision of how to access and transform opportunities of different kinds. It goes beyond business creation, it is about increasing student’s ability to anticipate and respond to societal changes. According to Klatt (1988), Entrepreneurship Education was concerned with innovation and new ventures rather than management of business already in operation.

Youth Unemployment in Nigeria

According to Fajana (2000), unemployment refers to a situation where people who are willing and capable of working are



unable to find suitable paid employment. The higher the employment rate in an economy the higher would be the poverty level and associated welfare challenges. According to the National Bureau of statistics (2010) the national unemployment rates for Nigeria between 2000 and 2009 showed that unemployed persons constituted 13.1% in 2000 and 13.6% in 2001, 12.6% in 2002, 13.4% in 2004, 13.7% in 2006, 14.9% in 2008, 19.7% in 2009. Statistics from the National Bureau of Statistics (NBS) also show that Nigeria's unemployment rate rose from 21.1 per cent in 2010 to 23.9 per cent in 2011. The search for a job after graduation without success has become a source of frustration for graduates. It is common to see graduates roaming the streets after many years of graduation in search of jobs. Unemployment accounts for most of the social crimes perpetrated by youths in the Nigerian society today. The increasing level of prostitution, armed robbery, rape, kidnapping, pipeline vandalism and all facets of violence can be attributed to the incidence of unemployment. An examination of most of the apprehended criminals shows that a large number of youths that engage in criminal activities are those without gainful employment. Some of these criminals are people who have the potentials for gainful employment but have been denied such opportunity. (Ogbimi, 2007; World Bank, 2009 and Salami 2013).



Youth unemployment is increasing because most graduates lack relevant marketable skills (Salami 2013). With respect to age group, education and sex, NBS (2010) data showed that persons aged between 15 and 24 years had 41.6% unemployed. For persons between 25 and 44 years, 17% were unemployed. According to Omoh, G. (2012), Nigeria had a population of 164.38 million in 2011. Out of this figure, the labour force stood at 67.25million out of which 51.18 million were employed and 16.07 million unemployed. The National Bureau of Statistics (2010) report also show that approximately 112.5 million (68%) out of 164 million Nigerians live in relative poverty conditions.

Value of Youth Entrepreneurship

The importance of youth entrepreneurship cannot be overemphasized because it has a multiplier effect on the economy of any nation. Entrepreneurial activities have been found to be capable of making positive impacts on the economy of a nation and the quality of life of the people (Adejumo, 2001). Nkechi et, al. (2012) identified the key roles of entrepreneurship to include mobilization of domestic savings for investment, significant contribution to Gross Domestic Product (GDP) and Gross National Income (GNI), harnessing of local raw materials, employment creation, poverty reduction and alleviation, enhancement in



standard of living, increase in per capita income, skills acquisition, advancement in technology and export growth and diversification.

Ogbimi, (2007) submitted that employment must be seen as the blood of economy. Emphasizing training and employment can promote and accelerate sustainable economic growth, industrialization and development. Benefits include poverty reduction, amelioration of many social ills associated with chronic unemployment (health problems, spousal abuse and family break-up, drug abuse, crime), and enhanced skills due to training on the job (Wray, 2009).

Methodology

Survey method was used. The study population consists of twelve universities in Nigeria.

Four federal universities, four state universities and four private universities were purposely selected for the study. Two sets of questionnaire were administered. First set of questionnaire was administered to one hundred and twenty (120) selected science and engineering students in twelve universities with ten respondents from each school. The second set of questionnaire was administered to one hundred and twenty (120) fresh science and engineering graduates who were randomly selected, particularly youths who



were currently on the National Youth Service Program. Variables that were examined include factors influencing venture creation such as startup capital, creative skills, managerial skills, conducive environment, technical training, interest and inability to identify opportunity. Data obtained was analyzed using frequencies, means and percentages. Analysis of variance (ANOVA) was also used.

3. Results and Discussion

The results are from two sets of respondents:

- (i) Students in selected Nigerian universities; and,
- (ii) Graduates from Nigerian universities.

Students in selected Nigerian universities

Among other things, this study finds that selected universities graduates lack creative skills required for establishing feasible venture, though they were found to be sound in theoretical knowledge in entrepreneurship. This finding is supported by majority of the respondents (66.67%) as shown in Table 1. This may imply that such brilliant entrepreneurship education given to students will not be practiced since the ability to create needed venture is lacking. More so, entrepreneurship has been defined as a dynamic process of vision, change, and creation (Kuratko and Hodgens, 2004). From this, the importance of creative skill in



venture creation is obvious. Also, managerial ability which is the ability to establish and sustain any business venture was found lacking in the skills that the respondents had acquired (Table 1). Meanwhile, entrepreneurship education should be taught alongside managerial skills. Having entrepreneurship education is insufficient without good managerial skills. The entrepreneurial and managerial domains are not mutually exclusive but overlap to a certain extent. The former is more opportunity-driven, and the latter is more resource- and “conversation” driven (Ireland, Hitt, & Sirmon, 2003).

Also in Table 1, lack of start-up capital was indicated by respondents (87.23%) as a constraint to establishing business ventures. Perhaps, many of the respondents were from poor families where their parents could not assist their children with start up capital. This may be the reason why many university graduates still seek paid employment instead of venture creation as a career.

Another factor militating against venture creation among the Nigerian university graduates is lack of enabling environment (Table 1). The environment within which the entrepreneur operates includes macro forces that both facilitate (e.g. well developed infrastructure, availability of venture capital, bankruptcy protection)



and constrain (e.g. Monopolistic conditions, high inflation and interest rates, onerous regulation and taxation) entrepreneurial behavior in general (Morris et al., 2001). According to Baumol (1990) the environment refers to the “rules of the game” that determine how the entrepreneurial impulse of individuals is channeled. The environment also provides the specific set of conditions that create the opportunity for a particular entrepreneurial concept.

Another factor constraining technical venture creation among the respondents is inability to identify new opportunities. Opportunities and ideas are both necessary in entrepreneurship (Vesper, 2010). Entrepreneurship is fundamentally an opportunity-driven behavior and opportunity identification is generally identified as the first step in the entrepreneurial process. The entrepreneur should be able to identify patterns or forces in the environment that represent profit potential and to develop a creative means of capitalizing on the potential (Morris et al., 2001).



Table 1: Factors Influencing the Participation of Science and Engineering Students in Technical Entrepreneurship in Nigeria.

Factors	Yes (%)	No (%)
lack of creative skills	80(66.67)	40(33.33)
lack of managerial skills	80(66.67)	40(33.33)
Lack of capital	105(87.23)	15(12.77)
lack of conducive environment	57(47.52)	63(52.48)
lack of interest	36(29.79)	84(70.21)
lack of enough technical training	81(67.38)	39(19.15)
Inability to indentify new opportunity	45(37.50)	75(62.50)

Analysis of Variance (ANOVA) result of the factors influencing the participation of science and engineering students in technical entrepreneurship in Nigeria are given in Table 2. There was no significant difference ($F=1.43$, $P>0.05$) in the response of the students to the factors influencing the participation of science and engineering students in technical entrepreneurship among the different Universities.



Table 3 shows ANOVA result of the mean rank of factors influencing the participation of science and engineering students in technical entrepreneurship in Nigeria in ascending order. There were significant differences ($F=36.30$, $P=<0.0001$) in the mean rank of factors influencing the participation of science and engineering students in technical entrepreneurship in Nigeria. The mean ranks of the factors ‘lack of interest’ and ‘inability to indentify new opportunity’ were significantly lower than those of other factors. The factor ‘lack of adequate technical training’ had the highest mean rank of 0.98 while the factor ‘lack of interest’ had the lowest mean rank of 0.30 (Table 3).

Table 2: ANOVA Result of the Factors Influencing the Participation of Science and engineering Students in Technical Entrepreneurship in Nigeria as given by Students.

Factors	Federal Universities	Private Universities	State Universities	Probability
Lack of creative skills	0.75 ^a	0.75 ^a	0.60 ^a	0.24
Lack of managerial skills	0.68 ^a	0.68 ^a	0.65 ^a	0.96
Lack of start-up capital	0.88 ^a	0.88 ^a	0.88 ^a	1.00
Lack of conducive environment	0.63 ^a	0.65 ^a	0.48 ^a	0.23
Lack of	0.30 ^a	0.25 ^a	0.43 ^a	0.23



interest					
Lack of	0.68 ^a	0.73 ^a	0.65 ^a		0.77
enough					
technical					
training					
Presently	in 0.88 ^a	0.70 ^a	0.88 ^a		0.07
school					
Inability	to 0.40 ^a	0.32 ^a	0.33 ^a		0.72
indentify new					
opportunity					

a, b, c: Means within each row with different superscript are significantly different (P<0.05)

Table 3: ANOVA Result of the Mean rank of Factors Influencing the Participation of Science and Engineering Students in Technical Entrepreneurship in Nigeria as given by Students.

Factors	Mean Rank
Lack of interest	0.30 ^e
Inability to indentify new opportunity	0.35 ^e
Lack of conducive environment	0.48 ^d
Lack of creative skills	0.67 ^c
Lack of managerial skills	0.67 ^c
Presently in school	0.82 ^b
Lack of start-up capital	0.88 ^{ab}
Lack of enough technical training	0.98 ^a

a, b, c: Means within each row with different superscript are significantly different (P<0.05)Key: Yes = 1 and No = 0



Factors Influencing the Participation of Science and Engineering Students in Technical Entrepreneurship in Nigeria as Reported by Graduates.

The opinion of graduates in this respect was also considered and was found not too different from the opinion of the students. Most respondents (66.67%) indicated lack of creative skills as one of the problems that hinder the translation of theoretical knowledge to venture creation. Also, lack of managerial skill was also seen as a major constraint to establishing a business venture. This was supported by majority (66.67%) of the respondents. A large percentage of the respondents also support the idea that lack of capital (89.74%) may also constitute a great limitation in establishing a business venture (Table 4).

Table 5 shows ANOVA result of the mean rank of factors influencing the participation of science and engineering graduates in technical entrepreneurship in Nigeria in ascending order. There were significant differences ($F=4.99$, $P=0.0003$) in the mean rank of factors influencing the participation of science and engineering graduates in technical entrepreneurship in Nigeria. The mean rank of the factor 'lack of interest' was significantly lower than those of



other factors. The factor ‘lack of capital’ had the highest mean rank of 0.91 while the factor ‘lack of interest’ had the lowest mean rank of 0.36.

Table 4: Factors Influencing the Participation of Science and Engineering Students in Technical Entrepreneurship in Nigeria as Reported by Graduates.

Factors	Yes (%)	No (%)
lack of creative skills	80(66.67)	40(33.33)
lack of managerial skills	80(66.67)	40(33.33)
Lack of capital	108(89.74)	12(10.26)
lack of conducive environment	80(66.67)	40(33.33)
lack of interest	43(35.90)	77(64.10)
lack of enough technical training	80(66.67)	40(33.33)

Source: field survey (2013)

Table 5: ANOVA Result of the Mean Rank of Factors Influencing the Participation of Science and Engineering Students in Technical Entrepreneurship in Nigeria as Reported by Graduates.

Factors	Mean Rank
Lack of interest	0.36 ^b
Lack of managerial skills	0.68 ^a
Lack of creative skills	0.68 ^a
Lack of adequate technical training	0.68 ^a



Lack of conducive environment	0.68 ^a
Lack of capital	0.91 ^a

Source: Field Survey 2013

^{a, b, c}: Means within each row with different superscript are significantly different (P<0.05)

Key: Highest = 5, High = 4, Average = 3, Low = 2 and Lowest = 1

4. Conclusion and Implication for Entrepreneurship Education in Nigeria

The study has shown that although entrepreneurship education was given to the selected Nigerian students and graduates, they were not able to translate the knowledge to practical venture creation due to the nature of the training. There is a need to review the entrepreneurship education in Nigerian universities to include practical ventures creation. Also, Nigerian government needs to provide enabling environment (such as special banks for entrepreneurs, improved infrastructure) for the development of technical entrepreneurship among Nigerian youths.

Lastly, it was revealed that graduates lack creative skills and start up capital required for establishing feasible venture, though they were found to be sound in theoretical knowledge in entrepreneurship. This is in support of (Madumere-obike, 2006, Amaewhule, 2007 and Nwangwu, 2007). Whereas the goal of entrepreneurship education is for learners to acquire entrepreneurial



competence and skills, that will make them to be self-reliant and self-employed (Akudolu, 2001). This may imply that such brilliant entrepreneurship education given to students result will be useless since the creative skills to employ such knowledge are not known by them.

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Going global in the china business model

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Abstract

Over the past twenty years China has become the fastest growing economy in the world and the second largest economy globally, surpassing Japan. Using concepts such as “Quanxi” and a national business partnership model, China has experienced rapid growth since the “Open Door Policy” of 1978. Other factors helping this have been, a significant high technology business sector, quality products and affordable prices, joint venture entry, free trade zones, WTO membership and flexible bank financing. However, what has been occurring now and what has been the experience of some major corporations there?

Keywords: Competition, Motorola, PetroChina, relationship building, management, global markets.



Introduction

One way for a company to broaden its market base is to go into the global market. Globalization is an exciting opportunity to tap into new markets. It also allows the opportunity for smaller companies to quickly expand globally. Motorola was one of the first U.S. companies to enter the Chinese market in 1987 when it opened a representative office in Beijing (Carter, 1999). They were successful in tapping into the China market by 2002; they had over 95,000 employees across the globe and a total sales volume of US \$27.3 billion. Another reason for this is because China is the fastest growing economy of the world. They have already surpassed Japan. For a company looking to expand, China would be a good choice if it fits your market type. With the great advantages to going global, there are also heavy risks to operating overseas. Depending on the country there can be situations of government turnover, severe weather conditions, political protest, etc. If one of these events was to happen there is a high percentage that it will eventually affect your business overseas. Also overseas actions could also affect your business in the states as well (Carter, 1996).

Multinationals Face Increased Scrutiny

China is expanding its investigations into the food, dairy and pharmaceutical industries, raising questions about whether the days



of “supranational treatment” for multinationals have ended. The investigations signal that these companies face increased scrutiny of their operations in the country. The State Administration for Industry & Commerce is investigating the food processing and packaging company Tetra Pak International SA for possible abuse of market dominance. The SAIC has organized more than 20 of its regional agencies to investigate the allegations, Zhang Mao, head of the market regulator, said it is also investigating 23 cases of possible monopoly violations. Tetra Pak China said in a statement that it has received requests from the SAIC and will provide relevant information about its operations in China to fully cooperate with the government’s investigation.

Earlier, the National Development and Reform Commission, the top economic planning agency, started an investigation into the pricing of infant formula sold by Switzerland-based Nestle’s Wyeth and other foreign companies, including Mead Johnson Nutrition Co., Abbott Laboratories and Dutch producer Royal Friesland Campina NV. Nestle SA and Danone’s infant-nutrition units cut some prices after the government started looking into possible price-fixing by global producers of infant formula. Domestic company Biostime International Holdings Ltd., whose net profit rose 40% year-on-year in 2012, is also being investigated. The



NDRC has evidence showing that the companies' prices have increased about 30% since 2008. The world's largest dairy exporter, Fonterra Cooperative Group Ltd., in New Zealand, was contacted on a "broad-ranging investigation of consumer dairy products in China", and it is cooperating with the authorities. Wyeth said it would lower prices of some baby-formula products by as much as 20% and that the reductions will save consumers an estimated 450 million yuan (\$73 million) by 2016 (Jiabao, 2013).

Wang Dingmian, an executive council member of the Dairy Association of China, said entrenched preferences for foreign brands would not easily change. As for domestic milk powder brands, the government's actions would also have a limited impact if the problems involving product quality, milk sources and trust issues were not resolved, he said. Chinese consumers' loyalty to foreign brands is thought to be pushing up their prices over the long run and many believe the more expensive the product, the better the quality and thus the safety for children. The government is also examining the costs and prices of international pharmaceutical companies, including Glaxo Smith Kline, Plc, Merck & Co., Novartis AG and Baxter International Inc., with the aim of improving the pricing system for medicines.



According to an email response from MSD China, a unit of international drug-maker Merck & Co., said the NDRC announced cost and price surveys on July 2. MSD said it is a routine cost and price data collection spanning the entire healthcare industry, including local and multinational pharmaceutical manufacturers. The company said such surveys are carried out on a random basis. For example, this month, 27 drug companies including Boehringer Ingelheim GmbH, Astellas Pharma Inc, GSK, Baxter and MSD, have been chose for the survey, together with large domestic pharmaceutical and medical device companies. Wang Zhile, president of the Beijing New Century Academy on Transnational Corporations and a senior researcher on foreign direct investment, said that an anti-monopoly investigation is necessary to build up a healthier market (Xuecun, 2013).

(Chart 1) As the Chinese economy beats the odds of global financial crisis and growth slowdown, trade frictions between China and the United States, such as those over trade imbalance, renminbi exchange rate, intellectual property right protections and market access, have increased and bilateral economic and trade ties are becoming more politicized. These are not unexpected developments even though China-US trade ties are bilaterally the most important in the world. And since their causes are



complicated, they have to be properly addressed to promote healthy bilateral relations. First, the trade frictions reflect the conflict between developed and developing countries amid complex changes across the globe where the developed world is represented by the US and the developing by China. Second, the frictions mirror the complexity of China-US economic and trade ties. The unstable and uncertain global political and economic climate makes it more complicated for the two countries to adhere to the principle of opening up in trade. And different stipulations of bilateral free trade agreements and regional trade agreements form the “Spaghetti bowl” phenomenon and effect, further complicating the situation. Third, the frictions are the result of both sides’ underestimation of changes in world. Many people in the US, for example, cannot accept China’s rapid development over the past few decades. In China, on the other hand, some people get carried away by GDP data and assume China has become a developed country and even a superpower. The fact is China’s economic and social development still lags far behind that of developed countries. Though China may gradually overtake the developed world in terms of economic aggregate, the power of the developed countries will not necessarily subside any time soon. Fourth, the trade frictions reflect the insufficient understanding between China and the US. As a country that advocates “harmony foremost”, China does not have the culture



to offend others. China is endeavoring to empower and rejuvenate itself, but it has no intention of building a “Central Kingdom”, expanding its territory or seeking hegemony. China is striving to maintain its national unity, territorial integrity and economic prosperity. But unlike China, the US pays too much attention to ideology and tries to force its ideas on other countries. Fifth, the frictions indicate that economic and trade theories do not fully conform to current trade practices Stahl, 2013).

To some extent, globalization of production and consumption now determines trade. Trade is no longer simply commodity exchange that realizes final product value. Instead, it is a necessary step to ensure normal global production. Apart from “horizontal trade” and “vertical trade”, there is also “circular trade”. In circular trade, multinationals based in developed countries control the key links in the trading chain such as market concept, product design, factor purchase, wholesale and retail pricing, consumption and market feedback, leaving only processing, export packaging and delivery to the so-called manufacturing bases. This leads to severe deterioration in developing countries’ trade conditions in the long run, further complicating the international trade imbalance (Carter, 2011).



China-US trade frictions tend to become frequent as global competition and integration intensify. Since the two countries have common factors as well as disputes in terms of ideology, political views and economic interest, they need to explore new ideas and measures to overcome their differences. The key question today is: Are the emerging markets fundamentally broken, or is this a brief phase in which investors readjust their portfolios in light of the US recovery becoming more sustainable? In Asia, the downward re-assessment of the growth trend in China has been singled out as a potential trigger for a region wide downturn. Additionally, rising debt levels among Asian governments, companies and consumers following the 2008-09 global financial crisis, encouraged by unusually low interest rates, have raised concerns (Carter, 2013).

In China, the government is overseeing an economic soft-landing because one of its strategic objectives is to restructure the economy from one which is driven by high levels of investment and exports to one driven by local consumption. The current model of growth has long been recognized as unbalanced, uncoordinated and unsustainable. It should not come as a surprise that economic reform, rather than economic stimulus, is the rage in Beijing today. Policymakers have now set a 7 % medium-term yearly growth target for the economy, and unless there is a significant



deterioration in the economy, they are likely to focus on broader issues, which include promoting urbanization, fostering a level-playing field for the private sector and upgrading social services such as education and healthcare.

The recent action taken by the central bank to tighten short-term funding for banks is also part of the transformation process, weaning the economy of ultra-loose liquidity. The authorities are coaxing banks and businesses to be more aware of risks when making borrowing and lending decisions. This is encouraging news. This leads to the rising concerns about debt levels across Asia. Our (Standard Chartered Bank's) recent study shows that an analysis of this issue needs to be carefully nuanced. Differentiation is vital; painting all of Asia with the same brush could lead to wrong conclusions. After years of rapid economic growth, Asia excluding Japan's overall debt-to-GDP ratio has just reached the world average. However, on a more granular scale, our study of debt and solvency across corporate, household and government sectors in Asia concluded that current leverage levels are broadly manageable, with areas of concern and pockets of opportunity—areas where leverage can still rise to generate faster growth (Pfanner, 2013).



China's leverage is the most worrisome in the region, as widely understood. However, the concern arises not from its overall credit-to-GDP ratio of 21.4%, which makes it only fifth among the Asian countries in our study. Rather, the concern is that debt is concentrated in the non-financial corporate sector. This is true even after we classify local government investment vehicle debt as government debt. The pace of credit growth is also a concern. Total credit has grown 22% per year the past five years, 6 percentage points faster than China's nominal GDP growth, which is the highest in the region. The redeeming feature here is that the government has started tackling the issue by slowing growth and curbing lending to industries facing overcapacity. In the event of a significant deterioration in the economy, problem loans are likely to surface and some banks may have to be recapitalized. But unlike most other major economies today, China has sufficient financial means to inject capital and restructure its problem lenders (Jiabao, 2013).

Chinese and US officials stressed the importance of cooperation and putting aside differences as the two countries began the fifth round of the China-US Strategic and Economic Dialogue on Wednesday. US Vice-President Joe Biden said the dialogue is essential to bilateral relations and called for more trust



to be built between the two countries. “We don’t have to agree on everything—we have to trust,” he said in his address at the opening of the event in Washington, adding that competition is good and cooperation is essential. Biden and the dialogue’s four co-chairmen, Vice-Premier Wang Yang, State Councilor Yang Jiechi, US Secretary of State John Kerry and Secretary of the Treasury Jack Lew, all emphasized the importance of boosting cooperation and also managing differences. Wang said the summit between President Xi Jinping and US President Barack Obama a month ago reached important consensus and has pointed a clear direction for the two countries to build a new type of major relationship. This round of dialogue is to turn the important consensus reached by the two heads of state into concrete achievements and to inject solid content into building a new type of major country relationship (Pfanner, 2013).

By granting national status to the development plan of the Shanghai Zhangjiang High-tech Industrial Development Zone between 2013 and 2020, Shanghai is now expected to take the lead and set an example for industrial innovation. By 2015, the total sales revenue of the companies in Zhangjiang is expected to reach 3.3 trillion yuan (\$535 billion), of which 1.2 trillion yuan should be contributed by strategic emerging industries. By 2020, the total



sales revenue of the companies in Zhangjiang is expected to amount to 6 trillion yuan, with the contribution of strategic emerging industries rising to 2 trillion yuan. The export value of high-tech enterprises is expected to take up 12% of the total sales revenue. Research and development should take up 6% of the entire sales revenue. An innovative industrial system is expected to be completed in the zone, pillared by information technology, high-end equipment manufacturing, biomedicine, energy-saving and environmental protection products as well as new material industries. New energy and new-energy automobiles industries will take a pioneering role in the zone. Total sales revenue made by the companies based in the Zhanjiang High-tech Industrial Development Zone reached 1.88 trillion yuan in 2012, with an added-value of 330 billion yuan. By the end of the last year, the zone had attracted 1,030 research development institutions—both Chinese and foreign—and 300 Fortune Global 500 companies to set up operations there. All these, according to Hou, have helped “to lay a solid base for Zhangjiang to grow into a first-rate industrial park worldwide” Xuecun, 2013).

Ever since the State Council granted the development of Zhangjiang national significance in 2011, the administrative area of the zone has expanded from an initial 63 square kilometers to the



current 470 sq km. It is home to about 80% of Shanghai's knowledge-intensive companies. Zhanjiang is responsible for about half of Shanghai's economic development area. It is sure to become the main battlefield for economic restructuring, industrial technology innovation and the development of strategic emerging industries. The State Council's approval will help to build Zhangjiang into a better known brand name," according to Ma Jing, chief engineer of the Shanghai Municipal Commission of Economy and Information. Shanghai has already done more than what is stipulated in the plan. It has established numerous design and innovation centers around the city, including Shangnhai Redtown, 1933 Creative Park (Wilson, 2012).

The world crisis crippled the domestic export-oriented companies and intensified competition in the global market. They started to move up the value-added chain by building up their own brands or attaching more importance to innovation and this seems to be a trend both inevitable and incontrovertible. Economic restructuring driven by innovation is one of the key targets for the municipal government of Shanghai during the 12th Five-Year Plan period (2011-15) where economic restructuring driven by innovation is the path that Shanghai must take to seek sound development.



GlaxoSmith Kline is sending senior internal auditors and lawyers to Shanghai as it steps up its own inquiries into allegations by the Chinese authorities of bribery by top staff. The UK pharmaceutical group has hired accounting firm EY to conduct an independent review of its systems in China after police detained four senior local managers and banned a top British executive from leaving the country. The dispatch of a team from its London headquarters comes as the company scrambles to cooperate with Chinese officials on their widening investigation and to strengthen its operations and management, thrown into turmoil in recent weeks. GSK confirmed Steve Nechelput, its finance director in China, had been banned from foreign travel since the end of June. Mark Reilly, head of its commercial operations in the country, left Shanghai in early July and will remain in London helping with the investigation. China's commerce ministry earlier yesterday vowed to crack down on bribery by companies operating in China. GSK on Monday said it was cooperating fully with the investigation and was "deeply concerned and disappointed by these serious allegations" (Xuecun, 2013).

The International Monetary Fund has warned that time is running short for China to implement critical economic reforms as



the government, banks and companies come under mounting strain from rapid and unbalanced growth. In its annual report on the Chinese economy, the IMF sounded a more cautionary note than previously. It said it was “increasingly urgent” for China to shift away from its growth model which relies heavily on credit and investment. It said the model was “not sustainable and is raising vulnerabilities” and that “while China still has significant buffers to weather shocks, the margins of safety are diminishing”. China’s new leaders, who took the reins in March, have vowed to step up reform efforts, but have yet to make any significant moves. The IMF said a “round of decisive measures” was necessary to ensure the economy’s continued success, adding that the immediate priority was to “rein in broader credit growth and prevent a further build-up of risks in the financial sector”.

China’s stock of total social financing—measure of total credit in the economy—has increased by more than 60% since the start of 2009, an indication of rising leverage that is weakening balance sheets. The IMF said it was particularly worrisome a substantial portion of this credit was being routed through the non-traditional, financial system. Together with a slowing of growth, it begs the question of whether this is a sustainable way forward, Markus Rodlauer, deputy director of the IMF’s Asia department,



told the Financial times. In June, 2013 China suffered a cash crunch when the central bank withheld liquidity injections, triggering a rise in interbank rates and a brief freeze of credit markets. The IMF said the squeeze signaled the bank's intention to contain credit expansion and rein in riskier forms of lending. But Mr. Rodlauer said China needed to address the root cause of market distortions by speeding up interest rate deregulation. China's efforts to shift its economy to a more consumption-led model have suffered recently. In 2011 consumption emerged as a bigger contributor to growth than investment, but a small stimulus at the end of 2012 reversed that trend and the IMF said a decisive shift toward a more consumer-based economy has yet to occur (Stahl, 2013).

The fund also warned about the level of real Chinese government debt. Taking into account the liabilities of government-owned financing vehicles and off-budget funds, the IMF calculated that "actual government debt" reached 45% of gross domestic product last year. Mr. Rodlauer said that while the debt burden was still manageable, the government has less fiscal wiggle room than before. In 2008, when the global financial crisis erupted, China launched a huge stimulus that propelled growth but also sparked a surge in debt. With the economy slowing again, some local officials and companies have called for another stimulus



effort. The IMF urged Beijing to continue to resist these demands. The IMF has forecast that China will grow at 7.75% this year and 7.7% next year, putting it towards the upper end of estimates. But it said that downside risks to its projections had increased in recent weeks. China's leadership is expected to focus on averting any potential debt crisis and following a prudent policy in the coming quarter to build a sound foundation for steady reforms. The nation is going through a de-leveraging process, which is a priority for deepening the transformation of the economic growth pattern. The earlier the debt ratio can be lowered, the higher the probability China has to avoid a financial crisis. De-leveraging may continue for two or three years, and macroeconomic policy is unlikely to be aggressively eased during that period, unlike what the former government leaders did in 2008 amid the global downturn. China should count on detailed reform measures in the third quarter to provide more room to support stable growth as well as curb systemic financial risks. Otherwise, the prudent stance may drag down GDP growth expectations to 7% after three months (Jiabao, 2013).

It is hard to discover the next, new driving force of the world's largest emerging economy. Excessive production capacity is a nationwide concern in the manufacturing sector, so only a huge



technology revolution can spark the industrial growth engine. It is necessary to break the monopoly of state-owned enterprises, including the financial and telecommunication service businesses, as a basis for boosting economic development to improve productivity.

Motorola

Motorola, Inc. is an American multinational telecommunications company based in Schaumburg, Illinois. After having lost \$4.3 billion from 2007 to 2009, the company was divided into two independent public companies, Motorola Mobility and Motorola Solutions on January 4, 2011. Motorola Solutions is generally considered to be the direct successor to Motorola, Inc., as the reorganization was structured with Motorola Mobility being spun off.

Motorola designed and sold wireless network infrastructure equipment such as cellular transmission base stations and signal amplifiers. Motorola's home and broadcast network products included set-top boxes, digital video recorders, and network equipment used to enable video broadcasting, computer telephony, and high-definition television. Its business and government customers consisted mainly of wireless voice and broadband systems (used to build private networks), and, public safety



communications systems like Astro and Dimetra. These businesses (except for set-top boxes and cable modems) are now part of Motorola solutions.

Motorola’s wireless telephone handset division was a pioneer in cellular telephones. Also known as the personal Communication Sector (PCS) prior to 2004, it pioneered the “flip phone” with the MicroTAC—and, the “clam phone” with the StarTAC—in the mid-1990s. It had staged an enormously successful resurgence by the mid-2000s with RAZR; but lost significant market share in the second half of that decade. Lately, it has focused on smart phones using Google’s open source Android mobile operating system. The first phone to use the newest version of Google’s open source OS, Android 2.0, was released on November 2, 2009 as the Motorola Droid (the GSM version launched a month later, in Europe, as the Motorola Milestone). The handset division, (along with cable set-top boxes and cable modems) has since then been spun off into the independent Motorola Mobility. On May 22, 2012, Google CEO Larry Page announced that Google closed its deal to acquire Motorola Mobility.

On August 15, 2011, 7 months after Motorola Mobility was spun off into an independent company, Google announced that it



would acquire Motorola Mobility for \$12.5 billion, subject to approval from regulators in the United States and Europe. The acquisition viewed as Google being a white knight, since Motorola just had its fifth straight quarter of losses. In a post on Google's blog, Google Chief Executive Officer and co-founder, Larry Page, revealed that Google's acquisition of Motorola Mobility is a strategic move to strengthen Google's patent portfolio, as Motorola Mobility has 17,000 patents with 7,500 more patents pending. Google's Android operating system has recently come under fire in an industry-wide patent battle, in which Android manufacturers HTC, Motorola, and Samsung have been sued for alleged patent infringement, by Microsoft, Oracle and Apple. The Motorola Mobility acquisition is considered a means of protecting the viability of Android. Google has stated that it will run Motorola as an independent company. On November 17, 2011, Motorola announced that its shareholders voted in favor of the company's acquisition by Google Inc. for \$12.5 billion, receiving approval from the United States Department of Justice and the EU on February 13, 2012. The deal received subsequent approval from Chinese authorities and was completed on May 22, 2012. Alongside the completion of the acquisition, Motorola Mobility's CEO, Sanjay Jha, was replaced by Dennis Woodside, formerly a Google Senior Vice President. On August 13, 2012, Google



announced that it would cut 4000 employees and close one third of the company's locations, mostly outside the United States. Despite its close partnership and then takeover by Google, Motorola has still struggled to release Android 4.0 upgrades to many of its existing devices.

On December 19, 2012, it was announced that ARRIS Group, Inc. and Motorola Mobility, a Google subsidiary, had entered into a definitive agreement under which ARRIS would acquire the Motorola Home business from Motorola Mobility, for \$2.35 billion in a cash-and-stock transaction approved by the Boards of Directors of both companies. ARRIS took over development and manufacturing of Motorola cable modems as a result of the deal. Due to declines in business in 2000 and 2001, Motorola spun off its government and defense business to General Dynamics. The business deal closed September 2001. Thus GD Decision Systems was formed (and later merged with General Dynamics C4 Systems) from Motorola's Integrated Information Systems Group. Motorola sponsored Scottish Premier League Club Motherwell F.C. for 11 years. This long term deal ended after the company started to reduce its manufacturing operations in Scotland. The club also sponsored Livingston F.C. between 1998 and 2002. The company also had a plant on the edge of the town. However



this closed down at the same time as their sponsorship with the club ended. The South Stand at Livingston's Almondvale Stadium, was named after the company, during their time of sponsorship. The company also sponsored a cycling team that counted Lance Armstrong among its members. Motorola is also a large sponsor of Danica Patrick, David Beckham, and Fergie. It also sponsored the Richmond Football Club in Australian Football League from 2004 to 2007. Motorola sponsored Sao Paulo FC from 2000 to 2001. Motorola also sponsored Club Bolivar since 2008. Motorola awarded TractIT solutions for being "The Company with most Innovative Enterprise Mobility Solution" in 2010 (Carter, 2013).

Motorola's goals are to first, pay attention to deal with industrial relations. Second, pay attention to the quality of the product. Third, pay attention to the development of new technology. Fourth, the company must pay attention to the choice of merger activity. Performance management is defined as a continuous ongoing process of communication between the employee and supervisor agreeing on the following:

1. The employee should complete the work (organizational goals)



2. Employees work how to contribute to the implementation of organizational goals
3. The employee's current ability to work and work to be done by target, whether there is a gap between how much gap (target)
4. Through specific content description to determine how to just calculate the job
5. Competent staff and how to work together to help employees improve performance
6. How to measure performance
7. To determine the impact performance of the obstacles and overcome it
8. The short-term and long-term goal of employee career development

People are beginning to realize that Motorola has more accomplishments in the technology area in the past. Motorola's vision is "Our history is rich. Our future is dynamic. We are Motorola and the spirit of inventions is what drives us." The mission is "Where your vision is your ultimate goal, the mission is how you will get there. Your mission explains why your business exists, and is supposed to be easy to understand." Motorola Mobility is committed to achieving high standards in human rights, labor, ethics, environmental protection, and health and safety in



supply chain. This contributes to the quality of the products and the suppliers benefit from better labor relations and more secure business relationships. The Supplier Code of Conduct is referenced in the supplier agreements as a requirement of all suppliers. This includes assessing and monitoring suppliers as well as providing programs to help suppliers develop the capability to improve their own performance over the long term. They had set some targets and attach great importance to measures to achieve the objective.

Current Goals for Motorola:

- Perform on-site audits of at least 30 of our strategic production suppliers.
- Develop comprehensive documentation for our CR Supply Chain Management System, building upon our EHS management system and other existing processes.
- Correct all audit findings within required deadlines.
Apply our business escalation process to suppliers who do not meet required deadlines (Carter, 2013).

PetroChina

China national petroleum co., LTD. (“China’s Oil”, or “Petrochina”) was founded in 1999 on November 5, in the process of China national petroleum corporation restructuring pursuant to the company law and the state council on co., LTD. Overseas ipo



and listing of special provisions, established co., LTD. China national petroleum co., LTD. is China's dominant oil and gas industry's largest oil and gas production and the seller is one of the largest companies in China sales, is also one of the world's largest oil companies. China's oil program was implemented in two steps of strong competitiveness of the international energy company" business goals.

Step 1: during the period of "11th five-year plan", insist on sustained rapid development, focus on core business, continue to expand new energy business keep the company comprehensive strength in the domestic leading position, do our best to construct China's oil to be an international energy company.

Step 2: by 2020, to further consolidate the domestic leading position, international operation to obtain qualitative leap, the world's oil companies to further improve comprehensive ranking, profit growth and return on investment of international industry level; significantly enhance international market competitiveness, become one of the world's important petroleum and petrochemical products manufacturers and distributors; integrated multinational index soared, construction into international energy company with strong competitiveness.



The company resource development strategy seeks to maximize oil and gas resources, diversity, and in order to succeed as a strategic basis points, both on the oil and gas, strengthen domestic, expand overseas, the development area, the increase of reserves, development of alternative principle, realize the rapid growth of oil and gas production, emerging energy breakthrough, consolidate the upstream business in the domestic leading position, growing the company's sustainable development, market strategy.

They also seeks continued market dominance and maximum benefit, take full advantage of economies of scale advantage and the advantage of upstream and downstream integration, consolidate the mature market, enlarge the efficient market, market development strategy, developing the international market, and enhance market competitiveness at home and abroad.

According to actively yet prudently, mutually beneficial win-win principle, according to the introduction of combination of come and go, resources, market, technology and capital combination of ideas, to develop oil and gas business is given priority to intensify international cooperation and capital operation, to focus their international strategy on developing overseas oil and gas exploration and development, prudent and effective and moderate



development of middle and lower reaches of the business, actively promote import resources from diversified sources, expand the size of the international oil.

Petrochina is the largest oil and gas producer and distributor and was recently the largest company in the world, playing a dominant role in the oil and gas industry. It is not only one of the companies with the biggest sales revenue in China, but also still one of the largest oil companies in the world. Petrochina was established as a joint stock company with limited liabilities by China National Petroleum Corporation and the Company Law and the Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies on November 5, 1999. The American Depositary Shares (ADS) and H shares of petrochina were listed on the New York Stock Exchange on April 6, 2000 (stock code: PTR) and the Stock Exchange of Hong Kong Limited on April 7, 2000 (stock code: 857) respectively. It was listed on Shanghai Stock Exchange on November 5, 2007 (stock code: 601857).

Since its foundation, Petrochina has established and improved standard corporate governance structure, in accordance with the applicable laws and regulations including the Company law and the Mandatory Provisions for the Articles of Association of



Companies to be Listed overseas and the Articles of Association. The shareholders' meeting, the Board of Directors and the Supervisory Committee of the Company can operate independently and effectively in accordance with the Articles of Association.

Petrochina commits itself to becoming an international energy company with strong competitiveness and one of the major producers and distributors of petroleum and petrochemical products in the world. It engages in wide range of activities related to oil and natural gas, including: exploration, development, production and marketing of crude oil and natural gas; refining, transportation, storage and marketing of crude oil and oil products; the production and marketing of primary petrochemical products, derivative chemicals and other chemicals; transportation of natural gas, crude oil and refined oil and marketing of natural gas. Under the guidance of the concept of scientific development they are dedicated to implementing three strategies of resources, markets and internationalization. Petrochina is committed to accelerating the transformation of economic growth, improving the self-innovation capacity, establishing long-efficient mechanism of safety, environmental protection and energy conservation and creating a harmonious enterprise, in order to transform itself to an international energy company with strong competitiveness.



China National Petroleum Corporation (CNPC) is the sole sponsor and controlling shareholder of Petrochina. It is a large petroleum and petrochemical corporate group, established in July 1998, in accordance with the Plan for Organizations Structure Reform of the State Council. CNPC is a large state-owned enterprise managed by the investment organs authorized by the state and State-owned Assets Supervision and Administration Commission (Carter, 2013).

Conclusion

Any business reform in China will disrupt the interests of the corporate sector, consumers or the government, otherwise there can be no improvement. Maybe the government should take bigger steps. Three factors were identified as key to the reshaping of China's economy, or to the country's attempt to overcome its barriers to long-term sustainable development and usher in an economic model that puts consumption at its heart. Businesses need to refresh their understanding of the Chinese consumer. The country's swelling urban middle class is markedly apt now because of the expansion of the Chinese online selves, especially within the rapidly expanding mobile market. These businesses will also have to be smarter in managing their daily operations and innovation.



Essentially, balancing the economy also means getting smarter—smarter with how innovation is central to a business model and smarter with how to overcome difficulties within an industry. At the core to this new business model has to be, at its very root, a multi-year approach to transformation, a desire to shrink bad business areas and not allow small level protectionism, building upon best practice within operational tools processes and systems, and to expand those areas that bring about profitable business lines and customer segments. Fostering this innovation in business is also about ensuring the right financial pillars are there for Small Manufacturing Firms and entrepreneurs. They will help move China on from the over-reliance on export-driven economies. The model in China has been since 1978 to develop a strong active partnership between the government, corporate sector and consumer base in the country (Carter, 2013).

Today, much of the world is seeing a slow shift towards an aging population. In China this is no different, and the process can only develop even faster. The systemic pressure that this puts on any state can be immense—a reduction in the supply of young labor, an escalation in the financial burden in the care of the elderly, and a weakened family support system. China's position in the development cycle has an additional problem, that of the need to



urbanize large parts of population. Urbanization is central to China expanding middle class and to continue its expansion as a global economic power. China will have to, as its leaders will certainly strive to, make sure that the country's transition to urbanization and an expanded middle class will be able to offset some of the most challenging aspects of the country's demographic change, by strengthening the economy's technological structures and expanding its second and their tier cities.

China needs a business environment that is conducive to encouraging this move to a consumption first model. Many leaders of the past have understood a government's job is to create a favorable system for businesses to thrive, it is then down to businesses to do the rest. With a better understanding of China's new consumers, new management challenges, and new demography, businesses can gain much greater confidence in working together with the government—and in their own innovation, long-term planning, and market and product operations. Household earnings only account for about 50% of China's national income, compared with about 68% in developing countries and about 75% in developed countries. In addition, the redistribution system is tilting in favor of high income groups, which also constrains the nation's purchasing power. One-fifth of China's



richest people save about 50% of their annual income because their demand for cars and houses has been largely satisfied. Low-income groups have higher demand but lack purchasing power because they have gained little in redistribution. Since China has the world's highest household savings rate, due to a weak social safety network, which keeps savings rates high and consumption low boosting consumption will eventually be up to the reform of China's distribution system where any barriers to consumption should be cleared.



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Entrepreneurship, Tourism and Malaysian Economy

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Abstract

This study examines how entrepreneurship acts in boosting the tourism industry in Malaysia. Secondary sources of data were explored for the study; quantitative analysis employed using percentage, table, and charts for the data. The study identify tourism as an emerging global economic activity and found that tourism is vulnerable to national and international conflicts and occurrences such as wars, earthquakes, tsunamis, epidemics, terrorist activities and global financial crisis. The entrepreneurs play a leading role in sustaining the economy. It is recommended that necessary support should be given by Malaysian government to the Major stakeholders in the tourism industry like the entrepreneurs in order to assist them in boosting the economy and to make tourism a viable alternative source of revenue to the government.



Keywords: Innovation, entrepreneurship, stakeholders, tourism, conflicts

Introduction

At independence in 1957, Malaysia economy relies on tin, rubber, palm oil and petroleum products. Marzuki (2010) view that though tourism development in Malaysia starts since 1960s, real effort was made with the setting up of Tourism Development Corporation in 1972. However, more attention was accorded tourism industry in 1980s as a result of decreasing revenue from petroleum products occasion by global economic recession. The global recession and attempt to diversify the economy made the government of Malaysia to look elsewhere for economic sustenance. The government of Malaysia discovered tourism as one the twelve (12) National Key Economic Areas (NKEAs) for the Economic Transformation Programmed (ETP) to sustain the economy. By year 2013 the total earnings from tourism are RM65.4 Billion with total arrivals of 25.7 million. Bukhari & Hilmi (2012) view tourism is the largest contributor to Malaysia Gross Domestic Product (GDP) within the service sector of the economy. The growth of tourism industry has been steady except in year 2003 when total receipt drop to RM21.3 Billion from RM25.8 Billion in

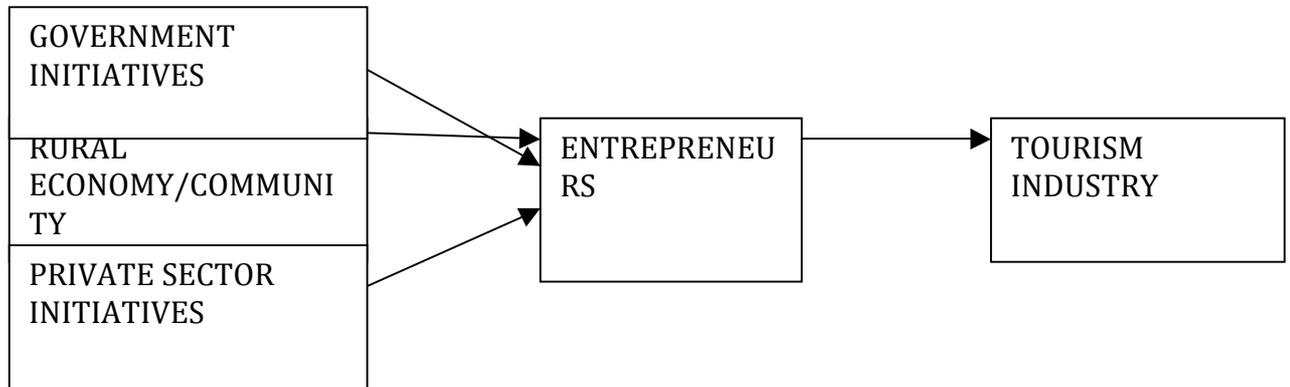


2002, with total arrivals of 10.58 million and 13.29 million respectively (table 1).

Tourism is one of the most dynamic economic sectors in the world (Rahman, Dayan-Affizzah & Edman 2013). Taylor (2006), views that tourism is the largest peace time industry in the world. Tourism is a process that leads to creation of activities and opportunities, while, entrepreneurship according to Oghojafor, Okonji, Olayemi & Okolie (2010), involves identification of opportunities, taking risk beyond security and having the tenacity to push an idea through to reality combine into special perspective. Shane & Venkataraman (2000), define entrepreneurship “as the process by which opportunities that create future goods and services are discovered, evaluated and exploited”. Thus, increase activities in the tourism sector of the economy would lead to increase in entrepreneurial activities; more so, entrepreneurship is one of the major stakeholders in the tourism industry and is about creating and seizing opportunity. The ability of the entrepreneur to capitalize and exploit opportunities created would result in increased economic activities thus leading to generation of more employment opportunities and wealth creation.

Appendix 2

Figure 1: Mediating role of entrepreneurs in tourism industry



Source: The researcher

Figure 1: Mediating role of entrepreneurs in tourism industry

The entrepreneurs play enormous roles by taking advantage of opportunities created through the Public-Private Partnership tourism initiatives. The entrepreneurs as can be seen (figure 1) develops tourism partnership between host community, private sector and the government. Importantly, the entrepreneur identifies the market needs of the tourists, provide the needs and sustain the market. The entrepreneur also develop the synergy of the local entrepreneur, build their confidence, train them to improve quality of what is produce by the local craft man or woman and ensure appropriate branding to make the product attractive and marketable to the tourist. Tourism if well packaged would lead to transformations of rural economy, increase their income, reduce rural/urban drift,



increase job opportunities, and create of a sense of belongings among the rural dwellers.

The entrepreneur can boost the tourism industry by being proactive to perceived opportunities; according to Lee (2006), Malaysia is a multi-cultural society which gives her intrinsic advantage. Bessant & Tidd (2011), view that Malaysian entrepreneurs should be innovative, inventing new product that satisfies the needs of customers, keep business moving and growing. Tourists are not only interested in available recreational facilities, but also what can be bought and taken back home, entrepreneurs should therefore be anticipatory of those needs through market research, however, while making available goods and services, effort should be made not to compromise quality; other attractive incentives to the tourist include packaging, branding, competitive price and prompt delivery. Malaysian government can do quite a lot more, to assist the entrepreneurs through the various agencies responsible for the growth of small and medium industries. Tourism if adequately funded would lead to a growth of household incomes and government revenue directly and indirectly by means of multiplier effects, improving balance of payments, creating more job opportunities, making household participatory in development of the nation (Samina 2010, Rahman,



Dayan-Affizzah & Edman 2013). However, Bukhari and Hilmi observe that, private and public-private partnership should develop iconic tourism products through the creation of focused tourism clusters in Malaysia 1. Langkawi(Geopark and Pulau Payar Marine Park), 2. Pulau Pinang (Georgetown UNESCO World Heritage Sites), 3. Sabah (Sipadan Island and Kinabalu Park UNESCO World Heritage Sites), 4. Sarawak (Sarawak Cultural Village & Gunung Mulu National Park UNESCO World Heritage Sites). In contrast, Bukhari and Hilmi (2012) believe information and communication technology improvements, new marketing strategies, elimination of unnecessary cost of doing business and elimination of political barriers can be a driving force in the advancement of tourism industry in Malaysia.

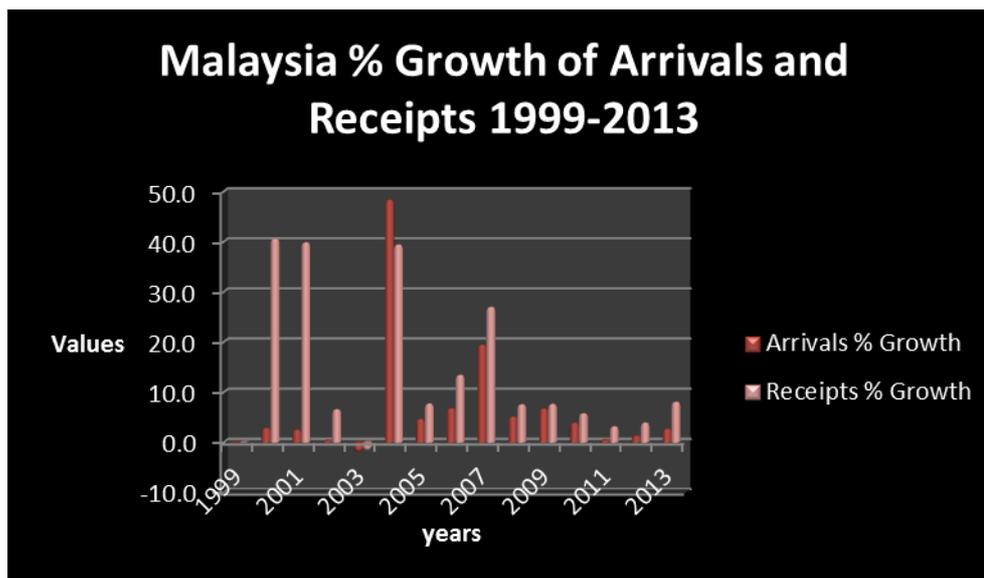
This paper aim at discussing conceptual issues relating to entrepreneurial opportunities, entrepreneurial innovations and tourism development in Malaysia, Malaysia has what it takes to be among the greatest tourist centers in the world, though presently ranked 10th position in the world by United Nations World Tourism Organisation (UNWTO), with 25millions arrivals in 2012 (Bitar, 2013), With her multi-cultural background, abundance tourist resources spread across Langkawi, Pinang, Sarawak, Sabah, Kedah and many other historic and cultural sites, much more can still be



achieved. Attempt would also be made to discuss the strategic roles entrepreneurship can play to boost tourism business in Malaysia, more so, with increasing opportunities being created by tourism globally.

Appendix 4.

Figure 3. Malaysia % Rate of Growth of Tourist Arrivals and Receipts 1999-2013



Conceptual Issues

Entrepreneurial opportunities in Malaysia

Entrepreneurship is process through which an individual identify opportunity, mobilize resources to create value and



generate wealth. Valliere (2013) identify the ability of an individual to be mindful of a potential opportunity as a critical step in the entrepreneurial process. Shane and Venkatraman view the competence of a successful entrepreneur as the ability to identify and develop business opportunities. Mitra (2012) observe that entrepreneurs take advantage of opportunities that emerge in the market through acquisition of knowledge, competences and contacts that accompany experiences. In contrast, entrepreneurs should be vigilant towards identifying new opportunities and constantly aware that opportunities have a limited life span, thus, it is important once an opportunity is perceived efforts should be geared at achieving them, by mobilizing necessary resources and efforts. Opportunities in the tourist industry are dynamic, constantly being affected by national and international politics and global economic conditions; as such the entrepreneurs must be proactive.

Entrepreneurial opportunities is also view from psychological perspectives, psychology provide greater insights into how mental characteristics of an individual entrepreneur may influence his ability to see opportunity (Short 2010). Seeing opportunity is not only limited to identification of opportunities, but also the discoveries or creation of new product or methods of production. Kirzner (2008), view opportunities as the sense to notice that which



has hitherto not been suspected of being in existence at all, he attempt to explain why some individual are unable to spot entrepreneurial opportunities. The tourism industry in Malaysia mean abundance opportunities for entrepreneurs considering the millions of arrivals annually, it behooves on the entrepreneurs to identify the needs of the arrivals and mobile resources to seize opportunity.

Entrepreneurial innovativeness in Malaysia

Entrepreneurs should be creative and innovative; the entrepreneurs should not only take advantage of opportunities but also be a creator of opportunity through creativity and innovations. Schumpeter (1934), view an entrepreneur as a person who carries out new combinations, which can take forms of; new goods, new methods of production, new markets, new sources of supply, new market, and new form of business or financial organization. Innovation is a process leading to a change, or the useful application of new inventions or discoveries. Innovation leads to emergence of revolutionary change in thinking, products, processes, or organizations. Minai and Lucky (2012), asserts entrepreneurship to be a decisive factor in modern economy, concludes that, for nations to attain competitiveness and dynamic character, it must embrace entrepreneurship which is the driving force to achieve



economic growth and development. Mitra (2012), identifies different process involved in innovation, according to him, it begins with problem identification, analysis, idea generation, idea evaluation, project planning, product development and test to satisfy consumer acceptance. Bukhari and Hilmi observe innovativeness is about creating something new or bring about a sound renewals and changes.

Entrepreneurs should take advantage of market opportunities, by been creative, proactive and innovative to be able to exploit the abundance opportunity in the tourism industries. Hjalage (2010), believe innovative challenges differs from industry to industry, however, tourism has been characterize by vast innovation challenges. The dynamic nature of global economy and international politics made it apparent for entrepreneurs to be innovative in order to be able to exploit emerging opportunities. According to Rothwell and Gardiner (1985), innovation does not necessarily mean the commercialization of only a major advancement in the technological state of the product or service but includes the utilization of even small changes in technological knowhow. The entrepreneur should develop local synergy, train local entrepreneurs on how to improve product quality, branding



and packaging in order to make product attractive and marketable to tourist.

Innovation and tourism are so dynamic due to prevailing opportunities that abounds in the industry. Tourism is a dynamic and competitive industry that requires the constant ability to adapt to customers changing needs and desires; customers satisfaction and satisfy enjoyment are particularly the focus of tourism (go2 Tourism HR society 2013). Hjalager (2009), identifies the role of entrepreneurship among the key arrears in tourism innovation research, she pointed out that entrepreneurship would play a key role in the innovativeness of the tourism industry. Lucky and Manai (2013), view that, entrepreneur innovator involves the process of creating and implanting new ideas and methods. Nybakk and Hansen while conducting studies in Norway on innovativeness and performance of tourism, found positive relationship between entrepreneurial attitude and innovation in tourism. Innovation is achieve through the interactive actions of the entrepreneurs resulting in creation of products or services aimed at customer satisfactions, the multiplier effect would lead to firm growth, which brings about development of the tourism industry. The entrepreneur in tourism industry in Malaysia needs to be innovative because of challenges pose from new and emerging destinations.



Tourism development in Malaysia

Tourism is defined as “comprises of activities of persons traveling to and staying in places outside their usual environment for at more than one consecutive year for leisure, business and other purposes” (UNWTO 2013). Macintosh and Goelder (2010), sees tourism as a collection of activities, services and industries which provides a travel experience comprising transportation, accommodation, eating and drinking establishments, retail shops, entertainment business and other hospitality services provided for individuals or groups traveling away from home. They posit that it includes the sum of activities and relationship arising from the interaction of tourists, entrepreneurs, host governments and host communities in the process of attracting and hosting these tourists and other visitors.

Aruna (2013), view that, Malaysian government initiative has assisted in boosting the growth of the tourism industry. By the end of 2013, tourism industry has become second (2nd) largest foreign exchange earner after manufactured goods and seventh (6th) largest contribution to the Malaysia economy, the tourism industry earned a Gross National Income of RM51.5 billion in 2013 (Bernama, 2014). The untiring and remarkable efforts of the Malaysian



government in diversifying the economy has position Malaysia's image as a major shopping center in the world, however, more can still be achieved, if the entrepreneurs are well position to be able to advantage and make available the desired tourist products. In Global Islamic Economy summit held in London in October 29-31, 2013, experts observed that, Muslim countries should concentrate and exploit the potentials offer by tourism industry.

Malaysia is blessed with diverse culture; this has been one of its strength, which has made it attractive to the tourist world. Culture is a unique attraction for tourist, the multi-cultural nature of Malaysia with its' diversity of people and cultures that includes Malay, Chinese, Indians and the traditional tribes of Sabah and Sarawak. Tourism is a unique product that does not occur by chance, but a product of changing economic, technological advancement, social factors and general security. Malaysia according to MOSTI (2013), has characteristics nature of uniform climate temperature, high humidity and abundance rainfall, however, winds are generally light. The weather is pleasant; days are quite warm and night pretty cool which made Malaysia the destination of tourists. Mitra (2012), identify entrepreneurship as a critical contributor to economic development, in contrast, he view the central question occupying the minds of policy makers as how



to promote economic development. However, major factors influencing the tourism industry includes strong economic conditions, disposable income and global events such as wars, natural disasters and health related issues.



Appendix 1

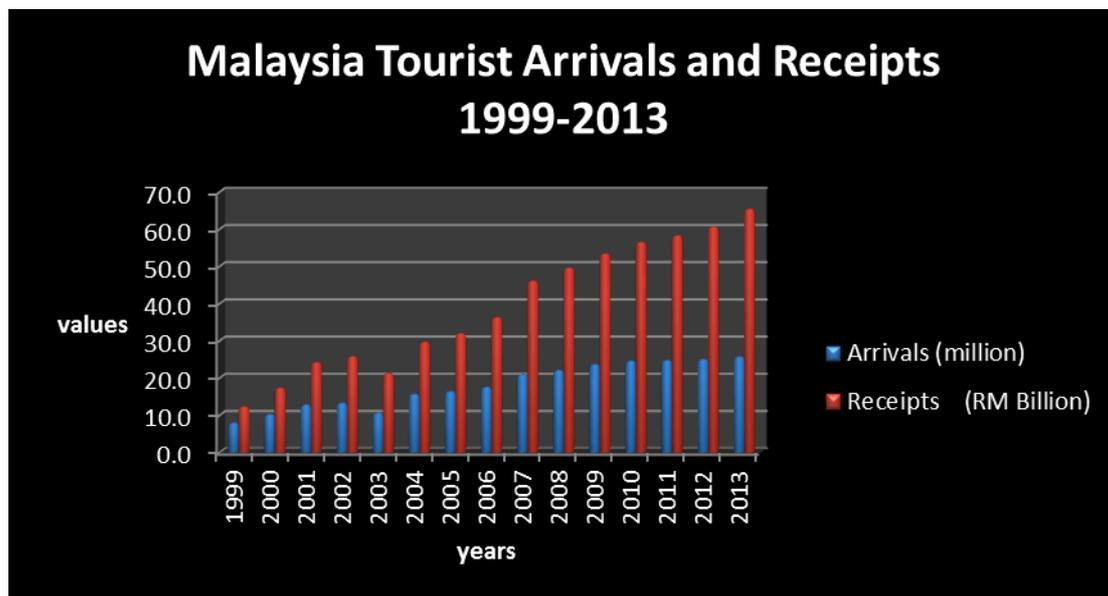
Table 1. Malaysia Tourist Arrivals and Receipts 1999-2012

Year	Arrivals (million)	% Growth	Receipts (RM Billion)	% Growth
1999	7.93	–	12.3	–
2000	10.22	2.89	17.3	40.65
2001	12.78	2.51	24.2	39.88
2002	13.29	.40	25.8	6.61
2003	10.58	-2.04	21.3	-1.74
2004	15.7	48.39	29.7	39.44
2005	16.43	4.65	32	7.74
2006	17.55	6.82	36.3	13.44
2007	20.97	19.49	46.1	27.0
2008	22.05	5.15	49.6	7.59
2009	23.65	6.77	53.4	7.66
2010	24.58	3.93	56.5	5.81
2011	24.71	.53	58.3	3.19
2012	25.03	1.30	60.6	3.95
2013	25.7	2.7	65.4	8.1

Source: Tourism malaysia

Appendix 3

Figure 2: Malaysia Tourist Arrivals and Receipts 1999-2013



Discussion

The trend of tourism growth rate in Malaysia is steady but not consistent as can be seen from table 1 and as illustrated graphically in figure 1 and 2. The country enjoyed an increase of 2.89 percent growth rate on arrivals that is 10.22 million arrivals in year 2000 as against 7.93 million arrivals in 1999, while receipts grow in same year by 40.65 percent, that is, receipts were RM 17.3 billion against RM 12.3 billion in 1999.



The growth rate declined in year 2001 to 2.51 percent rate in arrivals and 39.88 percent in receipts. The decline continues through year 2002 and 2003. The declines were due to global occurrences. For instance, the September 11th 2001 attack on World Trade Center in New York and the Pentagon in Washington both in United States of America, Bali bombing in Indonesia, Mumbai attacks in India, the bombings on the transport networks of Madrid and London, health crises like SARS, wars in Afghanistan and Iraq; and Asian Boxing day tsunami are some of example of series of events that affected the tourism sector since 2001 (Beiman, 2010). These occurrences have devastating consequences on the tourism industry globally, bringing about decline in international travels thus affecting tourism industry in Malaysia.

Consequently, by year 2004 the tourism industry in Malaysia has been able to pick up leading to 48.39 percent increase growth rate that is 15.7 million arrivals in year 2004 against -2.04 percent increases that is 10.58 million arrivals in 2003 while the receipts growth rate increase by 39.44 percent that is RM 29.7 billion in 2004 against -1.74 percent increase that is RM 10.58 billion in year 2003.



The 2009 global economic meltdown has significant consequences on international tourism, causing a decline in international tourist arrivals and international tourist receipts (UNWTO 2013). The global economic crisis leading to sustained reduction in individual disposable income has negative implication on tourism industry in Malaysia and globally, these results in decline in growth rate on tourist arrivals and revenue. The Malaysia tourism industry started experiencing the effect of the global economic crisis in year 2008 leading to drastic decline in growth rate percentage in tourist arrivals and receipts. In 2008, the growth rate decline from an increase of 19.49 percent growth rate on arrivals in 2007 to 5.15 percent while receipts decline from 27.0 percent in 2007 to 7.59 percent in 2008. The declines in percentage rate of growth in tourism industry continue through year 2011. Percentage growth rate on arrivals in 2009 was 6.77 percent while receipts enjoyed 7.66 percent increase, in 2010 percentage growth rate on arrivals was 3.93 percent while receipts earned 5.81 percent increase, in 2011 percentage growth rate on arrivals was 0.53 percent while receipts earned 3.19 percent increase. The percentage growth rate in year 2012 however, enjoyed a marginal increase, arrivals accounts for 1.30 percentage increase while receipts earned 3.95 percent increase. Furthermore, by the end



2013, the tourism sector enjoyed appreciable increase of 2.7% arrivals, while receipts got 8.1% increase as can be seen in table 1.

Conclusion

This study has been able to identify the continuous importance of entrepreneur as a major player in the tourism industry. The result shows the vulnerability of the tourism industry to global occurrences such as national and international conflicts, natural disasters and health related crisis. Laws (2010), observe that military conflicts whether internal or external, epidemics, and disasters like tsunami and earthquakes always have devastating effect on tourism industry as occurrences prevents flow of tourist globally. Ashley, Brine, Lehr and Wilde (2007), view that employment and entrepreneurship are constrained by a wide range of interrelated factors ranging from geographical isolations to market failures to political explosions however, believe that all these negative tendencies can be eradicated through creative economic opportunities.

The government of Malaysia through the entrepreneurs should be innovative and responsive to tourist market demands. New tourist destinations are emerging, especially with the identification of tourism industry as new global economic development tool. The economic importance of the tourism is



massive, it generate revenue to the government, generate employment and transform the rural economy. The entrepreneurship activities in the tourism industry, acts as a catalyst to the economic development of Malaysia. Entrepreneurship behaviour generate jobs, activates inter-firm linkages, enable technology transfer, builds human capital and physical infrastructures, generate revenue for government and offers variety of products and services to consumers (Ashley, Brine, Lehr, & Wilde 2007).

However, the Malaysian government should pay more attention to the tourism industry so as explore the advantages of multi ethnicity and cultural nature of the country. Moreover, tourist is looking forward to destination that could accord them the expected respect and dignity as a human being. The Europe and America that used to be tourist destination have put measures in place that occasionally contravene the religious belief and constitute embarrassment to tourists especially after the September 11, 2001 attack on USA; the Malaysia government can explore this opportunity, by creating new tourist destinations as well as improving and upgrading the existing facilities. The government can explore the benefit of the serenity and potentials in Sabah, Sarawak, northern Malaysia like Kedah and other potential places.



Opportunities abound in Malaysian tourism sector; the government therefore should involve the stakeholders in planning, management and funding of the tourism industry in order to adequately explore the opportunity in the sector by putting in place a cohesive entrepreneurship strategy. Facilities at Kuala Lumpur and other airport should be upgraded. The government should be conscious of security and beef it up in the country, especially, the tourist centers. The developing countries, Malaysia in particular, can effectively exploit the opportunities offer by the tourism industry if the entrepreneurship is develop, which will results in more job generation, poverty eradication, boosting of rural economy and economy development of the country.

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Measurement of Enterprise Development and Its Determinants in India: An Inter- state Analysis

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Abstract

Micro Small and Medium Enterprise sector, contributes significantly to the manufacturing output, employment and exports of the Indian economy. Institutional support (access to credit and skill formation) provided by the government played a catalytic role in the development of this sector. The paper attempts to measure a comprehensive index on enterprise development to shed some lights on inter-state variation in the level of enterprise development in India. In addition, some of the socio-economic determinants of varying level of enterprise development of states have been identified in the study. A wide inter-state variation is evident, as only four states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise



development, all the other 18 states out of 22 states belong to the medium (7 states) or lower stratum (11 states) in the ladder of enterprise development. Multiple regression analysis suggest that the access to credit among the institutional support related variables and literacy rate of the state among the state specific variables significantly influences the level of enterprise development in Indian state. Thus a dual role of the government is expected to address the problem of enterprise development of the states: a facilitator role in outreaching access to entrepreneurial finance by the financial institutions and an active role in the promotion of literacy drive measures so as to make efficient utilization of finance in its desirable sector.

Keywords: MSME, Index on enterprise development, Institutional support, Access to credit, Multiple regression, India
JEL CLASSIFICATION: L26, H81

Introduction

Entrepreneurship constitutes the main driving force in the process of economic development of the country as they bring resources together in an unusual combination by introducing innovation in the process of production. In fact, with the advent of innovation, entrepreneurs either creates new wealth-producing resources or



endows existing resources with enhanced potential for creating wealth (Drucker, 1985). This innovation is considered as the main guiding principle as which ultimately distinguishes entrepreneurs from other class of businesspersons. It is also possible to classify entrepreneurs depending on its size of operation, viz., micro, medium, small and intrapreneurs¹. Considering micro, small and medium enterprises (MSMEs) as a group, it is evident that this sector contributes significantly to the manufacturing output, employment and exports of the country. It is estimated that in terms of value, the sector accounts for about 45 per cent of the manufacturing output and 40 per cent of the total exports of the country in 2011-12. The sector has a potentiality of generating employment of about 595 lakh persons in over 261 lakh enterprises throughout the country (Government of India, 2012). In addition, micro-enterprises helps the process of economic diversification, utilization of otherwise dormant resources, balanced regional development, productivity of and demand for wage goods, equitable distribution of income and widening the base of entrepreneurial supply (Awasthi, 2004). However, there is enormous variation in the development of such enterprises across states of India. Considering all registered units, Tamil Nadu, Gujarat, Uttar Pradesh

¹ New classes of entrepreneurs coming to the fore in large industrial organizations are known as intrapreneurs.



and Kerala have more than 50 percent of all working units in the country. Of the total working enterprises, micro enterprise retained a predominant share of 94.94 percent and it is followed by small (4.89 percent) and medium (0.17 percent) enterprises. This distribution of enterprises has an implication on the behavior of several economic ratios. Graduating from micro to small and to medium enterprises has a favourable impact on per unit value of major economic parameters, i.e., employment, investment and output (Ministry of MSME, 2011).

However, the micro-entrepreneurs are bound to operate their enterprises on a micro level and are less inclined to undertake innovation due to paucity of funds in the imperfectly developed credit market in the economy. Provision of adequate supply of credit promotes a sense of sustainable entrepreneurship and, thereby, helps in graduating from micro to small and medium enterprises (Ahirrao and Chaugule, 2010; Bharti and Shylendra, 2011; Kiiru, 2007; Rosengard, 2004). It can ultimately accelerate the path of rural industrialization of the economy. In order to accelerate the path of development, it is necessary to establish a linkage between microenterprises and microfinance. In fact, the importance of microfinance is embedded in the definition of microenterprise as “firms owned by the self-employed poor that use



microfinance” (Schreiner and Leon, 2001). Available empirical evidences suggest that microfinance is an important component in microenterprise finance and both of them share common objectives of poverty alleviation and creation of employment opportunities for the rural poor. Further, micro credit enables a micro entrepreneur to build capacity, trust and innovation (Ahirrao and Chaugule, 2010; Bharti and Shylendra, 2011) Even though the provision of microfinance is nomenclature as supporting conditions to entrepreneurship development, but some other crucial determinants are identified as: competence and exposure through skill formation, marketing of products, technological access, infrastructure development, targeted state policies, general state development policies and state characteristics (Sharma and Singh, 1980; Woldie and Adersua, 2004; Belwal and Singh, 2008; Al-Sadi et al, 2008; Ravi, 2009; Chanu and Teronpi, 2011-12).

Under this backdrop, an attempt has been made in this paper to examine the inter-state variation in the enterprise development by constructing a composite index of enterprise development. The composite index encompasses three broad indicators of enterprise development, viz., penetration of enterprises, generation of employment and productivity of such enterprises. In addition, the role of institutional support mechanism (i.e., access to credit and



imparting skill development programme) and state specific characteristics are indentified in this paper to explain the dynamics of inter-state variation in the enterprise development.

Conceptual framework

Entrepreneurship development through institutional support mechanism (such as microfinance access and skill development programmes) has an important bearing on the rural industrialization and thereby, ultimately, promotes rural development. However, this causality is a complex process. There might be indirect channels by which one reinforces the other. It has been argued that "without integration of credit services with marketing initiative, the beneficiaries of microfinance services can hardly be expected to graduate themselves to micro entrepreneurs" (Guha, 2007). Thus capital is recognized as the most important prerequisites to establish an enterprise. Microfinance is found as the viable source of entrepreneurial finance to those of potential collateral poor entrepreneurs. Provision of adequate finance with implementation of skill development schemes are devised to enhance the capability of such entrepreneurs in understanding the innovative strategies to be implemented in the changing scenario of operation of business. The practice of sustainable entrepreneurship is expected to widen the horizon of diversified economic opportunities and, in turn, has



an important bearing on employment generation and enhancement of income generation activities. The economic opportunities created by entrepreneurship development are to be made available across the entire spectrum of population including the vulnerable sections of the society. To ensure equal access, it is necessary to strengthen human capabilities to enable the people to qualify for productive employment. The enhancement of economic opportunities through entrepreneurship development has indirect effect upon the attainment of education and health opportunities and this, in turn, enhance the capability. It is seen that the livelihood promotion entrepreneurship development programmes make a short term impact on poverty by creating self employment whereas growth oriented micro enterprise development programmes make long term impact on poverty (Asian Development Bank, 1997). Moreover, rural entrepreneurship is needed as it is well recognized that entrepreneurship precedes industrialization. Rural industrialization is viewed as the effective means of accelerating the process of rural development (Khanka, 2007). The causal link between entrepreneurship development through institutional support mechanism and rural development is depicted in figure 1.

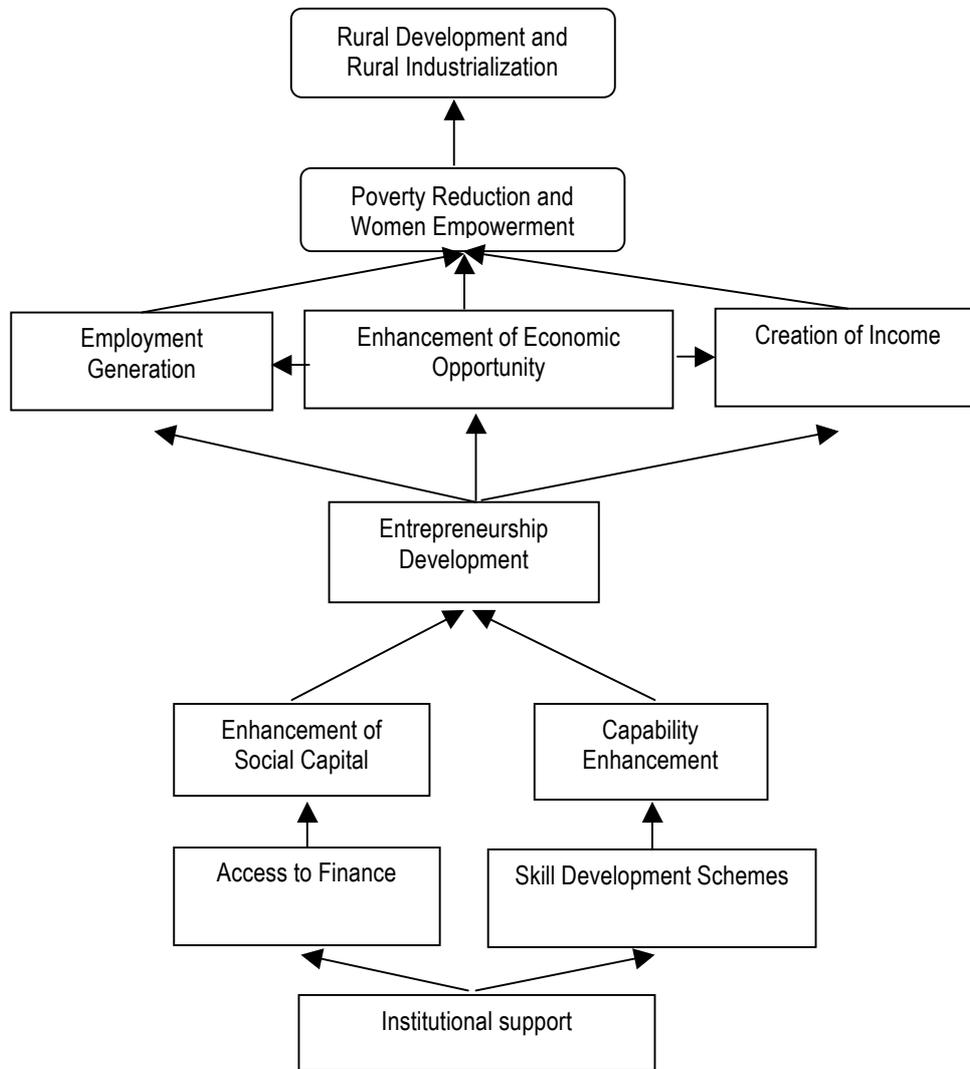


Figure 1: Linkage between Entrepreneurship Development and Rural Industrialization

Data and Methodology



An attempt has been made in the paper to examine the level of enterprise development across states of India and its various socio-economic determinants influencing such development. In the first stage, a comprehensive index on enterprise development (IED) is constructed that will capture information on several indicators of enterprise development viz. penetration of enterprises, generation of employment opportunities and productivity of such enterprises. For each indicator, the performance of the state is evaluated in respect of the national average. For instance, to measure penetration of enterprises, at first, the share of number of working MSME of a state to the country's total number of working MSME is computed. The indicator of outreach of enterprises is then worked out as a ratio between the share of state in working enterprises and the share of total enterprises (i.e., working, closed and non-traceable) of the state. The score higher than one indicates higher enterprises in operation vis-à-vis proportion of total enterprises in the state. In other words, the larger the distance from one greater is the

enterprise development in the state. For a clear exposition, the description of indicators used in the construction of the IED is given in the table 1.

Table 1
Description of Indicators of Enterprise Development and its
Data Sources

Indicator	Description	Data source
Indicator of penetration of enterprises (I_1)	Share of working enterprises of the state as a proportion of the share of total enterprise (working, closed and non-traceable) of the state	Census of MSME (2011)
Indicator of employment generation of MSME (I_2)	Share of employment generation in MSME of the state as a proportion of share of unemployment population of the state	Census of MSME (2011), Employment and unemployment survey (2011-12)
Indicator of productivity of MSME (I_3)	Share of gross value added of MSME of a state as a proportion of share of NSDP of the state	Census of MSME (2011), Economic Survey (2012-13)

The comprehensive index on enterprise development (IED) can be written as

$$IED_s = \frac{\sum_{i=1}^3 I_{is}}{3}$$

We have used the same weight for each indicator to construct the index. Depending on the values of IED, states are categorized into three categories. States with an IED value below 1 are considered to have a low level of enterprise



development, those in between 1 to 2 a medium level and those above 2 a high level.

In the second stage, the study used Ordinary Least Square Estimation technique to identify the determinants of enterprise development. In this estimation technique the state-specific index of enterprise development is used as the dependent variable. The specification of the empirical model is given by

$$IED_i = \partial_0 + \partial_1 LR_i + \partial_2 NSDP_i + \partial_3 PARTICIPANT_i + \partial_4 GRANT_i + \partial_5 ACCESS_i + \partial_6 LOAN_i + \varepsilon$$

where $\partial_i (i = 1, 2, \dots, 6)$ are the respective coefficients

IED_i represents the estimated values of index of enterprise development of a state

LR represents literacy rate of the state

NSDP represents net state domestic product of the state



PARTICIPANT represents number of participants in MEDP training programme² out of total SHG members

GRANT represents average grants received by rural self employed training institutes.

ACCESS represents percentage of working enterprise in the state having access to loan

LOAN represents the average amount of loan received by the enterprise.

Enterprise Development in India: An Inter-State Analysis

The MSME sector in India significantly contributes to the value addition of manufacturing output, generation of employment opportunities and earning potentiality through exporting of such

² The Micro Enterprise Development Programme, launched by NABARD in 2006, is intended to nurture the entrepreneurial talents of members of mature SHGs to set up and run micro enterprises as a livelihood option in farm or non-farm sector, either on individual basis or on group basis. The dominant activities in agriculture and allied sector covered under NABARD sponsored Micro Enterprise Development Programme (MEDP) for skill Development were animal husbandry, bee-keeping, mushroom cultivation, vermi-compost/organic manure, horticulture, floriculture, etc. whereas predominant on-farm activities taken up under MEDPs were readymade garments, Agarbatti-making, embroidery, bamboo-craft, beauty parlours, etc.



items. The distribution of enterprises in rural and urban India suggest that urban areas is observed to have a larger share of registered MSME sector as compared to rural areas in respect of all the major parameters such as number of enterprises, employment, investment in plant and machinery, fixed investment and gross output. However, in terms of employment intensity (i.e., employment per unit of investment in plant and machinery and fixed investment) and productivity of output (i.e., gross output per one lakh of fixed investment), rural areas perform better than urban areas. There is a wide inter-state disparity in the performance of several economic parameters. In terms of number of working enterprises, Tamil Nadu (14.95 percent), Gujarat (14.70 percent), Uttar Pradesh (12 percent) and Kerala (9.60 percent) accounted for more than 50 percent of the MSMEs in the country. Two leading states in the development of enterprises, viz., Tamil Nadu and Gujarat also dominated in terms of employment generation of such enterprises. Some states (Tamil Nadu, Maharashtra, Punjab, Andhra



Pradesh, Haryana and West Bengal) experiencing comparatively more labour intensive growth of MSME sector as the share of employment in these states are found to be larger than the share in the number of enterprises. In terms of fixed assets and investment in plant and machinery, Gujarat occupies the leading position in both these indicators and it is followed by Maharashtra and Tamil Nadu. However, given the positive relationship between the firm size and productivity, Maharashtra accounted a highest share in the output in MSME sector (15.65 percent) even though it has a relatively lower share in the total number of such enterprises (5.54 percent).

However, all of the available secondary data represents only the partial information on enterprise development in India. In the study, the depth of the level of enterprise development in India is examined by constructing a composite index of enterprise development encompassing penetration, employment generation and productivity indicators. The values of each indicator across the states of India along with their ranks are presented in Table 2.



. Table 2
Ranking of the states on the basis of the indicators of enterprise development

State	I ₁	Rank I ₁	I ₂	Rank I ₂	I ₃	Rank I ₃	IED	Rank IED
Andhra Pradesh	1.343	1	0.605	16	0.456	17	0.801	15
Arunachal Pradesh	0.975	15	0.262	19	0.310	20	0.516	20
Assam	0.941	18	0.520	17	1.217	8	0.893	14
Bihar	1.018	11	0.084	22	0.247	22	0.450	22
Chhattisgarh	0.764	22	0.934	11	0.387	18	0.695	17
Gujarat	1.149	2	10.479	1	1.494	4	4.374	1
Haryana	0.988	14	2.944	5	1.467	5	1.799	5
Himachal Pradesh	1.025	8	1.150	9	2.207	2	1.461	7
Jharkhand	0.947	17	0.223	21	0.372	19	0.514	21
Karnataka	1.023	10	2.344	6	1.133	9	1.500	6
Kerala	1.061	5	1.006	10	0.930	12	0.999	12
Madhya Pradesh	0.996	12	0.696	15	0.621	15	0.771	16
Maharashtra	0.765	21	1.539	8	0.942	11	1.082	10
Meghalaya	1.045	7	0.473	18	0.295	21	0.605	18
Mizoram	1.073	3	5.053	2	0.899	13	2.342	3
Odisha	1.065	4	0.699	14	0.978	10	0.914	13
Punjab	0.892	19	4.768	3	2.290	1	2.650	2
Rajasthan	1.025	9	1.582	7	0.794	14	1.134	9
Tamil Nadu	1.046	6	3.864	4	1.272	7	2.061	4
Uttar Pradesh	0.889	20	0.874	12	1.324	6	1.029	11
Uttarakhand	0.993	13	0.837	13	1.809	3	1.213	8
West Bengal	0.963	16	0.251	20	0.470	16	0.561	19

Source: Author's calculation based on Census of MSME (2011), Employment and unemployment survey (2011-12), Economic Survey (2012-13)

Note: I₁: Indicator of Indicator of Outreach of Entrepreneurship Development, I₂: Indicator of employment generation of MSME, I₃: Indicator of productivity of MSME, IED: Index of Enterprise Development.



A wide inter-state disparity is visible in the individual indicators of enterprise development. In respect of the penetration of enterprises, states like Andhra Pradesh, Gujarat, Meghalaya, Mizoram, Odisha, Kerala and Tamil Nadu belong to the category of medium penetration of enterprises (as shown in column 2 of Table 2). In fact, the share of working enterprises in these states is observed to be on average higher in comparison to the share of total enterprises which includes working, closed and non-traceable units. All the other states fall in the category of lower penetration of enterprises in recent times. The states in the lower end of the tail are mainly confined to the north-eastern, central, northern and eastern region. Inter-state disparity in the generation of employment opportunity is represented in column 4 of Table 2. It is evident that in Gujarat, the share of employment in MSMEs is found to be ten times higher than the share of unemployment population in state. In another five states (Mizoram, Punjab, Tamil Nadu, Haryana and Karnataka), the MSME sector has able to address unemployment



problem in these states by generating employment opportunities in this sector. However, actual penetration of microenterprises and implications of labour intensive growth of MSME to generate employment opportunities may not truly reflect their performance in value addition of output. The composition of the enterprises in Punjab and Himachal Pradesh are more skewed in favour of relatively large sized enterprises, and thereby the share of gross output of these states are observed to be double compared to the share of NSDP of the states. A poor rating of productivity of such enterprises are observed in central, eastern and north-eastern states. The combined measure of penetration of enterprises, generation of employment opportunities and productivity is measured by an index of enterprise development. In terms of IED, it is evident that only four states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise development. Seven states (Haryana, Karnataka, Himachal Pradesh, Uttarakhand, Rajasthan, Maharashtra and Uttar Pradesh) have



fulfilled the criteria of medium level of enterprise development as the value of IED lying in between 1 and 2. All the other states belong to the lower stratum in the ladder of enterprise development.

Determinants of Enterprise Development in India

The multi-dimensional aspects of determining enterprise development have been conceptualized by considering six broad indicators, two from each aspect of state specific characteristics (literacy rate and NSDP), level of financial support to MSMEs (loan access and loan usage) and participation of skill development programme (participants in MDEP training programme, training grants to skill development institutes). To examine the impact of these factors on enterprise development we have made a linear regression analysis taking the index of enterprise development (IED) as the dependent variable and the indicators of institutional support and state specific characteristics as the independent variables. The regression result is shown in table 3.

Table 3 **Regression Result of Determinants of Enterprise Development**



Variable	Coefficient	Std. Error	t-Statistic	Prob.
CONSTANT	-3.641327	1.592429	-2.286649	0.0372
LR	0.072683	0.021810	3.332480	0.0045
NSDP	1.71E-07	6.62E-07	0.258335	0.7997
PARTICIPANT	103.2469	103.5927	0.996661	0.3347
GRANT	0.005888	0.012044	0.488883	0.6320
ACCESS	8.953098	2.653345	3.374268	0.0042
LOAN	16.26631	7.803103	2.084594	0.0546
Observations	22	R-squared		0.5534

Source: Author's calculation using E-Views econometric software.

The results of the Regression Model identify the following broad determinants of enterprise development.

State specific characteristics: Formation of human capital plays an important role in the development of enterprises of a state. The level of education of the state which is measured by the literacy rate is found to be positively associated with the enterprise development. The result is found statistically significant at 1 per cent level of significance. Economic condition of the state is another important state specific characteristic which can influence enterprise development. In fact, economic status of the state, as measured by the net state domestic product of the state, may develop demand side impetus for the development of such enterprises in the state. However no such significant effect of state wealth on enterprise development is established in the study.



Skill development programme: The Micro Enterprise Development Programme (MEDP) is one of the training programme launched by NABARD to nurture the entrepreneurial talents of members of mature SHGs to promote micro enterprises on individual or group basis. To consider the implications of such programme on the enterprise development of states, the study considered number of participants in MEDP training programme out of total SHG members of a state (PARTICIPANT). However, the study justifies no significant implications of imparting training programme on the development of enterprises in the state. Rural self employment training institutes (RSETIs) provide intensive short term residential self employment training programme to rural youth for taking up self employment initiatives and skill up upgradation for running their microenterprises successfully. The average grants received by rural self employed training institutes of a state (GRANT) is considered as an independent variable to examine its implications on enterprise development of a state. However, its implications is not statistically supported in our study.

Access to loan: Credit is considered as one of the precondition of the process of enterprise development of as state. The access to credit to the enterprises of a state is approximated by considering percentage of working enterprise in the state having access to institutional sources of credit. A positive and significant coefficient



signifies that states with poor institutional credit delivery mechanism fail to satisfy required credit requirements and thus find it difficult to start up or running enterprises in the state. Similarly, higher the average amount of loan received by the enterprise (LOAN) greater is the possibility of enterprise development of the state.

Conclusions and Policy Implications:

MSME sector, as an engine of growth, contributes significantly to the manufacturing output, employment and exports of the Indian economy. However, the development of the sector is unevenly distributed across states of India. Empirical evidences based on a comprehensive index on enterprise development suggest that a majority of 18 states out of 22 states in our analysis belong to the medium (7 states) or lower stratum (11 states) in the ladder of enterprise development. Only four Indian states (Gujarat, Punjab, Mizoram and Tamil Nadu) have been classified under the category of high level of enterprise development. To explain the variation, an attempt has been made in this study to identify some of the socio-economic determinants influencing the development of the sector in the state. Empirical results using Multiple Regression Analysis suggest that the access to credit among the institutional support related variables and literacy rate of the state among the state



specific variables significantly enhances the enterprise development of the state.

In the backdrop of empirical evidences, the study recommends for facilitator role of the government so as to outreach the entrepreneurial finance by encouraging financial institutions to exploit the untapped potentiality of the market. It has been evident that a gradual transformation from micro to small and to medium enterprises has favourable implications on per unit value of major economic parameters, i.e., employment, investment and output. In the process of transformation, access to credit is considered as important barriers in the imperfectly developed credit market in the economy. The policy of banking outreach in unbanked areas and priority sector lending are instrumental in channelization of credit to SSIs in pre-liberalisation era. However, a reversal of the policy in recent times is reflected in the implementation of specialized branch for SSIs, cluster-based approach for financing the sector and reorientation of priority sector lending policy. However, outreach of entrepreneurial finance without any resort to financial literacy may result inefficiency in the utilization of the credit. In this context, instead of becoming a facilitator, the government should play an active role in the drive of literacy programme of the state so as to make better utilization of fund in the desired direction.



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An Elementary Approach on Awareness of Green Practices: In Indian Context

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Abstract

In the recent studies of green entrepreneurship, it has been seen that firms have only recently begun generating strong research and policy interest for green practices. But the concept for green practices to the students or budding entrepreneurs is at the infancy stage. Because of the relative newness of green practices in the entrepreneurship literature in Indian context, the amount of systematic, research-based knowledge about them is limited. Therefore, in this paper we aim to contribute a brief overview of literature which discusses green entrepreneurship and a detailed descriptive analysis of the awareness about green practices among the students and entrepreneurs in India followed with the suggestion and recommendation.



Keyword: Green Entrepreneurship, Green Practice, Sustainability, Green Business, Awareness

1. Introduction:

Environmental issues have influenced all human activities globally. With the increasing environmental challenges, entrepreneurs have recognised the well suited market to take on with the socially responsible products, services and sustainability. Entrepreneurs are now making changes in their ways of doing business so as to address the society's new concerns on environmentalism and other ecological problems as they affect their enterprises. Green entrepreneurs are being called upon to take leading roles for sustainable business development (Porritt & Winner, 1988). According to Daft (2008), sustainable businesses are defines as the development of economy to create wealth and meet the current generation needs while saving the environment for future. With the increasing environmental challenges, governments are also seeking more novel ways to promote economic activity and enhance sustainability by moving towards “greening” economic activities. Green entrepreneurs undertake new business opportunities or business activities of start-ups that positively affect the natural



environment, enhance economic sustainability and differentiate them from the traditional entrepreneur.

This shift towards sustainable business architecture provides diverse and number of alcove that the prospective entrepreneurs and existing firms can diagnose and service. There lies an unexplored spectrum of opportunities for entrepreneurs by adopting “environmentally business practices” or “green practices”.

Entrepreneurs in adoption of green practices act as a ‘pull’ strategy to attract and motivate former firms to go green, in compare to the ‘push’ factors of government environmental guideline. Green practices activities involved reducing, reusing and recycling of resources as they are related to products or processes for economic, environmental and social sustainability. Moreover, Ambec and Lanoie (2008) said that the costs or risk can be reduce or create differentiation from competitors by adopting green practices. Thus, green practices have become more relevant in everyday life. The importance of green practices can not only be justified as it provides new opportunities for the budding entrepreneurs but also because it acts as a primary force in the overall transition of market dynamics. Therefore, using green practices in start-ups can push the overall process of sustainable reformation of any industry or business.



In the recent studies, it has been seen that firms have only recently begun generating strong research and policy interest for green practices (Shepherd, Kuskova and Patzelt 2009). The concept for green practices to the students or budding entrepreneurs is at the infancy stage. Thus, green practices is important among the future techno-managers and budding entrepreneurs as they are the one who are going to govern the dynamics of future market. Because of the relative newness of green entrepreneurship and sustainability in the entrepreneurship literature in Indian context, the amount of systematic, research-based knowledge about them is limited. Therefore, in this paper we aim to contribute a brief overview of literature which discusses green entrepreneurship and a detailed descriptive analysis of the awareness about green practices among the students and entrepreneurs in India. Thus, this research intends to identify the concern of students and entrepreneurs towards the awareness about the green practices among them.

2. Literature Review:

Although researchers traditionally define entrepreneurship as a field primarily concerned with wealth generation and economic growth (Majid, 2012), it has gone through different stages of development. As stated by Parrish (2010) entrepreneurial action can help alleviate



these environmental and social predicaments, which gave rise to the concept of sustainable development (Shepherd & Patzelt, 2011). Abidin (2010) said that to increase the awareness on environment and sustainable development various actions had been taken place. In line with this description, several different terms have been used by researchers while analysing the environment and entrepreneurship. Commonly used terms are green entrepreneurship (Berle, 1991), ecopreneurship (Schaper, 2002a), eco-entrepreneurship (Schaper, 2002b) and environmental entrepreneurship (Keogh and Polonsky, 1998). Schaper (2005) argues that these terms capture the same concept and may be used interchangeably. As explained in the previous subsection, sustainable entrepreneurship (Dean and McMullen, 2007) describes a somewhat different phenomenon and needs to be differentiated from these terms. Hence, in line with Schaper (2005), this paper assumes that the four terms mentioned above are interchangeable. In accordance with the latter and for the sake of clarity and readability, this paper will state any of these terms solely as green entrepreneurship.

As diverse as the terminology used by researchers to name the phenomenon, are the definitions of green entrepreneurship they advance. These definitions may be classified according to the



dimensions of green entrepreneurship to which they relate. For example, Isaak (1998) defines green entrepreneurship as breakthrough innovation which can transform system and environmental business, while focusing on the distinctive organisational characteristics of the venture and emphasises an environmental purpose of the latter. Researchers have also focused on the process involved in green entrepreneurship when the economic opportunities are exploited from market failures significant to environment (Dean and McMullen, 2007). Correspondingly, Kotchen (2009) suggests that green entrepreneurship as starting new businesses to earn a profit and provide environmental sustainability. Lastly, there exist definitions who relate more to the dimension of environmental outcomes that green entrepreneurs aim for. For example, a rather broad definition is advanced by Anderson and Leal (1997) who define green entrepreneurship in context of entrepreneurs as they are engaged in conserving the open space, growing wildlife habitation, saving endangered species, and improving quality of environment using business tools. Looking at these definitions it can be noted that researchers still seem to struggle with capturing the phenomenon of green entrepreneurship. This can be substantiated by the fact that to date there exists no generally accepted definition of green entrepreneurship (Hall, Daneke, & Lenox, 2010).



Further, from the review of past researchers it has been seen that firms have recently begun generating strong research and policy interest for green practices (Shepherd, Kuskova and Patzelt 2009). In earlier research, the concept of greening has been measured as performance of business ecologically while meeting the stockholders' expectations (Gupta, 1995). Similarly, Shrivastava (1995b) incorporates the concept as a tool called "environment management" to robust social as well as environmental system. In the similar vein, Gupta and Sharma (1996) define green practices as management principles where natural resources are converted into better outputs or environmentally friendly product. This transition occurred not only for generating financial performance and returns owing to a greater popularity and demand towards sustainable products and services offerings by them, but also for their intent to curtail environmental impacts and respect the protocols laid by the environmental regulatory boards. Additionally at the core of the green entrepreneurship literature, the traditional notions and use of large firm tools together with corporate social responsibility (CSR) and triple bottom line as measurement acts as green concept and measure how it affects firm performance. In a simple way, it has been seen that the motivations for adapting green practices taken in context of Corporate Social Responsibility (CSR) (Hussain, 1999; Tzschentke et al., 2004). However, the use of these tools may not be



appropriate in all contexts: young and nascent firms face dissimilar business environments and experience multiple constraints during firm development (Shepherd et.al, 2005).

We considered that the adoption of environment friendly business models can, conceivably, open up better avenues for budding entrepreneurs. Decision makers must recognize the benefits of green practices or policies and the necessity for developing green models. But, there is lack of awareness of environmental legislation or green practices among the new firms. Stuart (2000) identified that the environmental legislation complexities further confuse matters and deter business from fully grasping the implications of green practices. Thus the aim of the present study was to assess the awareness regarding the green practices among students and entrepreneurs to make relevant suggestions.

3. Methodology

3.1 Interview Scheduled

After going through the preliminaries of data collection and questionnaire preparation an interview was conducted from a number of people for both the aspect of student and entrepreneurs respectively. Based upon the data collected, an assessment sheet was tabulated calculated and prepared.



(Insert Table 1)

3.2 Methodology of Survey and Research

A sampling survey method has been adopted to sample the target audience to bring out the overall conclusion.

3.3 Data Collection Method

Total response to effectiveness of awareness factor was measured on a three pointer scale.

High (H) – Above 2.2

Moderate (M) - Between 1.9-2.2

Low (L) – Less than 1.9

3.4 Questionnaire Development

Questionnaire here is a systematic and standardized instrument for collecting data to measure response to the same set of questions presented in the same way to all target audience. The format has been designed to obtain responses on scales like High (H), Moderate (M), and Low (L), yielding meaningful numerical scores.

4. Analysis and Interpretation of Data (Profile of Respondent and Data Discussion)

4.1 Weighted Mean: To analyze the weighted mean of the responses from the respondent each of the questions in the questionnaire is tabulated like below:



$$\text{Weighted Mean (WM)} = \frac{3H+2M+L}{H+M+L}$$

4.2 Concept Awareness Aspect

(Insert Table 2, 3, and 4)

Correlation coefficient calculation of green practice awareness

$$\text{aspects } (r) = \frac{\frac{1}{n}\sum XY - \bar{X} \bar{Y}}{\sqrt{(\frac{1}{n}\sum X^2 - \bar{X}^2) (\frac{1}{n}\sum Y^2 - \bar{Y}^2)}} \text{Where,}$$

$$\bar{X} = \frac{\sum X}{n} \text{ and } \bar{Y} = \frac{\sum Y}{n} \quad \text{and } n=10$$

$$\bar{X} = \frac{\sum X}{n} = \frac{19.56}{10} = 1.95 \text{ and } X^2 = 3.80 \quad \text{and}$$

$$\bar{Y} = \frac{\sum Y}{n} = \frac{20.62}{10} = 2.06 \text{ and } Y^2 = 4.24$$

$$\begin{aligned} (r) &= \frac{\frac{1}{10} * 40.79 - 1.95 * 2.06}{\sqrt{(\frac{1}{10} * 38.88 - 3.80) (\frac{1}{10} * 43.11 - 4.24)}} \\ &= \frac{4.07 - 4.01}{\sqrt{(3.88 - 3.80) (4.31 - 4.24)}} \\ &= \frac{0.06}{\sqrt{(0.08) * (0.07)}} \\ &= \frac{0.06}{0.074} = 0.8108 \end{aligned}$$

5. Findings

From the above analysis we have identified that, the concept of awareness for green practices tends to be low among students and entrepreneurs. They also lag in terms of green practice concept



origin. In addition to that, the understanding the definition of green practice is also less in entrepreneurs rather than students. Whereas, the day to day green practice concept repetition is higher in students than entrepreneurs. In Indian context, the scope of green practice concept adoption has been seen higher among entrepreneurs, and can be improvised more only once proper information is channelized. Technology innovation leads to better green practice concept among entrepreneurs as high degree of agreement shows in the Table 3. Green practice concept awareness is high among entrepreneurs. Successful work culture is affected by green practice concept is more agreed by the students rather than entrepreneurs. Importance of green practice concept education in Indian scenario is affirmably supported by entrepreneurs. Green practice leads to sustainable economic model for industry is being supported more by the entrepreneur in comparison to students.

6. Recommendations and Suggestions:

From the above finding, here are the following recommendation and suggestion below:

- Different global and domestic governing bodies should put more concentration on evaluating green practice concept delivery and its implementation among young generations.



- Latest aspect of technological specification can be more implemented.
- Psychological and emotional behavioural attribute may be present in concept delivery model.
- Awareness should be formed in such a way that it increases the practice reliability and benefits.
- Concept loyalty must be put forward as part of the practice drive. More and more star cast may somehow would be very effective during concept campaigning.
- Each and every campaign should be much specified and condensed.
- Concept of green practice awareness and regulations can be put in every trade fair, summits, and public gatherings.
- Global and domestic players should bring certain changes in their ideas of implementation by increasing the cultural and traditional approach.
- A dedicated websites containing all the major beneficial attributes of green practices can also be advertised and linked to major government websites, email services websites and social networking sites.
- A condensed formed of education system may also put forward from the initial stage of learning among the students.



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Risk Attitude and Ethical Decision Making of Auditors

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Abstract

Using chi-square tests and independent samples t-tests, the results of this study showed that ethical reasoning is not a major determinant in explaining the difference in auditors' responses in conflicting situations requiring professional judgements. The results of this study also confirm the finding of some earlier research which indicates that cultural dimensions do have an effect on the level of moral reasoning of auditors. The findings of this research cast further evidence on the literature of ethical reasoning in the accounting profession and in a non-western cultural context.

Key words: Professional Ethics, Accountants, Chinese

Introduction

The profession of accounting has traditionally commanded a high level of respect and admiration. However, recent developments in the profession (e.g., increased competition, broadened scope of services, frequent litigation) as well as rapidly occurring legal, political, social, and economic phenomena have escalated and intensified demands for an increased ethical awareness among accountants. But the fundamental question still remains unanswered: how ethical are professional accountants in Hong Kong? This study is designed to provide such an answer.

Ethical Dilemmas for the Accounting Profession



Professional accountants need to interact with at least four entities that can create potential conflict of interest. First, accountants are involved in a client-to-supplier relationship when they provide services to client organisations. Second, they are all involved in an employer-to-employee relationship when they are employed in professional accountancy firms. Third, they are also involved in a peer-to-peer relationship, which the accounting profession as a whole, more often than not, is required to ensure the collective protection of the profession's image. Fourth, professional accountants have a master-to-steward relationship with the general public who has entrusted the accounting profession to safeguard the interest of society as a whole.

Hence, it is not difficult to see the likely existence of conflicting interests derived from the independent role of a profession on the one hand and the many other competing objectives from the roles in the remaining relationships on the other. The fountain of all ethical



problems is the coexisting responsibilities of accountants to the profession, the accountancy firm, the client and the public. To make the situation even worse, the profession's ethical standard relies on its ability to render independent judgements, that is, independent from the influence of their clients. However, a substantial amount of revenue of all accountancy firms is coming from the clients. Such a situation requires the delicate balance between the economic needs of the firms at one end and the public's demand for accountability at the other.

Unfortunately, recent events indicated that the public might perceive a breakdown in the ability of the profession to effectively self-regulate the ethical behaviour of its members.

Like all professions, society also empowers the accounting profession to conduct its affairs consistent with the broader set of social values. This can lead to a tension between the profession's pursuit of independence and the public's demand for



accountability. Since a limited volume of research has been conducted on ethical beliefs and decision making in Hong Kong, the significance of this research is to provide some evidence on relationships between the ethical beliefs and decision making process of auditors in Hong Kong.

Statement of Hypothesis

After reviewing the literature, three hypotheses were developed and tested on the sample. The most important question this study strived to answer was the relationships between one's ethical reasoning and one's ethical behaviour. As revealed by previous literature (Armstrong 1987; Ponemon 1990, 1992a, 1992b; Rest 1986), such a relationship existed. However, very little serious research has been conducted in Hong Kong to investigate this relationship. Hence, it is hypothesised that:



H₁: There is no significant difference between an auditor's ethical judgement and one's moral cognitive development.

Besides looking at the cognitive ethical development of the respondents, it is speculated that for the same level of ethical reasoning, the higher the level of tolerance of risk, the more likely it is that individuals would undertake behaviour that is considered unethical. Rallapalli, Vitell, Wiebe and Barnes (1994) studied the relationships between students' ethical beliefs and personality traits and found that individuals with a high propensity for taking risks tend to have less ethical beliefs concerning possible consumer actions. Therefore, the second hypothesis of this study is that:

H₂: There is no significant difference between auditors' level of moral development and level of risk tolerance.



Also, the effect of culture on auditor's ethical position is worth studying. Few studies have been done in this area and the results obtained so far are inconclusive. Puffer and McCarthy (1995) pointed out that Russians see certain ethical business practices very differently from the Americans. However, other studies (Small 1992; Wimalasiri, Pavri and Jalil 1996) found no difference in reactions to ethical dilemmas for students from different cultures. These conflicting findings suggest that further work needs to be done on the effects of culture on ethical positions and, in particular, in the field of professional ethics in the accounting professional, which has not received enough attention by researchers.

H₃: There is no significant difference between Chinese-speaking and non-Chinese-speaking auditors in their level of moral development.

Research Methods



Subjects in this research were auditors in public practice in Hong Kong. The sample size was 60. Convenience sampling method is adopted to select the sample for this survey because of the difficulties involved in selecting the subjects by random sampling. The main difficulty is arisen from the time required to complete the questionnaire. It is estimated that the entire research instrument required subjects to spend approximately 40 minutes to finish the exercise.

A questionnaire was developed to collect the required information for this study. The questionnaire was divided into four parts. The first part was the introduction in which instructions to fill out the questionnaires together with illustrations were provided to the respondents.

The second part was related to the measurement of the level of the cognitive moral development of the subjects. The Defining



Issues Test (DIT) developed by Rest (1979, 1986) was adopted to provide such a measurement. For the current research, a short version of the DIT was adopted. According to a study by Ma (1988), two out of the six stories in the DIT were considered to be too specific to the Western culture. Hence, only a four-story version of the DIT was utilised in this study.

The third part of the questionnaire was devised to capture the respondent's response on an auditor-client conflict situation. This part of the questionnaire was developed to identify and examine factors entering the decision-making process of auditors. The auditor's response to the audit conflict situation was assessed through a scenario. The scenario was relating to an auditor-client conflict situation based on cases developed by the author's own experience and used by Gul (1991). The purpose of the scenario was to investigate the ability of the respondents to resist pressure from the client in these conflict situations.



The respondents were required to role play as the auditor of the company described in the case and were asked to explicate their perceptions on a range of issues which they could have faced in discharging their daily responsibilities as auditors. Their perception was measured along an eight-point semantic scale. In the case, the auditor disagreed with the management of the client on the treatment of some unrecorded liabilities. The auditor believed that the liabilities were material but not for the management of the client. The respondents were asked the extent to which they would ignore the unrecorded liabilities along an eight-point semantic scale, as suggested by the management of the client. In addition, the respondents were also asked whether they would issue a qualified report in this case.

The final and concluding part of the questionnaire asked respondents to provide some of their demographic information.



For the current study, rather than asking respondents for their self-reported nationalities, this questionnaire asked the respondents on what is their first language so as to determine whether the respondents are Chinese or non-Chinese.

Statistical Procedures

The P score of the DIT adapted in this study to determine the relative level of moral reasoning for auditors had a range of 0 to 95. To facilitate the analysis, the raw data of the P score was transformed into a categorical value to allow better understanding of the results. The mean of the P score was calculated as the benchmark to classify respondents' P score into 2 levels, that is, above and below the mean. A P score which was higher than the mean was considered to represent a relatively higher level of cognitive development in moral reasoning than a value which was lower than the mean score. In addition, the perception of respondents in the auditor-client conflict situation



was originally measured along an eight-point semantic scale.

Data transformation was also conducted to classify the perception into just two levels of behaviour; that is, more ethical and less ethical. In short, these two variables, that is, ethical judgement and cognitive moral development, were transformed into dichotomous variables.

In this respect, in order to test the hypotheses involving dichotomous variables, the chi-square test and the independent samples t-test were used. In addition, Yates' correction for continuity was applied on the chi-square test because of unequal cell frequency and small degrees of freedom. Yates' correction for continuity involves subtracting or adding of 0.5 from positive or negative differences between observed and expected frequencies before squaring, respectively. Furthermore, if any expected cell value was less than 5, the Fisher's exact test would be applied. In the independent samples t-test, the Levene test



was conducted to test the homogeneity of variance to ensure the basic assumption was not be violated.

Findings

The first question of this study strives to determine the relationships between auditor's level of ethical reasoning and the ethical behaviour. As mentioned in earlier sections, in order to investigate the ethical judgement of auditors, a scenario relating to an auditor-client conflict situation was devised. The results of the chi-square test did not find any significant difference ($P = 0.708$) between the cognitive moral development level of auditors and their professional judgement. The results showed that the majority of the respondents (84.9%) reported that they were less likely to ignore the unrecorded liabilities. On the question of issuing a qualified report in this case, the results of the chi-square test also showed no significant difference at the 5% level ($P = 0.156$) between the



cognitive moral judgement of respondents and the intention to issue a qualified report in this case.

All in all, the results from the above scenario relating to the auditor-client conflict situation were highly suggestive that hypothesis one could not be rejected and could be concluded that there was no significant difference between an auditors' ethical judgement and one's moral cognitive development.

After investigating the impact of the cognitive ethical development on auditors' professional ethical behaviour, this study, then, attempted to look at how ethical behaviour was affected by respondent's level of risk tolerance. This study hypothesised that for the same level of ethical reasoning, the higher the level of tolerance of risk, the more likely it was that individuals would undertake behaviour that was considered unethical.



The results of the independent samples t-test showed that there was no statistically significant relationship ($P = 0.523$) between auditors' level of moral development and level of risk tolerance.

Also, this study strives to determine whether there was any effect of culture on auditor's ethical position.

Regarding the last hypothesis for this study, the results of the chi-square test indicated the existence of a statistically significant difference ($P = 0.001$) between Chinese-speaking and Non-Chinese-speaking auditors in their level of moral development. The results suggested that Non-Chinese-speaking auditors exhibited a higher level of moral judgement development than Chinese-speaking auditors.

Implications and Conclusion

The findings of this research do not support the hypothesis that there is a relationship between ethical judgements and level of



moral reasoning for auditors in Hong Kong. In fact, the results are very encouraging from the perspective of maintaining the professional ethics of the accounting profession as a whole. The findings of this research suggest that professional accountants in Hong Kong understand the need to uphold their professional image through preserving their professional integrity in their daily working relationships with their client. They know how to maintain their professional behaviour when they are confronting with auditor-client conflict situations.

In term of the relationship between the level of risk tolerance and level of moral development of auditors, the results have also rebutted the hypothesis and indicate that no such relationship exists. However, the results of the final hypothesis may show that culture is an important factor affecting the level of moral development of a person. The results indicate that non-Chinese-speaking respondents are higher in moral reasoning than Chinese-speaking respondents.



This is a very interesting finding and further research is needed to ascertain what factors are contributing to this difference.

In addition, while the results provide useful evidence to enhance understanding of the relationships between the level of cognitive moral development and auditors' responses in auditor-client conflict situations, care has to be exercised to draw further inference from the study because of the small sample size of this study.

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Informal Entrepreneurs Operating In Structured Marketplaces And Proactivity - In South Africa & New Zealand

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Abstract

Informal entrepreneurs for the purposes of this paper are regarded as market stallholders operating in a structured market environment. The differences in levels of Proactive Personality between informal market entrepreneurs in South Africa and in New Zealand were measured using the Proactive Personality Questionnaire (Bateman & Crant, 1993). The results show that South African and New Zealand informal entrepreneurs differ significantly in their levels of proactive personality, with South Africans having higher levels of proactivity. Gender and age do not play a significant role. The



difference in proactivity levels may be related to three factors: psychological factors such as self-perceived sources of motivation (necessity or opportunity) and innovativeness; business factors such as links to the formal market and tourist trade; and contextual factors such as systemic barriers they have faced.

Introduction

Many entrepreneurs operate in the informal economy with around two thirds of the global working population estimated to be working in the informal sector (Jutting & De Laiglesia, 2009). In sub-Saharan Africa 70% of informal workers are self-employed (ILO, 2002). Informal sector entrepreneurship tends to be more common in socially deprived areas than in socially affluent areas (Williams and Nadin, 2010) but may also cluster as “serious hobby” or risk reduction strategy for the more affluent (Williams, 2009). Some informal entrepreneurs may choose this course out of necessity while others opt for it as a lifestyle choice in which they have more autonomy and flexibility (Williams, 2009 (b), Aidis et al, 2006; Gerxhani, 2004).

In South Africa, where the official unemployment rate in South Africa is 25.6% (Statistics South Africa, 2013), compared with 6.2% in New Zealand (Trading Economics, 2013; The New Zealand Herald, 2013), it is likely that more informal entrepreneurs



are motivated by economic hardship and necessity than in New Zealand where more informal entrepreneurs are likely to be motivated by lifestyle choices. In this research, it will be argued that these differences in motivation are related to personality traits and behaviours of informal entrepreneurs who operate in structured markets. We focus specifically on proactive personality and on its antecedents, such as psychological factors, individual characteristics and contextual barriers as well as on the outcomes of being more proactive within the two countries.

The focus is on entrepreneurs who regularly operate a market stall within in a structured market place. Informal entrepreneurs for the purposes of this research are defined as those actively starting up and running a market stall business on a regular basis. The purpose of the paper is to provide some insight into the cross cultural differences in psychological, business and contextual factors impacting on informal entrepreneurs in South Africa and New Zealand. A key focus of the paper is to establish what cross-cultural differences there are in proactivity between those driven by necessity and those driven by lifestyle and whether proactivity is potentially affected by self-perceptions of motivation, self-esteem and innovation,, as well as by the contextual environment .



A structured market is defined as one where the stallholders are not simply situated on a roadside as hawkers, but have to register and pay a fee to set up their stall in a specific venue and regularly display their wares at this market site. They also have to meet town council compliance requirements in the display of their goods. For example, in Hamilton, New Zealand (where one of the markets under research was situated), the City Council has a formal city market application form in which the market operator has to note basic details, plus whether any entertainment is organised, how the market will be promoted, what provision has been made for basic facilities like (toilets, water, lighting, waste disposal, hand-washing, power, sound systems, site access and parking). The submitter needs to provide a scale plan, traffic management plan, public liability insurance and stallholder contact details (Hamilton City Council, 2014). In South Africa, informal entrepreneurs in structured markets similarly need to approach the market management, agree to formal rules and rental, and set up appropriate equipment.

Structured markets as formalised venues for informal entrepreneurs to sell their goods contribute significantly to the local economy. The Victorian government in South Australia, for example, indicates that 90 structured farmers' markets across the state



contribute A\$227 million per annum to the local economy (Outer Suburban/Interface Services & Development Committee, 2010). This committee noted the number of small businesses that evolved from market stalls, with the structured markets being seen as a business incubator and also noted the investment in land and capital that stallholders were making.

Proactive Personality

Proactiveness can be seen as a stable predisposition (Crant, 2000), a pattern of behaviours (Frese & Fay, 2001) or a way of behaving at work (Grant & Ashford, 2008). Proactive behaviour is self-starting behaviour about making things happen and involves anticipatory action which is self-initiated and aimed at changing either the situation or oneself (Bindl & Parker, 2010). For the purposes of this research the concept of proactivity is aligned with that of Crant (2000), where it is assumed to be an instrumental trait encompassing behaviours that affect the environment. In other words the individual aims to bring about change in the environment through initiative and action which anticipates events (Crant, 1999). Proactive individuals tend to scan for opportunities, set effective change-oriented goals, anticipate and prevent problems, do different things or do things differently, take action, persevere and achieve results (ibid). Proactive people are more likely to create and impact



on their environment than people who are passive and likely to conform to the status quo. Proactivity is seen to be unique behaviour which falls outside of the Big Five (Five Factor) typology (Crant & Bateman, 2000; Major, Turner & Fletcher, 2006).

Proactivity has been shown to be linked to entrepreneurship, in which the entrepreneur scans the environment and takes a bold and aggressive approach to the market (Becherer & Mauer, 1999) and to entrepreneurial intentions (Crant, 1996). In addition, proactive personality has been shown to be linked to entrepreneurial behaviour and outcomes, such as business creation and business success (Rauch & Frese, 2007).

Objectives of the research

The objectives of this research are firstly to establish the levels of proactivity in New Zealand and South African informal entrepreneurs working in structured markets. Then the purpose is to establish whether there are significant differences between the two countries and whether such differences in proactivity are related to necessity or opportunity driven motivation. Finally we will examine the antecedents that may contribute to differences in between South African and New Zealand informal entrepreneurs. The research takes into account the possible impact of: psychological factors



(self-esteem and innovation); individual characteristics (age and gender); outcomes (entry to the formal market and tourism trade), and contextual factors (such as difficulty of conducting business) and considers whether there is a link between proactive personality and these factors.

Country Culture

In terms of country culture a study by Claes & Ruiz-Quintanilla (1998) showed that country culture based on Hofstede's cultural dimensions related to proactivity, in that some countries were more risk averse and collectivist and therefore showed less proactivity. In Hofstede's country culture study, New Zealand shows a lower level of uncertainty avoidance, suggesting that people show a larger degree of acceptance of new ideas, are pragmatic, produce innovative products and show a willingness to try new things. On the other hand, South African scores on uncertainty avoidance tend to be higher, suggesting that people prefer to avoid uncertainty, have strong codes of behaviour and beliefs, like to be busy and work hard, but may avoid innovation, because security is important (Hofstede, 2013). Based on country culture, it could be expected that New Zealand informal entrepreneurs would have higher levels of proactive personality.



Hypothesis One is that informal traders in structured markets in New Zealand are likely to have higher levels of proactivity.

Hypothesis Two is that New Zealand informal entrepreneurs are more proactive than South African informal entrepreneurs.

In considering which psychological factors which might impact on proactivity, motivation, self-esteem and self-perceptions of innovation were examined.

Motivation : Necessity or Opportunity

South Africans are likely to be more necessity driven. Years of apartheid have resulted in inequities in access to education, employment and social welfare. In addition, since the end of apartheid there has been mass unofficial immigration - some estimates being put at 3-4% of the population -with migrants taking on many of the lower paid jobs (Campbell, 2013). The country has an official unemployment rate of 25.6% (Statistics South Africa,2014), while New Zealand's official unemployment rate is only 6.2% (The New Zealand Herald, 2013; Trading Economics, 2013).

New Zealand has a strong social welfare benefit system, with an unemployment, sickness and invalids' benefit via the Ministry of Social Development (Ministry of Social Development , 2013). If people are unemployed they are able to collect a basic income from the state. In addition, those older than 65 receive superannuation



from the state equivalent to two thirds of the average wage rate for the country (ibid). On the other hand, in South Africa, there is minimal financial and social support for the unemployed, forcing many to seek entrepreneurial work in the informal sector. It is important to explore whether despite country culture, necessity drives proactive informal entrepreneurship or whether country cultural values predominate.

Based on the Hofstede's (2013) uncertainty avoidance data, it would seem likely that New Zealand would be more proactive than South Africans in informal entrepreneurship. However, the context of the need to survive might be a more powerful driver for South Africans to be proactive. It is our hypothesis that an adverse context may play a greater role than that of country culture attributes.

Since proactive behaviour is about getting things done and being self-motivated to change things in the environment or to strive for a different future, the link between proactivity and motivation seems likely (Parker, Bindl & Strauss, 2010). These authors suggest that motivation occurs on three levels "can do", "reason to" and "energised to". We intend examining whether self-perceived necessity ("reason to") is a motivational driver of greater proactivity.

Hypothesis Three is that informal entrepreneurs in South Africa would be more motivated by necessity than those in New Zealand.



Self-esteem & proactivity

Self-esteem reflects how an individual feels about him or herself, their self-worth, self-respect and self-competence. Munsey (2006) notes that people who self-identify as proactive make better job hunters. Those individuals who “feel they can change their environment also feel they are going to be more successful, which in turn leads them to actually engage in more job-search behaviour” (Brown in Munsey, 2006, p.16). Judge & Ilies (2002) note the link between psychological empowerment and proactive personality. Those with higher levels of self-efficacy are more likely to be rated as higher in self-initiative and therefore seen as more proactive. There is consistent evidence that perceived capability is positively related to proactivity at work (Frese, Garst & Fay, 2007; Bindl & Parker, 2010). Self-esteem appears to mediate the relationship between proactive personality and work outcomes (Liao, P-Y, 2012).

Hypothesis Four is that informal entrepreneurs with higher self-esteem would be more likely to be proactive.

Innovation

Innovation implies novelty. Proactive people may not necessarily be innovative (Unsworth and Parker, 2002), but there is a potential relationship between innovation and proactivity in that proactive behaviours are necessary for the implementation of new ideas.



There is a link between Proactive Personality and innovation (Siebert, Kraimer & Crant, 2001). Based on economic need, it is likely that informal entrepreneurs in South Africa are required to seek alternative ways of generating an income, and perceive themselves as being more innovative than their counterparts in New Zealand.

Hypothesis Five is that informal entrepreneurs in South Africa would perceive themselves as more innovative than those in New Zealand.

In considering personal demographic factors which might impact on proactivity, age, gender and ethnicity are considered.

Age & Proactivity

Some previous research has shown that age is negatively related to proactive behaviour (Kanfer, Wanberg & Kantrowitz, 2001), while others have shown no link at all (Morrison & Phelps, 1999; Warr & Fay, 2001). Other research has indicated that highly proactive older workers can respond to supervisors undermining their behaviour with more innovation-related behaviour (Ng & Feldman, 2013).

For the purposes of this study, it is unclear whether age is related to proactivity in informal entrepreneurs. In South Africa, both young and older market stall holders are likely to be supporting themselves and possibly a number of immediate and extended family members



on the proceeds of their stalls. Assuming that proactivity is related to financial success, informal entrepreneurs of all age groups are likely to be highly proactive. On the other hand in New Zealand, where employment rates are much higher, it is possible that stall holders tend to be older and consist of more people who are selling wares based on their hobbies. It is possible that age is related to proactivity.

Hypothesis Six: Age is related to proactivity in informal entrepreneurs.

Gender & Proactivity

There are also mixed results regarding gender and proactivity, with some studies showing men to be more proactive (Kanfer, Wanberg & Kantrowitz, 2001), but when hierarchical level in organisations and age are controlled there is no significant difference between the two genders (Warr & Fay, 2001). Crant (1996) found a strong relationship between gender and entrepreneurial intentions and a strong relationship between proactivity and entrepreneurial intentions. However there is little data directly showing a strong link between gender and proactivity.

Hypothesis Seven: Gender has no impact on proactivity in informal entrepreneurs.

Entry to formal market



Bateman and Crant (1993, p. 105), the authors of the Proactive Personality Scale (PPS) suggest that people with proactive personality “scan the environment for opportunities, show initiative, take action and persevere until they reach closure by bringing about change”. In this case it is predicted that the more proactive informal entrepreneurs would also have taken steps to enter the formal market through retailers, own shops, farm stalls and export markets.

In the following section, the impact of proactive behaviour is sought to be understood. Two outcomes are considered: entry into the formal market and types of clients (with the focus being on whether informal entrepreneurs have targeted the tourist market). Hypothesis Eight is that more informal entrepreneurs in South Africa have made direct links to the formal market than New Zealanders.

Type of clients

Kickul and Gundry (2002) demonstrated the link between proactive personality and prospector behaviour (versus defender) and strategic business orientation in small business owners. It is speculated that those who have sought out tourist as well as local clients through the nature of goods they sell are likely to be more proactive than others who sell goods only to locals. During the year June 2012 to May 2013, 2.69 million foreign tourists visited New



Zealand which has a population of 4.5 million (NZ Statistics, 2014), while over 9 million visited South Africa which has a population of 57 million (Statistics South Africa, 2014). The data suggests that the per capita number of tourist visits is greater in New Zealand. It could be assumed that New Zealand informal market stallholders would have more opportunity to market to tourists.

Hypothesis Nine is that more informal entrepreneurs in New Zealand have demonstrated prospector behaviour by targeting the tourist market.

Contextual Barriers

New Zealand is regarded as one of the easiest places in the world to set up business and topped the World Bank's rankings for starting a business in 2012 and 2013 (New Zealand Now, 2013). It is also ranked the world's least corrupt nation in Transparency International's Corruption Perception Index (2013). It is a highly deregulated economy and paperwork is generally minimal and simple. "Officialdom puts few barriers in your way" (New Zealand Now, 2013, p.1). On the other hand, informal entrepreneurs in South Africa face many difficulties. They report corrupt officials and police may hamper their business, and that the bureaucracy associated with being allocated and maintaining a stall may be more difficult (Coats, 2012).



Hypothesis Ten is that informal traders in South Africa will face more systemic barriers than those in New Zealand.

Method

Informal entrepreneurs at structured markets in Rosebank, Johannesburg, South Africa, and in Tauranga and Hamilton, New Zealand were approached by the researchers over weekends while they were working at their stalls. Stallholders were mostly selling goods they had made or grown themselves (rather than selling imported or second hand items). They were asked to participate in the research at times when they were not busy with customers. Their participation included completing a short questionnaire and some brief interview questions about their business.

Sample

26 New Zealanders (Kiwis) and 27 South Africans participated in the research (a total across the two countries of 53). All of them were participants in a structured market in a high traffic area, where they had to register to set up a stall and had paid for their place in the market. They regularly presented their goods at these markets, based in affluent areas where tourists were present, on a weekly basis. Some also sold goods at other markets on other days and/or sold through shops or farm stalls. All participants in the study have to provide their own display equipment and marketing materials. 42% of New Zealanders and 59% South Africans were aged under



50. Approximately half of the respondents in both countries were male, (53% of the New Zealand respondents and 44% of the South African respondents). 77% of the Kiwi respondents saw their ethnicity as being European while the rest were Maori or other. 48% of South Africans saw themselves as being White South Africans, while 33% were Black, Indian and Chinese South Africans. The rest were from other African and European countries.

Measures

The Proactive Personality Scale (PPS) (Bateman & Crant, 1993) is a 17-item questionnaire with a 7-point Likert Scale, with 1 being strongly agree and 7 being strongly disagree. The PPS has high levels of convergent, discriminant and predictive validity and good internal consistency (ibid). Although it is a self-report scale, response bias due to social desirability is not likely (Netemeyer, Bearden & Sharma, 2003). The scores on the seventeen items on the scale are summed to gain a unitary proactive personality score. Self-esteem was measured by a single statement, “I have high self-esteem”, also scored on a similar 7-point Likert scale.

The semi-structured interview included further questions to assess other factors impacting on proactivity. The interview needed to be brief as the market stallholders are keen to serve their customers.

The responses the stallholders gave were then coded thematically.

Examples are:



Innovation: Do you see yourself as being innovative? (Yes/No)

Motivation: What motivated you to set up a market stall? (Necessity/Opportunity).

Formal Market: Do you market into the formal sector? (Yes/No).

Type of clients: Do you market to tourists or locals only? (Tourists/Locals)

Contextual Barriers: What barriers do you face? (Systemic /Other)

Results

Participants in both countries showed a high level of proactivity, as evidenced by the mean scores in Table 1. However, the mean unitary score on the complete scale was higher for South African participants than for NZ participants.

TABLE 1: Means on Proactive Personality Scale

	N	Mean	Std Dev	Min	Max
Overall	53	115.92	22.41	66	142
New Zealand	26	104.3	20.22	66	138
South Africa	27	127.1	18.66	74	142

Hypothesis One that New Zealanders would have higher scores on the Proactive Personality Scale is therefore rejected. There is a



significant difference between the informal entrepreneurs from New Zealand and South Africa in terms of PPS scores (Chi Square 96.1746, $p < .0001$), with South Africans having a higher overall score than New Zealanders. Hypothesis Two is therefore rejected as South Africans have higher levels of total proactivity as measured by the PPS.

The rest of the results explore why there may be a significant difference between South African and New Zealand informal entrepreneurs. In the following section psychological factors for such differences are described.

There is a significant difference between the motivation for South Africans and New Zealanders (Chi Square 20.90, Asymptomatic $Pr > ChiSq < 0.0001$), suggesting that South Africans were driven more by necessity than opportunity. Hypothesis Three that South African informal entrepreneurs would be driven more by necessity is therefore supported.

Self-esteem showed no significant Pearson correlations with the overall Proactive Personality Scale. However, self-esteem correlated significantly with certain items of the PPS for each country. An interesting finding was that self-perception of self-esteem correlated significantly ($r = 0.45$, $p < 0.05$) with Item 3 of the Proactive Personality Scale (“I tend to let others take the initiative to start new projects” – reverse scored) for New Zealand



respondents. Self-esteem also correlated significantly with Item 2 ($r=0.38$, $P<0.05$) of the Proactive Personality Scale (“I feel the drive to make a difference in my community and maybe the world”) for South African respondents. This may indicate the different drivers for motivation with New Zealanders being more motivated towards proactivity by individual initiative and South Africans being more motivated by social drivers. A limitation of these findings is that self-esteem was measured using one item. Overall however, Hypothesis Four is rejected as there is no significant relationship between self-perceived levels of self-esteem and the unitary score of proactive personality.

There is a significant difference in self-perception of innovation by country (Chi-square 10.5263, $p<0.005$), with South Africans seeing themselves as more innovative. Hypothesis Five that South Africans see themselves as more innovative is therefore supported. These following results consider whether other antecedents such as demographic factors play a role in the differences between the two groups. The demographic factors include age and gender. Based on t-tests and ANOVAs, age and gender were not related to proactivity (Age $f(0.51) = 0.77$, n.s.; Gender $f(0.03) = 0.97$ n.s.; Hypotheses Six is rejected as age is not related to proactivity. Hypothesis Seven is accepted as there is no relationship between gender and proactivity.



There is a significant difference (Chi Square 10.2857, $p < 0.01$) between the two countries in terms of whether they are selling their goods in the formal sector in addition to structured markets. South Africans were more likely to have entered the formal market suggesting that more entrepreneurial behaviour is being shown by the more proactive informal entrepreneurs. Hypothesis Eight that South Africans would be marketing more into the formal market is therefore supported.

There is a significant difference between New Zealand and South Africa in terms of selling goods to tourists as well as locals, with South Africans being more likely to sell to tourists (Chi Square 4.09, $p < 0.05$). Hypothesis Nine that New Zealanders would be more likely to be marketing to tourists is therefore rejected. Finally the contextual barriers in the local environment are explored.

There is a significant difference between the countries in terms of barriers faced (Chi Square 15.9091 $p < 0.0001$). South Africans face more systemic barriers in terms of bureaucracy related to the structured market than New Zealanders do. New Zealanders were more likely to complain about issues like the weather in open stalls, rather than about systemic issues. Hypothesis Ten that South Africans would face more systemic barriers is therefore supported.

Discussion



The aim of this study was to explore levels of proactivity in informal entrepreneurs operating in structured markets in South Africa and New Zealand. The research shows that while entrepreneurs in both countries have high levels of proactivity, South African informal entrepreneurs have significantly higher levels of proactivity. South African informal entrepreneurs see themselves as being motivated more by necessity than by opportunity. While demographics of age and gender do not appear to be related to proactive personality in these samples of South African and New Zealand informal entrepreneurs, social circumstances do appear to play a role in motivation to be proactive, particularly where a situation of necessity has been created.

This was reinforced by qualitative comments made by participants. South African informal entrepreneurs noted that they had “been retrenched”, had “no pension”, were “unemployed” or were “supplementing their income” as the most predominant reason for having a market stall. Other reasons given were as an outlet for craft skills, for social responsibility (poverty alleviation, HIV/AIDS fund-raising) and community projects (e.g., to create independence for women from abusive partners or incomes for women in rural areas). New Zealanders on the other hand were doing this work as a community project (to provide spray free fruit or hand-knitted



jumpers for young mothers), as a lifestyle choice which had developed from a hobby or because they loved the market lifestyle. Few were doing it out of financial need. In considering why this might be so, psychological factors such as self-esteem and self-perception of innovation were explored further..

Self-esteem did not appear to relate to proactivity in informal entrepreneurs. However this was measured with a single question and further research using a self-esteem scale would be necessary for this to be more fully investigated.

In terms of innovation, 86% of the South African respondents saw themselves as innovative and this self-perception differed from that of Kiwis. One potential explanation is that New Zealanders may not describe themselves as innovative due to the “tall poppy syndrome” which is prevalent in New Zealand. The tall poppy syndrome is a resentment of people because of their talents or achievements (Taylor, 2013), where talking about positive self-attributes can result in negative feedback from others. Tapper (in ibid, 2013) notes that “expectations in New Zealand are that we want people to be the same rather than excel.”

On the other hand, this sense of self-belief in innovation may play a role in why South Africans are more proactive. Many of the South African participants described how they had taken a long time



developing and experimenting with their products and this may also contribute to their perceptions of their high levels of innovation. South Africans tended to have been more proactive in marketing into the formal market. Most of the New Zealand respondents only marketed through the structured markets, whereas most of the South African respondents also sold through retail outlets, such as gift shops and boutiques. This came about either through shops approaching them or more often the stallholder approaching the shops asking them to display their goods. In South Africa, some foreign aid organisations also bought in bulk from particular stalls in the markets.

Based on number of tourists per capita, New Zealand market stall holders should be at least equally focused on attracting the tourist dollar, but South African informal entrepreneurs seem to be more proactive in targeting tourists. This could be considered one indicator of proactive behaviour.

Despite South Africans facing more systemic barriers, they appear to be more proactive. This raises the question as to whether people develop proactivity in the face of adversity or whether the need to survive means that more proactive individuals are better able to cope with systemic barriers? These questions require further research, since this was a small sample.



Nevertheless this research has identified cross-country differences in levels of proactivity in informal entrepreneurs in structured markets across the two countries. Despite higher levels of uncertainty avoidance in South Africa, various psychological and contextual factors may impact on levels of proactivity and informal entrepreneurial outcomes.

Perceptions of necessity and innovation may impact on propensity to be proactive. Those who are proactive may then seek additional opportunities in the marketplace, despite contextual barriers.

Proactivity may be a key factor in whether informal entrepreneurs are able to develop their products, grow their business by evolving to the formal market, sell to tourists and be able to cope with the challenges put in their way so that they succeed long-term.



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