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A Theoretical Study Of Social Entrepreneurship

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Abstract:

This is a theoretical study of social entrepreneurship. It starts by reviewing briefly entrepreneurial approaches such as traits and process ones at first and the impact of gender and culture later. Then it picks up social entrepreneur definition as such; 'a legal person is a social entrepreneur from t_1 to t_2 just in case that person attempts from t_1 to t_2 to make profit for society or a segment of it by innovation at the face of risk, in a way which involves that society or segment of it.' Moreover it discusses capability model based on internal capability or human capital and external conditions such as natural, social, physical and financial capitals. The next issue is stream model which explores social activists' role to open windows of opportunity facing social entrepreneurship. In the last part a case study is reviewed to discuss the topic more objectively.

Key Words: Entrepreneur, Social entrepreneurship, Gender, Capability model, Stream model.

Introduction:

This is a review of some texts concerning social entrepreneurship and putting together different ideas of the field in order to shape a theoretical framework. It would be helpful to lead more qualitative or even quantitative research on the domain.

First of all, I have reviewed the issues of entrepreneurship and differentiate the individual aspect from institutional approach of the term.

Second, I have put forward the discussion of gender referring to studies on the subject, although the impact of culture has not been neglected. Third, the social entrepreneurship definition and the differences with traditional entrepreneurship will be noticed. In the continuum the capability approach toward social entrepreneurship is the topic vastly explained due to Yujuico(2008) model which expands more ideas and indicators for quantitative research. Later, the impact of social entrepreneurship on political change model is illustrated. And finally a successful case of social entrepreneurship in Canada is introduced to obtain some objective points on the issue.

ENTRPRENEURSHIP:

Kalantaridis(2004);Saxenian(2006);Schoonhoven(2001);and Whittaker(2009); have discussed the common subject of institutional perspective of entrepreneurship, since over the past decades the most published studies on entrepreneurship are a great challenge for an institutional scholar who is familiar with numerous impacts of institutions.

The important question in these studies is whether entrepreneurial ' traits ' or ' founding process ' should be discussed. 'Trait researchers 'assumption is that personal characters such as; financial situation, education or age are the factors by which entrepreneurs distinguish themselves .In a different point of view, 'process researchers ' think by analyzing entrepreneurs approaches to company foundation they are better described.

Schumpeter's view is that entrepreneurs are creative innovators and entrepreneurship is an individualistic act. The studies mentioned above demonstrate how this assumption is questioned by an institutional scholar to whom it seems that entrepreneurs do not act in isolation rather they are institutionally embedded. All the authors of these four books accept the influence of institutions on whether and how potential entrepreneurs open a business. Moreover they discuss the interactions between entrepreneurs and business associations and venture capital.

THE JOINT ROLE OF GENDER AND CULTURE:

Guiso and Rustichini (2011) put forward a discussion on the relation between gender and entrepreneurial skills. The EU Annual Activity Report of 2007 indicates that 70 % of enterprises in Austria are directed by men, and just in 16 % of large companies with more than 50 workers the CEO is a woman. In U.S.A only 13.5 % of executive officers in top 500 companies were women (Soars 2009).Thus a question rises; why women become entrepreneurs less than men?

Perhaps they have less 'entrepreneurial ability'. According to Kihlstrom and Laffont (1979) entrepreneurship needs more risk taking than fixed salary jobs and women are less willing to take risks than men, furthermore they seem to be less tolerant with competitive interactions than men. In accordance with these findings women may select jobs that are less risk-taking and competitive.

Another explication is that even if women have entrepreneurial abilities some cultural norms and believes block their path to choose entrepreneurial jobs, for instance the belief that women should not participate in occupations consuming a lot of energy and time. Of this category are certainly entrepreneurial jobs.

Thus it is hard to differ whether occupation choice is a reflection of cultural norm related problems or intrinsic entrepreneurial ability. According to Gneezy and Rustichini (2004b) in a matriarchal society women choose competitive environment twice more than men while in a patriarchal one this is vice versa . In fact as Dreber (2009) demonstrate there is no gender difference reacting competition between Swedish boys and girls that is contrary to how Israeli children are (Gneezy & Rustichini 2004b) This fact may be result of gender equality in Sweden (Guiso 2008).

In order to differentiate the impacts of gender from the effects of cultural believes on entrepreneurship, using testosterone amount as an indicator is suggested. First step is to define the link between gender and testosterone, and the second phase is recognizing the relation between testosterone and entrepreneurial traits.

Within each gender a range of capabilities are correlated with the amount of testosterone, and especially entrepreneurial ability is negatively correlated with the amount. A lower amount of testosterone was found in relation with higher earning and ability to maintain competitive jobs (Coates 2009).

In Guiso and Rustichini (2011) survey a sample of 2,295 in private Italian firms with workers up to 250 was chosen. Two questionnaires were filled out, the first was on firm information, and the second on entrepreneur data such as the personal wealth, family background, demographics, including gender, order of birth and sibling, and physical traits as height and color.

In order to study cultural differences, women emancipation has been used as an indicator that was measured by four sentences as such;

- men make better business executives than women.
- men make better political leaders than women.
- university education is more important for a boy than a girl.
- being a housewife is just as fulfilling as working for pay.

These indicators are all positively correlated maintaining high reliability of the measurement. Women emancipation is supposed to empower women so that they overcome obstacles for starting a firm. The results demonstrate that women chose entrepreneurship although some cultural believes and norms are not binding. Moreover gender gap in participating to leadership positions is not entirely due to intrinsic ability differences, and social norms and discrimination affect the access to leadership positions for women.

SOCIAL ENTREPRENEURSHIP:

Tan et al (2005) propose a definition of social entrepreneurship and explicate how entrepreneurship may be altruistic, moreover they defend a taxonomy of various types of social entrepreneurship. The use of this term backs to 'The rise of the social entrepreneur' (Leadbeater 1997) which suggests that entrepreneurship may be at benefiting society rather than maximizing individual profit. The question to answer may be what is so social about it, one reason in clarifying the ' social' in ' social entrepreneurship' is to know how social capital embedded in networks, norms, and social trust facilitate cooperation in gaining mutual benefit (Putnam 1995) and (Krishna 2002). Briefly the term 'social' sense helps to translate social capital into benefits for society. Thus at first Tan et al (Ibid) try to have a definition of entrepreneur as such;

' A person is an entrepreneur from t_1 to t_2 just in case that person attempts from t_1 to t_2 , to make business profit by innovation in the face of risk .'

He is a successful entrepreneur just in case that attempt succeeds.

Therefore the definition of entrepreneurship is as such;

' Entrepreneurship is the process of attempting, from t_1 to t_2 to make business profit by innovation in the face of risk. '

Since there are degrees of both innovation and risk, there should be degrees of entrepreneurship. In adding the sense of social to the term the definition of social entrepreneur will be as such;

' A legal person is a social entrepreneur from t_1 to t_2 just in case that person attempts from t_1 to t_2 to make profit for society or a segment of it by innovation at the face of risk, in a way which involves that society or segment of it. '

In this sense entrepreneurship is both altruistic and social. The degree of altruism increases if we permit the profit to include not only cash but also benefits as improved health or less denuded rainforests. This formulation refers not only to persons but also to corporations, associations and societies. The degree of altruism is a six descending continuum as such;

The person who innovatively attempts to

- profit society alone, at the risk of personal loss.
- profit society alone , at the risk of foregoing personal profit.
- profit society by profiting himself, at the risk of personal loss.
- profit society by profiting himself, at the risk of foregoing personal profit.
- profit himself by profiting society, at the risk of personal loss.
- profit himself by profiting society, at the risk of foregoing personal profit.

According to the definition of social entrepreneurship proposed above there are four categories of it;

- Community -based enterprises; including charitable organizations engaged in innovative means to carry out their social goals involving risk.
- Socially responsible enterprises; including activities that care for sustainable development such as planting trees.

- Social service industry professionals; including individuals who are innovative and take calculated risks to pass benefit to the society, they make the social services available for the customers.
- Socio-economic or dualistic enterprises; such as recycling materials to benefit conserving the planet resources.

THE CAPABILITY MODEL:

Yujuico (2008) suggests using a capability approach in comprehending social entrepreneurship. Amid insufficiencies caused by states and markets, social entrepreneurs related to non-profit institutions try the pursuit of social well-being. They defeat constraints encountered by for-profit organization, and as well as traditional entrepreneurs they look for unfilled opportunities but in the society rather than market, so far their success is measured as social remuneration instead of economic returns.

The Nobel Prize winner Muhammad Yunus, the founder of microcredit Grameen bank in Bangladeshis is an example, as well as Fabio Rosa promoter of rural electrification by solar panels in Brazil .They have combined creativity and expertise to face deprivation.

The capability approach according to Yujuico (Ibid), explicate social entrepreneurship, its causes, motives, behavioral aspect and directive dimensions. The next figure defines the space in which a social entrepreneur might react. Social entrepreneurs might be embedded in social structure of community-based enterprises in developing world. According to Peredo and Chrisman (2006) and Alvord (2004), being embedded expands to social enterprises in the developed world, therefor, the role of social entrepreneurs as agents of change would increase. They lessen resistance to a new idea and helps adopting innovation.

To Schumpeter (1947) entrepreneur is defined as an economic actor, and the question is whether being a non-profit entity violates this assumption. Boschee and McClung (2003) call the independence goal for social entrepreneur requires generating enough income to perform operations. Helping to exhibit newer, more innovative by destroying older noncompetitive ones is called ' creative destruction ' by Schumpeter (Ibid). The catalyst power of ideas in taking on social problems by social entrepreneurs who improves systemic change through altering behavioral perceptions and patterns is noticed by Bornstein (2004). Figure 1.

In search of a process motivating social entrepreneurship Yujuico(2008) explores his first panel of the figure in which the gaps left by states and markets need to be fulfilled by social entrepreneurs. In fact, the motivational perspective roots lies in Aristotle argument in' Nicomachean Ethics' about wealth that can be created by production. This wealth might be for the owner of capital or provision society needs (Watson 2005). According to Aristotle;

- if the goal of wealth accumulation is its ' social prestige' then ' charismatic' would be established, but;
- if it is around ' human needs' then 'oikonomia ' would be constituted.

But nowadays modern economics looks like charismatic rather than oikonomia. Figure 2.

In a risk point of view, Beck (1986) he explain the emergence of a 'risk society ' attempting to move against myriad of possibilities, thus the need for abstract charismatic thinking rises. In such a world social entrepreneurs emphasis on Oikonomia and lived realities to consider well-being of dislocated people in the community. Although they are not free from budget issues, their ' bottom line ' is not monetary.

The very assumption of Homo-Economicus, rational man calculating pleasure and pain in competitive markets is to be more discovered by Yujuico, referring to Simon (1957) and the behavioral decision theory (BDT) whose assumption is human being satisficer with engagements of primal greed and fear rather than maximizer doing rational choice. Figure 3.

Sober and Wilson (1998) suggest that empathy and sympathy cause a desire to help others as well as Adam Smith (1976 [1759]) who says some principles in human nature interest him to see the fortune of others and we may feel pity and compassion for the misery of others.

So far;

- social entrepreneurs might be motivated by altruistic motives, but
- traditional entrepreneurs motive are more egoistic .

This altruism may cause the benevolence of social entrepreneurs leading to actions in pursuit of justice.

In relation to wealth accumulation, commodities do not end in themselves but they   serve a higher goal of meeting human needs. To Sen (1985) having is not very important but if one is capable of being (capabilities) or doing (functioning). A usage of capability approach is Human Development Index (HDI) of UN containing educational background, real income and life expectancy .

In capability approach the emphasis is on being and doing rather than having that create space for social entrepreneurs to react. Nussbaum (1995) in explicating human functioning says that societies promoting commodities and money as ends have confusing values since the ultimate ends should be humans. Referring to Aristotle he adds (Nussbaum 1998) goods do not have independent worth and should fulfill human functioning , in such a case people are able to function well and flower in life by excellence arrangements of polity as Aristotle says is related to good life for all(Nussbaum 1990).

In the continuum capability model differentiates;

- Basic Human capabilities , that are innate equipment of developing more advanced capabilities as an infant ability to hear and see,
- Internal capabilities, that are developed states coming after maturity and support of environment,
- Combined capabilities, or central human capabilities combined from internal capabilities and external conditions

It is important to provoke development of internal power of people as well as finding an environment ready for their exercise.(Nussbaum 2000) Figure 4.

This is a context in which social entrepreneurs help others live fully human and create interventions to produce central human capabilities considering persons' internal capability and external conditions. If external conditions are not suitable then internal capabilities might not expand or they may need to be developed by training. Improving a capability usually results in betterment of other capabilities.

Briefly " helping ensure normal life spans, good health, nourishment, shelter, personal security, use of the senses, emotional development, practical reasoning, affiliation, respect, living with nature, opportunities for recreation, and political and material control are areas for social interrelated dimensions ."

At the end capability model explicates five capitals that social entrepreneurs might use to attain social well-being as in the fourth panel of the theoretical framework; Porritt (2005) defines capital as a part of everything able to generate a flow of benefit:

- Natural capital: a part of natural world that human being use to exploit benefit as natural resources (renewable and nonrenewable) and services as climate regulation and photosynthesis. Traditional entrepreneurs may not concern ecological issues which social entrepreneurs are attentive such as climate change and river restoration.
- Human capital; includes investment in education, training and medical care. According to Becker(1993) who emphasizes on vocational training, hard work and scientism .The educational system is not usually well – formed thus an extra space to work remains for social entrepreneurs who use innovations as change ideas and new solutions that may be accepted if

they are in accordance with existing values, past experiences and potential needs of adopters .

- Social capital; is a combination of social networks, norms and sanctions (Halpern 2005). Social capital value is to facilitate individual and community action, particularly in facing collective action problems. Social norms are rules, values and expectations of persons while sanctions are formal an informal tools of rewards and punishments to maintain norms.

  Social networks have three specifications and four schemes respectively;

- Boundary , being geographically defined,
- density , the proportion of persons related
- Closure, the degree of intra-community being more common than inter-community linkages. Figures 5- 8.

By creating a solidarity feeling among people who have been disadvantaged like each other social entrepreneurs encourage collective action .They persuade people to leave their prejudices against others who have similar background and may be helpful to them .

- Physical capital; are all human-made and material goods such as infrastructure, buildings, vehicles, machines and tools. These goods are made by adopting an innovation which has two obstacles in this path; first the natural resources limitation, and secondly technical suitability. An innovation has three elements:

- Form, is the physical presence of the innovation.
- Function, is the usefulness that the innovation has for human lives.
- Meaning, the subconscious perception that the innovation has in society. (Rogers 1995)

Form and function of innovations are used by social entrepreneurs more than its meaning, as agents of social change. There are some concerns about the adoptability of innovation by social system that should be taken to consideration as it does not happen anomie may occur.

- Financial capital; is the money as an indicator for other forms of capital. Limitation in access to credit is a widespread problem that social entrepreneurs attempt to solve by innovation. The smaller borrowers of credit because of not being able to put up collateral have been disadvantaged in banking system for many years but recently microfinance in developing world extend small loans to these formerly ignored customers (Easton 2005) .

THE STREAM MODEL:

In a research on 10 European cities by Evelyne de Leeuw (1999), in which an overview of entrepreneurial skills is provided and the important impact of social entrepreneurs in policy change model is explained.

First of all, the study identifies its subject as an attempt to know characteristics of the urban social entrepreneurs for health and it refers to a model provided by Kingdon(1995), illustrating components of policy development 'spiel'. Then it tries to answer the question whether social entrepreneurship might be institutionalized in order to depend more on sustainable innovation rather than individual capabilities. According to Catford (1997) social entrepreneur is a person who is able ' … to analyze, to envision, to communicate, to empathize, to enthuse, to advocate, to mediate, to enable and to empower' some of different individuals and organizations .

Secondly there are qualities that community entrepreneurs should have;

- The multi-frame perspective; they have different perceptions of complicated issues and activists in the domain
- Pro-activeness; they mediate the commitments of resources in networks and anticipate the expectations and outcomes of the enterprise
- Reflectivity; they are able to show reaction in continuously changing positions and toward stakeholders. They learn and question existing norms and go beyond the mental maps.

At the end, the social entrepreneurs' role in setting policy agendas is considered as democratic exercise or a debate among organizational entities(de Leeuw1999). Kingdon(1995) illustrates the social entrepreneurs in policy change by Figure 9.

In this horizon the policy context has three developing opponents in which the stakeholders play their role;

- First, there is a stream full of problems everywhere that needs to be to solutions. The stakeholders connect their solutions to existing problems.
- Second, political development stream as a flux forever not only as formal elections but also as a continuous struggle to decide when who gets what.
- Third, policy as fixed agreements to use specific resources for specific ends and has to be adjusted to new situations, quitted or to be overhauled .

In every stream stakeholders are active. These visible participants who explicitly associate themselves with problem issues, political attempts, or politicians (political stream) or bureaucrats (policy stream).There might be invisible participants too; scientist (problem stream), pressure groups or community representatives (political stream), bureaucrats defending their interests (policy stream).

Kingdon (ibid) says the societal issues reach policy agenda status if a window of opportunity is opened among the streams. Social entrepreneurs more than what Catford (ibid) counts as their characteristics can lay out a strategic design of three streams and their visible and invisible participants stake. The social entrepreneurs "negotiate, advocate, explain, connect, prove and convince the participants of trying something new." This process is called 'alternative specification'.

In epistemology point of view the social entrepreneur' version of truth is quite relative and contextual and while he has access to resources the windows of opportunity have a greater chance to be opened.

Briefly, to Kingdon (1995) social entrepreneur is a change agent who would be a catalyst of change, he is not part of an organization but an individual, in such a case he does not need to consume a lot of time to reinforce his position within the organization and he can actively play his role ' intra-organizationally.

A SUCCESSFUL CASE OF SOCIAL ENTREPRENEURSHIP; THIBODEAU' S CENTER FOR HEARING:

As a model of cooperation and partnership between for-profit and not-for- profit sections in order to provide a range of services and products to improve the quality of life among people suffering from hearing problems Thibodeau' s center in Edmonton, Canada; has evolved from a simple company fitting hearing aids on clients to a complex center that identifies hearing challenges as a social problem and tries to provide a range of support including psychological, social, and medical assistance. The center first was established for profit but now is mostly pursuing long-term well- being of the clients.

Social entrepreneurship been defined as the basic strategy of Thibodeau' s center business plans and operations. This term means social innovation through entrepreneurial activity and is an innovative approach to deal with complex social problems (Johnson 2000). Social entrepreneurship combines the heart of business with the heart of community through creativity of the individuals.

Thibodeau team put the innovative and entrepreneurial approach together to take on a complex problem. At the helm of this team is a creative entrepreneur Michael O'Reilly providing a vibrant environment in which working elements and spirit of social entrepreneurship are mixed and thus the access to hearing services are increased. This has been an attitude to integrate social entrepreneurship to daily activities of the center and defined as culture of the organization and vital to its survival.

In a traditional hearing aid company the client is examined for level of hearing and then is fitted with hearing aid. But in Thibodeau' s center that in addition to his head office in Edmonton , also has 27 satellite locations in Alberta, a diverse collection of services are provided such as hearing tests, audiology services, tinnitus clinic, balance clinic, children clinic, rehabilitation, legal department, training sessions, counseling, speech therapy, telecommunication devices for the deaf. In the center, different professionals as hearing aid practitioners, audiologist, counselors are gathered to recognize and meet the client problem, thus shaping a new model of the industry with a holistic approach.

The bottom line for each for-profit company in capitalist global economy is financial outcome, but those who are interested in our global social safety change, this bottom line to social remunerations and make social responsibility as integrated part of their corporate performance. Thibodeau model is an efficient and dynamic example of social entrepreneurship which tries to put more than one band aid on hearing problem as its manager says. They recognize this hearing loss not just a deficit in the ear, since some more factors as psychological and emotional problems including fear, desperation, isolation and depression coexist. Therefore the diagnosis should cover improved technology access, provision of services by different professionals and general services for quality of life betterment. The opinion in Thibodeau is that the center should move from a sales-oriented company to be a service-and health-oriented one by higher standards, more education, more awareness and more collaboration among different healthcare disciplines.

The synergic relationship among disciplines and organizations is the innovation which the center has used to overthrow traditional method of just a simple relation of patient and audiologist. These are some important characteristics of Thibodeau' s center:

- A synergistic staff that operates as a team with members of different disciplines.
- Complete testing services.
- High quality hearing aid manufacturers are partners.
- Assistive listening devices are available.
- On-site repair and service accessible.
- Linkages with government and nonprofit agencies are formed.
- Communication services as sign language interpretation are at hand.
- Public information seminars are held.
- Workshops and training sessions are exhibited.
- Legal division is a part of basket service.
- Personal support such as counseling and rehabilitation therapy, psychological assessment.
- Mobile industrial testing services are part of facilities.

What was once a simple health problem, defined as a social complex problem and combined with innovative and collaborative approach in the center demonstrate that social entrepreneurship is integrated into the core of business plan and operations of Thibodeau that has reorganized his business to obtain a social outcome, although the financial strength seems to be an important objective of the company to continue activities.

The importance of the center as a social change agent relies on its;

- Internal richness; such as its staff members, their selection, their work ethic, their relation with senior management, the perception of organizational hierarchy and general human resource policies of the organization;

- Staff selection is based upon inter-personal skills and right attitudes.
- Respect seems to be prevalent not only among the staff but also between staff and the client
- Organizational structure is flat, there are no many layers of management to go through.

- External elements;

- Funds are available for deaf and hard hearing individuals and community groups.
- International humanitarian aid is reachable as help to Ukraine children.

- Collaboration with non- profit organizations as providing office space.
- Extra work is done by the staff beyond the duty to assure client satisfaction as home visits.
- Education is provided for new graduates as well as space and equipment in different areas.
- Barrier-free committees are working for availability of spaces for everybody.

Conclusion:

In comparison with traditional entrepreneur who is in pursuit of his economic success, the social entrepreneur acts as a social agent to obtain altruistic goals and other people social well-being. Social entrepreneur use his internal capability or human capital combining with other various capitals such as physical capital, social capital, natural capital and financial capital as a form of "Bricolage " to meet social needs which have been neglected by private and state sectors. To define him; a legal person is a social entrepreneur from t_1 to t_2 just in case that person attempts from t_1 to t_2 to make profit for society or a segment of it by innovation at the face of risk, in a way which involves that society or segment of it. Furthermore he tries to negotiate, advocate, explain, connect, prove and convince the participants of trying something new. Moreover he is a change agent who would be a catalyst of change, he is not part of an organization but an individual, in such a case he does not need to consume a lot of time to reinforce his position within the organization and he can actively play his role ' intra-organizationally '.

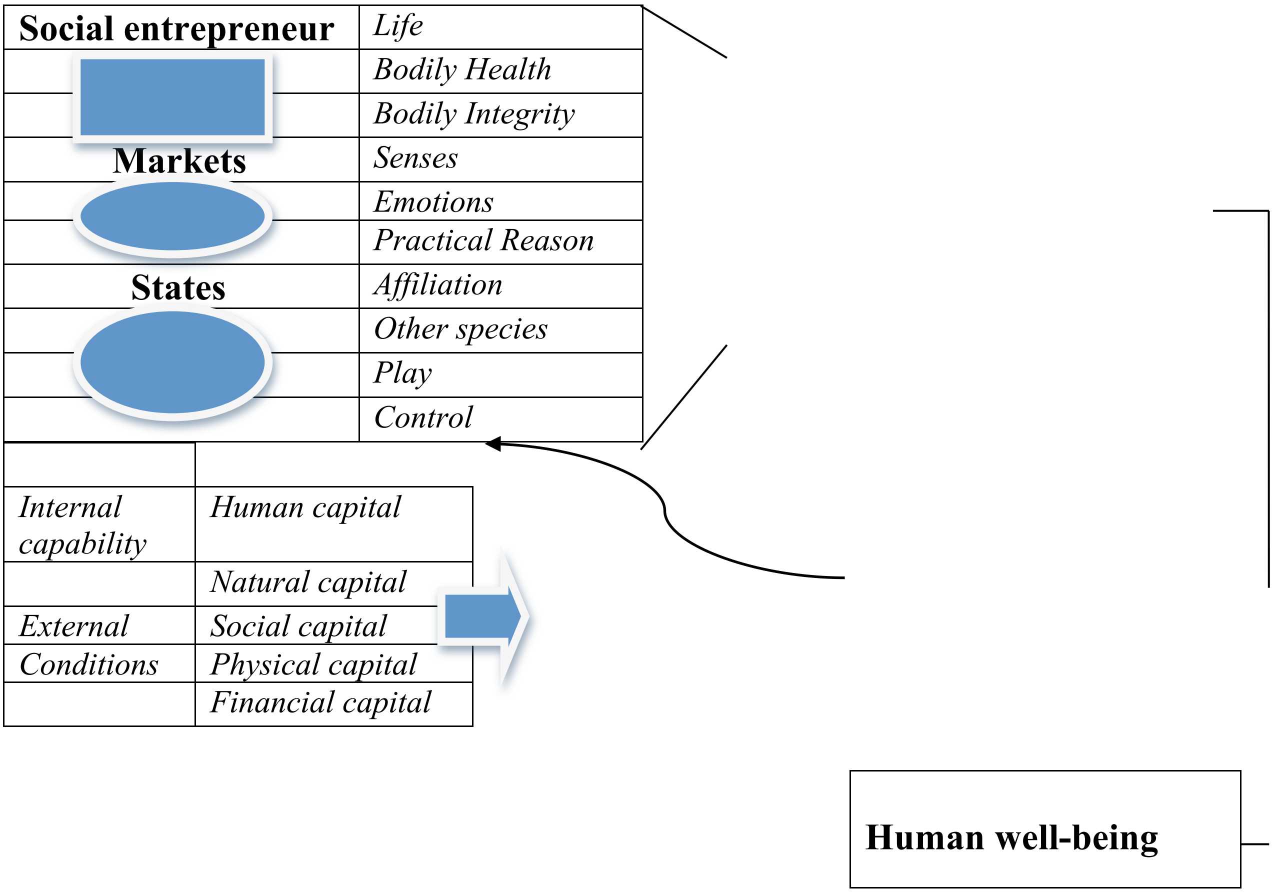


Figure 1. A capability model to social entrepreneurship (Yujuico2008)

Charismatic	**Oikonomia**
Has short-term view	*Has a long-term view*
Considers cost of parties to Transactions	*Considers costs to society at large*
Focus on abstract exchange value	*Focus on natural and satiable demands*

Figure 2. Aristotelian comparison of economic action

Homo Economicus Theory	**Behavioral Decision Theory**
Maximizer	*Satisficer*
Rational choice	*Primal greed & fear*

Figure 3.HET & BDT

Life	*Living a life of normal length*
Bodily health	*To have good health, adequate nourishment and shelter*
Bodily integrity	*Able to move freely & maintain sovereignty on body*
Sense, imagination, thoughts	*Able to use senses, imagine, think and reason humanly, education, experiencing& producing expressive work ,searching for life meaning*
Emotions	*Able to have attachments to people and things, able to love,*

	grieve, express gratitude& justified anger
Practical reason	*Able to form a conception of good. Engage in critical reflection on planning for life*
Affiliation (co-existence and dignity)	*Able to live & interact with others*
Other species	*Able to live with concern for and in relation to flora &fauna*
Play	*Able to laugh, play and enjoy recreational activities*
Control on environment (political, material)	*Able to participate in political choices & rights to participation, free speech & association*

Figure 4. Nussbaum (2000)

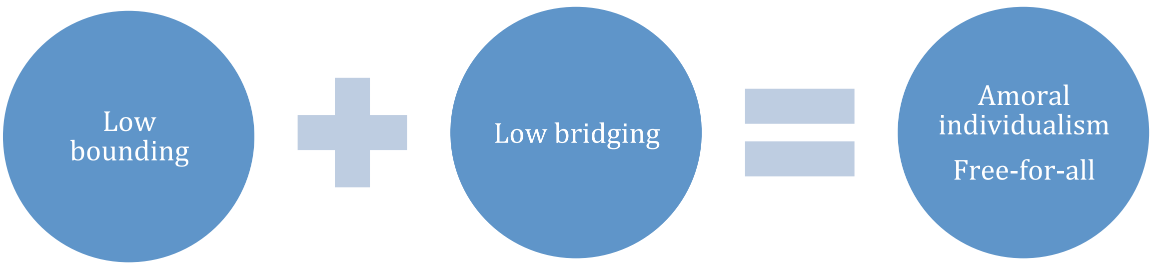


Figure 5-Free-for-allscheme

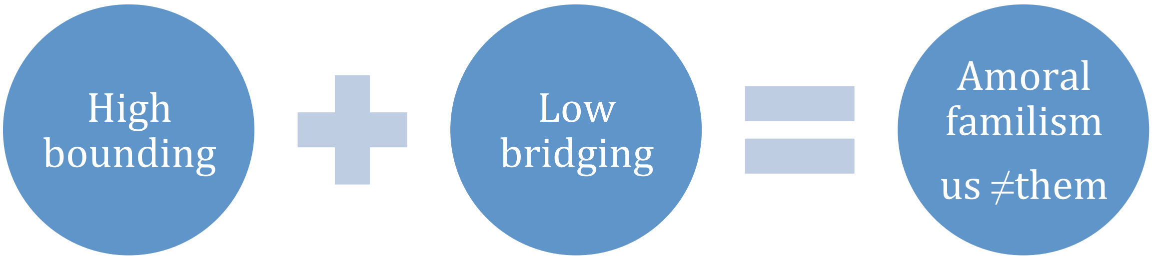


Figure 6. Us- against-them scheme

Figure 7. Anomie scheme

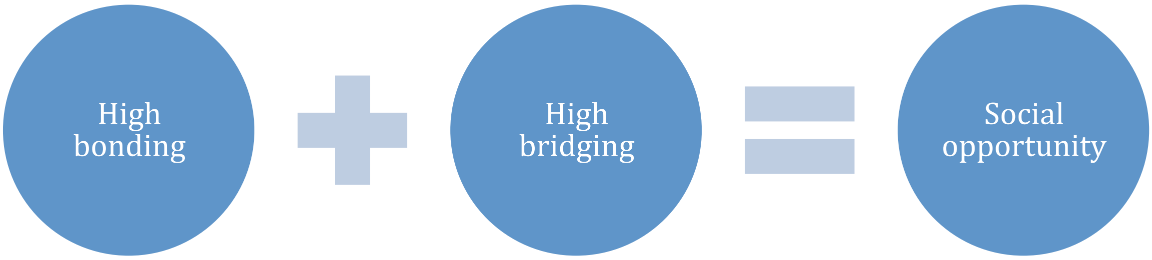
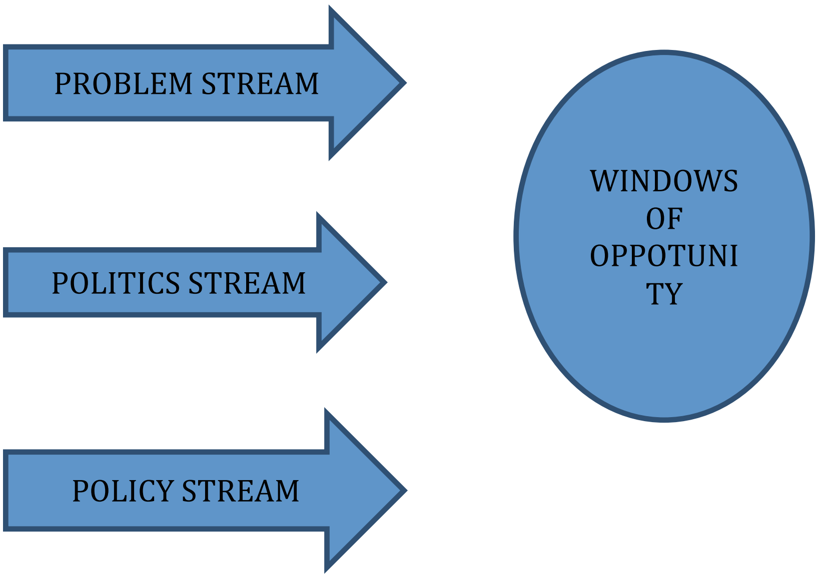


Figure 8. Social opportunity scheme

Visible participants



Invisible participants

Figure 9. Kingdon(1995) Stream Model

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A Study of Entrepreneurial Success With Respect To Gender, Education, Family Background, Self-Perceived Reasons for Success, and Culture

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Introduction

In the context of developing countries economic growth is attributed to small enterprises as they generate employment, contribute 30% of GDP and are heterogonous in nature (Economic Survey of Pakistan 2008-9). Mortality rate of small enterprises is exceedingly high; and a study by Khawaja (2006) on Pakistan SME has reported that only 19% start-ups survived before they reach the 5th year.

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However in another study by Vesper (1990), in non-Pakistani environment found that only 10% of ventures survive after three years of existence. Therefore it is important to study success as perceived by entrepreneurs and various contributing influences. Not many research studies are available on Pakistani entrepreneurs, and probably none about entrepreneurs in Lahore area.

About the definition of entrepreneurial success there is no consensus among researchers. Amit et al (2000) and Walson et al (1998) have focused on continues trading as a proof of success. Stefanovic et al 2010 have enumerated many factors such as previous experience, hard work, access to capital, personal capabilities, and leadership skills as factors affecting success. Experience and knowledge have been identified by Hussain and Windsoperger (2010) as a success factor; whereas knowledge acquired can be formal or informal, and it can be sourced in the modern age from internet and information technology widespread availability. Many sources of knowledge acquisition are but not limited to: from market and environment, formal educational infrastructure available for training or education (Chu Benzing et al 2007). Focus on role of education is not meant to deny the importance of other factors that contribute to entrepreneurial success, such as, the nature of the entrepreneur; his/her character traits such as independence, persistence, innovativeness, risk taking ability, and planning and management ability are some personal entrepreneurial competences. McClelland (1961) had attributed achievement motivation as an entrepreneurial success factor. Rotter (1966) had identified internal locus of control; and Cox and Jennings (1995) had identified innovativeness in decision making, confidence, risk taking as contributing to success of entrepreneurs. Markman and Baron (2003) have identified self- efficacy, opportunity recognition, and social skills as success related factors among the entrepreneurs. Hodgets and Kuratko (1992) have identified opportunity recognition as an important characteristic of entrepreneurs; Dafna (2008) has focused on leadership qualities as an entrepreneurial competency.

However this study is an attempt to understand the role of selected influences that have been mentioned as having some contribution toward success of entrepreneurs; and these were: 1) education, 2) gender, 3) culture, 4) family, and 5) subjectively self - perceived reason of success. A Relationship between self perceived success of entrepreneur and performance of his or her business was reported by Perez and Canino, 2009. Choice of above stated 5 areas areas as relevant factors that influence entrepreneurial success was justified from the previous studies. Though there is an unresolved debate between the proponents of 'nature' versus 'nurture' schools of thought about the entrepreneurial success; this study has consciously avoided subscribing to the one or the other school of thought about entrepreneurial success. Therefore this study is more exploratory than theoretical. Two research questions were explored in this study.

1. Are there differences in male and female entrepreneurs with respect to formally and informally acquired knowledge base, influence of family and friends, perceived reasons for their success, and the perceived role of economy and culture?
2. Do highly successful entrepreneurs differ from less successful entrepreneurs with respect to gender, formally and informally acquired knowledge base, influence of family and friends, perceived reasons for their success, and the perceived role of economy and culture?

Review of Literature

Selected studies about each influencing factor have been reviewed in the following paragraphs.

Education

Relationship of entrepreneurial success with the education has been studied in the last decade in multiple settings and contexts. Most of the findings report a positive relationship of education with success. Following paragraphs discuss some of the studies reporting this relationship.

Kolstad and Wiig (2011) have used distance to school as a variable for education and land availability as an instrument for entrepreneurship. They found that entrepreneurial returns to education were considerable for at least some groups of entrepreneurs in Malawi. Block, et. al. (2010) estimated the returns to education for entrepreneurs. These attempts were aimed at quantifying the effect of education on entrepreneurs' success. Entrepreneurs who invested more time and money in knowledge acquisition were found more successful, whereas time shortage was reported as the major reason that entrepreneurs gave for avoiding to invest in knowledge acquisition (Erzetic, 2008). It was further reported that 72% of entrepreneurs used "one day seminars" and "reading professional literature" as their preferable knowledge updating process, only 18% entrepreneurs reported using money consuming and time consuming formal education process. Van der Sluis et al (2005) found that an additional year of education increased entrepreneurial profits by 5.5 percent in developing countries and 6.1 percent in developed countries; which implies that returns to education were slightly higher in developed countries.

Interestingly the respondents with a Bachelor's degree and without any business degree were found more likely to view themselves as entrepreneurs as compared to persons with Master's degree or business degree (Verheul et al. 2005). These findings point to the lack of entrepreneurial orientation of formal business degree programs. Other studies have found female entrepreneurs had similar years of education as male entrepreneurs or even more education than male entrepreneurs (Cowling and Taylor, 2001; Birley et al 1987). Charney and Libecap (2000) have reported that entrepreneurship education was found likely to foster risk taking creation of new business ventures.

Culture

Lindsay (2005) has argued that culture must feature as a contextual variable in indigenous entrepreneurial attitude theory. Stephen et al (2010) has reported findings of a cross cultural study of multiple cultures whereby cultures were divided into two categories: performance based and socially supportive.

Gender

Mixed results have been reported regarding gender differences with respect to entrepreneurial motivation. According to some studies female and male entrepreneurs were found to be equally motivated (Fisher, 1992; Catley and Hamilton 1998; Minnito et al, 2005). In these studies success was implicitly equated with motivation to start business, but no attempt was made to measure success directly or indirectly. Shaver and Scot (1991) have conjectured that the possibility of different set of factors for men and women entrepreneurs influencing their success. Muller (2004) has reported that based on different socialization patterns of girls and boys, the career aspirations of two genders are likely to be different; and that extends to aspiration to opt for entrepreneurial career.

Some authors have reported findings that suggest that perception of entrepreneurial success differed between two genders. Female entrepreneurs were found more likely to give more importance to social ethics and qualitative criteria of success (Buttner and Moore, 1997; Still and Timms, 2000) while male entrepreneurs were found more likely to emphasize quantitative yard sticks and economic standards to measure their entrepreneurial success (Unger and Crawford, 1992; Williams, 1987). Studies by Hudson, Smart, and Boure (2001) and Walker and Brown (2004) have explored the definition of success that was not limited to financial measures of performance. Entrepreneurs' subjective perception about their own success is probably more meaningful concept from their perspective. Support for such subjective measures of self perceived success among female entrepreneurs was reported by Fenwick and Hutton (2000) and Valencia Silva and Lamolla (2005).

Influence of gender on the decision to start a new venture has been studied by Reynolds et al (2005). It seems that the gender gap in entrepreneurship has narrowed during the past decade, but the share of female entrepreneurs engaged in venture creating activities was still comparatively low in many countries as reported by Delmar and

Davidsson (2000), Reynolds et al (2004), Arenius and Minniti (2005), and Parker(2009). Rosenbusch et al (2009) have reported that gender gap in human capital vary depending on national culture, therefore it would be misleading to assume that gender differences apply universally. Allen et al (2008) have reported in a 41 –country study that women dominated in entrepreneurial activities in 4 countries, namely, Japan, Thailand, Peru, and Brazil; while in remaining 35 countries males dominated the entrepreneurial activities. Interestingly the most important difference between success of male and female entrepreneurs was reported to be their managerial experience. _Existence of relatively low proportion of female entrepreneurs as compared to male entrepreneurs was reported by multiple authors such as Delmar and Davidsson (2000) ; Reynolds et al (2005); Arenius and Minniti (2005). Gender differences with respect to growth and success of enterprise were also reported: female-owned enterprises were found to underperform on these two counts. It was reported that lack of minimum necessary human and financial resources were reasons for relative underperformance and lack of success among female entrepreneurs (Lerner et al, 1997). Relative lack of relevant work experience, lack of managerial experience, and lack of self employment experience were reported for female entrepreneurs as compared to their male counterparts by Boden and Nucci (2000); Hisrich and Brush (1983); Watkins and Watkins (1983); Kalleberg and Leicht (1991). Motivation, goals, and personal perception about entrepreneurial success were influenced by gender as reported by Starr and Yudkin (1996); Walker and Brown (2004). These findings seem to imply that male and female entrepreneurs are motivated differently, have different goals, and measure their success differently. Realizing that training needs might be different due to gender difference, Birley, Moss, and Saunders (1987) researched suitability of tailor made training programs for female entrepreneurs. Verheu, Uhlaner, and Thurik (2005) have argued in favor of including gender as an explanatory variable while studying entrepreneurs. The findings of these studies lead to realization that the existence of gender differences are real; and such differences are likely to have significant effect on multiple aspects of entrepreneurial activity including success as entrepreneur. Cowling and Taylor (2001) have forcefully presented gender difference related implications for female entrepreneurs in almost provoking terms as if Men and Women entrepreneurs could be viewed as two different species.

Role of Family

Krueger, Reilly, and Carsrud (2000) have reported influence of family, friends, and role models on entrepreneurs; though they were studying not the success but the entrepreneurial intention. Bandura (1982) has indicated impact of role model on entrepreneurs, and has outlined multiple mechanisms through which such impacts are made upon the entrepreneurs. Shapero and Sokol (1982) have reported about the importance of the family, specially father and mother, on entrepreneurial behavior. In a sample of Japanese entrepreneurs Ray and Turpin (1990) have reported influence of friends and family on entrepreneurial behavior. Mathews and Moser (1996) have reported the influence of both family background and gender on entrepreneurial behavior. Male and female entrepreneurs were influenced differently by their parents as reported by Van Auken, Fry, and Stephens (2006) in a sample from New Zealand. Zhang et al (2009) studied entrepreneurs with respect to hereditary / genetic influences. They defined shared environmental effects as "the extent to which growing up in the same family makes people similar". They also defined non-shared-environment as "unique environment that people experience despite growing up in the same family. Extraversion and neuroticism were used as two variables through which genetic influences were hypothesized to influence decision to initiate entrepreneurial activity. They found that female entrepreneurs have displayed more genetic influence and zero shared environment influence on their tendency to become entrepreneurs. In contrast male entrepreneurs have shown zero genetic influence but more shared environment influence on their tendency to become entrepreneurs. These findings tend to dampen the role of family background in the success of entrepreneurs; and supports those who propose 'nature' as the driving force for individuals to become entrepreneurs. But on the other hand Justo, Cruz, and DeCastro (2007) have found that female entrepreneurs' parental status has played a key role in establishing females' perception about their entrepreneurial success. This finding supports the influence of family factors on entrepreneurial success; and supports those in favor of 'nurturing' the entrepreneurs. Djankov, et al (2007) have reported , in a sample of Brazilian entrepreneurs, that multiple family related factors influenced the decision to become entrepreneur; but they also reported that family related factors were not found related to entrepreneurial success. Interestingly they found negative relationship between success and family members of entrepreneur also running businesses. Betrand, et al (2008), in a sample of Thailand, have also reported low success among entrepreneurs whose family members were in business.

Methodology

A convenience sample was taken from Lahore and surrounding areas; and tailor made questionnaire was circulated among those individuals who were currently engaged in business activity regardless of the length of their involvement in the entrepreneurial activities. Almost all questions were dichotomous and had response options of yes and no; except one question about formal education level which has 4 response categories. Success as entrepreneur was the dependent variable. The remaining questions served as grouping (independent) variables. Instead of using financial or otherwise quantifiable measure of business performance, self perceived success as entrepreneur was used as dependent variable and it was also measured as a dichotomous variable. Pe`rez and Canino (2009) have reported 162 indicators of entrepreneurial success. Customer satisfaction was reported as most popular indicator of success followed by profits, sales level, liquidity and number of customers. Other studies which have focused on success of entrepreneurs using varying criteria of success include Baron and Markman (2003), Reid and Smith (2000), Kaplan and Norton (1992), Bruderl and Preisendorfer (1998), Duchesneau and Gartner (1990), Hay and Ross (1989), and Venkataraman and Ramanujan (1986). Sapienza et al (1988) have reported divergence between entrepreneurs subjective view of their success versus objective measures of success based upon the data provided by the same entrepreneurs about their organizations. It was, therefore, decided to use entrepreneurs' self perception about their success as a categorical variable dividing the respondents into two categories of "highly successful" and "not so highly successful" entrepreneurs. Success in the first year of business is used by many authors as measure of success; no such temporal restriction was imposed in this study. Rather entrepreneurs were allowed to categorize themselves as highly successful or not so highly successful based upon their life time experience as entrepreneurs.

Chi-square (X^2) tests were applied on the data to draw inferences about various influences on success of entrepreneurs. Since data were nominal therefore the application of non-parametric X^2 statistic was deemed appropriate.

Results

Research Question 1

Are there differences in male and female entrepreneurs with respect to formally and informally acquired knowledge base, influence of family and friends, perceived reasons for their success, and the perceived role of economy and culture?

Formal Sources of Information

Multiple questions were asked about the formal sources of knowledge accumulation by the respondents.

Gender Differences	Chi-square	df	N	p
formal education level completed	16.98	3	437	0.001***[2]
college/university level SME courses	0.197	1	435	0.657
attended workshops/seminars organized by government organizations	0.775	1	435	0.379
attended workshops/seminars organized				

[2] Note: * = significant at less than 0.1. ** = significant at less than 0.05. *** = significant at less than 0.01

by non-governmental organizations 1.197 1

335 0.274

usefulness of college / university

level SME education 2.14 1 442

0.143

Medium of instruction in formal schooling 2.91 1

435 0.088*

These findings were related to the males and female entrepreneurs' educational background, formal and informal sources of information, and their overall knowledge base about starting a business venture.

Significant differences were found between male and female entrepreneurs in formal education level completed. Female entrepreneurs were found more likely to have completed higher level of formal education than their male counterparts. Female entrepreneurs were found more likely to have English medium education. This finding may be a result of highly educated females' disproportionate representation in the sample. No significant difference was found between male and female entrepreneurs with respect to college/university level courses taken in the area of entrepreneurship/SME.

The result indicates that neither gender was more likely to have taken Small and Medium Enterprise (SME) Management / entrepreneurship courses at college level. Similarly with respect to having attended workshops/seminars organized by government organizations, no significant difference was found between male and female entrepreneurs. Also with respect to having attended entrepreneurship/SME related workshops/seminars organized by non-governmental organizations (such as industry and trade groups), there were no significant differences found between male and female entrepreneurs. Significant difference was found between male and female entrepreneurs about the medium of instruction during their formal education.

<u>Informal Sources of Information</u>

Not only formal education is relevant with success but also informal learning. The following informal sources of information about starting a business were studied:

Gender Differences	Chi-square	df	N	p
Discussion among family/relatives	0.138	1	441	0.71
Discussion with friends	0.162	1	441	0.68
Discussion with neighbors	1.570	1	441	0.21

Reading on own initiative	0.572	1	441	0.44
Exposure to mass media	1.757	1	441	0.18

No significant differences were found between males and females with respect to the influence of various informal sources of information and knowledge acquisition, as p value in the above table is more than 0.1 for all the informal sources of information.

Friends and Family Influences

Friends and family may serve as role models for initiating a venture and also may have influence on success of a venture.

Gender Differences	Chi-square	df	N	p
Influence of family and friends	8.03	1	368	0.009***
family tradition of being in business	0.399	1	437	0.528
father was business owner	9.72	1	441	0.008***
paternal uncles in business	0.928	1	434	0.335
maternal uncles in business	0.69	1	435	0.40
spouses in business	6.88	1	427	0.009***

With respect to persons who become sources of inspiration to start business venture, the male and female entrepreneurs were found to have significant differences. Among these sources of inspiration were included father, uncle, in laws, friends, neighbors, boss, siblings, spouse, and cousins. Females entrepreneurs were found more likely to be inspired by their fathers and friends, where as males were more likely to be inspired by their uncles and in-laws. Male entrepreneurs were not found significantly different from female entrepreneurs with respect to believing that family tradition of being in business played a part in their becoming an entrepreneur. But interestingly males were found more likely than females to have father who was business owner. This finding read along with the previous finding implies that though male entrepreneurs may not identify their father as a source of inspiration to start a business, yet male entrepreneurs were found more likely than female entrepreneurs to have a business man father. Males and females entrepreneurs did not show significant differences with respect to their paternal uncles being in business; and differences were also insignificant with respect to maternal uncles being in business; but they did show significant differences with respect to their spouses being in business. Spouses of male entrepreneurs were found less likely to be in business.

Perceived Reasons for Success as Entrepreneurs

Though success was measured subjectively as self-perception of respondents, yet the following findings give a clear distinction for reasons for success as perceived by male and female entrepreneurs. Multiple questions were asked about their perception about possible reasons for success as entrepreneurs to see if there were differences between male and female entrepreneurs with respect to their perceived reasons for their success; on some reasons females differed from male entrepreneurs significantly as shown in the table below. Literature has also reported women assigning different criteria to measure success than the criteria used by males. Success is not viewed by males and females in similar manner; females were reported to give more considerations to certain soft parameters while males were reported to be more concerned with more concrete and quantifiable parameters of success.

Gender Differences	Chi-square	df	N	p
Born with God gifted qualities	4.10	1	441	0.052*
By hard work you can be entrepreneur	3.59	1	441	0.059*
By hard work you can succeed as entrepreneur	3.78	1	438	0.052*

Luck as sole reason for success	1.44	1	439	0.23
Entrepreneurial spirit is reason for success	0.15	1	438	0.69
Education as main reason for success	0.001	1	434	0.97
Ascribing success to the family background	1.99	1	439	0.15
Risk taking was main reason for success	0.90	1	441	0.86
I am successful as entrepreneur	0.907	1	438	0.63

Males and females entrepreneurs did show significant differences (at 10%) in their belief that entrepreneurs are born with God gifted qualities. As to their belief about anyone being able to become an entrepreneur with sheer hard work, a significant difference was found between male and female entrepreneurs at 10% significance level. With respect to hard work being the main reason for their success as entrepreneurs, there were found significant differences between male and female entrepreneurs at 10% significance level. When asked about luck as the sole reason for the success as entrepreneurs, males and females entrepreneurs did not show significant differences. Significant difference was not found between males and females about their perception as to the entrepreneurial spirit being the main reason for their success as entrepreneurs. Male and Female entrepreneurs, did not report significant differences in giving credit to their education as main reason for their success. Male and female entrepreneurs were not found significantly different in ascribing success to their family background. With respect to risk taking as the main reason for success, male and female entrepreneurs showed no significant difference. Females were found equally likely to perceive themselves highly successful as there was no significant difference found between males and females in this regard.

Economy & Culture

Some aspects of Pakistan's government and culture were also studied to get response of entrepreneurs about those issues.

Gender Differences	Chi-square	df	N	p
Pakistanis are entrepreneurial	0.18	1	443	0.66
lack of finances being an impediment	0.48	1	440	0.4
Informal sector viewed as hub of entrepreneurial activities	3.02	1	430	0.08*
government's role in promoting				

entrepreneurship	4.21	1	442	0.04**

Interestingly male and female entrepreneurs did see government role in promoting entrepreneurship differently; the two genders also had different views about the informal economy of Pakistan as being a hub of entrepreneurial activities. No significant differences were found in the perception of both genders with respect to lack of financing being a hurdle in their entrepreneurial success. The gender difference was also not significant about viewing Pakistanis as entrepreneurial people.

Research Question 2

Do highly successful entrepreneurs differ from less successful entrepreneurs with respect to gender, formally and informally acquired knowledge base, influence of family and friends, perceived reasons for their success, and the perceived role of economy and culture?

Formal Sources of Information

The following findings are related to differences between highly successful entrepreneurs versus not so successful entrepreneurs with respect to their educational background, formal and informal sources of information, and their overall knowledge base about starting a business venture.

Success Differences	Chi-square	df	N	p

formal education level completed	0.484	3	439	0.92
college/university level SME courses	7.04	1	438	0.008***
attended workshops/seminars organized by government organizations	0.14	1	437	0.43
attended workshops/seminars organized by non-governmental organizations	0.04	1	338	0.47
usefulness of college / university level SME education	1.99	1	438	0.09
Medium of instruction in formal schooling	0.36	1	437	0.31

No significant differences were found between highly successful and less successful entrepreneurs in the formal education level completed by them. But significant difference was found between the two groups of entrepreneurs with respect to college/university level courses taken in the area of entrepreneurship/SME. The result indicates that highly successful entrepreneurs were more likely to have taken formal entrepreneurship/SME courses at college level. With respect to having attended workshops/seminars organized by government organizations, there were no significant differences found between highly successful and less successful entrepreneurs. Also with respect to having attended entrepreneurship/SME related workshops/seminars organized by non-governmental organizations (such as industry and trade groups), there were no significant differences found between highly successful and less successful entrepreneurs.

Informal Sources of Information

Entrepreneurial success may not depend on formal education and training alone; in fact informal sources of information and knowledge are likely to play a vital role in entrepreneurial success. Multiple sources of such information include discussion with family members/relatives, discussions with friends, discussions with neighbors, readings on one's own initiative and exposure to mass media. Significant difference was found between highly successful and less successful entrepreneurs with respect to their own reading of relevant literature; there were not found significant differences between highly successful and less successful entrepreneurs with respect to all other informal sources of information. The following are the results:

Success Differences	Chi-square	df	N	p
Discussion among family/relatives	0.003	1	438	0.52

Discussion with friends	0.232	1	438	0.35
Discussion with neighbors	0.09	1	438	0.45
Reading on own initiative	2.68	1	438	0.10*
Exposure to mass media	0.18	1	438	0.38

Highly successful and less successful entrepreneurs did show significant difference (at 10%) with respect to their belief about the usefulness of college/ university level education in entrepreneurship/SME area. No significant difference was found between highly successful and less successful entrepreneurs about the medium of instruction during their formal education

Friends and Family Influences

Success Differences	Chi-square	df	N	p
Influence of family and friends	20.6	10	365	0.024**
family tradition of being in business	7.36	1	4347	0.007***
father was business owner	5.86	1	436	0.015**
paternal uncles in business	1.28	1	436	0.15
maternal uncles in business	5.45	1	437	0.013**

spouses in business	0.20	1	429	0.65

Role models and sources of inspiration one wants to copy are important sources of motivation to start new business ventures and initiate entrepreneurial activity. With respect to persons who were sources of inspiration to start business venture, highly successful and less successful entrepreneurs were found to have significant differences. Among these sources of motivation or inspiration were included father, uncle, in laws, friends, neighbors, bosses, siblings, spouse and cousins. Highly successful entrepreneurs were found more likely to be inspired by their family members. Highly successful and less successful entrepreneurs were found to differ significantly with respect to believing that family tradition of being in business played a part in their becoming an entrepreneur. Highly successful entrepreneurs were found more likely to believe that family tradition of being in business played a role in their success. Significant differences were found between highly successful and less successful entrepreneurs with respect to their father being a business owner. A bigger proportion of highly successful entrepreneurs (68%) reported that their father was a business owner as compared to less successful entrepreneurs about (57%) whose father was a business owner. This finding suggests that majority (above 50 percent plus) of both groups of entrepreneurs (highly successful and less successful) came from families with business background; which implies two things: 1) those with family - business background were likely to be in business and 2) business family background is no guarantee for success as entrepreneur. No significant differences with respect to their paternal uncles being in business were found between highly successful and less successful entrepreneurs. But the difference between the two groups was significant with respect to maternal uncles being in business. Highly successful and less successful entrepreneurs did not show significant differences with respect to their spouses being in business.

Reasons for Success as Entrepreneurs

Success Differences	Chi-square	df	N	p
Born with God gifted qualities	0.29	1	439	0.59
By hard work you can be entrepreneur	4.57	1	438	0.032**
By hard work you can succeed as entrepreneur	0.002	1	435	0.964
Luck as sole reason for success	3.49	1	436	0.554
Entrepreneurial spirit is reason for success	0.094	1	435	0.759

Education as main reason for success	4.471	1	430	0.034**
Ascribing success to the family background	1.67	1	435	0.19
Risk taking was main reason for success	1.99	1	434	0.15

Highly successful and less successful entrepreneurs did show significant differences in giving credit to their education as main reason for their success as entrepreneurs. Highly successful entrepreneurs were found more likely to ascribe their success to education. As to their belief about anyone being able to become an entrepreneur with sheer hard work, a significant difference was found between highly successful and less successful entrepreneurs. Highly successful and less successful entrepreneurs did not show significant differences in their belief that entrepreneurs are born with God gifted qualities. When asked about luck as the sole reason for success as entrepreneurs, highly successful and less successful entrepreneurs did not show significant differences. With respect to hard work being the main reason for their success as entrepreneurs, no significant differences were found between highly successful and less successful entrepreneurs. When asked about their perception as to entrepreneurial spirit being the main reason for their success as entrepreneurs, no significant differences were found between highly successful and less successful entrepreneurs. Highly successful and less successful entrepreneurs did not show significant difference when asked if family background was main reason for their success. About risk taking orientation as main reason for success, successful and less successful entrepreneurs showed no significant differences. It is revealing that role of hard work and education were the two counts on which perception of successful and not-so-successful entrepreneurs differed significantly.

Economy & Culture

Success Differences	Chi-square	df	N	p
Pakistanis are entrepreneurial	0.004	1,	440	0.95
lack of finances being an impediment	0.595	1	436	0.441
Informal sector viewed as hub of entrepreneurial activities	0.85	1	426	0.35
government's role in promoting entrepreneurship	4.83	1	438	0.028**

Interestingly the two groups of entrepreneurs differ significantly in their perception about government actually providing help and guidance to the entrepreneurs. Highly successful and less successful entrepreneurs were not found having significant difference as to their perception about general entrepreneurial spirit of Pakistani people. As to their perception about informal sector of Pakistan's economy being hub of entrepreneurial activities, no significant difference of opinion was found between highly successful and less successful entrepreneurs. The less successful entrepreneurs were found more likely to believe that government is providing help and guidance to entrepreneurs. Highly successful and less successful entrepreneurs did not show significant difference in their perception about lack of finances being an impediment in the way of starting business ventures. Except the role of government in promoting entrepreneurial activities, the two groups did not differ significantly on any other issue related to general economy or Pakistani culture.

Multiple Factors jointly Affecting Success

To further analyze factors affecting success, a log linear model for association of success with age, education, ethnicity, and role models was estimated. Role models were divided into two categories: either family or non-family. Age was divided into two groups of forty plus or less; and ethnicity was divided into two groups of Punjabi and non Punjabi; Education was also divided onto two groups of college educated and not

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college educated. Success was found associated with college education, and Punjabi ethnicity; other two variables which were not found associated with success were age and role models. The findings reported in tables below show that Punjabi entrepreneurs with college level education were more likely to be successful than other three categories: 1) college educated non-Punjabis, 2) non college educated non Punjabis, 3) non college educated Punjabis.

Step Summary

Step			Effects	Chi-Square(a)	df	Sig.	Numbe of Iteratic s
0	Generating Class(c)		College, NewAge, NewSuccess, Punjabi, RoleModel	36.542	26	.082	
	Deleted	1	College	220.042	1	.000	2

	Effect	2	NewAge	.823	1	.364	2
		3	NewSuccess	55.925	1	.000	2
		4	Punjabi	118.735	1	.000	2
		5	RoleModel	.513	1	.474	2
1	Generating Class(c)		College, NewAge, NewSuccess, Punjabi	37.055	27	.094	
	Deleted	1	College	220.042	1	.000	2
	Effect	2	NewAge	.823	1	.364	2
		3	NewSuccess	55.925	1	.000	2
		4	Punjabi	118.736	1	.000	2
2	Generating Class(c)		College, NewSuccess, Punjabi	37.877	28	.101	

	Deleted Effect	1	College	220.042	1	.000	2
		2	NewSuccess	55.924	1	.000	2
		3	Punjabi	118.735	1	.000	2
3	Generating Class(c)		College, NewSuccess, Punjabi	37.877	28	.101	

a For 'Deleted Effect', this is the change in the Chi-Square after the effect is deleted from the model.

b At each step, the effect with the largest significance level for the Likelihood Ratio Change is deleted, provided the significance level is larger than .050.

c Statistics are displayed for the best model at each step after step 0.

Table titled Step Summary given above shows that after 3 steps, it was clear that success was found associated with college education and

Punjabi ethnicity. It is therefore concluded that successful entrepreneurs were more likely to be those Punjabi who were more highly educated.

Significance has improved from 0.08 to 0.09 to 0.1 in three steps as different combinations and interactions of success with education, ethnicity, role models, and age were tested for the data fit. The best model that fits the data has success, college education, and Punjabi ethnicity in it as associated factors. Removing any of these factors resulted in change in chi-square that was significant at less than 0.05 level. Therefore it is concluded that success of entrepreneurs was found associated with their college education and their ethnicity. It can be inferred that successful entrepreneurs in this sample were more likely to be college educated Punjabis as compared to non-college educated Punjabis, and college educated non Punjabis, and non-college educated non-Punjabis. Whether role model was a family member (relative) or a non family member (friend, neighbors, etc) had apparently no bearing on success. Similarly, whether the entrepreneur was from 40 plus or below 40 age category also had no bearing on success.

Goodness-of-Fit Tests

	Chi-Square	df	Sig.

Likelihood Ratio	37.877	28	.101
Pearson	34.214	28	.194

Goodness of fit test given in table above shows that significance is more than 0.05; that means null hypothesis that says that this model fits the data, cannot be rejected. So it is concluded that model fits the data well. The table above gives detail of data fitting process. Initially 5 variable (factors) were tested for their mutual association; these were education, age, ethnicity, role model, and success; three factors were found associated, that is, success, college education, and ethnicity.

Conclusions

Male and female entrepreneurs differed significantly with respect to years of formal education completed as well as with respect to the medium of instructions during formal schooling. Significant differences were also found with respect to influence of family members, father being in business, and spouse being in business between males and females entrepreneurs. Male and female entrepreneurs differed about their reasons for success, especially about God-gifted qualities and hard work being main reasons for success. Two genders held different opinions about the private sector being hub of entrepreneurial activity in Pakistan; and also about the role of government in supporting and promoting entrepreneurial activities in the country.

Successful entrepreneurs were found more likely to have taken college level SME/ entrepreneurship courses. More successful entrepreneurs reported to gain knowledge informally through own reading as well. More successful entrepreneurs reported that their family tradition of being in business, their father being in business, and maternal uncle being in business were the likely influences of family and friends; and they differed on these counts from less successful entrepreneurs. More successful and less successful entrepreneurs differed with respect to education and hard work being main reasons for their success. Less successful entrepreneurs were found more likely to perceive government providing support to entrepreneurial activity in Pakistan as compared to more successful entrepreneurs. Successful entrepreneurs were found likely to be college educated Punjabis.

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An Integrative Approach to Brand Building in China:

What leading brands must get right to establish themselves in the growing Chinese market

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Introduction

The pace of change in China today is remarkable. Incomes are rising, prices are stable and, with the burgeoning of the middle class, optimism and consumption abound. Things that were once the stuff of dreams are now within the reach of many Chinese people, and the consumer culture is becoming more discerning.

Branding and brand-based differentiation are powerful means for creating and sustaining competitive advantage[3]. In order to build a strong brand, companies must shape how customers think and feel about its products. They have to build the right type of experiences around the

[3] Cavusgil, S.T., Knight, G., Riesenberger, J.R., (2014), *International Business: The New Realities*, 3rd Edition, Global Edition, Pearson Education, p.505.

brand, so that customers have specific, positive thoughts, feelings, beliefs, opinions, and perceptions about it (Keller, 2001)[4]. Ultimately, the true measure of the strength of a brand depends on how consumers think, feel, & act with respect to the brand. In other words, the consumers own the brand. Thus, understanding (the Chinese) consumer behaviour is foundational to any attempts at building brand equity in China.

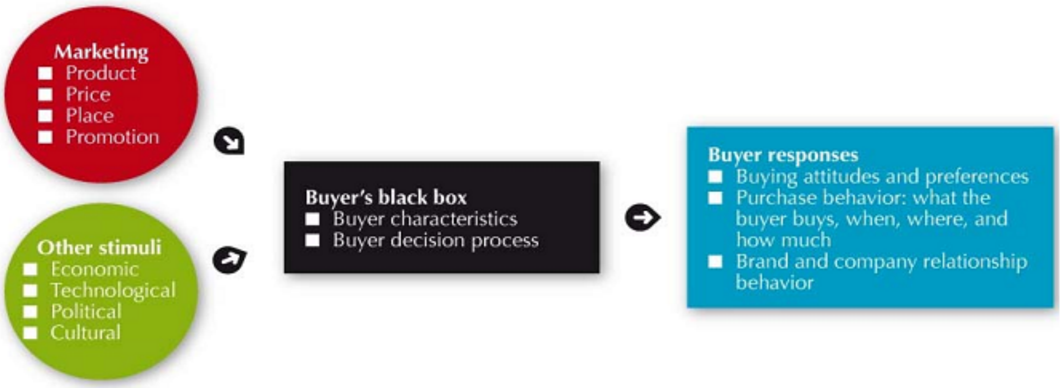
Thankful to rapid development of digital technology we have access to an abundance of literatures and online articles that enable us to think deeply about brand building and get updated on the ever-evolving Chinese consumer behaviour.

This paper aims to review current literature, research papers, online articles and dialogues on the subject of brand building in China, analyse and discuss the findings, and suggest a way forward towards an integrative approach to brand building in the growing Chinese market. Being cognizant of Keller's Consumer-Based Brand Equity (CBBE) model for building powerful brands, I shall incorporate the concepts and discuss brand building using the consumer behaviour (black box) model as a framework.

Literature Review and Discussion on Findings

[4] Keller, K.L. (2001), "Building Customer-Based Brand Equity: A Blueprint for Creating Strong Brands", *Marketing Science Institute*, Report Summary No. 1 – 107. This is the concept behind Keller's Brand Equity Model, also known as the Customer-Based Brand Equity (CBBE) Model.

The black box model shows the interaction of stimuli, consumer characteristics, decisions process and consumer responses[5]. The black box model is related to the black box theory of behaviourism, where the focus is on the relation between the stimuli and the response of the consumer.



Marketing

Branding is a strategic discipline that encompasses all functions of an organization and allows companies to enhance shareholder value and maximize market capitalization. It incorporates the strategic elements of the customer touch points to ensure that the brand promises are

[5] Sandhusen, R. L. (2000), "Marketing", 3rd Edition, Barron's Educational Series, p.218

consistently delivered to all internal and external stakeholders (Roll, 2008)[6].

When consumers form relationships with brands they use norms of interpersonal relationships as a guide in their brand assessments. An adherence to or a violation of these relationship norms influences the appraisal of the specific marketing action and also the overall brand evaluations (Aggarwal, 2004)[7].

According to Sin et al, (1998)[8], the traditional view is that Chinese consumers have a strong preference for foreign brands. This is especially so for affluent, young, and educated Chinese consumers living in the major cities[9]. Further research by O'Cass, A. and Choy, E. (2008)[10] indicated that brand status and brand attitude were found to have positive impact on Chinese generation Y[11] consumers' willingness to pay a

[6] Roll, M. ((2008), "China branding: opportunities and challenges", *Business Strategy Series*, Vol.9, No. 5, pp.231-237.

[7] Aggarwal, P. (2004), "The Effects of Brand Relationship Norms on Consumer Attitudes and Behavior", *Journal of Consumer Research*, Vol. 31, No.1, pp.87-101

[8] Sin, L., Ho, S.C. and So, S. (2000), "Research on advertising in Mainland China: a review and assessment", *Asia Pacific Journal of Marketing and Logistics*, Vol. 12, No. 1, pp.37-65. This is supported by a rapid influx of foreign products and brands entering China. See Bates, C. (1998), "The many Chinese markets", *The China Business Review*, September-October, pp.26-32.

[9] Cui, G. (1999), "Segmenting China's consumer market: a hybrid approach", *Journal of International Consumer Marketing,* Vol. 11, No. 1, pp.55-76.

[10] O'Cass, A. and Choy, E. (2008), "Studying Chinese generation Y consumers' involvement in fashion clothing and perceived brand status", *Journal of Product & Brand Management*, Vol, 17. No. 5, pp. 341-352.

[11] These are China's young adult consumers born under the one-child policy and the popular nickname for this generation is 'the little emperors and empresses'.

premium for a specific brand. A branding and product evaluation study across (three) different regions in China showed significant differences between these regions but nevertheless a general preference across regions for global brands over local brands (Tam and Elliott, 2011)[12].
However, there is also contrary evidence suggesting that foreign brands are not necessarily preferred (Cui and Liu, 2001)[13]. China's modernization has simply created a preference for modern goods, regardless of whether they are foreign or local brands (Bates, 1998). [14] Consumers in China are increasingly modern and international (but not western), and they remain distinctively Chinese (Doctoroff, 2012)[15].
Kwok et al (2006)[16] attributed this mixed evidence to various factors including China undergoing rapid economic and social developments, changing attitudes of Chinese consumers towards local and foreign brands, differing country-of-origin effects for different product types - for

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This cohort in China has been found to possess higher propensity to spend and focus increasingly on fashion and brands. See Stanat, M. (2006), *China's Generation Y: Understanding the Future Leaders of the World's Next Superpower*, Paramus, N.J.: Homa & Sekey Books.

12 Tam, C. and Greg, E. (2011), "Branding and product evaluation across Chinese regions", *Marketing Intelligence & Planning*, Vol. 29, No. 4, pp. 385-402.

13 Cui, G. and Liu, Q. (2001), "Executive insights: emerging market segments in a transitional economy: a study of urban consumers in China", *Journal of International Marketing*, Vol. 9. No. 1, pp.84-106.

14 Bates, C. (1998), "The many Chinese markets", *The China Business Review*, September-October, pp.26-32.

15 Doctoroff, T. (2012), "What the Chinese Want", The Saturday Essay, *The Wall Street Journal*, May 18, 2012.

16 Kwok, S., Uncles, M. and Huang, Y. (2006), "Brand preferences and brand choices among urban Chinese consumers", *Asia Pacific Journal of Marketing and Logistics*, Vol. 18, No. 3, pp.163-172.

example, consumer durables versus non-durables - and differences in research methodologies.

Segmenting the China market

There is no 'one-size-fits-all' and no 'once-for-all' approach to segmenting the Chinese consumer market. The multi-dimensional and growing diversity of Chinese consumers (geographic, demographic, psychographic, economic, sociological differences and pace of change) require marketers to constantly review, understand and respond to or anticipate these complex and evolving Chinese consumers' needs.

The Chinese consumer market is geographically diverse and fragmented. Cities set trends and are testing grounds for future marketing strategies. There is also an immense prospect for a suburban middle class in the interlocked network of cities that span all over China – the so-called 2nd, 3rd and 4th tier cities.

There were sharp differences noted between rural and urban consumers (Schmitt, 1997)[17]. For example, the rural and urban population differ in their purchasing power and consumption habits (Delong et al, 2004)[18]. The urban population is significantly more likely than the rural population

[17] Schmitt, B. (1997), "Who is the Chinese Consumer? Segmentation in the People's Republic of China", *European Management Journal*, Vol. 15, No. 2, pp.191-194.

[18] Delong, M., Bao, M., Wu, J., Chao, H. and Li, M. (2004), "Perception of US branded apparel in Shanghai", Journal of Fashion Marketing and Management, Vol. 8, No. 2, pp. 141-153.

to study (and be influenced by) advertisements before purchasing durables. Recognition of foreign brands was also highest in the cities. Different demographic segmentations, in particular – gender and income segmentations, were used by different researchers for Shanghai, let alone other cities (Delong et al, 2004; Schmitt, 1997)[19]. Other demographic variables include education and occupation.

As for attitudes the consensus seems to indicate that young, more affluent and better educated consumers were much more likely to try new products and brands. And word-of-mouth is an important source of information, especially among more educated consumers.

Gao et al, (2009)[20], using a psychographic segmentation approach, identified five distinct markets of affluent Chinese consumers of which three have been suggested to be most promising target markets for luxury fashion goods.

Hence, there is not one type of Chinese consumer but many different segments. Consumers in one city are different from consumers in other

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19 Delong *et al,* (2004), classified Shanghai urban consumers in terms of income groups such as 'working poor', 'salary class', 'little rich', and 'yuppies'; whereas Schmitt (1997) noted gender segmentation categories such as 'men aged 30-45', women aged 30-45, men aged 19-25, and women aged 19-25.

20 Gao, L., Norton, M.J.T., Zhang, Z. and To, C.K. (2009), "Potential niche markets for luxury fashion goods in China", *Journal of Fashion Marketing and Management*, Vol. 13, No. 4, pp.514-526 – classified and profiled these five segments as *Achievers, Conservatives, Experiencers, Followers, and Idealists*; and suggested that *Achievers, Experiencers and Idealists* are promising target markets for luxury fashion goods.

cities. Even in one given city, male and female consumers have different income, education, occupation and even in the same income and education groups there are people with differing lifestyles and aspirations. MNCs of FMCGs such as Nestle, Unilever and Proctor & Gamble[21] market both premium international brands and inexpensive local brands in the same consumer product categories so as to cater to the diverse Chinese consumer needs.

Entering the China market: Is it enough just to be in China?

Things have changed and are changing rapidly. Previously the wealth was limited to the top tier cities but it is now happening in the 2nd, 3rd and 4th tier cities. In these (lower tier) cities consumers are not looking internationally in quite the same way as consumers in the top tier cities. As a result there is affiliation with the local brands in these cities. So, the longer international brands wait to move into these cities, the more they are allowing the incumbent to become the domestic brands; and it will become much harder to gain market share later.[22]

However, while it is correct that there are more affiliation to local brands in 2nd, 3rd and 4th tier cities, the litmus test is "Which brands are you willing to pay a price premium for"? The real challenge is the race to

[21] Penhirin, J. (2004), "Understanding the Chinese consumer", *McKinsey Quarterly* (Special Edition: What Global Executives Think).

[22] So, Amitava Chattopadhyay, Chaired Professor in Marketing and Innovation, INSEAD, interviewed by *Channel NewsAsia* (CNA) on "Perspectives: Brand Building in China", September 29, 2013.

occupy that "white space"[23] in the lower tier cities market – between the cheaper local brands, that are very accessible and have broad distribution, and the more premium but relatively inaccessible aspirational brands that are typically international. A major challenge in building brand equity in China is increasing competition and low brand loyalty of Chinese consumers (Delong et al, 2004).

For brands entering China, the first thing to do is to get the scale[24]. Once the scale is there then companies have the foundation to leverage on their brand assets and competitive advantages. Therefore, rule number one is "Come in BIG". This is an increasing challenge because the most unaffordable cost of building a brand or business is generating awareness for that brand. Media is double or triple the cost on a cost/thousand basis compared with western markets. And then there is also the operational issues which local brands have an advantage over foreign brands in terms of managing scale across time and space.

How does that affect the marketing efforts for the fast food industry?

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23 "White space" is a term used by Tom Doctoroff, JWT Asia Pacific CEO, JWT Shanghai, referring to the 'middle class' market between the mass market and the premium market during his interview with *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" on September 29, 2013.

24 Interview with Christine Xu, Chief Marketing Officer, McDonald's China on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

From a Chinese perspective, spending power has increased and their needs are getting more sophisticated. But there is a desire for people to live a more diversified lifestyle. For the marketer, the challenge is to align this opportunity to the company's brand strengths[25]. Take, for instance, McDonald's McCafe. Although China is a premature market for coffee, there is a huge market size for coffee consumption – so while people are consuming coffee but they don't really know much about coffee. Coffee is a status projector and a lifestyle symbol. So, there is an opportunity for the marketer to seize.

However, according to Doctoroff (2013)[26], in Chinese homes the coffee that sells is the instant 3-in-1 coffee. Outside the home people are willing to pay USD 5/- for a cup of Starbucks. So the consumer motivation is quite different from the west. People are not willing to pay a lot for the aroma and the indulgence inside the home because it is not meaningful to them. By contrast, there is an emotional benefit to visit Starbucks because they enjoy the total experience rather than just the coffee function.

Pricing: The price-value equation in the Chinese market

In terms of pricing, it is not sufficient to have a foreign brand name. Although there is a general preference for international brands over local brands, most Chinese consumers believe foreign brands produced in

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[25] Christine Xu, *Ibid.*
[26] Interview with Tom Doctoroff, JWT Asia Pacific CEO, JWT Shanghai, on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" on September 29, 2013.

China are less authentic regardless of quality (Delong et al, 2004)[27]. Further, when the brand and the perceived country of origin does not match up the product loses favour with the Chinese consumers. Purchasing decisions are driven more by price, taste and packaging design (Villar et al, 2012)[28] than a foreign brand name alone.

For a long time Chinese manufacturers and consumers have leveraged on (low) cost advantages. The Chinese mass consumer market is, thus, price sensitive. However, with the burgeoning of the middle class, pricing strategies have now become increasingly important. The price-income ratio needs to be considered carefully and adjusted. The extent to which a company succeed or fail depends on how well it manages its price-value equation.

IKEA is an interesting example. When IKEA came into China their goods were too expensive. They didn't get the price-value equation right. There is a golden rule in marketing in China – and that is, goods that are consumed outside of the home commands a much higher price premium because it is a status projector. Goods that are consumed inside the home are extremely price-sensitive, which is why the leading mobile phone brands commands huge price premium (and are international) but the

[27] Delong, M., Bao, M., Wu, J., Chao, H. and Li, M. (2004), "Perception of US branded apparel in Shanghai", Journal of Fashion Marketing and Management, Vol. 8, No. 2, pp. 149.
[28] Villar, M.E., Ai, D. and Segev, S. (2012), "Chinese and American perceptions of foreign-name brands", *Journal of Product & Brand Management*, Vol. 21, No. 5, pp.341-349.

dish-washer and those that are consumed inside the house are local.[29] So, IKEA was aspirational but they could not afford the same type of price premium that other categories could. So IKEA had to adjust that price-value equation and once they did their business started to take-off.[30] Another example is the Apple iphone 5C. The pricing for the Apple iphone 5C is very confused because it is not so accessible but less aspirational than the highest models. Apple has a big problem in China in terms of extending its scale downward as the market becomes more competitive. They didn't get their price-value equation right.[31]
Price differentiation is a critical strategy in China. Companies have to have something that is both aspirational and accessible. "A key mandate in China is that you come in aspirational and then you work to extend that brand downwards and out. And once you have that pyramid established, then the marketing goal is to help people climb from one level to the next", says Doctoroff.[32]

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[29] So, Doctoroff, T. (2012), "What the Chinese Want", The Saturday Essay, *The Wall Street Journal*, May 12.
[30] See Wall, K. (2013),"Ikea at last cracks China market, but success has meant adapting to local ways", September 1, http://www.scmp.com/news/china/article/1300942/ikea-last-cracks-china-market-success-has-meant-adapting-local-ways?page=all
[31] See Keizer, G. (2013), "New iPhone 5C theory: Apple missed out on China's 'Golden Week' carrier subsidies", on October 18, **http://www.computerworld.com/s/article/9243352/New_iPhone_5C_theory_Apple_missed_out_on_China_s_Golden_Week_carrier_subsidies**. Also, Custer, C. (2013), "Apple's iPhone 5C is selling terribly in China", September 26, **http://www.techinasia.com/apple-iphone-5c-selling-terribly-china/**.
[32] Tom Doctoroff, JWT Asia Pacific CEO, JWT Shanghai, during his interview with *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" on September 29, 2013.

Going "LUX": The luxury brand market in China

According to Ngai and Cho (2012)[33] Chinese indulgence in luxury products surged to 30% of the global market share in December 2010 (compared to US 16% and Europe 8 percent) and is projected to hit 44% by 2020. And international luxury brands have joined the foray to meet surging demands. The youth segment is a unique and significant feature of the luxury consumers in China.[34]These young adults are high in consumer involvement and perceive premium brands as status brands, and will be willing to pay a premium for such items which are desired more as status investments than for their product features.

Is going luxury is no longer celebratory but a necessity? That is, is it now a part of the lifestyle?

The changing market conditions have morphed branding from being a luxury to a strategic necessity for international brands that wish to enter the China market.

In terms of the fashion luxury brand Chinese consumers are becoming more sophisticated in the sense that they understand value for money. According to Claire Chung, Vice President, Global Business Development, Shangpin.com (China's first members-only online retailer

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[33] Ngai, J. and Cho, E. (2012), "The young luxury consumers in China", *Young Consumers*, Vol. 13, No. 3, pp.255-266.

[34] *Ibid, p.256.* The authors identified four distinct young luxury consumer segments, namely, the overseas pack; the self-established cool; the luxury followers; and the spirituals.

of authorized designer and contemporary fashions), there is a huge potential for luxury goods that offer value for money and lifestyle. And the sweet spot that is selling out is the RMB 1000-2000 products.[35]
Another relevant development is the transformation of the Chinese women who now see have freedom in terms of their careers and their ability to purchase. 70% of Shangpin.com customers are platinum credit card holders and they are women.
According to Doctoroff (2012)[36], luxury in China plays a very distinct role. Luxury is a tool. It is not simply an indulgence to be enjoyed and it is not internalized just in terms of its benefits. There are TWO characteristics of the Chinese luxury market that are striking:

1. Men buy more luxury products than women in China; and
2. The youth segment is a huge luxury market.

And the reason for this is that luxury is ‘a means to an end’ in China. People are paying a premium for luxury (goods) in China because they are making a statement of intention. It is a declaration of success.
People (in China) are getting more discerning in consumption. They want something that is more distinct. That is why the wealthier you get, the greater the need to become more understated. Take Louis Vitton, for

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35 So, Claire Chung, Vice President, Global Business Development, Shangpin.com on *Channel NewsAsia* (CNA) “Perspectives: Brand Building in China” program on September 29, 2013.
36 Doctoroff, T. (2012), *What the Chinese Want – Culture, Communism and the Modern Chinese Consumer*, Publisher: Palgrave Macmillan.

example, and how it brands its bags. The less expensive bags are a bit more obvious. As it goes up, the design is more understated. Finally, at the tip of the pyramid, it is about personalization. So, discernment and connoisseurship; all of these values are what define not just the luxury high-end buyer but a master of the universe. And it is still ultimately a statement of control.

Other Stimuli

Technology: E-Commerce

Developing an online strategy for brand building in China is no longer an option but a necessity. Companies need to harness technology to develop a competitive advantage.

According to Bain &Company, 2013 will be the year that China will surpass the US as the largest digital retail market because online shopping is more important in China than it is in America. China is home to the world's largest Internet population with200 million online shoppers who spent 750 billion RMB online in 2011[37].

During the second quarter of 2012, China's online shopping transaction volume reached RMB268 billion[38].

[37] See Zhu, J.Q., (2012), "Online Shopping in China in 2011", posted on January 2 (http://www.techinasia.com/online-shopping-china-2011/)

[38] This represents a 17.6% increase compared with Q1. C2C online shopping sites contributed to 67% of total market share. However, B2C transactions increased dramatically – up by 44% (RMB89.4 billion) compared with Q1 and by 143% compared with Q2 2011. See Backaler, J.

China online space is going to set new benchmarks for everyone. PwC reported that Chinese consumers have adopted the Internet as a retail channel much faster than their global peers and Chinese shoppers are also ahead of the curve in terms of using new devices and social media.[39] Social media platforms are also becoming an important tool for Chinese shoppers to make online purchases. Analysis International, a Beijing-based research company, noted that China's online retail transactions are projected to more than double by the end of 2013.[40] And it is an amazing platform for new brands to come in – not only in terms of a distribution channel but also a communication channel in building brand awareness in China.

There are two reasons for the explosion of e-commerce in China (once you get pass the security concerns, which is what slow things down): Transparency (the fact that you can buy anything you want); and the lack of availability of bricks and mortar alternatives in the lower tier cities. So, this really makes e-commerce quite revolutionary in China.

(2012), "China E-Commerce: Online Shopping Market Size Reached RMB260 million", posted on October 24 (http://thechinaobserver.com/2012/10/24/china-e-commerce-online-shopping-market-size-reached-rmb-268-billion-in-1h-2012/)

[39] See, PwC (2013), "Demystifying the online shopper 10 myths of multichannel retailing", January, http://www.pwc.com/en_US/us/retail-consumer/publications/assets/pwc-multi-channel-shopper-survey.pdf

[40] See Chen, T. (2013), "Best China Brands: Country Overview", http://www.interbrand.com/en/knowledge/iq/2013/best-asian-brands/china/country-overview.aspx

Online spending could account for nearly half of the whole country's retail spending within a decade. Obviously, companies can't go in (into China) without an online strategy. They also have to understand the social media strategy as a lead in to build brand awareness. The social media strategy is important because the Chinese are very emotionally involved with how they express themselves online. Hence, online opinion leaders and endorsements are absolutely critical, and so does building a brand's social presence.

A classic case in point is the Armani Group's foray into China. Armani has set up over 180 retail stores in China combining third-party resellers with their own boutiques. However, it takes time to build brick and mortar boutiques to meet the needs of China's luxury consumers who reside in second and third tier cities. Forty-five percent of Chinese luxury consumers are between the ages of 18 and 34 years old.[41]

Armani's physical expansion was limiting its opportunity to reach potential customers beyond the scope of their existing operations. Hence, opening an online store would tap into both of these trends and enable it to expand its reach into 3rd and 4th tier cities where it could connect with young technology savvy luxury consumers. Armani partnered with

[41] See Backaler, J. (2012), "Armani: Expanding Customer Reach from Retail to E-Tail in China", posted on January 6, **http://thechinaobserver.com/2012/01/06/armani-expanding-customer-reach-from-retail-to-e-tail-in-china/**

YOOX.com, a global operator of luxury e-commerce websites, to build an online storefront tailored specifically for Chinese consumers at Emporioarmani.cn. Through its partnership with YOOX, the Italian luxury brand expanded its reach in mainland China.

Its online storefront provided an Armani retail experience to potential customers regardless of whether they were located in Beijing, Harbin or Urumqi. This enabled Armani to effectively scale its operations online, while its brick and mortar operations caught up offline. Therefore, leading brands should consider e-commerce solutions to expand their reach and mitigate the risks associated with partnering with several different distributors across the country.

So, why are companies like Apple, Sephora, and Nike, for examples, going in and setting up massive stores? Carrie Yu, China and Asia Pacific Retail & Consumer Leader, PwC, explains: "Notwithstanding the growing popularity of online shopping, Chinese consumers still enjoy shopping in store. 83% of our Chinese respondents like to shop in store at least once a month, compared to 76% of the global total. The ability to see, touch and try products still ranks as Chinese shoppers' number one reason to visit a store in person. Indeed, 77% of Chinese online shoppers (54% global) will spend more with their top 3 favourite retailers since they started shopping across multiple channels with them."[42]

Although the online opportunity is huge, fundamental lifestyle is changing. Branding is about bringing products to life through all the touch points (O2O, etc.). So, online strategy cannot be isolated. There is still a need for physical presence in the market to provide a consistent brand experience.

Without a brick and mortar (physical) presence retailers don't have the credibility. Hence, online presence and brick and mortar operations should go hand-in-hand. That is why retailers still have to be there physically because if they go in purely as an online play people don't take them seriously. Consumers are not sure whether the retailer is in it for the long haul.[43] The physical store remains the centrepiece of the purchase journey of many product categories.[44]

E-commerce is not adequate for generating broad awareness although it may establish significant sales. If the retail business really wants to establish a franchise that is enduring, online may not be fully effective in

[42] See PwC press release on May 6, (2013) http://pwccn.com/home/eng/pr_060513.html

[43] So, Amitava Chattopadhyay, Chaired Professor in Marketing and Innovation, INSEAD, interviewed by *Channel NewsAsia* (CNA) on "Perspectives: Brand Building in China", September 29, 2013.

[44] In fact, in 9 out of 11 categories the majority of consumers use physical stores for both researching and purchasing products. See, PwC press release on May 6, (2013) http://pwccn.com/home/eng/pr_060513.html, p.6.

establishing brand awareness and deep brand affiliation. It has to be done with a completely INTEGRATED marketing program that establishes the relationship with the Chinese consumers, who are multichannel shoppers. However, going online can be a strategy to test the market first. Many (fashion) brands have senior management based outside of China. They test market online and then place (Chinese) senior management to roll out the brick and mortar because that takes time. In the interim they are don't want lose market share and want to create a buzz about their brand. Online becomes a great testing opportunity as they build up their brick and mortar.[45]

Is e-commerce a relevant strategy for fast food chains?

McDonald's has e-commerce for delivery service and it accounts for almost 40% of McDonald's total delivery service. However, to make e-commerce happen businesses still have to rely on the complete, integrated operation model. A big part of the consumer experience is how people receive food delivered to their home – the way the food is presented and whether it is hot and fresh. So, one has to rely on the offline experience to make the online happen.[46]

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[45] Interview with Claire Chung, Vice President, Global Business Development, Shangpin.com [Online Luxury Fashion Market] on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

[46] So, Christine Xu, Chief Marketing Officer, McDonald's China, on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

Butterfield (2013), notes: "Since e-commerce, mobile, and social media are growing rapidly in China, any brand strategy that doesn't embrace digital is not a smart strategy. Digital is redefining and reshaping absolutely everything: consumer choices and behaviours, customer experience, and how brands react to and relate to customers. As online activities become integrated into every aspect of Chinese life, from photo sharing and mobile payments to flight and hotel reservations, the brands that best respond to evolving user needs and behaviours will be the ones that succeed."[47]

Culture: The modern Chinese

China has a huge demographic with a lot of money and as the global economy slows its masses of middle class consumers are the prize catch for international companies. The Chinese have had money for a while but what is new is how they're choosing to spend it is changing and changing fast. We will next explore the complex cultural make-up of its shoppers and the new rules of consumption in China.
The Chinese consumers are becoming more modern, more international, but they are not becoming western. They also want companies to appeal to their Chinese-ness. So, it is critical to understand that Chinese think of

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[47] Butterfield, L., (2013), "China's New Brand Leaders", on http://www.interbrand.com/en/best-global-brands/2013/articles-and-interviews/china-brand-2013.aspx

themselves as global citizens on a sophisticated level but not becoming western. For the Chinese consumer, being unique is not a value, even if the uniqueness is positive. Clan and country are the pillars of social identity. Thus, societal acknowledgement is tantamount to success. (Doctoroff, 2012; Schmitt, 1997).
According to McKinsey 2012 Annual Chinese Consumer Report[48], Chinese consumers were spending more in real terms. Most notably, trading up — buying more expensive products and services--continues to be a powerful trend fuelling the increase in Chinese consumer expenditures. A related development was an appreciable rise in the number of consumers expressing willingness to pay premium prices for good quality.

33% of Chinese consumers are loyal to one brand compared to 37% of American consumers and 42% in the UK – which seems to suggest that the Chinese consumers haven't quite develop a (consumer loyalty) relationship with brands. This will change as companies increasingly promote the emotional benefits of their products to differentiate themselves from competitors, and as consumers gain more knowledge

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[48] See, Atsmon, Y., Magni, M., Jin, A. and Li, L. (2012), "2012 Annual Chinese Consumer Report – From Mass to Mainstream: Keeping Pace with China's Rapidly Changing Consumers", McKinsey Consumer & Shopper Insights, *McKinsey Insights China*, 2012, pp.13-14. Also available at http://www.mckinseychina.com/wp-content/uploads/2012/09/McKinsey-2012-Annual-Chinese-Consumer-Report1.pdf.

about what makes their favourite brands distinctive. The Chinese consumer still needs to be coached and they are still experimenting with many brands. There is an increasing emphasis on emotional considerations in driving consumer behaviour. This is especially so for young adult consumers.

In terms of fashion, online marketing is usually discount driven. When they search for a product they actually search by products. This is because Chinese e-consumers grew up on a multi-platform and so they are really looking for the best value. However, a lot of brands are now using STYLING to bring value, to educate them on the full life-style. With a huge shift of salaries in China, people are now trading up and purchasing more affordable luxury and are looking to lifestyle. In particular, Chinese women are looking to fashion as a way to express themselves.[49]

If a strong brand is defined as one that has a consistent relationship with consumers over time that addresses a fundamental need, the Chinese are perhaps even more loyal than western consumers. This is because BRANDS to Chinese consumers are not just brands. They are tools on the

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[49] So, Claire Chung, Vice President, Global Business Development, Shangpin.com [Online Luxury Fashion Market] on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

battle field of life and weapons of advancement.[50] As a result, when a relationship is strong the loyalty will be equally strong.

The Chinese Buying Decision Process

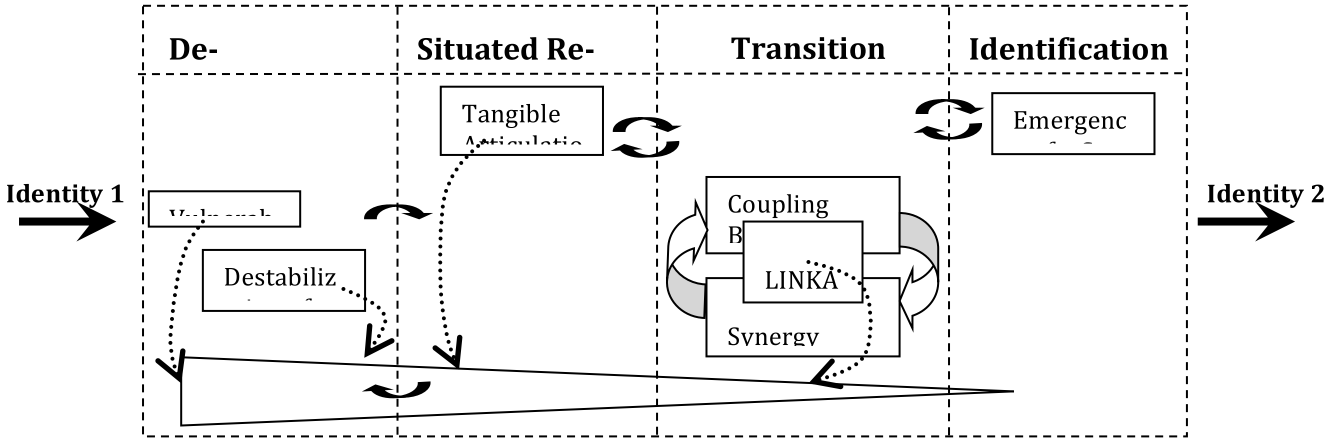
What motivates a Chinese consumer? Whereas the American dream is rooted in individualism and transcending society restrictions, the Chinese are not individualistic. They have big egos in terms of demanding societal acknowledge, they want to achieve and want to be noticed but they don't want to be independent of society. Often the Chinese dream is to be able to navigate successfully in society as oppose to transcend it. So, their dreams are quite different in subtle ways. They desire to stand out and fit in at the same time.

Between sale of luxury goods in China and Chinese buying luxury goods overseas we are going to see a growing (global) luxury goods market in many years to come – status being a driving force in China. There will be an increased 'premium-ization' of brands. International brands will need to create different levels of aspiration goods.

The Chinese Consumer Response

Understand the changing Chinese consumer behaviour and the factors underlying it is important. The challenge is to understand what Chinese

[50] Tom Doctoroff, JWT Asia Pacific CEO, JWT Shanghai, during his interview with *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" on September 29, 2013.



consumers want (today) as needs are evolving all the time. A lot of companies don't really understand how competitive the market is. On the fashion end, international brands are trying to come in. On top of that the Chinese manufacturers are developing their own brands.[51] So it is very important for brands that want to take a position in China to come in now otherwise they're going to lose the opportunity to gain market share.

What are Chinese consumers in the 21st century looking for?

For the fashion luxury goods industry, there is seeing a shift from luxury spending to spending in affordable luxury, aspirational lifestyle brands (for example, Coach). A lot of American brands offer a full lifestyle range and this is where the Chinese market is moving – especially with the

[51] See, for example, Chen, T. (2013), "Best China Brands: Country Overview", http://www.interbrand.com/en/knowledge/iq/2013/best-asian-brands/china/country-overview.aspx and http://www.interbrand.com/en/knowledge/iq/2013/best-asian-brands/china/ranking.aspx

Generation Y consumers who are looking for different things and are very social media driven.[52]

For the fast food market, from a consumer insight standpoint, it is quite similar. China is a big market and given its complexity there is a need to stay affordable to the mass consumer AND also aspirational to drive the demand. For the fast-food industry there is a need to have the right pricing for the majority of the products and be relevant to the mass consumer but businesses also have to establish its core products that drive the demand. One should "promote the best and sell the rest".[53]

So, why do some foreign companies stumble in China?

Home Depot has exited the market, Best Buy is struggling, and Tesco has transferred its business to its Chinese JV, China Resource Enterprise[54]. All these brands are into retailing and there you are getting into the challenge of having the right assortment of goods. So, pricing and assortment is going to drive sales. There are strong local retailers in China who have a big footprint and have strong alliances with the local manufacturers, which makes it much harder for foreign companies to succeed in China.

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52 So, Claire Chung, Vice President, Global Business Development, Shangpin.com [Online Luxury Fashion Market] on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

53 So, Christine Xu, Chief Marketing Officer, McDonald's China, on *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" program on September 29, 2013.

54 http://english.cntv.cn/program/china24/20131108/101046.shtml; Also see, CRE's announcement about the Joint Venture in http://www.cre.com.hk/announ/e-20130809A-1.pdf

Looking at the commonalities for failures in retail versus the successes - the failures are Best Buy, Home Depot, Tesco; and the successes are Uniqlo, Starbucks, H&M, McDonald's, KFC – these are all brands that are publicly consumed. Once products are consumed inside the house it is price-sensitive. Chinese consumers are willing to pay a high price for luxury goods that are consumed outside the household whereas for those consumed indoors they are very price-sensitive.[55]

Starbucks changed its business model so that it can conform to the public consumption imperative. In China the stores are bigger, the tables and the food menu are broader, because people don't go in there alone, they go there with their friends and professional colleagues to proclaim affiliation with a new generation elite. So, it is critical to conform to the public consumption imperative. It is about standing out while fitting in. Products benefit should be visible and external rather than internal. And public display is a critical consideration in how international brands should position themselves to win Chinese consumers.

First-mover advantage

First-mover advantage is important. McDonald's came into China in 1990; Volks Wagen in 1983; Nike in 1981; and Coca Cola during the

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[55] Tom Doctoroff, JWT Asia Pacific CEO, JWT Shanghai, during his interview with *Channel NewsAsia* (CNA) "Perspectives: Brand Building in China" on September 29, 2013.

1920s; all the more successful companies were pioneers in China. In almost all the categories, first movers have an advantage because people are looking to meet a need and they are there.[56]

Localization and adaptation to local taste

In the case of fast food industry, eventually menu is what businesses sell to the Chinese consumer. Thus, to stay in the market one has to stay relevant. There is a need to provide local choices for the Chinese consumer but, more importantly, it is how that is being marketed. McDonald's, for example, has the right balance between global core products and local product platforms. When local products are marketed they must be part of the total product portfolio offering and value add to the customers.[57]

With regard to luxury goods, Ngai and Cho (2012) noted the growing indulgence of the Chinese consumers especially the Gen Y segment. Even within this significant market of young luxury shoppers, there are differing values, motivations and behaviour towards luxury.[58] Luxury

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[56] So, Amitava Chattopadhyay, Chaired Professor in Marketing and Innovation, INSEAD, interviewed by *Channel NewsAsia* (CNA) on "Perspectives: Brand Building in China", September 29, 2013.
[57] Christine Xu, *Ibid.*
[58] These are the overseas pack; the self-established cool; the luxury followers; and the spirituals – in Ngai, J. and Cho, E. (2012), "The young luxury consumers in China", *Young Consumers*, Vol. 13, No. 3, pp.255-266.

brands must understand the complexities of this generation of Chinese consumers so as to position their brands effectively. Even though receptive to western cultures and practices, the traditional concept of the importance of public self and family are still deeply rooted within. Any international brand is going to charging a price premium and that means they have to offer INTERNATIONAL CACHE (to boast their globalism). But on the other hand they have to be brought into alignment with a very distinct Chinese worldview. The successful marketers are the ones who know how to do that without becoming schizophrenic.

Strong corporate culture

One of the common characteristic of successful companies and strong brands is the presence of a strong corporate culture. Often, great brands arise from within. Haier is a good example.[59] It actively promotes a spirit of innovation and entrepreneurship among employees and embraced the internet. It transitioned from selling products to selling services and adopted a new business model focusing on employee empowerment to fulfil consumers' needs for customization and personal attention. The culture encompasses the working environment, organizational structure, internal communications, appraisal systems, and employee support,

[59] Read the corporate value of Haier in http://www.haier.com/EN/about_haier/culture/.

motivation and retention, to the strong pride that employees feel towards the brand. While the overall growth of the home appliance industry slowed in 2011, Haier's 2012 performance surpassed the entire market.[60]

A shared brand vision driven by the CEO channels all organizational activities in the same direction and strengthens brand equity. It develops a strong sense of unity within the employees and offers them a single goal to rally around so that internal stakeholders are equally valued and taken care of as their external stakeholders.

Conclusion and future studies

Brand Building in China – the way forward.

Companies would need to go in big and to go into smaller cities right up front, and they need to have a well-integrated, well thought out business model and strategy.

Businesses have to be consumer-focused and consumer-oriented, get their pricing strategy right, and cater to local tastes for their brand to be successful. They have to be relevant but also differentiated. To differentiate one has to be innovative and up to date so as to understand and address the aspirational element of the consumers.

[60] Chen, T. (2013), "Best China Brands: Country Overview", in http://www.interbrand.com/en/knowledge/iq/2013/best-asian-brands/china/country-overview.aspx

One thing that doesn't change is that the basic motivations of the Chinese people are pretty much constant. Chinese people want to climb a ladder of success, they want brands that are tools on a journey of success, and they want to strengthen their relationship with other elements of society. The Chinese are not becoming western but modern.

Through integrating brand strategy and business strategy, international brands create a strong internal corporate culture and build closer relationships with customers.

According to Keller (2001), "The length of time to build a strong brand will be directly proportional to the amount of time it takes to create sufficient awareness and understanding so that firmly held and felt beliefs and attitudes about the brand are formed that can serve as the foundation for brand equity."

China is not for every brand. Brands need to understand the ever growing but constantly changing needs of the Chinese consumers, their local competitors and develop a pricing strategy that takes into account aspirational needs and accessibility, as well as the price-value equation. As customers become more discerning and expectations increase, leading brands need to focus more on creating intimacy—recognizing and responding to emotional needs. They need to be flexible in their strategies and adopt a fully integrated approach to branding including a consideration for both physical presence and online strategies so as to provide consumers with a total brand experience.

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Developing A New Identity: Guidelines From A Outsourcing Case Study

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Introduction

Strategic outsourcing can take several forms. This case study involves an organization that outsourced its engineering and maintenance to a service provider. The organization made its entire engineering and maintenance workforce redundant resulting in a loss of hundreds of jobs. The service provider then selectively recruited a proportion of the redundant workforce in order to provide engineering and maintenance services back to the organization. This case study examines how redundant employees recruited to work for the service provider created a new identity in the same organization they had worked for before. Although physically working in the same location, they are now employees of the service provider and have to create a new identity and a new work culture.

Identity refers to the enduring attributes that are central and distinctive to the organization (Albert & Whetten, 1985; Gioia, Schultz, & Corley, 2000). Identity can be multifaceted, and employees in an organization

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may have different perception as to what attributes of the organization are central and distinct to them. For example, the Salvation Army maybe a charitable organization to some employees, and to others it may be a religious organization.

I use Fiol's (2002) model, which comes from an organizational identity perspective, to study how a new identity evolved for the employees of the outsourcing provider. The primary issue addressed in Fiol's (2002) model is how to manage the tension that arises with high and low levels of individuals' identification with the organizational identity. When organizational members are able to express the attributes of the organizational identity, the individuals becomes interwoven with the organizational identity (Dutton, Dukerich, & Harquail, 1994; Fiol, 2002). The individuals are thus said to be highly identified with the organizational identity (Fiol, 2002; Rousseau, 1998). This type of high identification has utility value in binding people together to respond to a common cause or threat. However, such high identification brings rigidity in an organizational change (Rousseau, 1998). Accordingly, such identification must be loosened when it is necessary to alter the identity (Fiol, 2002) but loosening draws strong ego defensive reactions (Brown & Starkey, 2000).

Fiol (2002) employs Lewin's model of unfreezing, moving, and re-freezing to build a model of organizational identity change. The unfreezing stage is Fiol's (2002) "De-identification" phase, the moving stage is the "Situated reidentification" phase, and the freezing stage is the "Identification with core ideology" phase. This is represented diagrammatically in Figure 1 below.

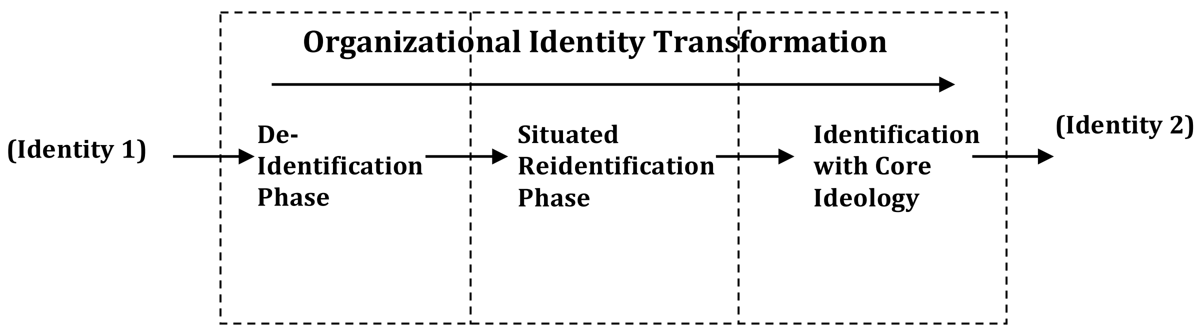

Figure 1 – Fiol's (2002) Identity Transformation Process

In the *de-identification phase*, the focus is on loosening individual ties to the existing organizational identity. For this to occur there must be events that signal the failure of the existing identity. A certain degree of pain and disequilibrium must be felt for the loosening to be effective. Such factors as organizational inefficiencies, or failure in some critical performance, or even glaring incompatibilities with other similar institutions (Seo & Creed, 2002), can drive an individual to a cognitive discomfort zone (Oswick, Keenoy, & Grant, 2002). Although leadership cannot dictate the process of de-identification, they can set the stage by the use of appropriate language and behavior (Fiol, 2002). As a result, an individual's high level of identification with the existing organizational identity begins to loosen, resulting in escalation of mistrust in the organization.

In the *situated re-identification phase*, the focus is on creating a new understanding of oneself in the organizational context and to restore some degree of equilibrium and trust. It is important for leaders to create situations where active experimentations are possible around the new organizational identity (situated expressions). Such situated expressions must be ongoing and significant, so that individuals can begin to build a new self conception around the new organizational identity (Rousseau, 1998). These will coexist with regressions back to the old beliefs and assumptions and there will also be multiple experimentations occurring in the organization. There is therefore the need for greater coherence which can be brought about by instilling a new core ideology.

In the *identification with a core ideology phase*, the focus is to build a core ideology that is broad and elastic enough to withstand continuous changes. Such a core ideology has been described as "superordinate identity" (Hogg & Deborah, 2000, p. 151) or core identity.

In a larger and more complex organization, distinct social groups of individuals are likely to embrace multiple identities (Ashforth & Mael, 1989). Multiple identities are more salient, and individuals are able to express its attributes in their day to day operations. These multiple identities would have varying degrees of association with one another (Pratt & Foreman, 2000), as well as with the core ideology or the core identity. This makes their consideration essential in an identity transformation.

Methodology Used

This investigation uses the three phases of Fiol's (2002) core identity transformation process (see Figure 1), and Complexity theory, to guide the case study analysis. Complexity theory is used because of the nature of the process, which was complex and non-linear.

The Organizational Context

An opportunity opened up for me to study the outsourcing of CCC-Kin's (name changed)[61] maintenance function, from the perspective of the service provider BBB-Kin (name changed). This opportunity arose when the site manager for BBB-Kin wanted a learning history developed for their outsourcing partnership with CCC-Kin.

[61] Names of the companies have been changed to ensure confidentiality

Historical Background: CCC-Kin is New Zealand's largest pulp and paper mill. CCC-Kin is owned by the publicly listed CCC Group, a major player in the New Zealand stock exchange with an annual turnover exceeding US$2.3 billion. World Papers (name changed), a US based multinational, is a major shareholder of the CCC Group.

The mill has a long history dating back to 1943. The original owner, NZFP, employed over 4000 people, and the mill became the mainstay of the town where it was located (Healy, 1982). Due to escalating costs, NZFP went into debt and was eventually bought over by the CCC group in 1990 and the mill was renamed CCC-Kin. The CCC group underwent a structural transformation in 2001, when its six business groups were split into thirty smaller independent businesses with CCC-Kin becoming one such independent business. During these changes CCC-Kin experienced several redundancies, trimming itself to its present workforce of about 650 employees.

CCC-Kin began collective wage negotiations with the engineers union in the year 2000. The engineers union represented the tradesmen of the maintenance function. Due to growing competition from cheaper mills in Asia, management wanted significant productivity improvements and reductions in the costs of the mill. However, the engineers union and management could not agree on the productivity improvement measures.

When the protracted negotiations abruptly ended in September 2001, the CEO was prompted to take the radical decision to outsource the maintenance function.

BBB, due to their global reach and their extensive maintenance experience in power industries and limited exposure to pulp and paper in Europe, was chosen as the service provider. Negotiations with BBB were done in secret, and on the 27th of March 2002 management announced their decision to outsource the maintenance function. The announcement came as a shock to all employees and ten months of uncertainty followed. The engineers union instigated an unsuccessful court action to stop the outsourcing to BBB. They attempted to discredit BBB by spreading stories of their financial crisis, of their dramatic failures in previous outsourcing engagements, and of their incompatible work ethics. These attempts to prevent the outsourcing failed, and on the 17th of January 2003, 350 employees of the maintenance function were made redundant. BBB took over responsibility of the maintenance function on the 20th of January 2003, employing about 140 ex-CCC-Kin employees, and this comprised almost 90% of BBB-Kin workforce. A separate entity, named BBB-Kin, was formed to execute the contract in the same work environment as before.

The Research Context: The investigation focuses only on the service provider BBB-Kin. At the meta-level it appears that the identity change to the employees of BBB-Kin is drastic with the outsourcing. However, the study found the process of identity change to be more evolutionary, primarily because of the perception of BBB-Kin employees of no real change. Firstly, the majority of the employees of BBB-Kin (over 90%) are ex-CCC-Kin employees, who have had an average service period per employee of 22 years. They have experienced previous ownership changes and several redundancies. They have deep identification with the mill and the owners of the business are simply treated as agents rather than principals (Rousseau, 1998).

It doesn't matter who owns it, it is part of the town and part of my life…..yeah. When we were made redundant, we didn't know if BBB was coming or who was coming, the mill had to survive you know. BBB came on the 20th of January 2003. Two days before on the 18th, they said to us we need a crew to start up at mid night that was when BBB took over. I turned up and a couple of others turned up and the mill had to keep going, it doesn't matter what was happening around the place, the mill had to keep going (Tradesman)

Secondly, to these employees of BBB-Kin nothing much has changed. In their perception, the systems and processes have changed very little.

Although the outsourcing significantly altered the number of employees, the overall organizational structure remained intact with few key individuals from BBB in senior management position (the site manager, the central services manager, the financial controller, the human resources manager, and the sourcing manager were from BBB). To these former employees of CCC-Kin, it was simply a change in the color of their overalls.

Well, they employed me for a start…… nothing much has changed for me except the color of my overalls. I haven't noticed many different procedures. They bring me the job and I do it. .....nothing's changed (Tradesman).

Therefore it can be argued, from the view point of the employees, the mode of identity change is more evolutionary and gradual. There is however a major limitation that the reader should note. The research period covers the start of the outsourcing contract (i.e., January 2003) to the end of the data collection process (i.e., October 2004). This period is rather limited, considering that an identity change usually takes a longer period of time (Laughlin, 1991).

Back Ground to Conducting the Case Study

The primary research question guiding the case study was *"How does a new core identity emerge for BBB-Kin?* The new core identity is that of a customer orientated service provider, and this required a new shared understanding to be developed within BBB-Kin.

Prior to conducting the interviews, I gathered background information by reading all relevant press reports from April 2002 to December 2002. I had extensive discussions with a consultant involved with BBB-Kin during the setting up stage of the contract. I also attended a business presentation in Auckland where the Mill manager of CCC-Kin shared his experience on the outsourcing.

I summarized this back ground information and articulated and documented my own interpretation. I created four separate folders: one for historical background leading to the outsourcing, and three folders for each of the core identity transformation phases suggested by Fiol (2002): De-identification phase, situated re-identification phase, and identification with a core ideology phase. Where appropriate, I placed my summary and interpretation in each of the separate folders. The procedure for analyzing the qualitative data follows Miles and Huberman's (1994) general analytical procedure. I made no effort to quantify the qualitative data and allowed my own interpretation of the qualitative data to reach saturation (Collis & Hussey, 2003).

The background information guided the type of questions asked in the interview process. I did 4 to 5 interviews for a week, followed by 3 weeks of coding and analysis. All the interviews were tape recorded, transcribed verbatim, and then given to the interviewees for their comments and feedback. I listened to the recorded interviews several times, and then began to code the incidents and place them in the relevant core identity transformation phases (in separate folders). I then generated themes by categorizing these incidents. My interpretation of the themes was largely influenced by Fiol's (2002) model and Complexity theory, and by the observations I made on the shop floor, the meetings I attended, and my interaction with the employees of BBB-Kin.

Using insights from the coding and analysis process, the questions were refined, or further questions added, for the next round of interviews, which were followed by further coding and analysis. Through this iterative interview and analysis process, I interviewed 21 employees. Of the 21 interviewed, 11 were tradesmen, 6 were middle management, and 4 belonged to the management team. The interview process started in July 2004 and concluded in the month of October 2004.

Table I – Generated Themes

Core Identity Transformation Phases	**Generated Codes**	**Categorization of Codes**	**Generated Themes**
	▪ Work setting	Deep social	

De-Identification Phase	▪ Mental model ▪ Social norms	structure	Inertia at the "edge of chaos"
	▪ Rupture of trust by union behavior during restructuring ▪ Credibility depleting action ▪ Trust depleting behavior	Feedback loops reinforcing deep social structure	
	▪ Vulnerability	Vulnerability	Vulnerability
	▪ Sharp departure from social norm	Sharp departure from social norm	Destabilization of sensitive initial condition
Situated Re-Identification Phase	▪ Joint vision creation to articulate core identity attributes ▪ Embracing multiple identities in the vision	Embracing multiple identities in the new core identity	Tangible articulation of the new core ideology

	▪ Active experimentation	Situated expressions	
	▪ Vision ownership	'Stickiness' of vision	
Transition Phase ↕	▪ Work load ▪ Dependency ▪ Reach of management-BBB ▪ Empathizing with valued identity ▪ Open organizational climate ▪ Middle management frustration ▪ Loss of credibility due to management-BBB actions	Coupling of distinct social groups	Maintaining momentum towards identification with core ideology

	▪ Leadership training ▪ Information sharing ▪ Protection of valued identity ▪ Management-BBB direction ▪ Developing business acumen ▪ Participatory decision making ▪ Common identification with BBB	Synergy between the social groups' multiple identities	
Identification with Core Ideology Phase			

Results of the Case Study Investigation

As the data gathering and iterative coding processes progressed and patterns emerged, three distinct social groups in BBB-Kin were observed: tradesmen who were ex-CCC-Kin employees, the former middle management of CCC-Kin, and the management team from BBB (I will refer to them as "tradesmen," "middle mngt-ex-CCC," and "management-BBB," respectively). These distinct social groups held identities, which were carried over from CCC-Kin days. It was therefore necessary to discover these identities, and analyze how they impacted on the emergence of a new core identity. To do so I constructed additional interview questions, e.g., "What are the key characteristics of the work place that appeal to you the most?" and "What keeps you here in the mill?" in order to elicit these multiple identities. I then collated the responses and looked for common attributes within each of the distinct social groups. The identities held by tradesmen and middle mngt-ex-CCC had a previous history in CCC-Kin. The tradesmen express such identities as: "We are a collective and we are represented by the engineers union", and "the Kin mill is what we value" (the mill is referred to as "Kin mill" by those employed on the site).

Yeah there was a good feeling in that we actually owned Kin mill. CCC or whoever, NZFP going way back in history, they didn't own Kin mill, we did. Because we run it and it's quite an emotional thing for people (Tradesman).

Yeah, we prefer to be a collective (Tradesman).

Middle mngt-ex-CCC express identity as "Kin mill provides scope and variety of work to exercise my technical skills".

The things that kept me here was the variety of engineering type of work, the scope of the work, the ability of following things through in depth, was always quite attractive part of the place. I think from a project and work point of view it was quite highly regarded. People, consultants who came here and worked for us always seem to enjoy the work here, enjoy the challenges, and the scope of the project (Middle mngt-ex-CCC)

Management-BBB expressed their identity as "we are part of the prestigious BBB global operation."

We are BBB, and we should be proud of that and should adopt what BBB around the world adopts and not go and generate our own just to try and get people to fit in (Management-BBB)

In order to place major events into their time perspective, I divided the duration into three time periods: The first, from January 2003 to July 2003, was a particularly tumultuous period; the second period, from August 2003 to December 2003, was when most of the management interventions took place; and the third period was from January 2004 till the conclusion of the data collection. Figure 2 shows the key events in the relevant time periods.

First Period (Jan'03 – Jul'03)	**Second Period (Aug'03 – Dec'03)**	**Third Period (Jan'04 – Oct'04)**
Tradesmen placed on a 3 months probationary individual contract	Forest camps held to co-create the organizational vision (Aug 2003)	Collective wage agreement signed with the engineers union in
Leadership training for middle mngt-ex-CCC in Feb 2003	Formation of the Path Finder team (Sep 2003)	Construction of a dirt track for mountain biking
Strike by the production workers of CCC-Kin (Mar 2003 – May 2003)	Formation of the Future Leaders' team (Sep 2003)	
	Negotiation of a collective wage agreement with trade unions (started Oct 2003)	

Figure 2 – Key Events in the Relevant Time Phases

Let me now explain the process of core identity emergence for BBB-Kin. Whilst Fiol's (2002) phases were explicitly seen, an additional transition phase occurred between the situated re-identification phase and identification with the core ideology phase. This refined model is illustrated in Figure 3 below, and shows the detailed processes in each of the core identity transformation phases.

The Process Involved in the De-Identification Phase

In the analysis of the phases of identity transformation, we were influenced by Complexity theory. An organization with its interrelated and dynamic interacting systems is constantly subjected to change due to the discontinuity of the external environment. This is why an organization can be viewed as a complex system (MacIntosh & MacLean, 1999).

A complex system, such as an organization, can be viewed to be in an equilibrium position when it is not affected by external disturbances. However, a major disturbance can drive such a system to a disequilibrium position. Instead of descending into chaos, it can move to a zone referred to as the edge of chaos (MacIntosh & MacLean, 1999; McElroy, 2000; Pascale, Millemann, & Gioja, 2000). It is at the edge of chaos that the complex system is more open to change. The outsourcing of CCC-Kin to BBB was a major disturbance, placing the newly formed BBB-Kin at the edge of chaos. At this edge of chaos the previous core identity of being a pulp and paper mill business, to the majority of the employees, was significantly loosened.

However, when a complex system is at the edge of chaos a bifurcation is possible (MacIntosh & MacLean, 1999; Pascale et al., 2000). The system can either regress to the earlier equilibrium state or some “symmetry-breaking events” (MacIntosh & MacLean, 1999, p. 303) would irreversibly break down its existing structures and propel it to a new identity. It is this tension at the edge of chaos that was seen in the initial period of BBB-Kin.

How can such a tension be effectively managed? Complexity theory suggests that, at the edge of chaos, there must be continued vulnerability, and the sensitive initial conditions must be destabilized for self organization to take place (Pascale et al., 2000). This happens through certain events and actions that can act as feedback loops.

Destabilization of Sensitive Initial Condition: What formed the sensitive initial conditions of BBB-Kin? It is the social structure of BBB-Kin that formed the initial conditions. Since the process of de-identification of an existing identity breaks down trust between individuals of the distinct social groups, individuals personalize and read too much into the actions of others (Fiol, 2002), especially that of management-BBB. The social structure therefore becomes more salient and more of an issue to the organization. This is what impacted heavily on the initial conditions for BBB-Kin.

Since these outsourcing employees continued to work in the same environment, the workplace arrangement, the work practices, the technology used, and the social factors remained largely the same. Therefore, BBB-Kin inherited the deep social structures that existed in the CCC-Kin days. The mental model, especially of the tradesmen who formed the majority, was of distrust towards management. This internal world was legitimized by an external social norm of open vilification of management, and resistance to any of their suggestions. This is reflected in the words of a manager-BBB:

I keep thinking, why are these people so tough on me? Not only my in department, but right around the site. I mean I walk into a meeting and I walk out, I'm a non-emotional person, I get very passionate but I'm not emotional. And I walked out of this one meeting and this person had just basically chewed me up and spat me out, and someone asked me how I was and I burst into tears and I never done that in my life, you know. That's how horrible it was and I kept thinking what was I doing wrong? Everything I did they questioned or they rubbished it, and it was really hard to understand.

Unfortunately, some management-BBB actions, at the initial stage, acted as feedback loops to reinforce this deep social structure. For example, the tradesmen were taken on a 3 month probationary individual contract (see Figure 2) and this destabilized their valued identity of being a collective. This resulted in mistrust (Fiol, 2002). The tradesmen thought that management-BBB was colluding with CCC-Kin to weaken the engineers union:

Well, I think they were under instruction from CCC-Kin; this is my opinion, under instruction from CCC-Kin not to deal with the unions directly and to try to get the people on individual contracts which didn't go down well. I think and hopefully they have learnt with it that they should have got involved with the unions earlier and struck a deal rather *than create all that uncertainty and animosity and it took quite a few months for things to settle down after they did take over.*

Another example is the expectation from the outsourcing contract. BBB was expected to bring in world class systems from their experience in other industries worldwide. However, such world class systems never materialized, thus reinforcing the mental model of distrust towards management. In the words of one middle mngt-ex-CCC:

Again in day one, I got the whole team together and said, "This is a new organization, we are all bits and pieces from everywhere, right we are all one now, this is the track we are going down, it's going to be rough and bumpy, but stick with us. These are the types of ways we want to do maintenance, and these are the systems that will be coming into place to support this". Well I look back, I still got notes I made for that day, and I don't know whether to laugh or cry because those things didn't eventuate. You know the things I said I could deliver to those guys I couldn't, because the systems weren't there and we had to build them here.

As a result, these actions resulted in feedback loops that hindered the momentum towards self-organizing to a new identity. Ironically, this inertia was overcome through the unforeseen situation of a strike. The strike helped generate self-organizing momentum towards a new core identity by amplifying feedback loops that destabilized the initial conditions. The production workers of CCC-Kin went on a three month strike on the 6th of March 2003 (see Figure 2). During this strike period, management-BBB reached down the hierarchy to the tradesmen level. They met all the employees on a weekly basis and openly discussed what was happening with the strike. They made themselves more visible on the shop floor, and openly acknowledged that the promised world class system would not materialize. Management-BBB was not afraid to display vulnerability and opened communications at all levels. These management actions represented a sharp deviation from the prevailing social norms of CCC-Kin, and hence amplified the feedback loops that destabilized the deep social structure that BBB-Kin inherited from CCC-Kin.

Vulnerability: Apart from the destabilization of the deep social structure, a continuing sense of vulnerability is deemed essential at the edge of chaos (Pascale et al., 2000). The vulnerability of BBB-Kin was amplified by the unforeseen production strike which questioned the ongoing viability of the mill. Furthermore, a change in the trade union leadership resulted in a new leader who constantly stressed the vulnerability of the Kin mill through his language and behavior:

You got to keep changing and trying to improve things. If you don't, you just get left behind and they have got to shut the gates then. You can't keep production going, and all the other mills must be modernizing too *around the world. I explained this to a lot of people, when I first started here this mill was NZFP before CCC came and was like the flagship. And then we got few owners and now we are owned by the Americans. And we are really like the corner dairy store. Not the flagship anymore, just the corner dairy. I tell the guys you can just flick the corner dairy off anytime and close it down. Lots of people listen to a bit of that so….*

With the continuing vulnerability and destabilization of the deep social structure, BBB-Kin was ready to self organize to a new identity. It was essential that employees moved towards a new core identity of being a customer-focused service provider. However, I do not use the term self organizing in a pure sense. A limited influence is possible in the self-organizing process of a complex system (MacIntosh & MacLean, 1999; Pascale et al., 2000). Management can set the scene by approximating the direction. This approximation of a direction is Fiol's (2002) situated re-identification phase.

The Processes Involved in the Situated Re-Identification Phase

An important process in the situated re-identification phase is to tangibly articulate the new core identity. This, as suggested by Fiol (2002), involves verbalization of the newidentity.

CCC-Kin is a significant contract for BBB as it represented their biggest outsourcing contract in pulp and paper. The success of BBB-Kin, in executing the contract, would ensure more contracts of a similar nature worldwide. Therefore, management-BBB wanted to make BBB-Kin a flagship site, providing a world class customer focused maintenance service. This was management-BBB's general direction for a new core identity.

This emergent core identity was more tangibly articulated in the second period when the organizational vision was created in the Forest camps (see Figure 2). Researchers (e.g., Fiol 2002; Gioia & Thomas, 1996; Senge, 1990) see vision as the core ideology, critical in encapsulating the attributes of the new core identity, and in acting as a positive motivational force. I found the organizational vision to be effective for the following reasons: Firstly, its creation was preceded by a destabilizing of the existing deep social structures. The joint visioning exercise was postponed to the second period due to the three-month production strike and the delay allowed a time period for feedback loops to disturb the initial, inertia-favoring conditions. Although the timing of the joint visioning exercise was unintended, the exercise, in hindsight, proved to be an effective complex adaptation because it took place in a less cynical climate with greater involvement.

Secondly, the vision was not directed or dictated by management-BBB, as is conventional in command and control processes. Instead it was co-created by representatives of all the distinct social groups. Partly as a result the new vision statement, designed to encapsulate the attributes of the new core identity, was defined broadly to encompass the existing multiple identities of the distinct social groups. The vision, which states that BBB-Kin wants to lead the world in plant productivity and maintenance, embraced the multiple identities of middle mngt-ex-CCC and management-BBB. The goal, which included the well-being of the Kin mill, embraced the multiple identities of tradesmen, and, as postulated in the mission statement, this was to be achieved through a three-prong focus on partner satisfaction, profitable growth, and motivated people. A Path Finder team, consisting of individuals from all social groups who were involved in the Forest camps, was formed soon after the forest camps (see Figure 2). It was this Path Finder team that co-constructed this new integrative vision. The new integrative vision thus became the articulated core ideology.

Thirdly, individuals were engaged in active experimentations, which allowed for situated expression of the attributes of the new core ideology (Crossan et al., 1999; Fiol, 2002). An example is the handling of mill shut downs. The mill shuts down twice a year for maintenance work, and is a non-productive period for CCC-Kin. About 30% of the maintenance budget is spent on shut downs and about 65,000 man hours of external resources are mobilized. Improvements in the planning and handling of shuts is crucial for the overall cost structure of the mill. BBB-Kin incorporates learning by involving all the individuals who have worked on these shuts, with the expressed desire to surpass a world class practice of 10 days.

These actions, co-creating the organizational vision and embracing the multiple identities in the new core ideology, combined with situated expressions of that ideology, acted as feedback loops that dampened the momentum to regress. However, an important reservation is the "stickiness" issue with organizational vision. Although co-created, it is still perceived as being primarily owned by management-BBB. In my interactions with the Path Finder team members, their common response was "management-BBB is using us to do their job." Therefore, other factors, such as coupling between the distinct social groups and synergy between their multiple identities, especially with the social group of management-BBB, emerged as additional feedback loops necessary to amplify and maintain the self-organizing momentum of BBB-Kin towards the new core ideology.

I found this coupling between social groups and synergy between their multiple identities as a transition phase, occurring between the situated re-identification phase and the identification with the core ideology phase (see Figure 3). This is a refinement to Fiol's (2002) model as it accounts for the distinct social groups and their multiple identities. This coupling and synergy, especially with the social group of management-BBB, also enables a new social structure to evolve. This new social structure is necessary to re-build trust, especially between the individuals in the distinct social groups, as they move towards a deeper identification with the new core ideology.

The Processes Involved in the Transition Phase

Coupling between social groups is relational and is based on the level of trust and credibility between the social group members (Denis, Lamothe, & Langley, 2001). Trust building is a socio-psychological process. When actions of one social group (i.e., members acting on behalf of the social group), and their construed motives, conform to another social group's positive expectations, then trust, considered as an emotional resource, begins to be embedded into the inter-group relationship. Therefore, when social groups that hold distinct identities come together to seeka high synergy response to ensure some common goals are achieved, trust develops between these social groups.

Therefore, when coupling and synergy improves, it engenders greater trust between the social groups, amplifying and sustaining the movement towards the new core ideology.

In the preceding section, we discussed the 'stickiness' issue of organizational vision, where it is seen to be owned by management-BBB. Therefore, coupling and synergy with the social group of management-BBB are critical for self-organizing momentum towards identification with the new core ideology.

Tradesmen and Management–BBB: The coupling of management-BBB with tradesmen has improved over the time periods. Management-BBB started a collective wage agreement with the engineers union in the month of October 2003 and was signed in March 2004 (see Figure 2). This showed that management-BBB was willing to empathize with the tradesmen valued identity and this builds trust and credibility between the two social groups (Ellemers, Gilder, & Haslam, 2004). As in the words of one tradesman:

I say that simply because of the way the collective agreement went. The collective agreement was very good. BBB know they need to get the union on their side, which are the workers, and if you get the workers on side then we can all move forward and try and make it all work for everybody. In a lot of things it is working very well. The collective agreement is very good

Management-BBB maintained their reach to the tradesmen level and had an open door policy with them. The Path Finder team was given the mandate to create a friendly atmosphere and improve communication within BBB-Kin.

Management-BBB started a Future Leaders program in September 2003 for the tradesmen (see Figure 2). Leadership training was provided for those who had applied and who were selected, and the potential leaders are empowered to take independent decisions in their department. Management-BBB has also opened up information to the tradesmen level and the implications of the information are frequently discussed in departmental meetings. This minimizes the mental model variance existing between individuals of the social groups, creating common perception and enhancing coupling and synergy.

Middle Mngt-ex-CCC and Management-BBB: Unlike the tradesmen, the coupling between the middle mngt-ex-CCC and management-BBB declined over the time period. Middle mngt-ex-CCC came on board earlier than the tradesmen and was involved in preparing the ground for the contract to begin. Management-BBB relied heavily on their localized knowledge and depended on them in the selection and recruitment of tradesmen. Middle mngt-ex-CCC was given leadership training in February 2003 (see Figure 3) and was motivated to make the contract succeed. The level of coupling was above average at the start of the contract. However, issues surrounding middle mngt-ex-CCC were not sufficiently addressed by management-BBB whose focus is more towards tradesmen. This increased the level of frustration negatively influencing the coupling between the two social groups, as seen in the words of a middle mngt-ex-CCC:

We have been in negotiations with BBB about certain things for 10 or 11 months now and still no answers. There were things like the bonus. In our eyes the bonus is never going to be paid out. The site manager admits there are some anomalies about how the bonus is set up and we personally cannot see it ever being paid out. There were things like overtime. I mean we don't get paid overtime but we do a hell of a lot of long hours in the shut. It's only just we wanted some time off, and it was things like that that took a long time to sort out.

The Processes Involved in the Identification with Core Ideology Phase

At the conclusion of this study, the self organization towards identification with the new core ideology was still taking place. Therefore, at this point in the research, the final outcome of this phase is uncertain. However, in myr opinion, the self organization is proceeding albeit with friction, especially with the declining coupling and synergy of middle mngt-ex-CCC with management-BBB. The study period needs to be extended to analyze the detail processes involved, and possibly the outcome of this phase for BBB-Kin.

Implications for Management and Limitations

This single case-based study, informed by Fiol's (2002) model and Complexity theory, details the process of developing a new core identity for an outsourcing provider. It is especially useful for an outsourcing provider absorbing significant numbers of employees made redundant by the shift to outsourcing. In this context, the employees carry over the deeply established social norms of behavior, which need to be effectively engaged and changed if they hinder a new identity developing.

Implications for Management

An important implication is the need for complex adaptation to changing conditions, especially in an outsourcing context where a core identity change is essential. I list some simple lessons which I deem necessary to sustain the momentum towards a new core identity:

1. Unforeseen consequences, in this case the strike, disturbed the sensitive initial conditions by creating a time lapse that facilitated sharp departures from the existing deep social structures which were counter productive to a core identity developing. Accordingly it suggests that greater effectiveness is likely by consciously building in a time break prior to any tangible

articulation of the emergent core identity (i.e., precede any new vision creating exercise), and by reflecting sharp departures from existing counterproductive social norms, as the visioning exercise would then be conducted in a more conducive environment.

2. The articulated core identity must be co-created, and embrace the existing residual multiple identities through trust-building dialogue. For this, the leadership must be aware of the distinct social groups existing within the organization and the identities embraced by such social groups.
3. The jointly articulated core identity, through the organizational vision (although created in a more conducive environment), is "sticky" and is usually seen to be owned by the management. In such a case, management language and behavior must seek to build coupling and synergy with the distinct social groups in the organization. These matters are important because management can tend to neglect them, when they are central aspects in situations of core identity changes. Indeed the degree to which the distinct social groups display authentic behaviors in keeping with the core identity is, in our view, managements' best measure of success.
4. Managers should try to direct, without controlling, organizational experimentations toward enhancing the new core identity of the organization. Leadership must seek to provide the explicit link

between experimentation and the articulated core ideology of the organization.

5. Since evolving a new core identity means a change in the collective interpretive scheme, it is imperative managers facilitate the flow of valid and undistorted information across the hierarchies in the organization.

These simple lessons offer guidelines, or touchstones, for managerial behavior, and should neither be applied too rigidly to avoid orientation towards command and control nor too loosely, but indicating general desired directions. A degree of detachment from the situation is necessary to find and refine the balance point between the two.

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Influence Of Entrepreneurial Characteristics To The Performance Of Small And Medium Scale Agribusiness Enterprises In West Java, Indonesia

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ABSTRACT

Small and medium scale enterprises (SMEs) play an important role on national economic development. They contribute to 55.6 percent of Gross Domestic Product and they provide 93.7 percent of national employment. However SMEs face problems related to entrepreneurial development. Thus, this research aims at identifying personal characteristics and characteristics of entrepreneurship and analyse value added and performance of small scale businesses in West Java. This study analyses the influence of characteristics of entrepreneurship to performance of SMEs in West Java. Value added is also analysed based on proposed method by Hayami et.al. (1987).This study involves 302 owners of SMEs in West Java. This research uses mix method approach of qualitative and quantitative. Meanwhile, the influence of entrepreneurial characteristics to the performance is analysed using Structural Equation Modelling (SEM).

This research found that added value of several products is in the medium category. It is found that characteristics of entrepreneurship influences positively to its competences and its overall business performance.

INTRODUCTION

Background

Small scale businesses play an essential role to support national economic development. According to BPS (Central Bureau of Statistics) (2010), SMEs contributed to about 55.6 percent of gross domestic product (GDP) in 2009, 97.33 percent of employment absorption and 20 percent of non oil and gas export. About 51.4 percent of the total contribution of SMEs was contributed by SMEs of agricultural sector.

SMEs have both strengths and weaknesses. SMEs have self determination and flexibility to do what they want to do, and are quite tough, have no or lack of liability to the financial institution due to the perception of unbankable and use local input. However, SMEs have both structural (management, organization, quality control and adoption of technology) and cultural weaknesses which result in structural weaknesses. Theses weaknesses are also contributed to the lack of entrepreneurial characteristics.

At present, Indonesian government promotes SMEs as national development agenda. In order to support this agenda and minimize weaknesses, the study of characteristics and competency of entrepreneurship is very crucial. Entrepreneurial competency of SMEs is an important aspect to maximize the use of economics competitiveness development factors efficiently, to encourage positive mindset, to develop market sensitivity and to improve creative thinking, as a result SMEs have ability to acquire business opportunities, to increase their business performance and being independence in running their business.

Research Objectives

To identify entrepreneurial characteristics of SMEs of agro industry in West Java Province

1) To analyse added value of SMEs of agro industry product in West Java Province as one of business performance indicators
2) To analyse influence of entrepreneurial characteristics to the performance of SMEs through entrepreneurial competencies

LITERATURE REVIEW

Suryana (2003) claims that entrepreneurship describes an ability to create added value in the market by organizing production factors with either new or different approaches/methods though: (1) developing new technology; (2) inventing scientific knowledge; (3) modifying current product and services; and (4) developing new approaches and methods to produce product efficiently. Furthermore, Hisrich and Peters (2000) states that entrepreneurship is a process of creativity by providing all their time and effort with the willingness to take financial risks, souls, socials and derived incentives in term of financial and self satisfaction. Drucker (1996) points out that entrepreneurship is illustrated as enthusiasm, capabilities, attitudes and behaviour in running business or an activity in finding, creating applying new approaches and new products through improving efficiencies in order to achieve higher consumer satisfaction and then higher profit. In addition to that, Meredith et.al, (1996, h.9), states that entrepreneurship is ability to comprise personal characteristics, financial and other resources. Moreover, As'ad (2003, h.146) defines that entrepreneurship is an ability and attitudes towards independency, creativity, innovativeness, hardworking, focus on vision, risks taking without ignoring others desires. Thus, from these definitions of entrepreneurship reveals that there are main characteristics of entrepreneurship as follows, self confidence, risk taking, tolerant of uncertainty, innovativeness, enthusiasm and hardworking.

Suryana (2003) states that there are five basic competencies of entrepreneurship which are described as follows (1) managerial capability including capability to manage information system, manage production, marketing, human resources and financial; (2) Conceptual competency including orientation to tasks and outcomes, focus on long term business and leadership; (3) Social ability including communication skills, ability to cooperate and ability to consult to the experts; (4) Decision making capability; and (5) time management capability. Entrepreneurial competencies are closely related to managerial capability (Boyatzis 1982, cited in Bautista et.al. 2007). Competencies may describe fairly or may become a bridge between individual characteristics of entrepreneurship with business performance (Bautista, et.al. 2007). Furthermore, Suryana (2003) claims that entrepreneurial competencies directly influence to the performance so as the entrepreneur is a person who always focus on outcome. Thus, overall achievement of entrepreneurs is determined by their attitudes and behaviour (Meredith 1996)/

RESEARCH METHODS

Research Site and Timelines

The study was conducted in five Regions in West Java Province including Bogor, Bandung, Cianjur, Garut and Ciamis. These locations are chosen purposively considering that SMEs in agro industry have grown in term of quantity and types of business. The study was held from March 2012 until November 2012. Data collection was carried out in July 2012.

Respondents Selection Methods

Respondents of this research are SMEs practitioners in agro industry, particularly in food industry. Respondents were elected purposively with regard to their willingness to be interviewed and also considering the availability of data of SMEs.

However there are several considerations to select respondents. 1) Respondents are categorised as SMEs according to UU N0 20 in 2008, 2) Respondents are the owners of the SMEs and had operated business for about 2 years thus the business performance could be analysed. All the interviewed SMEs in West Java are 302 respondents. From the total of respondents there are 60 respondents in Bogor, 61 respondents in Cianjur, 61 Respondents in Garut, 60 respondents in Bandung and which are 60 respondents in Ciamis.

Data Collecting Methods

The study uses both primary and secondary data. Primary data includes characteristics of respondents, characteristics and business of SMEs and characteristics of entrepreneurship and inputs for added value. The data was collected through survey to the respondents. Questionnaires are used in conducting both structure and semi-structure interview. Structure interview utilizes questionnaire with 4 likert scale to derive information about characteristics, competencies and performance of SMEs. Each scale is interpreted clearly and consistently in order to have consistent answer from the respondent. Validity and reliability of the questionnaire was tested first before it was used as an instrument of the survey. Meanwhile, secondary data was derived from the previous relevant research papers, articles and books.

Method of Analysis

Data is analysed qualitatively and quantitatively. Characteristics of demography and business profile are described and analysed qualitatively. Influence of entrepreneurial characteristics to the performance of SMEs through entrepreneurial competencies is analysed using SEM (Structural Equation Model). Furthermore, value added of several SEMs product is also measured to support the explanation of SMEs performance.

a). Structural Equation Modelling (SEM)

The model consists of one exogenous latent variable (entrepreneurial characteristics), 25 manifest variables, 5 endogenous variables of competencies (managerial capability, conceptual capability, social capability, decision making capability and time management capability) and 1 endogenous variable of SMEs performance (Figure 1). Entrepreneurial characteristic is constructed by self confidence, ability to take risks, innovativeness, hard working, enthusiasm, and tolerance of ambiguity.

Managerial capability is described by the ability to manage information system, production system, marketing, human resource and financial. Conceptual capability is represented by the ability to focus on task, leadership, focus on vision. Meanwhile, Social capability is illustrated by communication skills, ability to cooperate, and consultation to experts. Decision making ability is described by problem formulation, and decision making. Meanwhile performance of SMEs is manifested by profit growth, access to financial sources, access to knowledge and skills, access to market and appreciation.

Based on the model, it is hypothesised that (1) entrepreneurial characteristics influence positively to the entrepreneurial competencies (2) Entrepreneurial of competencies influence positively to the performance of SMEs.

b) Added Value Analysis

Added value analysis is conducted using method of Hayami et.al. (1987). The analysis is limited to several products of which the majority of SMEs produce. If the ratio of added value is less than 15 %, it is categorized as low added value. If the ratio is between 15% and 40%, it is categorized as medium added value. If the ration is higher than 40%, it is categorized as high added value.

RESULTS AND DISCUSSION

Characteristics of Demography and Business Activities

The majority of interviewed SMEs in West Java are men (72,8%), in between 43-64 year old (56,6%), graduated from elementary and secondary high schools (59,3%) and with main occupation as entrepreneurs (96%), married (98%) and Sundaness (90,7%). The majority of SMEs have operated their business for less than 20 years (76, 1%). The majority of their business are sole-proprietorship (97%), and employ less than 20 labours (94%). The majority of SMEs in Garut produce tofu, tempe (traditional soy fermented product) and dodol. In Bogor, the majority of SMEs produce tofu. In Bandung many of SMEs produce cassava chips. In Cianjur many of SMEs produce tempe and nata de coco. Meanwhile in Ciamis many of SMEs produce kerupuk (traditional crackers).

Entrepreneurial Characteristics

The characteristics of entrepreneurship reflect psychological characteristics that describe characters and attitudes of entrepreneurs. The result shows that the majority of SMEs in West Java are good in self confidence, enthusiasm and tolerance to the ambiguity. However, the

SMEs are lack of innovativeness and ability to take risks, thus these dimensions are required to be improved.

Entrepreneurial Competencies

The result indicates that the majority of SMEs (75%) show the overall managerial capability, although there are few managerial aspects need to be improved. It also indicates that the majority of SME have lack of leadership ability and focus to the vision, although the majority of have a good focus on tasks and outcomes. The majority of SMEs are good in communication skills and ability to cooperate with either employee or their business partners. However they seldom do consultation to the experts. About 60% of SMEs are good in decision making and about 71,5% of SMEs are usually able to implement plans, tasks and other business responsibility.

Performance of SMEs

It is found that the majority of SMEs demonstrate inadequate performance for several aspects, although they show good performance for few aspects. In term of business profits the majority of SMEs (89,7%) reveal that their business has gain profit growth each year. However, few of them (43,1%) confess that it is relatively easy for them to have loan. On the other hand the majority of SMEs (61,6%) declare that they usually face trouble-free to have access to the loan institution. Meanwhile only few of them (30%)

have access to follow trainings and seminars/ workshops. Furthermore, few of them (29-30%) have few difficulties to engage in Bazaar or other market festivals and have access to market information. Only very few of them (14%) declare that their business performance is appreciated.

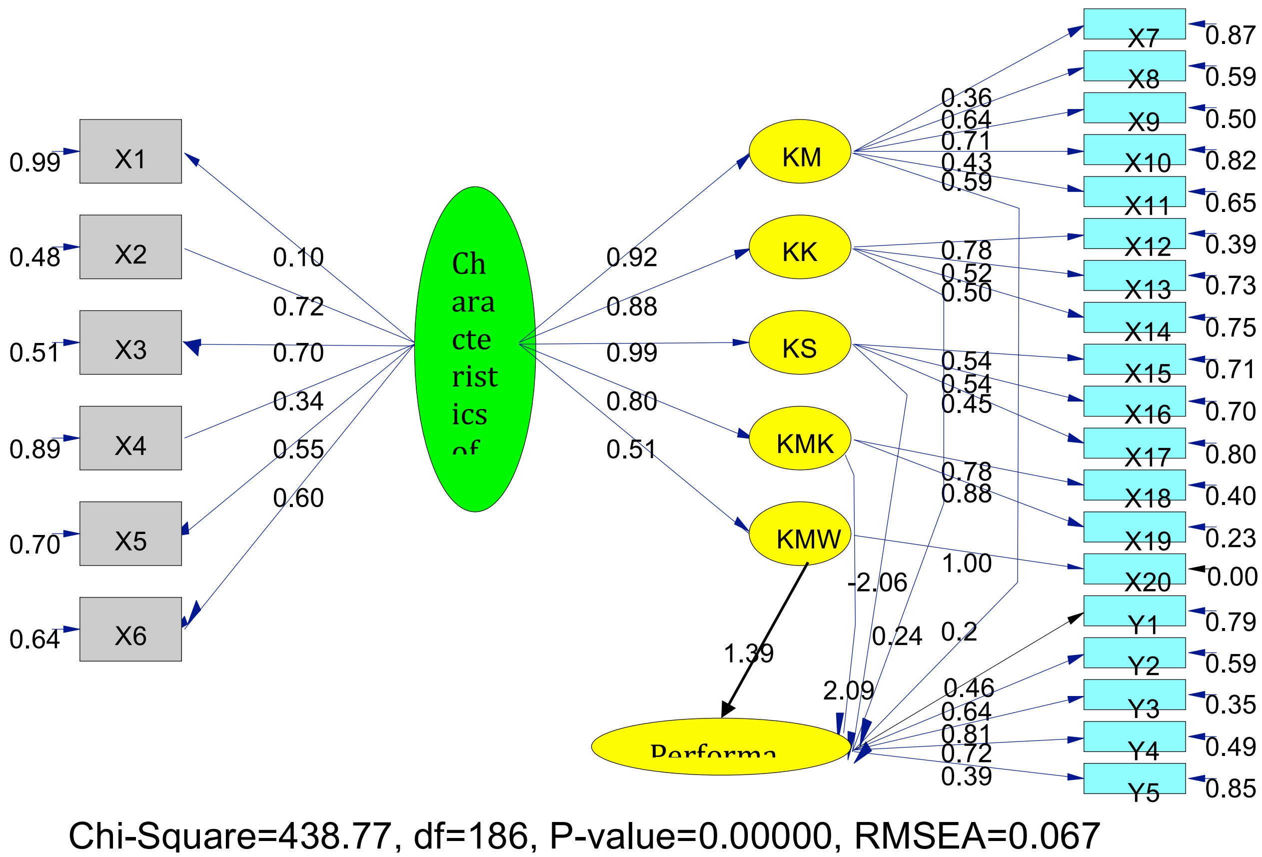
Influence of Entrepreneurial Characteristics to the Performance of SMEs through Entrepreneurial Competencies

Entrepreneurial Competencies

The result which is shown in Figure 2 indicates that entrepreneurial characteristics influence positively and significantly to all variables of entrepreneurial competencies.

Thus, it is relevant to the theory that entrepreneurial characteristics influence positively to the entrepreneurial competencies. It can be interpreted that developing entrepreneurial characteristics is very important to help improve entrepreneurial competencies.

It is found that managerial competency is contributed significantly by all its attributes. Ability to manage marketing is the biggest contribution to the managerial capability (its loading factor is 0,71). Meanwhile Conceptual Capability is contributed by ability to focus on tasks and outcomes, leaderships and focus on vision. The highest contribution results from ability to focus on tasks and outcomes. Communication skills, ability to cooperate and ability to consult to the expert give a significant contribution to the social capability. Furthermore, ability to make decision and to formulate problems have high and significant contribution to the overall decision making Capability. The similar result is indicated by time management capability. Therefore, all variables of entrepreneurial competencies can be interpreted precisely by all given attributes.



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Goodness of Fit Model

The model is estimated to fulfil goodness of it criteria including RMR, RMSEA, GFI, AGFI, CFI and NFI. The goodness of fit criteria is shown in Table 1.

Influence of Entrepreneurial Characteristics to the SMEs performance through Entrepreneurial Competencies.

Figure 3 indicates that performance of SMEs is contributed significantly except for financial achievement. There are two variables of entrepreneurial competencies influence positively and significantly to the performance of SMEs, time management capability and decision making capability. Meanwhile managerial capability and conceptual capability have also positive impact to the performance of SMEs although it is not significant. However, there is a variable that has negative influence and significant to the performance of SMEs, that is social capability. This result is not relevant to the hypothesis. It can be explained that the SMEs who have ability to communicate and to cooperate with and to discuss with the expert would not automatically show good business performance. The result reveals that entrepreneurial characteristics influence indirectly to the performance of SMEs significantly through entrepreneurial competence in terms of time management capability and decision making capability. Thus, time management and decision making capability should be crucial aspects to be improved in order to develop SMEs business performance.

Significance of Variables

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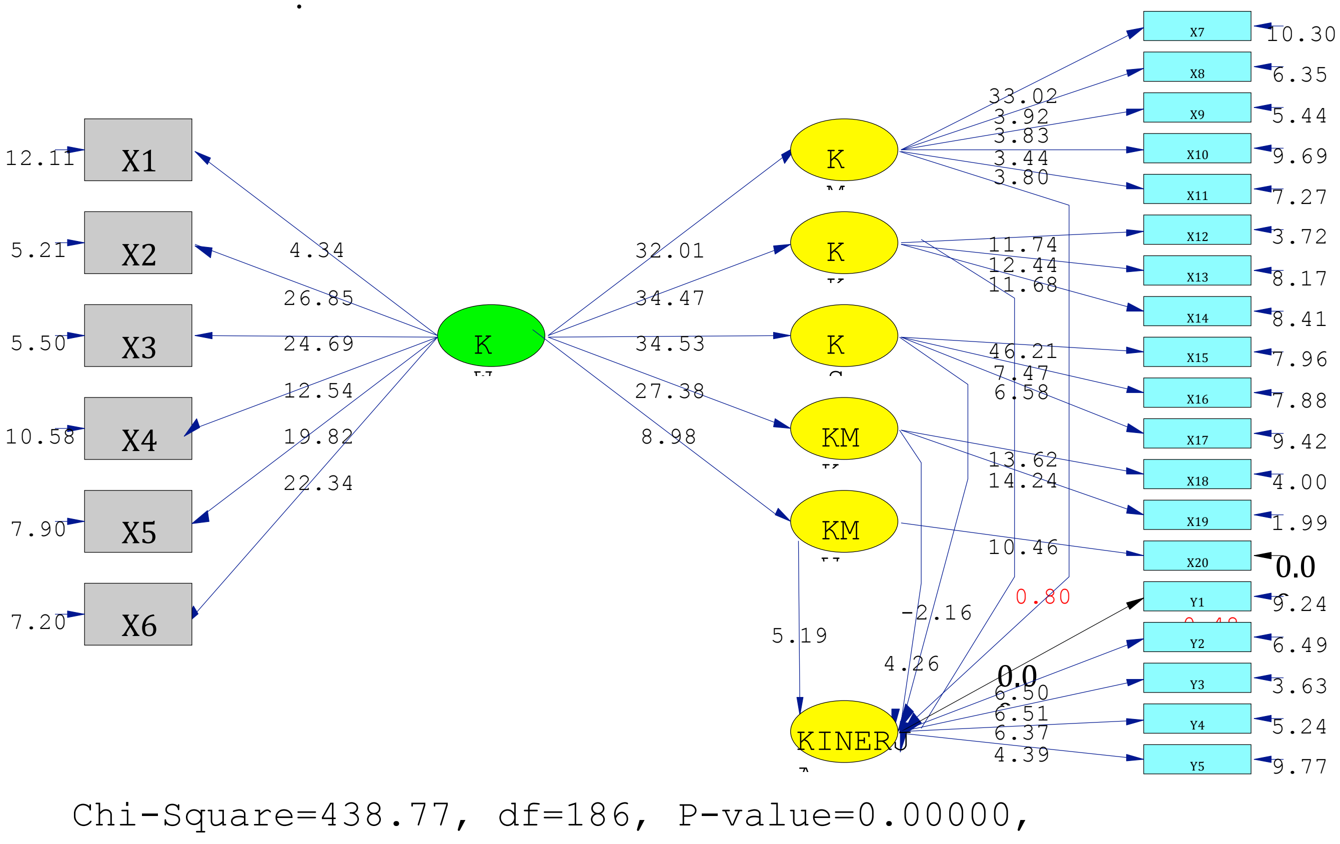

Added Value Analysis

It is found that several products which are produced by the majority of SMEs contribute to the medium added value which are ranged from 20% to 40 %. The average added value of tofu production in Garut is about 20, 80 %. However, the average added value of tofu produce by SMEs in Bogor is about 27, 33%, which is higher than that in Garut. This is due to several differences in the factors o added values. For example output priceses in Bogor per unit is higher than that in Garut although input price is relatively similar. The average added value of cassava crispy chips which are produced by SMEs in Bandung is about 38,28 %. The average of tempe production in Cianjur is about 41,11 % and the average added value of kerupuk (chips/ crackers) in Ciamis is approximately 22 %. The average level of profits for each product ranges from 21 % to 41 % that is relevant to added value. However, distribution of profit margin to direct labour, other input and owner profits is unequal. The highest contribution is for the owners' profit except for Kerupuk in Cianjur which is contributed to other inputs. And the lowest contribution is for direct labours. Table 2 illustrated added value of Tofu production is about Rp 2 341 per Kg of input for the period of production per month. Added value ratio is about 20, 80%, it indicates that soy bean processing to result in tofu gives medium added value. It can be illustrated that the performance of business of tofu has resulted in higher revenue that its costs, although it still need to be improved (see Table 2).

Table 2. Added Value of Tofu Production in Garut

No.	Items of Added value	Unit	Symbol	Value
Output, Input and Prices				
1.	Output	Kg/month	A	2,575
2.	Input	Kg/month	B	3,174
3.	Labour	HOK/month	C	128
4.	Conversion Factor	Ratio	D = A/B	0.81
5.	Labour Coefficient	Ratio	E = C/B	0.04
6.	Output prices	Rp/kg	F	13,875
Revenues and Profits				
7.	Labour wages	Rp/Kg	G	82
8	Input prices	Rp/Kg	H	7,171
9.	Contribution of	Rp/Kg	I	

	other inputs			1,745
10.	Output value	Rp	J = D x F	11,257
11.	ADDED VALUE	Rp	K = J – H – I	2,341
12.	Added value ratio	%	L = (K/J) x 100%	20.80
13.	Revenue of direct labours	Rp	M = E x G	3.29
14.	Share of labours	%	N = (M/K) x 100%	0.03
15.	Profit	Rp	O = K – M	2,338
16.	Level of profit	%	P = (O/K) x 100%	20.77
Retribution of production factors'owner				
17.	Profit Margin	Rp	Q = J – H	4,087
18.	(a) revenue of direct labours	%	R = (M/Q) x 100%	0.08
19.	(b) Contribution of other inputs	%	S = (I/Q) x 100%	42.70

20.	(c) Owners' profit	%	T = (O/Q) x 100%	57.22

CONCLUSION AND RECOMMENDATION

Conclusion

Based on the results, there are several conclusions as follows:

1. The majority of SMEs on agro industry in West Java demonstrate superior entrepreneurial characteristics and proficient entrepreneurial competencies. However, ability to take risks and innovativeness are revealed to be the weakest characteristics of the majority of SMEs. The majority of SMEs are lack in ability to document financial activities and business plan/ agenda and lack of technological adoption and also are not able to ask to the expert. The majority of SMEs shows poor business performance, except for profit growth and information access to financial sources. It indicates that SMEs performance is not determine only by entrepreneurial characteristics through the entrepreneurial competences but also may be influenced by other factors are not included in this model.

2. It indicates that the entrepreneurial characteristics influence positively and significantly to the five dimensions of entrepreneurial

competencies. It also reveals that entrepreneurial characteristics have an indirect positive impact to the overall performance of SMEs through whole entrepreneurial competencies, except for social capability.

3. It shows that the majority of agricultural based product produced by SMEs result in medium added value. It means that the business performance run by the majority of SMEs has resulted in higher revenue than cost of input per unit.

Recommendation

Improving performance of SMEs should be started by improving their entrepreneurial characteristics and then improving their competencies. There are two crucial characteristics that should be improved: innovativeness and ability to take risks. One of several ways to develop innovativeness and developing their capabilities is providing trainings related to building creativity and innovation. Ability to take risks should be developed by entrepreneurs through simulation and providing them routine consultation either by the government of by the other stakeholders such as big firms. Process of production should be run in the very efficient manner in order to result in higher added value and may give higher contribution to direct labours.

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The Contribution Of Village Palm Grove To The Cameroonian Rural Economic Growth

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ABSTRACT
In Cameroon, the 1980s were marked by the economic crisis (falling export revenues) with the direct consequences of unemployment. Thus many were retrenched from the public service, private companies and graduated students engaged in small- income generating activities which later became small businesses. It is in this context that the village palm grove of Pouma in Cameroon started to bloom as an economic branch and contributes remarkably to the food security reinforcement of Cameroon. The article aims at introducing the palm grove activity branch as an elevator of entrepreneurship in rural areas; it stresses the characteristics of entrepreneurial actors in this branch of activity, the motivations of the small-scale producers of palm oil and the challenges of the palm grove activity branch. The research on these issues was carried out through the survey on palm oil producers of Pouma-Cameroon and qualitative research method was used for analysis. Study reveal that in spite of poorly organised activities small-scale producers deserve a framework that will

allow a diffusion of entrepreneurial spirit that will promote the development of rural areas and economic development as well.

Key words: Village palm grove, small-scale producers, entrepreneurial development, entrepreneurial spirit, rural areas

INTRODUCTION

After independence, in 1960, Cameroon adopted a new economic system, as it was the case with other African States after independence to change the system inherited by colonizers. Therefore, in the national productive system, the State had to intervene in a simultaneous manner in the private sector. In so doing, the State had to control the so called strategic sectors namely the development of basic infrastructures, the energy sector, and more. Then the public powers oriented and controlled private action sector through what was called quinquenal plans[1].

As a result, in the mid 1980s, the country experienced a huge economic crisis (the fall of exportation income)[1] which led the country to pull itself from the productive system and allowed the advancement of private sectors. The aftermath of this crisis led to the increase of alarge rate of unemployment. The government employees who lost their employment in the public sector as well as graduates searching for jobs to sustain themselves created some income generating activities. Consequently, those lucrative small activities were later transformed into small

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enterprises. Under this wave, deflated of the public services and the students, found themselves in economic activity sectors, namely the primary and secondary sector, and a concentration of activities in the tertiary sector.

The economic circumstance (the rise of approximatively 40% in the real effective exchange rate of CFA Francs in 1994, the increase of external debt and the budgetary deficit)[1], leading to these activities, were executed mostly in a disorganized manners. It is in this context that the village palm grove became a branch of economic activities. Some deflated of public service went back to their villages to exploit the old plantations of their parents, or to create new ones, enabling the village palm grove to increase to about 100,000 hectares on a surface of 161,000 hectares of palm tree that exist in the country and feeding agro-industries at a level of 12% in palm bunches[1].

Palm oil provides food for the majority of Cameroonians. Palm oil is also used as raw materials by many manufacturing industries. Finally, a lot of developmental activities around palm grove such as buying and selling of palm oil, including their derivative products are promoted by both sellers and buyers in the local markets. Considering developed activities around the culture of palm oil, one can realize that the small-scale producers have big proportions of plantations (100,000 hectares of village palm grove against 61,000 hectares of industrial palm grove).

Some current practices of the producers meet the entrepreneurial phenomenon. But despite deployed effort by palm oil producers to serve the country, and despite their day- to- day increasing number, the local production of palm oil does not cover the household needs over the national territory; this opened the way to importation. Although importation was needed, the gap still prevails between the increasing demand and the inadequate supply of palm oil. In Cameroon, the current deficit of 11,000 tons could reach 210,000 tons by year 2015[1]. The village palm grove influence the formation of Gross Domestic Product (GDP) of rural sector and also impacts on the Cameroon economic development.

CHARACTERISTICS OF ENTREPRENEURIAL PHENOMENON

Entrepreneurial phenomenon is a complex domain which attracts many researchers from various research domains such as Management, Psychology and Economics.

For psychologists, entrepreneurship is defined from the psychological characteristics of the entrepreneur. Clelland (as cited in Boutiller and Fournier, 2006)[1] reveal two essential dimensions that helps us to define an entrepreneurial behaviour: it is about the need that push an individual to accomplish, to search for satisfying solutions on his/her problems and the need of power that is the willingness which is some how explained to occupy an important place in the system.

According to managers, entrepreneurship is connected to the notion of organization, as it is described by Bygrave and Hofer (as cited Verstraete and Fayolle 2005)[1], for these researchers, an entrepreneur is one who perceives an opportunity and creates an organization to exploit the opportunity; entrepreneur is thus one who gets profit from a given opportunity. Economists on the other hand are interested in the impact of entrepreneurs in the creation of wealth as it is highlighted by Marcus Dejardin (2000:4) [1]through a creation of products and services; entrepreneurs affect and renew economic activities. The discovering of activities and the creation of wealth are therefore attributed to the entrepreneur. From these definitions and characteristics, we are convinced that an entrepreneur is somebody who takes responsibility to change his/her social and economic environment through developmental actions and through creative activities.

As it is complex to study all sides of entrepreneurial phenomenon, we shall limit this study on some characteristic elements of entrepreneurial phenomenon such as, characteristics of the phenomenon; the view of the entrepreneur, the motivating factors to the entrepreneurial act and the constraints connected with the entrepreneurial phenomenon.

Concerning the bordering of the entrepreneur, the socio- biographic characteristics such as: age, gender and training of the entrepreneur that would differentiate or distinguish the entrepreneur from others.Gibb and Ritchie (1981: 183) propose a theory that suggests"entrepreneurship can be wholly understood in terms of the types of situation encountered and the social groups to which individuals relate"[1],they also argue that depending on education and social environment the entrepreneurial competence is high between the age 27 and 34 years old.

About the motivation factors on entrepreneurial act, the Global Entrepreneurship Monitor (GEM) (as cited in Verstraete and Saporta, 2006) [1]classifies entrepreneurs' motivation into two categories namely: the opportunity creator and the necessity creator. According to Global Entrepreneurship Monitor, those who fall in the last category create enterprise for their own employment because they do not have any choice while those in the first category are real entrepreneurs displaced by real willingness of creating wealth. Motivations on entrepreneurial acts are different and they vary. Psychological motivations related to psychics of the individual (independence need, personal accomplishment need, affiliation need, and social recognition need) and situational motivations (need, opportunism and the financial need), are generally linked with certain catalytic events whose impact is strictly personal and provoke creating action.[1] Cultural motivations (entrepreneurs displace these motivations and sometimes create activities in the social domain or in the cultural milieu that value the group and the individual) and economic motivations (searching for profit) that activate the opportunity creators. Fouda (2002:26) asserts that, for Cameroonian people, cultural motivation is always at the enterprise creation origin; therefore, its implementation in the Cameroonian context, a particular attention must be put on community's mind (mentality).[1]

The constraints of entrepreneurial acts are so many and constitute a barrier to entrepreneurial spirit. Administrative, financial, and cultural constraints are linked with the entrepreneurial phenomenon. Administrative constraints are official procedures that the entrepreneur must achieve along the creation and the development of his/her enterprise.World Bank (2011: 113)[1] says that it is a matter of obtaining all licenses and all necessary permits and accomplishes from involved authorities all the required formalities for the enterprise and employees, including notifications, verifications or inscriptions. These official procedures (requires procedures for an enterprise creation: the deadline to accomplish a procedure, the cost of the the procedure institutionalization sets the payment of minimum capital during the registration) when these costs are heavy can cause obstacles for the entrepreneurial promotion. In Cameroon, despite the creation of enterprise registration center (one-stop shop), the procedures still remain heavy (for the period of 2009-2010 for ease of doing business(rank) the country ranked to the 168th out of 183 in the world)[1].

The financial aspect is a determinant element for the creation of enterprise. Banks are always difficult in offering loans to new entrepreneurs because of lack of information about the capacity of refunding and sometimes the weakness of proposed guarantees. Kauffman (2005: 2) affirms that "Small and Medium Enterprises in Africa suffer due to lack of funding which constrain their emergency and future development"[1]. The financial problem remains an obstacle that an entrepreneur must goes through to achieve his/her entrepreneurship vision.

The Global Entrepreneurship Monitor (GEM) [1]confirms that socio-cultural norms are the prime factors that are able to explain the weaknesses of entrepreneurial activity rate in some countries in comparison with others. It notices the principle cultural barriers to the enterprise creation, the refusal of failure, the negligence of money and the anxiety of facing risk. These Cultural influences negatively or positively to the enterprise spirit. However, the reality of cultural aspects is not accepted everywhere because there are specificities connected to (estimated values) each country or region. So, one is forced to accept that to each culture fits an entrepreneurship form. In Cameroon, this phenomenon can be explained by the community mentality which is a factor of motivation to the entrepreneurial act.

The review of some characteristic elements of entrepreneurial phenomenon stated above show that entrepreneurship is a complex domain whose sides cannot be clarified in this study. Therefore, it is necessary and a must to clarify the aims of the study.

AIMS OF THE STUDY

This study aims to use, a case study of small-scale producers of palm oil in the productive bassin of Pouma in Cameroon, to present the branch of villages palm grove as an entrepreneurial support or pillar in highlighting the entrepreneurial characteristics of actors of this activity branch; their motivations for the activity and the challenges faced in the village palm grove. This study was done with the small-scale producers of palm oil fromPouma- Cameroon, from which we discovered the importance and the impact of palm grove activity branch on entrepreneurial development in rural areas. To fulfill this objective, the researcher used qualitative research method and data collection was made possible through the use of survey.

OBJECTIVES OF THE STUDY

The entrepreneurial phenomenon analysis considers a status and the role of promoters in the creation and development of affairs. Various analysis methods have been developed to explain this phenomenon in Africa and in the World. Our analysis follows the perspective of socio-economic movement[1], and has the following objectives:

- To analyze the practices of entrepreneurial acts of the small-scale producers of palm oil of the Pouma-Cameroon. We are therefore interested in the imperic dimension of the entrepreneurial such as the manifestation of entrepreneurial phenomenon. Kamdem (2001: 30) declares that entrepreneurship is a complex phenomenon that cannot be reduced at simple economic, financial, and material considerations. For this reason, the research must be oriented more towards the understanding of practices and entrepreneurial logic already observed in African settings[1]. So, this study has the objective of appreciating how some practices of palm oil producers meet the entrepreneurial phenomenon (entrepreneurial acts), understand their motivations so as to lead entrepreneurial dynamics that are observed within palm oil small-scale producers of Pouma-Cameroon.

-To respond to the question about the palm grove as a support to entrepreneurial developpement.

4. METHODOLOGY

4.1. Methods and characteristics of the population of the study

This study uses a case study and inductive model of analysis because it examines the socio-cultural and social-economic context of small-scale producers in order to understand the manifestations of entrepreneurial phenomenon in rural areas. The research instruments were observation, survey and secondary information (data) analysis. The village palm grove has about 7500 small-scale producers in 7 out of 10 regions of Cameroon. According to their production destination the small-scale producers are classified into two categories: the ones whose sale directly to oil producing industries and the other ones whose final production is transformed into artisanal (local) palm oil. The transformation does not take place in the company having installations such as offices; the industries still has less qualified staff. Installations are generally taking place in small hall and depots where they have installed their productive equipments (presses, drum, and barrels serving as ovens, wheel barrows, buckets, and other materials). The production is done into two phases such as production of raw material (palm bunches) and production of final product (palm oil). The first phase is concerned with the establishment of palm grove plantation. For one hectare, 143 plants of palm tree are needed. The plantation produces mature bunches in four years.

The second phase counts artisanal palm oil production and the process is done in six steps: the cutting, the detachment, the first cooking, the pressing, the second cooking, and clarification in a filter press or by sedimentation.[1]

This study was interested in small-scale producers who produce artisanal palm oil especially in the Pouma bassin. These producers comprises of the reference (control or target group) population of the study counting about 500 producers sent in four politico-administrative zones (Pouma, Ngok-Mapubi, Matomb and Eséka). From this population, a sample of 104 was drawn. This is about the small-scale producers from different villages of two political-administrative zones of the study namely Pouma (litoral Region and Ngok-Mapubi (central Region). We considered the following questions for the selection of our sample: 1) does the participant own a palm grove plantation? 2) Does the participant produce and sell palm oil?

4.2. Data collection and data analysis

a) Data collection

The questionnaire, served as an instrument of data collection, is composed of 27 questions divided into three themes, which were meant to get the characteristics elements of small-scale producers: their profits, their motivations for activity and the difficulties encountered.

The following were the 3 question themes:

Theme1. The type of small producer: This was composed of 10 questions; it provided information about the typology of the small-scale producers, their socio-demographic and the motivation for the activity.

Theme 2: The activity: This theme constituted of 12 questions and was concerned with characteristics of activity and difficulties encountered in the exercise of the task.

Theme 3: Support to the creation: Composed of 3 questions, this theme revealed information about the environmental influence of creation such as the family, the private institutions and State supports to small-scale producers.

b) Data analysis

Once the questions were administered, counting proceeded. At this step, out of 104 questions, 4 of them were not treated and were rejected; 100 questions were treated from 17.0 SPSS statistical software. Then content analysis[1] was used to interpret the results.

5. RESULT AND INTERPRETATION

5.1 The small-scale producers of palm oil

a) Typology of small-scale producers

Question 4(Q4): Have you been residing in this village?

This question revealed that the small-scale producers are rural and urban origin.

Table 1: Social Origin (see list of tables attached)

Small-scale producers from rural origin

These producers constituted 35% of questionnaire respondents. Since their birth, they never left their areas. Agriculture is their main activity and they are involved in different activities such as: coconut, coffee, roots and yam and palm oil. Their major motivation is the need for survival because their basic revenue comes from these activities. In addition, they are motivated by the support of their families because some of the palm oil produces are used as food for the family.

The small-scale producers from urban origin

The small-scale producers from urban origin constituted 65% of the questionnaire respondents.These, for different reasons (loss employment and retirement) have once resided in town before they could decide to settle in rural zone. In this category we find young people and some retired people.

The young people

Most of these young people did not complete their education, and consequently left school without obtaining their certificate. Lacking required qualification, they exercised some vocational work and did not succeed. Their main motivation is to generate money for their survival.

The retired employees and non-retired employees

The retired employees are those who, at the retirement age go to their respective villages. Since agriculture is the main activity for villagers, they join it for additional sources of income; their retirement allowance cannot meet all the needs of the family and especially paying the study fees of the children staying in town. Their principal motivation is to improve the revenue and support the family. They are generally above 50 years old. For non-retired employees, the agriculral activity is a source of additional revenue to top up their salary. Palm oil is also produced for self consumption. Their major motivation is searching for profits and financial support.

b) Small-scale producers' socio-demographic profile

The socio-demographic characteristics are revealed by variables such as: Q1 : gender, Q2 : age, Q5 : matrimonial situation

About the gender, people consider that entrepreneurship is a privilege of men for small-scale producers. This is the reason why the proportion of women was low (11%) in the survey. This may be understood by the fact that the activity of palm oil production is painful. Women who try are supported by their husbands and use occasional manpower that they pay while working during the production process; on the other hand, other women help their husbands.

Table 2: Division per gender (See list of tables attached)

How old are you? This question reveals a weak proportion of 2% of young people whose age is comprised between 18 and 30 years old. They find that the activity is painful and prefer activities that can immediately generate revenue, such as operating public transport, using motorcycles. In this study 41% of the survey respondents were between 31and 50 years. This low proportion in comparison with those above 50 years old means that those in that range age are still living in town, working in public administration or within the private sector. In the survey, 57% of the respondents were above 50 years old. This strong proportion in this range can be understood by the fact that retired people go back to their villages on one hand, and on the other hand the responsibilities of the head of the family who must source more revenue and income to sustain the family needs.

Table 3: Division per age (see list of tables attached)

To the question: Are you married? Responses indicate that enterprise spirit is more dominant to married people with 89% of the respondents than to the single ones and the widows'. This can be explained by the family burden, the satisfaction of familial needs (feeding, clothing, and schooling of chidren), and the important manpower that the agricultural activities need in general and the palm oil production in particular, the help of the spouse and children being important.

Table 4: Matrimonial status (see list of tables attached)

The socio-characteristics have revealed that the age of actors of village palm grove is comprised between 18 and above 50 years old. Majority of them are male and married. The small-scale producers are therefore adult entrepreneurs.

5.2. Small-scale producers'motivationsand contraints

To the question: What are the motivation backgrounds of your exploitation? Responses revealed that the motivations of small-scale producers for exploitation of palm grove are varied and depend on each category of them. The principal motivations are connected with some events such as the loss of employment, retirement, the desire of collective welfare (supporting the family) and the search for profit. They could then be grouped into three categories: situational motivations, cultural motivations and economic motivations.

Situational motivations refer to some factors that lead to the decision to start agricultural activities. To some young people, palm grove exploitation came after the loss of small vocational jobs because of not being qualified. For the small-scale producers' beyond 50 years old, the retirement was at the beginning of the establishment of their plantations, and to the small-scale producers from rural areas, it is a source of revenue in order to meet the essential needs (feeding, clothing, healthcare, etc.). In this aspect 60% of small-scale producers exploit the palm grove for survival reasons.

Table 5: Motivations to acticity= survival needs (see list of tables attached)

The cultural motivations (community attachment) show that 53 % of the respondents have created plantations to support their families; so, the palm grove is a source of revenue that should be exploited by the family members.

Table 6: Motivation to activity: supporting family (see list of tables attached)

The economic motivations: the small-scale producers' searchingfor profit is those who make important business figures and have plantations that generally exceed three hectares. As shown in the table below 81% of the the questionnaire respondents are motivated by profit reasons.

Table 7: Motivation to activity: searching for profit (see list of tables attached)

It should also be noted that the improvement of revenue is a variant of economic motivation because to some small-scale producers, the exploitation of palm oil is a business opportunity that provides additional source of income on top of the prime earnings (retirement pension, paid employment, revenu generating activity).

Constraints that face to small scale producers in their activity are of two types: Endogenous constraints and exogenous constraints. Endogenousconstraints are linked to the small-scale producers' activities and have three levels: Bunch production (plantation services), the transformation (the low productivity of artisan milling) and the commerce (the market is less organized).

Exogenous constraints do not depend on small-scale producers. It is about the lack of infrastructure such as roads (it is difficulty for the products to reach the markets), and training (lack of technical training), financial constraints (lack of financial support) and cultural constraints (agricultural activities seem to be useless to some young people).

Support to Small-scale producers'activities

To the question: Did your family encourage you for the creation of your plantation?

The family is the first environment that encouraged the initiative of small-scale producers; here, 97% of respondents showed that they were encouraged by their families. The State and some Non Governmental Organization (NGO) have also put in their support (technical training), but remained insufficient to the needs of small-scale producers.

CONCLUSIONS

This study has demonstrated that the private initiative in Cameroon is manifested through the creation of small enterprises representing 75 %[1] of the Cameroonian enterprises in all the economic sectors. The village palm grove which is part of the prime sector, participants in a significant manner to the development of private sector in rural areas. The analysis of entrepreneurial phenomenon to the small-scale producers shows the following facts:

1. The profile analysis of small-scale producers reveals that this profile is not far from what is attributed to any entrepreneur (most of them are males). The socio-biographic characteristics make them complete entrepreneurs.
2. The identified motivations to the small-scale producers lead to form two categories according to the Global Eentrepreneurship Monitor[1]classification « opportunity creators » and « necessity creators ». So, on those of small-scale producers searching for profit and improvement of revenue are assimilated to opportunity creators, and others stimulated by the need of money and the support of the family are assimilated to the necessity creators. Moreover, motivations depend on economic transformations (on the micro level) and social transformations (retirement, loss of employment).
3. Like any entrepreneur, small-scale producers face a lot of challenges some of them are associated with their activity and others with the environmental creation.

4. The financial and cultural constraints and the lack of training constitute a barrier to development against their activity development. The entrepreneurial phenomenon revealed that characteristics of small-scale producers are found in every entrepreneurial phenomenon with some particularities (associated with rural areas). But some aspects must be improved for a perfect activity's development. It is important to remind that this study is based on imperical dimension of entrepreneurial phenomenon. This means that the study of entrepreneurial has an impact on the acts of small-scale producers. Furthermore, our recommendations advocate for the development of the entrepreneurial spirit observed to these rural entrepreneurs, the small-scale producers.

RECOMMENDATIONS

The small-scale producers like other Cameroonian entrepreneurs, face almost the same impediments in their activity. So, our recommendations in the framework of this study, favor the reinforcement of entrepreneurial spirit developed by the small-scale producers through their activities. It is a matter of:

-Stimulating entrepreneurs themselves, public authorities, and any other actor in the Cameroonian private sector to participate in the establishment of entrepreneurs' class, able to boost the growth of Cameroon Economic Development.

-Improving the exercise of small-scale producers' activities for the difficulties related to villages palm grove.

- Setting new financial tools adapted to rural areas such as Mutual Saving and Loans that would give loans to enable small-scale producers to participate in capital accumulation and modernized transformative tools which is a requirement to small-scale producers.

-Training small-scale producers: the study has showen that majority of small-scale producers did not have necessary technical training for the culture of palm oil, and the management of this activity. A training programme for management activities could have a positive impact on productivity of small scale producers of palm oil.

- Encouraging young people on production activity because the participation of the young people was low; this was observed in the village palm grove activities. This situation was caused by lack of diffusion of enterprise spirit in the family, the first learning circle.

-Calling upon parents' conscience to recognize the fate of their children rather than believing that the public service is the only place that can assure job security. Parents are supposed to educate their children towards technical trainings and teach them how to develop entrepreneurial activities. Then, the country could have a class of entrepreneur in all parts of economic sectors.

- Improving the affair climate with particular actions on fiscal, corruption; basic infrastructure could participate in a significant manner on the

Cameroon entrepreneurial promotion. It is necessary to adapt the institutional and judicial framework in establishing laws and rules that fit into micro activities and proceeding to the fiscal exemptions for the young entrepreneurs. The establishment of business legislation suitable to the very small enterprises that comprise the very important proportion of enterprises in Cameroon is necessary. Corruption is generally a barrier against economic and social development and especially the development of entrepreneurial activity particularly.As revealed by the finding of Business Climate Survey in Cameroon that: Corruption remains rampant throughout the territory and for all size of enterprises and in all sectors as well[1]. Corruption is an obstacle to enterprise competitiviness in Cameroon.

-Balanced enterprises distribution. The concentration of enterprises in Cameroon's big towns such asYaoundé, Douala, Bafoussam, could explain the fact that product expansion operates directly at the custom and the distribution costs are reduced at a minimum level. The development of road infrastructures facilitate the development of enterprises ; the main societies could in fact, open more branches beyond big towns and relocate some of their activities towards small towns where manpower is relatively cheap and available. The distribution in water and electricity is another problem to entrepreneurs, especially the weak rural zone coverage which remains the barrier for installing enterprises in these zones that have cheap manpower, but also with an extension of internet network, useful for the functioning of activities of any enterprise whatever the localization (urban or rural zone).

RECOMMENDATIONS TO FURTHER RESEACHERS

This study is about Village palm grove as development lever to the entrepreneurial activity in rural areas, it advocates in favor of the promotion of entrepreneurship in rural areas where poverty is more severe. Although, the developed activities in that zone are less structured, they have characteristics of entrepreneurial phenomenon and contribute to economic development.This new class of entrepreneurs, the small-scale producers of palm oil, deserves attention of actors of entrepreneurship in Cameroon. Therefore; we recommend that; further reseachers in entrepreneurial domain are required to bring different development actors (State, Non Governmental Organization, Funders, Civil society, and Investors) to make their contributions in promoting entrepreneurial activities in rural areas. On the other hand, in the Cameroonian context, researchers should emphasize on manifestation specificity of this phenomenon that is influenced by proper characteristics to its institutional and economic environment.

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