



*ESU - European University Network  
on Entrepreneurship*



**Instituto Universitário de Lisboa**

# Proceedings of the Entrepreneurship Summer University at ISCTE-IUL 2013

*António Caetano, Susana Correia Santos & Sílvia Fernandes Costa*

**Editors**

ISBN: 978-989-732-207-5





**Instituto Universitário de Lisboa – ISCTE-IUL**

Av<sup>a</sup> das Forças Armadas, 1649-026 Lisboa

Tel.: +351 217903000

Fax: +351 217964710

António Caetano, Susana Correia Santos & Sílvia Fernandes Costa  
Editors

© 2014

ISBN: 978-989-732-207-5



**Proceedings of the Entrepreneurship Summer University**

**at ISCTE-IUL 2013**

**ISCTE IUL**  
Instituto Universitário de Lisboa



## Sponsors of Entrepreneurship Summer University 2013:

<http://www.esu.fi/esu2013.html>

**ISCTE IUL**  
Instituto Universitário de Lisboa

**BRU IUL**  
BUSINESS RESEARCH UNIT (UNIDE-IUL)  
Instituto Universitário de Lisboa

COM O ALTO PATROCÍNIO  
DE SUA EXCELÊNCIA



*O Presidente da República*

**FCT**

Fundação para a Ciência e a Tecnologia  
MINISTÉRIO DA CIÊNCIA, TECNOLOGIA E ENSINO SUPERIOR



Câmara Municipal  
**Lisboa**



1756  
The Portuguese Wine Company



**FUNDAÇÃO**







## EDITORIAL MESSAGE

At Instituto Universitário de Lisboa (ISCTE-IUL) we were happy and proud to welcome the Entrepreneurship Summer University (ESU) Conference and Doctoral Programme from 19<sup>th</sup> to 23<sup>rd</sup> August, 2013.

We thank all your interesting contributions to this edition of ESU. We received several papers from PhD students, young academics and Professors from all over the world, which provided interesting a lively discussions at the conference.

In this proceedings book you will find some of the conference papers and the research proposals that were presented and discussed, about three main topics: entrepreneurship education; small and medium enterprises and family business; entrepreneurship processes and categories.

We wish you great reading.

*António Caetano, Susana Correia Santos and Sílvia Fernandes Costa*

Editors | Organizing Committee of ESU 2013





## CONTENTS

### **PART I ..... 13**

#### **ENTREPRENEURSHIP EDUCATION**

Learning Outcomes Paradox of Entrepreneurship Education Impact in Leading Business Schools of Latvia..... 14

Inna Kozlinska, Tõnis Mets, Kärt Rõigas

The impact of participation in curricular and extracurricular higher education courses on student's entrepreneurial intention ..... 27

Birgit Wimmer-Wurm, Norbert Kailer, & Christine Blanka

Entrepreneurial competencies as learning objectives in higher entrepreneurship education... 37

Eva Weinberger and Michael Schefczyk

Learning through reflection: The role of mentorship in entrepreneurship education ..... 47

Gustav Hägg & Diamanto Politis

Entrepreneurship education into Finnish teacher education curricula ..... 57

Anne Tiikkala, Jaana Seikkula-Leino, Outi Sunila, Heikki Hannula & Lenita Hietanen

Entrepreneurial learning by doing: support and development of entrepreneurs during the business trial phase – A Research Project ..... 67

Aline Mariane Ribeiro

### **PART II..... 83**

#### **SMALL AND MEDIUM ENTERPRISES AND FAMILY BUSINESS**

Perception of the interaction between entrepreneurial and accounting processes ..... 84

Eve Lamberg

A Competing Values Framework Approach on Growth and Performance in Micro Firms .... 94

Ana Rodrigues & António Caetano

Family business background and succession intentions – A survey among entrepreneurs’ children.....	107
Christine Blanka, Norbert Kailer & Birgit Wimmer-Wurm	
Dealing with relational risk in franchise firms: Evidence from Germany .....	118
Gerlinde Brinkel	
The Role of Business Incubators in the Firms Creation and the Emerging Entrepreneurial Networks .....	127
Vaiva Stanisauskaite	
SMEs Internationalization: An Institutional Networks Perspective: Research Project .....	135
Oparaocha Gospel Onyema	
<b>PART III. ....</b>	<b>145</b>
<b>ENTREPRENEURSHIP PROCESSES AND CATEGORIES</b>	
A process view on sustainability entrepreneurship: Towards a model .....	146
Frank-Martin Belz & Julia Katharina Binder	
Knowledge “Multiplicability” and new venture creation through experimental labs.....	159
Valentina Iscaro & Laura Castaldi	
Every Cloud has a Silver Lining – Creating Social Value out of Disasters.....	168
Steffen Farny	
Market strategies at entrepreneurial farms exploring food specialties.....	179
Jorunn Grande, Trine Magnus and Margrete Haugum	
Tanzanian Female Entrepreneurship: Policies and Strategies for Start-Up Decision .....	188
Dina M. Nziku	







# **PART I.**

# **ENTREPRENEURSHIP EDUCATION**



## ***Learning Outcomes Paradox of Entrepreneurship Education Impact in Leading Business Schools of Latvia***

**Inna Kozlinska, Tõnis Mets, Kärt Rõigas**

University of Tartu

Faculty of Economics and Business Administration

inna.kozlinska@ut.ee

### **Abstract**

*An empirical study presented in this paper addresses a major gap in the entrepreneurship education impact research – the lack of evidence that experiential approach in teaching and learning entrepreneurship is associated with superior outcomes in comparison to the standard approach. It focuses on the learning outcomes specifically and applies the entrepreneurship competence-based framework to measure them. The implemented quantitative study with the use of confirmatory factor analysis and one-way analysis of variance is based on a sample of 362 students on the last year of their Bachelor programmes and recent graduates of these programmes from the leading higher education institutions of Latvia. The analysis brings about somewhat paradoxical results – the learning outcomes of the students from the institutions that employ more experiential entrepreneurship education are whether relatively the same or even lower than in the less experiential institutions.*

### **Introduction**

While experiential approach to entrepreneurship education (EE) has gained major recognition and is well-established in the literature, the valid quantitative proof that this approach generates better outcomes as compared to the standard or less experiential (competence vs. supply-demand models in education) is absent in the European context. The existing impact studies are rather focused on comparing outcomes of students from EE and non-EE programmes irrespective of the form of educational intervention, having proved, however, a positive effect of EE. Others track career paths of alumni, measure the number of established companies, entrepreneurial self-efficacy and intentions.

In view of the fact that the effect of the experiential EE is not proven statistically, the question is whether these differences exist, since treating non-entrepreneurship students and/or graduates as a control group, does not seem to be a reliable approach – what if students, who

learn-by-doing less, have similar outcomes to those, who learn-by-doing more? In case this holds true, massive restructuring and refocusing of existing curricula is not viable, since it requires investments of time and resources, including training of entrepreneurship educators.

Various approaches to EE outcomes measurement exist, but the majority of them tend to rely on psychology-driven constructs aimed at measuring change in students' and graduates' entrepreneurial attitudes, self-efficacy, intentions, skills, etc., possibly, owing to the substantial theoretical foundations (e.g. Bandura, 1994; Boyd and Vozikis, 1994; Krueger and Brazeal, 1994). However, rather than taking a well-established path, it is more intriguing to test the framework that is less popular in the EE research (used, for instance, by Fisher et al. (2008); by Izquierdo (2008), partly). Akin to the concept of experiential learning (Kolb, 1984), the framework originates from the science of education (Kennedy et al., 2006; Kraiger et al., 1993). Continuing the prior theoretical research (Kozlinska, 2012), the current paper focuses on the first part of the broader EE outcomes framework, i.e. learning outcomes, or entrepreneurship competences, expressed as cognitive, skill-based and affective outcomes.

The current paper *aims* to find out how the learning outcomes of students and graduates differ among the Latvian higher education institutions (HEIs) with an attempt to capture the experiential EE effect by accounting for differences in teaching methods employed in respective entrepreneurship programmes/courses. The subsequent *tasks* are: 1) to conduct a confirmatory factor analysis of the learning outcomes' constituents; 2) to compare teaching methods used in entrepreneurship courses and programmes of different HEIs; 3) to perform statistical tests in order to reveal significant differences in groups of students and graduates exposed to experiential teaching methods with different frequencies.

## Conceptual framework

Originating from Bloom's taxonomy of educational objectives (Kennedy et al., 2006), the 3-dimensional framework consisting of cognitive, skill-based and affective outcomes was brought into general education and training by Kraiger et al. (1993) for measuring its results. Fisher et al. (2008) adapted this measurement approach further by categorising the learning outcomes specific to EE. It is also known as the European Competence Framework (Heder et al., 2011), where cognitive outcomes stand for knowledge about entrepreneurship, affective and skill-based outcomes – for entrepreneurial attitude and skills (Fisher et al., 2008; Izquierdo, 2008). This research conceptualises the learning outcomes measurement in EE as the science of education driven alternative to the currently used entrepreneurial self-efficacy (SE) (Vestergaard et al., 2012; Barakat et al., 2010) and other intentionality-related models (Zhang et al., 2013; Krueger et al., 2000; Boyd and Vozikis, 1994) derived from psychology, although it is also fully based on the self-reported level of knowledge, skills and attitudes.

Among contemporary studies, which tried to statistically measure the difference between standard and experiential EE outcomes at the higher education level, as far as the author is

informed, are Braun (2011) and Oosterbeek et al. (2011). Some authors measured differences between ex-ante and ex-post experiential groups (e.g. Barakat et al., 2010; Graevenitz et al., 2010), focused on ex-post evaluations only (e.g. Fayolle et al., 2007, Fisher et al., 2008) or combined methodological approaches by comparing ex-ante and ex-post evaluations of experiential groups and a non-entrepreneurship control group (Izquierdo, 2008). While it can be questionable, whether the latter examples maintained the purity of experiment in identifying the effect of experiential EE intervention, the former reported somewhat different results.

Braun (2011:67) drew a clear line between the container-knowledge and competence-approaches in teaching entrepreneurship after surveying 320 entrepreneurship students, 65 educators, and 53 “participants of appreciation workshops with project managers/civil servants” from 5 developing countries in Latin America. However, the study employed the “most-different-tools” approach and details supporting reliability (i.e. the size of control and treatment group in every country, education levels, and differences in teaching methods) remained unclear for readers.

The study of Oosterbeek et al. (2011) was targeted to vocational level pupils studying in 2 different campuses of 1 university in the Netherlands. As part of the study programme, the students from one campus were creating mini-companies, while the students from another campus were taught in more traditional way. The study brought overall insignificant effects on the students’ self-assessed entrepreneurial skills and even negative impact on entrepreneurial intentions among the treatment group students.

However these studies do not provide enough information to conclude about the reasons of the obtained results. In addition, they focus on completely different geographical locations. Nevertheless, many authors constantly emphasise, regardless of the research methodology employed, that the form of educational intervention can have a significant influence on the outcomes, and the nature of entrepreneurship presumes it has to be taught in the experiential way, in line with the social constructivist paradigm (e.g. Braun, 2011; Mets, 2010; Blenker et al., 2008; Izquierdo, 2008; Löbler, 2006). By far, what distinguishes one form of intervention, or, very often, one HEI and/or study programme, from another on a practical level is a combination of teaching/learning methods employed (Mwasalwiba, 2010; Blenker et al., 2008; Bécharde & Grégoire, 2005). Thus, the author hypothesizes that *the learning outcomes significantly differ among groups of students and graduates, who were exposed to experiential teaching methods during their study programmes and/or courses in entrepreneurship with different frequencies*. It can also be anticipated that EE programmes or courses that employ more experiential teaching methods are associated with higher learning outcomes among the entrepreneurship students and graduates.

Apart from differences in the methods employed to teach entrepreneurship (their combinations and frequencies), there are a number of other influencers that might affect the learning outcomes: major/minor (Colvereid and Moen, 1997), full-time/part-time programmes, elective/compulsory courses, as well as the entrepreneurship and non-



entrepreneurship study contexts (Klinger and Schundeln, 2011; Lorz, 2011; Martinez et al., 2010; Charney and Libecap, 2000). This research considers presence and status of entrepreneurship in curricula that serve as control measures, where the suppositions are:

- a) *EE learning outcomes differ significantly between entrepreneurship and non-entrepreneurship student groups;*
- b) *EE learning outcomes differ significantly between those, who studied entrepreneurship as a compulsory and as an elective discipline.*

### **Research methods, data, and measures**

The study is primarily based on the confirmatory factor analysis (CFA) performed using SPSS AMOS (Analysis of Moment Structures add-on). To test the main hypothesis, scale scores of the cognitive, skill-based and affective outcomes were then computed by multiplying each scale with the item standardised loading obtained as a result of the CFA. Afterwards, in combination with a uni-variate analysis carried out for each of the measured variables, differences in means tests using parametric one-way analysis of variance (ANOVA) were examined.

The study is based on a survey that reached 362 Bachelor students on the last year of study programmes and recent graduates of these programmes from the leading Latvian HEIs: 3 business schools (hereinafter referred to as A, B and C) and 2 universities (A and B). The data were collected from an online questionnaire-based survey conducted from March to May 2013 in the 5 Latvian HEIs, which are the leading institutions in the country, according to the state university's ranking (LU, 2012). The survey targeted Bachelor students on their last study year and graduates within 2 years after graduation (classes of 2012 and 2011) from entrepreneurship- and business-related programmes of the selected HEIs. Contacts established in the contributing institutions helped distribute 2826 e-mail invitations that resulted in 362 complete responses, or 13% average response rate. The research sample allowed performing the CFA in AMOS, and gave an opportunity to reveal the differences among the learning outcomes of the respondents, who were exposed to the educational interventions that feature higher and lower degrees of experimentalism as characterised by the EE methods employed in respective study programmes and courses.

The first set of questions in the survey was designed based on the theoretical model (Kozlinska, 2012) and concerned with cognitive, skill-based, and affective learning outcomes. These questions were derived from previous works on the EE outcomes by Fisher et al. (2008) and Gibb (2005) as well as defended doctoral dissertations on entrepreneurial competences and intentions by Izquierdo (2008) and Lorz (2011), thus underlying a cumulative effort to test more observed variables prior to creating the final construct. The wording of questions was based on Fisher et al. (2008), while the items were informed by all the aforementioned sources. In order to compare how the learning outcomes differ across

groups of respondents, the belongingness to a particular HEI served as a grouping criterion, which also coincided with varying frequencies of the respondents' exposure to experiential EE methods.

The second set of questions, as opposed to the first set, relied on single-item measures and represented control variables that also influence the EE outcomes, earlier empirical studies suggested: a) entrepreneurship and non-entrepreneurship groups (people, who did study the discipline and did not) (Klinger and Schundeln, 2011; Martinez et al., 2010; Charney and Libecap, 2000); b) the local context of the study did not render possible to distinguish between majors/minors in entrepreneurship and business management (as it was done by Colvereid and Moen, 1997), but status of entrepreneurship in curricula (compulsory or elective) was employed as an alternative control measure.

Cognitive outcomes, or knowledge about entrepreneurship, were measured based on the following question: *“During your entrepreneurship course or programme, have you learnt new information that you did not know at the beginning of the course about the following topics: (Squared multiple correlations ( $R^2$ ) that show the proportion of variance of the items that the latent variables, i.e. learning outcomes, explain, are shown in brackets next to each item.)*

- business modelling (0.563)
- team management (0.557)
- development of new products and services (0.540)
- evaluation of business opportunities (0.518)
- project management (0.487)
- entrepreneurship process (0.485)
- attraction of financing?” (0.418).

The respondents answered the question using a 5-point Likert scale coded as: *0-learned nothing, 1-was exposed to topic, 2-learned some basic facts about it, 3-learned a moderate amount, 4-gained extensive knowledge of the topic.*

To measure the skill-based outcomes of the respondents, they were asked *“Can you do things now that you could not do at the beginning of the course? Please select the response that best describes your level of improvement in each of the skills listed below, if 0-no improvement, 1-made one or two minor improvements, 2-made some improvements, 3-made substantial improvements, 4-can now perform very well:*

- organise and control on-going projects (0.713)
- solve creative business problems (0.639)

- set priorities and focus on realistic goals (0.610)
- lead a team (0.602)
- keep good interpersonal relations (0.594)
- develop innovative working environment (0.572)
- be a valuable team-member (0.532)
- negotiate deals with other businesses (0.528)
- identify unmet needs of people (0.528)
- deal with uncertainty, adapt to new and uncertain situations (0.516)
- build up professional networks” (0.486).

The 3<sup>rd</sup> group of outcomes, affective or attitudinal measures, relied on the statements that overlap with the existing models of entrepreneurial intentions (Krueger et al., 2000). The respondents were asked *to indicate the extent to which they agree with the following affirmations, using the 5-point Likert scale, from 0-strongly disagree to 4-strongly agree:*

- To be an entrepreneur and have own company is my true passion (0.809)
- A career as an entrepreneur suits me well – it gives me freedom and autonomy (0.761)
- Among various options I would rather be an entrepreneur (0.601)
- I want to start a new company (0.519)
- I am confident in my ability to start an enterprise (0.482).

In order to identify how the methods of teaching entrepreneurship differ in the researched HEIs, the respondents were asked *to select activities they took part during the entrepreneurship course or programme.*

The occurrence of these methods in the respondents’ answers differed in every HEI, thus creating natural treatment and control groups, or cases. For the sake of further comparisons and examination of the EE methods impact, 4 HEIs were selected (business schools A, B, C and university A), since the 5th HEI (university B) featured a relatively small sample (N=18). However, all 5 institutions were examined, when testing the effect of the control measures.

Information about presence of entrepreneurship in study curricula of the respondents and its status (elective or compulsory) was obtained from answers to the question *“Is entrepreneurship a compulsory course of your Bachelor study programme?”*: 1-yes, it is compulsory, 2-no, it is an elective or free elective, 3-I did not (do not) study entrepreneurship



at the Bachelor level. As a result, 3 groups were formed to assess the differences among them: entrepreneurship compulsory, entrepreneurship elective, and non-entrepreneurship.

## Findings

The confirmatory factor analysis showed acceptable model fit indexes (Obadia and Vida, 2011; Hooper et al., 2008; Barrett, 2007) in all the three learning outcomes:

- *Cognitive*:  $\chi^2=27.244$ , d.f.=13,  $p=0.012$ ,  $\chi^2/d.f.=2.096$ , GFI=0.979, NFI=0.975, TLI=0.979, CFI=0.987, RMSEA=0.055
- *Skill-based*:  $\chi^2=134.171$ , d.f.=41,  $p=0.000$ ,  $\chi^2/d.f.=3.272$ , GFI=0.935, NFI=0.950, TLI=0.952, CFI=0.964, RMSEA=0.079
- *Affective*:  $\chi^2=9.697$ , d.f.=4,  $p=0.046$ ,  $\chi^2/d.f.=2.424$ , GFI=0.989, NFI=0.991, TLI=0.987, CFI=0.995, RMSEA=0.063.

The assessment of frequencies of the experiential EE methods use in the surveyed HEIs as informed by the respondents showed that clearly the Business school C and the Business school B are more experiential as compared to the Business school A and the University A, while the Business school A, in turn, employs more experiential methods than the University A; at the same time, the Business school C appears to be the most experiential institution. Taking into account the identified differences in frequencies, the EE methods effect was analysed using the original grouping of the respondents – by the HEI, where the Business schools C and B notionally represent 2 treatment groups (cases), while the Business school A and University A – 2 control groups (cases). Table 1 highlights the mainstream experiential methods (Lee et al., 2010) and the selected HEIs, where these methods occurred most often (% in bold).

Table 1. Frequency of the teaching methods use in the researched HEIs

<i>Methods/HEI</i>	<b>Business school A (N=70)</b>	<b>Business school B (N=137)</b>	<b>Business school C (N=89)</b>	<b>University A (N=40)</b>
<b>real-life problem solving</b>	22.9%	42.3%	<b>64.0%</b>	22.5%
<b>pitching business ideas</b>	22.9%	26.3%	<b>38.2%</b>	17.5%
<b>24-h camps</b>	1.4%	<b>3.6%</b>	1.1%	0.0%
<b>internships (practice at work)</b>	<b>57.1%</b>	47.4%	34.8%	12.5%
<b>real-life projects with companies</b>	5.7%	22.6%	<b>55.1%</b>	5.0%
<b>creativity exercises</b>	30.0%	<b>40.1%</b>	36.0%	37.5%
<b>mini-companies</b>	7.1%	4.4%	<b>50.6%</b>	7.5%
<b>virtual mini-companies</b>	10.0%	<b>19.7%</b>	3.4%	15.0%
<b>pre-incubation &amp; incubation</b>	5.7%	7.3%	<b>10.1%</b>	0.0%
<b>fishbowls</b>	7.1%	<b>8.8%</b>	1.1%	7.5%
<b>effectuation-causation workshops</b>	0.0%	1.5%	0.0%	0.0%
<b>inter-disciplinary teamwork</b>	14.3%	11.7%	<b>21.3%</b>	10.0%
<b>business modelling</b>	31.4%	22.6%	<b>37.1%</b>	10.0%
<b>simulations</b>	20.0%	<b>34.3%</b>	29.2%	20.0%
<b>business games</b>	35.7%	<b>53.3%</b>	23.6%	45.0%
<b>business competitions</b>	8.6%	14.6%	<b>34.8%</b>	0.0%
<b>entrepreneurship labs</b>	2.9%	2.2%	<b>18.0%</b>	2.5%
<b>working with mentors</b>	2.9%	5.8%	<b>18.0%</b>	5.0%
<b>job shadowing</b>	11.4%	5.1%	<b>25.8%</b>	2.5%

Source: devised by the author

A one-way ANOVA test of the differences in the EE learning outcomes among the selected HEIs revealed statistically significant differences in the cognitive { $F(3,297)=2.807, p<0.040$ } and affective { $F(3,297)=3.382, p<0.019$ } outcomes. The test was applied to entrepreneurship students only (N=301) to hedge against possible effect pertaining to non-entrepreneurship students (one of the control measures). However, the cognitive outcomes in Business school A (1 of 2 control HEI) were higher than those in Business school C (1 of 2 treatment HEI) and University A (the 2<sup>nd</sup> control HEI); the affective outcomes, in turn, were higher in Business school B (the 2<sup>nd</sup> treatment HEI) than in Business school C (the 1<sup>st</sup> treatment HEI), as Fisher’s least significant difference post-hoc analyses showed on a 5%-level. Hence, the higher degree of experimentalism in EE did not signify higher cognitive and affective outcomes in this particular sample. Differences in the skill-based outcomes did not prove to be significant and the main hypothesis was supported only partly, although the initial anticipations from the identified differences could not be approved.

The examination of the control variables influence – presence and status of entrepreneurship in curricula – revealed that all the learning outcomes (cognitive ( $\chi^2=23,591$ ,  $df=2$ ,  $p < 0.000$ ), skill-based ( $\chi^2=8,702$ ,  $df=2$ ,  $p < 0.013$ ) and affective ( $\chi^2=6,678$ ,  $df=2$ ,  $p < 0.035$ ) are significantly higher among the entrepreneurship students and graduates ( $N=325$ ) in comparison to the non-entrepreneurship ( $N=36$ ), thus confirming numerous earlier findings.

Although no means difference effect on any of the learning outcomes was found from the status of entrepreneurship in curricula – compulsory ( $N=292$ ) or elective ( $N=23$ ) – the univariate analysis revealed that together with the HEI-variable, it significantly influences the cognitive outcomes  $\{F(3,293)=3.025$ ,  $p < 0.030\}$  (acting as a dependent variable in this case). The less frequent is the use of the experiential methods, the lower are the cognitive outcomes – if entrepreneurship is studied as an elective. At the same time, this effect did not apply to the skill-based and affective outcomes in the sample.

## Conclusion and discussion

The conducted study made two major contributions to the existing discourse of the EE impact:

- 1) The offered approach to measuring the learning outcomes can alternate the most commonly used entrepreneurial intentionality-related models.
- 2) Contrary to expectations, the analysis of the Latvian HEIs showed that more experiential EE does not necessarily lead to higher learning outcomes. This, in a way, may challenge existing assumptions, which are behind numerous initiatives in the European EE.

To avoid a simplistic and, most probably, biased generalisation that the competence teaching model in EE (Bécharde & Grégoire, 2005) is as good as the demand model measured by the learning outcomes of students and graduates, we can attempt to find rational explanations to the unexpected resulting phenomenon.

The first question is when the researched HEIs started to use more experiential teaching methods. In case this starting point did not take place before the academic year 2010/2011, when the oldest recent post-Bachelor group in the research sample studied entrepreneurship, it might occur that the experiential EE in the Latvian HEIs has not reached the point, when it starts to produce critical (statistically significant) differences, i.e. qualitative changes has not transformed into quantitative yet.

The second question is: how much does Bachelor education can contribute to the learning of a young individual, and how much does motivation and predisposition of the individual account for in the learning progress? What if, when it comes to entrepreneurship, given that one has a genetic/spiritual predisposition to become an entrepreneur or be entrepreneurial, he/she will absorb and develop necessary knowledge, skills and attitudes, and behave entrepreneurially,

regardless of the choice of the educational institution? Should this be the case, “the medicine is powerless”.

Thirdly, other factors may exhibit stronger influence, e.g. prior competences, culture, economic conditions, etc. Possibly, differences in educational efforts become visible only given certain level of economic development. Moreover, the experiential EE initiatives at the European level are initially coming from the developed countries (e.g. Finland, Netherlands, and UK). As a hypothetical thought, where these initiatives occur, they can make a difference, while in other geographical locations, i.e. economic conditions, cannot. Consequently, further research in the developed European countries and cross-country comparisons are viable to conduct.

Fourthly, “the more – the better” approach may not work in the experiential EE. Conversely, the fact that the respondents from the 1st treatment HEI (Business school C) had lower affective outcomes than from the 2nd (less experiential) treatment HEI (Business school B), can be explained with the nature of their educational activities that made the respondents more realistically assess entrepreneurship (Schaper and Casimir, 2007). However, this does not seem to be a universal explanation for the discovered statistical differences.

The 1st (more experiential) control HEI (Business school A) featured higher cognitive outcomes than the 2nd control HEI (University A), because it is expected that entrepreneurship knowledge increases along with experience. The question remains, why the cognitive outcomes of the 1st control HEI were also higher than those of the 1st (the most experiential) treatment HEI (Business school C), if we attempt to explain the difference with the educational intervention. Expenditures on becoming more experiential, introducing new educational activities, possibly, training the educators is the main practical concern – how justifiable is it to invest into changes in curricula? The costs of not using the experiential methods are not known yet, while the benefits from using the diverse experiential methods and more often are still questionable.

Finally, timing may be more crucial in the business of the EE outcomes. The higher learning outcomes at present do not mean the highest in future, and do not guarantee better real-life results, while education is fairly considered as the long-term investment. All in all, the empirical results of this study call for further research with application of the similar and more longitudinal approaches to make generalisable conclusions about the experiential EE effect, since the example of Latvia is not enough for the final verdict.

One of the major limitations of the paper is a series of unconsidered variables that may have a significant influence on formation of the learning outcomes apart from the educational intervention, such as family background, prior entrepreneurship and work experience, networks, etc. Endogeneity bias is another aspect, since the learning outcomes mutually interact, while differences among the business schools groups as educational interventions are examined (simultaneity). Finally, the researched HEIs were all concentrated in one geographical location – the capital city of Latvia.



Being confronted with the unexpected results pertaining to the differences in the EE outcomes among the selected business schools, the author attempted to explain them. However, the discussion does not fully unravel the learning outcomes paradox in the leading HEIs of Latvia, and the discourse remains open.

## References

- Bandura A. (1994). Self-Efficacy, in: Ramachandran, V.S., ed. *Encyclopedia of Human Behaviour*, Vol. 4, New York: Academic Press, 71-81.
- Barakat, S., McLellan, R. and Winfield, S. (2010). “Measuring the impact of programmes for entrepreneurship”, Academy of Management Annual Conference, Montreal, Canada.
- Bécharde, J.-P. and Grégoire, D. (2005). Understanding Teaching Models in Entrepreneurship for Higher Education. In: Kyrö, P. and Carrier, C., eds. *The Dynamics of Learning Entrepreneurship in a Cross-Cultural University Context*. Entrepreneurship Education Series 2/2005, University of Tampere, 104-134.
- Blenker, P., Dreisler, P., Færgemann, H. and Kjeldsen, J. (2008). “A framework for developing entrepreneurship education in a university context”, *International Journal of Entrepreneurship and Small Business*, 5(1), 45-63.
- Boyd, N., and Vozikis, G. (1994). “The influences of self-efficacy on the development of entrepreneurial intentions and actions”, *Entrepreneurial Theory and Practice*, 18, 63-90.
- Braun, G. (2011). Evaluating International Entrepreneurship Training Programmes – Intercultural Concepts and Practical Experiences in Developing Countries. In Müller, K.-D. and Diensberg, C., eds. *Methoden und Qualität in Gründungslehre, Gründungscoaching und Gründungsberatung*. Lohmar, Rheinland: J. Eul Verlag.
- Charney, A. and Libecap, G. D. (2000). *The Impact of Entrepreneurship Education: An Evaluation of the Berger Entrepreneurship Program at the University of Arizona. 1985-1999*. Final report to The Kauffman Center for Entrepreneurial Leadership.
- Colvereid, L. and Moen, Ø. (1997). “Entrepreneurship among business graduates: does a major in entrepreneurship make a difference?” *Journal of European Industrial Training*, 21(4), 154-160.
- Fayolle, A., Gailly, B. and Lassas-Clerc, N. (2007). Towards a new methodology to assess the entrepreneurship teaching programmes. In: Fayolle, A., eds. *Handbook of Research in Entrepreneurship Education*, Volume 1. Northampton: Edward Elgar Publishing, 187-197.
- Fisher, S., Graham, M. and Compeau, M. (2008). Understanding the Learning Outcomes of Entrepreneurship Education, in Harrison, R. and Leitch, C., eds. *Entrepreneurial Learning: Conceptual Frameworks and Applications*. New York: Routledge.





- Gibb, A. (2005). The Future of Entrepreneurship Education – Determining the Basis of Coherent Policy and Practice, in Kyrö, P. & Carrier, C., eds. *The Dynamics of Learning Entrepreneurship in a Cross-Cultural University Context*. Entrepreneurship Education Series 2/2005, University of Tampere, 44-67.
- Graevenitz, G., Harhoff, D., Weber, R. (2010). “The effects of entrepreneurship education”, *Journal of Economic Behavior and Organisation*, 76, 90-112.
- Heder, E., Ljubic, M. and Nola, L. (2011). *Entrepreneurial Learning: A Key Competence Approach. ICSED Level 2 & 5/6*. Zagreb: South East Centre for Entrepreneurial Learning.
- Izquierdo, E. (2008). *Impact assessment of an educational intervention based on the constructivist paradigm on the development of entrepreneurial competencies in university students*, PhD thesis, Ghent University, Belgium.
- Kennedy, D., Hyland, A. and Ryan, N. (2006). “Writing and using learning outcomes: a practical guide”, viewed: July 2013. Available at: [http://sss.dcu.ie/afi/docs/bologna/writing\\_and\\_using\\_learning\\_outcomes.pdf](http://sss.dcu.ie/afi/docs/bologna/writing_and_using_learning_outcomes.pdf).
- Klinger, B. and Schundeln, M. (2011). “Can entrepreneurial activity be taught? Quasi-experimental evidence from Central America”. *World Development*, 39(9), 1592-1610.
- Kolb, D.A. (1984). *Experiential Learning: Experience as the source of learning and development*, Prentice-Hall, New Jersey: Englewood Cliffs.
- Kozlinska, I. (2012). „Fundamental View of the Outcomes of Entrepreneurship Education”. *University of Tartu Faculty of Economics and Business Administration Working Paper Series*, ISSN 1736-8995, 90, 3-28.
- Kraiger, K., Ford, J. & Salas, E. (1993). Application of Cognitive, Skill-Based and Affective Theories of Learning Outcomes to New Methods of Training Evaluation. *Journal of Applied Psychology*, 78, 311-328.
- Krueger, N., Reilly, M., Carsrud, A. (2000). “Competing models of entrepreneurial intentions”, *Journal of Business Venturing*, 15, 411-432.
- Krueger, N. and Brazeal, D. (1994). “Entrepreneurial potential and potential entrepreneurs”, *Entrepreneurship Theory and Practice*, 18(3), 91-104.
- Lee, G., McGuiggan, R. & Holland, B. (2010). “Balancing student learning and commercial outcomes in the workplace”, *Higher Education Research & Development*, 29(5), 561-574.
- Lorz, M. (2011). *The impact of entrepreneurship education on entrepreneurial intentions*. PhD thesis, University of St. Gallen, Switzerland.
- Löbler, H. (2006). “Learning entrepreneurship from a constructivist perspective”, *Technology Analysis and Strategic Management*, 18(1), 19-38.
- LU (2012). “Ranking of the Latvian Higher Education Institutions”, viewed July 2013. Available at: [http://www.lu.lv/fileadmin/user\\_upload/lu\\_portal/zvd/tabulas\\_augstskolas.pdf](http://www.lu.lv/fileadmin/user_upload/lu_portal/zvd/tabulas_augstskolas.pdf).



- Martinez, A., Levie, J., Kelley, D., Saemundsson, R., Schøtt, T., and the Global Entrepreneurship Research Organisation (2010). *Global Entrepreneurship Monitor Special Report: A Global Perspective on Entrepreneurship Education and Training*. Available at: <http://www.gemconsortium.org/docs/276/gem-special-report-on-education-and-training>.
- Mets, T. (2010). “How to train educated entrepreneurs: small (post)transition country case”, *Social Research*, 4(21), 20-27.
- Mwasalwiba, E. (2010). “A review of its objectives, teaching methods and impact indicators”, *Journal of Education and Training*, 52:1, 20-47.
- Obadia, C. and Vida, I. (2011). “Cross-border relationships and performance: revisiting a complex linkage”, *Journal of Business Research*, 64, 467-475.
- Oosterbeek, H., Van Praag, M., IJsselstein, A. (2010). “The Impact of Entrepreneurship Education on Entrepreneurship Skills and Motivation”, *European Economic Review*, 54, 442-454.
- Schaper, M. and Casimir, G. (2007). The impact of tertiary education courses on entrepreneurial goals and intentions. In: Fayolle, A., eds. *Handbook of Research in Entrepreneurship Education*, Volume 2. Northampton: Edward Elgar Publishing, 120-129.
- Vestergaard, L., Moberg, K., Jørgensen, C. (2012). *Impact of Entrepreneurship Education in Denmark – 2011*. Report of The Danish Foundation for Entrepreneurship – Young Enterprise, viewed July 2013. Available at: [www.ffe-ye.dk](http://www.ffe-ye.dk).
- Zhang, Y., Duysters, G., Cloudt, M. (2013). “The role of entrepreneurship education as a predictor of university students’ entrepreneurial intention”, *International Entrepreneurship and Management Journal*, January 2013, DOI 10.1007/s11365-012-0246-z.



## ***The impact of participation in curricular and extracurricular higher education courses on student's entrepreneurial intention***

**Birgit Wimmer-Wurm, Norbert Kailer, & Christine Blanka**

Institute for Entrepreneurship and Organizational Development, Johannes Kepler University Linz, Austria

birgit.wimmer-wurm@jku.at; Norbert.kailer@jku.at; Christine.blanka@jku.at

### **Abstract**

The current discussion questions the efficiency of entrepreneurship education at universities. Can the offerings at Austrian higher education meet the requirement of positively affecting students' entrepreneurial intentions?

To answer this question this paper focuses on one particular aspect which has been largely neglected: the participation in and the satisfaction with higher education opportunities. Based on the Theory of Planned Behavior (TPB) curricular lectures and extracurricular networking activities offered at universities have been determined. The underlying empirical study comprises 4,548 Austrian students and is part of the international survey GUESSS.

The investigation shows surprising results, revealing not only strong positive effects, but also negative impact of particular offerings.

### **Introduction**

Universities are hatcheries of new knowledge possess with an enormous potential of innovative ideas and relevant competencies which should encourage innovative business start-ups (Lautenschläger/Haase 2011) through training measures (EC 2012). But how far can universities meet these expectations? The following investigation makes a significant contribution to find an answer. Drawing on the Theory of Planned Behavior (TPB) we point out how specific university courses affect attitude towards entrepreneurship and indirectly affect entrepreneurial intentions. According to several studies, EE increases entrepreneurial intentions significantly (Souitaris et al. 2007, Pittaway/Cope 2007). Others, however, doubt



such an effect (Haase/Lautenschläger 2011) or even assume a negative impact (Oosterbeek et al. 2010).

What strikes us as novel in this survey is that a broad range of curricular courses and extracurricular networking activities has been examined. So the most influencing topics have been filtered out. Hence the over-arching research question is:

*Does participation in and beyond this satisfaction with EE measures at universities (curricular courses and extracurricular networking activities) affect students' entrepreneurial intention?*

The following section outlines the current state of research and discusses different perspectives of Entrepreneurship Education. Furthermore, it develops a conceptual framework for students' entrepreneurial intentions by drawing on the Theory of Planned Behavior. Then we describe the research design and the methods used in the underlying quantitative survey. Testing the hypothesis and discussing the results to develop implications for the elaboration of Entrepreneurship Education (EE) and for future design round off the paper.

## **Literature Review and Hypotheses**

Entrepreneurship Education (EE) subjects are rooted in various disciplines (Fiet 2001) and therefore it seems difficult to define a common, unified syllabus and set of features. Despite clear differences in the terminology used, similar priorities have been identified (Rasmussen/Sørheim 2006). On the one hand, theory building is a dominant issue (Fiet 2001) and, on the other hand, training of entrepreneurship competencies and practice are emphasized as core success factors (Minniti/Bygrave 2001). Kirby (2007) extends this approach by combining both elements as „teaching through it“. Thus, EE has to be considered as a theoretically grounded practice-orientated experience (Klofsten 2000; Kailer/Stockinger 2012) and places curricular courses as well as extracurricular networking activities and workshops at the center.

Alongside the theoretical dimension, Fayolle/Gailly (2008) introduce the concept of the third professional dimension, implicating underlying intentions, why and when actions should be taken. Haase/Lautenschläger 2011 summarize the concept as combination of Hard Facts (know-what), Soft facts (know-how) and conviction (know-why as entrepreneurial intention) and is decisive to motivate potential entrepreneurs. While hard facts are easy to teach, like venture finance, marketing or business planning, “soft facts“are elusive (Fayolle et al. 2006; Lautenschläger/Haase 2011). Drawing on Fayolle/Gailly (2008) “know-what“ is used for

lectures/courses, “know-who“ for networking activities and “know-why“ for attitude towards entrepreneurship in the theoretical framework for this paper.

The crucial question is: How far does the content dimension of university curricular and extracurricular offerings lead to a positive shift of entrepreneurial intentions? (Hytti/Kuopusjärvi 2004). Even in the present study impact is measured through attitude (Tegtmeier 2008) towards entrepreneurship which leads to entrepreneurial intention. To survey this impact, this study draws on the strongest empirically valid model (Souitaris et al. 2007; Rueda et al. 2011): the Theory of Planned Behavior (Ajzen/Fishbein 1975; Ajzen 1985, Ajzen 1991).

#### *The students' entrepreneurial intention (SEI)*

The intention-based approach used in this survey already considers entrepreneurial intention prospective before a new business is founded. Intentions in consequence lead to entrepreneurial behavior and are considered as the best predictor for planned behaviour (Krueger/Reilly/Carsrud 2000). The TPB (Ajzen 1985, 1991) essentially explains entrepreneurial intentions and furthermore entrepreneurial behavior. Entrepreneurial intentions are an indicator for the likelihood of students to become self-employed and are influenced by three independent determinants. First “*Attitude towards entrepreneurship*“ assumes an evaluation of entrepreneurship and, in case of a positive assessment, leads to entrepreneurial intention. This assumption conveys to our first hypothesis:

*H<sub>1</sub>: The more positive the attitude towards entrepreneurship, the stronger are students' entrepreneurial intention.*

The current study neglects the other determinants, “*Social Norm*“ and “*Perceived Behavioral Control*“ and exclusively focuses on the measurement of intentions. A wide range of background factors affects these three determinants, like the personal component, the social context and information (Tegtmeier 2008). This paper focuses on a specific aspect of the cluster *information* of universities offerings. GUESSS has queried a wide range of EE offerings implemented at universities (special topics can be found at *Table 1*) (for example Moog 2005). Beyond this, extracurricular networking activities have been documented (for special topics see *Table 1*). This leads to our second hypothesis:

*H<sub>2</sub>: The more curricular and extracurricular lectures and activities have been attended, the more positive is the attitude towards entrepreneurship.*

In a further step, the curricular courses offered at universities were studied in order to determine how courses influenced students' attitudes. Consequently, extracurricular networking activities have also been investigated for their affect on attitude. This leads to our next hypotheses:

*H<sub>3</sub>/ H<sub>4</sub> Attended curricular/extracurricular courses positively affect attitude towards entrepreneurship.*

The *evaluation of EE* represents a key dimension (see Fayolle/Gailly 2008). For the implementation of evaluations, the framework provided by Kirkpatrick (1996) is still the most influential (see Fayolle/Gailly 2008). Therefore it has to be considered as aim, that students develop a positive perspective for the entrepreneurial role. Therefore we included their satisfaction with the attended curricular and extracurricular offerings.

*H<sub>5</sub>/H<sub>6</sub>: More satisfied participants of curricular/extracurricular courses exhibit a more positive attitude towards entrepreneurship.*

## **Data and methods**

The underlying study for this paper is the Global University Entrepreneurial Spirit Students' Survey (GUESSS). Content of the project was to investigate and compare students' entrepreneurial intentions and experiences at universities. 26 countries participated in the anonymous web-based survey with altogether 93,265 respondents. Data source for the presented investigation was the Austrian national report with 23 universities and 4,548 participants and means a response rate of 4.3 % (Kailer et al. 2012).

The key dependent variable *entrepreneurial intention* was measured with a 7-point Likert-scale (from 1= never thought about foundation to 7= I have already started with the realization). To point out differences we compared a study group (SG) including students with no entrepreneurial intention up to students with a concrete time plan for their start-up (n=4,352) and a comparison group which also contained active founders. Existing studies for instance Souitaris et al. 2007 used Cronbachs  $\alpha$  between 0.72 and 0.86 for attitude. Our measurement exceeds this range with a value of 0.925.

## **Results**

A linear regression analysis has been carried out (*see Table 1*). Due to the fact, that attitude according to the TPB is just one of several influencing determinants, a model validity with a high adj.  $R^2=0.345$  has occurred (see Rueda et al. 2011; Tegtmeier 2008). *Hypothesis 1* therefore can be supported in this study and confirms the attitude-intention link of the TPB. That means, the more advantages have been associated with self-employment, the more attractive is the entrepreneurial career.



The more lectures were attended, the more positive turned out the attitude towards entrepreneurship. This assumption was reflected in *hypothesis 2*. It becomes apparent in both groups that the number of attended lectures and courses within the curriculum affects entrepreneurial attitude stronger than the number of extracurricular networking activities. This impact is highly significant but only with adj.  $R^2$  of 0.082, thus *hypothesis 2* is verified to a limited extent.

*Hypothesis 3 and 4* focused on the specific topics which affect entrepreneurial attitude. The regression model for the background factors showed significant adjusted regression coefficients (adj.  $R^2=0.235$  and  $0.289$ ) and the values - compared to other studies (see e.g. Souitaris et al. 2007) – can be considered as acceptable. Lectures/courses about family firms had an outstanding significant positive impact on entrepreneurial attitude. This may result from the high number of students with family business background which participated in the study and therefore took a great interest in this topic.

By attending extracurricular networking activities just a positive impact of “Workshops/networking with experienced entrepreneurs” can be observed in the comparison group. It indicates that contacts with experienced entrepreneurs lead to increased positive attitude mainly for students with advanced start-up plans and for active entrepreneurs. Hence  $H_3$  can be partly accepted for attending lectures/courses focussing on family firms. For other topics  $H_3$  and  $H_4$  were rejected.

*Hypothesis 5 and 6* considered the satisfaction with the attended lectures and networking activities. Against our assumption we hardly found significant results. *Hypothesis 5* underlines the interest of students in really specific topics like family firms. Surprising outcomes for satisfaction with extracurricular networking activities and workshops have been found ( $H_6$ ): The “mentoring and coaching program for founders” had a highly significant positive impact in the SG as well as in the CG. The higher the satisfaction of the participating students, the more distinctive is the entrepreneurial attitude. However, a negative impact was found for “networking with potential investors“. This outcome may result from increased insight into the preconditions for obtaining venture capital and critical questions of venture capitalists concerning the business opportunity or details of the business plan.

**Table 1 Regression analysis**

	H <sub>1</sub>		H <sub>2</sub>		H <sub>3 and 4</sub>		H <sub>5 and 6</sub>	
	SG	CG	SG	CG	SG	CG	SG	CG
	b(std.)	b(std.)	b(std.)	b(std.)	b(std.)	b(std.)	b(std.)	b(std.)
Δ A -> SEI	0.588**	0.516**						
	*	*						
University courses -> Δ A								
Entrepreneurship in general					n.s.	n.s.	n.s.	n.s.
Family firms					0.501**	0.362***	n.s.	n.s.
					*			
Financing entrepreneurial ventures					n.s.	n.s.	n.s.	n.s.
Technology entrepreneurship					n.s.	n.s.	n.s.	n.s.
Social entrepreneurship					n.s.	n.s.	n.s.	n.s.
Entrepreneurial marketing					n.s.	n.s.	n.s.	n.s.
Innovation and idea generation					n.s.	n.s.	n.s.	n.s.
Business planning					n.s.	n.s.	n.s.	n.s.
Number of attended curricular lectures			0.298***	0.225***				
Workshops/networking with experienced entrepreneurs					n.s.	0.285*	n.s.	n.s.
Contact platforms with potential investors					n.s.	n.s.	-0.984*	n.s.
Business plan contests/ workshops					n.s.	n.s.	n.s.	n.s.
Mentoring- and coaching programs for entrepreneurs					n.s.	n.s.	1.525**	0.725**
Contact point for entrepreneurial issues					n.s.	n.s.	n.s.	n.s.
Number of attended extracurricular networking activities			0.097***	0.105***				
R <sup>2</sup> (adjusted R <sup>2</sup> ); stepwise	0.345	0.226	0.082	0.086	0.251	0.315	0,754	0.525
	(0.345)	(0.226)	(0.082)	(0.086)	(0.235)	(0.289)	(0.693)	(0.482)

SG: Study group; CG: Comparison group

\*\*\*p<0.001;\*\*p<0.01;\*p<0.05; n.s. = not significant

## Discussion and implications

Students prefer support in terms of accustomed forms of knowledge transfer (Heinemann/Welter 2007), as has been validated by this investigation. It must be assumed that both students who have definite intentions to found a business and already active founders enrolled at a university prefer more practice-orientated and problem-orientated, customised courses and activities (Kailer/Neubauer 2007). This has also been confirmed in this study: extracurricular networking activities, especially workshops with experienced entrepreneurs, more strongly affect the attitudes of students who are already in the implementation phase of founding a business. Thus, different forms of networking activities should be offered: in the later phases special cooperation-orientated contact platforms and networking activities should be emphasized.



Another noteworthy result in this survey concerns the number of attended courses. The more courses, workshops, networking events and other support measures provided by the university have been attended, the stronger is the positive change in the attitude towards entrepreneurship. More specifically, this is a case not only of “the more, the better”, but also shows that the option of in-depth specialization in entrepreneurship for interested students can be an expedient to establishing the career option of self-employment in the long term. For example surveys have pointed out that most of the alumnis acquire practical experience and know-how before considering the founding of their own business (Kailer et al. 2010a).

The significant results of the specific entrepreneurship topic “family firms” strongly suggest that additional courses and topics adapted for target groups would more likely improve students’ attitude than standard topics like marketing or finance. Hence it could be useful to offer modules for specific target groups beyond the obligatory curriculum or as part of optional postgraduate trainings. This highlights the relevance of a clear strategic EE orientation at universities (Aulet/Murray 2012) with a systematically designed modular support programme. A combination of the findings and implications of the study and the stages according to Vyakarnam (2005) is visualized in *Table 2*:

**Table 2: Three-Stages Model combined with relevant topics**

	<i>Phase</i>	<i>Content</i>	<i>topics</i>
<i>Target groups (potential, active founders, alumni)</i>	<i>Inspiration phase</i> (mainly know-why)	Encourage students entrepreneurial intention	Entrepreneurship in general
	<i>Information phase</i> (mainly know-what)	Focus more on <i>specific topics</i> than on standard topics	<i>Curricular courses</i> * Family firms * Technology-orientated entrepreneurship * Others (like Marketing, Financing, ...)
	<i>Implementation phase</i> (know-whom and know-how)	For active founders and for those who are strongly intended	<i>Extracurricular activities</i> * Networking activities * Mentoring and coaching * <i>Platforms with potential investors</i>

In summary, it must be noted that we still face a great need for development of the strategic orientation, content and methodology of EE concepts at universities. It should also be acknowledged that a range of topics seems to have no significant impact on entrepreneurial attitude. One possible explanation for this could be that attitudes in general are difficult to alter at least in the short-term. The question therefore remains: How should the contribution of EE be improved to inspire and motivate students’ entrepreneurial intentions?



For now, according to GUESSS data, it can be noted that only a minority of universities exert a strong influence on their students' attitude towards entrepreneurship. However, the development of strategically oriented EE concepts, modifications in the pedagogical approach as well the range and content of the (extra)curricular offerings and a change of focus to a value-orientated view will hopefully lead to increased effectivity and efficiency of EE.

## References

- Ajzen, Icek and Martin Fishbein, 1975, *Belief, Attitude, Intention and Behavior: An Introduction to Theory and Research*. Reading, MA: Addison-Wesley; <http://people.umass.edu/aizen/f&a1975.html>, 4.12.2012.
- Ajzen, Icek, 1985, "From Intentions to Actions: A Theory of Planned Behavior". In Julius Kuhl and Jürgen Beckmann (ed.) *Action Control. From Cognition to Behavior*. Heidelberg: Germany: Springer Verlag, pp 11-39.
- Ajzen, Icek. 1991. "The Theory of Planned Behaviour". *Organizational Behavior and Human Decision Processes*. 50: 179-211.
- Aulet, Bill and Fiona Murray, 2012, Ten Steps to Improve Entrepreneurship Education, Proceedings of the European Entrepreneurship Colloquium, University of Cambridge/Judge Business School, 8<sup>th</sup>-14<sup>th</sup> July, Cambridge.
- European Commission, 2012, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Entrepreneurship 2020 Action Plan – Reigniting the entrepreneurial spirit in Europe, Brussels, COM(2012)795/2.
- Fayolle, Alain, Benoît Gailly and Narjisse Lassas-Clerc. 2006. "Assessing the impact of entrepreneurship education programmes: a new methodology". *Journal of European Industrial Training*, 30(9): 701–720.
- Fayolle, Alain and Benoît Gailly. 2008. "From craft to science: Teaching models and learning processes in entrepreneurship education". *Journal of European Industrial Training*, 32(7): 569–593.
- Fiet, James O. 2001. "The theoretical side of teaching Entrepreneurship". *Journal of Business Venturing*, 16: 1-24.
- Haase, Heiko and Arndt Lautenschläger. 2011. "The „Teachability Dilemma“ of Entrepreneurship". *International Entrepreneurship and Management Journal*, 7: 145-162.
- Heinemann, Daniel and Friederike Welter. 2007. „Auf dem Weg zur Unternehmer-Uni“. Gründerstudie 06/07 der Universität Siegen. *Beiträge zur KMU-Forschung*, 5.

- Hytti, Ulla and Paula Kuopusjärvi, 2004, “Evaluating and Measuring Entrepreneurship and Enterprise Education”. Project Entrevea. Turku School of Economics and Business Administration (ed.) Small Business Institute Business Research and Development Centre, Turku.
- Kailer, Norbert, 2010a, “Entrepreneurship education at universities in German-speaking countries: empirical findings and proposals for the design of university-wide concepts” In Alain Fayolle (ed.) *Handbook of Research in Entrepreneurship Education, Volume 3. International Perspectives*, pp 248–270.
- Kailer, Norbert and Alexander Stockinger, 2012, „Erfolgsfaktoren der Entrepreneurship Education in technischen Studienrichtungen. Ergebnisse einer internationalen Delphi-Studie.“ In Norbert Kailer (ed.) *Entrepreneurship Education in technischen Studienrichtungen*. Endbericht für die Rudolf Trauner-Stiftung, Linz, pp 3–64.
- Kailer, Norbert, Tina Gruber-Mücke, Birgit Wimmer-Wurm and Christine Blanka, 2012, *Entrepreneurial Intentions and Activities of Students at Austria Universities - Global University Entrepreneurial Spirit Student’s Survey 2011 – National Report*. Working paper no. 11, University Linz.
- Kirby, David, 2007, “Changing the entrepreneurship education paradigm”. In Alain Fayolle (ed.) *Handbook of Researching Entrepreneurship Education. Volume 1. A General Perspective*. Cheltenham: UK: Edward Elgar Publishing, pp 21-45.
- Kirkpatrick, Donald. 1996. “Great Ideas Revisited. Revisiting Kirkpatrick’s Four-Level Model”. *Training & Development*, 50(1): 54-59.
- Klofsten, Magnus. 2000. “Training entrepreneurship at universities: a Swedish case”. *Journal of European Industrial Training*, 24(6): 337–344.
- Krueger, Norris F., Michael D. Reilly and Alan L. Carsrud. 2000. “Competing Models of entrepreneurial intentions”. *Journal of Business Venturing*, 15: 411-432.
- Lautenschläger, Arndt and Heiko Haase. 2011. “The myth of entrepreneurship education: Seven Arguments against teaching business creation at universities”. *Journal of Entrepreneurship Education*, 14: 147–161.
- Minniti, Maria and William Bygrave. 2001. “A Dynamic Model of Entrepreneurial Learning”. *Entrepreneurship: Theory and Practice*, 25(3): 5-16.
- Moog, Petra, 2005, „Good Practice in der Entrepreneurship Ausbildung – Versuch eines internationalen Vergleichs“. Studie für den FGF.
- Oosterbeek, Hessel, Mirjam van Praag and Auke Ijsselstein. 2010. “The impact of entrepreneurship education on entrepreneurship skills and motivation”. *European Economic Review*, 54: 442–454.
- Pittaway, Luke and Jason Cope. 2007. “Entrepreneurship Education: A Systematic Review of the Evidence”. *International Small Business Journal*, 25(5): 479–510.



- Rasmussen, Einar A. and Roger Sørheim. 2006. “Action-based entrepreneurship education”. *Technovation*, 26: 185–194.
- Rueda, Samuel, Juan A. Moriano and Francisco Liñán, 2011, *Validating a theory of planned behaviour questionnaire to measure entrepreneurial intention*. ESU conference paper 2011, September, Seville.
- Souitaris, Vangelis, Stefania Zerbinati and Andras Al-Laham. 2007. “Do entrepreneurship programmes raise entrepreneurial intention of science and engineering students? The effect of learning, inspiration and resources”. *Journal of Business Venturing*, 22(4): 566–591.
- Tegtmeier, Silke, 2008, *Die Existenzgründungsabsicht. Eine theoretische und empirische Analyse auf Basis der Theory of Planned Behavior*. In Reinhard Schulte (ed.) Edition Gründungsforschung, Band 3. Lüneburg: Tectum Verlag.
- Vyakarnam, Shailendra, 2005, *To inspire, inform and help implement – The role of entrepreneurship education*. Second AGSE International – Entrepreneurship Teaching Exchange, 14 – 16 Februar, Melbourne.



## ***Entrepreneurial competencies as learning objectives in higher entrepreneurship education***

**Eva Weinberger and Michael Schefczyk**

Dresden University of Technology

eva.weinberger@tu-dresden.de

### **Abstract**

This study identified a model of entrepreneurial competencies for students in German higher education institutions. Within the approach of education *for* entrepreneurship, educators prompt entrepreneurial competencies. Haase and Lautenschläger (2011) propose three dimensions, “know-what”, “know-how”, and “know-why”, of entrepreneurial competencies. These dimensions overlap with the common distinction of knowledge, skills, and attitudes. After conducting 14 semi-structured telephone interviews with entrepreneurship experts of higher education institutions, we included three categories of entrepreneurial competencies in a model: entrepreneurial knowledge, entrepreneurial technical and social skills, and motivational and volitional tendencies. German higher education institutions could use the developed model as a guideline for curriculum design.

### **Introduction**

Undertaking entrepreneurial activities is highly important for stimulating the national economy and development (Gibb, 1996; Shane & Venkataraman, 2000; Wennekers & Thurik, 1999). Entrepreneurship contributes to the creation of new jobs, promotes innovativeness, and provides upward mobility (Kuratko, 2005; Van Praag & Versloot, 2007). Approximately a quarter of German founders have a degree of a higher education institution (Hagen, Metzger, & Ulrich, 2012). Higher institutions are notably capable for generating highly qualified ideas for the creation of value (Haase & Lautenschläger, 2011). Especially, ideas from persons with an academic background are prone of growth and innovation (Steffensen, Rogers, & Speakman, 2000). Entrepreneurship education, an increasing field in entrepreneurship research (Martin, McNally, & Kay, 2013), addresses the support of entrepreneurial activities



by providing skills and competencies that are needed for venture creation (Mwasalwiba, 2010).

## Theoretical and Empirical background

In the US, entrepreneurship education has developed for over 50 years with a boom in the 1990s and has reached maturity in the last decade (Katz, 2003). In Europe and especially in Germany, the establishment of entrepreneurship education has been delayed; however, later on, a great number of entrepreneurship chairs (Klandt, 2004) and entrepreneurship initiatives have been founded (Uebelacker, 2005). Drucker's (1985) opinion on the possibility of learning entrepreneurship is now widely accepted (Kuratko, 2005; Man et al., 2002). However, some researchers still doubt this, at least partly ("teachability dilemma", Haase & Lautenschläger, 2011). Birch, e.g., does not believe that entrepreneurs can be made in a classroom (Aronsson, 2004). Mostly, entrepreneurship education aims to increase individual entrepreneurial attitudes, spirit, and a societal entrepreneurial culture (Mwasalwiba, 2010). This can provide the basis for the creation of new ventures. Entrepreneurship education does not only aim at creating new ventures, though (Kailer, 2009). Entrepreneurial competence is also needed in young or established firms. According to the European Union (2006, Recommendation 2006/962/EC), entrepreneurial competence is a key competence for everyone. It helps perceiving and exploiting daily opportunities in life and society (Kakkonen, 2011). The widely accepted definition of entrepreneurship by Shane and Ventakaraman (2000, p. 218) is more exclusive. It is "the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited." In this definition, entrepreneurial profitable opportunities are in the focus of entrepreneurship. Of course, the objectives of entrepreneurship education strongly depend on the definition of entrepreneurship. We, therefore, perceive entrepreneurial competencies necessary to act upon entrepreneurial opportunities that create future goods and services. In particular, entrepreneurship education includes educational approaches *for* and *about* entrepreneurship (Laukkanen, 2000). Within education *for* entrepreneurship, educators prompt entrepreneurial competencies. In comparison with that, education *about* entrepreneurship means instruction about theories in entrepreneurship. In this study, we refer to education *for* entrepreneurship because of its close relationship to entrepreneurial competencies (Laukkanen, 2000). Martin et al. (2013) confirmed in a meta-analysis that entrepreneurship education has an impact on human capital, i.e. individual capabilities, and entrepreneurial performance, i.e. the creation of a new business.

The term competence is often used and has different meanings (Weinert, 2001a). A widely accepted definition that refers to individual dispositions or learnable cognitive abilities

or skills, which co-occur with motivational, volitional, and social tendencies, and abilities for problem-solving in different situations, is given by Weinert (2001b, p. 27). In this study, we rely on the differentiation of knowledge, skills, and attitudes for defining competence, elements that appear in the definition of Weinert (2001b). As Weinert (2001a) suggests for broad fields of action, we are interested in building an integrative model of entrepreneurial competencies. Because of this, we do not only focus on cognitive competencies, but include motivational, volitional, and social competencies. The differentiation of knowledge, skills, and attitudes has been applied in many fields, in particular for defining competence at European and national level. The competence definition of the Recommendation 2006/962/EC of the European Parliament and the Council (2005) refers to knowledge, skills, and attitudes of a specific domain. Entrepreneurial competence is directly addressed as a key competence. Moreover, the European Commission (EACEA, 2012) uses knowledge, skills, and attitudes for defining entrepreneurial competencies in national curricula. In entrepreneurship literature, Vázquez-Burgete, Lanero, Raisiene and García (2012) explored the categorization of the Recommendation 2006/962/EC (2005) for entrepreneurial competence and confirmed the structure in a factor analysis. Haase and Lautenschläger (2011) grouped entrepreneurial competencies and qualifications in an integrative framework of entrepreneurship education. They describe three dimensions of entrepreneurial competencies: “know-what”, i.e. hard facts of business administration, “know-how”, i.e. soft skills, and “know-why”, i.e. an entrepreneurial mindset or conviction. In their opinion, entrepreneurship education should especially aim at increasing the “know-how” dimension. Their dimensions again overlap with the distinction of knowledge, skills, and attitudes.

Entrepreneurial competencies are widely researched in entrepreneurship and entrepreneurship education literature, integrating a lot of different dimensions, commonly these refer to some aspects of knowledge, skills, and attitudes (e.g. Bird, 1988; Man et al., 2002; Mitchelmore & Rowley, 2010). However, studies often do not make a clear distinction of competence or competencies (Morris, Webb, Fu, & Singhal, 2013). Many authors list or categorize entrepreneurial competencies (e.g. Man et al., 2002; Morris et al., 2013). Kakkonen (2011) studied the perception of business students regarding their business and entrepreneurship competencies. The review by Mitchelmore and Rowley (2010) of entrepreneurial competence categorizes entrepreneurial competencies (e.g. idea generation), management and business competencies (e.g. marketing skills, technical skills), human relations competencies (e.g. leadership skills) and conceptual and relationship competencies (e.g. analytical skills, communication skills). Mitchelmore and Rowley (2010) conclude that entrepreneurial competencies comprise both states and traits. Some authors focus on skills, defining entrepreneurial skills (e.g. opportunity identification; DeTienne & Chandler, 2004) and social skills (Baron & Markman, 2003; Baron & Tang, 2008). In entrepreneurship education, skills are particularly focused on. Elmuti, Houry, and Omran (2012) emphasize that entrepreneurship education can teach students in technical skills (e.g. technical management), business management skills (e.g. planning) and personal entrepreneurial skills

(e.g. persistence), which will bring forth successful entrepreneurs. David Birch (Aronsson, 2004) suggests changing the curriculum and implementing courses that promote skills of selling, of leading and managing people, and of creating a new product or service. This is in line with Gibb (2007), who requires a shift from “the conventional business-led model of entrepreneurship” (p. 89) to an alternate model that includes entrepreneurial behaviors, attributes, and skills. Plumly, Marshall, Eastman, Iyer, Stanley, and Boatwright (2008) state that in entrepreneurship education a non-traditional approach is needed which includes interdisciplinary competencies and provides entrepreneurial experience. For them, learning objectives are applied knowledge of business courses, analytical skills, communication skills, negotiation skills, teamwork, and creativity (Plumly et al., 2008, p. 20). Furthermore, researchers emphasize motivational aspects and traits for entrepreneurial success (Shane, Locke, & Collins, 2003).

Summing up, entrepreneurship education assumes that entrepreneurship can be learned or taught “as a set of competences” (Luca & David, 2011, p. 62) and emphasizes skills. Kailer (2009) suggests developing concepts for entrepreneurship education at universities. In addition to that, Haase and Lautenschläger (2011, p. 158) propose “to undertake a mapping of the different approaches in a more systematic way and to diffuse best-practice concepts”. The European Commission sums up entrepreneurial competencies as learning objectives which are included in national curricula using the differentiation of knowledge, skills, and attitudes (EACEA, 2012). Taken together, a lot of evidence advocates for promoting entrepreneurial competencies and integrating them in the curriculum of higher education institutions. We therefore build a model of entrepreneurial competencies with entrepreneurship experts who are familiar with the higher education system as professors in entrepreneurship. The resulting model can be used for grounding and improving concepts and curricula of entrepreneurship education in higher education institutions. It should combine knowledge, skills, and attitudes. As a consequence, it should improve entrepreneurship education in higher education institutions.

## **Method**

Between January and March 2013, we realized 14 semi-structured telephone interviews with university professors. This is in line with the study of Luca and David (2011). They contacted academic staff and argue that academics are representatives of the university, the providing institution of education, and are in charge of the design of the curriculum. We contacted professors among the leading German entrepreneurship institutions (BMWi, 2008; Schmude, Aevermann & Heumann, 2011) by e-mail and phone using the contact information of their official website. We informed all interview partners about the study and arranged telephone interviews. Nearly everyone (n=13) had a professor status, only one interview partner was a post-doctorate candidate. We asked the experts which entrepreneurial





competencies they teach and which entrepreneurial competencies students should develop. Interviews were transcribed and analyzed with qualitative content analysis (Mayring, 2010). In a preliminary deductive category system, we used the categories knowledge, skills, and attitudes. The analysis refined these. In order to reach consent, peer colleagues were asked about the model.

## Results

Relying on the interview data, we included the following dimensions in our model of entrepreneurial competencies: entrepreneurial knowledge, entrepreneurial social and technical skills, and motivational and volitional tendencies. Additionally, we derived subcategories. Entrepreneurial knowledge consists of managerial knowledge (e.g. marketing) and specific knowledge of entrepreneurial contents (e.g. opportunity recognition). In contrast to the knowledge dimension, entrepreneurial skills are application-oriented. We differentiate entrepreneurial technical and social skills. The knowledge dimension is considered as a prerequisite for entrepreneurial technical skills. Entrepreneurial technical skills include the conception of a business model, analytic operational planning (e.g. market analysis) and the use of specific operational support techniques (e.g. project management tools). Entrepreneurial social skills involve general social skills for stakeholder relationships and specific social skills for dealing with team members and employees (e.g. leadership ability, networking skills). Like entrepreneurial technical skills, entrepreneurial social skills are application-oriented. For entrepreneurial social skills, knowledge is not considered as a prerequisite as some persons act intuitively socially competent, but are not aware of the theory and principles behind and do not dispose of explicit knowledge. Motivational and volitional tendencies refer to positive attitudes towards entrepreneurship (e.g. need for autonomy), to competencies needed for acting in an entrepreneurial setting (e.g. proactive personality), and to competencies needed for self-motivation (e.g. stress tolerance). Some of these refer to entrepreneurial traits.

## Discussion

Our study showed that the interview partners mentioned competencies for all three preliminary categories: knowledge, skills, and attitudes. From the data, a differentiation of the entrepreneurial knowledge dimension in managerial and specific knowledge of entrepreneurship contents originated. Morris et al. (2013) criticized the failure of other studies to distinguish these competencies. They only reported entrepreneurial competencies without managerial competencies, though, which according to other authors belong to entrepreneurial competence as well (Mitchelmore & Rowley, 2010). We considered both aspects and distinguished between them. In our model, we identified technical and social skills. Technical

skills are knowledge-based. This is in accordance with entrepreneurship education emphasizing on the one hand technical and business management skills (Elmuti et al., 2012) and on the other hand social skills (Baron and Markman, 2003; Baron & Tang, 2008). In our model, personal motivational and volitional aspects involve tendencies as well as personality traits (Rauch & Frese, 2007). Here, of course, are limits of educative possibilities. However, when building an integrative model of entrepreneurial competence, motivational and volitional aspects should not be excluded (Weinert, 2001b; Shane, Locke, & Collins, 2003).

A first limitation might be that the interviewed experts showed little agreement on the definition of competencies. This is in line with literature about entrepreneurial competencies (Morris et al., 2013) as well as with literature about competencies in general (Weinert, 2001a). Presenting this model of entrepreneurial competencies, we wish to concretize entrepreneurial competencies for students. Second, there are some contextual limitations of higher education institutions. Entrepreneurship education in higher education aims at different groups of students (Mwasalwiba, 2010). Business students are the most common target group (Mwasalwiba, 2010). Concerning content, in business and economic science, education is *about* and *for* entrepreneurship. In Entrepreneurship Master Programs, education *about* entrepreneurship is maybe more relevant than education *for* entrepreneurship. Moreover, education *for* entrepreneurship also takes place in extra-curricular entrepreneurship initiatives, which do not have the same constraints as higher education institutions and can provide a more application-related entrepreneurship education. This represents an extension of Kailer's (2009) design-parameters for entrepreneurship education at universities. Third, there are contextual limitations of entrepreneurial action. Entrepreneurial competencies depend on forms of entrepreneurial organizations and industries (Baron & Markman, 2003). This model of entrepreneurial competencies is formulated for students acting upon entrepreneurial profitable opportunities in general. It does not differentiate between different domains of entrepreneurship, e.g. social entrepreneurship. In addition to that, it matters if someone founds his or her own company without others or in a founding team. Possibly, entrepreneurial competencies can be distributed in a founding team with certain competencies necessary for everyone (e.g. communication skills) and others that can be compensated by other team members (e.g. knowledge about marketing). Furthermore, there are different competencies needed depending on the entrepreneurial process (Omrane, Fayolle, & Zeribi-Bensilmane, 2011; Rasmussen, Mosey, & Wright, 2011).

In sum, there are some constraints for application. However, according to Uebelacker (2005) it is not possible to consider all these constraints in a single educational course. Yet, this can stimulate further research examining the definition of entrepreneurial competencies, contextual limitations of higher education institutions and of entrepreneurial action. Beyond that, the model provides a basis for the development of a psychometric measurement instrument of entrepreneurial competencies (Zlatkin-Troitschanskaia & Kuhn, 2010).



Afterwards, the measurement instrument could be used for evaluating entrepreneurship education in curricular and extra-curricular courses of higher education institutions in order to specify which competencies might be improved by which educational courses. Our findings further suggest that this model could be used for curriculum design by deriving and formulating specific learning objectives. Above all, any chair of entrepreneurship could match its courses for developing a broad range of entrepreneurial competencies among its students. In entrepreneurship initiatives, this model could be applied in as a guideline in counseling. It could be used for sensitization of potential entrepreneurs in regard to necessary competencies of founding persons or of a founding team.

## Conclusion

Taken together, the developed model of entrepreneurial competencies contains entrepreneurial knowledge, entrepreneurial technical and social skills, and motivational and volitional tendencies. According to entrepreneurship experts, students in higher education institutions should develop competencies in these dimensions. Applications of this model are limited to the contextual constraints. However, it could help as a guideline for improving concepts and curricula of entrepreneurship education. Furthermore, it could stimulate further research, in particular in regard with assessment and evaluation of entrepreneurial competencies.

## References

- Aronsson, M. (2004). "Education Matters--But Does Entrepreneurship Education? An interview with David Birch." *Academy of Management Learning & Education* 3(3): 289–292.
- Baron, R. A. & Markman, G. D. (2003). "Beyond social capital: the role of entrepreneurs' social competence in their financial success." *Journal of Business Venturing* 18(1): 41–60.
- Baron, R. A. & Tang, J. (2008). "Entrepreneurs' Social Skills and New Venture Performance: Mediating Mechanisms and Cultural Generality." *Journal of Management* 35(2): 282–306.
- Bird, B. (1988). "Implementing entrepreneurial ideas: the case for intentions." *Academy of Management Review* 13(3): 442–454.
- Bundesministerium für Wirtschaft und Technologie (BMWi) (2008). *Rahmenbedingungen und Ausprägung der akademischen Gründungsförderung an 100 deutschen Fachhochschulen. Abschlussbericht.* Retrieved from <http://www.bmwi.de/DE/Mediathek/publikationen,did=283052.html?view=renderPrint>



- DeTienne, D. R. & Chandler, G. N. (2004). "Opportunity Identification and Its Role in the Entrepreneurial Classroom: A Pedagogical Approach and Empirical Test." *Academy of Management Learning and Education* 3(3): 242–257.
- Drucker, P. F. (1985). *Innovation and Entrepreneurship: Practice and Principles*. NY, Prentice Hall.
- Education Audiovisual and Culture Executive Agency EACEA. (2012). *Entrepreneurship Education at School in Europe. National Strategies, Curricula and Learning Outcomes*. Retrieved from European Commission website: <http://eacea.ec.europa.eu/education/eurydice>
- Elmuti, D., Khoury, G., & Omran, O. (2012). "Does Entrepreneurship Education Have a Role in Developing Entrepreneurial Skills and Ventures' Effectiveness?" *Journal of Entrepreneurship Education* 15(1): 83–99.
- European Union (2006). *Recommendation of the European Parliament and of the Council of 18 December 2006 on key competences for lifelong learning (2006/962/EC)*, Retrieved from <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:394:0010:0018:en:PDF>
- Gibb, A. A. (1996). "Entrepreneurship and small business management: can we afford to neglect them in the twenty-first century business school?" *British Journal of Management*, 17(4): 309–324.
- Gibb, A. A. (2007). "Creating the entrepreneurial university: do we need a different model of entrepreneurship." In A. Fayolle (Ed.) *Handbook of research in Entrepreneurship Education, Volume I: A General Perspective, Entrepreneurship*. Cheltenham, UK and Northampton, MA: Edward Elgar, 67–104.
- Haase, H. & Lautenschläger, A. (2010). "The 'Teachability Dilemma' of entrepreneurship." *International Entrepreneurship and Management Journal* 7(2): 145–162.
- Hagen, T., Metzger, G., & Ullrich, K. (2012). *KfW-Gründungsmonitor 2012*. Frankfurt am Main: KfW Bankengruppe.
- Hayton, J. C. & Kelley, D. J. (2006). "A Competency-based framework for promoting corporate entrepreneurship." *Human Resource Management* 45(3): 407–427.
- Kailer, N. (2009). "Entrepreneurship Education: Empirical Findings and Proposals for the Design of Entrepreneurship Education Concepts at Universities in German-Speaking Countries." *Journal of Enterprising Culture* 17(2): 201–231.
- Kakkonen, M.-L. (2011). "Students' Perceptions of Their Business Competences and Entrepreneurial Intention." *Management* 6(3): 225–243.
- Katz, J. A. (2003). "The chronology and intellectual trajectory of American entrepreneurship education." *Journal of Business Venturing* 18(2): 283–300.

- Klandt, H. (2004). "Entrepreneurship Education and Research in German-Speaking Europe." *Academy of Management Learning and Education* 3(3): 293–301.
- Kuratko, D. F. (2005). "The Emergence of Entrepreneurship Education: Development, Trends, and Challenges." *Entrepreneurship Theory and Practice* 29(5): 577–597.
- Laukkanen, M. (2000). "Exploring alternative approaches in high-level entrepreneurship education: creating micromechanisms for endogenous regional growth." *Entrepreneurship and Regional Development* 12(1): 25–47.
- Luca, M. R. & David, L. T. (2011). "University – Enterprise Partnership in Training Entrepreneurship." *Bulletin of the Transilvania University of Brasov* 4(1): 61–70.
- Man, T. W. Y., Lau, T., & Chan, K. F. (2002). "The competitiveness of small and medium enterprises. A conceptualization with focus on entrepreneurial competencies." *Journal of Business Venturing* 17(2002): 123–142.
- Martin, B. C., McNally, J. J., & Kay, M. J. (2013). "Examining the formation of human capital in entrepreneurship: A meta-analysis of entrepreneurship education outcomes." *Journal of Business Venturing* 28(2): 211–224.
- Mayring, P. (2010). *Qualitative Inhaltsanalyse. Grundlagen und Techniken*, Weinheim: Beltz.
- Mitchelmore S. & Rowley J. (2010). "Entrepreneurial competencies: A literature review and development agenda." *International Journal of Entrepreneurial Behaviour and Research* 16(2): 92–111.
- Morris, M. H., Webb, J. W., Fu, J., & Singhal, S. (2013). "A Competency-Based Perspective on Entrepreneurship Education: Conceptual and Empirical Insights." *Journal of Small Business Management* 51(3): 352–369.
- Mwasalwiba, E. (2010). "A review of its objectives, teaching methods and impact indicators." *Journal of Education and Training* 52(1): 20–47.
- Omrane, A., Fayolle, A., & Zeribi-Bensilmane, O. (2011). "Les compétences entrepreneuriales et le processus entrepreneurial : une approche dynamique." *La Revue des Sciences de Gestion* 251(5): 91–101.
- Plumly, L. W., Marshall, L. L., Eastman, J., Iyer, R., Stanley, K. L., & Boatwright, J. (2008). "Developing Entrepreneurial Competencies: A Student Business." *Journal of Entrepreneurship Education* 11(1): 17–29.
- Rasmussen, E., Mosey, S., & Wright, M. (2011). "The Evolution of Entrepreneurial Competencies: A Longitudinal Study of University Spin-Off Venture Emergence." *Journal of Management Studies* 48(6): 1314–1345.
- Rauch, A. & Frese, M. (2007). "Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success." *European Journal of Work and Organizational Psychology* 16(4): 353–385.

- Schmude, J., Aebermann, T., & Heumann, S. (2011). *Vom Studenten zum Unternehmer: Welche Universität bietet die besten Chancen? Gründerlehre, aktive Unterstützung, Rahmenbedingungen. Ranking 2011*. Retrieved from Bundesministerium für Wirtschaft und Technologie (BMWi) website: <http://www.exist.de/service/publikationen/studien/>
- Shane, S. & Venkataraman, S. (2000). "The promise of entrepreneurship as a field of research." *Academy of Management Review* 25(1): 217–226.
- Shane, S., Locke, E. A., & Collins, C. J. (2003). "Entrepreneurial motivation." *Human Resource Management Review* 13(2): 257–279.
- Steffensen, M., Rogers, E. M., & Speakman, K. (2000). "Spin-offs from research centers at a research university." *Journal of Business Venturing* 15(1): 93–111.
- Uebelacker, S. (2005). *Gründungsausbildung. Entrepreneurship Education an deutschen Hochschulen und ihre raumrelevanten Strukturen, Inhalte und Effekte*. Wiesbaden: Deutscher Universitäts-Verlag.
- Van Praag, M. C. & Versloot, P. H. (2007). "What is the value of entrepreneurship? A review of recent research." *Small Business Economics*, 29(4): 351–382.
- Vázquez-Burgete, J. L., Lanero, A., Raisiene, A. G., & García, M. P. (2012). "Entrepreneurship Education in Humanities and Social Sciences: Are Students Qualified to Start a Business?" *Verslas: teorija ir praktika*, 13(1): 27–35.
- Weinert, F. E. (2001a). "Concept of competence: A conceptual clarification." In D. S. Rychen & L. H. Sagalnik (Eds.) *Defining and selecting key competencies*. Seattle, WA: Hogrefe & Huber, 45–65.
- Weinert, F. E. (2001b). "Vergleichende Leistungsmessung in Schulen – eine umstrittene Selbstverständlichkeit." In F. E. Weinert (Ed.). *Leistungsmessungen in Schulen*. Weinheim: Beltz, 17–31.
- Wennekers, S. & Thurik, R. (1999). "Linking Entrepreneurship and Economic Growth." *Small Business Economics* 13(1): 27–55.
- Zlatkin-Troitschanskaia, O. & Kuhn, C. (2010). *Messung akademisch vermittelter Fertigkeiten und Kenntnisse von Studierenden bzw. Hochschulabsolventen – Analyse zum Forschungsstand*. (Arbeitspapiere Wirtschaftspädagogik, 56). Retrieved from Johannes Gutenberg-Universität Mainz website: [http://www.wipaed.uni-mainz.de/ls/ArbeitspapiereWP/gr\\_Nr.56](http://www.wipaed.uni-mainz.de/ls/ArbeitspapiereWP/gr_Nr.56).



## *Learning through reflection: The role of mentorship in entrepreneurship education*

**Gustav Hägg & Diamanto Politis**

Lund University, Lund, Sweden

[gustav.hagg@fek.lu.se](mailto:gustav.hagg@fek.lu.se)

### **Abstract**

This article focuses on reflective learning in entrepreneurship education. It does so by exploring how mentors might play an important role for stimulating reflection in student entrepreneurs. A common agreement in the field of entrepreneurial learning is that entrepreneurship is learnt experientially through learning by doing. However, experience alone is not enough, reflection needs to be added for learning to occur. In the analysis, narratives are used, developed through learning journals and follow-up interviews. Preliminary findings indicate that mentors contribute with input on business idea and business model by challenging the student to reflect on the choices made, which is more apparent in relations that have a high degree of commitment and trust.

### **Introduction**

Entrepreneurship education is in vogue, and has since its inception in academia seen an enormous growth (Katz, 1991; 2003; 2008). This growth has opened up a research area focused on pedagogies, trying to untangle how to construct entrepreneurship educations fit for students interested in the subject. As a consequence of this research together with research in entrepreneurial learning, scholars have argued that entrepreneurship is best learnt experientially (Gibb, 1987; Johannisson, 1991; Johannisson, Landström & Rosenberg, 1998; Cope, 2005; Politis, 2005; Politis & Gabrielsson, 2009; Neck & Greene, 2011), through action and reflection (Deakins & Freel, 1998; Cope & Watts, 2000), based on experiential learning theory developed by Kolb (1984). One major part is the aspect of action, as previous research has argued that entrepreneurs are action-oriented individuals that prefer a practical learning environment (Rae & Carswell, 2001; Rae, 2004; Cope, 2005; Pittaway, Rodriguez-Falcon, Aiyegbayo & King, 2011). The other aspect that has been seen as important for



entrepreneurial learning is reflection (Jack & Anderson, 1999; Cope, 2003; Politis, 2005; Pittaway & Cope, 2007), in order to learn from the actions taken (Pittaway & Cope, 2007). However, the aspect of reflection has in much previous research been treated as an individualistic phenomena (Jack & Andersson, 1999; Cope, 2003), were the entrepreneur tries to make sense of their experiences through reflecting on critical incidents (Cope & Watts, 2000; Cope, 2003).

This individual focus has to a large degree neglected the role that collaborative and social learning might play when discussing how entrepreneurs learn (Holman, Pavlica & Thorpe, 1997; Taylor & Thorpe, 2004; Pittaway & Cope, 2007), and especially how reflective learning is being developed in student entrepreneurs with limited entrepreneurial experience (Hynes, Costin & Birdthistle, 2011). Taylor and Thorpe (2004) argue that entrepreneurial learning takes place through co-participation involving reflection, theorizing, experiencing and action. Collaborative learning is further recognized in Pittaway and Cope (2007) who discusses the aspects of action learning and how social learning through teams, venture coaches and venture panels encourages problem-based reflection. Taken together these different approaches create an experiential learning environment for students, which are designed to encourage entrepreneurial learning (Pittaway & Cope, 2007). The central difference compared to traditional didactic education is that the student learning is toward becoming practitioners and not only learning about practice (Gibb, 1993; Pittaway & Cope, 2007).

It is in the light of this collaborative learning that this study is positioned, using mentorship as mean to understand how student entrepreneurs could develop their reflective learning ability. This is achieved through matching a student with an experienced entrepreneur or businessperson that takes on the role of a mentor, acting as a sounding board during the education. From this relation the student is able to discuss practical elements during the education, especially in connection to their start-up process. One thought around including mentors in the learning process is that they are seen as a stimulus for reflective learning (Deakins & Freel, 1998; Sullivan, 2000; St-Jean, 2012). Previous research on entrepreneurial mentoring has shown that by including a mentor in the learning process, the novice entrepreneur is better able at developing cognitive and affective skills leading to a better ability in identifying opportunities and getting a more coherent understanding of the start-up project (St-Jean & Audet, 2012; St-Jean, 2012). In a study by Deakins, Graham, Sullivan and Whittam (1998, pp. 159) the role of the mentor was seen as highly important in the early stage learning period when novice entrepreneurs have to learn how to handle change, crisis and make strategic decisions. Therefore, this study aims to untangle how mentorship could stimulate reflective learning in student entrepreneurs. The research question that will guide the process is as follows:

How does mentorship stimulate reflection in students that are undertaking education in action-based entrepreneurship?





## Theoretical Background

Today the scholarly focus of entrepreneurship education is shifting towards how we can develop program structures in order to maximize the outcome of these types of educations (cf. Rasmussen and Sørheim, 2006; von Graevenitz, Harhoff and Weber, 2010), to create a learning environment that is fit for students interested in entrepreneurship. Neck and Greene (2011) argue that in order to teach entrepreneurship one should look beyond previous learning techniques; such as traditional lectures, business plan writing and cases; and instead teach entrepreneurship as a method. Their argument for using a method is based on the fact that entrepreneurship is teachable, learnable, but not predictable, and therefore it requires practice through hands-on activities (2011, pp. 57). This focus is not entirely new, as previous scholars has been promoting a more action-oriented learning environment when teaching entrepreneurship (Sexton & Bowman, 1984; Weinrauch, 1984; Ronstadt, 1985; Gibb, 1987; Johannisson, 1991), focusing the attention more towards an experiential pedagogy seen in research on adult education, which uses experience and reflection to foster a learning environment.

This thought around experience and reflection was proposed already in the early 20<sup>th</sup> century by John Dewey (1910), arguing that experience should act as a starting point in learning situations followed by reflection to make sense of the experiences gained. This early thought has then been one of the foundations for experiential learning theory developed by Kolb (1984), which has received much attention and been used as framework for research in entrepreneurial learning (Johannisson et al., 1998; Cope, 2005; Politis, 2005; Pittaway, Missing, Hudson & Maragh, 2009; Wang & Chugh, 2013).

As of this, entrepreneurship education has intensified the usage of experiential learning theories, in order to construct and develop courses and programs more adapted to how entrepreneurs learn (Rasmussen & Sørheim, 2006; Rae, 2009). A major reason for this interest in action-based entrepreneurship education is that such educations have shown to provide students with a range of highly valued qualifications, including problem solving and networking skills (Johannisson et al., 1998), ability to assume risks and make decisions in uncertain environments (Kyrö & Tapani, 2007), endurance and self-efficacy (Zhao, Seibert & Hills, 2005). These entrepreneurial qualifications have in several empirical studies furthermore been recognized as critical for the survival and success of new ventures (Shane, 2003).

## Entrepreneurial Learning

Entrepreneurial learning has been established as a lifelong and incremental process where the entrepreneur continuously learns from acquired experiences (Politis, 2005). Research in entrepreneurial learning has advocated the notion of learning events (Cope and Watts, 2000;



Sullivan, 2000; Cope 2003) as an important part for entrepreneurs, in order to advance their learning experience. This is based on findings indicating that entrepreneurial learning is a discontinuous and non-linear process, characterized by significant and critical learning events (Deakins and Freel, 1998). Deakins and Freel (1998) further concludes that it is the ability of the entrepreneur to maximize the knowledge of these learning events that will determine how successful their firm actually becomes. Politis (2005) argue that educational policies should focus on stimulating creativity, critical thinking, and reflection among entrepreneurship students. These research findings in entrepreneurial learning implies a shift from the earlier passive learning, which Gibb (1993) has addressed as didactic learning, towards a more active experience-based learning where the students are becoming more involved in their own learning, and by that taking charge of their own learning as co-creators.

When discussing experiential learning in connection to entrepreneurship, the aspect of collaborative or social learning has started to become more and more considered (Gibb, 1993; Holman et al., 1997; Cope & Watts, 2000; Taylor & Thorpe, 2004; Pittaway & Cope, 2007). As entrepreneurship is considered as context dependent it is not so strange that more and more research has started to incorporate theories about collaborative and social learning in order to understand how entrepreneurs learn (c.f. Cope & Watts, 2000; Taylor & Thorpe, 2004; Pittaway & Cope, 2007). Collaborative and social learning is most often informal in its learning style, which Marsick and Watkins (2001) describe as being at the heart of adult education, as it is learner centered and focused on life experiences. Informal learning is most often intentional, but seldom structured, as in formal education, with mentoring, coaching, self-directed learning, and networking as examples of informal learning (Marsick & Watkins, 2001). These thoughts around a more socially oriented view on experiential learning could be seen in Pittaway and Cope's (2007) research on new venture planning, where Kolb's (1984) experiential learning theory is positioned at the individual level, but with a social perspective on top of it, including collaborative learning. This approach includes the social context into the learning, and thus giving the students a more authentic learning situation. As it has been proposed that students learn best by sharing theories and experiences with each other in action-learning (Pittaway & Cope, 2007). In their study the use of learning coaches was highlighted as a medium to endorse student reflection, established through sharing experiences and insights between student and coach. Although coaches are not the same as mentors, the similarity between them are rather high, as both are used as support to increase the learning outcome of the student.

### **Entrepreneurial mentoring**

An important building block in many program structures is the support of entrepreneurial learning by linking students with experienced entrepreneurs in the wider business community (Rasmussen & Sørheim, 2006; Kickul & Fayolle, 2007). One of these support mechanisms is mentorship. According to St-Jean (2012) a common formula for a mentor-mentee relation, is



to pair a novice entrepreneur (mentee) with an experienced entrepreneur (mentor), where the mentor acts as an advisor giving room for reflection to help the mentee avoid costly and even fatal mistakes during the start-up process. Mentorship, as it is viewed in this study, should not be compared with coaching, although similar in method of learning, which has as its main purpose to increase specific skills that addresses certain needs of the learner and are pictured as a business relationship where the coach are financially reimbursed (Audet and Couteret, 2012). Mentoring has according to Audet and Couteret (2012) a broader scope, seeking to aid the entrepreneur to broaden his/her personal horizon where the mentor seeks to teach the mentee how to be an entrepreneur in a more general sense. The mentor-mentee relation is also built on a voluntary relation striving to increase for example the mentees learning in decision-making, opportunity recognition, and networking skills (Bisk, 2002; St-Jean & Audet, 2012; Audet & Couteret, 2012), which makes the relation more affective than cognitive (St-Jean & Audet, 2012). In regards to organizational settings, mentoring has a long history, described as when an older more experienced organizational member takes on the role of mentoring a younger inexperienced organizational member, the mentee. This is done in order to foster the mentee's personal and professional development (Higgins and Kram, 2001). In an entrepreneurial context Sullivan (2000) described that the mentor's role is:

To enable the entrepreneur to reflect on actions and, perhaps, to modify future actions as a result; it is about enabling behavioral and attitudinal change. In all, it is about facilitation that enables the entrepreneur to dissect, reflect and learn from what could be termed 'critical incidents'. (p. 163)

One important aspect that could be drawn from Sullivan's (2000) research is the findings upon reflection and critical incidents, which is something that a mentor support could assist in by constantly questioning the entrepreneur's decisions made and by that foster a reflective learning approach of the novice entrepreneur. This is further noticed in Deakins and Freel (1998, p. 153) indicating that there is a role to play for mentors that could aid the novice entrepreneurs how to reflect on experiences and how to absorb knowledge from learning events.

## Method

We employ a longitudinal multiple case study approach based on weekly logbooks and follow-up interviews with students enrolled in a high profile action-based entrepreneurship program in Sweden. As of this, the study could be considered as following the diary-interview method (Zimmerman & Wieder, 1977). The logbooks used in the study were written between December 2011 and May 2012. In their weekly logbooks the students describe the progress they make in the new venture creation process, as well as critical incidents (Flanagan, 1954; Cope and Watts, 2000), together with events that have occurred during the past week. This study uses purposeful sampling (Patton, 1999), as the selection of cases determines the findings of the study and is therefore an important aspect to consider before conducting case



study research (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007). Purposeful sampling is especially useful when studying information-rich cases in depth and detail, where the focus is on understanding and highlighting important cases rather than generalizing to a population (Patton, 1999). The cases chosen for this study was students enrolled at an action-based entrepreneurship education that all had handed in at least 15 out of 20 weekly written logbooks, 75 %. This richness criterion was set in order to gain insights in how the students in words pictured their entrepreneurial process and in them they had commented on their mentor relationship. The logbooks followed a pre-structured format, which is in accordance with Zimmerman and Wieder's (1977) explanation of a structured diary method. The logbooks were also solicited with a pre-designed structure following the form of interval-contingent design, which is the oldest method of daily event recording, and requires participants to report on their experiences at regular, predetermined intervals (Bolger, Davis and Rafaeli, 2003), which ensured a longitudinal richness. The matching process were conducted through a initial meeting between the students' and the mentors' where the students' got the opportunity to rank the mentors' that they wanted to work with. After this the instructor matched student and mentor based on the ranking made by the students'.

### **Case Descriptions of the mentee and their mentor's background**

What follows is a description of each case and their mentor's background, pictured in the table. Additionally the cases business idea, progress and the mentor relation are addressed. This is done in order to give an insight in the different cases in the study and their mentor experience. In order to make sure of anonymity of the different cases in this study, pseudonyms are used for both individuals and their company names. This was decided as the logbooks and interviews can contain sensitive information about the start-up process.

Table one: Description of the cases and the mentors

Name (age) Nationality	Delgado (30) South America	Carlos (24) Europe	John (24) Europe	Cathy (25) Europe	Fiona (28) Europe
<b>Educational Background</b>	Business Adm. Majored in marketing	Economics. Majored in marketing	Business Adm. Majored in finance and entrepreneurship	Business Adm. Majored in entrepreneurship	Social studies. Majored in International politics
<b>Working Experience</b>	HR, Sales and Marketing	Marketing in SMEs	Own start-ups	Banking & Insurance	Social charity work
<b>Business Idea</b>	Import condensed milk from South America to Europe	Buy & resell undervalued second hand Toys	Online store for male accessories	Insurance solution for pets focused on arbitrage profits	Setting up permaculture farms in Africa
<b>Business Process</b>	Established company and customers during program	Developed the business and increased customer stock	Developed the business and expanded assortment	Developed an insurance solution during the program	Developed the business idea and business plan
<b>Mentor Background</b> /	Denise Food industry	Caroline Start-up consultant	Joe Marketing	Catharine Insurance industry	Fred Serial entrepreneur
<b>Mentor meetings</b>	Regular meetings (at least once a month)	Regular meetings (at least once a month)	Skype meetings monthly	Regular meetings (at least once a month)	Occasional meetings
<b>Mentor Process</b>	Went from just being a mentor to the chairman of the board	Helped in project and time management	Aided in decisions regarding the business	Developed into a business partner more than a mentor	Aided in the development of the business plan
<b>Expectations on mentor</b>	Gain advices around industry and networking	Aid in project management and time management	Use as a sounding board in discussion around business	Gain knowledge of insurance industry	Gain specific help around the business idea
<b>Relation still existing</b>	Yes (Chairman of the board)	Yes (Occasional discussions)	Yes (Monthly video calls)	No existing relation	No existing relation

## Analysis

From the empirical material, one aspect that has been seen as highly important in fostering a good mentor relation is motivation. Motivation in the sense that the mentor encourages the mentee and believes in both the person and the business idea, as the idea is in a very early stage among these students, the need for encouragement is of importance for the hard work



that will come. This also has implications for building up trust and commitment within the relationship, which is essential for the establishment of a reflective learning environment. If the mentee does not trust and feel that the mentor is committed to the business idea and the student, there will be difficulties in considering the advices and thoughts put forward by the mentor. This will also affect the ability in the mentee to foster reflective learning, at least when discussing the role of mentorship in entrepreneurial learning. However, and as seen in the case, the relation started of in a good manner where the mentee saw great benefits from sharing his business idea with the mentor, and by that getting encouraging feedback.

Another important issue in creating a learning environment was seen in the experience of the mentor. If the student felt that the mentor possessed experience that was relevant and something that the student needed, it seems like the student tries to make the most out of this experience in order to learn as much as possible. This acknowledgment of the mentor's experience is however also dependent on how the relationship has developed during the first couple of meetings. If there is a mutual connection between the mentor and mentee, the mentee seems to be more open to listen and reflect on the knowledge that the mentor is able to provide. Also the way the mentee is considering the input received from the mentor on the business idea, business plan, and business model is dependent upon how the mentee acknowledges and judges the mentors experience, and the trust that has been built up between them.

A third aspect that goes in line with the previous ones, is the mentors ability in questioning the thoughts, decisions and aspects related to the start-up. This questioning is a pre-requisite for creating a reflective learning environment for the student. Every time the mentor is coming in with different views on the issues that the student put forward, could, if considered, be a seed for reflecting upon the path the student has set up for the business.

## **Discussion**

Previous research has indicated that mentorship is useful for stimulating a reflective learning environment among entrepreneurs, as it has been seen as a generator of thinking through decisions one are facing and aspects concerning the entrepreneurial endeavor (Deakins and Freel, 1998; Sullivan, 2000). However, in order to actually develop this reflective side of learning in a mentor relation, this study argue that there is certain aspects that needs to be considered. From the analysis it has become evident that trust is a main component for the establishment of a relation where reflective learning can be developed. Through trust in the relation the student entrepreneur is more apt to open up and share thoughts, feelings and problems with the mentor, and by that a sharing or collaborative learning environment (Taylor and Thorpe, 2004; Hynes et al., 2011). Besides this trust aspect, also motivation has been seen as a trigger for the development of a functional relation between the mentor and mentee. It was especially noticed in the analysis that motivation or motivational support increased the student entrepreneur's willingness to work harder with their idea and thus shared more



insights to their mentor, which lead to a more interactive relation where the mentor was able to give feedback and encouragement to the mentee, and also to question the ideas and thoughts that the student addressed during their meetings. This ability to question would not be made possible if the student and the mentor would not have established a trustful relation in the first place, as it is through the questioning that reflective learning might be developed in the student. The questioning from the mentor opened up new avenues that the student had to take into consideration regarding his/her business and initiated the thought process that is necessary for reflection to occur.

## Conclusion

Based on the analysis and discussion this study has made an attempt in understanding how mentorship could be used as a stimulus for reflective learning in action-based entrepreneurship education. As of this, it has become apparent that in order to establish a reflective learning environment in a mentorship relation, trust, motivation and a questioning role are necessary in the early stage of the development of the relation. Without the creation of a trustful relation the student entrepreneur will be less open to share thoughts, feelings and ideas with the mentor, and by that there will be little content to work with during their meetings and reflective learning will not be developed. However, if the student entrepreneur and the mentor develops a trustful relation in the early stage the student will become more open in their dialogue and that will open up for a more reflective learning environment where the mentor is able to pose questions and give feedback that the student need to take into consideration before moving further in his/her learning and entrepreneurial process.

## References

- Audet, J., & Couteret, P. (2012) "Coaching the entrepreneur: features and success factors." *Journal of Small Business and Enterprise Development*, 19(3): 515-531
- Bisk, L. (2002) "Formal Entrepreneurial Mentoring: The efficacy of third party managed programs." *Career Development International*, 7(5): 262-270
- Bolger, N., Davis, A., & Rafaeli, E. (2003) "Diary Methods: Capturing Life as it is Lived." *Annual Review Psychology*: 579-616
- Cope, J. (2003) "Entrepreneurial Learning and Critical Reflection: Discontinuous Events as Triggers for 'Higher-level' Learning." *Management Learning*, 34(4): 429-450
- Cope, J. (2005) "Toward a Dynamic Learning Perspective of Entrepreneurship." *Entrepreneurship Theory and Practice*, 29(4): 373-397



- Cope, J., & Watts, G. (2000) "Learning by doing: An exploration of experience, critical incidents and reflection in entrepreneurial learning." *International Journal of Entrepreneurial Behaviour and Research*, 6(3): 104-124
- Deakins, D., & Freel, M. (1998) "Entrepreneurial Learning and the Growth Process in SMEs." *Learning Organization*, 5(3): 144-155
- Deakins, D., Graham, L., Sullivan, R., & Whittam, G. (1998) "New Venture Support: An analysis of mentoring support for new and early stage entrepreneurs." *Journal of Small Business and Enterprise Development*, 5(2): 151-161
- Dewey, J. (1910) "*How we think*." Boston: Dover Publications, Inc. Reprinted in 1997.
- Eisenhardt, K.M. (1989) "Building Theories From Case Study Research." *Academy of Management Review*, 14(4): 532-550
- Eisenhardt, K.M., & Graebner, M.E. (2007) "Theory building from cases: Opportunities and Challenges." *Academy of Management Journal*, 50(1): 25-32
- Flanagan, J.C. (1954) "The Critical Incident Technique." *Psychological Bulletin*, 51(4), pp. -
- Gibb, A.A. (1987) "Enterprise Culture – Its Meaning and Implications for Education and Training." *Journal of European Industrial Training*, 11(2): 1-38
- Gibb, A.A. (1993) "Enterprise Culture and Education: Understanding Enterprise Education and Its Links with Small Business, Entrepreneurship and Wider Educational Goals." *International Small Business Journal*, 11(3): 11-34
- Higgins, M.C. & Kram, K.E. (2001) "Reconceptualizing Mentoring at Work: A Developmental Network Perspective." *Academy of Management Review*, 26(2): 264-288
- Holman, D., Pavlica, K., & Thorpe, R. (1997) "Rethinking Kolb's Theory of Experiential Learning in Management Education: The Contribution of Social Constructionism and Activity Theory." *Management Learning*, 28(2): 135-148
- Hynes, B., Costin, Y., & Birdthistle, N. (2011) "Practice-based learning in entrepreneurship education: A means of connecting knowledge producers and users." *Higher Education, Skills and Work-based Learning*, 1(1): 16-28





## ***Entrepreneurship education into Finnish teacher education curricula***

**Anne Tiikkala, Jaana Seikkula-Leino, Outi Sunila, Heikki Hannula & Lenita Hietanen**

Anne Tiikkala, University of Turku, anneti@utu.fi

Jaana Seikkula-Leino, University of Turku, Lappeenranta University of Technology

Outi Sunila, University of Turku

Heikki Hannula, HAMK University of Applied Sciences,

Lenita Hietanen, University of Lapland

### **Abstract**

The aim of this study was to analyse the learning process of teacher educators in the following context: development of entrepreneurship education curricula in teacher training by means of participatory action research. The teacher educators (N 55) from 15 vocational and academic teacher education organizations in Finland made a plan of activities during the spring term 2012 and at the end of the term teacher educators (N 20) answered a qualitative survey on the development process. The learning of teacher educators proceeded in a balanced way as brightening visions, stronger motivation, increasing understanding and new practices (Shulman & Shulman 2004).

### **Teacher education in Finland and developing curricula in higher education**

In Finland, teacher education is provided by teacher education units in universities, or by vocational teacher education institutions. There are 15 universities in Finland, of which eight (8) offer teacher education. Some of these universities have several teacher education units and training schools with their own respective curricula. The total number of teacher education units and training schools is twelve (12). There are five (5) vocational teacher education units, within polytechnics, that offer vocational teacher education in Finnish. Teacher students take a master's degree, and some continue to a doctor's degree. Special characteristics of the Finnish teacher education are the guided, practical teaching training, and the focus on research and academic reflection, which guides teacher students to

independent pedagogical thinking and decision-making. Already in the beginning of the studies, teacher students learn to argue their decisions and reflect on them, based on their personal experiences as well as on theoretical foundations of education and teaching. (see Väisänen & Atjonen 2005.) In academic teacher education, the guided practical training takes place in training schools that are operated within faculties of education in universities. Training schools coordinate and develop the research oriented, guided practical training of teacher students, as well as the further education of qualified teachers (see Harjoittelukoulujen strategia 2020).

The internationally unique teaching training in Finland includes pedagogical discussions between the teacher educator that coordinates the training, and the teacher students. Topics of discussion rise from the situations in everyday work and life in the school environment. (see Patrikainen 1997, 2005) The mission and responsibilities of teacher education are stated in the teacher education curriculum. The curriculum sets the framework in which the teacher students learn the teacher's profession and commit to the field of education. (Cochran-Smith & Demers 2008, Karjalainen, Alha & Jutila 2007).

Developing curricula in higher education can be approached, according to Annala and Mäkinen (2011), for example by developing curricula from a phenomenon-based point of view. This approach allows developing curricula together with students, thus making students a part of the professional community. Phenomenon-based approach may create a productive tension between the practical and theoretical knowledge. Another way would be to position curricula according to the changes in educational politics, worklife and society in time. This would require assessing the relations between the knowledge produced in higher education and skills needed in work. The third way would be to stress interaction and give room for participation and influencing, instead of concentrating on the technical side of the development process. This approach would allow a proactive development of curricula in higher education.

Higher education institutions are independent developers of education, and therefore, including themes to each institution's curricula depends highly on the willingness and resources of the institution. Entrepreneurship education (later EE) is integrated into curricula more or less according to the international and national strategies and documents. For example, appearance of EE in higher education curricula could be argued by the fact that it promotes interaction between universities and worklife.

In developing EE, it is utmost important to strengthen the pedagogical thinking of teachers (see Seikkula-Leino 2007). According to many researchers, EE should focus on learner-centric process of learning, in which the teacher is also in the position of the learner. Teachers should be able to reflect, that is, observe the changes in learners' (including themselves) learning, interaction and development that results from the learner's own actions. (Seikkula-Leino 2007, Schwartz 2006, Westbury, Hansen, Kansanen & Brjörkvist 2005, van der Akker 2003.)



## Background, datagathering and methodology

According to Shulman and Shulman (2004, 260), a competent teacher is a professionally strong member of the working community, he/she is receptive, willing and able to teach and learn from his/her own experiences in teaching. The presence of the social community allows the individual's learning (see Dixon 1999). Elements presented in Shulman and Shulman's model can be derived from the teacher's actions: reflection, vision, motivation, understanding, practices.

In the research, Shulman and Shulman's model was used for analysing teachers' skills regarding the development of EE: did teachers have a developed, sharpened vision on EE; were teachers motivated and willing to develop EE did they understand what to actually teach, and how to teach EE; and, were they able to transfer EE into teaching practices and reflect on their own actions. If teachers have a clear vision on EE they are able to alter their teaching so that learners become more entrepreneurial and their orientation towards entrepreneurship grows. According to Seikkula-Leino's (2007) research on curriculum reform and EE, teachers' reflections did not include visioning regarding development of EE; however, motivation to implement EE in teaching had increased during the curriculum reform process. Other results of Seikkula-Leino's (2007) research indicate that understanding on EE was insufficient, and undeveloped modes of action limited teachers' reflections. For example, naming the contents of EE was difficult, and implementation was, to some degree, vague. The notion of EE and its aims and contents were still unclear, and its purpose to be a cross-curricular theme had not been fully understood. In addition, teaching methods that are characteristic or relevant in EE were used only a little. (Seikkula-Leino 2007.)

Subsequently, the model of Shulman and Shulman was used in researches of Ruskovaara, Rytkölä, Seikkula-Leino, Ikävalko and Mattila (2011a), Ruskovaara, Seikkula-Leino, Rytkölä and Pihkala (2011b), Ruskovaara, Pihkala, Rytkölä and Seikkula-Leino (2011c) and Seikkula-Leino et al. (2010). According to these studies, the terminology in EE was understood coherently as internal and external entrepreneurship and as an education for being entrepreneurial, which, in turn, was understood as a method and content of teaching. According to the studies of Ruskovaara et al. (2011a, 2011b, 2011c) and Seikkula-Leino et al. (2010), teachers' visions on EE were quite unclear, resulting from the fact that their aims of EE appeared unstructured. Teachers had knowledge on the contents of EE, but their understanding seemed limited to some extent, and implementation fragmented. EE was implemented as projects and it was not tied to teaching as such. Knowledge on curricula and strategies was inadequate and the implementation of EE was not linked to curricula. Therefore, teachers' understanding on EE was limited. According to the findings, teachers' visions and motivation regarding EE had been inadequate, and there were



suggestions to strengthen them. In addition, there was no clear relation between the elements (Ruskovaara et al. 2011a, 2011b, 2011c, Seikkula-Leino et al. 2010).

In this research, development of EE in Finnish teacher education was carried out as a participatory action research. The action research is a practice-based research strategy or more like an approach for the chosen phenomena (see Carr, 2006). Teacher educators (N 55) participated in the study by designing the action plans for development of the curricula, by enacting these plans and by answering to the qualitative questionnaire. Four levels of development were offered to the participants, and they were to choose one or several of them: *analysis and definition of the skills and knowledge needed in EE; curriculum in the educational institution; implementation of the current curriculum in EE; and curriculum as experienced by students/learners.*

Action research enabled encouraging teacher educators to be reflective practitioners who wanted to develop their own work (e.g. Elliott 1991, McIntosh 2010, 31-55; Shulman & Shulman, 2004). Besides, the teacher educators committed themselves to active developing concerning their professional knowledge and practices (McGlenn Manfra 2009, 37; McNiff 1992, Stenhouse 1980). Hence, the functions of the action research were both to produce new knowledge and to develop activities. Research focused on the practices built in interactions between different actors, and on the changing and improving these practices according to the objectives of the research. (Dadds 1993, Giddens 1991, 213). One purpose was, e.g. to encourage the teachers to make their own conclusions through systematic research (Elliott 1991; 1993; Stenhouse 1980). Besides, one objective was that the participants may achieve more democratic ways of acting (see, e.g. Kincheloe 2006). In this case the student teachers were also involved to participate in the development (see Gast & Tawney 2010, McKernan 2008). Through an individual and communal reflection, the teacher educators and teacher students were suggested to consider the significance and implications of the entrepreneurship and the EE in teachers' work from the multiple views (McIntosh 2010, 51). The purpose was that both the teacher educators and the teacher students could be able to rid themselves from the traditional, axiomatic schemes of things (Martin et al. 2006, Kincheloe 2006).

The action plan was returned by 15 (58% of all) units of teacher education. In the end of the term, in spring 2012, all participants (N55) in development of EE curricula were requested to participate in a qualitative survey. The respondents (participants in the curriculum development) were asked to reflect how the planned and implemented development of the curriculum, has affected them in a personal level as entrepreneurship educators. (f.ex. Carr & Kemmis 1986, Kemmis 1995, Elliott 1991.)



## Results of the curriculum development

The most important findings of the final analysis include the following, presented by the levels of development. Level 1: *Analysis and definition of the skills and knowledge needed in EE* was chosen by 6 organisations (40%). All the organisations made a definition of teachers' skills and knowledge in EE and decided to offer basic knowledge on EE to all teacher students. Level 2: *Curriculum in the educational institution* was chosen by 7 organisations (47%). They created new courses on EE and integrated EE to be a part of the guided, practical teaching training. Level 3: *Implementation of the current curriculum in EE* was chosen also by 7 organisations (47%). They carried out EE to be a cross-curricular theme in curriculum, new methods were implemented and a teachers' guide to EE was created. Level 4: *Curriculum as experienced by students/learners* was chosen by 11 organisations (73%). Their main achievement was that students and teacher educators do the analysis and assessment of practical implementation together. 13 organisations created a vision (87%), which included having EE as a common philosophy of teaching.

The main findings of the qualitative survey on respondents' (N20) understanding, motivation, concrete practices, collaborative development and visions. Teacher educators **understanding** on EE was cleared and deepened under the action research. Emergence on consciousness of the basic values in EE emerged. Concretising the theme and having time for reflecting increased teacher educators' **motivation**. New **concrete practices**, like new modes of operation, new courses, new methods and new working modes were created. Collaboration increased and relations tightened during the action research. **Visions** was created actively and the topic vision was to do EE a natural part of the teachers' work.

For 85% of the respondents, understanding on EE increased or at least stayed at the basic, good level during the action research. Better skills are manifest as new practices, such as new course contents. Willingness and capabilities to integrate EE into curricula is apparent in the research findings. However, interaction with worklife is still not adequate. Based on the research data it can be concluded that visions on EE were created on a deep level, and that the motivation of teacher educators to develop EE is reflected on the action plans. Actions were carried out as different courses and practices. Research data also shows the fact that EE is a widely understood theme in the Finnish teacher education. A versatile network of developers has participated in the curriculum development, which might be rare in developing the Finnish teacher education.



## Recommendations for practical measures and topics of further research

Participatory action research is successful, if the participants or practices have developed during the research process. We can conclude this to have happened in this research. The practical measures have included, among other things, analysing the current teacher training curricula. In addition, it has been surveyed how the goals defined in the curriculum appear in practical teaching. EE has been integrated into both the curriculum and the practice, more than before. This appears as new courses, and as integrating EE into guided teacher training. Attempts have been made for EE to become a cross-curricular theme in universities. Teacher students have been included in the development process. They have analysed and assessed how EE has been implemented in practice, and curricula have been modified according to their feedback. However, truly innovative solutions did not emerge during the process.

According to the data, there is no imbalance between the elements in teacher educators' learning (reflection, vision, motivation, understanding, practices). This may be explained by the high level of teacher education in Finland, the competence of teacher educators, and the strong emergence of EE in the field of education, due to various development projects in the recent years. However, all the elements would need to be further developed and kept in balance in future as well. Based on the previous research (Seikkula-Leino 2007; Seikkula-Leino et al. 2010; Ruskovaara et al. 2011a, 2011b, 2011c) it is clear that big steps have been taken, at least when it comes to teacher education. Despite the fragmented nature of EE as a whole, motivated teachers, or teacher educators in this case, have tenaciously developed EE.

Curriculum development is more and more needed, especially in higher education. This research should be continued by following up the actions in the participant organisations. Have all plans been executed? If so, what results have been reached? In addition, this type of research should be conducted in all teacher education units. The method of participatory action research could be used for studying and developing other themes than EE as well, and not only in educational institutions. For example, developing entrepreneurial culture in companies and public organisations would have a strong impact on society. This method of development led to good results. Based on this, we can recommend the following approach to practical curricula development:

- Teams, focusing on a certain theme, are formed in the organisation
- Students and other stakeholders are involved in the teams
- A team's vision is created, related to the theme
- A plan of activities is created: what is to be done, by whom, when, where, on what timeframe/schedule

- The development process is to be carried out in interaction
- In the end, the learning process of the team members is reflected for example in the frame of Shulman and Shulman's (2004) model
- Results of the development work are brought to public and implemented in the new curriculum

By this mode of operation, the following results are achieved:

- Division of responsibility and power in the organisation increases confidence and respect between individuals (see Borba 1993, 95-125).
- The curriculum development commits the different parties and actors to implementing it as well.
- Collaborative development takes place according to the values related to EE, such as the support for taking initiative and problem-solving, and the use of activating study methods such as 'learning by doing' and modelling / social learning.
- Involving students in the development process motivates them in studies, activates their reflection and supports their development in future as well.
- Students gain experience and practice in developing curricula already during their studies.
- Teacher educators are involved in a learning process in which they reflect their own learning as well (see Seikkula-Leino 2007, Schwartz 2006, Westbury, Hansen, Kansanen & Brjörkvist 2005, van der Akker 2003).

## References

- Annala, J. & Mäkinen, M. (2011) *Korkeakoulutuksen opetussuunnitelma – kohti tietämisen ja taitamisen päämääriä*. [Higher education curriculum - towards the aims of knowing and skills] *Kasvatus*, 42 (1), 6–18.
- Carr, W. & Kemmis, S. (1988) *Becoming Critical. Education, Knowledge and Action Research*. London and Philadelphia: The Falmer Press.
- Carr, W. (2006) Philosophy, Methodology and Action Research. *Journal of Philosophy of Education*, 40 (4), 421-435.
- Cochran-Smith, M. & Demers, K. E. (2008) Teacher Education as a Bridge? Unpacking Curriculum Controversies. In: F. Connelly, M. Fang He & J. Phillion, *The Sage Handbook of Curriculum and Instruction*. Los Angeles: Sage Publications, 261–281.
- Dadds, M. (1993) Thinking and being in Teacher Action Research. In J. Elliott (eds.) *Reconstructing Teacher Education: teacher development*. London: The Falmer Press, 229-242.
- Elliott, J. (1991) *Action research for educational change*. Buckingham: Open University Press.



- Elliott, J. (1993) The Relationship Between 'Understanding' and 'Developing' Teachers' Thinking. In J. Elliott (Ed.) *Reconstructing Teacher Education: teacher development*. London: The Falmer Press, 193-207.
- Elliott, J. (1998) *The Curriculum Experiment. Meeting the Challenge of Social Change*. Buckingham: Open University Press.
- Gast, D. L. & Tawney, J. W. (2010) *Single Subject Research Methodology in Behavioral Sciences*. New York: Routledge.
- Harjoittelukoulujen strategia 2020. ” Strategy of training schools 2020”[http://www.enorssi.fi/suhoharre/Harjoittelukoulujen\\_strategia\\_2020.pdf](http://www.enorssi.fi/suhoharre/Harjoittelukoulujen_strategia_2020.pdf) (7.7.2011)
- Karjalainen, A., Alha, K. & Jutila, S. (2007) *Anna Aikaa Ajatella – Suomalaisten yliopistopintojen mitoitussjärjestelmä*. [Give time for thinking - a measuring system of the studies in Finnish higher education] Oulun yliopiston Opetuksen kehittämissyksikkö [Teaching development unit, University of Oulu].
- Kincheloe, J. L. (2006) *Teachers as Researchers. Qualitative inquiry as a path to empowerment*. Second edition. New York: Routledge.
- Martin, G., MacLaren, I. & McLaren, P. (2006) Participatory activist research (teams)/action research. In: K. Tobin & J. Kincheloe (Eds.) *Doing Educational Research – A Handbook*. Rotterdam: Sense Publishers, 157-190.
- McGlinn Manfra, M. (2009) Action Research: Exploring the Theoretical Divide between Practical and Critical Approaches. *Journal of Curriculum and Instruction*, 3 (1), 32-46.
- McIntosh, P. (2010) *Action Research and Reflective Practice. Creative and visual methods to facilitate reflection and learning*. Oxon: Routledge.
- McKernan, J. (2008) *Curriculum and Imagination. Process theory, pedagogy and action research*. Oxon: Routledge.
- Patrikainen, R. (1997) *Ihmiskäsitys, tiedonkäsitys ja oppimiskäsitys luokanopettajan pedagogisessa ajattelussa*. [Conceptions of humanity, knowledge and learning in class teacher's pedagogical thinking] Joensuun yliopiston kasvatustieteellisiä julkaisuja [Pedagogical publications, University of Joensuu] no. 36.
- Patrikainen, R. (2005) Opetuksen teorian ja käytännön kohtaaminen opetusharjoittelun ohjauksessa. Harjoitteluraportti ammatillisen itseohjautuvuuden välineenä luokanopettajien koulutuksessa. [Encounters of theory and practice in guiding practical teacher training. Training report as a tool for professional self-regulation in class teachers' education.] In: Väisänen, P. & Atjonen, P. (eds.) *Kohtaamisia ja kasvun paikkoja opetusharjoittelussa. Vuoropuhelua ohjauksen kehittämisestä*. [Encounters and points of growing in practical teacher training. Dialogue on





- developing guiding] Suomen harjoittelukoulujen vuosikirja [The year book of the Finnish teacher training schools] 3, 44-53.
- Ruskovaara, E., Pihkala, T., Rytkölä, T. & Seikkula-Leino, J. (2011c) Building a Measurement Tool for Entrepreneurship Education - a Participatory Development Approach, *8th ESU Conference on Entrepreneurship*, September 12th-17th 2011, Seville, Spain, 2011, p. 18, ISBN 978-84-694-7290-3DL: SE-6456-2011.
- Ruskovaara, E., Rytkölä, T., Seikkula-Leino, J., Ikävalko, M. & Mattila, J. (2011a) Opettajien toteuttama yrittäjyyskasvatus ja reflektoinnin merkitys.[Teachers' entrepreneurship education and the significance of reflection] In: Ulla Hytti, Jarna Heinonen ja Anne Tiikkala (eds.). *Yrittäjämäinen oppiminen: tavoitteita, toimintaa ja tuloksia*. [Entrepreneurial learning: aims, action and results] 2011, p. 214-237, ISBN 978-952-249-152-7, Turun yliopisto, Turun kauppakorkeakoulu & Kasvatustieteiden tiedekunta, Turku, Suomi [University of Turku, Turku School of Economics & The Faculty of Education, Turku, Finland].
- Ruskovaara, E., Seikkula-Leino, J., Rytkölä, T. & Pihkala, T. (2011b) *Yrittäjyyskasvatuksen mittariston rakentaminen – osallistuvan kehittämisen lähestymistapa*. [Building a measurement tool for entrepreneurship education - a participatory development approach] Yrittäjyyskasvatuspäivät, 6.-7.10.2011. Lappeenranta. 2011, p. 18, ISBN 978-952-265-139-6.
- Schwartz, M. (2006) For whom do we write the curriculum? *Journal of Curriculum Studies*, 38 (4), 449-57.
- Seikkula-Leino, J. (2006) Perusopetuksen opetussuunnitelmauudistus 2004–2006 ja
- Seikkula-Leino, J. (2007) *Opetussuunnitelmauudistus ja yrittäjyyskasvatuksen toteuttaminen*. [Curriculum reform and the implementation of entrepreneurship education] Helsinki: Opetusministeriö [Ministry of Education]. Koulutus- ja tiedepolitiikan osasto. [Department of education and science] Opetusministeriön julkaisuja [Publications of the Ministry of Education] 2007: 28.
- Seikkula-Leino, J. (2011) Implementing entrepreneurship education through curriculum reform in Finnish comprehensive school. *Journal of Curriculum Studies*, 43 (6), 4-34.
- Seikkula-Leino, J., Ruskovaara, E., Ikävalko, M., Mattila, J. & Rytkölä, T. (2010) Promoting entrepreneurship education: the role of the teacher? *Education & Training*, 52(2), 117-127.
- Shulman, L.S. & Shulman, J.H. (2004) How and what teachers learn: a shifting perspective. *Journal of Curriculum Studies*, 36 (2), 257-271.
- Stenhouse, L. (1980) Reflections. In L. Stenhouse (eds.) *Curriculum Research and Development in Action*. London : Heinemann Educational Books, 244-262.



van der Akker, J. (2003) Curriculum Perspectives: An Introduction. In van der Akker, J, Kuiper, W & Hameyer, U. (eds), *Curriculum Landscapes and Trends*, 1-10. Dordrecht: Kluwer Academic.

Westbury, I., Hansen, S.-E., Kansanen, P. & Björkvist, O. (2005) Teacher education for research-based practice in expanded roles: Finland's experience. *Scandinavian Journal of Educational Research*, 49 (5), 475-485.

yrittäjyyskasvatuksen kehittäminen. *Paikallinen opetussuunnitelmatyö yrittäjyyskasvatuksen näkökulmasta*. [Basic education curriculum reform 2004-2006 and the development of entrepreneurship education. The local curriculum development from the entrepreneurship education point of view] Helsinki: Opetusministeriö. [Ministry of Education] Koulutus- ja tiedepolitiikan osasto. [Department of education and science] Opetusministeriön julkaisuja [Publications of the Ministry of Education] 2006:22.



## ***Entrepreneurial learning by doing: support and development of entrepreneurs during the business trial phase – A Research Project***

**Aline Mariane Ribeiro**

alinemariane@gmail.com

Dissertation supervisor: Alain Fayolle

Université Pierre Mendès-France

Grenoble, France

### **Abstract**

This research aims to better understand what fundamental entrepreneurial learning takes place during the start-up pre-launch stage, in other words, when entrepreneurs experiment and test their business. The research subject is the business trial phase, institutionalized in France by the Support Contract for Business Projects, the CAPE contract (*Contrat d'Appui au Projet d'Entreprise*) and the experience of business incubators (*couveuses d'entreprises*). The objectives are to study the entrepreneurial learning-by-doing process, to investigate the gendered issues in business support, to analyze the motivations push and pull and finally to identify the outcomes of the business test on the entrepreneurs' path.

### **Research background**

The business legal structure's creation is only one step in the entrepreneurial path. The actions before the formal establishment and the launch of the company are part of the entrepreneurial

process (Baron and Shane, 2007). In this research, the pre-creation actions are considered as a phase of testing and experimentation, which is part of entrepreneurial experience (Morris et al., 2012). Concerning entrepreneurial experience, it is an important source of learning (Cope and Watts, 2000). From these premises, this work focuses on entrepreneurial learning before the company setting up, when entrepreneurs experiment and test their business. Our research field is in the business trial phase during the CAPE contract and the support of business incubators *couveuses d'entreprises*.

Around the world, the willingness to encourage, facilitate and democratize entrepreneurship bring together the policies of employability through self-employment (Andersson and Wadensjö, 2007; Brasseur and Coll. 2010). Support the business creation by people excluded from the labour market, especially unemployed people, would have potential benefits as not only the end of unemployment for the new entrepreneur, but also the creation of jobs and wealth (Caliendo and Kritikos, 2010). Many scholars were also interested about the relationship between unemployment and entrepreneurship, especially the self-employment choice (Bergmann and Sternberg, 2007; Noorderhaven et al., 2004; Thurik et al., 2008). In this context, Darbus (2008) draws a background of business creation support in France. She identifies three phases of social-integration oriented business support:

- 1979 to 1988: "institutional promotion of self-employment"
- 1988 to 2000: "the development of a business support network", and finally
- 2001 to 2008: "the legal security policies for entrepreneurs", phase of business incubators' origin and development.

The origin and development of CAPE contract and business incubators *couveuses d'entreprises*, the terrain of this research, are clearly identifiable all along this last phase. The legal security of the entrepreneurial journey is the priority of these new structures during the early 2000s. The project set up, that is to say, the actual creation of the company was considered by the support structures as a real obstacle to overcome (Vaesken and Torterat, 2006). After perceiving an opportunity and considering the business creation, entrepreneurs must commit time and money to the development of their project. During this commitment period, the future creator have often a hybrid position, a dual status among his original status and business owner status (Bruyat, 1993). This is especially true for a fragile people, away from the business world. For this public, the business support programs usually operate in the project design, ahead of the actual business setting-up (Nakara and Fayolle, 2013).

The CAPE contract innovated developing an intermediate step, between the project design and the business establishment. The CAPE contract, created by the French "law for economic initiative" in 2008, is a legal contract signed by a project leader, called entrepreneur-in-training (*entrepreneur à l'essai*), and a business incubators structure (*couveuse d'entreprises*). The contract time is one year limited, renewable three times. He or she has the right to maintain its social benefits – for the most part, unemployment benefits – and receive training, coaching and counseling. The business is legal and fiscally hosted by the business incubator. It allows ensuring the bridge between social and economic income. For the duration of CAPE

contract, entrepreneurs' employment status are decoupled from their activity status. Through the superposition of status and contract, entrepreneurs have social security coverage for the duration of the business test (Darbus, 2008).

Business incubators *couveuses d'entreprises* are support entrepreneurship structures. These structures have very different profiles and are often grouped under the incubator concept, especially in the English literature (Bakkali et al., 2013). Scholars (Hackett and Dilts, 2004; Bergek and Norrman, 2008) try to find commonalities in the literature and analyze the differences in order to arrive at a consensual incubator concept. However, according to Aernoudt (2004) the term business incubators is becoming more and more an “umbrella word”, covering a heterogeneous reality. In considering incubators rather tailored to unemployed people in the development of self-employment, they are close to the concept of “social incubators” (Aernoudt, 2004) or “incubators for local economic development” (Albert et al., 2003). Such business incubators are mainly oriented for local employment creation and social integration of people with low employability, offering coaching and personalized counseling and enhance networking. In French literature, the term “support” (*accompagnement*) is preferred. However, it is generally also used as a generic term combining a number of practices (Cuzin and Fayolle, 2004), a real “catch-all” term (Paul, 2009a) including “counseling, coaching, sponsoring, mentoring [...] tutoring, advice or consultancy, sponsorship or companionship”. In common, all support relationships presuppose the function to facilitate learning or a passage to another (Paul, 2009b).

The CAPE contract adds new features to this diversity of structures. The concept of testing activity is not exclusive to business incubators *couveuses d'entreprises* in France; the activity and employment cooperatives (*cooperatives d'activité et d'emploi*) (Allard et al., 2013; Charles-Pauvers and Schieb-Bienfait, 2010; Stervinou and No, 2008; Veyer and Sangiorgio, 2006) also develop it, based on the values of solidarity and the collective dimension of a cooperative. The contract provides a real experimental time, with a defined starting point and a point of arrival: enough income to lead to the economic autonomy of the entrepreneurs, allowing them to live with dignity of their work and to emancipate from the social welfare benefits.

## Research question

The central question of this research focuses on entrepreneurial learning in the experimental phase which precedes the self-employment or small business establishment. In addition, there are four sub-questions that specify the topics covered by each dissertation paper / chapter. The purpose of these questions is to understand the effect of learning on the motivations of male and female entrepreneurs, and the results on their career path. The study is based on a specific case – entrepreneurs in the context of CAPE contract – in order to a more general understanding of contemporary entrepreneurship.

Research issue:

---

*Central question:* What are the effects of an entrepreneurial experience on the career path of novice entrepreneurs?

*More specifically:* What are the specific entrepreneurial learning developed by novice entrepreneurs during the business trial phase in the context of the CAPE contract?

---

*Secondary questions :*

**Q1.** What are the similarities of the entrepreneurial process and the learning process?

*More specifically:* What are the contributions of theories of action in entrepreneurship and learning research?

**Q3.** Is the entrepreneurial learning different depending on the entrepreneur's motivation?

*More specifically:* What is the impact of entrepreneurial learning during the business trial phase for necessity entrepreneurs? And opportunity entrepreneurs?

**Q2.** Are entrepreneurial learning considered different among female and male entrepreneurs during the business trial phase?

*More specifically:* Why women entrepreneurs do they choose CAPE contract and the business trial phase more than men?

**Q4.** Which outcomes do entrepreneurial learning lead?

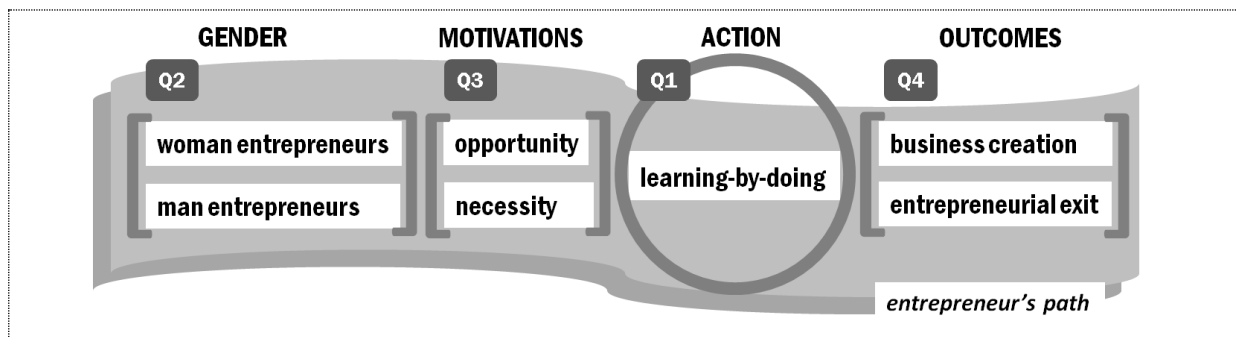
*More specifically:* Does entrepreneurial learning during the business trial phase increase entrepreneurs' autonomy?

---

This research is anchored in the paradigm of the sciences of the artificial (Simon, 2004) Entrepreneurship is defined as an “entrepreneurial situation” (Avenier and Schmitt, 2008), a process on the way, that start with the means to achieve the goals of the creation of new value. The objective is not to compare, but to understand (Sarasvathy, 2004) how entrepreneurs operate in a context – the activity test – and what they learn by experience.

Thus, this research plan to be based on longitudinal study, because the temporal variables are essential components of the entrepreneurial process (Fayolle and Degeorge, 2012). The research make use a mixed approach, that is to say, cross both quantitative and qualitative methodologies, the action research and intervention research (David, 1999). This research is carried out under a CIFRE Convention (*Conventions industrielles de formation par la recherche*) – industrial contract for training through research – and the PhD candidate is also an employee of the Union des Couveuses d'Entreprises.

Research design:



Methodology:

Step 1	A database of 6007 entrepreneurs that signed CAPE since 2008 Static analysis of the typical profile of entrepreneurs
Step 2	Longitudinal quantitative survey with about 200 entrepreneurs tested for 18 months An electronic questionnaire sent to entrepreneurs at the time of signature of the CAPE contract in 6, 12 and 18 months.
Step 3	Longitudinal qualitative interviews with 15 entrepreneurs In-depth interviews with entrepreneurs at the time of signature of the CAPE contract and at 6, 12 and 18 months

Research areas

### Entrepreneurial learning by action

The research starts off the entrepreneurial experience of the first experimentations before starting a business, and who is at the origin of an important entrepreneurial learning. In general, there is no consensus on the definition of entrepreneurial learning (Wang and Chugh, 2013). Meanwhile, the temporality of this learning is defined by some authors. Cope (2005) determines that entrepreneurial learning “mean learning experienced by entrepreneurs *during the creation and development* of a small enterprise”. For Huovinen and Tihula (2008), entrepreneurial learning “is usually defined as a *continuous process* leading to the development of knowledge *required for starting* and managing a firm”. In order to place entrepreneurial learning relative to organizational learning, Miller (2012) delimit entrepreneurial learning as “the learning engaged in by entrepreneurs *during their pre-formation* organizing activities that becomes embedded et implemented in the structures and practices of the ventures they found”. These three authors identify entrepreneurial learning as

a process over time, and also they put the business establishment as a milestone. The business legal creation is reference point of entrepreneurial learning.

In this way, it is essential to understand entrepreneurial learning since the early stages of the journey of the entrepreneur and the process that led to the launch of the company (Friga, 2008). While the entrepreneur is generally defined by the business creation (Gartner, 1988) and it is not always simple to study entrepreneurs who have not yet started, the research on the early stages about entrepreneurship are quite numerous. This especially since the 2000s, as new details emerge on the subject data (Parker and Belghitar, 2006) – e.g. GEM: Global Entrepreneurship Monitor and PSED: Panel Study of Entrepreneurial Dynamics. Entrepreneurs who are actively starting to build their business, such as those studied in this research, are known as “nascent entrepreneurs”. Their sociodemographic characteristics (Delmar and Davidsson, 2000), career choices (Carter et al., 2003), social capital (Davidsson and Honig, 2003), their impact on economic development (Wennekers et al., 2005) their reaction to the regulations (Stel et al., 2007) and also their learning (Friga, 2008) were analyzed in relation to non-entrepreneurs, to identify this step and understand the factors of business success.

In the same way, it is also to understand the performance of new businesses that several authors explored the role of entrepreneurial experience (Morris et al., 2012). Analyzed from the critical incidents (Cope and Watts, 2000), from the identification of opportunities (Baron and Ensley, 2006; Rerup, 2005) or from their prior experiences (Politis, 2008), entrepreneurial experience is an integral part of entrepreneurial learning. Thus, the theory of experiential learning (Kolb, 1984) is a major to understand entrepreneurial learning (Gibb, 1997; Rae and Carswell, 2000; Corbett, 2005; Politis, 2005). Similarly, the theory of organizational learning (Argyris and Schön, 2002), in conjunction with the literature on entrepreneurship, form the field of research in entrepreneurial learning (Wang and Chugh, 2013).

In this research, comparisons with non-entrepreneurs, as well as the business’ performance, are put into the background. The intention is to understand the effects of entrepreneurial experience in the entrepreneurs carrier’s path, in the interface between the inner and outer environments (Sarasvathy, 2004). Starting from the idea that entrepreneurship requires action (McMullen and Shepherd, 2006), this work seeks commonalities in the literature among emerging theories in entrepreneurship (Fisher, 2012) and learning (Balleux, 2000). The action, the trial and error process, the interaction, the contingencies and the uncertainty, constitute both entrepreneurship and learning. Entrepreneurship theories based on action – namely “effectuation” (Sarasvathy, 2001, 2009) and “entrepreneurial bricolage” (Baker and Nelson, 2005) mainly, but also “creation perspective” (Alvarez and Barney, 2013) and “user entrepreneurship” (Shah and Tripsas, 2007) and also some writings quite popular among entrepreneurs as “the lean start-up” (Ries, 2012) and “just start” (Schlesinger et al., 2012) – will be studied in parallel with the learning-by-doing theories, as “hands-on learning” (Dewey, 1938), “experiential learning theory” (Kolb, 1984), “action learning” (Marsick and O’Neil, 1999), “transformative learning” (Mezirow, 1997) and “pedagogy of freedom” (Freire, 1997).





### **Entrepreneurship and women**

Women are around 65% of the CAPE contract signatories. Given that, in France, women in entrepreneurship is around 30% (Bernard et al., 2013) and similar structures have rarely parity [40% for ADIE (ADIE, 2012) and 43% for the Boutiques de Gestion (BGE, 2012)] and finally that there is no positive discrimination policies in business incubators *couveuses d'entreprises*, this information is intriguing. A female entrepreneur still sounds to be an anomaly in comparison with the “normal” reference group “entrepreneurs”, despite an increasing number of women small business owners (Nilsson, 1997).

A type of simplistic but common research question on women's entrepreneurship is the differences between male and female entrepreneurs as individuals. (Ahl, 2006) shows that these results are often contradictory; because it doesn't considers that gender differences are socially and culturally constructed – and not measurable as innate or as a behavior cause. In this sense, a feminist approach that puts women and men in equal opportunities is profitable to build support and training programs for women and men entrepreneurs (Byrne and Fayolle, 2010).

### **Entrepreneurial motivations**

Entrepreneurs are often identified by their motivation or their drivers; opportunity entrepreneur is the one that is motivated by the idea of developing an attractive opportunity, in the other side, necessity entrepreneur is the one who decided to launch a business to have an income. We note a variety of expressions to describe these motivations, with positive and negative connotations (Tab.1):

Tab. 1

Opportunity Entrepreneur(ship)	Necessity Entrepreneur(ship)	
pull entrepreneurs(hip)	push entrepreneurs(hip)	(Parker, 1995; Clark and Drinkwater, 2000; Solymossy, 2005; Vivarelli, 2004; Hamilton, 2004; Hernandez, 2006; Schjoedt and Shaver, 2007; Hughes, 2003; Bergmann and Sternberg, 2007; Kautonen and Palmroos, 2010; Kautonen et al., 2010)
entrepreneurs par choix	entrepreneurs par défaut	(Amit and Muller, 1995)
entrepreneurs opportunistes	entrepreneurs de survie	(Girard, 2007)
entrepreneurs volontaires	entrepreneurs contraints, entrepreneurs forces	(Couteret, 2010)
motivation attraction	motivation pression	(Robichaud et al., 2006)
positive motivation	negative motivation	(Tervo and Niittykangas, 1994)
opportunity-based or opportunity-driven	necessity-based or necessity-driven	(Reynolds et al., 2001; Hechavarria and Reynolds, 2009; Hessels et al., 2008; Naude and Van Der Walt, 2006; Williams, 2009; Hernandez et al., 2012)
the best alternative available	when nothing else is available	(Dennis Jr., 1996)
choix qui s'impose	choix impose	(Beaucage et al., 2004)
a way of "getting ahead"	a way of "getting by"	(Williams, 2005)

Bergmann and Sternberg (2007) show that business support programs and policies for unemployed people stimulate specially necessity entrepreneurs. However, Couteret (2010) and Nakara and Fayolle (2013) conclude that the current business support practices are not adequate to this kind of entrepreneur profile. It is an impasse: business support programs aim to help unemployed people, who are potentially push entrepreneurs, but these structures and programs are not adapted to this audience.

As seen, the CAPE contract is generally used to unemployed people to maintain unemployed benefits. Unemployed entrepreneurs are usually seen as push entrepreneurs. This research aims to identify the reasons for those entrepreneurs to the trial theirs business in order to verify the relationship between their intentions and outcomes. This research objective is to know if it is possible to identify the same type of learning for necessity and opportunity entrepreneurs, and if the business trial is suitable for those audiences. Therefore, we would like to go beyond the classification between opportunity and necessity, and to analyze the consistency of this typology during the first entrepreneurial experience.



### Support outcomes

Regardless of the motivation, entrepreneurs ask themselves: "To start or not to start?"» Townsend et al. (2010) and Bruyat (2001) did the same question. The first scholars are interested in the high level of confidence of entrepreneurs and their expectations of potential outcomes. According to Bruyat (2001) tensions are more pronounced for the entrepreneur during the commitment decision moment, because decisions are (or are seemed) irreversible; this stage is just before the legal registration of the venture. Entrepreneurs may or may not engage the business creation; the renunciation is not necessarily final, because individuals are still susceptible to develop new projects. This new project can be a life project: look for a paid job or go for training.

Entrepreneurial learning in terms of the enterprising is less related to business creation. Shook et al. (2003) presents enterprising as a set of psychological factors, as personality, beliefs, values, attitudes, needs and traits, some characteristics as education, past experiences, abilities and some cognition factors, as knowledge structures and biases and heuristics. Then, it is possible to conclude that business creation is just only one of the possibilities of entrepreneurial postures. Thus, the outcomes of entrepreneurial learning are rather linked to the development of this attitude than the actual business creation. However, as seen, business support structures are often oriented process of creating new ventures. Disengagement of entrepreneurial experience can be positive or an intelligent exit (Politis, 2005); it is a proactive or strategic disengagement decided by an entrepreneurs' conclusion that the business opportunity would not be successful. Yusuf (2011) focuses on start-up disengagement and exit during very early stage in the entrepreneurial process, the nascence phase of the entrepreneurial process.

The CAPE contract is destined to test the business and this trial phase can be successful and result in a business creation or not. This research objective is to carry out an analysis of the outputs of the business trial phase, is to say, the actual creation of the company or the abandonment of the project activity. In other words, our work aims to investigate what learning is considered important for entrepreneurs at the end of CAPE contract, regardless if they create or not.

### References

- ADIE (2012). Rapport annuel ADIE 2012.
- Aernoudt, R. (2004). Incubators: Tool for Entrepreneurship? *Small Business Economics* 127–135.
- Ahl, H. (2006). Why Research on Women Entrepreneurs Needs New Directions. *Entrepreneurship Theory and Practice* 30, 595–621.



- Albert, P., Bernasconi, M., and Gaynor, L. (2003). *Incubateurs et pépinières d'entreprises: un panorama international* (Paris: l'Harmattan).
- Allard, F., Amans, P., Bravo-Boyssy, K., and Loup, S. (2013). L'accompagnement entrepreneurial par les Coopératives d'Activité et d'Emploi: des singularités à questionner. *Management International / International Management / Gestión Internacional* 17, 72–85.
- Alvarez, S.A., and Barney, J.B. (2013). Epistemology, Opportunities, and Entrepreneurship: Comments on Venkataraman et al. (2012) and Shane (2012). *ACAD MANAGE REV* 38, 154–157.
- Amit, R., and Muller, E. (1995). Push and pull entrepreneurship. *Journal of Small Business and Entrepreneurship* 12, 64–80.
- Andersson, P., and Wadensjö, E. (2007). Do the Unemployed Become Successful Entrepreneurs? A Comparison between the Unemployed, Inactive and Wage-Earners. *International Journal of Manpower* 28, 604–626.
- Argyris, C., and Schön, D.A. (2002). *Apprentissage organisationnel: théorie, méthode, pratique* (Paris; Bruxelles: De Boeck Université).
- Avenier, M.-J., and Schmitt, C. (2008). « Quelles perspectives le paradigme des sciences de l'artificiel offre-t-il à la recherche en entrepreneuriat ? », In “Embracing Complexity: Advancing Ecological Understanding in Organization Studies”,...
- Baker, T., and Nelson, R.E. (2005). Creating Something from Nothing: Resource Construction through Entrepreneurial Bricolage. *Administrative Science Quarterly* 50, 329–366.
- Bakkali, C., Messeghem, K., and Sammut, S. (2013). Pour un outil de mesure et de pilotage de la performance des incubateurs. *Management International / International Management / Gestión Internacional* 17, 140–153.
- Balleux, A. (2000). Évolution de la notion d'apprentissage expérientiel en éducation des adultes : vingt-cinq ans de recherche. *Revue Des Sciences de L'éducation* XXVI, 263–285.
- Baron, R., and Shane, S. (2007). *Entrepreneurship: A Process Perspective* (Cengage Learning).
- Baron, R.A., and Ensley, M.D. (2006). Opportunity Recognition as the Detection of Meaningful Patterns: Evidence from Comparisons of Novice and Experienced Entrepreneurs. *Management Science* 52, 1331–1344.
- Beaucage, A., Laplante, N., and Légaré, R. (2004). Le passage au travail autonome : choix imposé ou choix qui s'impose ? *Relations Industrielles* 59, 345.
- Bergek, A., and Norrman, C. (2008). Incubator best practice: A framework. *Technovation* 28, 20–28.

- Bergmann, H., and Sternberg, R. (2007). The Changing Face of Entrepreneurship in Germany. *Small Business Economics* 205–221.
- Bernard, C., Le Moign, C., and Nicolai, J.-P. (2013). L'entrepreneuriat féminin (Centre d'analyse stratégique).
- BGE (2012). Des histoires extraordinaires - Réseau national d'appui aux entrepreneurs Rapport d'Activité 2012.
- Brasseur, M., and Collectif (2010). *Entrepreneuriat et Insertion* (Emile Bruylant).
- Bruyat, C. (1993). *Création d'entreprise: Contributions épistémologiques et Modélisation*. Université Pierre Mendès France.
- Bruyat, C. (2001). Créer ou ne pas créer ? Une modélisation du processus d'engagement dans un projet de création d'entreprise. *Revue de l'Entrepreneuriat* 1, 25–42.
- Byrne, J., and Fayolle, A. (2010). A Feminist inquiry into entrepreneurship training. In *The Theory and Practice of Entrepreneurship: Frontiers in European Entrepreneurship Research*, D. Smallbone, J. Leitão, M. Raposo, and F. Welter, eds. (Edward Elgar Publishing),.
- Caliendo, M., and Kritikos, A.S. (2010). Start-ups by the unemployed: characteristics, survival and direct employment effects. *Small Bus Econ* 35, 71–92.
- Carter, N.M., Gartner, W.B., Shaver, K.G., and Gatewood, E.J. (2003). The career reasons of nascent entrepreneurs. *Journal of Business Venturing* 13–39.
- Charles-Pauvers, B., and Schieb-Bienfait, N. (2010). La compétence entrepreneuriale: la gestion des ressources humaines au service des démarches d'accompagnement Le cas des coopératives d'activité et d'emploi. (French). *Gestion* 2000 27, 107–120.
- Clark, K., and Drinkwater, S. (2000). Pushed out or pulled in? Self-employment among ethnic minorities in England and Wales. *Labour Economics* 7, 603–628.
- Cope, J. (2005). Towards a dynamic learning perspective of entrepreneurship. *Entrepreneurship Theory and Practice* 373–397.
- Cope, J., and Watts, G. (2000). Learning by doing – An exploration of experience, critical incidents and reflection in entrepreneurial learning. *International Journal of Entrepreneurial Behaviour & Research* 6, 104–124.
- Corbett, A.C. (2005). Experiential Learning Within the Process of Opportunity Identification and Exploitation. *Entrepreneurship Theory and Practice* 473–491.
- Couteret, P. (2010). Peut-on aider les entrepreneurs contraints ? Une étude exploratoire. *Revue de l'Entrepreneuriat* 9, 6–33.
- Cuzin, R., and Fayolle, A. (2004). Les dimensions structurantes de l'accompagnement en création d'entreprise. *La Revue Des Sciences de Gestion, Direction et Gestion* 210, 77–88.



- Darbus, F. (2008). L'accompagnement à la création d'entreprise» Auto-emploi et recomposition de la condition salariale. Actes de La Recherche En Sciences Sociales 5, 18–33.
- David, A. (1999). Logique, épistémologie et méthodologie en sciences de gestion. VIIIème Conférence Internationale de l'A.I.M.S.
- Davidsson, P., and Honig, B. (2003). The role of social and human capital among nascent entrepreneurs. *Journal of Business Venturing* 18, 301–331.
- Delmar, F., and Davidsson, P. (2000). Where do they come from? Prevalence and characteristics of nascent entrepreneurs. *Entrepreneurship & Regional Development* 12, 1–23.
- Dennis Jr., W.J. (1996). Self-Employment: When Nothing Else Is Available. *Journal of Labor Research* 17, 645–661.
- Dewey, J. (1938). *Experience and Education* (Kappa Delta Pi).
- Fayolle, A., and Degeorge, J.-M. (2012). *Dynamique entrepreneuriale le comportement de l'entrepreneur* (Bruxelles: De Boeck).
- Fisher, G. (2012). Effectuation, Causation, and Bricolage: A Behavioral Comparison of Emerging Theories in Entrepreneurship Research. *Entrepreneurship Theory and Practice* 36, 1019–1051.
- Freire, P. (1997). *Pédagogie de l'autonomie* (Toulouse: Éd. Érès).
- Friga, P.N. (2008). Entrepreneurial knowledge flows and new venture creation. In *Entrepreneurial Learning Conceptual Frameworks and Applications*, (London and New York: Routledge Taylor & Francis Group),.
- Gartner, W.B. (1988). Who Is an Entrepreneur? Is the Wrong Question. *Entrepreneurship Theory & Practice* 2.
- Gibb, A. (1997). Small firms' training and competitiveness: Building on the small business as a learning organisation. *International Small Business Journal* 3, 13–29.
- Girard, B. (2007). « Au début, il y a le salariat... » Une approche généalogique de la création d'entreprise,. *Revue Internationale de Psychosociologie* XIII, 219–233.
- Hackett, S.M., and Dilts, D.M. (2004). A Real Options-Driven Theory of Business Incubation. *Journal of Technology Transfer* 29, 41–54.
- Hamilton, B.H. (2004). Does Entrepreneurship Pay? An Empirical Analysis of the Returns of Self-Employment. *The Journal of Political Economy* 108, 604–631.
- Hechavarria, D.M., and Reynolds, P.D. (2009). Cultural norms & business start-ups: the impact of national values on opportunity and necessity entrepreneurs. *International Entrepreneurship and Management Journal* 5, 417–437.



- Hernandez, É.-M. (2006). Les trois dimensions de la décision d'entreprendre. *Revue Française de Gestion 9-10*, 337–357.
- Hernandez, L., Nunn, N., and Warnecke, T. (2012). Female entrepreneurship in China: opportunity– or necessity–based? *International Journal of Entrepreneurship and Small Business 15*, 411–434.
- Hessels, J., van Gelderen,, M., and Thurik, R. (2008). Entrepreneurial aspirations, motivations, and their drivers. *Small Business Economics 32*–339.
- Hughes, K.D. (2003). Pushed or Pulled? Women's Entry into Self-Employment and Small Business Ownership. *Gender, Work & Organization 10*, 433–454.
- Huovinen, J., and Tihula, S. (2008). Entrepreneurial learning in the context of portfolio entrepreneurship. *International Journal of Entrepreneurial Behaviour & Research 14*, 152–171.
- Kautonen, T., and Palmroos, J. (2010). The impact of a necessity-based start-up on subsequent entrepreneurial satisfaction. *International Entrepreneurship and Management Journal 6*, 285–300.
- Kautonen, T., Down, S., Welter, F., Vainio, P., Palmroos, J., Althoff, K., and Kolb, S. (2010). “Involuntary self-employment” as a public policy issue: a cross-country European review. *International Journal of Entrepreneurial Behaviour & Research 16*, 112–129.
- Kolb, D.A. (1984). The process of experiential learning. In *Experiential Learning: Experience as the Source of Learning and Development*, (Englewood Cliffs, NJ: Prentice Hall), pp. 20–38.
- Marsick, V.J., and O'Neil, J. (1999). The many faces of action learning. *Management Learning 30*, 159–176.
- McMullen, J.S., and Shepherd, D.A. (2006). Entrepreneurial Action And The Role Of Uncertainty In The Theory Of The Entrepreneur. *ACAD MANAGE REV 31*, 132–152.
- Mezirow, J. (1997). *Transformative Learning: Theory to Practice*. *New Directions for Adult and Continuing Education 1997*, 5–12.
- Miller, J.I. (2012). The mortality problem of learning and mimetic practice in emerging industries: Dying to be legitimate. *Strategic Entrepreneurship Journal 6*, 59–88.
- Morris, M.H., Kuratko, D.F., Schindehutte, M., and Spivack, A.J. (2012). Framing the Entrepreneurial Experience. *Entrepreneurship Theory and Practice 36*, 11–40.
- Nakara, W., and Fayolle, A. (2013). Les « bad » pratiques d'accompagnement à la création d'entreprise. *Revue française de gestion N° 228-229*, 231–251.
- Naude, W.A., and Van Der Walt, L. (2006). Opportunity or necessity? The spatial determinants of entrepreneurship in South Africa. *International Journal of Entrepreneurship and Small Business 3*, 245–265.



- Nilsson, P. (1997). Business counselling services directed towards female entrepreneurs - some legitimacy dilemmas. *Entrepreneurship & Regional Development* 9, 239–258.
- Noorderhaven, N., Thurik, R., Wennekers, S., and Stel, A. van (2004). The Role of Dissatisfaction and per Capita Income in Explaining Self-Employment across 15 European Countries. *Entrepreneurship Theory and Practice* 28, 447–466.
- Parker, S.C. (1995). A Time Series Model of Self-employment under Uncertainty. *Economica* 63, 459–475.
- Parker, S.C., and Belghitar, Y. (2006). What Happens to Nascent Entrepreneurs? An Econometric Analysis of the PSED. *Small Business Economics* 27, 81.
- Paul, M. (2009a). Autour du mot “Accompagnement.” *Recherche et Formation* 92–107.
- Paul, M. (2009b). L’accompagnement dans le champ professionnel. *Savoirs* 2, 11–63.
- Politis, D. (2005). The Process of Entrepreneurial Learning: A Conceptual Framework. *Entrepreneurship Theory and Practice* 399–424.
- Politis, D. (2008). Does prior start-up experience matter for entrepreneurs’ learning?: A comparison between novice and habitual entrepreneurs. *Journal of Small Business and Enterprise Development* 15, 472–489.
- Rae, D., and Carswell, M. (2000). Using a life-story approach in researching entrepreneurial learning: the development of a conceptual model and its implications in the design of learning experiences. *Education + Training* 42, 220–228.
- Rerup, C. (2005). Learning from past experience: Footnotes on mindfulness and habitual entrepreneurship. *Scandinavian Journal of Management* 21, 451–472.
- Reynolds, P.D., Camp, S.M., Bygrave, W.D., Autio, E., and Hay, M. (2001). *Global Entrepreneurship Monitor 2001 Executive Report (GEM)*.
- Ries, E. (2012). *Lean startup: adoptez l’innovation continue* (Paris, France: Pearson).
- Robichaud, Y., LeBrasseur, R., Riverin, N., and Zinger, J.T. (2006). L’influence des motivations pression-attraction («push-pull») sur la conduite d’une petite entreprise lors de la phase de création : une comparaison hommes/femmes. (Fribourg),.
- Sarasvathy, S.D. (2001). Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *The Academy of Management Review* 26, 243–263.
- Sarasvathy, S.D. (2004). The questions we ask and the questions we care about: reformulating some problems in entrepreneurship research. *Journal of Business Venturing* 19, 707–717.
- Sarasvathy, S.D. (2009). *Effectuation: Elements of Entrepreneurial Expertise* (Edward Elgar Publishing Ltd).





- Schjoedt, L., and Shaver, K.G. (2007). Deciding on an Entrepreneurial Career: A Test of the Pull and Push Hypotheses Using the Panel Study of Entrepreneurial Dynamics Data1. *Entrepreneurship Theory and Practice* 31, 733–752.
- Schlesinger, L.A., Kiefer, C.F., and Brown, P.B. (2012). *Just start: take action, embrace uncertainty, create the future* (Boston, Etats-Unis: Harvard Business Review Press).
- Shah, S.K., and Tripsas, M. (2007). The accidental entrepreneur: the emergent and collective process of user entrepreneurship. *Strategic Entrepreneurship Journal* 1, 123–140.
- Shook, C.L., Priem, R.L., and McGee, J.E. (2003). Venture Creation and the Enterprising Individual: A Review and Synthesis. *Journal of Management* 29, 379–399.
- Simon, H.A. (2004). *Les sciences de l’artificiel* (Paris: Gallimard).
- Solymossy, E. (2005). Entrepreneurship in Extreme Environments: Building an Expanded Model. *International Entrepreneurship and Management Journal* 1, 501–518.
- Stel, A. van, Storey, D.J., and Thurik, A.R. (2007). The Effect of Business Regulations on Nascent and Young Business Entrepreneurship. *Small Bus Econ* 28, 171–186.
- Stervinou, S., and No, C. (2008). Les coopératives d’activité et d’emploi (CAE): un outil juridique au service d’un entrepreneuriat responsable. *Management & Avenir* 6, 65–86.
- Tervo, H., and Niittykangas, H. (1994). The Impact of Unemployment on New Firm Formation in Finland. *International Small Business Journal* 13, 38–53.
- Thurik, A.R., Carree, M.A., van Stel, A., and Audretsch, D.B. (2008). Does self-employment reduce unemployment? *Journal of Business Venturing* 23, 673–686.
- Townsend, D.M., Busenitz, L.W., and Arthurs, J.D. (2010). To start or not to start: Outcome and ability expectations in the decision to start a new venture. *Journal of Business Venturing* 192–202.
- Vaesken, P., and Torterat, C. (2006). *Les couveuses d’entreprise à l’essai une réponse nécessaire mais est-elle suffisante ?* (Paris),.
- Veyer, S., and Sangiorgio, J. (2006). L’entrepreneuriat collectif comme produit et projet d’entreprises épistémiques: le cas des Coopératives d’Activités et d’Emploi. *Revue de l’Entrepreneuriat* 5.
- Vivarelli, M. (2004). Are All the Potential Entrepreneurs So Good? *Small Business Economics* 23, 41–49.
- Wang, C.L., and Chugh, H. (2013). Entrepreneurial Learning: Past Research and Future Challenges. *International Journal of Management Reviews* n/a–n/a.
- Wennekers, S., van Wennekers, A., Thurik, R., and Reynolds, P. (2005). Nascent Entrepreneurship and the Level of Economic Development. *Small Business Economics* 24, 293–309.



- Williams, C.C. (2005). The undeclared sector, self-employment and public policy. *International Journal of Entrepreneurial Behaviour & Research* 11, 244–257.
- Williams, C.C. (2009). The motives of off-the-books entrepreneurs: necessity- or opportunity-driven? *Int Entrep Manag J* 5, 203–217.
- Yusuf, J.-E. (2011). A tale of two exits: nascent entrepreneur learning activities and disengagement from start-up. *Small Business Economics*.



## **PART II.**

# **SMALL AND MEDIUM ENTERPRISES AND FAMILY BUSINESS**



## *Perception of the interaction between entrepreneurial and accounting processes*

**Eve Lamberg**

Estonian Business School

eve.lamberg@ebs.ee

### **Abstract**

Principal Topic – According to constructivist research paradigm people perceive the world differently, therefore reality is socially constructed and subjective. Consequently different constructions of entrepreneurial and accounting processes exist and will change over time. The creation of knowledge through action and interaction is important in constructivist learning theory. The need of entrepreneurship students is to understand the interaction between entrepreneurial and accounting processes. Few papers have explored the perception the entrepreneurship students' have about the different accounting processes and the attitudes they have towards on information technology (IT).

Methods – The use of IT for training has grown due to it being accepted by business students. I teach entrepreneurship students to use two accounting processes (traditional accounting cycle and my redesigned accounting process) and ask them to reflect on how they perceive the different accounting processes. The learning experiences that were shared are analysed with students' permission.

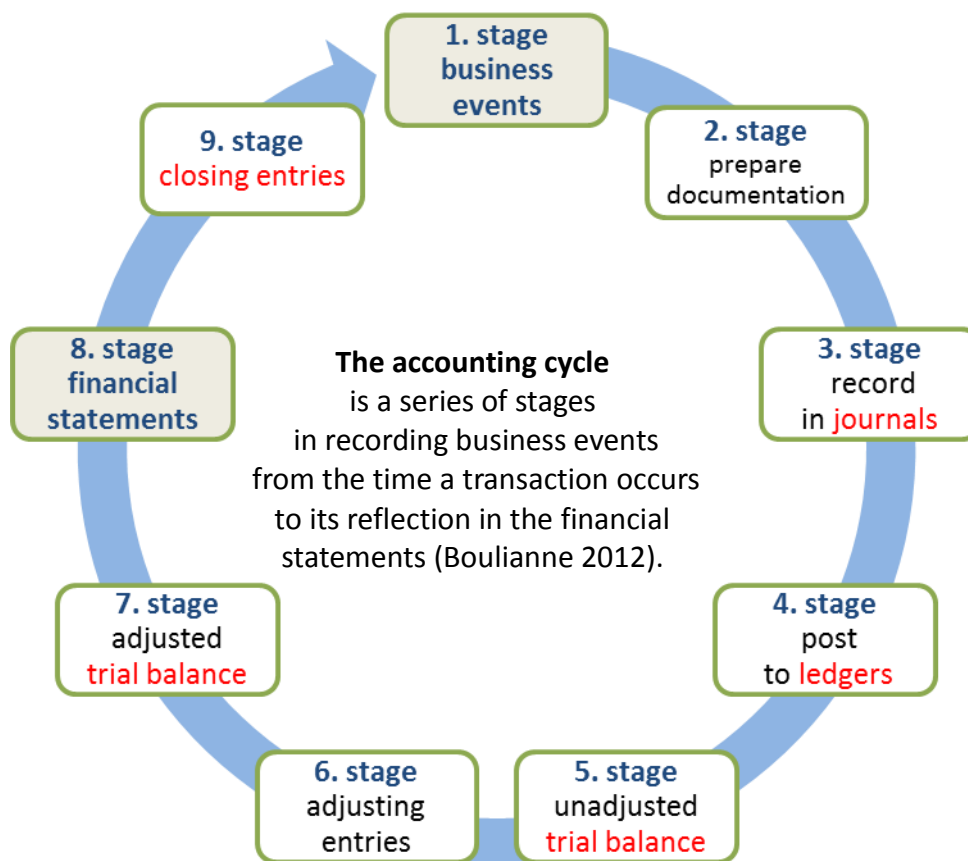
Results - redesigned accounting process may facilitate perception of the interaction between entrepreneurial and accounting processes.

Implications – The researcher has expanded the flowchart of Entrepreneurship as a Process by Baron & Shane to incorporate the accounting terminology and process. Redesigned accounting process develops an understanding of the effect of business activities on financial statements.

Keywords - accounting process, conceptual model, procedural knowledge.

## Introduction

Although efficient computerized accounting information system (AIS) has replaced manual AIS in organizations, entrepreneurship students experience difficulty with the *traditional accounting cycle*. This accounting process has been a standard for prospective accounting professionals (preparers of financial statements) and automation to increase management efficiency. Recent papers do not question the *traditional accounting cycle* (see Figure 1), for example Boulianne (2012) and Mostyn (2012).



**Figure 1 The traditional accounting cycle**

Albrecht (2002, p. 42) suggested abandoning outdated and irrelevant knowledge and adopting methods that reflect the new world order and creativity. New evidence suggest the benefits of the *user approach* to accounting instruction which focuses on learning accounting equation to analyse the effects of transactions on the financial statements (Burstein &



McCarron, 2010). Eskola (2011, p. 12) believes that the need to examine what is experienced to be relevant knowledge in accounting has become urgent. In Buckhaults & Fisher (2011, p. 35) experience, accounting educators should introduce new methods, theories, and philosophies into accounting courses.

According to Deming (1994), quality is improved through the improvement of existing processes. This paper highlights the need to develop the understanding of the effect of business activities on financial statements so the accounting process is visible to entrepreneurship students. Considering the IT, it raises the questions how to design a conceptual model for the accounting process. By empirical approach the conceptual model should be designed with feedback from potential users to determine how the students of entrepreneurship think about the accounting process and to iteratively build a prototype, test it and redesign until acceptable usability.

### **Conceptual design**

Conceptual design is concerned with transforming needs and requirements into a conceptual model (Sharp, Rogers, & Preece, 2007, p. 540). According to Carroll et al (1987, p. 6) the mental model is knowledge of how the system works, what its components are, and how they are related, what the internal processes are, and how they affect the components. Eskola (2011, p. 68) noted that “the conceptual models are learning aids to help students develop their mental models. To be an effective learning tool a conceptual model must fulfill three criteria: learnability, functionality and usability”.

### **Needs**

Experience plays the important role and the best approach to learning comes from doing the activities the students of entrepreneurship need to understand (Fayolle, 2008). The principle of „*learning by doing*” is fundamental in *education for entrepreneurship* (Kozlinska, 2011, p. 218). Processing of information causes activation and affects knowledge acquisition that can be used in measuring the learning efficiency (Mascha, 2001, p. 106). In short, prior research reveals that entrepreneurship education should take the action centered pedagogy and process oriented (know how) methodological solutions.



## Requirements

Albrecht & Sack (2000, p. 61) have recommended the environment and resources practitioners have available and are familiar with. The main challenge for entrepreneurship educators is to create the appropriate learning environment which reflects the life world of the entrepreneurs (Pfeifer & Borozan, 2011, p. 218). *Effectual logic* prescribes the beginning of the entrepreneurial process with a given set of resources and focuses on generating new ends (Dew, Read, Sarasvathy, & Wiltbank, 2009, p. 293). Effectual thinking can be taught. The primary objective is to learn accounting as an information development and communication function that supports economic decision-making (Burstein & McCarron, 2010). Spreadsheet software is great to manipulate small data sets: import and export data to and from spreadsheet requires knowledge of the spreadsheet to decide how the data will be collected for the analysis, presentation and shared with others for decision-making. Prior research reveals that spreadsheet software is important IT skill for practitioners, educators and students (Akroyd, Askarany, O'Grady, & Spraakman, 2013; Albrecht & Sack, 2000; Alexander, 2006; Harrast, Strong, & Bromley, 2010; Hunton & Raja, 1995; Stoner, 2009). In short, to align accounting with workplace realities spreadsheet software is suitable for entrepreneurship students in terms of modelling environment. Entrepreneurship educators and students can use innovative accounting process to facilitate learning experiences within different educational organizations in higher education. Focusing on learning with a minimum of resources and time may have influence on students' satisfaction.

## Methods

Design researchers do focus on specific objects and processes in specific contexts, they try to study those as integral and meaningful phenomena (Van den Akker, Gravemeijer, McKenney, & Nieveen, 2006, p. 5). "Design includes the creation of new alternatives, and the latter is particularly important not only for scholarship, but for the practice, pedagogy and policy of entrepreneurship. ... in new methods and tools that we can bring to bear these, the key unit of analysis is interaction – interaction between entrepreneurs and their stakeholders, entrepreneurs and their external environment, and between entrepreneurs' own preferences, tastes and values". (Sarasvathy & Berglund, 2010, p. 178).

The study was conducted 2002-2012 among undergraduate students. Reflective practice was embedded within the financial accounting course to get information about obstacles to the perception of the *traditional accounting cycle* to design the prototype of the alternative accounting process with spreadsheet software students find helpful. Analysis utilised several methods as the sources of data:

1. Home assignments with spreadsheet software. Students' reflections on their activities and outcomes at the beginning of each class provided objective evidence of students' learning experience about the computer-mediated interaction and the application of the alternative accounting process.
2. Regular feedback surveys with self-assessments led students to reflect on their preferences for different accounting processes, the skills they learned, the amount of time and effort they spent on learning and interaction with each other.
3. Individual face to face consultations involved discussions with students. This kind of investigation provides insights into students' thoughts on their progress.

## Results and discussions

Being responsive to the needs and requirements of entrepreneurship students (users of financial statements) research identified the following adjustments that were needed to integrate spreadsheet into financial accounting course.

Firstly, the focus is shifted to processes. The redesigned accounting process facilitate perception of the interaction between entrepreneurial and accounting processes: the existing entrepreneurial process is expanded with redesigned accounting process (Figure 2) to improve entrepreneurship students' understanding<sup>1</sup> of the classification of *business activities*<sup>2</sup> that are provided in financial statements. Redesigned accounting process conforms to the accounting definition<sup>3</sup> that describes how accounting activities transform data into information and knowledge and distinguish conceptual AIS from the technology in which the accounting process is constructed. According to Phillips & Heiser (2011, p. 696) experience, financing investing and operating activities separation is intuitively appealing to students because it corresponds to the typical order in which a start-up enterprise encounters transactions.

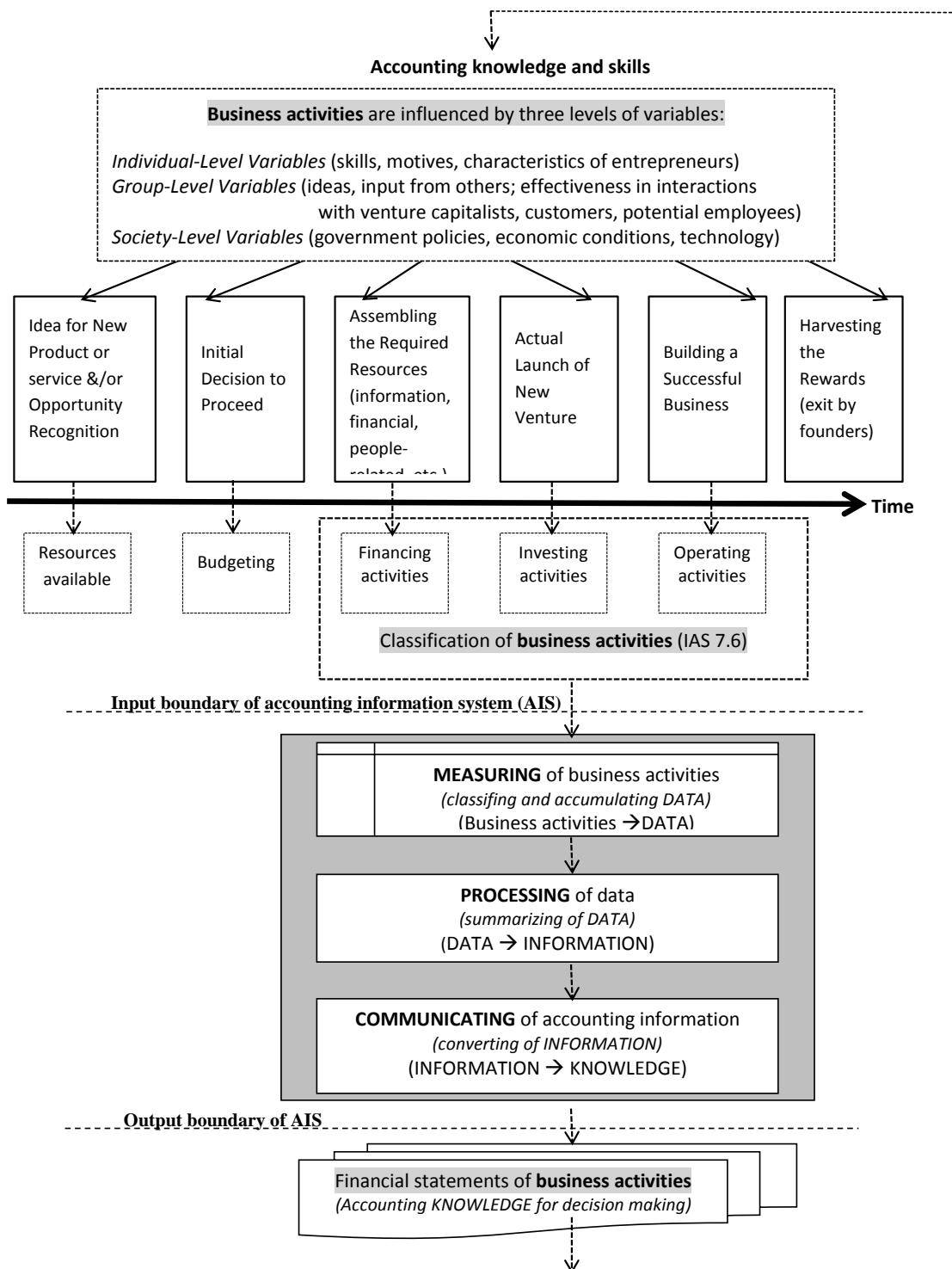
---

<sup>1</sup> An essential quality of the information provided in financial statements is that it is readily understandable by users (IASB, 2009a, paragraph 24 ).

<sup>2</sup> According to the *Statement of Cash Flows* paragraph 6 (IAS 7.6) **Operating activities** are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. **Investing activities** are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. **Financing activities** are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity (IASB, 2009b)

<sup>3</sup> Accounting is the information system that measures business activity, processes the data into reports, and communicates the results to decision makers (Horngren, Harrison, & Bamber, 2007, p. 4).





**Figure 2** *Entrepreneurship as a Process: Some Key Phases* (Baron & Shane, 2008, p. 16 **Figure 1.7**) and accounting as a process: key phases (Lamberg 2013)

Secondly, the focus is shifted to „know what” to apply the prototype of the conceptual accounting model with a spreadsheet software. Classification of the elements<sup>4</sup> of financial statements: assets (A) = liabilities (L) + equity (E) (so called „accounting equation“) and sub-classifications<sup>5</sup> of the elements is the foundation for the data-table composition to understand relationships among elements at different data levels (so called „chart of accounts“). The columns in a spreadsheet (so called „data fields”) are used to store the data values of *business activities*. The rows in a spreadsheet (so called „records”) are separated to each *business activity*. Once learners understand the classification of the elements of financial statements, using a spreadsheet to facilitate data-table composition will make sense. Learners can redesign the prototype of the conceptual accounting model to see what goes on inside the AIS.

Thirdly, the focus is shifted to „know how” to describe specialist versus generalist view to accounting processes. Entrepreneurship students (users of financial statements) need to develop hands-on experience that is a necessary prerequisite for the acquisition of skills. Storing the data values of each *business activity*, summarizing the data into information and converting the information into knowledge conforms to the changing environment and resources entrepreneurship students have. The *preparer approach*—which focuses on learning debit and credit rules, accounting procedures, and the preparation of financial statements — is particularly ineffective in classes where the majority of students will not become accountants (Diller-Haas, 2004, p. 60). According to Burstein and McCarron (2010, p. 8) and my experience in the absence of debits, credits, and T-accounts, the student focuses on the effects of business activities on financial statements. Users can analyze business activities at 3 different levels:

1. *Data* level - facts about business activities (low value in making the decision)
2. *Information* level - aggregated data (medium value in making the decision).
3. *Knowledge* level - relevant information provided in financial statements (high value in making the decisions).

Forthly, the focus is shifted to „know why”. Practical experience indicate that there was no need to communicate in „accountant language“ that data of business activities give rise to debit and credit balances: debit=credit. There was the need to apply „accounting equation“ at 3 different levels to analyse the effects of business activity on the financial statements. According to the students’ reflection they liked to interact with each other in „user language“ which is understandable to non-accountant that helped them to share useful skills and focus

---

<sup>4</sup> **An asset** is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. **A liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. **Equity** is the residual interest in the assets of the entity after deducting all its liabilities (IASB, 2009a, paragraphs 47-68).

<sup>5</sup> Cash flows are **inflows and outflows of cash** and cash equivalents (IASB, 2009b, paragraph 6). **Income** is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. **Expenses** are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants (IASB, 2009a, paragraphs 69-80).



on the accounting concepts. They perceived the relevant learning experience in a real life. Burstein and McCarron believe that it is critical to take the first step of moving away from a bookkeeping based linguistic dialect, that is, debits and credits (2010, p. 8).

### Further research

Further research demands testing of the non-traditional accounting process with other universities. Students could be asked as to the usefulness of the non-traditional accounting process in practice. I am pleased if any new evidence comes to light and clarifies what educators should provide to entrepreneurship students.

### References

- Akroyd, C., Askarany, D., O'Grady, W., & Spraakman, G. (2013). *Requirements for Information Technology with Newly Hired Management Accounting Graduates*. Paper presented at the CAAA Annual Conference 2013. <http://ssrn.com/abstract=2200104>
- Albrecht, W. S. (2002). Accounting Education on the Edge. *BizEd*, 40-45.
- Albrecht, W. S., & Sack, R. J. (2000). Accounting Education Series Vol. 16. A. A. Association (Ed.) *Accounting Education: Charting the Course through a Perilous Future* Retrieved from <http://aaahq.org/pubs/AESv16/toc.htm>
- Alexander, A. (2006). Living with =SUM. *Accounting Technology*, 22(8), 30-35.
- Baron, R. A., & Shane, S. A. (2008). *Entrepreneurship: A Process Perspective* (2 ed.): Thomson Learning, Inc.
- Boulianne, E. (2012). *Impact of Software Utilization on Students' Knowledge Acquisition: A Significant Change in Accounting Education* Paper presented at the CAAA Annual Conference 2012. <http://ssrn.com/abstract=1981357> or <http://dx.doi.org/10.2139/ssrn.1981357>
- Buckhaults, J., & Fisher, D. (2011). Trends in Accounting Education: Decreasing Accounting Anxiety and Promoting New Methods. *Journal of Education for Business*, 86(1), 31-35.
- Burstein, A., & McCarron, K. (2010). Efficacy of the User Approach to Teaching Introduction to Financial Accounting. *Georgia Association of Accounting Educators*, "Macon.
- Carroll, J. M., Olson, J. R., & Anderson, N. S. (1987). *Mental models in human-computer interaction: Research issues about what the user of software knows*: National Academies.



- Deming, W. E. (1994). The need for change. *The Journal for Quality and Participation*, 17(7), 30.
- Dew, N., Read, S., Sarasvathy, S. D., & Wiltbank, R. (2009). Effectual versus predictive logics in entrepreneurial decision-making: Differences between experts and novices. *Journal of Business Venturing*, 24(4), 287-309. Retrieved from <http://pcbfaculty.ou.edu/classfiles/MGT%206973%20Entrepreneurship%20Seminar/Week%2011/Dew%20et%20al%20JBV%202009.pdf>
- Diller-Haas, A. (2004). Time to change introductory accounting. *The CPA Journal*, 74(4), 60-62.
- Eskola, A. (2011). *Good learning in accounting. Phenomenographic study on experiences of Finnish higher education students*. University of Jyväskylä, Jyväskylä.
- Fayolle, A. (2008). Three types of learning processes in entrepreneurship education. *International Journal of Business and Globalisation*, 2(2), 198-207.
- Harrast, S., Strong, J., & Bromley, R. (2010). More Accounting Theory or More Information Technology? *The Accounting Educators' Journal*, 20(1).
- Horngren, C. T., Harrison, W. T., & Bamber, L. S. (2007). *Accounting* (7th ed.). New Jersey: Pearson Education, Inc.
- Hunton, J. E., & Raja, M. K. (1995). When is a Database Not a Database? (When it's a Spreadsheet). *Journal of Accountancy*, 179(6), 89.
- IASB. (2009a). Framework for the Preparation and Presentation of Financial Statements *The elements of financial statements*. London: The International Accounting Standards Committee Foundation (IASCF).
- IASB. (2009b). International Accounting Standards (IASs) *IAS 7 Statement of Cash Flows*. London: The International Accounting Standards Committee Foundation (IASCF).
- Kozlinska, I. (2011). Contemporary Approaches to Entrepreneurship Education. *Journal of Business Management* (4), 205-220.
- Mascha, M. F. (2001). The effect of task complexity and expert system type on the acquisition of procedural knowledge: Some new evidence. *International Journal of Accounting Information Systems*(2), 103-124.
- Mostyn, G. R. (2012). Cognitive Load Theory: What It Is, Why It's Important for Accounting Instruction and Research. *Issues in Accounting Education*, 27(1), 227-245. doi: 10.2308/iace-50099
- Pfeifer, S., & Borozan, D. (2011). Fitting Kolb's Learning Style Theory to Entrepreneurship Learning Aims and Contents. *International Journal of Business Research*, 11(2), 216-223.



- Phillips, F., & Heiser, L. (2011). A Field Experiment Examining the Effects of Accounting Equation Emphasis and Transaction Scope on Students Learning to Journalize. *Issues in Accounting Education*, 26(4), 681-699. doi: 10.2308/iace-50051
- Sarasvathy, S. D., & Berglund, H. (2010). On the relevance of decision-making in entrepreneurial decision-making. In H. Landström & F. Lohrke (Eds.), *Historical Foundations of Entrepreneurship Research*.
- Sharp, H., Rogers, Y., & Preece, J. (2007). *Interaction design: beyond human-computer interaction* (2nd ed.): John Wiley & Sons Ltd.
- Stoner, G. (2009). Accounting students' IT application skills over a 10-year period. *Accounting Education*, 18(1), 7-31.
- Van den Akker, J., Gravemeijer, K., McKenney, S., & Nieveen, N. (2006). *Educational design research*: Taylor & Francis.



## *A Competing Values Framework Approach on Growth and Performance in Micro Firms*

**Ana Rodrigues & António Caetano**

Ana Rodrigues

NID\_RH/ ESEIG-Politécnico do Porto & ISCTE-Instituto Universitário de Lisboa

anarodrigues@eu.ipp.pt

António Caetano

ISCTE-Instituto Universitário de Lisboa

antonio.caetano@iscte.pt

### **Abstract**

This study aims to analyze and compare four micro-firms' organizational culture, evaluated through the Competing Values Framework (Quinn & Rohbaugh, 1983). Data was collected in 2011 and 2013 in firms selling the same type of software and providing the same kind of services, focusing on the years between 2008-2011. Findings point to somewhat different results of micro-firms, when comparing to other samples in the literature. Suggestions for future research are given.

### **Introduction**

Micro-firms (firms up to 9 workers) represent the large majority of enterprises in the whole world (e.g. OECD, 2012), as in Portugal where the average size of firms is 3,5 employees and micro-firms represent 95.5% of the firms in the country (Gabinete de Estratégias e Estudos, 2009). The analysis of this type of enterprise is relevant, given that they are the ones who suffer the most with the lack of resources and the fact that there are very few studies about

this type of enterprise in literature. The main question addressed here is: which organizational cultures are related to a better business performance in micro-firms?

Four micro-firms were analyzed and compared, relating the organizational culture, and various measures of organizational performance, between 2008 and 2011. Initially the theoretical bases of the concepts used are presented: the organizational culture model used; and culture, performance and organizational growth. The data collecting methodology, as well as the case studies and finally the results are presented and the prepositions that have emerged are discussed.

## Theoretical background

### Organizational Culture Model: Competing Values Framework

Competing Values Framework (CVF) (Quinn e Rohrbaugh, 1983) has been mentioned as one of the 40 most important models in the history of management (Have, Have, Stevens, Vander-Els, & Pol-Coyne, 2003) and widely used in organizational research, namely when organizational culture and performance are analysed (Gregory, Harris, Armenakis, & Shook, 2009). Quinn e Rohrbaugh (1983) have shown that there are two common culture dimensions which explain organizational effectiveness and that may be considered orthogonal planes: structure and focus. Structure may be seen as a continuum that ranges from flexibility/change to stability/control (vertical axis). Focus, on the other hand, ranges from internal orientation, towards people and processes, and external orientation, towards markets (horizontal axis). By overlapping these two axes we create a spatial model with four quadrants that represent organizational culture typologies: Clan, Adhocracy, Hierarchy and Market.

*Clan Culture* or Group Culture is characterized by flexibility and orientation towards people inside the organization. Openness, trust and group values are highly emphasized. *Adhocracy Culture* or Development Culture is characterized by flexibility, external focus/orientation, adaptation to internal and external changes, innovative suggestions, and competitiveness as ways to guarantee organizational competitiveness. *Market Culture* or Rational Culture (e.g. Quinn & Rohbaugh, 1983) is the quarter of stability/control and exterior/market focus. In this case, employees are controlled by objectives that direct their behaviors towards the market. *Hierarchy Culture* focuses on two dimensions: stability/control (structure axis) and orientation towards the interior of the organization (people and processes). This kind of organizations is concerned with internal standardization and efficiency. There are rules for behaviors and managers define, coordinate and enforce those rules.



## **Culture types and organizational effectiveness**

When one says that organizational culture influences the behaviour of organizational members is because it enforces them to act accordingly to its values, and organizational culture is a set of shared values (Schein, 1985). The meta-analysis performed by Hartnell, Ou, & Kinicki (2011), analyzes studies published between 1980 and 2008; their findings support the existence of a relationship between culture (by using CVF model) and organizational effectiveness has provided enough evidence to support the conclusion that each organizational culture typology may be related to organizational effectiveness (Hartnell et al., 2011).

Although all types of culture relate to organizational effectiveness, the meta-analysis has shown that the Clan Culture is the most consistent when it comes to predict organizational effectiveness. The results from this meta-analysis have supported the relationship between the culture typologies and organizational effectiveness. Specifically, those results point out that the Clan culture is more related to quality and product and service innovation than the Market oriented culture, as the model suggests. Meaning also that product and service quality have more to do with internal processes development and a good relationship between employees than with market orientation and results achievement.

The fact that culture studies have related culture to several measures of organizational effectiveness makes it difficult for any effort of understanding and/or comparison. Trying to overcome the difficulty in defining Organization effectiveness, and its multiple constitution, several authors present taxonomies with three dimensions: Venkatraman and Ramanujam (1986); Dyer & Reeves, 1995; Hartnell et al (2011).

## **Methodology**

Case study methodology was used to compare four micro firms (up to 10 workers) across five years (2008-2012) which sell Enterprise Resource Planning software - ERPs and provide related services to their clients. These micro firms were selected according to: selling and providing services in the same business; selling one or two of the same brands of ERP software; and being located around the same geographical area, facing the same market, thus being business competitors among themselves. This was a convenience sample. We have collected data in two periods of time: between May and December 2010 and at a second moment, between February and April 2013. The main focus of research was the last five years (2008-2012).



Dimensions, referred in the literature as affecting culture creation, were measured:

- *Business characteristics*: year of establishment, first year in the ERP business, business products and services range, and organizational structure);
- *Employees' characteristics*: gender, average number of employees and its evolution; school qualification and employees' recruitment strategies;
- *Owners'/ownership's characteristics*: number of owners (including silent partners) and gender, qualification, experience in the field, management experience and self-employment experience at start-up;
- *Organizational culture*: OCAI questionnaire, Competing Values Framework survey (Cameron & Quinn, 2011) which was translated to Portuguese by the researchers. Both firm owners and their employees responded to the 24 items.
- *Performance indicators*:
  - Financial effectiveness: revenue and number of employees' growth; growth is also measured by the increased number of employees;
  - Operational effectiveness/business performance, productivity ratio and its evolution over the time period under study (sales/number of employees);
  - Employee attitudes/organizational effectiveness: Commitment - affective commitment, 7 items sub-scale (Meyer & Allen, 1997), rated in a 7 points scale; Job satisfaction - Job Satisfaction Survey© Spector's (1994), translated to Portuguese by João Malheiro (2011) accessed in the authors' website. Six of the original nine subscales were used: supervision, operation conditions, coworkers, nature of work, communication and contingent rewards. The 24 items were rated in a 6 points scale.

Business and employee characteristics were assessed through interviews both with owners and employees. Firms' revenue, productivity and employment growth were obtained from the Portuguese Ministry of Finance's website. Data was analyzed through content analysis methodology, and categories derived from the interviews' protocols and literature. Surveys were classified according to respective authors' specifications.

The firms have similar characteristics, but they have different histories (Table 1).

**Table 1 – Detailed case studies’ description**

Firms	A	B	C	D
<b>Business’ characteristics</b>				
<b>Establishment year/ ERP year</b>	1994/ 1995	2000/ 2000 (both ERPs)	1998/2000	1997 / 2004
<b>Business products &amp; services</b>	ERP A + New software (for micro firms) + Hardware and infrastructure assistance	ERP A & B + Hardware & infrastructure assistance + Hardware & computer accessories sell	ERP B + Hardware & infrastructure assistance + Hardware & computer accessories sell	ERP A + Hardware and infrastructure assistance
<b>Employees’ characteristics</b>				
<b># in dec.2012</b>	4	9	10	6
<b>Evolution</b>	=	↘	↗	↘
<b>Qualification &amp; recruitment</b>	N=1 HE; N=1 Incompl. HE N=1 12 years; Network	N=1 HE; N=6 12 years; N=1 9 years; Network, DB	N=1 HE; N=6 12 years; N=1 9 years; Network, adds	N=2 HE; N=2 12 years; University, adds
<b>Owner’s / ownership’s characteristics</b>				
<b>Gender/#</b>	M/1	M/1	M/1 + W/1	M/1
<b>Previous experience</b>	In the field - Yes Management - X Self-employment- Yes	In the field - Yes Management - Yes Self-employment - Yes		In the field - Yes Management - Yes Self-employment - Yes

Firm D, which started its business of selling software after 2002 (so it didn't benefit from the "golden" years: 2000, the passing of the millennium; and 2002, the changing from the Portuguese currency to the euro). The firms A, B and D sell ERP A, and firms B and C sell ERP B. Only firm B sells both types of ERP. The firms A, C and D have direct client services, computer equipment and accessories.

The organizational structure of all the firms has technicians linked to software, and also hardware. In all cases the sale, implementation and assistance to ERP is the main business. Only firm A doesn't have a person linked specifically to the administrative area. Regarding dimension there are two groups: 4 or 5 workers (firms A and D) and 9 or 10 workers (firms B and C). Between 2008 and 2012 firm A maintained the number of workers, firm C increased and firms B and D decreased their number of workers.

The qualifications of the workers vary between elementary education (9 years of schooling) and higher education. Each firm has used various strategies for recruiting, but in firms A, B and C network is the most used. Firm D has an agreement with a university and recruits their software technicians through them. The owners are mainly men, only in firm C is there a woman in the ownership team; all attended higher education and only the owner of firm C is missing one year to finish his degree. All the businessmen and the businesswoman have experience in the area, the owner of firm A didn't have previous management experience and the owners of firm C didn't have experience in self-employment before starting in this business.

## Results

In this section we analyse the organizational culture of the four case studies according to authors' instructions (Cameron & Quinn, 2011). We then present performance and growth data and, finally we compare case studies culture, performance and growth. Data enables us to develop propositions about the suitable organizational culture for best performing micro-firms, as well as growth and sustainability of these firms.

### Organizational culture

OCAI was the instrument used to measure organizational culture, and its authors (Cameron & Quinn, 2011) advise some kinds of analyses. Organizational culture scoring on OCAI by firm owner and their employees is presented (Table 2).

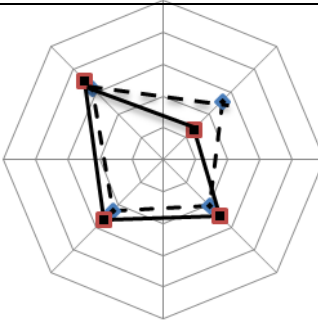
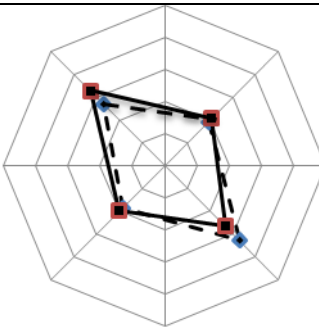
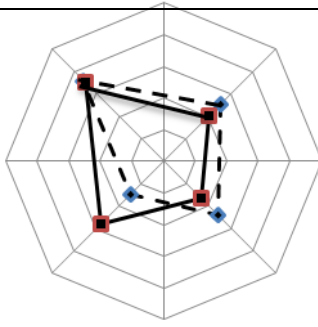
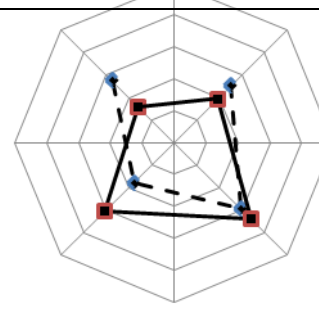
Among owners, the main culture type of culture is Clan, except for firm D owner, which is Market. Firm's A and C employees refer to their firms having Clan type of culture and firm's B and D employees report Market type of culture. Firm D's employees are in pace with their employer. As CVF authors say that up to 10 points apart, results aren't



considered as being different (Cameron & Quinn, 2011), Firm's B owner and their employees perception of culture is alike. All firms' cultural profile has 2 or 3 orientations within 10 points, which means that the configurations are balanced, and there isn't a stronger culture type. The cultural profile design is roughly similar, namely between owners and their employees, the difference is the scale. Only firm D's owner cultural profile is completely different from all other owners and employees, including his own.

Data shows that Hierarchy culture type is moderately/highly acknowledged by firm owners, and reported as not being a main concern by employees, except in Firm A's. This is different of CVF authors' findings (Cameron & Quinn, 2011). This difference can be explained by the size of this study's firms, when comparing to authors sources. The micro firms studied, even though they began their businesses some years ago, processes are not very well defined, and they keep on changing procedures and people who do them. Cameron & Quinn (2011) when analyzing data trends, say that focusing on flexibility and innovation isn't very common, which reflects a low Adhocracy scoring. This is also the perception of this study's firm owners, but it is contradictory to the culture evaluation by their employees. This data is congruent with employees not admitting big importance to rules and, contrary of firm owners who want to control and standardize work.

**Table 2 – Case studies’ organizational culture scoring by owners and employees**

Firms	A	B
<b>Culture: Owners and Employees</b>  Legend: Owners ————— Employees - - - - -		
<b>Owner-Employees differences’ sum</b>	25	15
Firms	C	D
		
<b>Owner-Employees differences’ sum</b>	27	35
<b>Differences</b>	between Owners all firms: between Employees all firms:	
	Minimum difference – 7,47; Maximum difference – 19,0 = 11,53 Minimum difference – 6,52; Maximum difference – 12,47 = 6,05	

The most different profile is between firm D’s owner and his employees. This owner believes that Clan culture type is the last on the priority list. Firm B is the on the opposite situation, being the firm owner closer to the employees’ perceptions on organizational culture types: Market and Clan / Clan and Market. Corporate culture assessed by employees in all firms is very similar, differences between the maximum and minimum is lower than 10 points. On the other hand, the owners of the firms have bigger differences among themselves. This means that employees of all the firms think of their own culture in a very similar way.



## Organizational performance and growth

Performance and growth is measured by financial and business results, and organizational effectiveness. Data is presented in Table 3. Employment only grew in firm C. The number of employees was maintained in firm A. Between 2008 and 2011, the number of employees decreased in firms B and D. The financial dimension is measured by the revenue and the growth of the revenue is measured by the evolution of that indicator between 2008 and 2011. As a way of comparing revenue values between the firms, the value per employee was calculated; and to maintain firms' figures confidentiality, the percentage of the revenue was calculated having the base set at the highest value (firm A). Firm D, is the one to have the lowest net income average.

The revenue growth (2008-2011) is the measurement of growth of each firm. Firm C is the one which grew the most in terms of net income. Dividing that value by the average number of employees during the same period of time allows us to compare the growth of the various firms: firm C increased their net income value of 2008 per employee by 198%, and firm D lost 37% per employee in relation to the income of 2008.

Business performance dimension was measured through the indicator productivity (sales/number of employees) between 2008 and 2011. The value of sales per employee was similar among firms A, B and C, but firm D was about half of the others (51%). When comparing the evolution of productivity between 2008 and 2011, firm A, despite having the highest average revenue per employee, was the firm which decreased its average productivity per employee, during the same period of time (-7%). Firm B was the one to have improved its average of productivity (+4%), maybe because the number of employees decreased. Organizational efficiency wise: employees of all firms feel affectively committed to their firms; the employees of firm D express less job satisfaction then employees of the other firms.

**Table 3 – Primary Organizational Culture types (firm owners and employees), performance and growth indicators**

Firms	Firm A	Firm B	Firm C	Firm D
<b>ORGANIZATIONAL CULTURE</b>				
<b>Primary Organizational Culture types (Firm Owners)</b>	Clan, Hierarchy, Market	Clan, Market	Clan, Hierarchy	Market, Hierarchy
<b>Primary Organizational Culture types (Employees)</b>	Clan, Adhocracy, Hierarchy	Market, Clan	Clan, Adhocracy	Market, Adhocracy, Clan
<b>FINANCIAL PERFORMANCE</b>				
<b>Average revenue by employee comparing to firm A (2008-2011)</b>	100%	65%	78%	11%
<b>Revenue growth (2008-2011)</b>	82%	403%	1830%	-37%
<b>Revenue growth by employee (2008-2011)</b>	21%	35%	198%	-5%
<b>BUSINESS PERFORMANCE</b>				
<b>Productivity (Average sales/Average number of employees) comparing to Firm C (2008-2011)</b>	94%	99%	100%	51%
<b>Productivity growth by employee (2008-2011)</b>	-7%	4%	1%	0,2%
<b>ORGANIZATIONAL EFFECTIVENESS</b>				
<b>Work satisfaction</b>	75%	60%	75%	53%
<b>Affective Commitment</b>	83%	80%	88%	76%

### Relating organizational culture to performance and growth

Findings in Table 3 point to Clan culture evaluated by the owners as being associated with better revenue and productivity. Simultaneously, the one firm whose owner CVF survey results show that the human relations model is at the bottom of his way of managing has the worst financial and business performance indicators. The satisfaction at work is at its lowest in the firms, whose owners and employees indicate Market type of culture as the most prominent (firms B and D). Affective commitment is high, regardless of the firm's culture.

## Discussion

Analyzing research on CVF and organizational performance is clear that all types of organizational culture can be related to organizational effectiveness (Cameron & Quinn, 2011). However, the Clan culture type appears as the most frequent predictor of efficacy in organizations (Hartnell et al., 2011), which is consistent with the data found in these four case studies. All firms whose owners and respective employees' referred Clan as a primary culture type, have the highest revenue and productivity results and growth. Reinforcing this data, the owner of the firm that has worse performance (firm D) also reports the Clan type of culture at the end of the list of types of culture in his firm. This results allows us to suggest that: *Clan culture is related to best performing micro-firms.*

Our findings point to many business owners emphasizing Hierarchy culture type. The choice of a Hierarchy culture can be adequate if the long-term goal is not innovation (Schgens, Bausch & Balkin's, 2013). But our findings point to, the firm owner who considers the Hierarchy culture very important in his firm, is the one having bad organizational results. Perhaps the interaction of various types of culture is important for obtaining good organizational results. According our results, focusing mainly on control and stability when companies are dealing with financial weakness is not sufficient. So we can propose that: *Various types of culture are important for obtaining good organizational results in micro-firms, being aware of not to focus solely on the Hierarchy and Market cultures.*

Lund (2003) found that job satisfaction was positively related to Clan and Adhocracy cultures, and negatively related to Market and Hierarchy cultures. In these case studies, firms whose owners and employees report among the most prominent Market type of culture, present not so good job satisfaction results (firm B and D). If it is just the owner reporting those types of culture (firm A) it doesn't have the same impact. One could argue that given that firm D is not going well and employees feel it, they could reflect that on the expectations they have on their work environment, that isn't being up to it. But the other firm, who is performing very well financially and productivity wise, even if not as bad, hasn't a good perception on job satisfaction. These findings suggest that: *Market culture type perception by micro-firms' employees is associated with low work satisfaction.*

Results suggest that, not only when firms grow bigger, also when firms go older, that they tend to go more stable, wanting to standardize procedures and control and compete in the external environment. Data differences between micro and larger firms leads to the preposition: *Micro-firms, after a certain time in business, seek to standardize and control processes and goals.*

## 6. Conclusion

This research revealed that in best performing micro-firms both owners and their employees find Clan culture among the most important culture types. Job satisfaction is negatively associated with owners and employees perception of Market oriented culture amongst the primary culture types. Standing on the very small size of micro-firms (up to



10 workers), firms' evolution leads owners to perceive Hierarchy type of culture as prominent, which is contrary to their employees perceptions. Employees', regardless of the time of the firm in business, feel the culture as innovation prone, and as supporting individual risk taking. Another one of the conclusions of this study is that several culture types' configurations are adequate, as long as they don't focus only on stability and control axis types of culture. This study allowed for exposing some of micro-firms specificities, showing the importance of following and deepening this line of research, allowing for further knowledge both of micro-firms, and organizational culture and performance fields. Further studies, should follow the configuration study stream of research, since the interactions between culture types seem to be able to shed light into contradictory data at first sight.

## References

- Cameron, K. & Quinn, R. (2011). *Diagnosing and changing organizational culture: based on competing values framework*, 3<sup>rd</sup> edition. San Francisco: Jossey Bass
- Dyer, L. & Reeves, T. (1995) Human resource strategies and firm performance: what do we know and where do we need to go? *International Journal of Human Resources Management*, 6 (3), 656-670.
- Gabinete de Estratégias e Estudos. (2009). *Anuário Estatístico de Portugal 2008*. Instituto Nacional de Estatística. Retrieved from <http://www.ine.pt>, 2010-02-13
- Gregory, B., Harris, S., Armenakis, A., & Shook, C. (2009). Organizational culture and effectiveness: A study of values, attitudes, and organizational outcomes. *Journal of Business Research*, 62, 673–679.
- Hartnell, C. A., Ou, A. Y., & Kinicki, A. (2011). Organizational Culture and Organizational Effectiveness: A Meta-Analytic Investigation of the Competing Values Framework's Theoretical Suppositions. *Journal of Applied Psychology*, 96(4), 677–694.
- Have, T. S., Have, W. T., Stevens, A. F., Vander-Els, M., & Pol-Coyne, F. (2003). *Key Management Models: The Management Tools and Practices that Will Improve your Business*. London: Prentice-Hall.
- Lund, D. B. (2003). Organizational Culture and Job Satisfaction. *Journal of Business and Industrial Marketing*, 18(3), 219-236.
- Malheiro, J. (2011). Job Satisfaction Survey, JSS, Portuguese version: Inquérito de Satisfação no Trabalho, [shell.cas.usf.edu/~pspector/scales/JssPortuguese.doc](http://shell.cas.usf.edu/~pspector/scales/JssPortuguese.doc), 2013/01/09
- Meyer, J. P., & Allen, N. J. (1997). *Commitment in the workplace: Theory, research, and application*. Thousand Oaks, CA: Sage Publications.
- OECD, O. for E. C.-O. and D. (2012). *Enterprises by size class*. In *Entrepreneurship at a Glance 2012*. OECD Publishing. Retrieved from [http://dx.doi.org/10.1787/entrepreneur\\_aag-2012-6-en](http://dx.doi.org/10.1787/entrepreneur_aag-2012-6-en)



- Quinn,R., & Rohrbaugh,J.(1983).A Spatial Model of Effectiveness Criteria:Towards a Competing Values Approach to Organizational Analysis.*Management Science*, 29(3):363-377
- Schein, E.(1985).Organizational culture and leadership: A dynamic view. CA: Jossey-Bass
- Schgens, T., Bausch, A. & Balkin, D. (2013). Organizational Culture and Innovation: A Meta-Analytic Review. *Journal of Production and Innovation Management*, 30(4), 763-781
- Spector, P. (1994). Job Satisfaction Survey, JSS Page, <http://shell.cas.usf.edu/~pspector/scales/jsspag.html>, 2013/01/09
- Venkatraman,N., & Ramanujam,V. (1986).Measurement of business performance in strategy research:A comparison of approaches. *Academy of Management Review*, 11:801-814.



## *Family business background and succession intentions – A survey among entrepreneurs' children*

**Christine Blanka, Norbert Kailer & Birgit Wimmer-Wurm**

Johannes Kepler University Linz, Austria

Christine Blanka

christine.blanka@jku.at

Norbert Kailer

norbert.kailer@jku.at

Birgit Wimmer-Wurm

birgit.wimmer-wurm@jku.at

### **Abstract**

This paper investigates childrens' family business background and examines the question in what ways entrepreneurial activities of the parents influence the offsprings' succession intentions. We access the field of research from the perspective of the offspring and argue that barriers to succession, career choices motives and the perceived solidarity to the family firm are considerable factors influencing the business succession. Therefore we adapted the framework of Theory of Planned Behavior (TPB) by assigning these new elements to the model. We present our findings from an empirical survey of 1,070 university students. Results implicate relevant findings concerning motives, solidarity and barriers.

### **Introduction**

Family business management is basically about the compatibility of two subsystems: family and business (Halter, 2009) or to put it differently, parents and offspring. Due to the long-term adjustment of family businesses the succession theme is a relevant issue in the field of Entrepreneurship (Debicki et al., 2009; Litz et al., 2012). The amount of traditional successions from the parents to the offspring declines and so external succession gains in importance (KMU Forschung Austria, 2008). However, even if there are potential successors in the family, this still does not mean that these take over the family firm. Empirical studies (e.g. Cooper/Dunkelberg, 1987) came to the result that the family

business background influences the entrepreneurial intention of the entrepreneurs' children. If entrepreneurs' offspring decide to be self-employed they rather have the choice of founding or succession. Drawing on the Theory of Planned Behavior (TPB) we examine the link between self-employment of parents and the entrepreneurial intention of their children: *In what way influences the students' personal family business background their succession intention?*

The study by Zellweger et al (2011) which examined career intentions of employees, founders and successors is a relevant previous paper. In contrast to their work our investigation focusses on the choices founding and succession. We performed quantitative analyses and our research contributes in several ways. First, adapted for business succession, we assign new elements to the framework of the TPB. Second, based on an adequate sample of 1,070 respondents we examine the influence of these elements. Further, our study supports the findings of Carter et al (2003) and indicates important findings concerning the motive of career choices. The following section provides the theoretical foundations for this investigation. Next we adapt Ajzen's model to the issue of business succession and develop hypotheses based on literature review. Then we describe our methods and present key results. In the last section we discuss major findings, implications and limitations of our study.

### **Conceptual background**

In previous Entrepreneurship research often the traits approach was at the centre of attention (Tegtmeier, 2008). The attempt was to explain why some people rather than others tend to become entrepreneurs - with moderate results (de Pillis/Reardon, 2007). The demographic approach already handled self-employed parents as a possible factor, though in a static view (Cooper/Dunkelberg, 1987). In contrast there are intention-based approaches like Ajzen's (1985, 1991) Theory of Planned Behavior. He integrates the desirability and feasibility, as well as the social desirability (Krueger et al., 2000) of behaviour as components affecting the behavioural intention. Due to the fact that the model takes into account personal and social components (Moriano et al. 2012), our paper is based on TPB.

#### *Theory of Planned Behavior*

The Theory of Planned Behavior (Ajzen/Fishbein, 1975; Ajzen, 1985; Ajzen, 1991) is an approach intensely used in Entrepreneurship research. This framework is still a relevant one for analysing entrepreneurial intentions (Kautonen et al., 2010) and entrepreneurial intentions of students in particular (Moriano et al., 2012). On the basis of this approach Ajzen/Fishbein (1975) assumed that intentions predict human behaviour. The behavioural intention itself is influenced by three factors: The attitude towards the behaviour refers to the degree to which an individual has an (un)favourable appraisal of the behaviour (e.g. internal succession). The subjective norm refers to the social pressure whether or not to

perform the behaviour. The perceived behavioural control refers to the perceived ease or difficulties to affect the behaviour (Krueger et al., 2000; Ajzen, 2002). To transfer Ajzen's TPB to the situation of succession, important factors influencing the business succession are discussed in detail.

### *Solidarity to the family firm*

A determining factor is the perceived tie of the potential successors to the family enterprise. As Birley (2002) points out, the loyalty to the parental enterprise in the form of active cooperation has some effect on the succession intention. Therefore, for fostering the childrens' solidarity, it is important to integrate the potential successor into the family firm (Wimmer et al., 2005) and as a consequence promote attachment (Halter, 2009). The main reason for this behaviour is the family enterprise's fear that informal human capital (tacit knowledge) could get lost (Parker/Van Praag, 2012). Therefore the following is obvious:

*Hypothesis 1a: Students with family business background who feel strongly attached to the family business are rather willing to succeed than students with family business background who do not feel strongly attached to the family business.*

As a consequence we also raise the question whether those students who do not feel strongly attached still rather tend to succession than students without any family business background at all:

*Hypothesis 1b: Students with family business background who do not feel strongly attached to the family business are rather willing to succeed than students without family business background.*

### *Motives*

The most important research had been done by McClelland, Rotter, Atkinson and Budner (Shane et al., 2003). The attempt is to find motives which distinguish the entrepreneurial career from others (Kolvereid, 1996). Independence is regarded as one of the most appealing motives (Kolvereid, 1996; Moriano et al., 2012; Shane et al., 2003). Intentional successors are facing existing corporate structures and therefore "lock-in effects" (Zellweger et al., 2011) as well as a low perceived behavioural control (Tegtmeier, 2008; Zellweger et al., 2011). If the situation of an intentional successor is reduced to the principle decision to succeed or to found, it can be expected that the option of founding offers quite more independence (Wimmer et al., 2005). However, the striving for independence on the one hand goes along with the abandonment of already structured enterprise surroundings on the other hand. A start-up enterprise differs from an existing

one by a higher level of insecurity and risk (Parker/Van Praag, 2012). Even the entrepreneur's children who have already gained work experience in the parental firm and built up informal knowledge are confronted with these problems (Parker/Van Praag, 2012). Indeed, with the topic of starting a business also the issue innovation is associated. As the study of KMU Forschung Austria (2008) confirms, the central need to realise own ideas can not sufficiently be satisfied in the case of a succession:

*Hypothesis 2: The motives independence and innovation influence the founding or succession intention.*

### *Barriers*

Other interesting aspects concerning succession are the perceived barriers. The intentional successor's perspective shows that, due to the fact of higher levels of formal education, the career options of the offspring are broadened (Parker/Van Praag, 2012). Therefore, entrepreneurs' children with other interests or missing abilities are not striving to take over the family firm. Instead the option of founding an own company and realising own ideas for products or services seems to be attractive. Thus, a lack of interest seems to be an important indicator that students prefer a business foundation rather than a business succession:

*Hypothesis 3a: Students who are not interested in the existing products or services of the family firm, are rather not willing to succeed.*

At the interpersonal level serious conflicts within the family can arise in the course of a succession (Halter, 2009), but also the relationship of predecessor and successor is put to an acid test. Relationships which are already tainted with problems become even more difficult during the succession process (Weber, 2009; Zellweger et al., 2011). So another typical barrier to succession is the cooperation with the parents or the family (Birley, 2002):

*Hypothesis 3b: The cooperation with the parents or the family in the family firm is considered as a barrier to the succession process by students.*

### *Family business background*

In the recent past Parker/van Praag (2012) have been concerned with individuals with and without family business background and examined possible entry modes to self-employment. While Parker/Van Praag tried to explain the way to self-employment through

the level of education, our approach is the family business background itself. The focus is that self-employed parents are associated with later entrepreneurial actions of the offspring (Cooper/Dunkelberg, 1987). Parents act as role models and influence the entrepreneurial intention of their children (Krueger et al., 2000). This happens indirectly, as the parents affect the children's entrepreneurial self-efficacy (Chen et al., 1998):

*Hypothesis 4: Students with family business background rather tend to self-employment than students without family business background.*

A merging of the variables mentioned above and the TPB leads to an adoption of Ajzen's framework: The solidarity to the family firm stands for loyalty and is in line with the subjective norm. The barriers are in the broadest sense in line with Ajzen's perceived behavioural control (Ajzen, 2002), especially in the case of cooperation with the parents. The attitudes towards the behaviour are reflected in the motives, defined as underlying attitudes and motivation to self-employment. Beside these three components, the family business background is the moderator variable.

## **Methods – data collection and variables**

The dataset used to test the developed hypotheses above is originated in the Global University Entrepreneurial Spirit Students' Survey 2011. The aim of GUESSS is to survey the entrepreneurial intentions and activities of university students. Based on the Austrian survey (Kailer et al. 2012b) with about 4,500 students from 23 universities, the sample for this paper consists of 1,070 students<sup>6</sup> with family business background. Handing over a business from the parents to their children is a classical way of a business succession. Therefore, in this study the family firm is defined as follows: father or mother or both are self-employed. Also previous empirical studies have applied this definition (e.g. Birley, 2002; Parker/Van Praag, 2012; Zellweger et al., 2011)<sup>7</sup>.

---

<sup>6</sup> General descriptive information: N=677 male, N=801 non-successor, N=268 intentional successor

<sup>7</sup> In addition, the analyses were also carried out with other definitions of family business background. Alternative version 1: More than two family members are working in the family business. This shows support of the subscale power and experience of the F-PEC Scale (Astrachan et al, 2002; Klein et al, 2005). Alternative version 2: The respondent has been working for the family business. The results remained unchanged.

Table 1: Variables and measurement

<i>Variables</i>	<i>Scale</i>
<i>Dependent:</i>	
Behavioural intention (career choice intentions five years after graduation)	13 items summarised in 4 categories: employee (4 items), founder (4 items), successor (2 items) and others (3 items)
Succession intention (how seriously the respondents have been thinking about taking over the family business)	Scale:0= never; 7= I already started with the realization; categories: non-successor and intentional successor
<i>Independent:</i>	
Solidarity to the family firm (six dimensions)	Scale: 1=strongly disagree; 7=strongly agree Clusters: weak solidarity (1-3) and strong solidarity (4-7)
Barriers (to which extent they are an obstacle)	Scale: 1=apply not at all; 7=apply very much
Motives (how important they are for future career choices)	17 items; Scale: 1=very unimportant; 7=very important

In order to be able to compare students with and without family business background, two clusters have been built: “fabs” (students with family business background) and “n-fabs” (students without family business background). Details concerning the variables are shown in *table 1*. The solidarity to the family firm has been measured by different dimensions: feeling emotionally attached, great personal meaning of firm, connection of positive emotions/feelings, important role of tradition and history, goal of keeping the firm in the family's hands and insight into the family firm's performance. Concerning the analysis of career motives we used a likert-scale, as Kolvereid (1996) has suggested. Through a principal components factor analysis with varimax rotation (KMO=0.75) six factors were extracted.

## Results

One of the variables influencing the succession intention was the loyalty to the family firm. Comparing students with weak and strong attachment show that across all the six dimensions of solidarity the majority of the intentional successors feel strongly attached to the family firm. Therefore hypothesis 1a is fully supported. The results also show correlations between succession intention and solidarity across all categories. However, emotional attachment (Cramer-V: 0.357) and personal meaning (Cramer-V: 0.375) show the strongest correlations. The hypothesis that student who are weakly attached to the



family business background (fabs) are rather willing to succeed than students without family business background (n-fabs) was also examined. The results, supporting Hypothesis 1b, indicate that concerning the internal and external succession fabs always show higher results than n-fabs.

Principal components factor analysis was performed on the motive items (chi-square=5,895.47), with six factors accounting for 70.37% of the variance. The six factors generated were: *status/finance* involved four items (Cronbach's  $\alpha=0.78$ ), *innovation* involved three items (Cronbach's  $\alpha=0.78$ ), *emotions/family* involved three items (Cronbach's  $\alpha=0.73$ ), *self-realisation* involved also three items (Cronbach's  $\alpha=0.76$ ), *social/ecology* involved two items (Cronbach's  $\alpha=0.79$ ) and *independence* involved two items (Cronbach's  $\alpha=0.51$ )<sup>8</sup>. The motive structure points out that innovation and independence affect the career choice and therefore the founding respectively the succession intention. Hypothesis 2 finds full support.

A comparison of means concerning the perceived barriers, points out that a lack of interest in existing products or services with a mean score<sup>9</sup> of 4.33 is in fact an obstacle for business succession. Therefore hypothesis 3a is fully supported. In contrast, the respondents do not perceive the cooperation with the parents or the family as a strong barrier as presented in previous field reports. Thus, hypothesis 3b is rejected. Finally the career choice intentions of fabs and n-fabs have been analysed. There is a significant correlation (chi-square: 214,276;  $p>0.05$ ) between career choice intentions and family business background: In the case of self-employment fabs always reach a higher score than n-fabs. In total, five years after graduation 44% of fabs (32.6% founding, 11.8% succession), but only 31% of n-fabs tend to be self-employed. Hypothesis 4 is fully supported.

## Discussion

We argue that the perceived loyalty to the family firm is of high relevance and our findings underline this. One dimension of attachment (positive emotions) represents an exception, as even non-successors feel strongly: One reason might be that there are in fact positive emotions about the family firm, but the business is e.g. inadequate to succession or the industry specific interests of parents and children are far apart. Concerning the motives for career choice, the findings support the analysis of Carter et al. (2003), in which also six factors emerged. Even though Carter et al did not consider social and economic motives, results concerning factor loading and motive structure are quite similar.

---

<sup>8</sup> Cronbach's  $\alpha$  of all motive items: 0.79 It is always difficult to obtain high Cronbach's  $\alpha$  levels when scales consist of only two items (independence). Carter et al (2003), using similar items, also scored Cronbach's  $\alpha$  at the level of 0.58, so we decided to use them despite the marginal reliability.

<sup>9</sup> Likert-scale: 1=apply not at all, 7=apply very much

A main limitation of our research can be identified concerning the barriers to succession since market-driven barriers (e.g. missing market for a product/service, changed customer needs) were not taken into account in the study. A second limitation arises from the fact that the stage of the life cycle of the business was not taken into account to illustrate a barrier to business succession. In particular, knowing that the challenge of founding hits the innovation motive, it is important that the stage of the life cycle of the firm should be taken in consideration. A further limitation refers to the methods used to survey the career choice intentions. In order to analyse career paths in detail, it is necessary to gather the attractiveness e.g. through variables concerning career perspectives and earnings. A longitudinal study or a further survey at the time of five years after graduation would be a promising possibility to compare the prospective and retrospective data. Further, a longitudinal study could provide interesting data concerning the accuracy of the TPB framework to predict entrepreneurial behaviour. Research in the field of alumni shows, that students realise their career choice intention “self-employment” (Kailer et al., 2012a; as well as a review for the German-speaking area Kailer, 2010).

Regarding practical implications, it is vital to integrate the intentional successor into the family business in order to foster tacit knowledge and loyalty (Halter, 2009; Parker/Van Praag, 2012). Further, our findings show that the main barrier to business succession is a lack of interest in existing products or services. If the lack of interest stands for a poorly qualified offspring the family faces the so called “agency paradox” (Lee et al., 2003). The children’s lack of interest probably also points at a need to revise the product offerings (Feldbauer et al., 2010)<sup>10</sup>. In this case, the successor should be free to apply his ideas because this possibility is a substantial factor which influences the decision founding vs. succession.

### *Acknowledgment*

We would like to thank the jubilee fund of the Austrian National Bank OeNB (14696) for the financial support.

### **References**

- Ajzen, Icek & Martin Fishbein. (1975) *Belief, attitude, intention, and behavior: an introduction to theory and research*. Reading, MA: Addison-Wesley. available at: <http://people.umass.edu/aizen/f&a1975.html>; 07.01.2013.
- Ajzen, Icek. (1985) “From intentions to actions: A theory of planned behavior”. In Julius Kuhl & Jürgen Beckmann (ed). *Action Control – From Cognition to Behavior*. Berlin, Heidelberg: Springer, pp. 11-39.

---

<sup>10</sup> In their study Feldbauer et al (2010) located changes in organisation and controlling, investment and an expanded range of products/services as main modification in the course of the succession process.

- Ajzen, Icek. (1991) "The Theory of Planned Behavior". *Organizational Behavior and Human Decision Processes*, 50: 179-211.
- Ajzen, Icek. (2002) "Perceived Behavioral Control, Self-Efficacy, Locus of Control, and the Theory of Planned Behavior". *Journal of Applied Psychology*, 32 (4): 665-683.
- Astrachan, Joseph H., Sabine B. Klein & Kosmas X. Smyrnios. (2002) "The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem". *Family Business Review*, 15: 45-58.
- Birley, Sue. (2002) "Attitudes of Owner-Manager's Children Towards Family and Business Issues". *Entrepreneurship: Theory & Practice*, 26 (3): 5-19.
- Carter, Nancy M., William B. Gartner, Kelly G. Shaver & Elizabeth J. Gatewood. (2003) "The career reasons of nascent entrepreneurs". *Journal of Business Venturing*, 18: 13-39.
- Chen, Chao C., Patricia G. Greene & Ann Crick. (1998) "Does Entrepreneurial Self-Efficacy distinguish Entrepreneurs from Managers?". *Journal of Business Venturing*, 13: 295-316.
- Cooper, Arnold C. & William C. Dunkelberg. 1987. "Entrepreneurial research: Old Questions, New Answers and Methodological Issues". *American Journal of Small Business* (now: *Entrepreneurship: Theory & Practice*), 11 (3): 11-23.
- De Pillis, Emmeline & Kathleen K. Reardon. (2007) "The influence of personality traits on persuasive messages on entrepreneurial intention". *Career Development International*, 12: 382-396.
- Debicki, Bart J., Curtis F. Matherne III, Franz W. Kellermanns & James J. Chrisman. (2009) "Family Business Research in the New Millenium: An Overview of the Who, the Where, the What, and the Why". *Family Business Review*, 22: 151-166.
- Feldbauer-Durstmüller, Birgit, Norbert Kailer, Helmut Pernsteiner, Christine Duller & Thomas Haas. (2010) *Familienunternehmen in Österreich: Entwicklungsstand und Handlungsempfehlungen zum Controlling, Finanzmanagement und zur Unternehmensentwicklung*. Report. Linz: Johannes Kepler Universität Linz.
- Halter, Frank A.. (2009) "Familienunternehmen im Nachfolgeprozess: Die Emotionen des Unternehmers". In Jörn-Axel Meyer (ed). *Kleine und mittlere Unternehmen*. Lohmar, Köln: Josef Eul. Volume 18.
- Kailer, Norbert, David Böhm & Rahel Zweimüller. (2012) "Unternehmerisches Potenzial von AbsolventInnen der Johannes Kepler Universität Linz – Ergebnisse einer Online-Erhebung". In Norbert Kailer (ed.). *Entrepreneurship Education in technischen Studienrichtungen*. Report. Linz: Rudolf Trauner Stiftung, pp. 122 – 156.
- Kailer, Norbert, Tina Gruber-Mücke, Birgit Wimmer-Wurm & Christine Blanka. (2012) *Entrepreneurial Intentions and Activities of Students at Austrian Universities - Global University Entrepreneurial Spirit Student's Survey 2011 – National Report Austria*. IUG Working paper no. 11. Linz: Johannes Kepler Universität Linz.

- Kailer, Norbert. (2010) “Entrepreneurship Education at Universities in German speaking Countries: Empirical findings and proposals for the design of university-wide concepts”. In Alain Fayolle (ed.). *Handbook of Research in Entrepreneurship Education*, Vol. III: International Perspectives. Cheltenham (UK), Northampton M.A.: Edward Elgar Publishing, pp. 248 – 273.
- Kautonen, Teemu, Ewald Kibler & Erno Tornikoski. (2010) “Unternehmerische Intentionen der Bevölkerung im erwerbsfähigen Alter“. *Zeitschrift für KMU und Entrepreneurship: ZfKE*, 58: 175-196.
- Klein, Sabine B., Joseph H. Astrachan & Kosmas X. Smyrniotis. (2005) “The F-PEC Scale of Family Influence: Construction, Validation, and Further Implication for Theory”. *Entrepreneurship: Theory & Practice*, 29 (3): 321-339.
- KMU Forschung Austria. (2008) *Unternehmensübergaben und –nachfolgen in Kleinen und Mittleren Unternehmen (KMU) der Gewerblichen Wirtschaft Österreichs*. Report. Wien: KMU Forschung Austria.
- Kolvereid, Lars. (1996) ”Organizational Employment Versus Self-Employment: Reasons for Career Choice Intentions. *Entrepreneurship: Theory & Practice*, 20 (3): 23-31.
- Krueger, Norris F., Michael D. Reilly & Alan L. Carsrud. (2000) “Competing Models of Entrepreneurial Intentions”. *Journal of Business Venturing*, 15: 411-432.
- Lee, Khai S., Guan H. Lim & Wei S. Lim. (2003) “Family Business Succession: Appropriation Risk and Choice of Successor”. *Academy of Management Review*, 28: 657-666.
- Litz, Reginald A., Allison W. Pearson & Shanan Lichtfield. (2012) “Charting the Future of Family Business Research: Perspectives From the Field”. *Family Business Review*, 25: 16-32.
- Moriano, Juan A., Marjan Gorgievski, Mariola Laguna, Ute Stephan & Kiumars Zarafshani. (2012) “A Cross-Cultural Approach to Understanding Entrepreneurial Intention”. *Journal of Career Development*, 39 (2): 162-185.
- Parker, Simon C. & C. Mirjam Van Praag. (2012) “The entrepreneur’s mode of entry: Business takeover or new venture start?”. *Journal of Business Venturing*, 27: 31-46.
- Rossmann, Constanze. (2011) *Theory of Reasoned Action – Theory of Planned Behavior*. Baden-Baden: Nomos.
- Shane, Scot, Edwin A. Locke & Christopher J. Collins. (2003) “Entrepreneurial motivation”. *Human Resource Management Review*, 13: 257-279.
- Tegtmeier, Silke. (2008) “Die Existenzgründungsabsicht: Eine theoretische und empirische Analyse auf Basis der Theory of Planned Behavior“. In Reinhard Schulte (ed). *Edition Gründungsforschung*. Marburg: Tectum. Volume 3.
- Weber, Hendrik. (2009) *Familienexterne Unternehmensnachfolge: Eine empirische Untersuchung über Akquisitionen von Familienunternehmen*. Wiesbaden: Gabler.
- Wimmer, Rudolf, Ernst Domayer, Margit Oswald & Gudrun Vater. (2005) *Familienunternehmen – Auslaufmodell oder Erfolgstyp?*. Wiesbaden: Gabler.



Zellweger, Thomas, Philipp Sieger & Frank Halter. (2011) “Should I stay or should I go? Career choice intentions of students with family business background”. *Journal of Business Venturing*, 26: 521-536.

## *Dealing with relational risk in franchise firms: Evidence from Germany*

**Gerlinde Brinkel**

Dresden University of Technology, Germany

Department of Business Management and Economics

[gerlinde.brinkel@tu-dresden.de](mailto:gerlinde.brinkel@tu-dresden.de)

### **Abstract**

Franchise businesses belong to the group of cooperative arrangements. Those are typically confronted with two types of risk – relational and performance risk. Relational risk occurs when it comes to non-cooperative modes of behavior among partners (Das and Teng, 1996). This study aims to shed light on the opportunities to manage relational risk occurring in franchise businesses. In gathering data through 14 interviews conducted with franchise experts in Germany, the study fills the gap in the existing literature on risk in interfirm alliances for the case of franchise companies. It turned out, that strategies to overcome relational risk are either relationship-oriented, normative or information-related. Together, the paper provides a starting point for the integration of the relational risk perspective into the day-to-day management of franchise firms.

### **Introduction**

Franchising is a cooperative arrangement with exclusive benefits evolving to the franchisee-entrepreneurs and their franchisor-entrepreneur partners, that work together to create joint economic value (Dant *et al.*, 2006). Both parties are typically entering into a contractual relationship which allows the franchisee, in exchange for an initial fee and ongoing royalty payment, to use the proven business concept of the franchisor with its specific brand name and under the franchisor's direction (Pappu and Strutton, 2001). Moreover franchise chains can also be understood as strategic alliances<sup>11</sup> (Langfield-Smith, 2008). As commonly recognized, strategic alliances are said to be solid and powerful structures especially in times of a turbulent economic environment (Das and Teng, 1996). They enable firms to gain access to scarce or highly expensive complementary resources and competencies (Das and Teng, 2001a). Although such business arrangements can create competitive advantage for the partners, they may also be dissolved without reaching the cooperation goals (Das and Teng, 1998). Consequently, the

---

<sup>11</sup> The terms strategic alliance, interfirm alliance or cooperation are interchangeable in this paper and describe entities that consist of at least two independent firms that collaborate with each other.

challenge for strategic alliances and thus for franchise firms is to manage the relationship between the independent partner firms too. Strategic alliances constitute therefore a high-risk business strategy (Das and Teng, 1999). To refine the concept of risk for strategic alliances, Das and Teng, 1996 further differentiated between relational and performance risk. “While relational risk is the risk of unsatisfactory interfirm cooperation, performance risk is all other factors that adversely affect alliance performance.” (Das and Teng, 1999, p. 51) This distinction was used to prepare a proposal for an adequate interfirm cooperation decision (Das and Teng, 1996).

With the help of the presented risk framework, this paper has the aim to develop an overview of strategies that strengthen the level of cooperation inside franchise networks (i.e. mitigate relational risk). To achieve the research objective, in-depth interviews with neutral franchise experts coming from Germany are conducted. The contribution of this paper is argued as follows: It is the first paper linking the research subject of risk in interfirm alliances to the field of franchising. In addition, concrete methods to combat relational risk will be put up for franchise managers in order to prevent the eventuation of relational risk consequences like early franchisee exits. Third, a new and more objective path to study franchise firms has been forged by conducting interviews with a group of franchise experts, which was found to be an alternative empirical method when researching sensitive issues concerning both – the franchisor and the franchisee. Finally, although being important for the German economy, little empirical research has been undertaken focusing on the German franchise sector. This study contributes to this lack of franchise literature. This paper is organized in the following way: the first section is dedicated to the development of a theoretical framework comprising the characteristics of franchise firms and a literature review on relational risk management strategies. Thereafter, details about the applied method and the procedure are given. The subsequent paragraph presents the results coming from the empirical study. Finally, discussion and conclusions including the limitations and areas for future research are attached.

## **Theoretical framework**

### **Characteristics of franchise firms**

A franchise agreement evolves through the conclusion of an enduring contract between franchisor and franchisee. The generated interfirm relationship has a vertical character. Each partner concentrates on different fields of work. Whereas the franchisor is concerned with the guidance of the system and the strategic decision-making, the franchisee is contributing via operational business management and customer contact.<sup>12</sup> Through this clear division of responsibilities and a high interaction intensity between partners, competitive advantage can be created. The benefits of this constellation are usually shared between franchisor and franchisee. The franchisor is able to overcome resource constraints because franchisees provide financial and human capital and reduce agency costs (Brickley

---

<sup>12</sup> For the basic characteristics of franchise relations, see for example Hunt (1972).



and Dark, 1987). The franchisee on the other hand gains easy access to a proven business concept with an established trade name and ongoing management support (Stanworth and Curran, 1999).

### **Management of relational risk**

In the management literature, risk is defined as the level of “...uncertainty about whether potentially significant and/or disappointing outcomes of decisions will be realized.” (Fang *et al.*, 2011). Relational risk is a very specific type of risk and is focused on the professional relation between independent partner firms. It is concerned with the probability and the consequences of non-cooperative forms of behavior (Das and Teng, 1996). One particular reason for the existence of relational risk is that partner firms contribute to the cooperation with their own resources (Das and Teng, 1999). Thus, if the cooperation fails, the designated resources will be lost. Drawing on transaction cost theory, this concern is legitimate because some firms tend to pursue their own interests while ignoring the potentially unfavorable consequences for others (Williamson, 1975). This phenomenon is called opportunistic behavior and is therefore one major source of relational risk (Das and Teng, 2001b). Typical forms of opportunistic behavior are withholding of information, shirking, late payments and appropriation of the partner firm’s technology or key personnel (Parkhe, 1993).

In order to build successful relationships with partner firms that have desirable outcomes, managers can adopt different risk-mitigating strategies. A structured literature review in the field of strategic alliances and relational risk revealed that a fair number of authors has so far concentrated on this topic (Table 1). It can be observed that the discussion is dominated by some recurrent themes reducing perceived relational risk: first, an appropriately specific contractual design in order to limit the possibilities of opportunistic behavior; second, enhanced structural flexibility to enable adaption on new situations; third, managerial control mechanisms that facilitate a direct influence on misbehavior; and finally, social control instruments, leading to partner trust and good will.



Table 1: Results of literature review on strategies to manage relational risk

Suggested strategies to manage relational risk	Author(s), Year/ Type of contribution (Method)
Protect own primary resources (i.e. technological, managerial and organizational resources because of little legal protection) Exercise control: contractual control (usage of properties), equity control (majority or shared ownership), managerial control (frequent interaction, communication etc.) Retain flexibility (short-term recurrent contracts, limiting commitment, exit provisions) Safeguard security of know-how (maintain knowledge barrier, prohibit unauthorized learning) Increase productivity (seek compatibility of organizational routines and culture of partners, eliminate internal stickiness)	Das and Teng, 1999/ conceptual
Good will trust-building (develop mutual interest, individual and team trust, joint dispute resolution) Behavior control mechanism (policies and procedures; reporting structure; staffing and training) Social control mechanism (participatory decision-making process, cultural activities, i.e. ceremonies, rituals, networking)	Das and Teng, 2001b/ conceptual
Pre-specified rigorous contracts Appropriate governance structure (policies and procedures) Periodical exchange of mutual hostages Random-fashioned monitoring	Das, 2005/ conceptual
Retain flexibility Enhance good will-trust Establish alliance perspective through lengthy pre-alliance period Activities that lead to the development of trust and processes	Langfield-Smith, 2008/ empirical (case study)
Explicit contractual governance (appropriately specified contracts to anticipate unplanned events and unintended consequences) in combination with normative governance	Lee and Johnson, 2010/ empirical (survey)
Governance mode has no influence Less importance of formal control mechanisms (contract, monitoring) in the contrary to relational aspects (social control, trust) Good will has an important role Social control and relational norms guarantee trust development	Szczepański and Światowiec-Szczepańska, 2012/ empirical (case study)

## Method and Procedure

In order to exam the possibilities to analyze and manage relational risk in franchise firms, 14 in-depth interviews with franchise experts were conducted. An inductive approach was thus found to be most suitable. The expert selection was conducted in a certain way. First, experts should possess a long professional experience in the franchise sector. Second, the experts had to cover a broad perspective on franchise firms.<sup>13</sup> The participants included franchisor and franchisee consultants, specialized lawyers, association representatives etc. The interviews followed a central theme that covered all aspects and seemed to be logical and easy to follow (interview guideline). The face-to-face interviews started with the clarification of special terms and concepts like risk and risk management. Through that, an equal understanding of the topic was developed for each participant. Next, interviews

<sup>13</sup> Eisenhardt and Graebner (2007) confirm that this approach also contributes to limit bias.

turned to the field of relational risk and thus, interviewees were asked to tell about consequences of non-cooperative behavior among franchisees that they had observed in practice. The clarification of these consequences served as the basis for the following question on possibilities to measure the chance of non-cooperative manners in a certain franchise firm. The interviewer finally turned to relevant and feasible instruments to avoid the occurrence of non-cooperative behavior.

The rich data of the 60-90 minutes lasting interviews were taped and fully transcribed. To ensure the validity of the material, the transcripts were mailed to the study participants.<sup>14</sup> They were asked to validate the content again. Some material had to be jointly revised but most of it was immediately released. The following analysis was conducted by analytical coding.

## Results

The analytical coding of the strategies to manage relational risk led to the creation of a three-dimensional strategy framework:

- (1) Strategies concerning the relationship between franchisee and franchisor,
- (2) Strategies to influence the franchisee behavior in a desirable way and
- (3) Strategies that reduce information asymmetry between the network partners and thus create trust and good will.

### Relationship-oriented strategies

Referring to relationship-oriented strategies, controversial opinions were expressed. A franchise network atmosphere of mutual appreciation, trust and fairness was considered to be crucial for an ongoing success in franchise business. However one interviewee drew the attention on some of his experiences with franchisors excessively creating relationship with franchise partners. He highlighted that extensive relationship building can also lead to undesirable effects. Typically, too relation-oriented franchisors loose their focus on strategic goals while devoting themselves overly to operational aspects of the franchisee business. Moreover as the firm grows, cultivating relationships gets increasingly difficult and time consuming. Partners that hold on asking for undivided attention will soon be disappointed and may develop distrust and opportunism. Hence, a balanced relationship was meant to be most suitable.

Besides the social aspects of collaboration, the issue of participation and a certain degree of freedom to decide was discussed. The general opinion was that especially franchise firms that comprise powerful multi-unit franchise partners are obliged to offer collaboration opportunities and a restricted right to participate when it comes to franchisee-related decisions.

---

<sup>14</sup> Mayring (2002) suggests this approach for the purpose of validity in qualitative interviews.

## **Normative strategies**

Whereas relationship-oriented strategies target at an indirect influence of franchisees, the discussed normative strategies have a direct effect on franchise partner behavior. The experts hold to the belief that the franchise contract and the corresponding manual are crucial to achieve partner commitment. Another central issue in this dimension was the importance of the ongoing process of product, service and process standardization. The main cause lies in un-standardized processes leaving room for quality defects. Moreover, standardization can occur in different ways. Some of the franchisors are fully aware of the risk of less standardization and are therefore showing overreactions. The result is a vast number of different and detailed manuals describing the processes in the company. The problem with such kind of behavior was that the franchisees refused to read all details or forgot the main points while executing different services. So it turned out that the main success factor of standardization lies in its short and easily understandable form.

Most experts believed that relational risk will be best encountered by a carrot and stick approach. The idea is to reward those who perform excellently, meaning they show full commitment because they are willing to be rewarded another time. This reward system makes sense especially in the case of network firms because it facilitates motivation throughout the network. Since it is not possible to quit a franchise contract if a franchise outlet performs poorly, franchisors may also introduce sanctions. In the best case, the sanctioned franchisee will improve performance or will decide to leave the system and be replaced by a new owner. It was mentioned that sanctions in case of violation of contractual terms are obligatory to maintain a certain level of quality and uniformity within the network.

## **Information-related strategies**

As frequently discussed in the recent literature, information and communication are essential to develop strong relationships (Watson and Johnson, 2010). Maintaining low levels of relational risk requires not only a good atmosphere among partners and some strategies to influence the franchisee's activities. It was suggested that the discussed strategies have to be complemented by an adequate information and communication strategy. The developed success formula explained contained the aspects: right information, at the right time, accessible via formal and informal channels, which add value for franchise partners. The value added was seen as the main driver of all aspects. Especially the issue of data transfer via franchisors was considered to be very sensitive to the franchise relationship. Franchisors usually have a need for the key figures of every franchise outlet to monitor the overall network performance. Where data are not transmitted automatically via a cash system, well-established franchisees often refuse data transfer due to mistrust and a lack of understanding the advantage. Only an individual and

value added feedback based on the transmitted material was considered to be a suitable mean to motivate franchisees to transfer data.

## **Discussion and conclusions**

The in-depth interviews provided the opportunity to investigate a sensitive issue unique to interfirm alliances: relational risk. To that date, franchising research has not focused on the relational risk perspective, so that this study paves the way for a new area of research. Moreover, the study confirmed that the affirmation that risk is a key factor in long-term decision-making holds true with franchise companies (Das and Teng, 1996). In this study, a specific research question was addressed: it was focused on typical strategies to manage relational risk. Concerning the findings, it turned out that the literature review from the field of interfirm alliances already covers a lot of the aspects that the empirical investigation produced. It confirmed that in today's franchise firm management, normative control mechanisms are applied but are complemented with relationship-creating instruments. However, the findings provide franchise managers with more detailed and concrete approaches for the practical application. In addition, the results from former quantitative franchise studies that focused on individual governance mechanisms from franchising research are enhanced (Wathne and Heide, 2000; Kidwell *et al.*, 2007; Boulay, 2010).

## **Limitations and future research**

The presented research has several limitations that are of theoretical or methodological nature. First, concerning the theoretical limitations, this study is only based on a literature review on risk in strategic alliances. For further research it would be fruitful to take greater account of the well-established theoretical concepts, i.e. agency theory, behavioral approach and relational exchange theory. The additional review of literature concerning the franchise relationship could also be another starting point to extend the existing conclusions. Second, there are methodological limitations since this research does not provide representative findings. It is useful to conduct qualitative research especially when the field has barely been researched. Nevertheless, future research should also apply quantitative methods in order to create more generalizable findings. Moreover, the narrow focus on Germany could be widened to countries with affinity to franchising. This approach would further allow comparing findings, so that intercultural differences are explored. Overall, the present study constitutes a first insightful step towards a better understanding of relational risk in franchise firms.

## References

- Boulay, J. (2010) “The Role of Contract, Information Systems and Norms in the Governance of Franchise Systems” *International Journal of Retail & Distribution Management* 38 (9): 662–676.
- Brickley, J.A. & Dark, F.H. (1987) “The Choice of Organizational Form: The Case of Franchising.” *Journal of Financial Economics* 18 (2): 401–420.
- Dant, R.P., Perrigot, R. & Cliquet, G. (2006) “Incidence of Plural Forms in Franchise Networks: Exploratory Comparative Empirical Insights from USA, France, and Brazil.” Paper presented at the 20th Annual Conference of the International Society of Franchising, Fort Lauderdale, February 25-28.
- Das, T.K. & Teng, B.S. (1996) “Risk Types and Interfirm Alliance Structures.” *Journal of Management Studies* 33 (6): 827–843.
- Das, T.K. & Teng, B.S. (1998) “Resource and Risk Management in the Strategic Alliance Making Process.” *Journal of Management* 24(1): 21–42.
- Das, T.K. & Teng, B.S. (1999) “Managing Risks in Strategic Alliances.” *Academy of Management Executive* 13 (4): 50–62.
- Das, T.K. & Teng, B.S. (2001a) “A Risk Perception Model of Alliance Structuring.” *Journal of International Management* 7(1): 1–29.
- Das, T.K. & Teng, B.S. (2001b) “Relational Risk and its Personal Correlates in Strategic Alliances.” *Journal of Business & Psychology* 15(3): 449–465.
- Deutscher Franchiseverband (2013) “Entwicklung der deutschen Franchise-Wirtschaft.” available at: <http://www.franchiseverband.com/franchise-statistiken.html>.
- Eisenhardt, K.M. & Graebner, M. (2007) “Theory Building From Cases: Opportunities and Challenges.” *Academy of Management Journal* 50(1): 25–32.
- Fang, S.-R., Chang, Y.-S. & Peng, Y.-C. (2011) “Dark Side of Relationships: A Tensions-based View.” *Industrial Marketing Management* 40(5): 774–784.
- Hunt, S.D. (1972) “The Socioeconomic Consequences of the Franchise System of Distribution” *Journal of Marketing* 36(3): 32.
- Kidwell, R.E., Nygaard, A. & Silkoset, R. (2007) “Antecedents and Effects of Free Riding in the Franchisor–franchisee Relationship.” *Journal of Business Venturing* 22(4): 522–544.
- Langfield-Smith, K. (2008) “The Relations Between Transactional Characteristics, Trust and Risk in the Start-up Phase of a Collaborative Alliance.” *Management Accounting Research* 19(4): 344–364.
- Lee, R. P. & Johnson, J. L. (2010) “Managing Multiple Facets of Risk in New Product Alliances” *Decision Sciences* 41(2): 271-300.
- Mayring, P. (2002) *Einführung in die qualitative Sozialforschung: Eine Anleitung zu qualitativem Denken*. Weinheim: Beltz.



- Pappu, M. & Strutton, D. (2001) "Towards an Understanding of Strategic Inter-Organizational Relationships in Franchise Channels." *Journal of Marketing Channels* 8(1-2): 111–132.
- Parkhe, A. (1993) "Strategic Alliance Structuring: A Game Theoretic and Transaction Cost Examination of Interfirm Cooperation." *Academy of Management Journal* 36(4): 794–829.
- Stanworth, C. & Curran, J. (1999) "Colas, Burgers, Shakes, and Shirkers: Towards a Sociological Model of Franchising in the Market Economy." *Journal of Business Venturing* 14(4): 323–344.
- Szczepański, R. & Światowiec-Szczepańska, J. (2012) "Risk management system in business relationships: Polish case studies" *Industrial Marketing Management* 41(5):790-799.
- Wathne, K.H. & Heide, J.B. (2000) "Opportunism in Interfirm Relationships: Forms, Outcomes, and Solutions." *Journal of Marketing* 64(4): 36–51.
- Watson, A. & Johnson, R. (2010) "Managing the Franchisor–Franchisee Relationship: A Relationship Marketing Perspective." *Journal of Marketing Channels* 17(1): 51–68.
- Williamson, O. (1975) *Markets and Hierarchies: Analysis and Antitrust Implications. A study in the Economics of Internal Organization*. New York: The Free Press.



## *The Role of Business Incubators in the Firms Creation and the Emerging Entrepreneurial Networks*

**Vaiva Stanisauskaite**

Hanken School of Economics

[vaiva.stanisauskaite@hanken.fi](mailto:vaiva.stanisauskaite@hanken.fi)

Sören Kock, Hanken School of Economics

soren.kock@hanken.fi

### **Abstract**

Entrepreneurs can approach organizations that provide different support for establishing businesses. Example of such organization can be business incubators. It is vital to explore how important is business incubator in creation of new relationships for the business start-up. The aims of this study are: (1) to examine what advantages entrepreneur gets in a relationship with business incubator (2) to illustrate the network of business incubators and entrepreneurs. Preliminary results shows that networks are important not only for incubator tenants, but also for university based business incubator itself. It is important to belong to network of government, university, industries, and other business incubators. Without such network university based incubator would cease to exist.

### **Introduction**

Entrepreneurship is widely analyzed concept in business studies. Scholars are interested why some people become entrepreneurs and others are not, what the main characteristics of entrepreneurs' are and how they do become successful. The relationships with other actors and organizations could be one of the keys to entrepreneur success. Network studies aim to explore the relationships between companies and individuals, and broadly analyze the structure and content of networks (Granovetter 1973; Granovetter 1983). However, not all relationships with other actors facilitate and support development of the new start up. The question arise what kind of relationships entrepreneur need in order to start and develop the successful business, also where to find such relationships. The entrepreneurs can approach the organizations that provide different support for establishing businesses. One example of such organization can be business incubator. In the process of the company creation business incubator helps to access to different kind of actors that forms and changes the existing network of entrepreneur. However, empirical research how



networks are evolving is rare (Slotte-Kock and Coviello 2010). Little is known about the process of incubation (Cooper et al 2010). Therefore, the dynamic nature of the business incubators is not well understood (Phan et al 2005). It is vital to explore how important is business incubator in relationships creation for the business start-up.

The aims of this study are: (1) to examine what advantages entrepreneur gets in a relationship with business incubator (2) to illustrate the network of business incubators and entrepreneurs. In this paper the university based incubator, its functions and its networks will be analyzed. It sheds a new light on the business incubator, while taking into account university business incubator and its networks. The paper is structured as follows: first, the article presents business incubators and the benefits they bring to their tenants; afterwards, the article describes the importance of networks for entrepreneurs. Finally, the empirical study is described, findings are discussed and conclusions are drawn.

**Keywords:** Networks, Entrepreneurship, Business Incubator

## **Business Incubators**

Business incubator is a facility that houses small, young firms and helps them to develop quickly into competitive businesses (Hughes et al 2007). It is the outcome of the network model which enables value creation through firms creating and facilitating interactive ties among firms and incubator (Hughes et al 2007). Business incubator can also be defined as producer of programs which assist businesses (Rice 2002).

Different types of business incubators exist. Incubators can be mixed, economic development, technology, social or basic research (Aernoudt 2004). They can also be for-profit, non-profit and university based (Peters et al 2004; Tello et al 2012). Academic incubators can be science parks, technology parks, or research parks (Bollingtoft and Ulhoi 2005). University based business incubators are focusing on research and technology commercialization (Tello et al 2012). The goal of the university based incubator is to support the creation and growth of the incubate firms during its start-up by contributing to the firms value-added in the incubation process (Mian 1997). In the latest literature, the other types of business incubators appeared: networked incubator and virtual incubator. Bollingtoft and Ulhoi (2005) introduced the concept of “networked incubator” which is for profit incubator, the hybrid form based on relational symbiosis, territorial synergy and economies of scope. Rapidly developing technology generated virtual incubator, an incubator which “do not have walls”. It does not provide office space, entrepreneurs do not have to live close to it, because all the operations are performed online through the internet (Moraru and Rusei 2012).





### **The benefits business incubators brings for the entrepreneurs**

Entrepreneurs should benefit of being more aware of the importance and the role of business incubator during the establishment of the new start up (Bollingtoft and Ulhoi 2005). The goal of business incubator is to produce the successful firms (Aernoudt 2004). In order to do that, business incubator has to provide some additional value that a company cannot possess in the normal setting. Entrepreneurs rely on the business incubators because of benefits they can gain in the relationship with business incubator. Small companies need to overcome the liability of newness and incubator helps entrepreneurs to do that (Hughes et al 2007). Three primary objectives of university based incubators are promotion of entrepreneurship, technology transfer and commercialization of research. The secondary objectives are civic responsibility, image, and development of entrepreneurial spirit and new sources of finance (McAdam and Marlow 2008). University based incubators unease knowledge sharing and access to resources (Cooper et al. 2010). Smilor and Gill (1986) argue that entrepreneurs can shorten the learning curve, increase credibility, access the entrepreneurial network and find faster problem solutions. Business incubators also link to resources and shared infrastructure, provides with business advisory and financial services, connects people, reduce the cost of creating enterprise, and increase the entrepreneurs confidence and capacity (Khalil 2010).

The main services provided by incubators are provision of infrastructure (rental space, equipment, phones, internet lines, conference facilities, etc.), coaching (training and educational workshops), and networking (access to financial, administrative, management, legal and insurance consultants, academicians, scientists, managers, future customers etc.) (Peters et al 2004). Incubator company brings to entrepreneurs passive environmental intervention and counseling (that can be reactive and proactive), also networking, the access to the external network of the incubator (Rice 2002). University based incubator helps tenants with technical advice, concept testing, seed capital, intellectual property advice and management guidance (McAdam and Marlow 2008).

### **Communication between companies within business incubator**

Not only resources obtained from the business incubator are very important for the entrepreneur, but also a process of interactions with business incubator and other actors related to business incubator that entrepreneur experience during the company creation (Tello et al 2012). Being in relationship, firms create more value than standing alone. Business incubator offers opportunities to collaborate and share resources (Hughes et al 2007). Entrepreneurs have a strong need of the social support in the early years of start-up and they feel more secure in a group. Also access to the problem solving skills and knowledge motivates entrepreneurs to communicate (Cooper et al 2010). Companies which are the members of incubators are more likely to form networks because they are more vulnerable (Eisenhardt and Schoonhoven 1996).

Entrepreneurs who start their own business sometimes have to overcome the loneliness factor. When working in a team business people can talk and share ideas with each other. New companies are often started by one person, and while working alone, entrepreneur often has no one who has experience in business area to discuss business problems (Gumpert and Boyd 2001). The business incubator setting helps to overcome such problem because entrepreneur can freely discuss business ideas and receive feedback. People in the incubator environment are important for entrepreneurs because they want them to succeed, they can become business partners and helps entrepreneurs to realize that they do not have all the answers (Allen and McCluskey 1990).

### **The importance of networks**

Various relationships with other actors are beneficial for the entrepreneurs in the early and later stages of company creation. The term network relates to the market structure in which company is embedded (Johanson and Vahlne 2009). Network is consisting of nodes that are actors in the network and ties that represent relationships between these actors. These business relationships are influencing company mostly in a positive way. Business and social networks are essential for firms growth and survival (Uzzi 1997). McAdam and Marlow (2008) differentiate four important roles of networking in new firm creation process. They provide the access to new ideas and resources. Networks helps to exchange knowledge and to participate in collective learning, facilitate the credibility through other reputable members of networks, and develop the various relationships, which helps to achieve goals and facilitate the company growth (McAdam and Marlow 2008).

Network ties can be weak or strong- the strength of the ties depends on the amount of time, intensity, reciprocity and intimacy of relationships (Granovetter 1973). Strong ties possess a greater will of assistance, impact the knowledge creation, are easier to reach and supply more novel knowledge. Weak ties provide the capability to connect with another social circles, allow gaining a greater autonomy, are easier to adapt in changing environment. They are cost effective, connect more distant companies and provide access to other possible information and resources (Granovetter 1983; Sharma and Blomstermo 2003; Lechner and Dowling 2003). Network embeddedness is strategic asset that will have influence on company performance and capabilities. It is developing over time starting from distant relationships and gradually evolving to close relationships (Granovetter 1985; Andersson et al 2002). Firms that are embedded in relationships will have higher survival rates than firms which relationships are based on weak ties.

Business incubators are important for the young entrepreneurs because they provide the access to networks. The entrepreneur who wants to start company has its own personal network: that are relatives, friends and other people meet in life and these relationships are maintained. When the entrepreneur approaches the business incubator, people who manage the business incubator become part of entrepreneur network. Business incubator in turn is embedded in its own network: entrepreneurs who come to business incubator and already established companies, government institutions which provide funding, and other types of network actors. With the help of the business incubator, entrepreneur acquires access to all

these actors. Business incubator may act as a broker by facilitating the links between people, who are not directly connected (McAdam and Marlow 2008). Therefore, the entrepreneurs who are coming to this business incubator networks are changing, new ties are formed and networks are expanding. While being located close to each other may enable entrepreneurs to network with each other and that will be beneficial for growth (Soetanto and Jack 2011). We argue that in the early phases of company creation, networks are very important resource for the entrepreneur that gives the access to information and other essential resources to start the company.

## Results

In order to grasp the network change and to understand better the role of business incubator, the case study was conducted. To understand how the business incubator functions, university business incubator manager was interviewed. In order to achieve construct validity of data the triangulation method was used by comparing interview data with the data from internal documents and business incubator official website.

The university based business incubator, we can call it “Student Support Agency” (name changed) is located in Vaasa, Finland. We chose Vaasa because it is one of the most innovative cities in Finland, and entrepreneurs are often supported by government and other organizations. “Student Support Agency” is operating seven years and it is funded by government and universities. Students from several universities in Vaasa can be business incubator tenants. It supports the entrepreneurs in very early business creation stages, from the students with very early business ideas to the just established companies. It supports students in early business idea creation and development stages. Students can develop business plan and test their business ideas, also they can learn different business actions: accounting, pricing, or marketing. Future entrepreneurs can also participate in business idea competition to test their ideas, and to win some financial incentive that they can use for their future business.

For the university business incubator it is essential to belong in the network. They want to be a part of network of universities and other actors:

It is very important, it doesn't work if we don't have it.

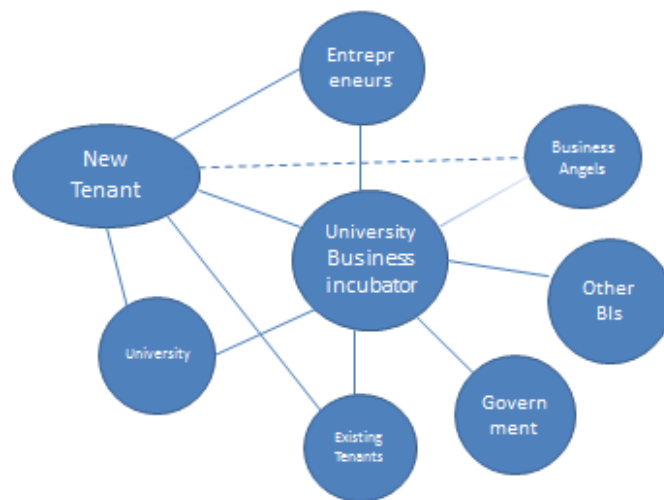
“Student Support Agency” is also communicating with other business incubators:

We have frequent meetings where we meet each other and discuss how it is going on your area and in that way we have a network.

The students can connect to other students and start making business together, with other established business and become a member of these organizations. It is the organization of old retired entrepreneurs that can help the students while meeting them and giving business advice.

They are old entrepreneurs which have sold their businesses or then they are retired people who have worked in different companies. They have plenty of experience; they can help the entrepreneurs to take their first actions.

Network of our analyzed business incubator and the relationships the new tenant establish with the help of business incubator seen in Figure 2. It can be seen that business incubator maintain relationships with existing entrepreneurs, business angels, government, existing business incubator tenants, and university. New tenant coming to business incubator is related only to university, but in the business incubation process the new relationships emerge. This young entrepreneur can connect to other tenants of business incubators, to the old entrepreneurs that has established businesses before or to the existing entrepreneurs. Also, there is an ability to connect to business angels, however, as no tenant done it yet, the line is dotted.



**Figure 1.** Network of university business incubator

## Conclusion

The results of this study determine what advantages entrepreneur gets in a relationship with business incubator and describe the network of university business incubator. Also, it illustrates a changing network of entrepreneurs. The findings show that networks are important not only for entrepreneurs, but also, for the business incubators themselves. Business incubators are embedded in university, government and other organizations network and without such networks it would cease to exist.

There are areas that the analyzed business incubator can still develop. This business incubator is relatively small, because the membership is rather restricted. The members can be only active students from certain universities, which make the access to business incubator very limited. Also business incubator does not offer working space for the entrepreneurs that can also be disadvantage. In order to meet the need of changing competitive environment, the analyzed business incubator needs to be proactive and adapt to these changes.

This study takes into account only university based business incubator and its role in the company creation process. In the future, the business incubator tenants could be interviewed. That will shed additional light onto existing results.



## References

- Aernoudt, R. (2002) "Incubators: Tool for entrepreneurship?" *Small Business Economics* 23: 127-135.
- Allen, D., & R. McCluskey (1990) "Structure, policy, services and performance in the business incubator industry." *Entrepreneurship Theory and Practice* 15(2): 61-77.
- Andersson, U., M. Forsgren, & U. Holm (2002) "The strategic impact of external networks: Subsidiary performance and competence development in the multinational corporation." *Strategic Management Journal* 23: 979-996.
- Bollingtoft, A. & J. P. Ulhoi (2005) "The networked business incubator-leveraging entrepreneurial agency?" *Journal of Business Venturing* 20(2): 265-290.
- Cooper, C.E., S.A. Hamel & S. L. Connaughton (2012) "Motivations and obstacles to networking in a university business incubator." *The Journal of Technology Transfer* 37: 433-453.
- Eisenhardt, K.M. & C.B. Schoonhoven (1996) "Resource-based view of strategic alliance formation: Strategic and social effects in entrepreneurial firms." *Organizational Science* 7: 136-150.
- Granovetter, M.S. (1973) "The strength of weak ties." *American Journal of Sociology* 78(6): 1360-1380.
- Granovetter, M.S. (1983) "The strength of weak ties: A network theory revised." *Sociological Theory* 1, 201-233.
- Greve, A. & J. W. Salaff (2003) "Social networks and entrepreneurship." *Entrepreneurship Theory and Practice* 28: 1-22.
- Gumpert, D.E. & D. P. Boyd (1984) "The Loneliness of the Small Business Owner." *Harvard Business Review* 44:19-24.
- Hughes, M., R.D. Ireland & R.E. Morgan (2007) "Stimulating Dynamic Value: Social Capital and Business Incubation as a Pathway to Competitive Success." *Long Range Planning* 40(2): 154-177.
- Johanson, J. & J.E. Vahlne (2009) "The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership." *Journal of International Business Studies* 40: 1407-1410.
- Khalil, M. & E. Olafsen (2010) "Enabling Innovative Entrepreneurship through Business Incubation" World Bank Group. Chapter 2.1.
- Lalkaka, R., 2001. " 'Best Practices' in Business Incubation: Lessons (yet to be) Learned." Paper presented at International Conference on Business Centers: Actors for Economic & Social Development Brussels, 14 - 15.
- Lechner, C. & M. Dowling (2003) "Firm networks: External relationships as sources for the growth and competitiveness of entrepreneurial firms." *Entrepreneurship and Regional Development* 15: 1-26.



- McAdam, M. & S. Marlow (2008) "A preliminary investigation into networking activities within the university incubator." *International Journal of Entrepreneurial Behavior & Research* 14 (4): 219 – 241.
- Mian, S.A. (1997) "Assessing and managing the university technology business incubator: an integrative framework." *Journal of Business Venturing* 12(4): 251-285.
- Moraru, C. & A. Rusei (2012) "Business Incubators – Favorable Environment for Small and Medium Enterprises Development." *Theoretical and Applied Economics* Volume XIX 5(570): 169-176.
- Al-Mubarak, H. & M. Busler (2011) "The Development of Entrepreneurial Companies through Business Incubator Programs." *International Journal of Emerging Sciences* 1(2): 95-107.
- Peters, L., M. Rice & M. Sundararajan (2004) "The Role of Incubators in the Entrepreneurial Process." *The Journal of Technology Transfer* 29(1):83-91.
- Phan, P. H., D. S. Siegel & M. Wright (2005) "Science parks and incubators: observations, synthesis and future research." *Journal of Business Venturing* 20(2):165-182.
- Rice, M.P. (2002) "Co-production of business assistance in business incubators: an exploratory study." *Journal of Business Venturing* 17 (2): 163-187.
- Slotte-Kock, S. & N. Coviello (2010) "Entrepreneurship research on network processes: A review and ways forward." *Entrepreneurship Theory and Practice* 34:31–57.
- Smilor, R. W., M. Doud & Jr. Gill (1986) "The new business incubator: Linking talent, technology, capital, and know-how." Lexington, MA: Lexington Books.
- Sharma, D.D. & A. Blomstermo (2003) "The internationalization process of born globals – a network view." *International Business Review* 12 (6):739–753.
- Soetanto, D.P. & S.J. Jack (2011) "Networks and networking activities of innovative firms in incubators. An exploratory study." *Entrepreneurship and Innovation* 12(2):127-136.
- Tello, S., Y. Yang & S. Latham (2012) "Nascent Entrepreneurs Access and Use of Network Resources in a Technology Incubator." *Journal of Small Business and Entrepreneurship* 25(3).
- Uzzi, B. (1997) "Social structure and competition in interfirm networks: The paradox of embeddedness." *Administrative Science Quarterly* 42: 35-67



## ***SMEs Internationalization: An Institutional Networks Perspective: Research Project***

**Oparaocha Gospel Onyema**

Turku School of Economics, University of Turku, Finland

gospel.o.oparaocha@utu.fi

### **Abstract**

*The internationalization process of the firm is a well-researched field. Despite the corpus of research in the area of SMEs' general network relationships and external alliances; however, how institutional network relationships interplay with outwards internationalization process of SMEs remains under-examined. The proposed PhD will investigate the role of institutional networks in boosting or distorting the firm's internationalization process.*

*The purpose of the study is to examine the role of institutional networks on the foreign market expansion process of SMEs and observe how SME's awareness, access and usage of institutional network-based resources influence their internationalization process. This study proposes a clear understanding of SMEs' perspective regarding institutional networks having positive or negative effect on their international activities.*

### **Background and Research Questions**

In recent years, the economic and social importance of small and medium-sized enterprises (SMEs<sup>15</sup>) has gained continuing emphasis regarding its perceived impact in building and revitalizing the economy (Nummela, Loane & Bell, 2003; Floyd & McManus 2005; Ayyagari et al., 2007). Pundits and academia agree that the SME sector is a major backbone for the economy. For instance, the European Commission (EC) pinpoints that SMEs represent about 98% of all enterprises in the European Union. Thus, they provide around 90 million jobs and contribute to creative entrepreneurship and continuous innovation flow (European Commission, 2011).

Internationalization not only provides competitive advantage to SMEs, it also enhances the economic robustness in all industry sectors, particularly within manufacturing, and

---

<sup>15</sup> Standard EU definition (2005) refers to SMEs as any enterprises that have an overall headcount of less than 250 employees, and a turnover between 2 million and 50 million Euros or a balance sheet total between of 2 million and 43 million Euros.

knowledge-intensive industries (Lu & Beamish, 2001; Beck et al., 2005; Chiao et al., 2006; Lu & Beamish, 2006). However, SMEs are particularly vulnerable due to resource inadequacies. In view of globalization, the SME's resource constraints may chiefly consist of various degrees of barriers to successful international market expansion (Fillis, 2000; Torkkeli et al., 2010).

Zain & Ng (2006), explain that in today's globalized era, a greater percentage of firms are striving to have international presence ever than before (Zain & Ng, 2006). Many SMEs have realized the impact of internationalization on the growth and expansion of their firm's innovative capacity and resource generation, thus they find it necessary to actively compete in the global business arena (Andersson et al., 2004). The small business' internationalization is a major vehicle for sustaining a growing consistency for innovation, employment, economic and industry regeneration (Greene & Mole, 2006), but small businesses face many challenges in their internationalization process as compared to their counterpart resource rich multi-national enterprises (MNEs) (Ruzzier et al., 2006). Several studies agree that SMEs are faced with difficult considerations regarding decisions on how to leverage foreign market opportunities and the need to mitigate high risks arising from hostile competitions, resource inadequacy and other hazards on the global business frontier. Therefore, independent SMEs might be at great disadvantaged position when they try to carry out internationalization relying entirely on the firm's internal capacity (Ahokangas, 1998; Bretherton & Chaston, 2005).

Impediment to SMEs internationalization can be grouped into internal and external barriers (Fillis, 2000; Shaw & Dorrach, 2004, Leonidou, 2004, p.279). Thus, internal barriers includes but not limited to inadequacies in human-capital, financial resources, technical know-how, foreign market exposure, production capacity and machineries; while external obstacles includes e.g. government policies, trade barriers, lack of awareness about foreign market opportunities, hostile competition, bullying by MNEs, lack of internationalization support services, no credit facilities, market uncertainty, lack of protection from economic and political uncertainties, and non-connectedness with relevant support networks (Fillis, 2000; Leonidou, 2000; Smallbone & Welter, 2001; Fliess & Busquets, 2006; Ruzzier et al., 2006; Torkkeli et al., 2010). On the other hand, MNEs have more financial and human resources capabilities as compared to SMEs (Knight, 2000), and more vast in network relationships with both public and private entities. Therefore, with the large-scale resource advantage combined with extensive network relationships, MNEs are more capable to leverage internationalization opportunities to their own advantage and possibility to influence the foreign market environment at the policy level and industry outcome (Augier & Teece, 2007; Sun, 2009).

It has also been well highlighted in vast amount of existing literature, how networking may constitute an important medium through which small businesses gain access to a variety of valuable resources which encourage and facilitates their international growth. For example, some scholars have argued that through networks and external alliances SMEs are able to overcome inadequacies in terms of resources, international exposure and external connections (Anon, 2003 cited in Street & Cameron, 2007). Furthermore, through networks SMEs gain (1) knowledge of foreign market opportunities; (2) advice and experiential learning; and (3) referral trust and solidarity by a third party (Coviello &



Munro, 1995; Lin, 1999; Greve & Salaff, 2003; Hoang & Antoncic, 2003; Zhou et al., 2007; Nielsen et al., 2009).

## Research Question

Although it could be inferred that the SMEs' resource constraint as impediment on their path to foreign market (Ceglie & Dini, 1999) has attracted interest from scholars studying SMEs internationalization phenomena from various network perspectives. For instance, earlier studies has examined how SMEs internationalization process utilizes and is influenced by: social networks (Zhou et al., 2007), regional and domestic networks (Lin & Chaney, 2007), industrial network (Ello, 2005), personal and family ties (McGee, 2000), specific inter-firm networks (Zimmerman et al., 2009); and numerous other studies in one way or the other focusing on general network relationships such as Bell (1995), Coviello & Munro (1997), Ellis (2000), Zain & Ng (2006), Ferro et al., (2009), Ojala (2009), etc. However, most of these authors call for further studies to minimize the research gap on how specific network alliances influence SMEs internationalization process. More particularly, Séror (1998), Ceglie & Dini (1999), Bateman (2000) and Ramsden & Bennet (2005) agree that research sparsely exist on the issue of how external support networks influence on the small businesses development process. Street and Cameron (2007) explicitly called for more research on how small businesses derive value from external network relationships (Street & Cameron, 2007, p. 254).

Considering the existing gap in literature discussed above, the central interest for my research proposal is to study *how institutional<sup>16</sup> networking interplay with SME's international expansion process*. Some of the following sub-research questions may be used to investigate the primary project interest:

- *What is the influence of institutional networks on SMEs' internationalization process?*
- *What are the challenges, and opportunities for international entrepreneurship innovation creation through institutional networking?*

The research questions will be studied mainly from SME perspectives (the assumed user of institutional network resources). Part of the empirical data will be collected from the selected institutional support centres in order to gain insight on how the institutions perceive the significance of the help they provide to internationalizing SMEs. The other major part of the data will be collected from the actual SMEs who use these institutional network support services for and during their internationalization process.

---

<sup>16</sup> In this paper, *institutional network* is defined in terms of the firm's collaboration with public-funded formal institutions such as the ministry of foreign trade; export promotion councils, independent export assistant organizations, research institutions and export credit unions (e.g. see Séror, 1998; Bateman, 2000; Whitley, 2000; Spencer et al., 2005).

## Significance of the Study

This study proposes to provide a clear understanding of SMEs' perspective regarding institutional networks as having positive or negative influence on their international expansion. The purpose of this study is two-fold; the first is to examine the SMEs' perspective regarding the impact of institutional networks on their internationalization process. The study will also shed light on whether SMEs consider having access and utilization of institutional networks vital or otherwise during the internationalization process. Secondly, in addition to the above stated objective, the study aims to provide insight into whether small business owner-manager's awareness, accessibility and actual usage of resources available through institutional networks -or the lack thereof, induces, sustains or deters international entrepreneurship innovations in the global market.

Existing literature in resource dependency theories have consistently emphasized the need for small businesses and governments to work co-operatively with institutional environments in order to identify the challenges and opportunities pertinent to SMEs' growth (e.g. Whitley, 2000; Spencer et al., 2005). The networks school of internationalization further emphasizes firm's interactions and exchange in a web of network relationship in order to overcome various degrees of obstacles to successful internationalization (Leonidou, 2007; Johanson & Vahlne, 2009). My PhD seeks to make significant contribution to knowledge in the internationalization research domain by combining resource dependency and network theories to generate deep insights about institutional network's role in the SMEs' international engagement and innovation development outcomes.

## Theoretical Considerations

Internationalization is one of the most dominant fields in business research. The domain has attracted large amount of interest from scholars studying the firm's internationalization process through different theoretical spectrums (Welch & Luostarinen, 1988; Zahra & George, 2002; Agndal, 2004, p. 6; Amal & Filho, 2010, p. 609). Considering the diverse viewpoints in international business research (Glaum & Oesterle, 2007), broader understanding of 'makers and shakers' – that is: different phenomena and constructs that shape international business outcome is important. However, despite the plethora of existing studies as mentioned earlier under the sub-section 2 - "*research questions*," researchers agree that the interplay between institutional networks and international entrepreneurship engagement/outcomes of SMEs is underexplored. Therefore, I am going to utilize the following theories to try to unravel or at least elicit dialogue on institutional network perspective on SMEs internationalization: *a) Internationalization Models, b) Resource Dependency, & c) Network Theory*

## Research Approach

According to Morgan & Smircich (1980), the appropriateness of any given research approach is contingent to the “nature of the phenomena to be explored” (p. 491). In other words, the researcher’s perception of theoretical and analytical instruments appropriate for tackling a preconceived research problem and the nature of knowledge to be produced by investigating the phenomena thus justifies the research paradigm (Morgan & Smircich, 1980; Gummesson, 2000/2006).

In my opinion, combined qualitative and quantitative method could allow for understanding of the characteristics of network embedded influences on the innovation and international expansion systems of firms collaborating with institutional network centers.

First, the main sources for empirical data would be a selection of about 20 enterprises operating in the manufacturing industry. I already have contacts with Finpro, Uminova Innovations, and some firms located in Finland and Sweden who has previously granted me interviews during my prior study project. So, the aim is to expand the selection to include a diverse selection of SMEs in both manufacturing and service sector. On the secondary information level, archival data such as webpages and blogs (where possible) would be gathered and analyze in order to achieve required data triangulation.

## Expected Outcome and Contributions

The expected result of this PhD study could make the following contributions:

- Academic Contribution – the research findings would contribute to literature in the area of SMEs network relationships in internationalization research. It is assumed that institutional network association would emerge clearly as facilitator, sustainer or disruptor for international entrepreneurship innovation. Bruton et al., (2010) and Street & Cameron (2007) have called for the use of institutional network perspective to examine how government intervention programs and institutional environments affect the international business propensity of entrepreneurial firms. The paramount contribution of this study would be to abridge this existing gap in literature.
- Policy Implication- in the case of positive co-relation between institutional network association and rapid successful international growth for the SMEs (Lu & Beamish, 2001), my project result will show why it should be in the interest of governments, policy makers and public institutions to promote a viable institutional support networks for the SMEs sector in order to ensure international competitiveness of the local and national economy (Green & Mole, 2006; Bosma et al., 2009). This should be very useful for policy makers in planning the different types of institutional support and direct government assistance programs, including market intervention packages or platforms for encouraging SMEs to internationalize.

- Managerial Contribution - the results may help owners-managers of SMEs to develop strategy fit for harnessing or ‘keeping at bay’ the potentials of institutional collaboration for internationalizing, developing and sustaining innovations. It will also highlight major pitfalls associated with different network models, therefore, enabling practitioners to develop efficient tactical and strategic approach for external alliances.

## References

- Agndal, H. (2004) *Internationalisation as a Process of Strategy and Change*. Doctoral Dissertation: Jönköping University Library, Jönköping, Sweden.
- Ahokangas, P. (1998) *Internationalization and Resources, An Analysis of Processes in Nordic SMEs*. Doctoral dissertation, University of Vaasa.
- Amal, M. & Filho, A. (2010) Internationalization of small- and medium-sized enterprises: a multi case study. *European Business Review*, 22(6), 608 – 623.
- Andersson, S., Gabrielsson, J. & Victor, I. (2004) International activities in small firms: examining factors influencing the internationalization and export growth of small firms, *Canadian Journal of Administrative Sciences*, 21(1), 22-34.
- Anon. (2003) Managing for Growth: Enabling Sustainable Success in Canadian SMEs. In C.T. Street, & A.F. Cameron, External Relationships and the Small Business: A Review of Small Business Alliance and Network Research. *Journal of Small Business Management*, 45(2), 239–266.
- Augier, M. & Teece, D. J. (2007). Dynamic capabilities and multinational enterprise: Penrosean insights and omissions. *Management International Review*, 47(2), 175-192.
- Ayyagari, M., Beck, T. & Demirguc-Kunt, A. (2007) Small and Medium Enterprises Across the Globe. *Small Business Economics*, 29, 415–434.
- Bateman, M. (2000) Neo-Liberalism, SME Development and the Role of Business Support Centers in the Transition Economies of Central and Eastern Europe. *Small Business Economics*, 14, 275-298.
- Beamish, P. (1990) The internationalization process for smaller Ontario firms: a research agenda, In: Rugman, A., Editor, (1990) *Research in Global Business Management 1*, 77-92, JAI Press.
- Beck, T., Demirguc-Kunt, A. & Levine, R. (2005) SMEs, Growth, and Poverty: Cross-Country Evidence, *Journal of Economic Growth*. 10, 199–229.
- Bell, J. (1995) The internationalization of small computer software firms – A further challenge to “stage” theories. *European Journal of Marketing*, 29(8), 60-75.
- Bosma, N.S., Acs, Z.J., Autio, E., Coduras, A. & Levie, J. (2009) *Global Entrepreneurship Monitor 2008 Executive Report*. Babson Park, MA: Babson College, Santiago, Chile: Universidad del Desarrollo and London, UK: London Business School.



- Bretherton, P. & Chaston, I. (2005) Resource Dependency and SME Strategy: an empirical study. *Journal of Small Business and Enterprise Development*, 12(2), 274-289.
- Bruton, G., Ahlstrom, D. & Li, H. (2010) Institutional Theory and Entrepreneurship: Where Are We Now and Where Do We Need to Move in the Future? *Entrepreneurship Theory and Practice*, 34(3), 421-440.
- Ceglie, G. & Dini, M. (1999) SME Cluster and Network Development in Developing Countries: the Experience of UNIDO. *Paper presented at the International Conference on Building a Modern and Effective Development Service Industry for Small Enterprises*, Rio de Janeiro 2-5 March 1999.
- Chiao, Y., Yang, K. & Yu, C. J. (2006) Performance, Internationalization, and Firm-specific Advantages of SMEs in a Newly-Industrialized Economy. *Small Business Economics*, 26, 475-492.
- Coviello, N. & McAuley, A. (1999) Internationalization and the Smaller Firm: A Review of Contemporary Empirical Research. *Management International Review (MIR)*, 39(3), 223-256.
- Coviello, N. & Munro, H. (1995) Growing the entrepreneurial firm: networking for international market development. *European Journal of Marketing*, 29(7), 49-61.
- Coviello, N. & Munro, H. (1997) Network Relationships and the Internationalisation Process of Small Software Firms. *International Business Review*, 6(4), 361-386.
- Ellis, P. (2000) Social Ties and Foreign Market Entry. *Journal of International Business Studies*, 31(3), 443-469.
- Ello, M. (2005) SME Internationalisation from a Network Perspective: An Empirical Study on a Finnish-Greek Business Network. *Åbo Akademi University Press*.
- European Commission (2005) Retrieved February 10, 2011, from Internet European Commission – Enterprise and industry – Policies – Fact and Figures – SME Definition: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm).
- European Commission (2011) *Facts about Small and Medium-Sized enterprises (SMEs)*. From: [http://ec.europa.eu/enterprise/policies/sme/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/index_en.htm). Retrieved February 10, 2011.
- Ferro, L.M., Préfontaine, L. & Skander, D. (2009) How do Social Networks Make a Difference in the Internationalization of high-tech SMEs? The case of Colombia. *The International Journal of Entrepreneurship and Innovation*, 10(3), 201-212.
- Fillis, I. (2000) Barriers to internationalization: An investigation of the craft microenterprise. *European Journal of Marketing*, 36(7/8), 912-927.
- Fliess, B. & Busquets, C. (2006) The Role of Trade Barriers in SME Internationalization (OCDE report). *OCDE Trade Policy Working Paper No. 45*.
- Floyd D. & McManus J. (2005) The role of SMEs in improving the competitive position of the European Union. *European Business Review*, 17(2), 144-150.



- Glaum, M. & Oesterle, M.-J. (2007) 40 Year of Internationalisation Research and Firm Performance: More Questions than Answers? *Management International Review*, 47(3), 307 -317.
- Greene, F. & Mole, K. (2006) Defining and measuring the small business, in *Enterprises and Small Business – Principles, Practice and Policy (2<sup>nd</sup> ed)*, England: Pearson Education.
- Greve, A. & Salaff, J.W. (2003) Social Networks and Entrepreneurship. *Entrepreneurship Theory and Practice*, 28(1), 1-22.
- Gummesson, E. (2000) *Qualitative methods in management research (2<sup>nd</sup> ed)*. London, UK: Sage Publications Ltd.
- Gummesson, E. (2006) Qualitative research in management: addressing complexity, context and persona. *Management Decision*, 44(2), 167-179.
- Hoang, H. & Antoncic, B. (2003) Network-based research in entrepreneurship: A critical review. *Journal of Business Venturing*, 18(2), 165-187.
- Johanson, J. & Vahlne, J-E. (2009) The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411–1431.
- Johanson, J. & Wiedersheim-Paul, F. (1975) The Internationalization of the Firm – Four Swedish Cases, *Journal of Management Studies*, 12(3), 305-322.
- Knight, G. (2000) Entrepreneurship and Marketing Strategy: The SME under Globalization. *Journal of International Marketing*, 8(2), 12-32.
- Leonidou, L. (2000) Barriers to export management: an organizational and internationalization analysis. *Journal of International Management*, 6, 121-148.
- Leonidou, L.C. (2004) An Analysis of the Barriers Hindering Small Business Export Development. *Journal of Small Business Management*, 42(3), 279–302.
- Lin, K.-H. & Chaney, I. (2007) The Influence of Domestic Inter-firm Networks on the Internationalization Process of Taiwanese SMEs. *Asia Pacific Business Review*, 13(4), 565 -583.
- Lu J.W. & Beamish, P.W. (2001) The Internationalisation and Performance of SMEs. *Strategic Management Journal*, 22, 565–586.
- Lu J.W. & Beamish, P.W. (2006) SME Internationalization and Performance: Growth vs. profitability. *Journal of International Entrepreneurship*, 4, 27–48.
- McGee, J.E. (2000) Personal Networking Activities and Venture Performance: Lessons from Small High Technology Manufacturing Firms. In C.T. Street, & A.F. Cameron, External Relationships and the Small Business: A Review of Small Business Alliance and Network Research. *Journal of Small Business Management*, 45(2), 239–266.
- Morgan, G. & Smircich, L. (1980) The Case for Qualitative Research. *Academy of Management Review*, 5(4), 491-500.



- Nielsen, S.L., Klyver, K., Evald, M., & Bager, T. (2009) Chapter 7: Network. In *Entrepreneurship in Theory and Practice – Paradoxes in play (157-179)*. IDEA & Syddansk Universitetsforlag.
- Nummela, N., Loane, S. & Bell, J. (2006) Change in SME Internationalisation: an Irish perspective. *Journal of Small Business and Enterprise Development*, 13(4), 562 – 583.
- Ojala, A. (2009) Internationalization of knowledge-intensive SMEs: The role of network relationships in the entry to a psychically distant market. *International Business Review*, 18, 50 -59.
- Ramsden, M. & Bennett, R.J. (2005) The benefits of external support to SMEs: “Hard” versus “soft” outcomes and satisfaction levels. *Journal of Small Business and Enterprise Development*, 12(2), 227-243.
- Ruzzier M., Robert D., Hisrich, M. & Antoncic, B. (2006) SME internationalization research: past, present, and future. *Journal of Small Business and Enterprise Development*, 13(4), 476-497.
- Séror, A.C. (1998) A Model of Institutional Network Dynamics and A Comparative Case Analysis of information Technology Transfer. *Journal of Technology Transfer*, 23(3), 39-50.
- Shaw, V. & Darroch, J. (2004) Barriers to Internationalization: A Study of Entrepreneurial New Ventures in New Zealand. *Journal of Entrepreneurship*, 2, 327-343.
- Smallbone, D. & Welter, F. (2001) The Role of Government in SME Development in Transition Economies. *International Small Business Journal*, 19(4), 63-77.
- Spencer, J.W., Murtha, T.P. & Lenway, S.A (2005) How Government Matter to New Industry Creation. *Academy of Management Review*, 30(2), 321-337.
- Street, C.T. & Cameron, A. (2007) External Relationships and the Small Business: A Review of Small Business Alliance and Network Research. *Journal of Small Business Management*, 45(2), 239–266.
- Sun, S. (2009) Internationalization Strategy of MNEs from Emerging Economies: The Case of Huawei. *Multinational Business Review*, 17(2), 129-155.
- Welch, L. & Luostarinen, R. (1988) Internationalization: Evolution of a Concept. In Buckley, P. & Ghauri, (1999), *The Internationalization of the Firm (2<sup>nd</sup> ed, 83-98)*. UK: Thomson.
- Welch, L. & Luostarinen, R. (1993) Inward-Outward Connections in Internationalization. *Journal of International Marketing*, 1(1), 44-56.
- Whitley, R. (2000) The Institutional Structuring of Innovation Strategies. *Organisation Studies*, 21(5), 855-886.
- Zahra, S. & George, G. (2002) International entrepreneurship: The current status of the field and future research agenda. In M.A. Hitt, R.D. Ireland, S.M. Camp, & D.L. Sexton (Eds), *Strategic entrepreneurship: Creating a new mindset (255–288)*. Oxford, UK: Blackwell Publishers.



- Zain, M. & Ng, S.I. (2006) The impacts of Network Relationships on SMEs Internationalization Process. *Thunderbird International Business Review*, 48(2), 183–205.
- Zimmerman, M.A., Barsky, D. & Brouthers, K.D. (2009). Networks, SMEs, and International Diversification. *Multinational Business Review*, 17(4), 143-162.





## **PART III.**

# **ENTREPRENEURSHIP PROCESSES AND CATEGORIES**



# *A process view on sustainability entrepreneurship: Towards a model*

**Frank-Martin Belz & Julia Katharina Binder**

Technische Universität München (TUM School of Management)

Frank.Belz@tum.de

## **Abstract**

The academic discourse on sustainable development within the mainstream entrepreneurship literature has been sparse to date, and little is known about the process of sustainability entrepreneurship. To investigate the sustainability entrepreneurial process (SEP), this study employed a multiple case study design for theory development. Based on the empirical data we developed a model of the SEP, which consists of three phases (recognition, development, and exploitation of entrepreneurial opportunities), including the following activities: recognising socio-ecological problems; recognising entrepreneurial opportunities; aligning socio-ecological problems and entrepreneurial opportunities; developing an integral sustainability opportunity; funding and forming a sustainability enterprise; as well as creating or entering sustainability markets.

## **Introduction**

Despite its relevance little is known about sustainability entrepreneurship. Up to date, the academic research has been sparse in this field. The aim of our research is to investigate the process of sustainability entrepreneurship. The main research questions are: 1) How does the sustainability entrepreneurial process (SEP) look like? 2) Is SEP the same or different from the conventional entrepreneurial process (CEP)? Since the field of sustainability entrepreneurship is in a nascent stage, we follow an inductive approach. We employ multiple case studies to develop a model of the SEP. Before presenting the empirical results, we start with describing the two key terms “sustainability entrepreneurship” and “process”.

## Sustainability Entrepreneurship

In 1987 the World Commission on Development and the Environment coined the term sustainable development by defining it as “*meeting the needs of the present without compromising the ability of future generations to meet their needs*”. Hereby, the World Commission recognises interdependencies between the natural environmental, human social welfare, and economic activity, and the need to establish and maintain a dynamic balance between the three elements (Belz & Peattie, 2012). Despite the prevalence of sustainable development on political and public agendas in the last 25 years, current production and consumption practices are not sustainable and contribute to the degradation of the natural environment (United Nations, 2005).

An emerging stream of research has recently gained considerable attention as it posits that entrepreneurship provides a solution to the challenges associated with sustainable development (Cohen & Winn, 2007; Dean & McMullen, 2007; Shepherd & Patzelt, 2011). According to this research, sustainability entrepreneurship simultaneously creates economic, ecological and social value providing a number of advantages for entrepreneurs, the environment and societies (Cohen & Winn, 2007; Wheeler et al., 2005; Easterly, 2006). Some authors argue that entrepreneurial opportunities are to be found in current market failures (Cohen & Winn, 2007; Dean & McMullen, 2007). With this regard sustainability entrepreneurship can be seen as a possibility and driving force to overcome current market inefficiencies.

Although sustainability entrepreneurship is a promising approach of driving the change towards more sustainable production and consumption patterns, the academic discourse on the topic within the mainstream entrepreneurship literature has been sparse up to date (Hall et al., 2010). There are relative few rigorous empirical studies published in entrepreneurial journals (for an overview and the latest empirical research see the special issue “Sustainable Development and Entrepreneurship” in the Journal of Business Venturing 2010) and the few conceptual papers available often focus on the sustainability entrepreneur, his or her motivations and properties to engage in entrepreneurial activities (e.g. Kuckertz & Wagner, 2010; Parrish, 2010). While acknowledging this kind of research, we suggest taking a process perspective. Accordingly, we define sustainability entrepreneurship as the process of recognizing, developing, and exploiting entrepreneurial opportunities to intentionally create economic, ecological, and social value. In line with current literature on commercial entrepreneurship, our definition emphasizes the activity-oriented process of entrepreneurship rather than investigating it in terms of individual characteristics of the entrepreneur (Bygrave 2006; Zahra 2007; Moroz & Hindle 2012). “Economic, ecological and social value” relates to the triple bottom line of sustainable development. “Intentionally” refers to the intentions of entrepreneurs to meet the triple bottom line throughout the entire process. Having said this we acknowledge that there is



another type of sustainability entrepreneurship, which is not intentional from the outset (“accidental sustainability entrepreneurship”). In this case entrepreneurs learn in the latter stages of the process that their products and services have some kind of socio-ecological value added, which they might choose to exploit in the commercialisation phase.

## Research Methodology

### Multiple Case Study Design

Since the research field of sustainability entrepreneurship is still in a nascent stage, we used an inductive approach. We employed a multiple case study design (Eisenhardt, 1989; Yin, 2008) to develop a model of how the process of sustainability entrepreneurship takes place over time.

*Unit of Analysis.* Our empirical study focuses on the process of sustainability entrepreneurship. Hence, the unit of analysis in our case studies are the (sub-) activities of sustainability entrepreneurs and how they unfold over time. We want to explore and investigate the sequence, the nature and the duration of (sub-) activities, which characterize SEP.

*Theoretical Sampling.* We selected the case studies on the basis of theoretical considerations, that is purposeful sampling. The main selection criteria for the case studies were the following: 1) The entire SEP from the first idea to market entry is covered. 2) The enterprise offers a novel sustainable solution (product or service), which creates economic, ecological and social value added. 3) The sustainability enterprise was established within the last 10 years. Otherwise, it is difficult to recapture the SEP from a retrospective. 4) The (co-) founders are available and we gain access to them. They are the main, valid source of information. Based on these criteria, we selected six newly founded sustainability enterprises, including Coffee Circle, Globe Hope, Greenriders, Mia Höyto, Netcycler, and Polarstern (see exhibit 1). They come from different industries (food & beverage, clothing, technology, personal goods, and energy), and countries (Germany and Finland), which enhances the external validity of the study.

### Exhibit 1: Description of Sustainability Enterprises

Enterprise	Industry	Sustainability Offer	Website
Coffee Circle	Food & Beverage	Direct, fair trade, organic coffee	<a href="http://www.coffeecircle.com">http://www.coffeecircle.com</a>
Globe Hope	Clothing	Used fabric redesigned	<a href="http://www.globehope.com">http://www.globehope.com</a>
Greenriders	Technology	Car pooling platform	<a href="http://www.greenriders.fi">http://www.greenriders.fi</a>
Mia Höyto	Personal Goods	Luxury organic cosmetics	<a href="http://miahoyto.com">http://miahoyto.com</a>
Netcycler	Technology	Swapping platform	<a href="http://www.netcycler.fi">http://www.netcycler.fi</a>
Polarstern	Energy	Renewable energies	<a href="https://www.polarstern-energie.de">https://www.polarstern-energie.de</a>

### Data Collection

*Interviews with (Co-) Founders.* The main source of information was face-to-face interviews with the (co-) founders. The semi-structured open interviews consisted of three sections: 1) personal background of the (co-) founder; 2) entrepreneurship process from the first idea to the market entry; 3) weighting of economic, ecological and social goals. The personal interviews were conducted during March 2013 in Germany and Finland. Typically, they lasted around 45 minutes. All of them were digitally recorded, transcribed, and documented in a standardized form, which enhances the reliability of the study.

*Structure Laying Technique (SLT).* To visualize and (re-) construct the SEP we also employed SLT as suggested by Flick (2009). During the interview we wrote down key activities of the SEP on small cards, based on the statements of the founder (e.g. recognising waste as a specific environmental problem). Usually, we ended up with 6-8 cards. After the interview we gave the cards to the founder in no particular order, and asked him or her to lay out the cards in a time line from the first idea to the market entry. If necessary, the founder could remove and/or add cards. As a result we got a graphic representation of the SEP from the founders' point of view, which we documented in a visual form.

*Secondary Data.* In addition to verbal data we also examined written and visual data, including the websites of the sustainability enterprises, online and social media (e.g. blogs), as well as print media, dealing with the SEP. This allowed method and data triangulation, and increased the internal validity of the study.

## Data Analysis

In the analysis and interpretation we conducted a systematic cross-case study comparison focussing on the SEP. The search for the progression of activities was assisted by selecting pairs of sustainability enterprises and by listing similarities and differences between each pair. After the development of tentative sequences, each case was revisited and analysed, whether it confirms them or not. After a number of iterations between data and propositions we used existing literature to discuss the insights yielded from the inductive process.

*Time-ordered Displays.* The SLT laid out by the founders was the starting point for time-ordered displays, which is especially helpful for describing and understanding the flow of activities and events (Miles & Huberman 1994). We listed the main activities in each stage, analysing the sequence, nature and duration. The time-ordered displays according to the SLT were triangulated with the verbal statements made during the interview, and other written documents. If necessary and useful, the time-ordered displays were refined, revised and compared with each other.

*Concept-ordered Displays.* To deepen the analysis of the SEP we employed concept-ordered displays (Miles & Huberman 1994). Here we categorized the sustainability enterprises according to (key) variables of interest, such as the kind of socio-ecological problems they tackle; the entrepreneurial opportunity they seek to exploit; the alignment between the two; and so on. The outcomes of these displays are (partly) presented and reflected in the next section, i.e. empirical results.

## Empirical Results

### Recognising Specific Socio-Ecological Problems

Patzelt & Shepard (2011) develop a model of recognition of sustainable development opportunities. They assume that the greater the knowledge of the natural and communal environments, and the higher the motivation to act upon it, the more likely entrepreneurs are to discover sustainable development opportunities. Their model focuses on the recognition of sustainable development opportunities for someone (third-person opportunities), but do not investigate the individuals' assessment whether these opportunities represent opportunities for themselves and thus, their intentions and decisions to exploit those opportunities (first-person opportunities). Furthermore, their model is conceptual and requires empirical testing.

In our empirical study we investigate first-person opportunities. On the basis of the empirical data we would argue that the recognition of socio-ecological problems is separate and distinct from the recognition of entrepreneurial opportunities. Furthermore, we learn that the general knowledge of the natural and social environments plays an important role as suggested by Patzelt & Shepard (2011), but it does not make the sustainability entrepreneurs to act upon it. In our cases it is often a specific socio-ecological problem the sustainability entrepreneurs recognize against the background of their personal experiences in their professional or private life. This is aptly illustrated in the case of Globe Hope founder Seija Lukkala, who recognized a specific ecological problem relating her profession. She had worked in the textile industry for 13 years when she started feeling frustrated with ‘fast fashion’, overconsumption and the waste it produces. Moritz Waldstein, the co-founder of Coffee Circle, came across a specific social problem in his private life: While working for a well-known German consultancy, he co-founded a non-governmental organization called “Project E”. During his sabbatical from the consultancy he opened up a college to train and educate female orphans in Ethiopia. There he became aware of the socio-ecological problem of unfair trading conditions for Ethiopian coffee farmers: *“We realized that these people (the Ethiopian coffee farmers, ed. note) produce one of the best coffees in the world, but cannot even afford paying the school fees of 20 cents per month for their children.”*

### **Recognising Entrepreneurial Opportunities**

Venkataraman (1997) states that one of the most neglected questions in entrepreneurship research is where opportunities come from. Cohen & Winn (2007) suggest that market imperfections such as externalities, flawed pricing mechanisms and information asymmetries contribute to environmental and social degradation, but they also provide ample entrepreneurial opportunities. Hence, unsustainable production and consumption patterns can be perceived as a source of innovation and business creation. This is expressed in the following statement by Juha Koponen, the co-founder of Netycycler: *“The current way of living is far from being sustainable, but it’s a great source of inspiration to develop and see others developing new services and methods that actually improve people’s lives and at the same time make them more sustainable.”*

As described above, the main starting point of the SEP is the recognition of a specific socio-ecological problem. What sets sustainability entrepreneurs apart from non-sustainability entrepreneurs is that they perceive these kinds of problems as entrepreneurial opportunities, and that they are willing to act upon it. Consider the following statement by Jakob Assmann, the co-founder of Polarstern: *“I am not thinking in problems, I am thinking in chances. Every sustainability problem provides an entrepreneurial opportunity”*. Similarly, Oskari Räisänen, the founder of Greenriders says: *“When you talk about a problem, you almost instantly see it as an opportunity”*. For them, the recognition

of a specific socio-ecological problem and the recognition of an entrepreneurial opportunity go hand in hand.

### **Aligning Socio-Ecological Problems and Entrepreneurial Opportunities**

Belz & Peattie (2012) argue that the alignment of socio-ecological attributes with core main purchasing criteria such as functionality, performance, design, durability, taste, freshness etc. is a key factor in sustainability marketing, i.e. the successful marketing of (novel) sustainable products and services. They call it “motive alliances”. The same also holds true for the process of sustainability entrepreneurship. According to the interviews the alignment of the socio-ecological problem with the entrepreneurial opportunity is a key step in this process. It is a challenging task as it requires the sustainability entrepreneurs to meet the triple bottom line of economic, ecological and social goals. This is aptly described by Mia Höytö who said about her organic cosmetics positioned in the premium segment: *“I think that (organic, ed. note) cosmetics should also be pretty. It is changing now, but most organic brands are too green for me. I would also like to have a brand, which is moisturising and caring, because of the climate in Finland, which is quite hard on your skin. That is the main point.”* In this case Mia Höytö aligns the ecological value added of certified organic cosmetics with main purchasing criteria such as the luxury of the brand, the fancy design of the packaging, and the performance and functionality of the cream.

### **Developing an Integral Sustainability Opportunity**

Kirzner (1973) considers opportunity recognition as a process of discovering something already formed. Ardichvili et al. (2003) depart from this interpretation: They use the term “development” instead of “discovery”, emphasizing that opportunities are made, not found. From their point of view, opportunity development is a cyclical and iterative process, including the recognition of an opportunity, its evaluation, and development per se (Ardichvili et al., 2003). We adopt this definition and approach. It is in line with our empirical results, which show that the development of a sustainability opportunity is a continuous, longstanding process. We refer to “integral” in the sense that the sustainability opportunity needs to incorporate the three pillars of economic, ecological and social value creation. This is not an easy proposition and quite a challenging task. It requires sustainability entrepreneurs to develop novel sustainable products and services that can compete with conventional offerings, and be sold at a profit. These kinds of sustainable products have to satisfy customer needs and wants, and significantly improve the social and ecological performance of a product along the whole life cycle from cradle to grave in comparison to competing offers (Belz & Peattie, 2012). A notable finding is that all of the founders were very structured in their progress from transforming the identified opportunity into a business concept and in each of the cases the new venture was based on a detailed business plan.





## Funding and Forming of Sustainability Enterprise

Funding an entrepreneurial venture is a critical activity in the formation of a new business (Shane, 2003). Entrepreneurial research has identified a limited and difficult access to financial resources for entrepreneurs (Ebben & Johnson, 2006; Jonsson & Lindbergh, 2013). In the context of sustainability entrepreneurship, Choi and Gray (2008) identified personal resources, such as family and friends as the primary source for funding the business. A notable empirical finding from our study is that the sustainability entrepreneurs were able to attract funding from a variety of different sources, which resulted in an individual funding portfolio for each of the sustainability enterprises including private funding, public funding and professional investments. In the following the three forms of funding will be discussed in some more detail.

*Private funding.* Choi & Gray (2008) point out that personal investments as well as funding from family and friends are important financial sources of sustainability enterprises. Our empirical data partly supports this finding. While own capital was found to be a dominant source for funding, only two entrepreneurs relied on funding from family and friends. The founders of Globe Hope and Mia Höytö Cosmetics attracted funding from their personal surroundings, yet this was not their primary funding source as posited by Choi and Gray (2008).

*Public funding.* A notable finding is that in half of the companies, namely GreenRiders, Netcycler and Polarstern, received public funding to support the research and development of their idea. They managed to link issues of sustainable production and consumption with information and communication technologies, which were enhanced and supported in the governmental funding programmes.

*Professional investments.* While bank loans are a popular external source of funding for conventional entrepreneurs, they only accounted for a small number of cases in our study. This might be attributable to the greater complexity of enterprises employing the triple bottom line (TBL) as their basic business strategy. As the TBL is more difficult to grasp, understand and evaluate from the perspective of a credit institute, sustainability entrepreneurs can be expected to face greater difficulties in obtaining bank loans. Consider for example GreenRiders founder Oskari Räisänen, who experienced that for sustainability entrepreneurs “*it’s harder to get loans*”.

## Creating or Entering Sustainability Markets

The market entry phase characterizes the end of the SEP, when the innovation is commercialised and can be acquired at the market. For sustainability entrepreneurs there are basically two different kinds of situations: 1) If there are not any sustainable products and/or services available, a new market has to be created. 2) If sustainable products and/or services are already available, sustainability entrepreneurs enter these kinds of markets, and market segments respectively.

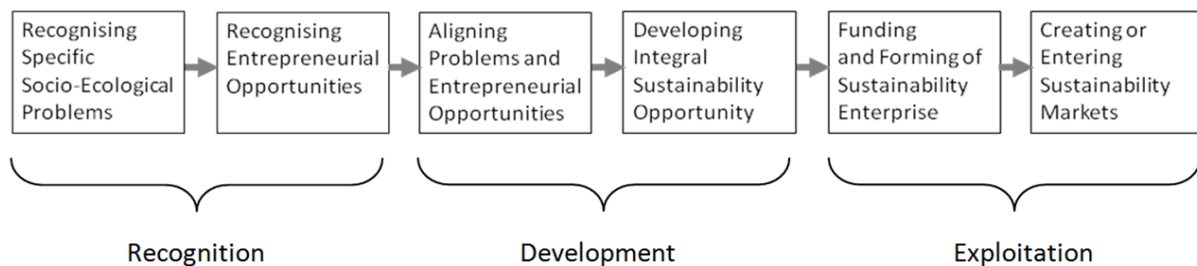
*Creating new sustainability markets.* If there are not any sustainable products or services available on the market, sustainability entrepreneurs have to start creating them. Think of organic food products in the 1970s (Belz, 2001) or car sharing in the 1980s (Meijkamp, 2000). Typically, this form of sustainability entrepreneurship is highly innovative, sometimes even radical. It has the power of “creative destruction” (Schumpeter, 1942). Globe Hope, GreenRiders and Netcyclers are examples of enterprises, which offer novel sustainable products and services. They are the first ones with these kinds of products on the market. By offering and communicating them, they start creating new markets, and changing consumer behaviour. Globe Hope designs, processes, distributes and sells new clothes from old materials, which are recycled, leftover and environmental friendly. They “redefine fabric” and make consumers re-estimate the value of old, discarded products. GreenRiders offers a platform for corporate carpooling. It enables to share rides, and encourages the change of mobility patterns. Netcyclers provides a platform to swap unneeded products, which prolongs the product life cycle.

*Entering existing sustainability markets.* If a sustainability market already exists in the respective country, new entrants help establishing and possibly expanding it, leading to further growth of this segment. Take, for example, the market for sustainable coffee products in Germany, which was created during the 1980s and 1990s (fair trade, organic). Coffee Circle entered this market at a late stage with a new approach. They reduce information asymmetries by: building direct bridges between producers and consumers; providing a high level of transparency; and introducing cause related marketing to finance ecological and social projects, which enhance the life quality of the farmers (e.g. solar power for a hospital, drinking water well). Similarly, Polarstern entered a market, which is already well established in Germany. Its new approach is to offer green gas at competitive prices, and introduce cause related marketing: For every new customer, who switches to Polarstern, the company provides green gas for a family in the third world (Cambodia). Mia Höytö from Finland entered the existing market for natural cosmetics. She came up with two kinds of innovations: She developed a new formula for certified organic cosmetics, which is highly moisturising and good smelling (= product innovation), and she positioned the sustainability offering in the premium segment (= positioning innovation).

## Towards a Model of the SEP

The main aim of our research is to develop a process model of sustainability entrepreneurship. On basis of empirical data we propose a theoretical model consisting of the following activities: recognising specific socio-ecological problems; recognising entrepreneurial opportunities; aligning socio-ecological problems and entrepreneurial opportunities; developing an integral sustainability opportunity; funding and forming a sustainability enterprise; and creating or entering sustainability markets. According to Shane (2003) there are three major phases of the entrepreneurial process, including the recognition, discovery and exploitation of entrepreneurial opportunities. The first two activities of the SEP take place during the recognition phase, while the third and fourth activities correspond to the discovery phase. The last two activities of the SEP relate to the exploitation phase. Exhibit 2 shows the process model of sustainability entrepreneurship, including six activities and three corresponding phases. It is based on the analysis of the empirical data of the carefully selected case studies. In practice, it may be difficult to draw the boundaries between the different phases (Kyrö et al., 2013). There are overlaps between the phases of the SEP and a number of iterations.

### Exhibit 2: Model of the Sustainability Entrepreneurial Process (SEP)



The proposed model relates to the first research question raised in the introduction: How does the SEP look like? The second research question refers to the comparison between sustainability and conventional entrepreneurship: Is the SEP the same or different from the CEP? On the level of the generic phases (recognition, development, exploitation of opportunities), the SEP looks the same as CEP. However, on the level of activities the SEP is different from the CEP. We would argue that the SEP has three distinct features: the recognition of specific socio-ecological problems as entrepreneurial opportunities; the alignment of socio-ecological problems with entrepreneurial opportunities; and the development of integral sustainability opportunities.

*Recognition of specific socio-ecological problems as entrepreneurial opportunities.* In conventional entrepreneurship, which is mainly focussed on the economic dimension, socio-ecological problems and impacts are not considered or widely ignored throughout the entire process. From this perspective social and environmental problems and impacts

are perceived as constraints, not as entrepreneurial opportunities. If social and ecological costs occur, they are usually externalized. The distinct feature of sustainability entrepreneurship is that the recognition of socio-ecological problems is the starting point and integral part of the entire process. In contrast to conventional entrepreneurship, socio-ecological problems are perceived as opportunities in sustainability entrepreneurship, not constraints.

*Alignment of socio-ecological problems and entrepreneurial opportunities.* If socio-ecological problems and impacts are not considered at all or widely ignored, there is no need to align it with entrepreneurial opportunities. However, if the former is the starting point and integral part of the entire process, it has to be aligned with the latter. Creating and drawing upon motive alliances is another distinct feature of the SEP in comparison to the CEP.

*Development of integral sustainability opportunity.* Conventional entrepreneurship mainly focuses on economic value. By definition, sustainability entrepreneurship tries to create economic, ecological and social value. Thus, there is the need to develop an “integral” sustainability opportunity, which tackles the TBL. Balancing economic, ecological and social dimensions is a challenging task for the sustainability entrepreneur, especially during development. From our point of view, the development of an integral sustainability opportunity sets the SEP apart from the CEP. It is a unique feature of the former

## References

- Abbott, A. (1990). A Primer on Sequence Methods. *Organization Science*, 1(4), 375-392.
- Ardichvili, A., Cardozo, R., & Ray, S. (2003). A theory of entrepreneurial opportunity identification and development. *Journal of Business Venturing*, 18(1), 105-123.
- Belz, F.-M. (2001): *Integratives Öko-Marketing*, Wiesbaden: Gabler.
- Belz, F.-M., & Peattie, K. (2012). *Sustainability marketing: A Global Perspective*. Chichester: Wiley.
- Bygrave, W. (2006). *The entrepreneurship paradigm (I) revisited*. In H. Neergard & J. Parm (Eds.), *Handbook of qualitative research methods in entrepreneurship* (pp. 17-48). Cheltenham, UK: Edward Elgar Publishing.
- Choi, D., & Gray, E. (2008). The venture development processes of “sustainable” entrepreneurs. *Management Research News*, 8(31), 558–569.
- Cohen, B., & Winn, M. (2007). Market imperfections, opportunity and sustainable entrepreneurship. *Journal of Business Venturing*, 22(1), 29–49.
- Dean, T. J., & McMullen, J. S. (2007). Toward a theory of sustainable entrepreneurship: Reducing environmental degradation through entrepreneurial action. *Journal of Business Venturing*, 27(1), 50–76.



- DeBuysere, K., Gajda, O., Kleverlaan, K., & Marom, D. (2012). *A Framework for European Crowdfunding*. <http://www.crowdfundingframework.eu/>
- Easterly, W. (2006). *The White man's burden. Why the West's efforts to aid the rest have done so much ill and so little good*. New York: The Penguin Press.
- Ebben, J., & Johnson, A. (2006). Bootstrapping in small firms: An empirical analysis of change over time. *Journal of Business Venturing*, 21, 851–865.
- Eisenhardt, K. M. (1989). Building theories from case study research. *Academy of Management Review*, 14(4), 532-550.
- Flick, U. (2009). *An Introduction to Qualitative Research*, 4th ed., London: Sage.
- Hall, J., Daneke, G., & Lenox, M. (2010). Sustainable development and entrepreneurship: Past contributions and future directions. *Journal of Business Venturing*, 25(5), 439–448.
- Jonsson, S., & Lindbergh, J. (2013). The Development of Social Capital and Financing of Entrepreneurial Firms: From Financial Bootstrapping to Bank **Funding**. *Entrepreneurship Theory & Practice* (37)4: 661-686.
- Kirzner, I. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.
- Kuckertz, A., & Wagner, M. (2010). The influence of sustainability orientation on entrepreneurial intentions - Investigating the role of business experience. *Journal of Business Venturing*, 25(2), 524–539.
- Kyrö, P., Kurczewska, A., & Moisala, A. (2013). *Drawing the boundaries between the different phases of opportunity processes*. Manuscript.
- Meijkamp RG. (2000). *Changing Consumer Behaviour through Eco-efficient Services, An Empirical Study on Car Sharing in the Netherlands*. Design for Sustainability Research Programme, Delft University of Technology: Delft.
- Miles, M., & Huberman, A.M. (1994). *Qualitative Data Analysis*. Thousand Oaks, CA: Sage Publications.
- Moroz, P. W., & Hindle, K. (2012). Entrepreneurship as a process: toward harmonizing multiple perspectives. *Entrepreneurship Theory & Practice*, 36(4), 781-818.
- Parrish, B. (2010). Sustainability-driven entrepreneurship: Principles of organization design. *Journal of Business Venturing*, 25(5), 510–523.
- Patzelt H., & Shepherd, D.A. (2011). Recognizing opportunities for sustainable development. *Entrepreneurship: Theory & Practice*, 35(4), 631-652.
- Ragin, C. (1989). *The Comparative Method. Moving beyond qualitative and quantitative strategies*. Berkeley: University of California Press.
- Rihoux, B., & Ragin, C. (2008). *Configurational Comparative Methods: Qualitative*



- Comparative Analysis (QCA) and Related Techniques (Applied Social Research Methods)*. Sage Publication.
- Schumpeter, J. A. (1942). *Capitalism, socialism, and democracy*. New York, London: Harper & Brothers.
- Shane, S. (2000). Prior knowledge and the discovery of entrepreneurial opportunities. *Organization Science*, 11(4), 448–469.
- Shane, S. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Cheltenham, UK, Northampton, MA, USA: E. Elgar.
- Shepherd, D.A., & Patzelt, H. (2011). Sustainable entrepreneurship: Entrepreneurial action linking “what is to be sustained” with “what is to be developed”. *Entrepreneurship: Theory & Practice*, 35(1), 137-163.
- United Nations (2005). *Plan of Implementation of the World Summit on Sustainable Development*, New York.
- Van de Ven, A.H. (1992). Suggestions for studying strategy process: A research note. *Strategic Management Journal* 13 (Summer Special Issue), 169-188.
- Van de Ven, A.H., & Engleman, R.M. (2004). Event- and outcome-driven explanations of entrepreneurship. *Journal of Business Venturing* 19(3), 343-358.
- Venkataraman, S. (1997). The distinctive domain of entrepreneurship research: An editor's perspective. In J. Katz & R. Brockhaus (Eds.), *Advances in entrepreneurship, firm emergence, and growth. An editor's perspective* (3rd ed., pp. 119–138). Greenwich, CT: JAI Press.
- Wheeler, D., McKague, K., Thomson, J., Davies, R., Medalye, M., & Prada, M., 2005. Creating sustainable local enterprise networks. *MIT Sloan Management Review*, 47(1), 33–40.
- Yin, R.K. (2008). *Case study research: Design and methods*. Sage Publications, Inc.
- Zahra, S.A. (2007). Contextualizing theory building in entrepreneurship research. *Journal of Business Venturing*, 22(3), 443–452.



## ***Knowledge “Multiplicability” and new venture creation through experimental labs***

**Valentina Iscaro & Laura Castaldi**

Second University of Naples

valentina.iscaro@unina2.it

laura.castaldi@unina2.it

### **Abstract**

The work sheds light on the adoption of *experimental labs* by entrepreneurial Universities, in order to provide aspiring entrepreneurs with rich soil and strong network to get from an idea to a start-up. The experimental lab is a way to make universities entrepreneurial; it is a community of personnel who interact with each other and with the external environment to generate innovation. Basing on the assumption that value of experimental labs depends on its members' cognitive assets but also that knowledge is a peculiar resource which does not behave in the way that physical assets do, the research sets out to analyze the issue of experimental labs through the adoption of a cognitive perspective and the use of Boisot's I-Space. In particular, the aim of the paper is to make a contribution towards the understanding of knowledge dynamics within experimental labs, highlighting related problems of value generation and appropriation.

### **Attribution**

Although the paper is the result of collaboration among the authors, in the final draft Valentina Iscaro wrote sections 1 and 2, Laura Castaldi wrote section 3.



## Entrepreneurial University: the university ecosystem

University Ecosystem has been part of two important revolutions that have changed and enriched its mission: from teaching, to research, and finally to entrepreneurial vocation. According to literature, the University “third mission” is to promote the economic and social development. (Etzkowitz & Leydesdorff, 2000; Etzkowitz, 2004; Jongloed et al., 2008). Modern knowledge-based economies urge universities to embrace the third mission and regard themselves as critical factors in development process: the entrepreneurship begins in Academia.

The entrepreneurial university has the ability to generate a focused strategic direction (Clark, 1998), both in formulating academic goals and in transforming the knowledge produced within the university, into economic and social useful means (Etzkowitz, 2000). The need of an entrepreneurial University is caused not only by social and market changes but also by the emergence of a different way to innovate with different time and mechanisms; it is the innovation gap between US and Europe that has led, in our continent, to a recent “top down” entrepreneurial university phenomenon, in contrast to US “bottom up” model (Soete, 1999). We can say that the need for universities to become entrepreneurial is due to a new way of innovating, that has been conceptualized by Chesbrough (2003) as “*open innovation*”. If closed innovation is internal, centralized and somehow “self-referential”, open innovation is externally focused, collaborative and based on the recognition of the importance of *relational capital*. Taking a step forward, the innovation as well as the University System, has experienced two major revolutions closely interconnected: the first from closed to open innovation, the second one from open to “innovation 2.0” that, as defined by the EU Open Innovation and Strategy Policy Group (OISPG, 2011), considers collaboration and networking as a way to maximize the innovation base of organizations, the knowledge and creative capital at their disposal.

The innovation 2.0 is based on sharing in order to innovate through the exploitation of ideas and knowledge flows, thus improving the innovation base of each organization involved in the value network; it makes synergy as its vision and, to realize “the working together” as a tool, it builds virtual platforms to generate shared value. In this synergistic vision, University is a major actor and addresses the issue of third mission becoming an Ecosystem (Curley & Formica, 2012). The University Ecosystem (UE), a new way to be entrepreneurial university, as conceptualized by Curley and Formica (2012), is a “community of personnel” - professors, researchers, students, external professionals, that interact with each other and with the external environment to generate entrepreneurial innovation. Sharing and collaboration, in such an ecosystem, is structured in a variety of forms: common research projects and papers, people to people and patent exchanges, cross-licensing agreements, shared copyrights, etc. The UE identity is shaped like a “starfish”: decentralized, with non-hierarchically ordered social norms, without walls to protect ideas, and built on openness and connectivity, in contrast to a “spider-like” identity, centralized, built on social norms, rules and power relations (Brafman & Beckstrom, 2011). If it is from knowledge flows and collaboration that can emerge “entrepreneurial innovation”,



Universities have to exploit their knowledge base and collaboration opportunities to encourage and support entrepreneurial initiatives and ideas.

### **Experimental Labs: from intention to action**

The “aspiring entrepreneurs” could find in *experimental labs* an important support to get from an idea to a start-up, before launching an idea on the marketplace and competing under its dynamics, to reduce the risk and maximize the success opportunities (Curley & Formica, 2012).

*The Experimental Lab is a network of outsiders (various entrepreneurial individuals “federated” from universities, research labs, start-ups and business partner) who become part of an innovative ecosystem rather than relying only on their capabilities. (Andersson et al., 2009).*

The real value of labs is in their modernity, in their ability to exploit the innovation 2.0 dynamics, leading University to its developed Ecosystem: *the knowledge flows occurring in the lab “network” are, all in all, its main resource.*

The ability to have an innovative idea is inherent in human nature to such an extent that some authors recognize *alertness* (Gaglio & Katz 2001) as the major skill of an entrepreneur. Alertness is the ability to identify opportunities, to detect signals from the market and society, recognizing those “emptiness” not yet served by other products and/or services. Labs lead an entrepreneur from “pattern recognition” of an idea, that is innate, to “pattern completion” through the evaluation of the idea, strategies and all other factors necessary to generate a start-up. (Curley & Formica, 2008).

### **The Experimental Labs Dynamics**

The daily work of a laboratory is building upon one another’s idea , is *sharing to improve*. Each member achieves a result thanks to other member’s success: the success of one is a success for the team, for the entrepreneurial idea. Any aspiring entrepreneur who wants to exploit the network value, should entrust his idea to other individuals. The experimental business labs adopt a “possibility approach”, following a strategy that first assesses the real “idea possibility” in the marketplace and then the probability of “idea occurrence”. The experimental lab works, therefore, based on a paradigm able to react to a modern uncertain context proceeding by trial and error in an environment in which no failure is a failure, but rather a valuable lesson to reshape the starting idea. The new paradigm will be: TECHNOLOGY/IDEA-IDEA TESTING- SIMPLEST SOLUTION-MARKETING/SALES. This process follows two phases. Firstly it analyses needs, also potential. It is not only about needs and desires of demand in the chosen market, but also involves supplier analysis, organization of models production, definition of the opportunity cost for each choice, evaluation of alternatives and, finally, analysis of consumers’ needs.



Secondly, it implies the test of the business idea by an “iterative” process that, thanks to the different background of participants, is able to evaluate idea prototype, test it, analyse feedback and inspect it.

### **The Experimental Lab Team**

The lab’s force and value are in the peer network, in a peer to peer knowledge flow, therefore it is important “who” are the participants, “where they come” from and “where they are going”, “why” they are in the network and “how” they interact with each other. The aspiring entrepreneurs are not able to reach, alone, the launch of a start-up, they have not sufficient capabilities to perform an iterative process of analysis: *it is necessary a network*. For this reason “diversity” is the essential feature in team composition: members must have different background to contribute to the transition from an idea to a start-up. The common goal is a start-up launch but each participant is driven by a personal purpose: the balance between personal purpose and cost of participating is an important matter in the lab value dynamics.

Participants can be divided into two major groups: problem seekers and problem solvers. The problem seekers have to identify the problems that the idea might have in the real market. Solvers find possible solutions for these problems. The two groups are interchangeable: at each iterative step, seekers become solvers and vice versa. There are different ways to organize the work of experimental labs. One possibility is that each member involved makes a critical analysis of its own capabilities and competences to evaluate the compatibility with the idea. The best team is made up of those who have the best match between project and personal knowledge. Another possibility is that the lab senior managers, “the coaches”, choose the most suitable participants, already inside the network or outside of it. The third option is the “venture sitter” (Matricano & Pietrobon, 2010). This subject would examine the idea characteristics and the expert capabilities to choose the best combination between project and members who will arrange the team. The options that the venture sitter has are three: 1) a task force of experts that works in groups: all experts in a specific field (marketing, strategy, research, technology, law, sales) analyse, diagnose and decide; 2) only one member supervises a specific field and takes decision; 3) only one member supervises a specific field but cannot take decision before a confirmation from all other members. In each case, the key point is the interaction between team members, to be able to produce the “reaction” that takes from intention to action, from idea to start-up.

### **Cognitive issues related to experimental labs**

From a cognitive perspective, experimental labs can represent a lever for knowledge creation and exploitation. However, as amply recognized, knowledge does not behave in the way that physical assets do and cognitive assets do not yield to the tools of orthodox

economic analysis. Indeed, idea exploitation and new venture creation through experimental labs lie in knowledge characteristic of “multiplicability”, meaning that knowledge assets – as opposed to the spatio-temporal locality of traditional tangible assets – can be shared with others and retained at the same time, do not deteriorate but, on the contrary, appreciate with use, and can be employed an infinite number of times without running out (Boisot, 1998; Davenport & Prusak, 1998; Grant, 1996; Rullani, 2004).

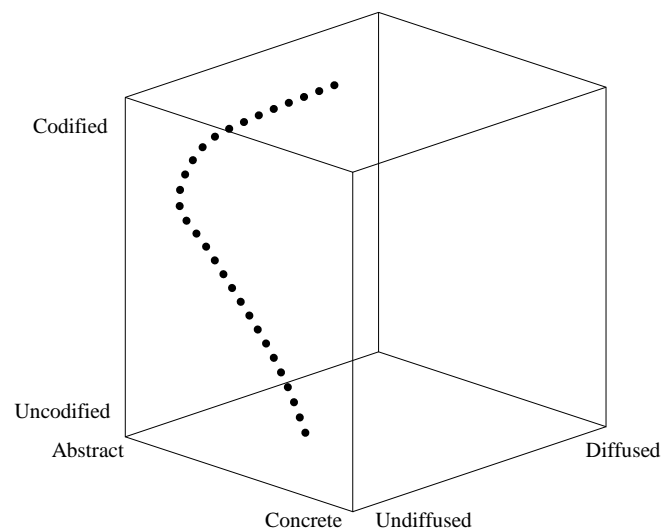
As anticipated, the daily work of an experimental laboratory builds upon members’ knowledge and the goal is *sharing to improve*. For this reason, it is necessary to make knowledge sharable within the network, avoiding to relegate it to a simple personal ability. This calls for *externalization* through the adoption of mechanisms fostering the conversion of the tacit knowledge of people involved in experimental labs into more explicit cognitive assets. Indeed, the traditional distinction between tacit and explicit knowledge (Nonaka & Takeuchi, 1995; Polanyi, 1958) resides in their different transferability across economic agents, space and time (Grant, 1996): tacit knowledge is personal, strongly contextual and therefore sticky, as it can only be acquired through observation, shared experience and application, while on the contrary explicit knowledge is codified and therefore easy to communicate and share among economic agents. In particular, knowledge sharing, could be enhanced through the creation of virtual platforms for business ideas and knowledge flows<sup>17</sup>. However, it must be recognized that, while allowing knowledge assets to create a greater value by virtue of knowledge sharing, multiplicability also leads to *appropriability problems*, as explicit knowledge assets also result not naturally scarce, not-excludable (i.e., it is difficult to impede others to use knowledge that they didn’t contribute to generate), not-divisible (as it is difficult to isolate agents’ different contributions, thus identifying their respective costs and revenues), and replicable (to indicate that reproduction costs are very low when compared to production costs) (Rullani, 2004). As a consequence, it is difficult for knowledge producers to appropriate the value they generate (Boisot, 1998; Grant, 1996; Liebeskind, 1996; Pisano & Teece, 2007; Rullani, 2004; Teece, 1986, 1998). The knowledge economy introduces something radically new in the mechanism of value production: the way knowledge assets create value is really different from that of physical assets (Boisot, 1998; Rullani, 2004). While physical resources and embedded, tacit knowledge assets, by virtue of their spatio-temporal locality, present an irreducible level of scarcity which helps to make them appropriable, explicit knowledge is subject to complex appropriability problems. For this reason, knowledge exchanges cannot rely on traditional market dynamics, as the mere description of a knowledge asset, necessary for its exchange, partly transfers it, making it available to potential buyers who could use it without paying properly. This highlights a second cognitive issue related to experimental labs, i.e., the need for value appropriation by the adoption of mechanisms allowing members to extract value from the knowledge they contribute to generate. Rullani (2004) highlights that there exist two different values - and three, strongly interdependent drivers - to be considered when looking at knowledge assets. The first one is the overall generated value and the

---

<sup>17</sup> The authors are working at the development of such a platform. In the first phase of the process, the focus group technique was used with exploratory purposes, to deal with some of the main issues related to this activity.

other is the part of it individually appropriated by each agent of the cognitive chain<sup>18</sup>. The entire value generated by a knowledge asset depends on its efficacy (i.e., utility for users) and diffusion (number of uses in space and time it goes subject to), while the parts of it which are individually extracted by the agents of the cognitive chain also depend on a third driver, appropriability, and therefore on agents' appropriation capacity. Boisot (1998) focuses on the issue of value appropriation. In order to analyze the characteristics, evolution and related value dynamics of knowledge assets, he proposes the adoption of the *I-Space* theoretical framework which, absorbing and enlarging the traditional distinction between tacit and explicit knowledge, studies knowledge assets through the joint use of three dimensions. The first one is abstraction, pointing out the width of the range of applications of a knowledge asset: while abstract knowledge has several potential applications, concrete knowledge can only have specific uses in space and time. The second dimension, codification, captures the degree to which knowledge is articulated in written documents, figures, formulae, etc. Finally, the diffusion dimension represents the proportion of a given population which could get access to a knowledge asset. Boisot's I-Space dimensions are linked together, as codification and abstraction are positively related and, working together, affect the diffusion of knowledge: the more codified and abstract a knowledge asset, larger the percentage of a given population it will be able to reach (figure 2).

Figure 2. **The Diffusion Curve in the I-Space (Boisot, 1998, p. 56)**

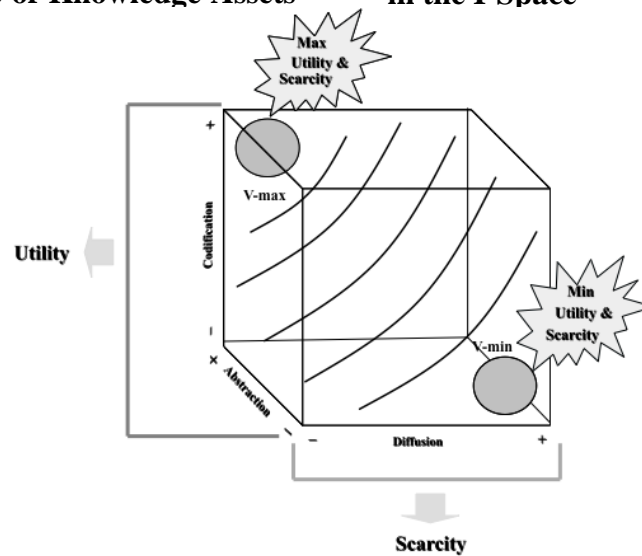


The three I-Space dimensions, altogether, determine the appropriable value of a knowledge asset, which has a double component, utility and scarcity. The utility of a knowledge asset is a function of its degree of codification and abstraction: the more structured (i.e., codified and abstract) an asset, the higher the number of uses it can go subject to and, therefore, the

<sup>18</sup> The cognitive chain includes all the activities (and agents involved) of production and utilization of knowledge.

utility that can be extracted from it. Scarcity, instead, is a function of the location of an asset along the diffusion scale of the I-Space: the further to the left in the I-Space is located a knowledge asset, the scarcer it is. As illustrated in Figure 3, the maximum value of a knowledge asset in the I-Space is achieved when both its scarcity (which is inversely related to its degree of diffusion and, therefore, of codification and abstraction) and its utility (which is a direct function of its codification and abstraction) reach their maximum. The different curves ideally link together points of equal value, which increases as the curves move towards the point where the value of knowledge reaches its maximum (Boisot, 1998).

Figure 3. **The Value of Knowledge Assets in the I-Space**



However, the more knowledge assets move towards the maxima along the codification and abstraction dimensions, the more diffusible they become, and hence the more precarious whatever scarcity was achieved. Thus knowledge assets have a paradoxical character: the greater the utility they achieve (through codification and abstraction processes), the more diffusible they become and therefore the more difficult it is to secure their scarcity (Boisot, 1998). While sharing knowledge, by virtue of multiplicability, does not reduce its utility for its original possessor it could reduce its appropriable value. Indeed, shared knowledge loses scarcity. If codification and abstraction processes increase knowledge utility, they put scarcity at risk. On the other hand, limited structuring (meant as codification and abstraction degrees) preserves scarcity but inhibits utility. According to both Rullani (2004) and Boisot (1998), in order to keep sustainable the process of new knowledge creation, it is necessary the existence of some mechanisms allowing knowledge producers to appropriate an adequate part of the value they contributed to generate, i.e., some mechanisms stimulating, on the one hand, and governing, on the other, knowledge diffusion in order to keep the process of knowledge creation sustainable<sup>19</sup>. It is therefore fundamental, when planning and implementing the functioning of an experimental lab, to

<sup>19</sup> These mechanisms should consider that, as highlighted by Rullani (2004), there's a direct link between value and diffusion. Indeed, as the entire generated value as well as the parts of it individually extracted are a direct function of knowledge propagation, cooperative knowledge sharing strategies increase the extracted value by the expansion of the entire generated value (rather than through the reduction of the values extracted by other cognitive chain actors).



provide it with ad hoc mechanisms which bring about the production of value through knowledge exchange and creation by means of members interactions.

## References

- Andersson, T., Curley, M., & Formica, P. (2009) *Knowledge-Driven Entrepreneurship: The Key To Social And Social Transformation*, Springer. New York.
- Boisot, M. H. (1998) *Knowledge assets. Securing competitive advantage in the information Economy*. Oxford: Oxford University Press.
- Brafman O., & Beckstrom R.A. (2006) *The starfish and the spider. The unstoppable power of leaderless organizations*. New York: Portfolio/Penguin Group.
- Curley, M., & Formica, P. (2012) "Experiencing experiments: a multiplayer game for sharing ideas. Crusoe gives way to Gulliver." *Industry & Higher Education* 26(1): 7–14.
- Curley, M., & Formica, P. (2012) "University Ecosystems and the Entrepreneurial University." *Wite Paper*. IVI (Innovation Value Institute).
- Curley, M., & Formica, P. (2010) "Accelerating venture creation and building on mutual strengths in experimental business labs." *Industry & Higher Education* 24(1): 7–10.
- Curley, M., & Formica, P. (2008) "Laboratory experiments as a tool in the empirical analysis of high-expectation entrepreneurship." *Industry and Higher Education* 22(6): 355–363.
- Etzkowitz, H. (2003) "Research groups as 'quasi-firms': the invention of the entrepreneurial University." *Research Policy* 32: 109–121.
- Gaglio, C. M., & Katz, J. (2001) "The psychological basis of opportunity identification: Entrepreneurial Alertness." *Small Business Economics* 16: 95-111.
- Grant, R. M. (1996) "Toward a knowledge-based theory of the firm." *Strategic Management Journal* 17: 109-122.
- Liebeskind, J. P. (1996) "Knowledge, strategy, and the theory of the firm." *Strategic Management Journal* 17:93-107.
- Matricano, D. (2009) "What's new in the launching of start-ups? Features and implications of laboratory experiments." *Industry & Higher Education* 23:1–5.
- Matricano, D., & Pietrobon, A. (2010) "Experimental labs for start-ups: the role of the 'venture-sitter.'" *Industry & Higher Education* 24(5): 318–322.
- Nonaka, I., & Takeuchi, H. (1995) *The knowledge creating company. How Japanese companies create the dynamics of innovation*. New York: Oxford University Press.
- Pisano, G. P., & Teece, D. J. (2007) "How to capture value from innovation: Shaping intellectual property and industry architecture." *California Management Review* 50(1): 278-296.



- Rullani, E. (2004) *Economia della conoscenza. Creatività e valore nel capitalismo delle reti*. Rome: Carocci.
- Teece, D. J. (1998) "Capturing value from knowledge assets: The new economy, markets for know-how, and intangible assets." *California Management Review* 40(3): 55-79.
- Teece, D. J. (1986) "Profiting from technological innovation: Implications for integration, collaboration, licensing and public policy." *Research Policy* 15(6): 285-305.



## *Every Cloud has a Silver Lining – Creating Social Value out of Disasters*

**Steffen Farny**

Aalto University School of Business

steffen.farny@aalto.fi

### **Abstract**

This study illustrates how entrepreneurship is enacted to catalyse well being and foster stability in disaster-affected communities. The purpose is to analyse how entrepreneurs adjust to change and create value out of it. The study draws on findings from a two-year ethnographic study of entrepreneurial engagement of returnee entrepreneurs in a local community in post-earthquake Haiti. Emphasizing contextual factors, the paper offers a nuanced view on post-disaster value creation in extreme context. The study shows that entrepreneurs emerges in at least three forms depending on how contextual factors interplay with the enactment of entrepreneurial processes.

Key Words: contextualizing, critical realism, emergence, enactment, ethnography, post-disaster, returnee entrepreneurs, sustainable entrepreneurship

### **Introduction**

“The disaster is not the earthquake, but the way we try to adapt to it afterwards” says Steve (one of the entrepreneurs met during the fieldwork) after an earthquake has hit Haiti and pulverized its capital into ashes. Disasters cause human tragedies for millions around the globe every year, and affect the socio-economic fabric for humans globally (Galbraith and Stiles, 2006), but they are often only the event that triggers a downward spiral that creates the long-term mark for those affected. Whether natural or man-made, disasters occur within and affect our social structures; they are social phenomena (Newton, 1997). Besides the numerous individuals and organizations working in the humanitarian industry, since recently entrepreneurs have also started to step up and actively engage after the change event (Fraccastoro, 2008; Johannisson and Olaison, 2007).

While certain entrepreneurs deliberately move into this context, their engagement seems counterintuitive. They move from developed countries, stable jobs, and a safe environment and take their family to an extreme and highly uncertain context. High



opportunity costs arise, their safety and the children's schooling situation drastically decrease, and they even personally invest substantial financial resources into their venture. The objective of the study, henceforth, is to reveal the nature of the entrepreneurship in this extreme context. In particular, how is entrepreneurship enacted and how is social value created through entrepreneurship? How do place and community affect entrepreneurial engagement? So far entrepreneurship research that emphasizes the social return has focused on differences in the opportunity process (Austin et al., 2006; Corner and Ho, 2010; Light, 2009), and only to a limited extent on social value creation.

I follow the broader conceptual view taken by previous studies (Korsgaard and Anderson, 2011; Steyaert and Hjorth, 2003) to argue that in extreme circumstances entrepreneurship unfolds in a different form, through enterprising communities that emphasize the social value of activities. The difference in form is due to fragmentation and missing conceptual clarity in current entrepreneurship theorizing (Anderson et al., 2012). The focus of social value is at best a complementary dimension that has been emphasized when economic arguments reached its limits, for instance in social entrepreneurship (Mair and Martí, 2006) or sustainability entrepreneurship (Shepherd and Patzelt, 2011). However, in recent years the social impact of entrepreneurship has started to be recognized in yet another way, by shifting the ontological understanding of entrepreneurship (Anderson et al., 2012). Following Anderson et al.'s positioning, entrepreneurship occurs as a connecting activity in complex adaptive systems, related to the contingent and context specific elements. Hence, the nature of the opportunities and the entrepreneurial process are socially situated (Korsgaard and Anderson, 2011). Entrepreneurs are products of the social environment, perceive opportunities according to their social background, and create businesses in a social web of interactions (Korsgaard and Anderson, 2011). Accordingly an examination of entrepreneurial processes should focus on the social as an enabler, as context and as outcome (Korsgaard and Anderson, 2011). Following Korsgaard and Anderson's call, the missing element in previous studies is an analysis of the social outcomes created.

I address this shortcoming by looking at an extreme case of a rural community setting in a resource poor context, where entrepreneurs tend to execute a different type of behaviour (Di Domenico et al., 2010) and face little or none existing functional markets (Potts et al., 2010). In resource-constraint social environments, one can reasonably expect different forms of entrepreneurship, particularly with a social welfare orientation, to occur. The case of the Limonade community in Northern Haiti exemplifies the dynamic nature of entrepreneurship in a constantly changing environment. The community in Limonade is situated in the poorest country of the Western hemisphere, experiencing the effects of disastrous earthquakes shaking up the country every couple of years. Despite being located in the hurricane belt in proximity to the coastline, the community continues to mitigate and resolve social problems through a collaborative and collective effort.

This study contributes to our understanding of the community-context dimension of entrepreneurship. Therefore the paper is a direct response to (Welter, 2011) critique that context so far has been understood as a one-way relationship where context is a given. The findings suggest that context is enacted upon and at the same time shaped through

entrepreneurial engagement. In this context entrepreneurs are not creating the change, but they are shaping change to create value out of it.

### **Conceptual frame of reference**

Integrating the entrepreneurship and sustainability paradigms partly caused that entrepreneurship is starting to be advocated as a panacea for many social and environmental concerns (Hall et al., 2010). Sustainable entrepreneurship is a loosely defined concept lacking a coherent set of commonalities in academia. What Mair and Martí (2006) postulate for social entrepreneurship, equally holds for sustainable entrepreneurship: it comprises two highly ambiguous words – ‘sustainable’ and ‘entrepreneurship’ – that are understood differently by different people including researchers. So far no consensus has been reached on the domain entrepreneurship (Shane & Venkataraman, 2000) and while the term social is a value-laden prefix (Zahra et al., 2009), sustainability is probably the most prominent topic of our time (Patzelt & Shepherd, 2011); perhaps the most overused and least understood concept of the decade. Following Patzelt and Shepherd (2011, p. 632), “sustainable entrepreneurship is the discovery, creation, and exploitation of opportunities to create future goods and services that sustain the natural and/or communal environment and provide development gain for others”. It thus comprises the opportunity process, the environment and its regenerative ability. All in all, it primarily concerns the intersection between entrepreneurship and development, beyond the self-proclaimed ‘developed world’. In extreme contexts where development and sustainability concerns become most visible, we know fairly little about the emergence and impact of entrepreneurship.

An interesting but extreme context to generate a more nuanced understanding about the emergence of entrepreneurship is one of institutional voids. “Voids occur amidst institutional plurality and are the intermediate outcome of conflict and contradiction among local political, community, and religious spheres” (Mair et al., 2012, p.820). They are for instance found in a post-disaster environment. An examination of entrepreneurial processes in such extreme contexts should focus on the social as an enabler, as context and as outcome (Korsgaard and Anderson, 2011).

Connecting the entrepreneurial self and society, entrepreneurial embeddedness conceptualizes entrepreneurship as a socialized activity (Jack and Anderson, 2002), adding to our understanding how context and community influence the perception of opportunities (Welter, 2011) and thereby enable entrepreneurial activity (Johnstone and Lionais, 2004; Tobias et al., 2013). Where private, public and voluntary sector join forces, new realities become ‘enactable’ to support regional development in spite of extreme environments (Johannisson and Olaison, 2007), such as institutional voids. Such an institutional context can provide an opportunity space for the ‘ordinary entrepreneurs’ seize and enact opportunities for entrepreneurial activities (Tobias et al., 2013). Therefore I address the question: How does entrepreneurship emerge in institutional voids? And how does entrepreneurship interplay with the institutional, social and natural context to shape post-change development?



## A critical-realist ethnographic study

Drawing on an in-depth qualitative study, I focus the empirical work on the entrepreneurial engagement of two Haitian returnee entrepreneurs in a rural community in an institutionally complex context of post-earthquake Haiti. The Limonade community is located in the hurricane belt proximate to the Northern coastline, thus, experiencing the effects of disastrous earthquakes shaking up the community every couple of years. Whether natural or man-made, disasters occur within and affect our social structures; they are social phenomena (Newton, 1997).

Following the ethnographic tradition, field data is collected longitudinally in multiple rounds over two years time. Data analysis occurred going for and back between the data and emerging theoretical accounts (Corbin and Strauss, 2008). The aim was to create thick descriptions (Geertz, 1972) to understand the various forms of entrepreneurship and its interplay with contextual dimensions. Similar designs have proven to be valuable to investigate entrepreneurial engagement after change events (Fraccastoro, 2008; Johannisson and Olaison, 2007). Though, while previous authors have extensively applied ethnographic approaches to study practices as they unfold, the concept enactment, as a useful framework in the research process, has not yet been clarified in research practice (Korsgaard and Neergaard, 2010).

One way to develop research practices for the view of entrepreneurship as enactment is to apply critical realist ontology. Critical realism intends to investigate complex yet clearly-bounded phenomena (Easton, 2010) by explaining, not just describing, the influence of structural factors on human beings (Sharpe, 2004). Critical realists stratify the world into three ontological levels: the empirical, the actual and the real (Bhaskar, 1975; Danermark et al., 2002; Sayer, 2000). Distinguish between the empirical world, which can be experienced and researched, from the actual one, which consists of factual events that, nonetheless, are socially constructed, helps to create more nuanced view on entrepreneurial practices in a specific context (Clark & Blundel, 2007). The distinction between the three domains is central because it forms the foundation of the critical realist's ontology that reality exists independent of the observer, and is only imperfectly apprehensible (Bøllingtoft, 2007; Easton, 2010; Healy & Perry, 2000). Yet it does justice to the need for interactive research when enacting community development (Johannisson, 2007). Particularly when one follows the view of entrepreneurship as a social phenomenon that embraces both its ends and means (Johannisson, 2007).

## The Post-Disaster Response Story – An account of three actor groups

In this study I tell how entrepreneurs emphasize contextual factors to their favour in the shaping of post-change vibration.

The post-disaster response situation is a story of (at least) three entrepreneurial actor groups that emerge due to different contextual factors that they emphasize. The resulting emergence, or natures, of entrepreneurship have a different impact on value creation. Synthesized in Table 1 the groups' entrepreneurial activities interplay with context and create synergies, but also tensions for the others respectively.

*Table 1: Entrepreneurial actor groups present in a post-disaster environment*

Entrepreneurial Actor	Commercial Entrepreneurs	Philanthropists	Returnee Social Entrepreneurs
Group Affiliation	<b>International Response System</b> UN/WB related organizations multinational NGOs (Worldvision, CARE etc) national Haitian institutions national development agencies (USAID, GIS)	<b>Humanitarian &amp; local independent actors</b> foreign small-size NGOs local Haitian institutions religious entities micro business owner	<b>Bridging Actors</b> Haitian Diaspora Returnee Immigrants
Characteristics	<b>process-oriented</b>	<b>outcome-oriented</b>	<b>goal/mission-oriented</b>
Time Perspective	'time has and will always be there'	'be the first to implement'	'time matters as long as you make the right choices'
Motives / Interests	finance internal operations altruism	achieve local support and recognition maintaining power-balance	social welfare increase empathy
Objectives	raise money through media-hype; 'CNN-facto' satisfy home-country expectations	high visibility of action local legitimacy	high impact sustained operations
Perspective	outside-in perspective	inside-out perspective	inside-out perspective
Financial Resources	vast	poor	variable
Capacities	professional workforce experience scalability of operations strong political and private network	strong local network activism	cultural understanding flexibility community support
Competition	international corporations for efficiency	other NGOs for donor money	local Haitians for credibility
Conflict potential	national political consensus little cultural understanding donor-dependent	low intl. trust-level lower business professionalism satisfy the 'establishment'	high resource fluctuation financial sustainability satisfy the 'establishment'
Value Position	<b>Financial ROI</b>	<b>Humanitarian ROI</b>	<b>Social Value Proposition</b>

The increase in the number of actors and their involvement horizon demonstrate the change of the standard activity in the local environment (compare Table 3). The most striking impact shows the humanitarian actors that execute an outcome-oriented behaviour. In Haiti almost 10.000 foreign non-governmental organizations entered – one for every ten Haitians – but more than 80% of them were gone in less than two years. Motivated by great empathy for the local community and they are capable to mobilize substantial resources from donors, though on average cannot sustain their engagement.

*Table 2: Disruption and Sustainability of actors' involvement*

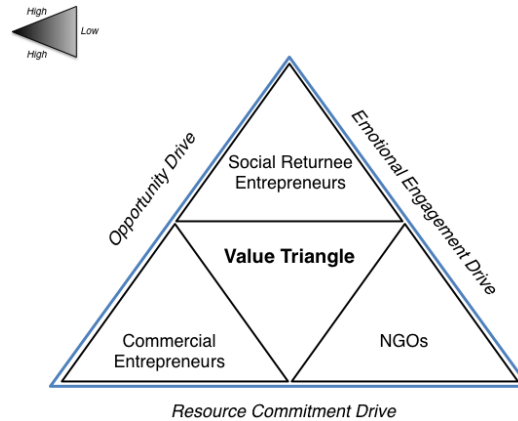
	Commercial Entrepreneurs	Humanitarian Actors	Bridging Actors
Increase in no. of actors	>10x	~100x	<5x
Involvement Duration	3-5 years	1-2 years	Lifetime

To tell the story of post-earthquake entrepreneurship in Haiti, imagine a community located adjacent to the capital on a higher plateau. Even though the earthquake struck in another part of the country, the absence of functional markets in a context of institutional voids creates devastating shocks beyond the place of physical damage.

**Discussion – Creating social value creation out a disaster**

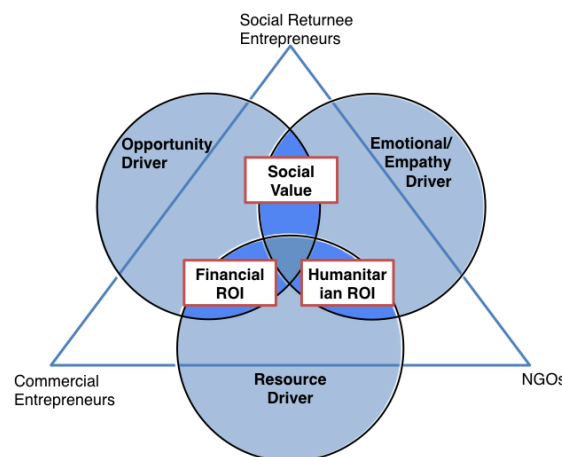
The stories of Gregory, Pete and Gaby are symbolic for the different drivers that motivate the three actor groups. Primarily two drivers encourage each group, for Gregory his monetary resources seeking an investment opportunity, for Pete the donor money requires emotionally engaging humanitarian projects, and for Gaby her personal societal attachment desires finding opportunities for sustaining her return. Together the three drivers span a triangle, sketched out in Figure 2. The figure is not to show an equal importance of both drivers for each actor, instead to demonstrate their natural tendency towards them, in favour of the third one. Ideally each actor would try to seek an economic, social and environmental gain (Shepherd & Patzelt, 2011) resulting in a move towards the centre of the value triangle.

Figure 1: Main Drivers for Certain Actor Groups



In order to address the question of what is to be sustained, we notice that combining two drivers leads to a different value proposition (compare Figure 2). Either the entrepreneurial actor focuses on the opportunity and resources to be invested, resulting in a financial return-on-investment perspective, or the available resources are supported by empathy to cause some value for society, turning the value perspective into a humanitarian return-on-investment. The latter type refers to a value proposition aiming to maximize the number of schools built, people fed or trees planted. Additionally, the third type intends to maximize the societal value, simultaneously being driven by empathy for the community and a search for new opportunities to create viable businesses. While on the outset each group claims to contribute to the regional and national development, the strategies impact the value they intend to generate.

Figure 2: Social Value Creation via Empathy and Opportunity Drivers



Interestingly, the group of returnee entrepreneurs executes the behaviour desired by the international disaster response system, finding opportunities for the longer-term while maintaining a strong mission to fulfil societal needs. Their behaviour shows a clear difference to the philanthropists who stress the resources constraints and the social



challenges, over economic returns. They look for outcome maximization that can be easily communicated, for instance, in terms of people ‘saved’. This traditional NGO-like approach takes a strong empathetic stance though pinpoints to the shortages and constraints, mainly resources, and not the opportunities to create value. Therefore I label such a value position as ‘Humanitarian ROI’. The same return on investment mentality as of commercial entrepreneurs prevails in their approach, hence they are outcome-centred, and interested in the visibility of their action. The common supply philosophy – if education is lacking, you build a school, and can claim that kids receive education – is intrinsically assumed.

In contrast, returnee social entrepreneurs are not emphasizing resource availability/constraints, but conduct major efforts to find and exploit an opportunity. As the Gaby’s story has symbolized, she saw the shortage of eggs and chicken in Haiti. Even though it is culturally a favoured dish, they mobilized friends and external funding despite the conventional wisdom promoted by the official response system. Social returnees intrinsically follow a demand-philosophy in their approach – if education is lacking, you organize teaching sessions for the children, assure they attend the session, and check their learning progress. Therefore, social returnees and the humanitarian response actors differ as well as commercial entrepreneurs in their sustainability orientation, motivated by a different constellation of drivers.

## Conclusion

This study creates detailed descriptions of contextual dimensions that influence the emergence of entrepreneurship in extreme contexts. Therefore the paper is a direct response to (Welter, 2011) critique that context so far has been understood as a one-way relationship where context is a given. It complements the current literature by showing that in addition to the institutional and social context, the natural context interplays with the way that entrepreneurship is enacted. The study identifies three groups of entrepreneurial actors engaged in creating institutional arenas for regional developments. The preliminary findings show that entrepreneurs emerge and enact in nuanced forms in the shaping of post-change vibration depending on their institutional and social embeddedness. Entrepreneurship is enacted in, and by, disaster-affected communities to foster stability in institutional voids. Haitian returnee entrepreneurs are culturally embedded and act upon the natural environment. They have the power of imaging the ideal world beyond the current obstacles.

## References

- Anderson, A.R., Drakopoulou Dodd, S., Jack, S.L., 2012. Entrepreneurship as connecting: some implications for theorising and practice. *Management Decision* 50, 958–971.
- Austin, J., Stevenson, H., Wei-Skillern, J., 2006. Social and Commercial Entrepreneurship: Same, Different, or Both? *Entrepreneurship theory and practice* 30, 1–22.
- Bhaskar, R. 1975, *A realist theory of science*, Leeds Books, Leeds.
- Bøllingtoft, A. 2007, “A critical realist approach to quality in observation studies” in H. Neergaard & J.P. Ulhoi (eds.), *Handbook of qualitative research methods in entrepreneurship*, Edward Elgar, Cheltenham, UK, pp. 406-433.
- Clark, P. and R. Blundel 2007, “Penrose, critical realism and the evolution of business knowledge: a methodological reappraisal”, *Management & Organizational History*, 2(1), 45-62.
- Corbin, J., Strauss, A., 2008. *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. SAGE.
- Corner, P.D., Ho, M., 2010. How opportunities develop in social entrepreneurship. *Entrepreneurship Theory and Practice* 34, 635–659.
- Danermark, B., Ekström, M., Jakobsen, L. and J.C. Karlsson 2002, *Explaining society: Critical realism in the social sciences*, Routledge, London.
- Di Domenico, M.L., Haugh, H., Tracey, P., 2010. Social Bricolage: theorizing social value creation in social enterprises. *Entrepreneurship theory and practice* 34, 681–703.
- Easton, G. 2010, “Critical realism in case study research”, *Industrial Marketing Management*, 39(1), 118-128.
- Fraccastoro, K.A., 2008. From Natural Disaster: A Consideration Of Influential Factors. *Journal of Business & Economics Research* 6, 1–8.
- Galbraith, C.S., Stiles, C.H., 2006. Disasters and entrepreneurship: A short review. *Developmental Entrepreneurship: Adversity, Risk, and Isolation International Research in the Business Disciplines* 5, 147–166.
- Geertz, C., 1972. Deep Play: Notes on the Balinese Cockfight. *Daedalus* 101, 1–37.
- Hall, J.K., G.A. Daneke and M.J. Lenox (2010), “Sustainable development and entrepreneurship: past contributions and future directions”, *Journal of Business Venturing*, 25(5), 439-448.
- Healy, M. and C. Perry 2000, “Comprehensive criteria to judge validity and reliability of qualitative research within the realism paradigm”, *Qualitative Market Research: An International Journal*, 3(3), 118-126.
- Jack, S.L., Anderson, A.R., 2002. The effects of embeddedness on the entrepreneurial process. *Journal of Business Venturing* 17, 467–487.





- Johannisson, B., 2007. Enacting local economic development – theoretical and methodological challenges. *Journal of Enterprising Communities: People and Places in the Global Economy* 1, 7–26.
- Johannisson, B., Olaison, L., 2007. The moment of truth—Reconstructing entrepreneurship and social capital in the eye of the storm. *Review of Social Economy* 65, 55–78.
- Johnstone, H., Lionais, D., 2004. Depleted communities and community business entrepreneurship: revaluing space through place. *Entrepreneurship & Regional Development* 16, 217–233.
- Korsgaard, S., Anderson, A.R., 2011. Enacting entrepreneurship as social value creation. *International Small Business Journal* 29, 135–151.
- Korsgaard, S., Neergaard, H., 2010. Sites and Enactments: A Nominalist Approach to Opportunities, in: Gartner, W.B. (Ed.), *Entrepreneurial Narrative Theory Ethnomethodology and Reflexivity*. Clemson University Digital Press, Clemson, SC, pp. 137–152.
- Light, P.C., 2009. Social Entrepreneurship Revisited. *Stanford Social Innovation Review* 7, 21–22.
- Mair, J., Martí, I., 2006. Social entrepreneurship research: A source of explanation, prediction, and delight. *Journal of World Business* 41, 36–44.
- Mair, J., Marti, I., Ventresca, M.J., 2012. Building inclusive markets in rural Bangladesh: how intermediaries work institutional voids. *Academy of Management Journal* 55, 819–850.
- Newton, J., 1997. Federal legislation for disaster mitigation: a comparative assessment between Canada and the United States. *Natural Hazards* 16, 219–241.
- Potts, J., Foster, J., Straton, A., 2010. An entrepreneurial model of economic and environmental co-evolution. *Ecological Economics* 70, 375–383.
- Sayer, A. 2000, *Realism and social science*, Sage Publications Ltd.
- Shane, S. and S. Venkataraman 2000, “The promise of entrepreneurship as a field of research”, *The Academy of Management Review*, 25(1), 217-226.
- Sharpe, D.R. 2004, *Contributions of Critical Realist Ethnography in researching the Multinational Organisation. Stream 4: Critical Perspectives on Researching and Theorizing the Multinational Organisation, Theoretical Paper*, Monmouth University, USA.
- Shepherd, D.A., Patzelt, H., 2011. The New Field of Sustainable Entrepreneurship: Studying Entrepreneurial Action Linking “What Is to Be Sustained” With “What Is to Be Developed”. *Entrepreneurship Theory and Practice* 35, 137–163.
- Steyaert, C., Hjorth, D., 2003. *New Movements in Entrepreneurship*. Edward Elgar Publishing, Cheltenham, UK.



- Tobias, J.M., Mair, J., Barbosa-Leiker, C., 2013. Toward a theory of transformative entrepreneuring: Poverty reduction and conflict resolution in Rwanda's entrepreneurial coffee sector. *Journal of Business Venturing* 28, 728–742.
- Welter, F., 2011. Contextualizing Entrepreneurship-Conceptual Challenges and Ways Forward. *Entrepreneurship Theory and Practice* 35, 165–184.
- Zahra, S.A., Gedajlovic, E., Neubaum, D.O. and J.M. Shulman 2009, "A typology of social entrepreneurs: Motives, search processes and ethical challenges", *Journal of Business Venturing*, 24(5), 519-532.



## *Market strategies at entrepreneurial farms exploring food specialties*

**Jorunn Grande, Trine Magnus and Margrete Haugum**

Nord-Troendelag University College

jorunn.grande@hint.no

### **Abstract**

This paper explores farmers' market strategies when engaging in entrepreneurial efforts through producing food specialties. Unclear market and growth strategies of food specialties producers are suggested to have led to poor strategic fit among product, market and the logistic channel. A qualitative case study investigating seven farms and food firms in Norway was performed in spring 2013. The cases show that an array of market strategies might be followed. Some are «all over» seemingly exploiting all opportunities coming up, whereas others appear more conscious about selection of products and markets. Still, an appropriate and effective distribution solution seems to be a puzzle to several of the cases.

### **Introduction**

The aim of this paper is to explore farmers' market strategies when engaging in entrepreneurial efforts and value added ventures through food specialties. Structural changes in global food supply chains over the past decades have resulted in emergence of large industrial producers, consolidation of the wholesale and retail stages, and a general professionalization of the systems for food production, distribution and sales. The strategies, logistical solutions and processes are based on high volume, regular frequency and consolidation principles in order to achieve economies of scale and high capacity utilization. Naturally, the established logistics models for industrialized supply chains are not well suited to the characteristics of food specialties. The conventional food value chains significant market position and their influence on distribution channels and food stores may thus be a barrier for small producers of food specialties. They are often small and lack power in negotiations on price and other terms. This is also an area where farmers traditionally have little experience and thus need new knowledge and experience (Kvam et al. 2002).

Short food supply chains and alternative food networks are concepts which have emerged to distinguish supply chains of food specialties from conventional chains (Renting 2003). International studies show that niche enterprises can follow a range of different growth strategies, and that there are differences in market requirements and differentiation options in different markets. In this study we investigate market strategies followed by

Norwegian farm entrepreneurs to exploit market opportunities for food specialties and explore possible causes behind these strategies. A major research challenge is to develop an understanding of the characteristics of producers, products and production processes and how these relate to potential market opportunities. Our research questions are thus 1): Which market and distribution strategies do producers of food specialties have? 2) What affects farmer's choice of market strategy for food specialties?

### **The Norwegian food market**

The food market may be challenging to producers of food specialties. These products are often produced and sold by the farmers themselves. From being a heavily subsidized sector the farm sector is now facing tougher market challenges due to reduced domestic protection and increased competition. Traditionally large co-operatives have taken care of the market relations and single farm enterprises may have had little experience with sales and product development. Prior research has detected that farmer's lack knowledge in several areas like product development and market orientation (Kvam et al. 2002, Alsos & Carter 2006). Competition and market relations are also expected to give challenges to local food producers in Norwegian due to a mature food industry dominated by a few powerful wholesalers (Dulsrud 1999).

The last 15-20 years there has been a restructuring of distribution and of distribution chains in Norwegian grocery industry. In 1981 it consisted of small retailers, independent and geographically dispersed stakeholders and only 39 percent of the grocery stores were attached to a chain (Kjuus 2010). In 2009, however, four companies possess 99 percent of the grocery market. This concentration in four major groups controlling the market in grocery lines seems relatively unique to Norway. In the rest of Europe, the five largest wholesalers and retailers within countries possess between 50-70 percent of the market share (Dobson et al. 2003). There is a continuous development and sales channels as a result of changes in consumption trends and competitive conditions. The trend has been towards vertical integration, where grocery chains have increasingly taken over the wholesale function. This in combination with the concentration in the grocery sector created major challenges for food producers and companies. Grocery Chains, KBS, Horeca (hotel, restaurant and catering / cafe) with more or less integrated wholesale functions make up the bulk of what we might describe as conventional chains.

However, even this challenges the number of small-scale food producers and the variety of food specialties has increased significantly in Norway in recent years. For instance, a programme for value adding in the food sector counted 1237 new products and product innovations, 118 new businesses, and 315 new jobs in the period 2000 to 2005 (Kjuus et al. 2009). A study by Magnus and Kvam (2008) identified to a sample of 871 firms nationwide in 2008. However, Norwegian food specialties are diverse and there exist no complete overview of all food specialties and the firms producing them. During the 2000s alternative market channels for the sale of food specialties has grown, such as farmers' market, farm and local food stores, and also various specialty stores in the cities. This development of alternative sales channels seem particularly important for small-scale food producers, since these can contribute to the better sales of food specialties using local produce and local production methods increasingly (Landbruks- og matdepartementet 2011).

## Definition of food specialties

In Norwegian terminology, the term food specialties may be used on a variety of type of food products that are mainly local of origin and provided by small-scale producers. Other terms often used on this type of food products might be; small scale food, local or regional food, local food, alternative food and farm food. However, The Norwegian Department of Agriculture and Food is however increasingly using “food specialties” as a collective term for a variety of products. Related terms in international literature are local food, organic food, specialist food, sustainable food, alternative food, cooperative food systems, etc.

In this paper we choose to use the term food specialties is because it contains a diversity of food produced and sold outside of the major product flows. Meehan et al. (2001:1) explains food specialty this way: "Specialty food: products outside the main stream that display a number of specific characteristics are deemed to be specialty in nature, including quality, uniqueness, value added, premium price, limited distribution and regional origin. " To this Strate (2007) adds that the development of local food specialties is an interaction between the physical product and other additional features of the product, such as experience, history and environment, where both production and consumption are integrated parts. Thus, both physical and social conditions are built into the product, where the specific qualities may be constructed and perceived as special. The definition of food specialty used in this study builds on the definition formulated by the Action Plan for Food specialties from Trondelag (2012) and Wolfe (1999). We thus define food specialties as food products that:

- are processed by mainly local and regional produce from land and sea to enhance products with special quality, taste and identity
- can be linked to a specific region or place
- have qualities that can be communicated to the consumer through labeling, design and history

## Strategy, farm entrepreneurs and food specialties

A firm's strategy may be explained as "...its theory of how to achieve high levels of performance in the markets and industries within which it is operating" (Barney 2011, p. 3). The ultimate purpose of strategy is to gain competitive advantage relative to its competitors. The firms market strategy is an important part of the firms overall strategy, and concerns decisions on which markets to develop and sell it products to and how to compete in the market. Choosing an appropriate mix of market channels is thus an essential part of succeeding as a farm entrepreneur. By focusing on food specialties the farmer is already into a diversified market strategy. That means they diversify their product from conventional food products. Through a diversified market strategy they are able to extract additional value from resources and competences at the farm.

As explained there are however still many challenges facing the farm entrepreneur within such markets since food specialties need to work its way through a highly competitive food market. The market strategy they choose are likely to be a puzzle of combining own resources, market opportunities and practical solutions. The conventional food value chain of grocery chains' significant market position and access to distribution

channels and stores can be a barrier for small producers of food specialties. They are often small and easily defeated in negotiations on price and other terms. Lack of experience and complexity of the food market may make it difficult for (small) producers of food specialties to succeed in these markets. By concentrating on local markets and keep a low profile in marketing, however, some local food producers managed to develop and compete at a pace that fits their capacity and abilities (Grande 2010).

A Norwegian study performed by Magnus and Kvam (2008) shows that producers of food specialties often are small businesses with few employees and relatively low volume produced compared with larger national food producers in Norway. They further explain that there may be no guarantee that producers of food specialties want to grow. Many of these companies are what often are called “lifestyle businesses”, and the goal of the business is not necessarily growth or higher profits itself (Hall 2002; Kaikkonen 2003). A large percentage of companies are strongly linked to the farm, which often puts limits on growth. Producers of food specialties may choose alternative food value chains and select a niche strategy or an interpersonal strategy that imparts special properties of the products (Storper & Salais 1997). These strategies are based on local, often tacit knowledge, which is known only to a limited market. These two production-market logic is reflected in the demand-driven supply chains. A critical part of such strategies is that producer’s ability to adapt to the consumer wants and needs. For such strategies communication and closeness to consumers important and often an underlying reason for pursuing the local markets for food specialties (Haugum 2012).

Basically, when venturing into niche food production the purpose is to increase the product's value by attributing the products qualities or properties consumers perceive as unique and special (Stræte 2008). By following this strategy farm entrepreneurs avoid to compete with conventional products. Local qualities and history may be integrated as part of food product quality and market competition is based more on quality than on price (Ilbery & Kneafsey 2000; Murdoch & Banks 2000; Goodman 2003). In Norway the producers of food specialties are often related to good and distinctive taste, artisan food, no artificial additives, Norwegian raw materials and proximity to the manufacturing process (Magnus & Kvam 2008).

## Method

This study was undertaken as part of the LogiMat-project which has the overall aim to “To develop and demonstrate knowledge, methodologies and solutions, and to build a competence network on logistics for food specialties”. Mid Norway was selected as study area since it perceived to have a large potential for rural commercial development, value creation and business opportunities for farmers related to food specialties. This area holds many farms and firms which are suitable as study objects. A qualitative case study approach was used to explore market strategies and related decision-processes. Seven cases were selected based on 1) relevance and transferability, 2) in total to represent a variety of logistic solutions, sales channels and markets, 3) interest and motivation of owner/manager. Farm firm strategies, their resources, network and capabilities were explored through seminars, firm visits and interviews. Actors throughout the value chains were also interviewed, that is local food firms, food distributors, hotels, restaurants and retailers. Data were gathered in spring 2013 through farm visits and interviews. A semi-structured guide was used for the interviews. For each interview 2-3 researchers were present to represent in order to ask and interpret questions related to the different fields of

logistics, producer strategies and networks. Notes were written down and recorded, and after each interview a summary was written and checked with the case representatives.

## Results

A brief summary of case characteristics are shown in Table 1. The table displays their size, type of products, and their market strategy in form of market outlets and distribution solutions.

Table 1: Case characteristics and strategies

Case	Size	Type of products	Type of producer	Market outlets	Distribution solutions
Case 1 TO	10 in total (5 in cheese-making)	Cheese Main product 55 % of sales	Single farm	Horeca, supermarkets, deli-shops, farm shop, national	Tine distribution, own local,
Case 2 EG	Turnover NOK 1.6 mill. 2012 2 employed	Cheese	Single farm	Farmers market, supermarkets, horeca regional	Producer network (80%), own local
Case 3 GV	7.5 employed in total	Cheese, eggs, icecream, cakes, meat,	Single farm	Supermarkets, farmers' market, farm shop	Producer network, own local,
Case 4 VK	Turnover NOK 0.8 mill.	Meat, lamb and cow	Two farms cooperating	Regional	Producer network
Case 5 DP		Lamb and game	Community company	Supermarkets, restaurants, national	Wholesaler, own distr
Case 6 SP	Turnover NOK 21 mill. 2012 14 employed	Potatoes	Producer network, AS	Wholesale, supermarkets	Wholesaler
Case 7 SG	2 employed	Meat and vegetables, ecological	Single farm	Horeca, farmers' market, farm shop	Own distribution

## Strategies pursued

The explored cases follow a range of different market strategies. Their strategic choices may involve sales through: 1) Grocery retail and specialty stores, 2) Hotels, restaurants and catering, 3) Farm outlet and farmers market. A strategic choice may also be regarding geographical markets; whether local, regional or national markets. The investigated farm entrepreneurs do not necessarily follow one single of these strategies, but tend to select a combination of strategies. However, the extents to which they select multiple strategies differ quite a bit. As of today, none of the involved cases are engaged in international markets. The cases also differ on how conscious they are regarding selecting these strategies.

Farm entrepreneurs choose to market their products through several channels. Hotels and restaurants stand out as most profitable and also those that take best care of specific qualities of the products. Retail grocery shop and delis are also attractive since they take

larger volumes and give access to a greater share of consumers. They however give lower profit margins and there is no guarantee for sales even if the retailer takes the farmers product into the shop. Farmers' market and farm shop give better price on products but might be time consuming. These direct channels involve direct communication with consumers which is explained to be of great importance in further development of products and the business itself. The investigated farm cases explain that the farmers market has increased in popularity and are experiencing increased sales recent years. Sales through fairs and other exhibition venues is also an alternative direct sales channel.

The farm entrepreneurs distributed their products in several different ways. All of them had a certain degree of own distributions. Other solutions were sales through producer network, use of distributors from farm cooperative, and use of wholesaler. The also could hire local transporters to transport their products either to wholesaler or directly to retail/specialty shop. However an appropriate and effective distribution solution seems to be a puzzle to several of the cases. It might seem more often to be a result of coincidence rather than planning for it. That means that the market opportunity and sales to a market came about because there existed an opportunity for effective distribution. Some distribution systems seem to work well in certain regions whereas less between regions, and at national levels. There are also challenges with regard to highly perishable and frozen products.

Two of the cases are situated in a region with a developed producer network that handles sales and distribution. This seems to work very well. However, even if the case sells product through this network it also distributes products other ways. It seems like producers networks that it appropriately organized, has dedicated members, is well structured and has defined goals and strategies may be effective in serving farm producers. A good cooperation distribution system can lower the distribution cost, increase market area, increase information and knowledge sharing and strengthen the relationship among them. Producers network seem to be a good solution for some, but seem however to be difficult to organize and develop in other places. Such networks need devoted members and put high demands on development of strategy and goal. There is still unclear whether they are economic sustainable. Engagement in such networks these makes their distribution cost more visible. The producer may not be fully aware of costs attached to own distribution since they often don't pay them directly.

Other studies have also identified distribution as a key challenge for manufacturers to ensure market access and competitiveness (Henchion & McIntyre 2005; Magnus & Kvam 2008, Grande 2011). The distribution is often inefficient and fragmented because individual manufacturers distribute goods using their own cars or trucks and often half the vehicle capacity untapped (Bosona & Gebresenbet 2011). Furthermore, Magnus and Kvam (2008) find that many people prefer to distribute the goods themselves. This seems also to be the situation among several of the cases investigated in this study. There appears to be a lack of good intermediaries such as transporters and wholesalers who can provide support to producers of alternative food products. This is also pointed out in an earlier study by Ilbery et al. (2006). Thus the challenge of distribution seem to persist and difficult to solve.

### **Factors influencing choice of market strategies**

The question "What affects farmer's choice of market strategy for food specialties?" is a complex question and not as easily answered since it may not be explicitly expressed or directly observed. As explained the investigated farm entrepreneurs choose to pursue several market strategies instead of focusing on a single one. Is this an effective and a



rational choice, we might ask? Also, some cases (Case 1 TO) very conscious about the choice of strategy and seem very dedicated to that strategy, whereas other seem less focused and takes the opportunities that comes along (Case 7 SG). It might be that Case 7 is clever in using resources at the farm and in exploiting opportunities in a challenging market. The cases also show large variation in the formalizing strategies. Some had written business plan, but many seem to have informal strategies and plans. Below are listed some arguments and factors seemingly influencing farmers choice of the various market strategies.

- Most cases choose to have a variability of products instead of focusing on a single or few products. They argue that it is important to have variety of products to offer the consumers, and that it is important to develop products that use all part of the animal. Exploit their resources as much as possible. It may also be a way of reducing risk.
- Type of products seem nested in the resources and production at the conventional production at the farm were the food specialty business is developed
- Solutions available for type of product and where production facilities are located, distribution available for specific markets
- Producers express need of control of business and product. Do not want to grow because it would make it necessary to hire (more) people, etc.
- Limited time and personal skills may limit their ability to discover, explore and exploit market potential more efficiently.
- Their choice of strategy may thus to a certain degree depend on social network, knowledge and experience, what they feel safe about.
- The selected distribution strategy seems to be dependent on the opportunities available. For instance producer networks were not available to all investigated producers, and there seem to be challenges developing optimal network solutions
- Many producers today seem to prefer a combination of distribution strategies, agreement through one networks solution may be difficult to obtain.

## Summary and conclusion

This study has investigated market strategies among farm entrepreneurs producing food specialties, and provides knowledge on how farmers develop their marketing strategies. Unclear market and growth strategies of food specialties producers are suggested to have led to poor strategic fit among product, market and the logistic channel. Food specialties producers seem to perceive traditional market channels as less profitable or not available to them because they lack the volumes to make these channels profitable and cost-effective. Even though alternative food chains have developed, optimal solutions for bringing food specialties into the market seem still to be lacking.

The investigated cases show that an array of market strategies might be followed. Some are «all over» seemingly exploiting all opportunities coming up, whereas others appear more conscious about selection of products and markets. There seem also to be a large variation in the degree of formalizing of strategies in the investigated cases. Evidence from the cases suggest that producers of food specialties often need to be involved both in the

traditional food chain in addition to its own more tailored alternative value chains. Nevertheless, it seems difficult to change the market power of the conventional food chains and conventional food system. Thus farm entrepreneurs need to adapt to and find solutions within that system. This means that professional knowledge and skills of these systems are important. Cooperation through effective producer network is also likely to be important as a supplement to existing system. A final remark is that our cases seem all to be satisfied with their current market strategies. Nevertheless, they also see challenges, risks and great room for improvements. Optimal solutions seem difficult to find and is still to be developed.

## References

- Actionplan for Food Specialties from Trøndelag 2012-2015 (2012) Fylkesmannen i Nord-Trøndelag, Fylkesmannen i Sør-Trøndelag, Fylkeskommunen i Nord-Trøndelag, Fylkeskommunen i Sør-Trøndelag, Innovasjon Norge i Nord-Trøndelag og Innovasjon Norge i Sør-Trøndelag.
- Alsos, G.A. & Carter, S. (2006) Multiple business ownership in the Norwegian farm sector: Resource transfer and performance consequences. *Journal of Rural Studies*, 22, 313-322.
- Barney, J. (2011) *Gaining and sustaining competitive strategies*. 4th ed. Pearson.
- Bosona, T. G. and Gebresenbet, G. (2011) Cluster building and logistics network integration of local food supply chain. *Biosystems Engineering*, 108, 293-3
- Dobson, P. W., Waterson, M. & Davies, S. W. (2003): The Pattern and Implications of Increasing Concentration in European Food Retailing. *Journal of Agricultural Economics*, 54, 111-125.
- Goodman, D. (2003) The quality "turn" and alternative practices: reflections and agenda. *Journal of Rural Studies*, 19, 1-7.
- Grande, J. (2010) Entrepreneurial orientation and performance in micro-sized firms: comparing agricultural and non-agricultural firms. In Smallbone, D., Leitão, J., Raposo, M., & Welter, F. (eds.) *The Theory And Practice Of Entrepreneurship*. Frontiers in European Entrepreneurship Research, 263-286. Edward Elgar Publishing.
- Grande, J. (2011) New venture creation in the farm sector – critical resources and capabilities. *Journal of Rural Studies*, 27, 220-233.
- Hall, A. (2002) *Towards an Understanding of Strategy processes in Small Family Business*, ed. D.E. Fletcher, 49-60. UK, Routledge.
- Haugum, M. (2012) Matverdikjeder. In Sæther, B. & Haugum, M. (red): *Lokal og regional mat - Samhandling, innovasjon og identitet i alternative matverdikjeder*. Akademika forlag, Trondheim.
- Henchion, M. & McIntyre, B. (2005) Market access and competitiveness issues for food SMEs in Europe's lagging rural regions (LRRs). *British Food Journal*, 107, 404-422.



- Ibery, B. & Kneafsey, M. (2000) Producer constructions of quality in regional speciality food production: a case study from south west England. *Journal of Rural Studies*, 16, 217-230.
- Ilbery, B. & Maye, D. (2005) Food supply chains and sustainability: evidence from specialist food producers in the Scottish/English borders. *Land Use Policy*, 22, 331-344.
- Kaikkonen V. (2003) *Exploring the Dilemmas of Small Business Growth: The Case of Rural Food-Processing Micro Firms*. Presented at the 2nd Nordic Workshop on Entrepreneurship in regional Food production, Bodø
- Kjuus, J. (red) (2010) Dagligvarehandel og mat. NILF og Nordlund, A. (red) 2010. *Mat og industri 2010*. Status og utvikling i norsk matindustri. NILF. Oslo.
- Kjuus, J., Utgård, J., Pettersen, I., Svennerud, M. og Eriksen L.Ø. (2009) *Matprogram med næringsverdi*. Evaluering av bedriftsrettede prosjekter i Verdiskapingsprogrammet for matproduksjon og Nettverksprogrammet. Rapport 2009-1. Norsk Institutt for Landbruksøkonomisk forskning, Oslo.
- Kvam, G.T., Brastad, B., Stræte, E.P. & Borch, O.J. (2002) Regional nyskaping i matsektoren (Regional innovation in the food sector). *Landbruksøkonomisk forum*, 19, 5-16.
- Landbruks- og matdepartementet (2011) *Velkommen til bords*. Stortingsmelding nr. 9, 2011-2012
- Magnus, T. & Kvam, G. T. (2008) *Vekststrategier for lokal mat, frekvensrapport*. Rapport R-8/08, Norsk senter for bygdeforskning, Trondheim.
- Meehan, H., Murphy, A., O'Reilly, S. & Bogue, J. (2001) *The market for specialty foods in Ireland*. Agriculture and Food Development Authority. Dublin
- Morgan, K., Marsden, T.K. & Murdoch, J. (2006) *Worlds of Food: place, power and provenance in the food chain*. Oxford University Press, Oxford.
- Murdoch, J. T. & Banks, J. (2000) Quality, nature, and embeddedness: some theoretical considerations in the context of the food sector. *Economic Geography*, 76, 107-125.
- Renting, H., Marsden, T.K. & Banks, J. (2003) Understanding alternative food networks: exploring the role of short supply chains in rural development. *Environment and Planning*, 35, 393-411.
- Storper, M. & Salais, R. (1997) *Worlds of production: the action frameworks of the economy*. Harvard Business Press, Cambridge, MA.
- Stræte, E. P. (2008) Modes of qualities in development of specialty food. *British Food Journal*, 110, 62-75.
- Stræte, E.P. (2007) Alternative kvaliteter i mat. I Amilien, V. og Krogh, E. (red.) *Den kultiverte maten*. Fagbokforlaget, Oslo. p. 172-188.
- Wolfe, K. (1999): *The Specialty Food Buyer Profile*. Agricultural Development Center, ADC Info no 34, May 1999.



## ***Tanzanian Female Entrepreneurship: Policies and Strategies for Start-Up Decision***

**Dina M. Nziku**

Southampton Solent University

Dina.Nziku@solent.ac.uk

### **Abstract**

This study aims at investigating environmental factors influencing the entrepreneurial decision of Tanzanian females to start-up their own businesses. The study objectives are:-

- To identify the environmental factors influencing Tanzanian female entrepreneurs to start-up their own business.
- To evaluate governmental policies and strategies influencing start-up decisions among Tanzanian female entrepreneurs.
- To develop the framework for encouraging Tanzanian females to start-up their own businesses.

Female entrepreneurs play a crucial role in the development of the world economy (Brush et al., 2006; de Bruin et al., 2006, 2007; European Commission, 2005). In this study, we used variables from the entrepreneurship decision influence model developed by Cooper, (1971) in order to develop the proper framework for encouraging females into start-up decision and encouraging Tanzanian government towards development of supporting strategies for sustainability and growth. This empirical study was conducted with a sample of 466 Tanzanian female entrepreneurs who participated by completing a questionnaire designed for gathering primary data. Environmental factors: economic conditions, accessibility and availability of capital, examples of entrepreneurial action, opportunities for interim consulting and the availability of personnel and supporting services; were potential variables used for statistical analysis of data.

This study finds out some determinants that are influencing Tanzanian female entrepreneurs to start-up their own business. At the environmental level, female entrepreneurs are highly affected by their low economic conditions with some successful female entrepreneurs as role models influencing their start-up decisions. While at the government level: policies supporting entrepreneurship, access to capital, and formal training have been found to have less influence on females' start-ups decision. The outcome of this study will be used by researchers and policy makers to influence Tanzanian women to start-up their own businesses. Female involvement in developing

their businesses provides job opportunities, ensuring that they take an active part in the development of the national economy. The study is expecting to help in providing policy makers, governmental and non-governmental organisations/institutions with additional information regarding the activities of female entrepreneurs within the developing countries. This will be useful in developing suitable strategies for helping female entrepreneurs' start-ups. Therefore, the findings of this study will prove to be a rich resource for policy makers at every level of government, and forming the intellectual underpinnings for legislative, regulatory and business support improvements among Tanzanian female entrepreneurs. Finally, the study is anticipated to provide a comprehensive summary of the literature with regard to risk, entrepreneurial experience of women, and discussing the likely policy measures required to encourage female entrepreneurs within Tanzania and other developing countries.

## Introduction

Female entrepreneurs play a crucial role in the development of the economy (Brush et al., 2006; de Bruin et al., 2006, 2007; European Commission, 2005; Brush et al., 2010; Minnit, 2010). According to the Global Entrepreneurship Monitor (GEM) project estimates more than 187 million women engaging in entrepreneurial activities (GEM, 2012). Researcher in this study used variables from the entrepreneurship decision influence model developed by Cooper, (1971) in order to develop the proper framework for encouraging females into start-up decision and encouraging Tanzanian government towards development of supporting strategies for sustainability and growth. Female entrepreneurs make significant contributions to economies in terms of jobs, innovations and Gross National Product (GNP) (Allen et al., 2008). Despite the growing importance of female entrepreneurs, they are still understudied and the scantiness of research on female entrepreneurship in developed economies is well documented (De Bruin et al., 2006, 2007; Baker et al., 1997). Recent studies suggest that research on female entrepreneurship comprises only less than 10% of all the research in the field. This mean, we know comparatively little about female entrepreneurs apart from the truth that they contribute positively to the Gross National Product (GNP), jobs and innovation, and societal welfare, globally (Brush et al., 2010; De Bruin et al., 2007).

Rationale of this study lies in obtaining a deeper understanding of Tanzanian female entrepreneurs initially using the model suggested by Cooper in 1971. This seemed to be important as, to the best of the researchers' knowledge; the study of female entrepreneurship within Africa is very limited. According to the World Bank (2007), the study of female entrepreneurs was found to be scanty with geographically uneven distribution and skewed focus of the study and academic papers concerned with female entrepreneurship and their contribution to the economy. It is important to note that, African entrepreneurship is not currently a strong a concept as European entrepreneurship. The main focus is to investigate the entrepreneurial decision influence among businesswomen in Tanzania. Watkins and Basuki (2008) found that, over time both entrepreneurship and small business studies started to recognise the issue of gender within the world of business

enterprises. Therefore, this study adds some knowledge to an existing body of knowledge while focusing on the investigation of entrepreneurial decision and the government's support for Tanzanian businesswomen.

Given the poor economic conditions which exist within Tanzania, like any other developing country; policies and strategies for developing and encouraging entrepreneurial decision to start-up own business among female entrepreneurs are required. Authors' review has noted Tanzania to have a number of governmental programmes and the international organisations like the International Labour Organization (ILO) which seems to lack cooperation and coordination among their ad hoc activities in solving different problems among businesswomen (Research on Poverty Alleviation, REPOA, 2010). This study will inform Tanzanian policy makers on the governmental policies and strategies for sustainable development of female entrepreneurs as a poverty reduction strategy in developing economies. It is intended that the paper will stimulate government awareness towards encouraging female entrepreneurship by improving essential support needed. This will help in developing small business activities, and promote creation of an environment suitable for female entrepreneurs' activities to flourish and building self-confidence. The ILO (2007) reports that women are increasingly recognised as playing a very important role in the micro and small enterprise (MSME) sector of African countries. The MSME sector is responsible for the majority of job creation in most African countries and is seen as the '*engine of economic growth*' (Baron and Shane 2008; Luc et al., 2011; Wei-Loon et al., 2012). Although women own a large percentage of the MSMEs in Africa, their enterprises tend to be at the '*micro*' level. Very few women-owned enterprises are able to grow beyond one to four employees (Olomi, 2009). Accordingly, this study evaluates the influence towards entrepreneurial decision of these few females to start-up and investigating the barriers towards progression and growth.

Researcher has found that, among the very limited research which has been conducted in entrepreneurship concerning gender issues, most of the researchers and academicians to date concentrated on drawing comparisons between men and women in start-up decision. This study investigates only female entrepreneurs' influencing factors and any possible support given by their government for sustainable growth. This will be useful in understanding the dynamic nature of SMEs run by Tanzanian females and the role of entrepreneurship in the general economy of the country. However, when reviewing research on female entrepreneurship it became apparent that, though available data and studies on the topic is growing, still there is lack of reliable and consistent data on female entrepreneurship particularly in developing countries and emerging economies (Minniti and Naude, 2010; Jamali, 2009). Therefore, point of criticism is that most of the literature available on female entrepreneurship draws on experiences from developed economies and the Western societies particularly (Ahl, 2006).

### **Tanzanian support to SMEs and female entrepreneurship**

The objective of Tanzanian vision, 2025, is to transform the predominantly agricultural economy into a semi-industrialised one (CTI, 2009). The SME sector is

believed to have a significant role to play in contributing to attaining this goal, with the country's mission to stimulate development, and the growth of SMEs' activities, through improved infrastructure, service provision and the creation of a legal framework, conducive to achieving competitiveness (URT, SMEs Policy, 2002). The United Republic of Tanzania (URT) started to promote, and provide support for developing SMEs and female entrepreneurship in 1966 (SMEs Policy, 2002). This was done by forming the National Small Industries Corporation (NSIC) under the National Development Corporation (NDC), with the emphasis on establishing small-industrial clusters with essential training-production and workshops. These were then taken over by the Small Industries Development Corporation (SIDO) in 1973 under whom they remain. Donors, Partners and Non-governmental Organization (NGOs) are all working towards influencing the regulatory reform system, in order to create the proper/right regulatory framework institutions for developing relevant SMEs policies in Tanzania (CTI, 2009).

Together with the above, NGOs have implemented and continue to implement, grassroots/people's skills, training and micro-finance programmes, so as to encourage income-generating activities within the nation (Albee, 1994). In 1996, the Tanzanian government launched a revised industrial policy called the Sustainable Industrial Development Policy (SIDP), which replaced the Basic Industry Strategy (BIS) 1975-1995, under SIDP and SMEs. The informal sectors were marked as the core for future industrial growth and development through the creation of a favourable environment, with clear taxation and duties, market and trade incentives, business and financial infrastructures, credits, promotions, licensing, registration and entrepreneurship development (Mwaniki, 2006). Due to economic changes, Tanzanian government has established initiatives in private sector development through liberalisation of the economy and market decontrolling measures (URT, SMEs Policy 2002). The central government has pulled itself out of productive activities, whilst encourage private sectors to invest in these productive activities (Kirumba, 2005). This measure has had a directly positive impact on the Tanzanian SMEs' development apart from the bottlenecks (caused by poor financial structure, poor communication and lack of entrepreneurial culture within the country) which still hinder the development of the SME sector.

### **Government efforts made to promote female entrepreneurs**

There are so many factors within Tanzania which indicate that the country is well committed to the promotion of female activities and gender equality at large. According to the gender indicator booklet prepared by the Ministry of Finance and Economic Affairs (2010), the issue of gender and equality among Tanzanian society is clearly indicated in the United Republic of Tanzania (URT) constitution, and in the signing and ratification of the major international instruments that promotes gender equality and human rights. These includes the Human Rights Declaration (HRD) of 1948, the United Nations Convention on the Elimination of all Forms of Discrimination against Women (1979), Child Rights Convention (CRC) of 1989 which has a special focus on girls, the Beijing Platform for Action (1995) on women's economic and political empowerment, education and training,

the Vienna Human Rights Declaration (1994), the Cairo Population Declaration (CPD) of 1994, the Millennium Declaration and Development Goals (MDGs) (with MDG-3 centred on gender equality and women's empowerment), and the United Nations Security Council (UN-SC) Resolution 1325 (2000) and Resolution 1820 (2006) on gender equality, protection and participation of women in conflict resolutions, peace-making and state-building.

Nziku, (2012) comments that, government as the main player in the economic development of individuals and the nation at large has the great role of addressing the general constraints and opportunities that can be used by entrepreneurs to advance their economy. Thus, in this study, researcher assessed the influence of some policies, national development programmes and government strategies to overcome poverty among female entrepreneurs in Tanzania. Region wise, Tanzania has also signed and ratified some instruments that are commonly regarded within the region for safeguarding gender (specifically women). This includes the African Union Charter, and its Protocol on Human and Peoples' Rights, the Charter on the Rights of Women in Africa (2003), the Southern African Development Community (SADC) Gender Declaration (1997) and its addendum on the prevention of violence against women and children of Southern Africa (1998), and the SADC protocol on gender and development (2008).

In addition to the instruments being induced by the Tanzanian government to promote gender equality; Tanzania has national legal, policy and institutional frameworks that have been set internally as initiatives for promoting gender equality, and women's empowerment. These are well, and clearly, cited in the Constitution of the United Republic of Tanzania, guaranteeing equality between men and women, and supporting their full participation in social, economic and political life 1999. The key components of policy framework, for the Tanzanian government's efforts to promote females include; the Tanzanian development vision 2025, the National Strategy for Growth and Reduction of Poverty (NSGRP) 2005-2010 (MKUKUTA), the National Women and Gender Development Policy 2000, and the associated National Strategy for Gender Development (NSGD) 2005. Tanzanian government has formed organisations aimed at the development of females such as: the Tanzanian Women's Organization (Umoja wa Wanawake Tanzania) (UWT) and the Ministry of Community Development, Women Affairs and Children. The introduction of a new system of education geared towards the enrolment of more girls, and the establishment of co-education secondary schools. These were introduced in order to reduce the disparity between the number of girls and boys in secondary schools, and in higher learning institutions (URT, 2002).

### **Entrepreneurship policy on females in Tanzania**

Within Tanzania, females are significant part of the country's labour force. Thus, any meaningful development effort according to the URT policy (2002) must be mainstreamed to women. Besides this fact Tanzanian women have less access to some productive resources like land, credit and education, which have been caused by various cultural barriers. It is very clear that within Tanzanian society, male and female stand on uneven



ground; therefore, there is a need for more specific measures in the promotion of female entrepreneurship (URT policy, 2002). With regard to the situation of Tanzanian females, the country policy statement of 2002 stipulates that: '(the) Government will ensure that gender mainstreaming is enhanced in all initiatives pertaining to SMEs development. Such a policy statement focuses on the encouragement of females' participation on SME activities through the following strategies:

- Facilitate SME service providers in designing special programmes for women and disadvantaged groups
- Identify factors inhibiting females and disadvantaged groups from going into business, and design programmes that will address those factors

However, Tanzania has some policies on gender and development, women affairs and development, social welfare, youth and development, community development, family development, national population, water, civil servant, employment, as well as education and training policy. All these policies have been formed as part of the government initiatives for promoting female entrepreneurs as they are well fine-tuned in one way or another to empower Tanzania females which are part of the 4<sup>th</sup> world women conference in Beijing (UN, 1997).

### **Study approach and measurements**

In order to realise the policies and strategies for start-up decision among Tanzania female entrepreneurs, an empirical study was conducted with a sample of 466 Tanzanian female entrepreneurs participated through filling questionnaires. Environmental factors, accessibility and availability of capital, opportunities for interim consulting and the availability of personnel, and the general government policies and strategies for starting-up decision; were potential variables used for statistical analysis of data. The developed questionnaire was designed in the sense of identifying, evaluating and examining some factors predicted to be more responsible for influencing entrepreneurial decision to most of Tanzania females. This was through designing of the study questionnaire through mapping of the research questions together with the selected study model which was founded by (Cooper, 1971). In the course of study process, only female who have started-up their own business activities were used as the study sample; this was due to the psychological implication which was thought by the researcher that female who have made their decision to start-up own business must have different influence from those who have not started own business. So it has been very logical that, to make the results of the study more meaningful and sensible, knowing the essential factors influencing entrepreneurial decision to start-up to among of Tanzanian females only female who have started their own business should be considered.

## Instruments

The choice of using questionnaire was made based on the mapping of various research studies and the literature review, but modifications were made to some questions in order to fit with the context of this study. Information related to policy and strategies for influencing women's start-up in business were gathered through the use of questionnaire. The questionnaire had a five-point Likert scale ranking, where 1 = strongly disagree, 2 = disagree, 3 = neutral (undecided), 4 = agree and 5 = strongly agree. This tool was administered in Kiswahili language so as to obtain richer information based on a language that was clear to all the study participants; as opportunity sampling of the study respondents was considered. Researcher send questionnaire to some females in different regions where majority of study participants were recruited from the informal female social networking groups within the society. During their regular monthly meetings in different localities the study was introduced to them; aim and objectives were clearly elaborated. In this case only female who run their own business activities excluding those who operate in family business (business in conjunction with their husbands and children). This was due to the fact that, family businesses have different influence to their starting and their funding and both internal and external support.

Tanzanian female entrepreneurs in this study were found to be involving themselves with a number of business activities as indicated in the table 1 below which shows the descriptive frequency and percentage of business activities operated by females.

**Table 1: Business activities operated by females in Tanzania, 2012**

Activities	Frequency	Per cent
1. Retail	257	55.2
2. Other*	95	20.2
3. Agriculture/Forestry/Fishing	55	11.8
4. Construction	15	3.2
5. Manufacturing	13	2.8
6. Wholesale	10	2.1
7. Transport /Distribution	8	1.7
8. Professional**	8	1.7
9. Mining	6	1.3
<b>Total</b>	<b>466</b>	<b>100</b>

### Note:

\* = Others (hairdressing(salon), sewing/knitting, tailor, selling fruits, vegetables, foods/catering, making liquor/local brew, bakery and food processing.)

\*\* = Professional (accounting/bookkeeping, leasing agency, nursery and schools, plumbing and welding.)

## Findings

*Environmental factors:* accessibility of market and the availability of customers have influenced majority of Tanzanian female entrepreneurs to a great extent. From the sample 84% businesswomen agreed to have been influenced by this factor to start-up their own business activities. This factor was followed by the presence of successful businesswomen within their local areas who were seen as their role model influencing start-up decisions and development at 67% of the sample. However, the economic condition of their localities has also shown to have great influence to most of females towards start-up decisions. Fifty percent of females in the sample agreed to have been influenced by their economic situations of where they live. Therefore, among all the environmental factors; the majority of Tanzanian females in the study indicated few factors which they described as key factors. These were: “*The accessibility of market/customers, Presence of many successful businesswomen within their locality and the economic condition of local areas*” most females have agreed to have been influenced by these three factors. On the other hand, this has been found to be consistent across the two regions (locations); with an exception of the reason “*The presence of many successful businesswomen in my area*” which have found to have less influence on the decision of females to start-up own business.

*Accessibility and availability of capital:* most of the Tanzania females in this study (40%) stated that their initial source of capital to start-up was based on meagre personal savings followed by aid from friends and husbands 26%, loan from informal women social networking groups 19%, family inherited fund/business 9%, Loan from Banks and other financial institutions 5% and other sources 2%. *Government policies and strategies:* Within the surveyed sample of Tanzanian female entrepreneurs, most of the respondents have shown a neutral response towards the initiatives of the Tanzanian government in terms of policies made for promoting entrepreneurship activities in the country. While more than half of the respondents seem to be unaware of the presence of the ministry which responsible for entrepreneurship activities support.

From the sample surveyed in during this study 69% of the Tanzanian female entrepreneurs disagree that the policies for promoting entrepreneurship activities in the country have influenced their decision to start-up. While the 31% of females entrepreneurs were neutral and others disagreeing of the availability of government strategies initiated for encouraging female entrepreneurs activities. On the other hand, this study realised that 53% of respondents in the sample disagree with the presence of government efforts in tracking entrepreneurs’ activities and helping female entrepreneurs to network with other businesswomen from different regions within the country. However, there are still a great number of female entrepreneurs ranging up to 67% who are still neutral not knowing anything on the general support provided by the Tanzanian government towards promoting entrepreneurial/business activities. For this they neither agree nor disagree with the government support to have influenced their decision to start-up own business.

**Table 2: Significance of variables**

Variables	Estimates	Standard deviations	t-values	R-square	Standardize Solutions
IA1	0.09	0.05	1.89	0.01	0.08
IB5	0.62	0.06	10.06	0.20	0.44
IIB1	0.74	0.04	17.43	0.44	0.67
IIB2	0.52	0.04	12.48	0.30	0.55
IIC1	0.82	0.04	18.95	0.51	0.72
IIC2	0.86	0.05	18.03	0.48	0.70
IIIA2	0.93	0.04	21.10	0.50	0.71
IIIA4	0.84	0.04	20.22	0.60	0.78
IIIA5	0.75	0.04	17.53	0.41	0.64
IIIA6	0.95	0.05	20.53	0.60	0.78
IIIC1	1.15	0.05	20.91	0.44	0.66
IIIC3	0.69	0.05	14.33	0.41	0.64
IIIC5	0.80	0.05	17.35	0.52	0.72
IIIC6	0.66	0.05	12.49	0.30	0.55

The table of statistics for goodness of fit indexes shows that, the model fits well with the data. In fact the chi-square test statistics value is 143.46 and the p-value associated is 0.000 (which is highly significant). Beside the value of RMSEA is less than 0.05 indicating a close fit of the model in relation to the degree of freedom (df) (Arbuckle, 2006). The p-value of the test (RMSEA <0.05) is greater than 0.05 (0.85) indicating that researcher in this study does not have sufficient reason to reject the proposed model built in the process. Since the model is well fitted, this satisfied the researcher to then analyse the results.

Generally, the overall goodness-of-model fit in the above table indicated that there was adequate representation of relationships in the proposed measurement model used in this study of Tanzanian female entrepreneurship. All of the three constructs were evaluated separately, the factor loadings of each construct were found to be statistically significant ( $p < 0.05$ ). Mostly, all the constructs met the criteria of both validity and reliability. Out of all the 40 investigated factors Exploratory Factor Analysis (EFA) reduced them from 40 to 28 factors; followed by Confirmatory Factor Analysis (CFA) which brought down from 28 up to 15 factors. The major difference among factors from EFA and CFA is that, EFA is a technique for identifying structure in data and generating variables for the new model while CFA differs in that as it is much more theory driven and was generally used to test explicit developed model.

Therefore, a very big difference has been found to exist between female entrepreneurs in cities, and those in other who are located in rural areas. With respect to awareness of government policies and strategies, most of the female entrepreneurs located in Dar es Salaam (country major business city) were very aware of those affecting female entrepreneurs. The majority of them even knew where and how they can access credit and loans provided by the government for empowering business women activities. This is

something which, in the areas away from Dar es Salaam, is not understood by most females, who, in many cases, only hear of such policies and strategies through radio and television. As a result, theoretically this study has found more than ten policies in place, formulated by the Tanzanian government, which are related to gender. Policies exist on gender and development, women affairs and development policy, social welfare policy, youth and development policy, community development policy, family development policy, national population policy, water policy, civil servant policy, employment policy, and education and training policy. All have been fine-tuned, in one way or another, to empower Tanzanian females (who were part of the Fourth World Conference on Women in Beijing), yet the majority of that targeted group knew very little about them.

Using Structural Equation Modeling (SEM) with Confirmatory Factor Analysis (CFA) all the factors which were found to have high standardised solution were used during the path analysis for developing the theoretical model of entrepreneurial decision influence on Tanzanian females. The outcome of the model developed during such analysis was the framework model indicated below.

### Factors influencing entrepreneurial decision to start-up own business among Tanzanian females

#### Antecedent factors

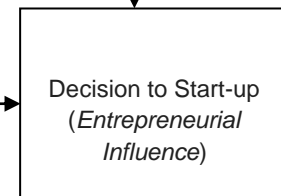
- Role models
- Social groups networking
- Good conduct with public
- Religious institutions

#### Government initiatives

- Entrepreneurship policy
- Strategies for gender considerations
- Tracking of SMEs activities
- Mentor support
- Entrepreneurship trainings

#### Perceived barriers

- Harsh economic condition
- Micro-loans (misallocations)
- Tax concessions
- Level of education
- Landing institutions (financial)
- Geographical location (special supports)
- Information centres



## Discussion of findings

*Government policy:* the Tanzanian SMEs development policy was aimed at establishing a vibrant and dynamic SME sector. This would ensure the effective utilisation of available resources in order to attain accelerated, and sustainable, entrepreneurial growth. This was according to the country's policy to be achieved through the mission set in the SME country policy stating that it was designed to: “*stimulate development and growth of SME activities through improved infrastructure, enhanced service provision and creation of conducive legal and institutional framework so as to achieve competitiveness*” (URT Policy, 2002). The general objective of this policy lies, therefore, in fostering job creation and income generation through the promotion of creating new SMEs, and by improving the performance and competitiveness of existing ones. In this way, their participation and contribution toward the general economy of Tanzania will be increased.

The government policy has been found to be successful in influencing the entrepreneurial decision to start up in the Tanzanian government's SME policy of 2002. During this study, it has been emphasised by the sample of Tanzanian female entrepreneurs, who (particularly in the second, qualitative phase) acknowledged the expected efficiency of the stipulated entrepreneurial policy, and strategies in the SME policy. The only problem observed was in the poor implementation and ineffective follow-ups to the formulated policies and strategies (SME policy, 2002). *National strategies:* in order to boost the implementation of the policies among the disadvantaged groups in the country, however, the Tanzanian government stipulated some strategies within the entrepreneurial policy of (2002) which was aimed at general entrepreneurship in Tanzania. Such policy statements contained sections formulated as a strategy, purposely for encouraging female participation in SMEs activities.

- Identifying factors inhibiting women, and disadvantaged groups, from going into business, and design programmes that will address those factors.
- Facilitation of SME service providers in designing special programmes for women and disadvantaged groups.

These are among the national strategies designed to encourage females to enter business activities, ultimately resulting in the influencing of Tanzanian females' entrepreneurial decisions.

*General support:* the country's government must recognise the role played by females in the economy; this must be accompanied with the government initiating some form of assistance, particularly important in contributing towards influencing the start-up decisions. Following the keynotes addressed at the international conference for female entrepreneurs in the SADC region (Mlambo-Ngcuka, 1996) it was suggested that governments in the Southern African Development Community (SADC) target females as beneficiaries of government programmes for entrepreneurial development. The ILO (2007) also emphasised the importance of the government creating a favourable environment for the promotion of sustainable entrepreneurship.

*Challenges to SMEs:* despite this, the majority of Tanzanian female entrepreneurs seem confident in running their own business activities and obtaining loans for their own activities. Some of the issues hindering the business activities of female entrepreneurs are the high interest rates, and the inflexible loan conditions set by the banks and other financial institutions with the majority of women having no valuable assets that could be qualified as collateral for example. This study found that, loans from banks and financial institutions have lower interest rates than some of the informal loans, which are mostly accessed by female entrepreneurs. This is due to females tending to be more reluctant to access different information for fear of not qualifying for a bank loan with formal requirements. The majority of Tanzanian females thus fall into the trap of paying the very high interest rates of informally accessed loans, which appear to have easy loan terms and conditions. The females feel that they are better off, qualifying for a loan easily, but don't take into consideration the difference in interest rates between formal and informal loans.

## **Implications**

The outcome of this study and the model which has been developed will be used by researchers and policy makers to influence Tanzanian women to start-up their own businesses. Female involvement in developing their businesses provides job opportunities, ensuring that they take an active part in the development of the national economy. The study is expecting to help in providing policy makers, governmental and non-governmental organisations/institutions with additional information regarding the activities of female entrepreneurs within the developing countries. This will be useful in developing suitable strategies for helping female entrepreneurs' start-ups. Therefore, the findings of this study will prove to be a rich resource for policy makers at every level of government, and forming the intellectual underpinnings for legislative, regulatory and business support improvements among Tanzanian female entrepreneurs. This is because, other researchers have concurred, the involvement by females in developing their businesses provides job opportunities, and ensures they take an active part in the development of the national economy. To help establish such a situation in Tanzania, therefore, this study will equip the policy makers with some factors for influencing the entrepreneurial decision as a strategy for increasing the number of entrepreneurs in the country.

The added value of this research lies in the adaption of the previous framework, which was found to be relevant to the context of entrepreneurial decisional influence for use in entrepreneurship research of Tanzanian females. This has been useful, in turn, to capture the dynamic interplay of multiple levels of analysis and objective/subjective factors influencing female entrepreneurship. Additionally, the use of a single sex sample in studying the entrepreneurial decision influence within Tanzania provides both a theoretical, and an empirical, contribution. This is apparent, even in the support given by the ILO-WEDGE programme (UDEC, 2002; ILO, 2003) and a few researchers at the University of Dar-es-Salaam Entrepreneurship Centre (UDEC), both having produced gender studies of female, and male business start-ups, and several contracted research studies of enterprise developmental support (Nchimbi, 2002; UNDP, ILO and UNIDO,

2002). The distinctiveness of this study, therefore, will be on studying a single gender, as opposed other researchers studying female studies as a direct comparison with their male counterparts. The wide gap in many cultural aspects that exists between males and females may have affected any findings, so, it made more sense for the focus to be on females who have started their own businesses only. Trying to compare males and females that have *not* started up, as they are thought to have different opinions, for example, would not have provided any contribution to the aims and objectives of this study.

### **Study limitations**

This study did have some limitations, however, during the process and the most critical of which were, primarily, the lack of enough literature in the field targeted on Tanzanian female entrepreneurs. Stevenson and St-Onge (2005) suggested that there is still a great demand for research studies on businesswomen, in terms of their number, size, social and economic contribution to Tanzanian societies. This could have been among the reasons for the researcher in this study adopting an old model, developed in, and for, developing economies. Had a similar model been developed where the cultural and political differences had more consideration, this would probably not have been the case. Due to the fact that East African Community (EAC) countries have little diversity in the level of economy, socio and culture, compared to America where Cooper (1971), developed the model), a similar study should be conducted within the EAC in order to test the effectiveness of the developed model of entrepreneurial decision influences among females. Economic and cultural differences are among the study limitations that led to the researcher including other aspects from European/Western literature. This enabled any gaps in the model to be filled, and to make it applicable to the study from a Tanzanian context.

### **Conclusion**

The Entrepreneurship policy in this paper has been defined as a policy aimed at the pre-start, the start-up and the early post-start-up phases of the entrepreneurial process, and is designed and delivered to address the areas of motivation, opportunity and skills, with a primary objective to encourage more people in the population to consider entrepreneurship as an option, to move into the nascent stage of taking action to start up a business, and to proceed into the entry and early stages of the business (Stevenson and Lundstrom, 2002, 2005, 2007). 'Pre-start' is the stage after evaluation of the business concept, and the decision to start-up the business is undertaken, while 'post-start-up' is the stage after the business has opened.

The general findings of the entire research project were better supported by the women's entrepreneurship report (2010), which summarised some findings in the literature, identifying that subsequent areas could be targeted to assist female entrepreneurship. This could only be reached through: training for female



entrepreneurship; improving access to finance; consolidating a national network of female entrepreneurs; and establishing a virtual, women's government for greater responsibility. Identifying mechanisms to attract the government, and other relevant institutions, towards proper policy and strategies implements would also be necessary. This is in the direction to the GEM (2012) report, which recommends policymakers consider plans that may help spark attitude changes regarding female entrepreneurs and the programmes that would train and support them in their endeavours.

Nevertheless, the Tanzanian government have shown to be endeavouring towards addressing the practical needs of female entrepreneurship in the country, though this study has found that the struggles made are still insufficient. The country's government, in unison with other NGOs, United Nations (UN) donor agencies, religious institutions and other community based groups, must step in with efforts to design interventions for addressing female entrepreneurs' activities, since they relate to job creation, and economic development. Some of the most valuable policies formulated in Tanzania, therefore, have been found not to have been backed up with vibrant targets, and concrete implementations. However, the SMEs policy and strategies must be capable of facilitating an inter-sectoral relationship between large and medium-scale industries. While national strategy planning is in process, different economic sectors must be recognised by the SMEs policy. Being generally vulnerable, marginalised and from lower income groups, the effective participation of female entrepreneurs would be facilitated by an effective implementation of SME policies.

### **Recommendations for further studies**

Following the findings of the current research study, the need for systematic analysis and a solid understanding of the distinctive characteristics of female entrepreneurs is highly recommended, in order to increase the number of female entrepreneurs and to sustain development. The size and behaviour of female entrepreneurs' businesses should be established within the context of the developing countries with micro, small and medium-sized businesses, and spotlighting their operations within most countries.

Apart from the need for further studies, the interface between work and family, particularly within developing countries should be studied using the new model. This would allow any existing factors influencing the decision to start up a business, in relation to migration, gender and ethnicity, to be established. However, the recommended following questions can be used to help create an inventory of the existing Female Entrepreneurship Policy (FEP).

- What are the stated, and omitted, reasons for designing the policy or support programme?
- On what data, research and other institutional support is the policy or support programme based, and what is their status (e.g. research centres, knowledge institutes, evaluating organisations, best practices, etc.)
- What are the goals of the policy or support programme?



- What will be the indicators for the success of the policy?
- What likely areas, contexts or groups are sought to be targeted, or excluded, from the policy?
- What can be said about the instruments chosen to implement the policy?
- Is there any singular, or a diversity of, strategies to impact at all different levels?

Finally, the implication of policy development, and implementation practice should be evaluated, alongside the study of institutional support. How such a policy and strategies may advance, and encourage, female entrepreneurship in developing countries should also be considered. Furthermore, it is recommended that government and non-governmental organisations should provide support for networking programmes among female entrepreneurs across all regions. Different social groups and individuals from different geographical locations in Tanzania have different entrepreneurial skills which can be shared through networking. Thus, the government should create strategies for promoting social networking among these female entrepreneurs. Further studies should be carried out to include the aspects of entrepreneurial orientations, risk taking, innovation, and other entrepreneurial decision influencing factors like; environment, and the contribution of government strategies and policies towards female decision to start-ups. Practically, there is a need of developing wide formal training of entrepreneurial skills and experiences among Tanzanian females.

## References

- Ahl, H. (2006) "Why Research on Women Entrepreneurs needs New Directions." *Entrepreneurship Theory and Practice*, **30**: 595-621.
- Arbuckle, J. L. (2006) "*Amos 7.0 User's Guide*", Chicago, Illinois: SPSS Inc.
- Albee, A. (1994) "Support to Women's Productive and Income-Generating Activities" *Evaluation and Research Working Paper Series*, Number 1: UNICEF, New York, USA.
- Allen, E., Elam, E., Langowitz, N., Dean, M. and Global Entrepreneurship Research Association (GERA). (2008) "*The Global Entrepreneurship Monitor (GEM) Women's Report*" Wellesly, MA: Babson College, Centre for Women's Leadership.
- Baker, T., Aldrich, H. and Liou, N. (1997) "Invisible Entrepreneurs: The Neglect of Women Business Owners by Mass Media Scholarly Journals in the USA" *Entrepreneurship and Regional Development*, **9**(2): 221-38.
- Baron, R.A. and Shane, S.A. (2008) "*Entrepreneurship: A Process Perspective*" 2 Ed., Mason, OH: Thomson South-Western.
- Brush, C., Carter, N. M., Gatewood, E. J., Green, P. D., and Hart, M. M. (2006) "*Growth Oriented Women Entrepreneurs and their Businesses*" Cheltenham, UK and Northampton, MA, USA: Edward Elgar.



- Brush, C. G., Bruin, A., Gatewood, E. J., Henry, C. (2010) “*Women Entrepreneurs and the Global Environment for Growth*” Cheltenham, UK and Northampton, MA, USA: Edward Elgar.
- Cooper, A. C. (1971) “The Founding of Technologically-based Firms”. Milwaukee, Wis: *The Center for Venture Management*. 68p.
- De Bruin, A., Brush, C.G. and Welter, F. (2006) “Introduction to the Special Issue: Towards Building Cumulative Knowledge on Women's Entrepreneurship.” *Entrepreneurship Theory and Practice*, **30**(5): 585-594.
- De Bruin, A., Brush, C.G. and Welter, F. (2007) “Advancing a Framework for Coherent Research on Women's Entrepreneurship” *Entrepreneurship Theories and Practice*, **31**(3), 323 - 339.
- Global Entrepreneurship Monitor (2012) GEM 2011 Global Report. Published online, <http://www.gemconsortium.org> (accessed on 11<sup>th</sup> June, 2012).
- International Finance Corporation (IFC), (2005) “*SMEs Access to Finance*” IFC. World Bank Group.
- ILO-Labour Conference (2007) “*Conclusions Concerning the Promotion of sustainable Enterprises*” International Labour Office Geneva-Switzerland, June 2007.
- International Labour Organization (ILO), (2003) “*Tanzanian Women Entrepreneurs: Going for Growth*” Jobs, Gender and Small Enterprises in Africa. International Labour Organization (ILO), Geneva - Switzerland.
- International Labour Organization (ILO), (1993) “Resolution Concerning Statistics of Employment in the Informal Sector” *International Labour Organization: Geneva – Switzerland*.
- Jamali, D. (2009) “Constraints and Opportunities Facing Women Entrepreneurs in Developing Countries: A Relational Perspective.” *An International Journal of Gender in Management*, **24**(4): 232-251.
- Kirumba, E. (2005) “*Tanzania's SME Policy*” Policies and Policy Formulation in SADC Countries. Part. II
- Luca, M. R., and Ana-Maria Cazan (2011) “Involvement in Entrepreneurial Training and Personality” *Procedia - Social and Behavioral Sciences*, **30**:1251-1256.
- Lundström, A. and L. Stevenson, (2002) “Entrepreneurship Policy for the Future”, Stockholm: *Swedish Foundation for Small Business Research*.
- Lundström, A. and L. Stevenson, (2005) “*Entrepreneurship Policy: Theory and Practice*” Boston, MA: Kluwer Academic Publishers.
- Malhotra, A., Schuler, S.R., and Boender, C. (2002) “*Measuring Women's Empowerment as a Variable in International Development*.” Final Version of Paper Commissioned the Gender and Development Group of the World Bank. <http://www.worldbank.org/po9verty/empowerment/events/feb03/pdf/malhotra> (accessed on 9th December, 2009).



- Minniti, M. and Naude, W.A. (2010) “What Do We Know About The Patterns and Determinants of Female Entrepreneurship Across Countries?” *European Journal of Development Research*, 1-17.
- Minniti, M. (2010) “Female Entrepreneurship and Economic Activity.” *European Journal of Development Research*, (22): 294-312.
- Mwaniki, J. (2006) “Overcoming the Challenges of SMEs Financing in Africa” Techno-net Africa the UNDP Project.
- Nchimbi, M. I. (2002) “Gender and Entrepreneurship in Tanzania: A Comparative Analysis of Male-Female’s Start-up Motivation, Individual Characteristics and Perceptions of Business Success”, PhD Thesis, University of Dar es Salaam.
- Nziku, M. D. (2012) “Tanzanian Education and Entrepreneurial Influence among Females” *Journal of Women’s Entrepreneurship and Education*, 1(2): 52-73.
- Olomi, D. (2009) “African Entrepreneurship and Small Business Development: Context and Process”. Otme, DSM, Tanzania.
- Olomi, D. R. (2001) “Entrepreneurial Motivation in a Developing Country Context- Incidence-Antecedents, and consequences of Growth-seeking Behaviour Among Tanzanian Owner-manager”, PhD. Thesis, University of Dar es Salaam.
- Stevenson, L. and St-Onge, A. (2005) “Support for Growth-Oriented Women Entrepreneurs in Tanzania” *International Labour Organization (ILO): Geneva - Switzerland*.
- Stevenson, L. and Lundstrom, A. (2007) “Entrepreneurship Policy: Theory and Practice”. *International Studies in Entrepreneurship series, Vol.9*
- The United Republic of Tanzania (URT), *Ministry of Industry and Trade: Small and Medium Enterprise Development Policy*, (2002).
- United Nations (1995) “Beijing Platform for Action” available at <http://www.un.org/womenwatch/daw/beijing/platform/plat1.htm>
- United Republic of Tanzania (URT) (2007) “Poverty and Human Development Report 2007” Dar es Salaam: Research on Poverty Alleviation (REPOA).
- University of Dar es Salaam Entrepreneurship Centre (UDEEC) (2002) “Women Entrepreneurs in Tanzania” Preliminary Report, Prepared for the ILO Office, Dar es Salaam. Geneva.
- Watkins, D. and Basuki, W. (2008) “History and Herstory of the Entrepreneurship Literature: Bibliometrics of Gender in Focus and Production” Paper presented at *the Academy of Management Annual Meeting*, Anaheim, CA, August, 2008.
- Wei-Loon Koea, Juan Rizal Sa’arib, Izaidin Abdul Majidc, Kamariah Ismaild (2012) “Determinants of Entrepreneurial Intention Among Millennial Generation” *Procedia - Social and Behavioural Sciences*, 40: 197-20.



World Bank, (2007) “*Global Monitoring Report 2007: Millennium Development Goals: Confronting the Challenges of Gender Equality and Fragile States.*” Washington, DC: World Bank.