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EXAMINING THE RELATIONSHIP BETWEEN THE THREE COMPONENTS OF MARKET ORIENTATION AND INNOVATIVENESS IN EXPORT VENTURES

Ayse N. Balas, Longwood University
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ABSTRACT

The current study focuses on examining the impact of three components of market orientation—customer orientation, competitor orientation and interfunctional coordination—on innovativeness of exporting firms by developing a conceptual model that incorporates risk-taking as an intermediary variable between the two orientations and innovativeness. The conceptual model is tested with data collected from 159 US export managers. The results indicate that being focused on consumers discourages risk-taking and innovativeness, while having a focus on competitors has the opposite effect and encourages willingness to take risks, which in return promotes innovativeness in exporting firms.

INTRODUCTION

Globalization has promoted worldwide exporting levels to soar and account for more than 32% of global activity (Mandel, 2009). Technological advances in information and communications, production methods, transportation, and international logistics have led to the increase in the exporting activity (Webster & Deshpandé, 1990; Knight & Cavusgil, 2004). However, these advances have also resulted in highly competitive and turbulent markets (Caruana, Morris & Vella, 1998) and sophisticated and demanding customers (Knight & Cavusgil, 2004), which in return have required exporting firms to be both entrepreneurial (Knight, 1997; Caruana *et al.,* 1998) and market-oriented (Knight & Cavusgil, 2004).

The marketing literature advocates that exporting companies need to be market-oriented as customers are more knowledgeable and sophisticated in their choices and require higher degrees of responsiveness from companies (Webster & Deshpandé, 1990; Knight & Cavusgil, 2004). Besides, with an increasing number of countries being integrated into the world economy, exporting firms are faced with increased global competition (Caruana *et al.,* 1998) and an increased need for constantly monitoring and adopting to the changes in macroeconomic, legal and regulatory environments of various countries (Rose & Shoham, 2002). The existing literature supports the notion that market-oriented exporting firms experience enhanced performance levels (Cadogan, Diamantopoulos & Siguaw, 2002; Rose & Shoham, 2002; Akyol & Akehurst, 2003).

The literature also agrees that exporting firms need entrepreneurial orientation to deal with problems and opportunities that arise from competitive and turbulent global markets (Knight, 1997; Caruana *et al.,* 1998). Creativity, ingenuity, and calculated risk-taking associated with entrepreneurial orientation are considered to be crucial for companies operating in the international markets as domestic strengths might not be sufficient (Zahra & Garvis, 2000). In the exporting context, similar to market orientation, acquiring an entrepreneurial orientation is found to be associated with higher performance (Balabanis & Katsikea, 2003; Zahra & Garvis, 2000).

Although being market and entrepreneurial-oriented are viewed as necessary requirements for long-term survival of the exporting firms (Caruana *et al.,* 1998; Luo, Zhou & Liu, 2005), with one exception (Knight & Cavusgil, 2004), the existing literature has investigated market and entrepreneurial orientations in domestic settings. More importantly, a review of the literature indicates that the relationships between the components of market and entrepreneurial orientations are not clear. Several previous studies have argued that both orientations are correlated (e.g., Morris & Paul, 1987; Miles & Arnold, 1991; Barrett & Weinstein, 1998) or simply complement each other (e.g., Slater & Narver, 1995; Jaworski & Kohli, 1996; Atuahene-Gima & Ko, 2001; Liu, Luo and Shi, 2002; Knight & Cavusgil, 2004). Others have found a one-way directional relationship between the orientations (e.g., Matsuno, Mentzer, & Özsomer, 2002; Liu, Luo and Shi, 2003). Although these studies were valuable in establishing a relationship between market orientation and entrepreneurship, none of these studies have focused on studying how these two important constructs were related at the component level. In order to clarify the nature of the relationship between these two orientations the primary goal of this study is to develop and test a conceptual model that examines the relationships between the dimensions of market and entrepreneurial orientations of exporting companies. Establishing the relationship between the orientations and their components will enhance our understanding of these two orientations and how their components are related in the context of exporting.

PROPOSED MODEL AND HYPOTHESES

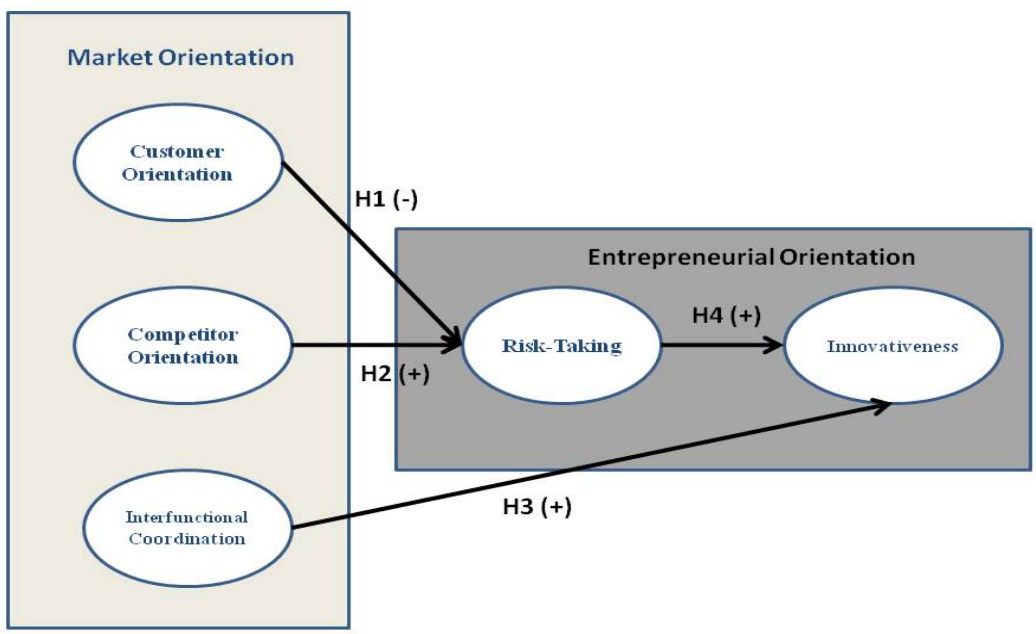
Market orientation has been a central concept in the marketing discipline since the 1950s (Deshpandé, Farley & Webster, 1993; Gray & Hooley, 2002). Two main theoretical approaches—behavioral and cultural—have been used in the development of the market orientation concept (Homburg & Pflesser, 2000; Kirca, Jayachandran & Bearden, 2005). While the behavioral approach depicts market orientation in terms of behaviors related to organization-wide generation and dissemination of market intelligence on current and future customers and responsiveness to this intelligence (Kohli & Jaworski 1990; Matsuno, Mentzer & Rentz, 2000;

Siguaw, Simpson & Baker*,* 1998; Langerak, 2003), the cultural approach describes market orientation as an organizational culture that is committed to deliver continuous superior value to its customers (Narver & Slater, 1990; Deshpandé *et al*., 1993; Han, Kim & Srivastava, 1998). According to the cultural perspective, customer orientation, competitor orientation and interfunctional coordination are the three components of the market orientation construct (Narver & Slater, 1990).

Although some previous studies on exporting used the behavioral perspective (e.g., Murray, Gao & Kotabe, 2011, Akyol & Akehurst, 2003, Cadogan *et al.,* 2002, Cadogan, Kuivalainen & Sundqvist*,* 2009), the current study adopts the cultural perspective as "market orientation rests fundamentally on cultural values" (Gebhardt, Carpenter & Sherry, 2006, p. 38) and manifests itself on firm culture overtime through the use of stories, organizational processes and behavioral reinforcements (Hurley & Hult, 1998).

Entrepreneurial orientation on the other hand is defined as the propensity to take calculated risks and to be innovative (Morris & Paul, 1987). Innovativeness and risk taking are two important components of the entrepreneurial orientation construct (Miller, 1983; Morris & Paul, 1987; Covin & Slevin, 1988; Naman & Slevin, 1993; Caruana *et al.,* 1998; Matsuno *et al.* 2002; Liu, Luo & Shi, 2002, 2003).

Figure 1 – Conceptual model



In the current study, based on the cultural approach, it is contended that market orientation and entrepreneurial orientation are two distinct but intertwined cultures of an exporting company. In an effort to explain the componentwise relationships between marketing orientation and entrepreneurial orientations, the current study expects that consumer and competitor orientations influence innovativeness through their impact on risk taking. The study further expects that interfunctional coordination, the third component of market orientation, directly and positively contributes to the innovativeness of exporting companies. These linkages will be elaborated in greater detail in the following sections. The model is illustrated in Figure 1 above.

Customer Orientation and Risk Taking

Customer orientation is described by Narver and Slater (1990, p. 21) as “the sufficient understanding” of customers in order to create value for them. Although being customer oriented is considered important to sustain competitiveness, a firm’s customer orientation could prevent it from taking risks. An exporting firm with a priority on meeting the demands of its customers might not step outside the immediate voice of its customers (Jaworski, Kohli & Sahay, 2000). In other words, when an export firm is customer-driven, its focus and resources will be centered solely on the satisfying its customers’ needs. However, customers’ needs are limited to what they are accustomed to and what they can relate to (Lukas & Ferrell, 2000). Moreover, companies allocate resources based on rational assessments of returns and risks (Christensen & Bower, 1996). A customer-oriented firm is prone to take less risky investments, as well-understood needs of known customers will constitute a rather risk-averse choice. Supporting these arguments, Christensen and Bower (1996) found that when companies were customer-oriented they were less likely to be risk-takers. Based on these conceptualizations and findings of the literature, it is predicted that:

H1: Customer orientation is negatively related to risk-taking.

Competitor Orientation and Risk Taking

Competitor orientation is defined as “understanding the short-term strategies of both the key current and the key potential competitors” (Narver & Slater, 1990, p. 22). A competitor-oriented firm has a propensity to keep a constant eye on its rivals to identify, analyze and effectively respond to their strategies (Narver & Slater, 1990; Im & Workman, 2004). A focus on competitors and outperforming them require taking risks on untested approaches in new technologies and/or new systems. Thus, it is reasonable to assert that an exporting company with a competitor orientation is willing to take calculated risks to distance themselves from their competitors (Matsuno *et al.,* 2002) to sustain their competitive advantage in a global marketplace. In other words, a logical outcome of competitor orientation is considered to be a culture that is prone to risk-taking. Therefore, it is predicted that:

H2: Competitor orientation is positively related to risk-taking.

Interfunctional Coordination and Innovativeness

Interfunctional coordination is described as "the process that assimilates the results of being customer and competitor oriented and allows coherent action" (Wooldridge & Minsky 2002, p. 31). Interfunctional coordination is characterized by enhanced communication and exchange between all organizational departments (Narver & Slater, 1990; Im & Workman, 2004). The literature associates interfunctional coordination with firm level innovativeness and offers several explanations for this association. First, greater interfunctional coordination is believed to foster trust and dependence among different departments and decreases the departmentalization in the organization that inhibits innovativeness (Zahra, Nash & Bickford, 1995; Lukas & Ferrell, 2000; Auh & Menguc, 2005). In other words, innovativeness is fostered by crossfunctional coordination as divergent perspectives by different functions are taken into account when making decisions (Troy, Hirunyawipada & Paswan 2008). Second, interfunctional coordination is considered to promote innovativeness in the organization as it "involves open generation and sharing of new ideas, resolution of problems and disagreements by means of non-routine methods and different frames of reference" (Im & Workman, 2004, p. 118). More specifically, when functional units work autonomously, they are more likely to follow their own routine mode of problem solving and are less likely to be creative; however, when they are integrated, the information sharing and interaction will give rise to willingness to accept new ideas and engagement in innovative activities (Han *et al.,* 1998). Lastly, "interfunctional coordination may serve as an impetus to innovativeness because increases in communication and team work are likely to generate new ideas and technology explorations" (Woodside, 2005, p. 276). Consequently, interfunctional coordination is likely to remove obstacles in the transference of tacit knowledge, which is associated with breakthrough innovations (Lukas & Ferrell, 2000). In sum, interfunctional coordination characterized by high level of information sharing, coordination, interaction and communication among departmental units, positively contributes to organizational innovativeness (Damanpour, 1991; Woodside, 2005). Therefore, it is predicted that:

H3: Interfunctional coordination is positively related to innovativeness.

Risk Taking and Innovativeness

The existing literature contends that one of the fundamental drivers of innovation is risk-taking (Tellis, Prabhu & Chandy, 2009). Risk taking refers to a company's willingness to commit resources to products or projects with a reasonable chance of failure (Miller & Friesen, 1978). Usually the risks the company takes are not uncalculated, extreme risks that involve reckless decision-making, but are calculated risks that are identified by management (Davis, Morris & Allen, 1991) and involve business risks (e.g., entering into untested markets), financial risks (e.g., obtaining high leverage from borrowing), and/or managerial risks (Dess & Lumpkin, 2005; Lumpkin & Dess, 1996). The literature argues that risk-averse companies favoring status quo and using tried and traditional methods innovate merely when confronted by changing competitor strategies or consumer preferences (Nystrom, Ramamurthy, & Wilson, 2002). In other words, the development of new products, services or programs is unlikely for organizations that discourage risk-taking (Jaworski & Kohli, 1993; Amabile, Conti, Coon, Lazenby, & Herron, 1996). On the other hand, organizational cultures cultivating tolerance for risk taking lead to radically new products, processes and strategies (Kuczmarski, 1996). It is mainly because a risk-taking company thinks outside the box and considers untried and novel ideas and nontraditional ways to do business (Sethi, Smith, & Park, 2001; Andrews & Smith, 1996) which in turn leads to innovative products, services, or processes (Hurley & Hult, 1998, Sethi *et al*., 2001; Gupta, Raj, & Wileman 1986; Alpkan, Bulut, Gunday, Ulusoy, & Kilic 2010). Therefore, it is reasonable to predict that:

H4: Risk-taking is positively related to innovativeness.

MEASURES

Multiple-item measures were used for the constructs under investigation and most of the items were displayed in the form of seven-point Likert scales to ensure "maximal respondent specificity" (Knight 2001, p. 163). The scales for consumer orientation, competitor orientation and interfunctional coordination were taken from Narver and Slater's (1990) study, and modified to the exporting context based on in-depth interviews with export managers. The scales for innovativeness and risk-taking were adapted from Matsuno *et al.* (2002).

METHODOLOGY

Sample and Data Collection

The sample for the survey is withdrawn from the *Export Yellow Pages*. This directory was used in previous studies (e.g., Samiee & Walters, 1990; Bello & Gilliland, 1997). Only manufacturing firms are included in the sample. Prior research on exporting (i.e. Zou & Cavusgil, 2002; Morgan, Kaleka & Katsikeas, 2004) had excluded the service firms and firms engaged in primary industries because of their peculiar international expansion patterns, regulatory requirements, and performance characteristics. Moreover, industry differences (i.e., manufacturing vs. service industry) affect the strength of the relationships involving market orientation (Kirca *et al.* 2005). Each manufacturing firm was contacted by telephone to identify an appropriate key informant for the study, and to prenotify the firm of the research project (Bello, Chelariu & Zhang, 2003; Morgan *et al.,* 2004). Approximately 600 firms were identified. Out of these 600 firms, only 314 export firm managers agreed to participate and only 168 managers returned the survey and 8 of the responses were eliminated due to excessive missing data and low level of knowledge. The final sample consists of 160 manufacturing firms and the response rate is 29%, which is regarded as acceptable. Potential for non-response bias was assessed by comparing early responders to later responders (Armstrong & Overton, 1977) in terms of firm characteristics, such as years of exporting, age of the venture and number of export markets. The results of independent-samples t-test indicated that there was no threat of bias arising from non-response.

Measurement Model

A two-stage approach is used to analyze the data and test the hypotheses (Anderson & Gerbing, 1988). According to the two-stage approach, the measurement model first is developed and evaluated, and then the full structural equation model is evaluated. The analysis of measurement model was conducted by evaluating construct validity. The construct validity is explored by convergent and discriminant validity. To assess convergent validity of the five latent variables (i.e., customer orientation, competitor orientation, interfunctional coordination, innovativeness, and risk-taking) confirmatory factor analysis (CFA) was conducted using AMOS 19.0. Normality of the data was assessed, and all of the kurtosis values were less than 1.96, which indicated nonsignificant kurtosis. However, Mahalanobis distance revealed a potential outlier. After careful examination of the responses one respondent was eliminated. Model fit was assessed by using the indices suggested by Jackson, Gillaspy, and Purc-Stephenson (2009); the indices indicated that the fit was good [χ^2 (d.f. 109) = 169.01 $p< .001$, CFI = .95, RMSEA = .06, SRMR = .06.] All the paths between the observed variables and their assigned latent variables were significant, and the standardized loadings were equal to or greater than .40 indicating the convergent validity. The construct reliabilities for all constructs were greater than .70, which indicates good reliability as they are larger than the suggested threshold by Bagozzi and Yi (1988). Another indicator of convergent validity is variance extracted (VE) (Hair, Black, Babin, Anderson, & Tatham, 2006). Calculated VE values were larger than suggested rule of thumb value of 0.50, thus demonstrating convergent validity (Fornell & Larcker, 1981). Discriminant validity for two estimated constructs was assessed by constraining the estimated correlation parameter between pairs of constructs to 1.0 and comparing the χ^2 to the χ^2 of the unconstrained model for each pair (Anderson & Gerbing, 1988). In each case the results of χ^2 difference tests between the constrained and unconstrained models indicated that the dimensions significantly differed ($p \leq .01$) from each other. Table 1 provides the factor loadings, composite reliability and extracted variance for study variables.

Table 1: Measurement Model				
Construct	**Indicator**	**Standardized Loading**	**Construct Reliability**	**Variance Extracted**
Consumer Orientation	CO1	.74	.87	.53
	CO2	.70		
	CO3	.79		
	CO4	.70		
	CO5	.77		
	CO6	.67		
Competitor Orientation	CMO1	.83	.84	.65
	CMO2	.79		
	CMO3	.80		
Interfunctional Coordination	IC1	.82	.82	.60
	IC2	.88		
	IC3	.60		
Innovativeness	IN1	.69	.75	.60
	IN2	.85		
Risk-taking	RT1	.60	.78	.53
	RT2	.85		
	RT3	.76		

Structural Model

Hypothesized model was compared with reasonable alternative models to demonstrate that hypothesized model offered the best representation of the data (Seibert, Kramer & Liden, 2001). The first alternative model had direct paths from interfunctional coordination, consumer and competitor orientationsto innovativeness and set the path between risk taking and innovativeness to zero. The second alternative model included all the direct paths in the first alternative model as well as the paths from consumer and customer orientations to risk taking and from risk taking to innovativeness. The change in chi-square test (Bentler & Bonnett, 1980) was used to test the comparable fit of the nested models. The comparisons between the hypothesized model and the alternative models revealed that while alternative model 1 had significantly worse fit to the data than the hypothesized model ($\Delta\chi^2$ (113-112 = 1, N = 159) = -14.77, $p <.01$), alternative model 2 provided a significantly better fit than the hypothesized model ($\Delta\chi^2$ (112-110 = 2, N = 159) = 8.03, $p <.05$) Thus, alternative model 2 is retained as the best fitting model. Table 2 shows the change in chi-square test results and other fit indexes for the nested model comparisons.

Table 2: Nested Model Comparisons						
Model	**χ^2 *(df)***	**$\Delta\ \chi 2(\Delta df)$**	**CFI**	**RMSEA**	**SRMR**	**Model comparisons**
Hypothesized	178.07** (112)		.95	.06	.07	
Alternative Model 1	192.84** (113)	-14.77** (1)	.94	.07	.08	Hypothesized model
Alternative Model 2	170.04** (110)	8.03* (2)	.95	.06	.06	Hypothesized model

** $p \leq .05$*
***$p \leq 01$*
$N = 159$

The fit of the retained model is good [χ^2 (d.f. 110) = 170.04 $p< .001$, CFI = .95, RMSEA = .06, SRMR = .06]. There is evidence for structural theory validity as the structural model fit is only marginally worse than the CFA model fit (Hair *et al.,* 2006). Based on the results of the structural path analysis, the following section elaborates on the findings of specific hypotheses .

Table 3: Parameter Estimates		
Path	**Parameter Estimate**	***t*-value**
Customer Orientation – Risk-taking	-.55	-2.39**
Competitor Orientation – Risk taking	.50	2.17*
Interfunctional Coordination- Innovativeness	.39	1.55
Customer Orientation – Innovativeness	.34	1.35
Competitor Orientation – Innovativeness	.03	.13
Risk-taking - Innovativeness	.39	3.42**

* $t \geq 1.645$, $p< .05$ (one-tailed test)
** $t \geq 2.327$, $p< .01$ (one-tailed test)
Note: Values shown are standardized path coefficients

H1 predicts that customer orientation of an exporting firm is negatively related with its risk-taking propensity. This hypotheses is supported as the path coefficient between customer orientation and risk-taking is found to be negative and significant (b =-.55, $p \leq .01$). *H2* suggests that an export firm's competitor orientation is positively associated with its risk-taking. This hypothesis is supported as the path coefficient is positive and significant (b =.50, $p \leq .05$). *H3* predicts that an export firm's interfunctional coordination is positively associated with its innovativeness. This hypothesis is not supported by the survey data (b =.39, $p \leq .10$). *H4* contends that an export firm's propensity to risk-taking influences its innovativeness and this hypothesis is also supported (b =.39, $p \leq .01$).

DISCUSSION

This study demonstrates that customer orientation has a negative impact on risk-taking and innovativeness of exporting firms, as expected. The presence of strong negative relationship between customer orientation and risk-taking supports the view that the more market-oriented an export firm is the more risk-averse it will be. Similarly, due to indirect impact through risk-taking, exporting firms that are customer-oriented will be less innovative (Gatignon & Xuereb, 1997; Voss & Voss, 2000). This finding is consisted with the arguments of the scholars who warned about the negative impact of focusing too much on the customers (MacDonald, 1995; Christensen & Bower, 1996; Christensen, 1997; Berthon, Hulbert & Pitt, 1999).

Moreover, the results of the current study indicated that competitor orientation is positively related to risk-taking proclivity of exporting firms. Highly competitor-oriented exporting firms are more likely to take risks (Matsuno *et al.,* 2002) Moreover, the indirect impact of competitor orientation through risk-taking indicates that the more competitor-oriented an export firm is the more innovative it could be. These findings are consisted with the view suggested by previous studies (Han *et al*., 1998, Wu, Maharajan & Balasubramanian, 2003).

On the other hand, the results of this study further indicated that there is no significant relationship between interfunctional coordination and innovativeness of exporting companies. This result is contradictory to the previous findings advocating the positive influence of interfunctional coordination on the innovativeness of the firms (Narver & Slater, 1990; Im & Workman, 2004, Auh & Menguc, 2005). The absence of a significant positive relationship between these two constructs could be attributed to the fact that 84 percent of the sample is considered to be small sized companies (American Management Association, 2011). It is possible that for these companies their small size might allow them to have effective internal communication (Dodgson & Rothwell, 1991) without emphasizing formal interfunctional coordination. Considering the context of the current research (i.e., exporting firms), it is also possible that the role of internal coordination among different functions may not be as important determinant of innovativeness for exporting firms as it is for domestic firms.

MANAGERIAL IMPLICATIONS AND LIMITATIONS

The results of the current study offer new insights to export managers. Export managers should carefully assess the trade-offs among adopting different dimensions of market orientation to experience innovativeness An exporting firm encouraging risk-taking tends to be more innovative. However, when an exporting firm focuses primarily on satisfying its customers it tends to be risk-averse, while when it focuses on tracking its competitors it is more likely to take risks. Adopting a customer-oriented posture might be successful in industries where the need for innovation is less pronounced.

The results of the current study should be interpreted with caution due to several limitations. First, utilization of cross-sectional data does not allow us examine the hypothesized relationships over time. Future studies that use longitudinal data will offer better insight into the relationships studied in this study. Second, the focus of this study was on US exporting firms, which prevents us from generalizing the results to domestic firms. Future studies can be conducted in the domestic contexts. Similarly, caution should be exercised when generalizing the findings of the current study to exporters from other countries. Future studies can be conducted to test whether the findings of this study can be applicable to exporters from different countries and emerging markets. Finally, there is possibility of common method variance as the study's exogenous and endogenous variables were gathered from the same source. To detect the existence of common method variance Harman's one-factor test was conducted (Podsakoff & Organ, 1986). In this procedure a CFA model was estimated with a single factor and its fit is compared to the fit of a model with the five latent variables (Podsakoff, MacKenzie, Lee & Podsakoff, 2003; Ramani & Kumar, 2008). If one-factor model fitted the data as good as the five factor model then we would say that common method variance was a significant problem (Korsgaard & Roberson, 1995). The one-factor model yielded a chi-square of 571.92 (d.f. = 152). Chi-square difference between the one-factor model and the five-factor model presented was significantly worse [$\chi^2_{\text{5-factor model}}$ = 273.56 with 141 d.f.]. Thus, we can state that common method bias was not a serious threat.

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ALL IN THE FAMILY: ENTREPRENEURSHIP AS A FAMILY TRADITION

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ABSTRACT

Family businesses are an important part of most economies. In the United States, they account for 90% of all businesses (Small Business Association, 2011) and are said to generate approximately 64% of the nation's GDP (Laird Norton Tyee, 2007). Across Europe, 70-80% of businesses are family businesses, including both SMEs and large businesses (Mandl, 2008). Many people who grew up in family businesses or around family members who were self-employed eventually choose to start new businesses. In addition, more and more family businesses are now being passed to daughters, rather than to sons (Resources of Entrepreneurs, 2011). This study examines the proportions of men and women in a variety of countries whose motivation for starting a business was based on a family tradition for self-employment. The results show that, in several countries, more women than men state that this tradition was a motive for entrepreneurship.

INTRODUCTION

SMEs form a large part of the global economy, with a significant proportion of SMEs also being categorized as family-owned. According to the Small Business Association (2011), 90% of all businesses in the United States are family-owned. Approximately 64% of the US GDP is generated by family-owned businesses (Laird Norton Tyee, 2007), as are 78% of new jobs and 60% of overall employment (Resources for Entrepreneurs, 2011). A somewhat similar picture is seen in Europe, where 70-80% of companies are family businesses, mostly small and micro (fewer than 10 employees) in size. Together they provide almost half of European jobs (Mandl, 2008) and 35-65% of GNP of the European Union member states (PricewaterhouseCoopers, 2007/2008).

Family businesses are not just businesses in which the owners happen to be family. As Mandl (2008) states, there is a strong interrelationship between the family and business such that the family is at the center of the business. People who grow up with a self-employed parent or in a family business environment usually learn the advantages and disadvantages of being self-employed. In families whose businesses survive through more than one generation, joining the family business or starting one's own business may be viewed as a family tradition. This study examines this situation by comparing the proportions of men and women in a variety of European countries who stated that following a family tradition was a motivator in their decision to start a business. The following section provides a brief review of some issues in family businesses. The results of this study are then presented.

FAMILY AND BUSINESS

The strong interrelationship between families and family businesses creates a situation in which the long-term health and survival of the business (including transition of ownership) is often given considerable importance. Transition to the next generation has become a problem for many family businesses. Only one-third successfully transfer the business to the next generation due to lack of interest in the business by the succeeding generation, problems that develop after initial transfer or other reasons (Resources for Entrepreneurs, 2011).

In addition to the transfer of business and market knowledge, social, cultural, and financial capital are frequently passed from one generation to the other over a long period of time (Longenecker & Schoen, 1978; Mandl, 2008). As stated by Fletcher, Helienek and Zafirova (2009, p. 369), "The real strength of the family embeddedness perspective of entrepreneurship…is the signaling of family transitions." These generational transfers include work values and attitudes as well as resources (financial, human, labor, information). Values passed from one generation to the next include honesty, credibility and respect, which are important for long-term success in dealing with customers, co-workers and communities (Aronoff & Ward, 2001; Koiranen, 2002; Mandl, 2008; Stewart, 2003). These values also often include a personal commitment to the long-term survival of the business rather than an emphasis on short-term profits. For example, family businesses in Cypress are thought to grow the talents of family members and strengthen the ties between them (Mandl, 2008). It is not suprising, then, that family businesses in that country tend to be older than other businesses (Duh & Tominic in Mandl, 2008; Emling, 2000).

Mothers, in particular, are said to play a vital role in the transfer of values from one generation to another, making women especially important to the process (Lambrecht, 2005; Lansberg, 1999; Poza & Messer, 2001). Women are also becoming more important in terms of ownership. Although old traditions passed family businesses to the oldest son, changes in concepts regarding gender equality is causing an evolution in family business transfer so that more and more women are taking over family businesses (Mandl, 2008; Resources for Entrepreneurs, 2011). In the past few years, the number of family businesses owned by women has increased 37%, and there are indicators that these women have higher success rates than businesses controlled by men (Resources for Entrepreneurs, 2011).

Women tend to have a higher proportion of family members in their networks, and such networks have been found to be significantly smaller (Greve & Salaff, 2003; Moore, 1990; Renzulli, Aldrich & Moody, 2000). In a study of successful business owners across Europe, family and friends were women's top source for advice, followed by professional acquaintances, while the reverse was true for men (Robinson & Stubberud, 2010). Similarly, Watson (2011) found that Australian women SME owners used family and friends more than men did; men used more formal networks such as banks and business consultants. Greve and Salaff (2003) determined that women with one or both self-employed parents have been found to have 28% family members in their networks, compared to 16% for men. This is consistent with Hisrich and Brush (1986), who found that men claimed advisors such as lawyers and accountants among their most important supporters, with spouses second, while women reported spouses to be their most important supporters, followed by close friends. A French study by Orhan (2001) reached the same conclusion. Cromie and Birley (1992) likewise concluded that family members were the most important people in women business owners' networks in Northern Ireland. In Greece, mentoring was found to be a "serious support mechanism" for women starting businesses (Apergis & Pekka-Economou, 2010, p. 384). Bruderl and Preisendorfer (1998) found that support from strong ties (typically family and friends) was more important to start-ups' success than weak ties such as professional acquaintances and business contacts. Watson, however, found a stronger relationship between formal network and business survival.

Smaller ventures have been found to use friends and family more than larger ventures do, while using banks less than their larger counterparts (Cooper, Woo, Dunkelberg & William, 1989; Robson, Jack & Freel, 2008; Watson, 2011). Birley (1985) found that the type of source accessed was related to the resources desired. When assembling raw materials/supplies, equipment, location/premises, and employees, business contacts were used most, but family and friends were also important for assembling *local* resources (location/premises and employees). Watson found that gender differences in networks tended to disappear when controlling for business size.

Even outside of family business, people who grew up with self-employed family members are more likely to become self-employed themselves. According to a European study by the Gallop Organization (2010), people whose family is/was entrepreneurial were more likely to express a preference for being self-employed. Specifically, 56% of people whose parents were/had been entrepreneurs wanted to be self-employed themselves compared to 42% of people with a different family background. However, only 2% of EU citizens wanted to be self-employed *because* family members *or friends* were self-employed. The phrasing of this question could have led respondents to view this as a "me, too" option rather than an issue of family tradition or the effects of being brought up in a family business. In looking ahead to the future, 35% of respondents with one self-employed parent saw self-employment as a possibility in the near future compare to 28-30% of other respondents.

Given the prevalence of family businesses and the influence of self-employed parents on their children, it is important to examine this phenomenon. This study examines the influence of family tradition on self-employment through analysis of two data sets. The results of a large scale quantitative European survey are first presented, followed by hfindings from interviews with business owners.

METHODOLOGY, RESULTS AND ANALYSIS

This study used both quantitative and qualitative research methods to examine the relationship between family tradition and self-employment in Europe and the United States. The data for the European study were gathered from Eurostat's metadata database (Eurostat, 2011). The sample frame of this extensive 2005-2006 survey consisted of people who had started businesses in 2002 and were still personally managing them in 2005. The countries included in the "European aggregate based on available data," are shown in Table 1 along with the number of participants from each country. The data examined for this study pertained to the proportions of European men and women who stated that a tradition for self-employment in the family was a major motive in their decision to start a business.

Table 1: Number of Participants by Country and Sex

Country	Total	Men	Women
European Union Aggregate	337 919	242 951	94 971
Austria	13 616	9 845	3 772
Bulgaria	18 648	11 046	7 602
Czech Republic	62 400	45 338	17 063
Denmark	9 241	7 357	1 884
Estonia	1 981	1 505	476
Italy	145 325	108 673	36 652
Latvia	1 952	1 263	689
Lithuania	2 692	1 995	698
Luxembourg	1 301	1 062	239
Portugal	11 802	10 127	1 675
Romania	50 082	32 251	17 831
Slovakia	22 022	15 414	6 608
Slovenia	3 698	2 716	982
Sweden	12 592	9 970	2 622

Original qualitative data were collected through semi-structured interviews with small business owners in a semi-rural area of Pennsylvania. These interviews pertained to the motivation for starting a business and the advice networks used during start-up. While the quantitative data (see Table 2) showed that the motivation to start a business based on family tradition varies by country, and in some instances, by gender, the qualitative data provide insight into the mental processes and motives of people starting or taking over businesses.

Table 2: Family Tradition as a Motive for Business Start-up

Country	Men	Rank (Men)	Women	Rank (Women)	Chi Square	P<
European aggregate	22.5%	---	22.4%	---	0.1	.842
Denmark	**42.0**	1	35.9	4	5.8	.016*
Luxembourg	38.5	2	37.2	2	0.1	.920
Portugal	33.3	3	37.0	3	1.7	.187
Sweden	30.4	4	**38.3**	1	11.6	.001**
Italy	26.0	5	**27.6**	6	5.5	.019*
Bulgaria	25.3	6	**29.7**	5	7.0	.008**
Romania	**24.0**	7	21.0	8	7.5	.006**
Austria	21.4	8	22.2	7	0.2	.689
Lithuania	17.1	9	19.5	9	0.2	.689
Slovenia	13.8	10	13.0	11	0.1	.888
Latvia	13.3	11	17.7	10	0.5	.480
Czech Republic	11.5	12	10.1	14	1.4	.233
Slovakia	11.1	13	10.7	13	0.1	.842
Estonia	8.7	14	12.0	12	0.2	.663
*statistically significant at the .05 level ** statistically significant at the .01 level						

There was a large difference between the proportions of men and women who stated that family tradition was a motive for business start-up, ranging from a high of 42% for Danish men to a low of 8.7% for Estonian men. Swedish women were the most likely to state that family tradition was a motive (38.3%) with Czech women being the least likely (10.1%) to say this. Seven countries were above the European average for men (22.5%) and six were above the average for women (22.4%), with Romania being higher for men but lower for women.

Although the percentages for men and women overall were very close, analysis by country revealed five countries in which there was a statistically significant difference between the proportions of men and women who were motivated by family tradition. In three of these cases (Sweden, Italy and Bulgaria), women were more likely to state that family tradition motivated them to start a business. In Sweden, which ranked first for women but fourth for men, there was a 7.9% difference between women and men. The difference between Italian women (27.6%) and men (26.0%) was only 1.6%, but was nonetheless statistically significant due to the very large number of respondents in Italy. The difference in Bulgaria was slightly larger at 4.4%. In contrast, the 4.4% gap between Latvian women (17.7%) and men (13.3%) was not statistically significant in this less populated country. Romania and Denmark both showed a statistically significant difference between men and women with men being higher. In fact, Denmark's men were the most likely (42.0%) to report this motive with a 6.1% gap between the percentages of men and women affirming this motivation. However, in comparing ranks, there was only a total of 2.4% difference between women in Sweden (ranked 1) and Denmark (ranked 4), while there was 11.0% total difference between men in Denmark (ranked 1) and Sweden (ranked 4).

The six countries with the lowest percentages of people stating that family tradition was a motive were formerly Eastern Bloc countries. Austria was the only country not in the Eastern Bloc that was below the European average, but Austria's percentages were close (22.2% for women and 21.4% for men). Romania men (24.0%) were about the European average, but women were below (21.0%). Estonia had the lower percentage of men (8.1%) while the Czech Republic had the lowest percentage of women (10.1%). There were no statistically significant differences between men and women in those six countries or Austria.

To add a personal voice to these statistics, semi-structured interviews were conducted among self-employed people with at least one employee in a semi-rural area of northeastern United States. These business owners responded to open-ended questions about their motivation for self-employed and how they started their businesses. Participants were chosen based on a convenience sample, as results are meant to shed light on the connection between family and motivation for self-employment rather than providing inferential statistics.

The importance of family became clear in the interviews. Not only did family members provide a variety of types of assistance and support, but the family environment as the business owner was growing up was also frequently cited as an important factor. Parents, especially fathers, were cited as a particular influence, as explained in the comment:

"My father was also an entrepreneur. He inspired me." (car dealer)

Many business owners attributed their choice of career path to their upbringing with entrepreneurial (to use the term loosely) parents, even when the parents' small business ventures were essentially only part-time sidelines. In this way, the work itself was part of the family tradition.

> *"I grew up watching my father work on vehicles in his spare time."*

> *"I chose this business because this is what I grew up doing and learning. I was always at the pizzeria. There wasn't a day that went by that I didn't spend time with my grandparents at the restaurant. There's no other kind of work I would want to be doing right now."*

> *"I didn't choose [the painting business]. It kind of just came along. My father painted when I was a young boy and he used to take me along to his jobs. This was something I always wanted to do….My father painted, and my brother was a painter for another company."*

In addition to having the work "ingrained" in them, several business owners felt that the knowledge they learned growing up in a family business was important in starting and running their own businesses.

> *"My family owned [a convenience store] when I was growing up in Florida and it was my first job. As I grew up I continued to work there and began to learn the business from the inside and was exposed to most of the business at a young age. This made me feel that a convenience store is a business I have prior knowledge in so it will be easier to start up."*

> *"I spoke with my two cousins who are currently in the lawn care business and they were both willing to share their knowledge with me." (lawn care)*

One participant explained how her father had made her work her way up through the ranks of their charter bus company, starting at the lowest level, cleaning out the busses. Her father clearly had intentions of passing the family business onto her, as evidences by his assertion that she had to start at the bottom because

> *"[you] can understand [your] employees' problems when you have done their job."*

Taken together, these interviews give insight into families in which children learned about business and self-employment as they grew up. Some of them felt that starting their own businesses or carrying on the family business was the only option, from an emotional standpoint. They enjoyed their work and saw it as what they were meant to do. In this way family tradition was a motive for starting a new business or continuing a family business.

DISCUSSION AND CONCLUSIONS

This study has sought to examine one aspect of the relationship between family tradition and self-employment. One limitation of this study was the inability to link the responses from the question regarding family tradition as a motive for starting a business to other questions in the extensive survey. Another is that the interviews were conducted with American participants who were not in the sample frame for the European survey.

In analyzing the proportions of men and women who stated that family tradition was a motive for tradition, it is apparent that countries from the former Eastern Bloc are less likely to report this motive while the countries that have been in the European Union for a longer period of time are above the European Aggregate average. Yet, one country stands out. Bulgarian women were more likely than Italian women (or Bulgarian men) to state that family tradition motivated them. Social capital and advice networks may offer some insight into the role family tradition plays in motivating people to start businesses. People who own and work in family businesses tend to prefer to obtain advice from family and friends and are often reluctant to obtain business advice from external sources such as business consultants (Emling, 2000). This varies, however, by country. For example, Bulgarian families do not like to discuss finances with external advisors, but Slovakia families find external sources useful for financial issues, but not for personnel matters (Mandl, 2008).

In a study of advice networks (Robinson & Stubberud, 2010), Bulgarian business owners were found to be the most likely to consult family and friends for advice when starting a business, with approximately 62% of Bulgarian men and 72% of Bulgarian women citing family and friends. Only 34% of Bulgarian men and 32% of Bulgarian women cited professional acquaintances. Slovakian business owners were much less likely to use family and friends (43% of men and 39% of women) and more likely to use professional acquaintances (47% of men and 38% of women). In the present study, Slovakians were found to be unlikely to state that family tradition was a motive for start-up (11.1% of men and 10.7% of women). This could be related to the fact that in Slovakia, the public holds a generally negative attitude toward entrepreneurs (European Commission, 2010). To help unemployed people become self-employed, Slovakia has provided financial assistance that has been credited with created 65,000 jobs since 2004, representing half of all self-employment jobs, consistent with Mandl. This could suggest that Slovakians are more accustomed to looking to the government for assistance rather than family, especially given the lack of history with family businesses.

The situation is quite different in Bulgaria, where family businesses, even family dynasties, were common in pre-communist times. Many owners of family businesses fled with the coming of communism, taking their skills and social capital with them (Fletcher, Helienek & Zafirova, 2009). This destroyed the tradition of passing skills and capital down to the next generation and changed the social networks involving family. Under communism, social connections were used to secure privileges and jobs in state-owned bureaucracies rather than supporting entrepreneurship (Fletcher et al., 2009; Rhen & Taalas, 2004). Family business is now again prevalent in Bulgaria, and it appears this trend is taking hold. In a study by Fletcher and associates (2009), one-quarter of the respondents were unsure about the future of their first generation family businesses, while three-quarters planned to hand them over to their own children or other family members. This is consistent with the findings of this study, in which Bulgarian businesses owners were more similar to countries that have been members of the European Union for many years than to the countries recently added. Bulgaria was, in fact, the only one of the newer countries to have an above average proportion of people state that family tradition was a motive for starting a business.

Among first generation family business owners, advice was the most commonly cited (43%) type of support provided by family members in Bulgaria, with 90% stating that family was an advantage to business (Fletcher et al., 2009). “In Bulgaria you cannot rely or trust to other business people—if you burn yourself many times you do not trust any more” (sic) stated a member of a family business (Fletcher et al., 2009, p. 360). Families also are viewed as places of support (emotional and financial) and havens from institutional interference (Fletcher et al., 2009, Zabunov, 2003). Viewed in this context, it is not surprising that almost 30% of Bulgarian women stated that family tradition was a motive for business start-up. Family members with entrepreneurial experience would be able to provide women the advice they needed. Family could also provide men with advice, but relatively fewer Bulgarian men (25.3%) have cited using family and friends as a source of advice during start-up and family tradition as a motive. The transfer of market and entrepreneurial knowledge between family members can be an important advantage for family businesses and may provide assets and advice to women, who have traditionally been at a disadvantage compared to men in terms of networks (Aldrich, 1989; Mandl, 2008). In fact, Nebus (2006) contends that the most favorable situation is one in which strong ties with family and friends also provide experts knowledge. This can be exactly the case in family businesses.

In the small country of Luxembourg, the proportions of women (38.5%) and men (37.2%) who claimed family tradition as a motive were similar, and ranked Luxembourg second for both men and women. One reason for these high proportions could be that 45% of self-employed people are professionals (European Commission, 2010). In many families, heredity and up-bringing seem to work together to create professional “dynasties” of doctors, dentists, lawyers, clergy, etc., which could logically account for this situation in Luxembourg.
This was clearly seen in the comments by business owners in the United States who stated that because their parents had done a certain type of work and they, as children, grew up in the business, they were influenced to choose the same line of work.

In families where members are self-employed, the next generation tends to learn about the business and entrepreneurship while growing up, and this was noted repeatedly in the interviews with the self-employed. In some families, going into business for oneself is not just an option, but a family tradition. The results from the European part of this study show that women are becoming more likely than men to start businesses because they feel it is a family tradition, while the American study supports the idea that being involved in work as one grows up influences a person to choose that work. Given the gender differences in networks that can influence business success (Robinson & Stubberud, 2010), family members with business-specific knowledge could be a great assistance to women entrepreneurs (Nebus, 2006). Future research should further examine this issue by investigating the ways women benefit from the family and friends in their networks, and how family upbringing can influence their choices.

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INTERCULTURAL HRM TEACHING AND THE MANAGEMENT OF DIVERSITY: A CULTURAL SYNERGY APPROACH IN THE CONTEXT OF DEVELOPING COUNTRIES

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ABSTRACT

In Western context, HRM teaching is traditionally following a pedagogical normative model. However, this approach quickly reaches its limits when applied in developing countries. In this regard, this paper aims to understand these limits and to suggest different methods and tools to improve the effectiveness of HRM teaching, particularly in Africa. Results pointed out that HRM teaching must take into account some cultural differences in developing countries. A contingency approach and the introduction of a cultural synergy logic when teaching HRM in Africa are thus discussed.

INTRODUCTION

Having just finished preparing my course on HRM and organizational change, I feel particularly excited. Applying the concept of change in HRM practices has been for me a great source of intellectual inspiration. I love teaching the impact of change intertwined with the current theory on interactionism and situationism, because it reminds me of the intellectual conversations I had with my professors while I was completing my doctoral thesis. While I prepare to go to my first HRM course on African soil on this sunny May morning, these memories cross my mind and remind me that even now, I will have a blast transferring this knowledge to the students I am about to meet. After I presented and unveiled the course outline for the next few weeks at the beginning of the course, I expose HRM concepts in the context of organizational change. I start with a case study, an empirical illustration of a technological change that took place in a Canadian firm that had generated a wave of unexpected resistance from the employees involved. I explain with great enthusiasm the rational basis for the participant's resistance to change, all the while using some theories of action as an analytical framework, which states that any change must engage and actively involve its participants in order for it to be successful. When I present this material in the West, my students respond positively in using personal and work experiences as examples to relate to the theory. Oddly enough, in this African university class, there is no reaction. In fact, nobody says anything. The students listen religiously, but I feel that their spirit just did not follow. I even feel that the subject brings them discomfort. I have a vague impression that the synergy between us is non-existent, which does not bode well for future meetings. While sorting out my material at the end of the course, a student comes to me and says:

> *Sir, your course was very interesting, very dynamic. However, I cannot rationalize the foundations of the resistance to change that you have incurred. You know, here we think that employees must be very grateful to their boss, not the other way around. It is thanks to him that they can feed their families! No? So, if the boss wants change, we will accept it, because if we do what is asked, the company will succeed, which will help us even more to feed our family. So, in our world, work conditions, motivation and participation, do not really, you know…*

That is the type of reaction you might get upon arriving in a completely different cultural setting when delivering teaching material on human and social relations. The various theoretical approaches to HRM, as in general management, have often been developed in the West while being based on certain social and cultural parameters in that part of the world. In these circumstances, when attempting to apply these approaches without adapting the material to different cultural settings, there is a high risk of hitting a wall. This phenomenon may sound abnormal at first. However, it might seem more natural if you make the effort to grasp the rational foundations of the culture in which you intend to teach because there is no universal theoretical model for HRM.

In this work, our intention is to identify some methods and tools in order to improve the effectiveness of HRM teachings in different cultural contexts. In fact, following questions will guide this work: what kind of differences could we bring forward when examining Western theoretical models of HRM compared to the visions of subjects from other cultural backgrounds and their management practices? In this sense, in what measure should the usual theoretical models be more flexible in order to adapt to different cultural contexts? First of all, this document will present the theoretical foundations of HRM practices that are usually taught in Western classrooms. In addition, this section will trace the contours of the cultural context in order to grasp its various theoretical dimensions and highlight its importance when actors with distinct cultural backgrounds interact. After presenting the methodological approach, we will discuss how these actors can perceive HRM teachings in some parts of the world. Finally, we will propose alternative theoretical models inspired by Western HRM classroom lessons that can be adapted to these cultural differences.

THEORETICAL FRAMEWORK

In this first section, HRM practices taught in our classrooms will be identified in order to capture their theoretical foundations. In the results, we will eventually highlight the differences between Western practices and practices used in various parts of the world.

HRM Practices

Staffing.

Staffing is an activity that focuses on the recruitment and the selection of staff to provide a sufficient number of qualified candidates (Saba *et al.* 2009) towards a vacant position in an organization. In general, since the recruitment phase is made to attract the largest number of individuals qualified to apply for a position and the selection phase is used to choose the most qualified candidate for a job, the efficiency of any staffing process is based on the capacity to adequately anticipate needs in human resources (Bourhis, 2007), both quantitatively and qualitatively. Thus, human resource managers responsible for selecting staff must pay particular attention to the instruments used to choose the best candidate. Their ability to accurately predict human resources performance in their daily tasks will more or less determine the overall performance of their organization (St-Onge *et al.*, 2009: 116-118). In today's context, where an organizations' success remains largely dependent on its ability to strategically manage its human resources and make them partners in its success, one of the major challenges related to any staffing process is for the organization to become an employer of choice, not only to attract qualified candidates, but to keep them. Under these conditions, it is possible to formulate the following proposition:

Proposition #1: In a competitive business environment, staffing is based on an organizational employee retention strategy.

Training

Generally, human resources training takes place when it remains imperative to fill knowledge gaps to improve the employees' skills and attitudes. In today's Western context, training is not only a possibility for the organization to improve its level of overall performance but it is also an activity allowing the organization to be recognized as an employer of choice in both its internal and external environment (Bouteiller, 2009).

Theoretically speaking, training refers to the idea that the organization's members are recognized as competent when they can effectively combine their personnel resources with the organizational requirements (LeBoterf, 2006). In today's context, where the organizational focus is to innovate in order to maintain and increase competitiveness, managers have an incentive to adequately manage the skills development of their human resources.

It is also important to note that skills development is part of an evolutionary perspective influenced by two fundamental phenomena: the constant inflation of required skills and the obsolescence law (Bouteiller, 2009). On one hand, skill inflation corresponds to an increased job complexity because organizations facing constantly to technology advances and innovation. Under these conditions, human resource skill requirements must constantly be updated. On the other hand, the obsolescence law refers to the fact that skills are constantly called to become out-of-date. Thus, skills acquired and applied in organizations remain perishable. If nothing is done to bridge the widening gap between higher requirements and declining skills value, this could damage the long-term competitive advantage of organizations. From these considerations stems the following proposition:

Proposition #2: In a constantly changing business environment, competitiveness and survival are based on skills development.

Pay systems

Pay systems are defined as 'the business of assessing employee contribution towards the organization in order to determine their compensation, monetary and non-monetary, direct and indirect, in accordance with the existing legislation and the financial capacity of the organization' (Saba *et al.* 2008: 326). In theoretical terms, any organizational pay system is held within the context of the contingency theory as the development of the salary structure should take into consideration the characteristics relating to the external and internal environment of the organization (St-Onge and Theriault, 2006). Thus, there is no universal remuneration model.

Conceptually, it is important to note that pay systems involve two major dimensions. On the one hand, compensation of an extrinsic nature and involving pecuniary remuneration directly dependent on a base salary and based on performance measurement, as well as indirect compensation such as benefits or privileges. On the other hand, a total compensation package including an intrinsic psychological dimension related to job security, symbolic recognition and generating the feeling of accomplishment and self-esteem for employees. The effectiveness of any organizational system of remuneration consisting of these dimensions is based on two principles of equity (Chenevert and Bourhis, 2009). First, the principle of internal equity is the possibility of an employee to be paid fairly according to the requirements of his position and the responsibilities he must assume compared to other employees in the organization. Second, the principle of external equity based on reference markets enables the organization to determine its salaries with regard to its direct or indirect competitors. Thus, respecting these principles allows the organization to articulate the total compensation package in order to attract and retain the workforce. Hence, the following proposition:

Proposition #3: In an increasingly competitive business environment, pay systems based on internal and external equity are essential to attract and retain employees.

Managing employee performance.

Managing employee performance is used to analyze productivity levels of employees to determine if their performance concurs with organizational expectations. From a practical view, this activity is a formal and structured process that includes several steps. Firstly, managers must choose evaluation criteria dependent on prior analysis of the positions in the organization. Thus, personality traits, knowledge, skills, activities or position related responsibilities, observable behaviors, and outcomes, become evaluation criteria and are developed on competency profiles determined by the analysis (St-Onge *et al.*, 2009). The second step consists of choosing the assessment methods. Among these, there are rating scales, management by objectives, methods based on comparisons or 360-degree evaluation. The third and fourth steps involve assessing the performance itself (identification of gaps between performance and expectations) and feedback. It is important to note that this last step is designed to apply corrective measures not only towards punishment but also in order to give constructive criticism, using, for example, training or coaching to improve employee performance (Doucet and Gosselin, 2009). From the foregoing analysis, the following proposition is suggested:

Proposition #4: In a highly competitive business environment, managing employees' performance helps to retain them.

The Cultural Context

According to Schermerhorn and al (2005:42), culture is defined as ‘the learned and shared way of thinking and acting among a group of people or a society’. Thus, the cultural characteristics of a community are based on knowledge, beliefs, customs, and values shared by a group of individuals while socializing. In this context, culture is both a system of interpretation (of beliefs, worldviews, meanings), a value system and a system for achieving goals and solving problems (Barmeyer, 2008), to the extent that each community develops models for solutions to these problems by being guided by all of its values or beliefs.

In the globalization context, several scientific studies in the field of management have sought to understand the foundations for various cultural contexts around the world in order to develop explanatory models to better secure business strategies. The culturalist thesis (Barmeyer, 2008) has sought to highlight that it exists distinct national values in the world, which may explain differences in behavior and business strategies adopted by international organizations. Although these studies primarily focused on the analysis of intercultural management systems, it is important to note that their analytical framework is so rich that they would ostensibly serve as an anchor to any discussion concerned with the effectiveness of HRM teaching in different cultural contexts.

Among these studies, it is possible to identify three major trends Firstly, Hall (1979) has mostly paid attention to the underlying cultural characteristics associated to the notion of time and to the communication context. On the one hand, he distinguishes monochronic and polychronic time. Monochronic time refers to linear temporality, as individuals perform actions one after the other. Time is monochronic in a society where time is divided into small blocks where various activities are being executed. These blocks are planned in order to avoid uncertainty. In a polychronic society, time is perceived by social actors, not from a linear perspective, but from a rather circular perspective. This design leaves more room for the unexpected and allows actors to improvise. Thus, a value such as punctuality appears less important to members of a society where time is polychronic compared to a society where time is rather monochronic. On the other hand, Hall also explores the communicative context by a distinction between rich and poor contexts. In a rich context, corresponding usually to community societies, individuals use less verbal language because their communication methods take various forms (body language, gestural, symbolic, and so on). Their communication model is therefore more informal, subjective, implicit and sometimes ambiguous. In poor cultural settings, corresponding usually to individualistic societies, members will have a much more elaborate vocabulary because their communication contains less symbols. In these settings, the communication method is more formal, explicit and precise.

Secondly, Hosftede's studies (1991; 1980) have also sought to define certain aspects relating to the concept of culture. His approach mostly focused on understanding management styles specific to different cultures. The first dimension is power distance. It refers to the 'proportion of unequal distribution of power' (Barmeyer, 2008: 71) in a society accepted by its members. If a society accepts that there is an unequal distribution of power among its members, it is said that society is characterized by a high power distance. The second dimension corresponds to individualism and collectivism. In an individualistic society, the social bond between members will be focused on each individual and their close social network. In a collectivist society, the social link will be much denser and group interests will be more important than the individual ones. In these societies, integration, collective identity and group loyalty concepts will be very important. The third dimension has to do with male and female values. In a society characterized by male-oriented values, gender roles will be clearly defined: the roles of men are hardened, material gains and performance will be favored; in contrast, women's roles appear to be more flexible and based on humility, sensitivity and human relations. In a society characterized with feminine values, gender roles become less sharp, both men and women will emphasize interpersonal relationships as well as values, such as mutual support and empathy. The fourth dimension refers to the relationship between members of a society that faces uncertainty and ambiguity. It corresponds to the 'degree to which members of a culture feel threatened by uncertain or unknown situations' (Barmeyer, 2008: 78). In a society characterized by fear of uncertainty, members seek to control the ambiguity. Thus, these societies will have a longer term vision of existence and they will develop planning instruments to overcome uncertainty. However, in a society characterized by less fear of the uncertainty, this factor will appear as part of everyday life and its members will be more open to these uncertainties.

Thirdly, Trompenaars and Hampden-Turner's studies (2004) have also identified significant cultural aspects to societies. The first two dimensions found in their works essentially replicate the dimensions already used by Hall and Hofstede, referring to the dimensions of time and individualism / collectivism. Besides, Hampden-Turner and Trompenaars identified five other dimensions: 1 - objectivity and subjectivity of the observed society (relationships in society focused either on neutrality or feelings); 2 - universalism and particularism (can we apply universalistic practices in the observed society or do we need to take into consideration the cultural differences); 3 – specific culture and diffused culture (are private and professional lives divided or interlinked); 4 - status achieved or ascribed (are the members social statuses based on origins, age, profession or on their personal accomplishments); 5 - willingness or unwillingness to control nature (does the society consider that humans can control the forces of nature or does it believe that they should accept it).

These mainstream researches promote a greater understanding of the behavior of social actors operating in a given region because they allow us to identify different ways of viewing the world. As the intention in this study is to see how the effectiveness of HRM teachings could be improved while seeking to understand the cultural underpinnings of the local community that is intended to teach HRM, it remains possible to retain some of the cultural dimensions found in these studies to achieve a meaningful analysis of the cultural context. Thus, the use of the analytical framework of the culturalist approach is a useful starting point, as it will allow a better understanding of cultural differences studied in order to improve the effectiveness of HRM teachings. Then, it is possible to formulate the following proposition about the cultural context:

Proposition #5: In a globalized world, HRM practices are culturally contingent.

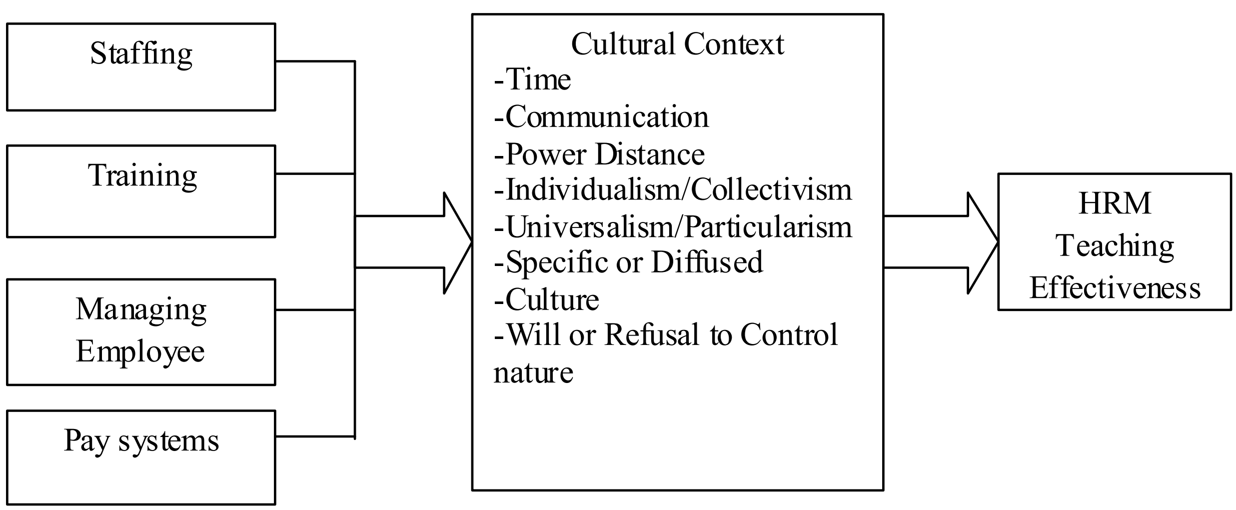
HRM Teaching Effectiveness

Effectiveness is the ability of a person or a system to achieve a given objective. Applied in the educational field, effectiveness refers to the students' performance (via their value added), within the existing environmental context. Four theoretical approaches are used to determine a students' value added (Coates, 2007). The first is to estimate this value by comparing the expected performance of students with their actual one in using data collected during admission tests and routine examinations. The second approach amounts to a comparison of results obtained by students at the end of assessments. A third method is to compare the involvement of students in the first and the last year of their learning program. Finally, the fourth approach is primarily based on the opinions of employers towards the skills of graduates. In an increasingly competitive world, employee evaluation is essential to confirm the abilities and the overall quality of graduates. Thus, one can reasonably argue that an employer assessment is culturally significant and depends on the context and values in which students were trained.

RESEARCH MODEL

Given the description of the various concepts related to this article, the underlying idea of most of the proposals presented above refers to the divergence of various HRM practice perceptions taught in university classes in distinct cultural contexts. Thus, the HRM practices described above are part of rather Western management philosophy developed by members of societies characterized by cultural factors such as: a time management conception that is rather monochronic, a vision of uncertainty as a threatening event, a lower hierarchy power distance and principles related to individualism and objectivism. Taught in different cultural contexts where cultural dimensions are different, these HRM practices appear as meaningless for the students nvolved.

Figure 1: Conceptual Model



From this perspective, our research model assumes that the four dimensions of HRM practices (staffing, skills development, managing employee performance, pay systems) are dependent on the context in which the teaching experience takes place. If these dimensions are well understood by students, teaching effectiveness is strengthened. The intention of this paper is to understand the point of view of students in developing countries about HRM practices in different cultural contexts. This will help us identify discrepancies between these practices and the ones taught in the West, in order to highlight the variations in teaching effectiveness. A second intention is to find ways or methods that enhance this level of effectiveness.

METHODOLOGY

Given the nature of the formulated objectives above, this study has followed a qualitative methodology. This method is preferable when analyzing processes and behaviors and allows an in-depth understanding of the motivations of the actors involved (Hlady 2002). Among the many approaches to a qualitative method, the case study is defined as ‘an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident’ (Yin, 2003: 13). Thus, the case study seeks to answer ‘why and how’ while revisiting various phenomena emphasizing access to the actors' perceptions on a system of values, inhabited concerns, driven logic as well as fact interpretation (Wacheux, 1996). An analysis focusing on multiple cases was chosen in order to enrich our understanding of phenomena and personal logics of those who are involved. Thus, this approach is original because of the international comparison of teaching experiences in developed and developing countries.

The sample consists of 16 young entrepreneurs met through HRM training seminars in 2008 and 2010. It consists of 5 entrepreneurs from Comoros, 6 from Madagascar and 5 from Burkina Faso. Fourteen of which are men with an average age of 38 years. All these individuals have been distinctive business leaders in their countries for an average of over 5 years and are open to strengthening their technical and organizational skills following training seminars on proper usage of management tools.

To complete our research, we opted for semi-structured unregistered interviews since it coincides with nature of our research. To do this, we developed an interview guide composed of questions revolving around the key dimensions of HRM (staffing, skills development, pay systems and managing employee performance) and HRM teaching effectiveness. This guide has allowed us to collect extensive informations on effectiveness conditions for the key HRM dimensions within different cultural contexts. During these interviews, we noted the facts as presented to us, leaving aside emotions and other subjective impressions.

The data collection process is simple: 1- note taking during the interviews, 2- update of notes after the interview, and 3- retrieving any documentation available by the interviewees. Each interview lasted an average of forty five (45) minutes and was conducted following our interview guide which was constructed so that it allows flexibility. The data collected was classified according to the conceptual coherence principle of Miles and Huberman (2003). The latter was organized in theme groupings characterized by the 4 HRM dimensions as well as HRM teaching effectiveness.

The exploitation of the collected data was performed using a three step content analysis:

- *Pre-analysis:* the first step was to organize the information. There was a need for prioritizing, after an initial sorting of the collected material, and choosing the data on which the analysis would be supported (L'Ecuyer, 1990). This phase had three objectives: select documents, formulate hypotheses and objectives and develop indicators that will underpin the final interpretation.
- *Coding of data*: this step included classifying, coding and organizing the information collected. The coding was done according to keywords representing the four dimensions of HRM.
- *Information exploitation*: the third step consisted of interpreting the collected material while using the analysis of data collected. This was done manually because of the duration and the relatively limited number of interviews.

RESULTS

Most very small organizations (VSO) directors in developing countries are only occasionally concerned about human resources management, e.g. during recruitment, salary increases, individual or collective disputes. They dedicate their human and financial resources to their 'love of the trade' and on operational issues. Properly adapted HRM for these VSO directors requires competitive wages and the development of skills and expertise that are too expensive to maintain. Not having much time, or even reticent to the idea of devoting resources towards these important HRM dimensions, VSO directors often turn to rather simplistic solutions that often jeopardize the future of their businesses. This section will present each of the proposals previously made and compare their meanings with the information collected from the subjects interviewed.

Proposition #1: In a Competitive Business Environment, Staffing is Based on an Organizational Employee Retention Strategy

In developing countries, many VSO leaders still consider hiring as a non-strategic and operational task and continue to assign important responsibilities to individuals from their family or people in their personal networks. They justify this with the following ideas:

> *For me, an employee must be someone close to me. Someone you trust. Therefore, recruitment begins at home with family members, friends, and finally, friends of my friends. I don't recruit someone I don't know*. (Interview 16)

> *We take people with whom we have religious affinities. Religion promotes values and it is reassuring to know that my employees share the same values as I. I continued to do this after several disappointments.* (Interview 15)

> *For me, the only thing that counts is to be my own boss, to be able to support my family and help my friends (...) I do not want to owe anything to anyone. The rest* ... (Interview 7)

While Western model staffing activities revolve around the concepts of attraction and retention, they appear directed first and foremost towards the affinities in developing countries. A discrepancy remains palpable between this point of view and the one reflected in our initial proposal.

Proposition #2: In a Constantly Changing Business Environment, Competitiveness and Survival is Based on Skill Development

Today, business survival depends more on the leaders' commitment towards employee skills development. Skills development is an important condition for employee retention and succession, especially in the context of developing countries. Increasing competition requires a business leader to look beyond choosing the best candidate and provide learning opportunities to their employees. Unfortunately, many of these VSO leaders in developing countries do not see what skill development has to do with achieving company goals. Some still consider the training costs as expenses rather than an investment. A business leader confirms this statement:

> *In my case, I had a bad experience in training employees in which I had absolute confidence. Their parents had worked for my father in the family business. After their training, they left me after 6 months. One joined a competitor and the other joined a larger company. Both companies have not covered my training costs. Since then, I no longer train my employees ... I recruit them with an acceptable level of education and experience.* (Interview 10)

Obviously, in the Western world, skill development and staff engagement have become tools which enable employers to win the competitiveness and performance race. However, for some managers interviewed, additional training provided to an employee resulted in financial consequences:

> *I don't see the point of training my employees, they are very competent and hardworking. They perform their tasks effectively. It saves me from having to pay higher wages after training*. (Interview 13)

In addition, other leaders argue the lack of time and resources to justify their reluctance to train their employees:

> *There is not enough staff and time to devote to training. Each and every one of us is very busy and we cannot allow ourselves the luxury of letting our employees take days and weeks off for training. It seems to be okay with employees and nobody gets aggravated by the situation*. (Interview 11)

Thus, the idea that training as a source of investment in the overall performance of the organization seems a rather remote point of view for the interviewed executives. They view such an activity as an expense or as a constraint to the smooth operation of their business.

Proposition #3: In an Increasingly Competitive Business Environment, Remuneration Based on Internal and External Equity is Essential to Attract and Retain Employees

According to the Western HRM model, the remuneration policy (fixed and variable) should be more competitive and explicit as it has an impact on motivating and retaining top candidates. However, we observed that in developing countries organizations, the subject of compensation is taboo, and nobody wants to talk about salaries and wages, especially not executives. They even consider remuneration as a privilege granted to their employees. Therefore, flexible pay based on individual or collective performance is not an option. Leaders explain their policies:

> *I don't like variable pay because it creates jealousy between my employees and intervenes with the spirit of solidarity of my company. I prefer to give them a fixed salary and reward them with bonuses at year end. We are a family and wages should not create opportunities for conflict*. (Interview 12)

> *For me, salaries are only discussed between the employee and myself. Making public employee salaries would demotivate my staff and create uncomfortable situations in the work*place. (Interview 14)

In some companies, salaries are random and depend on profits made in relation with economic activity. These companies do not have employment contracts or working conditions.

If there is a surplus, managers are responsible of redistributing these rewards to their employees. Otherwise, employees need to deal with what they have until the next surplus. This rather ancestral approach reminds us that the employer has a big responsibility towards its employee:

> *For me, wealth is the same as sharing; the more I share with my community and my employees, the richer I get: that's what's most important!* (Interview 2)

> *My company and I sustain a good part of the village, that's what counts!* (Interview 1)

While the compensation practices in the Western world remain focused on the principle of individual equity to enhance organizational performance, remuneration systems are considered by the executives interviewed as practices oriented towards the well-being of the community. Again, the significance of our proposal is contrary to the results of our interviews.

Proposition #4: In a Highly Competitive Business Environment, The Evaluation of Individual Performance Helps Engage and Retain Employees

The performance evaluation role as a means of improving individual and collective performance is not very well perceived by some VSO executives. For those who are aware, the weight of tradition and community practices make it difficult to implement such an assessment:

> *We are a small laundry business ... myself and my brother would certainly like to make things move in the right direction, we are willing to better manage things, but it's not easy ... on the one hand, our parents still want to control everything. On the other hand, there are our employees, all people from our village, people we've known since we've were little. They have always worked in a certain way, so it's hard to change that. So we prefer to let things be*. (Interview 4)

Often, VSO executives in developing countries do not have in mind that employee's motivation takes roots in a fair process of evaluation, individual rewards and team performance. So, rather than worrying about improving employee's performance, these managers believe in rewards and recognition while doing performance evaluations. A company executive voices his concerns:

> *If I tell him he is performing well, either he stops working, quits or will request a raise. Even if his salary is already above the rest. Trust me, I know who is and who is not performing in my company.* (Interview 8)

Moreover, younger and better educated employees have a difficult time evaluating the performance of older employees because of the African culture. In this culture, respect for the elders is the foundation of business. As confirmed by a company manager:

> *I gave up performance evaluation in my company because experienced employees have formed a committee to tell me that the younger employees (their children) cannot evaluate their work. If I continued, they promised they would make my company a living hell*. (Interview 9)

These comments illustrate how using Western models of organizational performance may face some structural difficulties when used in different cultural contexts. Ideally, HRM practices in developing countries should be less based on emotional factors in order to be more oriented towards objectives and rational. However, it remains imperative to consider the possibilities of aligning these oppositions and move beyond the Western models, whether they are right or wrong. The next section will address these possibilities.

DISCUSSION

Our research proposals that addressed the four HRM dimensions taught in the Western context are proving to be inadequate in the context of developing countries. Difficulties are caused in part by the fact that this model fails to overcome the obstacles encountered. It is therefore the responsibility of every teacher to take into account the ‘African particularism’ to boost the effectiveness of his teaching. Thus, we advocate a contingency approach by taking into account certain cultural values when teaching HRM in an African context.

Towards More Contingency When Teaching HRM in Developing Countries

The Introduction of a Logic of Solidarity

The community spirit that governs family relations in Africa is in conflict with individualism and the pursuit of profit, based on transaction costs principles. The African employee suffers from a ‘community pressure’ that constrains him to meet demands from all sides. Thus, the employee must often get himself into debt instead thinking about the productivity of the business (Mutabazi, 2000). Faced with the pressures by the African culture that undermines employee productivity, the entrepreneur must rely on the ‘group mentality’ provided by the solidarity of the community. For example, in some African businesses, executives have established charity funds and elders councils. The solidarity fund is used to support employees in happy and unhappy times. The custom on religious holidays is that each employee can then count on this fund in order to make ends meet. Financial support is also increasingly made available when employees encounter financial difficulties when their children go back to school. The elder counsels are informal structures that receive employee complaints. On the Ivory Coast, Zadi Kessy (1998), who manages two major companies in the field of water and electricity distribution created five social funds in the two companies in order to 'froth' employee productivity.

These solidarity initiatives have contributed to improving these companies social climate that helps to generate greater employee involvement and promotes sustained productivity for the concerned companies. The affected employees consider their business as a 'second family' and the production of wealth as a 'team effort'. These initiatives build on African traditions that have built a system of the richest welfare contribution and still in effect in most African countries. D'Iribarne (2003) supports these ideas by studying four companies in four different developing countries (Mexico, Morocco, Cameroon, Argentina) and finding surprising success in modern and industrial areas when considering their environment. Traditional firms in developing countries wrongly apply traditional management models to local cultural contexts and have led to authoritarian practices. In contrast, effective cooperation and efficient management prevails in the firms observed. These remarkable achievements are explained by the introduction of the same logic of relational solidarity usually predominant in developing countries into their managerial world. These companies do not have 'universal' management methods but have adapted these principles to the societies around them, whether they are Catholic, Islamic, Latin American or African. In order to obtain legitimacy, teaching this approach must also be done while adapting it to the local realities.

The Introduction of a Permanent Communication Logic

Based on the logic of solidarity, these practices contrast with the Western approach characterized with the separation of personal and professional relationships of its employees, whose behaviors are dictated by their performance, by their obligation to respect hierarchy and by their contractual obligations. The introduction of a logic of constant communication allows African businesses to innovate in terms of conflict resolution.

Dialogue within the company can be understood in the traditional African 'palabre' (Kessy, 1998). The 'palabre' is a type of informal forum –with a hierarchy however – in which all community problems can be discussed openly and freely. The wise listen, discuss, and analyze problems, and make decisions in strict compliance with the social cohesion of the group (Bourgoin, 1984; Kessy, 1998).

Zadi Kessy encourages such informal structures in both of his companies. These structures replace suggestion boxes and fully contribute to the 'collective resolution' of problems and challenges in his businesses. Thus, the companies' workers and leaders develop a stronger sense of unity, understanding, brotherhood and solidarity. Similarly, the 'myth of the king', deeply rooted in their habits that often disturbs hierarchical relationships by introducing a rigid distance between management and employees, is also reduced through these structures. They also minimize the African tradition conforming to and respecting seniors, which often isolates managers (Kessy, 1998; d'Iribarne, 2003). Informal structures following the logic of 'palabre' can also resolve disputes between employees and employers since, as we noted earlier, personal relationships (family ties or friendships) greatly interfere with professional relationships within African companies. A good example of this is of an important Burkinabe family business that was struggling with staff because of wage disputes and unfair dismissals. It all began when the employees went to the courts in order to settle their disputes with the employer. Being successful, they still failed to ensure employer compliance even with the courts' decisions. The employer then accused his employees for having disrespected him by going to the courts. He retorques that for over thirty years of being an entrepreneur, he has always dealt with disputes within the family, not within the courts. After many notices were remained unrecognized, workers had to resort to influential religious people within their traditional communities, elder committees and other influential people. Only then, the owner accepted a compromise. The settlement was made outside of courts and under the moral authority of these honorable individuals. This example demonstrates that entrepreneurs have some control over formal institutions but must abide by traditional rules and authority, order, hierarchy and paternalism must be respected.

It is thus important to find a link between the rationality of the Western models and the cultural context of management students. The next section will present some elements on possible links.

The Introduction of a Cultural Synergy Logic

One approach advocated in the literature in order to link cultural differences in a context of international management and education corresponds to the cultural synergy. According Barmeyer (2008), this approach attempts to take into account the positive aspects related to cultural differences in order to enable mutual adjustment of conflicting values. Based on the premise that fundamental function of a culture is to mediate cultural contradictions (Hampden-Turner and Trompenaars, 2000), the approach seeks to reconcile cultural oppositions to create a cultural value to the intercultural encounter. In fact, when people encounter distinct cultural backgrounds, conflicting values can lead them on a path of conflict if no effort of understanding was made. However, making the effort to understand the underlying nature of their behaviour may convince them to find solutions to their conflicts. In sum, the cultural synergy approach calls for the integration or the compromise of cultural differences in order to create added value to intercultural encounters.

Adler (2002) and Hampden-Turner and Trompenaars (2000) propose a three step process to resolving cultural conflict. The first one is to identify the cultural dimensions that are at stake. Thus, when reviewing cultural factors identified in various studies examined in this article, it is important for those involved in a cultural synergy process to identify the factors that seem to lead to more opposition on the cultural level. The second stage involves the analysis of these conflicts or oppositions. The actors must then try to understand the nature of these objections by identifying factors, like value orientations, that may be the source of these conflicts. The third step consists of finding a solution. It then calls for the ability of the actors to practice a certain cultural creativity. Here, experts suggest that actors should seek to combine the oppositions, always keeping in mind that cultural differences can help resolve the problem. For instance, when reviewing a previous example, in terms of remuneration, would it be possible to reconcile the values of sharing found in organizations of developing countries with the principles of equity, broadly outlined in Western HRM models? Would it be possible to reconcile values of sharing with the collective performance of teamwork values that characterizes Western models? That is the type of questions that can lead to constructive solutions when facing cultural conflicts in order to develop new value-added management models in the field of HRM teaching.

CONCLUSION

Our research has shown that HRM teachings must include a dose of contingency to be effective. Indeed, Western methods have been proved inadequate in the context of developing countries. When being faced with this issue, we ask: how do we go about to improving the teaching effectiveness of HRM? Should we accept that only one contingency be effective or do we teach universal HRM practices to be applied to all contexts? Our results tend to emphasize a perspective that is both contingent and synergistic. In terms of contingency, our results favor the view of local cultures in the implementation of HRM teaching strategies. As brought forward by Dr. Mobylette:

> *Still a few years ago, in the shadow of a giant caïlcédrat in Bamako, there was a crafty man that the UN called the" Doctor Mobylette". Early each morning, he set up his tool box at the foot of a tree. The man calculated that with only 2000 FCFA (0.30 euros) per day, he could easily meet the needs of his family. Once he pocketed the money, it stopped working and his brother took over as caïlcédrat. After some time, some development experts proposed to Dr. Mobylette to get more involved, open up a shop in the capital region, adopt a fixed schedule, and, ultimately, be in charge of a real company. Dr. Mobylette did not take much time to answer them. He thanked them but refused, believing that exploiting the tool box would overpower the work of his brother.* (Fottorino, Guillemin and Orsenna, 1992: 16)

Dr. Mobylette acted accordingly to his own values and social rationality. In suggesting a sudden change in his habits, it was predictable for the development experts to be set up to failure. We've tried to demonstrate that it is through creative solutions, understanding, listening and compromise that might influence Dr. Mobylette's situation and encourage him to work longer all the while preserving the use of his brother (Kessy, 1998; D'Iribarne, 2003; Ouedraogo, 2004). In introducing a logic of solidarity, a sense of constant communication and a sense of cultural synergy to business leaders in Africa, we can demonstrate that their company growth, like in the case of Dr. Mobylette, is not incompatible with his brother's survival.

In terms of cultural synergy, we must reconcile a remuneration policy based on shared values focused on the principles of fairness, which is widely emphasized in HRM Western education models. Similarly, one must be able to reconcile various organizations interests of Western and developing countries, thus sharing values and teams that focus on collective which are very important in Western models. Such synergies can lead to constructive solutions about possible cultural conflicts. Thus, they can set the example and develop new business models to be valued by harmonizing opposite cultural values.

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AN ECONOMIC SOCIOLOGY OF AFRICAN ENTREPRENEURIAL ACTIVITY

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ABSTRACT

This paper outlines a research agenda that expands the examination of entrepreneurial activity in Africa beyond the standard methodologies, theoretical perspectives, tools and techniques. It argues for an economic sociological perspective that considers cultural measures such as religion, ethnicity, colonial heritage, the role of traditional leadership as well as political measures. Following a review of the relevant literatures, a series of propositions based on each of the aforementioned is presented. The Economic Community of West African States is presented as an appropriate research setting.

INTRODUCTION

Consider the following statement that was made by Bruton, Ahlstrom and Obloj (2008) after a literature review of nine of the leading management and entrepreneurship journals:

> *Given the importance and steady growth of emerging economies worldwide, it is somewhat surprising that over the last 17 years only 43 articles have been published on entrepreneurship in that domain. Entrepreneurship is the engine that will push the emerging economies forward as the states of the developing world quickly grow to be major economic forces. Yet it is particularly startling that there is virtually no research on the poor in the subsistence economies of the developing world. These economies hold a billion people – one-sixth of the world's population.*

In addition to the comparative lack of attention given to entrepreneurship in emerging economies, particularly those in sub-Saharan Africa, there is also a relative lack of diversity in theoretical and methodological approaches to African entrepreneurship. Previous research that has explored the variation in entrepreneurial activity among African nations has focused on the standard economic and infrastructure factors such as GDP, FDI, and education. These are meaningful variables and provide scholars with a baseline of knowledge about entrepreneurship in Africa as well as measures to compare African nations with other emerging economies across the world. However, these factors fail to adequately take non-economic factors into consideration.

This paper aims to diversify both the methodological approaches and the contexts of research on entrepreneurship in Africa. In regards to the former, we draw on research by economic sociologists, cultural anthropologists, and management scholars of culture to augment our argument that research in this area lacks the texture provided by socio-cultural indicators of entrepreneurship. We present arguments regarding the influence of social structure and institutions on entrepreneurship and entrepreneurial activity on the African continent. We define the mechanisms by which various types of ethnic and cultural identity, language, religiosity and historical factors can contribute to a better understanding of the variation of entrepreneurial activity. In regards to our latter concern, we use the Economic Community of West African States (ECOWAS) as a case example. With this collection of fifteen African states as our primary context, we demonstrate the usefulness of these explanations and the lack of nuance that exists in contemporary analysis of business activity on the African continent. In addition, we make propositions regarding the patterns of influence on entrepreneurship and economic development.

ENTREPRENEURSHIP, ENTREPRENEURIAL ACTIVITY

Interest in entrepreneurship and entrepreneurial activity has increased during the last two decades. Early writings by Schumpeter (1934) and work by economists, such as Baumol (1990, 1991; 2007) and Schramm (2006) are gaining attention because of their relevance to modern economic challenges. The basic assumptions of proponents of entrepreneurship include:

1) entrepreneurship is the driver of national economies (Acs, 1999; Baumol, 1990);
2) it is driven by innovation (Acs & Audretsch, 1988; Drucker, 1985; Klepper & Simons, 2000; Schumpeter, 1934);
3) it involves a process of discovery, evaluation and pursuit of opportunities (Kirzner, 1997; Klepper & Simons, 2000; Shane, 2000; Shane & Venkatraman, 2000); and
4) networks of people and capital are critical components of the entrepreneurial process (Aldrich, 1989; Burt, 1992; Ruef, Aldrich, & Carter, 2003; Shane, 2002; Uzzi, 1997, 1999).

Moran and Goshal argue that firms have a significant role in economic development and that they are “powerful levers that enable people to productively defy the market’s institutional forces (1999).” In developing nations, these institutional forces can be particularly strong in opposition to entrepreneurial activity.

For the purposes of this paper, we define entrepreneurial activity broadly to include formal and informal activities; both traditional entrepreneurship (with formal registration) and the various forms of self-employment that are technically entrepreneurial activity. This follows previous work that makes little distinction between formal and informal types of entrepreneurship (Bates, 1997; Butler & Herring, 1991; Fairlie, 1999; Fairlie & Meyer, 1996; Rhodes & Butler, 2004). However, we believe that for analytical purposes, it is important to define the type of entrepreneurial activity that is being described because specific factors may influence formal entrepreneurship in one direction and informal entrepreneurship in the opposite direction. It is important, however, to note that we are making a distinction between general economic activities as traditionally measured by such statistics as GDP or foreign direct investment and specific entrepreneurial activity. We describe five approaches below.

Informal Entrepreneurship

We have come across very few attempts to capture data related to informal entrepreneurship in developing economies. These approaches tend to use in-depth interview techniques to produce estimates of informal entrepreneurship (Fadahunsi, 2000). Lack of reliable data has led to some scholars using many different proxies or modeling techniques to assess informal entrepreneurial activity (according to Klapper, Amit, Guillen, & Quesada, 2007).

Foundings and Business Registrations

The second approach uses business foundings and/or business registrations as a proxy for entrepreneurial activity. This approach has been used recently by the World Bank. In a policy research working paper, Klapper and her colleagues (Klapper et al., 2007) conducted a cross national survey of entrepreneurship and firm formation using rates calculated from national business registries. They offered this as a new approach to "enabling research on the dynamic of entrepreneurial activity" (Klapper et al., 2007). For this study they defined entrepreneurship as "the activities of an individual or a group aimed at initiating economic activities in the formal sectors under a legal form of business". With this definition, the informal sector of entrepreneurial activity (prevalent in the developing world) is left out. Their findings indicate that business entry rates are significantly related to political-economic country-level factors.

Investment and Venture Capital Activity

A second approach is to collect data on investment or venture capital activity. This could be done at the stock exchange level or from various sources of information about private investment. In developing nations this data may also be difficult to obtain or unreliable.

Total Early Stage Entrepreneurial Activity (TEA)

The Global Entrepreneurship Monitor (GEM) uses the TEA measure to identify the prevalence of startups or nascent entrepreneurs and new firms in the adult population.

Necessity vs. opportunity entrepreneurship

The GEM reports have also attempted to distinguish between entrepreneurship out of necessity (i.e. for survival) and entrepreneurship that is motivated by opportunity exploration. This dichotomy has been explored using surveys and interviews.

There may be other approaches that researchers have used to measure entrepreneurial activity in developing economies. No matter the approach, it is important to be clear about the type of entrepreneurial activity that one is predicting when exploring African entrepreneurial activity.

AN ECONOMIC SOCIOLOGICAL PERSPECTIVE

Smelser and Swedberg (1994) in their *Handbook of Economic Sociology* define economic sociology as "the application of the frames of reference, variables, and explanatory models of sociology to that complex of activities concerned with the production, distribution, exchange and consumption of scarce goods and services." The authors also provide a high level comparison of economic sociology and mainstream economics. They argue that while mainstream economists state that the focal actor is uninfluenced by other actors, economic sociologists argued that the focal actor is a member of groups and society and thusly influenced by these groups. While all economic actors are assumed to be rational for the economist, the economic sociologist treats rationality as variable. Sociologists and economists also differ in their perspectives on constraint. The economist states that economic action is constrained by resource scarcity and consumer preferences, the economic sociologist accepts these constraints but adds social and meaning structures. While economists emphasize formal, mathematical models described by Smelser and Swedberg as "clean models", economic sociologists employ a variety of methodological tools often generating data through a process described as "dirty hands."

Our approach to analyzing entrepreneurial activity in African markets is drawn heavily from Granovetter's (1985, 1992) path breaking work on embeddedness. He developed the embeddedness concept to be more descriptive of economic behavior than the under-socialized treatment by neo-classical economists or the over-socialized treatments of some sociologists. The contribution he made to both economics and sociology establishes a balanced and more realistic approach to the "sociology of economic life" (Granovetter, 1992; Smelser, 1973). In other words, the extremes do not serve us well. The under-socialized approach assumes that all actors will resort to profit maximizing, interest seeking behavior when engaged in economic action. This rendition does not allow for the influence of social structure or issues of trust. It is an atomistic approach to describing actors.

In the over-socialized account, human action is completely influenced by the opinions of others. The actor is socialized for norms and behaviors that represent the desires of the group and not necessarily the interest of the individual. This approach leaves little room for pursuits of individual interests. Embeddedness captures both possibilities by placing economic action in a social context. Transactions between individuals and firms are embedded in the relationships between the actors. Embeddedness allows for the possibility of trust, opportunism, malfeasance, and order to exist side by side.

Research on entrepreneurship in Africa has often followed the mainstream economic model. World Bank or IMF datasets are used to analyze preferred economic measures such as GDP, inflation or life expectancy. Yet, the economic sociologist broadens these considerations to include variables such as networks and degree of embeddedeness, gender, markets and most relevant to this paper – considerations of culture. While culture can be an elusive concept, in this paper, we consider the impact of four key components of African culture (religion, language, traditional leadership, ethnicity) on entrepreneurial activity. In addition, we also examine the relationship between political systems in Africa and entrepreneurial activity. In the section that follows we briefly review the literature on each of these variables and derive propositions on their relationship to entrepreneurial activity.

CULTURAL AND POLITICAL INFLUENCE ON AFRICAN ENTREPRENEURIAL ACTIVITY

Religion and Entrepreneurial Activity

Scholars have explored the question of the relationship between religion and entrepreneurship for decades. The seminal work on the interrelationship between religion and entrepreneurship is arguably Max Weber's The Protestant Ethic and the Spirit of Capitalism. While seeking to explain the "spirit of Capitalism", Weber (1930) argues that Protestant doctrines, e.g. Calvin's doctrine of predestination provide the theological motivation for capitalistic activities. His primary mechanisms are the sense of calling as evidence of God's election and a Protestant ascetism that differed from Catholic monasticism by its engagement with society. Weber writes:

It is obvious how powerfully the exclusive search for the Kingdom of God only through the fulfillment of duty in the calling, and the strict asceticism which Church discipline naturally imposed, especially on the propertyless classes, was bound to affect the productivity of labour in the capitalistic sense of the word. The treatment of labour as a calling became as characteristic of the modern worker as the corresponding attitude toward acquisition of the business man (p.179).

Research examining the Weberian thesis has been conducted at multiple levels of analysis and from regional as well as national perspectives. However, the results have been far from conclusive and there remain substantial opportunities for additional exploration and for research using different settings.

At the individual unit of analysis, Audretsch, Boente, & Tamvada, (2007) expanded the Weberian thesis beyond its normal Christian applications and examined the relationship between religion and the decision to become an entrepreneur. The authors examined nearly 90,000 Indian workers who were representatives of multiple faith traditions. Islam and Christianity were shown to be conducive to entrepreneurial behavior while the most representative faith of the sample, Hinduism, was shown to inhibit entrepreneurial behavior. Woodrum (1985) also expanded Weber beyond his original Protestant conceptualizations. In his study of Japanese Americans, Woodrum asked if the religion of a sample of Japanese Americans affected their economic achievements. His sample included not only Protestant Christians but also Buddhists and Shintos. Woodrum included religious and nonreligious predictors and consistently found stronger effects for his measures of religiosity. Bellu & Fiume (2004) found a positive effect between religiosity and entrepreneurial success. Using a sample of New York City entrepreneurs, the authors found a mediating effect of religiosity on the relationship between entrepreneurial actions and life satisfaction.

Other studies challenged Weber's relationship between religion and entrepreneurship. Minns & Rizov, (2005), in a study of self-employment in Canada at the beginning of the 20th century, found no relationship between membership in Protestant sects and self-employment. Futhermore, Minns and Rizov also saw no relationship between Catholic affiliation but did see higher rates of self-employment for the Jewish members of the sample. Carswell & Rolland, (2007) sought to examine the relationship between religious practice and entrepreneurial participation in New Zealand. Using a random sample of 2,000 New Zealanders, the authors found that those who identified themselves as Christians were less likely to be involved in entrepreneurial activity than those who were non-Christian. Drakopoulou-Dodd & Seaman (1998) sampled British entrepreneurs and found results consistent with those of Minns and Rizov and Carswell and Rolland. In their study, the extent of religiosity for those British entrepreneurs was found to be similar to that of their non-entrepreneurial sample. Basu & Altinay (2002) also conducted their research in Britain but used a sample of 163 immigrant entrepreneurs from East Africa, Asia, Turkey and Turkish Cyprus. Like Drakopoulou Dodd and Seaman, they did not find an influence on entrepreneurial behavior by religion.

There are fewer studies that have examined this question from a more macro perspective; however, those that exist are also divided in their conclusions. Grier (1997) in a study of 63 Latin American former colonies observed no difference in economic development between those colonies with Protestant legacies versus those colonies that were historically Catholic. Barro & McCleary (2003) used a cross-country data panel that measured both church attendance and religious beliefs. The authors found that increases in church attendance saw accompanied decreases in economic growth. Interestingly though, certain religious beliefs (namely belief in hell) actually increased economic growth. Anderson, Drakopoulou-Dodd, & Scott (2000) in a study of the culture of entrepreneurship in Margaret Thatcher's Britain, saw that religion played a role comparable to that in the original Weberian study. Religion provided the theological underpinnings for Thatcher's policies.

This leads us to our first proposition:

Proposition 1: *Consistent with the Weberian perspective, Higher degree of religiosity will be correlated with higher rates of entrepreneurial activity (formal and informal)*

Ethnicity and Entrepreneurial Activity

Africa is a wondrously diverse continent with more than 50 nation states as well as countless numbers of ethnic groups and languages spoken. The continent is second only to Asia in population with steady expected population growth. However, is this diversity a facilitator or inhibitor of entrepreneurial activity? Economists William Easterly and Ross Levine argued that ethnic diversity is a powerful explanatory variable when one examines cross-country differences in growth rates (Easterly & Levine, 1997). However, they state that in the case of Africa, ethnic differences or ethnic fractionalization has had a definitive negative impact on Africa's growth prospects. Specifically, they note that, "high levels of ethnic diversity are strongly linked to high black market premiums, poor financial development, low provisions of infrastructure, and low levels of education." The primary mechanisms for this "disastrous" state of affairs are poorly designed or implemented public policies and political instability.

Posner (2004) writes that "Easterly and Levine's findings have been broadly accepted" and their findings have led to the inclusion of an ethnic diversity measure as a standard for cross-country growth regressions. Yet, Posner challenges scholars to shift from the Ethno-Linguistic Fractionalization measure to the Political Relevant Ethnic Groups measure. However, Posner does not challenge Easterly and Levine's conclusions – just their preferred methodology to arrive at said conclusions.

van Ufford and Zaal (2004) prepared case studies of livestock trading in Kenya and Benin. They argued that traders used ethnicity both as a tool for obtaining trust and thus minimizing transaction costs and also as a tool to legitimize dominant market positions. Their findings would seemingly support the notion that ethnic diversity brings challenges to sustained levels of entrepreneurship. However, there is a body of literature that has theorized on those environments where ethnic entrepreneurs have flourished. Light (1972) advanced the protected market hypothesis where ethnic entrepreneurs have the advantage of developing new ventures within their ethnic communities. These entrepreneurs have strong kinship ties, sophisticated knowledge of consumer tastes and buyer preferences. Bonacich (1973) advanced the theory of the middleman minority who although not fully integrated into the larger culture is able to develop an entrepreneurial niche. Yet, Aldrich & Waldinger (1990) identify two key forces that are critical in determining the success of ethnic entrepreneurs: the level of interethnic competition for jobs and business and governmental policies.

This leads us to our next set of propositions about levels of entrepreneurial activity:

Proposition 2: *Nations with strong national identities will have higher levels of entrepreneurial activity than nations with weaker national identities.*

Proposition 3: *In highly fractionalized countries, we predict a high level of entrepreneurial activity for minority ethnic groups.*

Colonial Legacies and Entrepreneurial Activity

Although African nations are now approaching half a century of independence, it is arguable that many of the vestiges of the colonial powers remain in place and highly influential. Invariably, the colonial language remains the language of the elite and in many cases the language of commerce. However, the systems and structures of colonialism were not equally applied across African states. Blanton, Mason, & Athow (2001) note that, "The British and French systems of colonial administration were based upon different ideologies and methods of control." Specifically, they argue that the French system emphasized cultural assimilation and centralization. In the process of centralization, traditional leadership was replaced with the bureaucracy of the French state. Accordingly, it is argued that when independence was achieved, many former French colonies "lacked both the leadership and the mobilizing structures necessary to mobilize their members for collective action aimed at advancing their claims on the post-colonial state. (Blanton et al., 2001)" By contrast, the British system was administered primarily through local elites. The British were not concerned with granting citizenship like the French but rather with maintaining the existing ethnic rivalries in a "divide and conquer" type strategy (Blanton et al., 2001).

Geschiere (1993) also found variances in the colonial legacies between the British and the French in their relationships with the traditional rulers in Cameroon. He notes that "the different legacies of French and British rule are intersected by other factors which also influence the degree to which these chiefs can still command support from local society." Madeira

(2005) compared discourses on public education between the Portuguese, British and French and illustrated how said discourses reflected the philosophies of each colonial power and their strategies for developing an educational infrastructure in their governed territory.

So while it has been empirically verified that colonial legacy has influenced ethnic conflict, the modern day role of chiefs and the educational infrastructures in African nations, does it have an impact on entrepreneurial activity?

We predict that entrepreneurial activity will be influenced by colonial legacy in the following:

Proposition 4: Nations with French colonial legacies (Francophone nations) will have lower levels of entrepreneurial activity than nations with British colonial legacies (Anglophone nations).

Traditional Leadership and Entrepreneurial Activity

Even as more African nations continue to adopt traditional democracies, the role and influence of traditional leaders should not be underestimated. Williams (2004) argues that, "Despite the dramatic changes that have occurred in South Africa over the last fifteen years, the chieftaincy remains an important political institution that continues to exercise authority." In his examination of democratic processes in South Africa generally, but specifically in rural South Africa, Williams acknowledged that the chieftaincy has been impacted by political changes. However, his work dispels the notion that South African democracy and the traditional chieftaincy were leadership models that could only be perceived as competing and mutually exclusive. Instead, chiefs were shown to work cooperatively with elected officials. In addition, the presence and activeness of chiefs provided cultural legitimacy to the election process. The involvement of chiefs in the election process also assuaged the fears about the presence of "outsiders" – often individuals from the larger cities who arrived to monitor or implement the elections.

Miles (1993) compared the chieftaincies of two West African nations, Niger and Nigeria and that of Vanuatu, an island nation in the South Pacific Ocean. Miles argues that despite their differences in colonial legacy and history, all three chieftaincies "now exist as parallel institutions alongside national governments committed to social and economic change." He provides five key modern functions of the traditional chieftaincy. First, chiefs play a linkage role between the populous and the government. Secondly, chiefs enlist national unity through the conferring of honorary chieftaincy titles on individuals who have gained national preeminence. By doing so, it is argued that identity boundaries are enlarged and regional group identity is redefined. In addition, chiefs were shown to serve as peacekeepers, often assisting the local government in managing conflicts. Fourth, Miles highlighted the role of the chief as ombudsman; this was especially emphasized in Nigeria. Lastly, the chief maintained the role of statesman, a symbol of the unity and tradition of the community.

Nyamnjoh (2003) also speaks to the sustaining power of the chieftaincy. He notes that, "instead of being pushed aside by the modern power elites, chieftaincy has displayed remarkable dynamism, adaptiveness and adaptability to new socio-economic and political developments." His study of the relationship between chieftaincy and democracy in Botswana argues that chiefs continue to reinvent themselves. The chieftaincy in Botswana was shown to be gender inclusive, chiefs continued not only to have symbolic power but were shown to be key intermediaries in the acquisition of land and financial resources.

Boafo-Arthur (2003) notes the resiliency of the chieftaincy in Ghana and focuses his work on the contemporary challenges facing chiefs in 21st century Ghana. Those challenges include HIV/AIDS education, succession, land and environmental degradation concerns, establishing development relationships both domestically and with international agencies. He quotes the Asantehene in stating:

Our predecessors engaged in inter-tribal wars, fighting for conquest over territories and people. Today, the war should be vigorous and intensive against dehumanization, poverty, marginalization, ignorance and disease…Chieftancy must be used to propel economic development though proper lands administration, through facilitating investments in our communities…

This leads us to our next proposition:

Proposition 5: Higher levels of traditional leadership recognition by the state are correlated with higher levels of entrepreneurial activity.

Political, Legal and Governmental Systems and Entrepreneurial Activity

Political systems can influence all forms of economic activity by establishing the rules and regulations for transactions to take place and for interactions to be governed. Scholars have argued that the economic variation is a result of political systems variation because political systems create and maintain the institutional structures that influence economic activity (Ingram & Clay, 2000; Nee & Ingram, 1998; North, 1990). For example, Klapper et al (2009) contrast the example of the two types of political/legal systems: Civil Law systems and Common Law systems. Civil Law countries require every business to register. Common Law countries require that only corporation register. These political/legal systems will have implications for both formal and informal entrepreneurship.

Governmental systems and laws can create new markets or deter entrepreneurs from entering markets. Formal institutional barriers may deter entry to a market if the market does not have the appropriate institutions to encourage formal entrepreneurial activity. For example, if the entrepreneurial opportunities are in places where there is significant disorder and disregard for property rights, despite the opportunity there may be no incentive for entry into said market. We predict that political and governmental systems can influence entrepreneurial activity through three mechanisms: political stability and social order; bureaucracy; and international engagement.

Social order and political stability are maintained by a variety of formal institutions (police, government, law, etc.). When these institutions do not exist, formal entrepreneurial opportunity is stifled but informal entrepreneurial activity (out of necessity) increases. Several studies have explored the role of political conflict and social order and economic activity (CITES). We predict that these same patterns will influence entrepreneurial activity:

Proposition 6a: Stable political systems increase formal entrepreneurial activity

Proposition 6b: Unstable political systems increase informal entrepreneurial activity.

Several studies from the World Bank have explored the relationship between the "Doing Business In …" indicators and entrepreneurial activity. In particular Klapper et al (2009) argue that the number of steps it takes to formally register a business in a nation is inversely proportionally to the entrepreneurial activity in the country. For example, based on 2008 data, in Ghana it takes 11 administrative steps to become a registered business and approximately 42 days to be processed. By contrast, Nigeria is 9 steps and 34 days and Senegal is 10 steps and 58 days during the same period. Significant differences in how a business can be registered and who may be eligible or able to register a business will dramatically impact formal entrepreneurship. In highly bureaucratic situations, would-be entrepreneurs may choose to remain informal so as not to attract unnecessary attention or regulation. This leads to an additional proposition:

Proposition 7: Governmental bureaucracy stifles formal entrepreneurship and increases informal entrepreneurship.

Finally, we predict that national engagement in the international community will also be correlated with higher levels of formal entrepreneurship. Following the research of Ingram, Robinson and Busch (2005), nations that have formal relationships with other nations through international governmental organizations have higher levels of bi-lateral trade. We predict that this will have an impact on the level of formal entrepreneurial activity:

Proposition 8: Engagement with the international system will be correlated with higher levels of formal entrepreneurship.

EMPIRICAL CONTEXT:

The Economic Community of West African States

The Economic Community of West African States (ECOWAS) is one of several regional economic communities in Africa. These communities have varied levels of activity and overlapping membership. Table 1 lists the various economic communities, their member states and founding dates:

Table 1: Regional Economic Communities in Africa

Economic Community	Member States	Founding Date
Community of Sahel-Sarahan States	Benin, Burkina Faso, Central African Republic, Chad, Cote d'Ivoire, Djibouti, Egypt, Eritrea, The Gambia, Guinea-Bissau, Ghana, Liberia, Libya, Mali, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia	1998
Economic Community of Central African States	Angola, Burundi, Cameroun, Central African Republic, Chad, Gabon, Congo, Guinea, Equatorial Guinea, Sao Tome	Founded 1989, inactive since 1992
Common Market for Eastern and Southern Africa	Burundi, Comoros, Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe	1994
Intergovernmental Authority for Development	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, Uganda	1986
Southern African Development Community	Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	1980 (1992)
Source: About AU. Africa Union website.		

ECOWAS was formed in 1975 with 16 founding member states. Table 2 details the current membership; Mauritania relatively recently withdrew membership (ECOWAS, Feb. 2008). ECOWAS is an appropriate research setting for an economic sociology of entrepreneurship in Africa for several key reasons. The region has a combined Gross Domestic Product of over $244 billion. Its combined population is more than 271 million. The majority of the member nations gained independence between 1957 and 1961, allowing for a common starting point as autonomous economic entities. There is a high level of comparability among the nations with migration relatively common across the 15 nations. The nation states have repeatedly, although unsuccessfully, discussed a common currency that would serve as a West African version of the "euro". There are many tribes who exist across national lines such as the Hausa of Nigeria and Niger, a fact that reinforces the relative arbitrariness of colonial boundaries. Yet, there are measurable differences that will allow for in-group comparisons.

The differing colonial heritages and their corresponding institutional legacies enable institutional comparisons. There are major urban areas such as Lagos, Nigeria, Abidjan, Cote d'Ivoire, Dakar, Senegal and Accra, Ghana as well as a majority of rural and underdeveloped villages and towns. There are also varied levels of infrastructural development and foreign aid, each of which provides a key variable in surveying and theorizing about entrepreneurial activity. There is also a remarkable diversity of languages, religious beliefs and ethnic groups.

Table 2: Profile of ECOWAS Member Nations

Country	Independence	Population	GDP	Official Language
Benin	1960	7,900,000	5,920,000,000	French
Burkina Faso	1960	13,900,000	5,600,000,000	French
Cape Verde	1975	507,000	1,100,000,000	Portuguese
Cote d'Ivoire	1960	18,700,000	15,900,000,000	French
Gambia	1965	1,500,000	511,400,000	English
Ghana	1957	23,000,000	12,500,000,000	English
Guinea	1958/1984	8,444,559	3,380,000,000	French
Guinea-Bissau	1974	1,590,000	386,800,000	Portuguese
Liberia	1847	3,570,000	631,000,000	English
Mali	1960	12,500,000	5,847,000,000	French
Niger	1960	14,853,000	3,540,000,000	French
Nigeria	1960	140,000,000	175,000,000,000	English
Senegal	1960	12,521,851	10,600,000,000	French
Sierra Leone	1961	6,144,562	1,233,000,000	English
Togo	1960	6,300,000	2,200,000,000	French

Source: United States Bureau of African Affairs

CONCLUSION

This paper seeks to outline a series of potential projects that will significantly enhance our understanding about entrepreneurial activity across the African continent. While we present ECOWAS as an attractive research setting, we hope that similar research will be performed using samples from the other economic communities. In addition, many of these and similar measures can be used for in-depth country-level case studies. Even as we recognize the value of the large dataset, standard GDP and related variables research study; an economic sociological approach will enable researchers to better capture the rich diversity and uniqueness of the African setting.

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THE EFFECT OF THE NATIONAL CULTURE ON FEMALE ENTREPRENEURIAL ACTIVITIES IN EMERGING COUNTRIES: AN APPLICATION OF THE GLOBE PROJECT CULTURAL DIMENSIONS

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ABSTRACT

Understanding the process by which new ventures emerge is a crucial element in entrepreneurship research. Earlier studies on opportunity recognition process cannot be universally applicable in all emerging economies due to some important cultural differences. This research aims to extend previous studies by applying the cultural dimensions formulated by the GLOBE study that extends Hofstede's cultural values. The paper investigates the influence of various cultural dimensions formulated by the GLOBE study on female entrepreneurial activities in emerging countries to better underpin the opportunity recognition process in emerging economies.

INTRODUCTION

Opportunity recognition is a crucial element in entrepreneurship yet a review of the prior research indicates that to date there is limited research on the impact of culture on opportunity recognition in emerging economies. Although previous research did valuable contributions in exploring opportunity recognition to date some of these findings cannot be universally applicable in all emerging economies due to some important cultural differences. It is long known that cultural attributes play a crucial role in the rate of entrepreneurial activities (Carter and Wilton, 2006). For instance, access to social capital and resources, venture growth objectives, and the rate of entrepreneurial activities vary from culture to culture (Tan, 2002; Welter, Smallbone and Isakova, 2006). To date most earlier studies focused on the impact of national culture on entrepreneurial development (House, Javidan, Hanges and Dorfman, 2002); entrepreneurial behavior (Hayton, George and Zahra, 2002); rates of innovation (Mueller and Thomas, 2001); entrepreneurial orientation (Kreiser, Marino, Dickson and Weaver, 2010). It was found that cultural differences impact the rate of innovation and capabilities for entrepreneurial activities (Kayal, 2008; Todorovic and McNaughton, 2007; Ahmed, Dana, Latfullin and Smirnova, 2001; Welter, Smallbone and Schakirova, 2003). Earlier studies also highlight the need to explore the characteristics of an emerging economy entrepreneurship to develop new theories to advance the entrepreneurship research (Bruton, Ahlstrom and Obloj, 2008). To date the actual role of various dimensions of culture in emerging economies is not yet well conceptualized. Hence, there is a great need to unpack cultural differences and better specification of culture to understand opportunity recognition in emerging economies.

To date the most widely used definition of culture was based on the Hofstede's formulation of culture. Primary aim of this research is to extend previous studies by applying the cultural dimensions formulated by the GLOBE study that codified and extended Hofstede's cultural values. In this study we will explore the influence of various cultural dimensions formulated by the GLOBE study to better underpin the opportunity recognition in emerging economies and "how" they impact entrepreneur's recognition of opportunities and entrepreneurial activities. Studying the effect of various underlying dimensions of national culture on female opportunity recognition intends to highlight important cross-national differences and hopefully sheds a light on opportunity recognition that lead the birth of a new firm in emerging economies. Since the concepts behind the framework tend to be applicable across all settings this research could be valuable in developing models in a cross-cultural testing of entrepreneurial activities and exploring the universality of the study measures.

In this study we will focus on opportunity driven entrepreneurial activities rather than necessity driven entrepreneurial activities. Previous studies highlighted the difference between the necessity based versus opportunity based entrepreneurial activities (Bögenhold, 1987; Reynolds, Bygrave, Autio, Cox and Hay, 2002; Acs et al, 2005; Acs and Varga, 2005; Sternberg, Brixy, and Schlapfner, 2006). Necessity driven entrepreneur is pushed into entrepreneurship because other employment options are not present whereas opportunity driven entrepreneur starts a venture to exploit a business opportunity (Smallbone, & Isakova, 2006). GEM report indicated that that opportunity-driven entrepreneurial activities is more related to economic growth than necessity-driven entrepreneurial activities. (Hording, 2003, Minniti, Bygrave, & Autio, 2006).

Although GEM research findings highlighted the importance of opportunity driven female entrepreneurship to date female opportunity driven entrepreneurial activities in emerging country setting is relatively less studied and further studies are needed to fully understand the distinctive features of this serious phenomenon. Global conventions still point out numerous obstacles faced by female entrepreneurs in emerging countries such as limited access to funds, gender stereotypes, lack of confidence, etc. Entrepreneurial environment in many countries was found less favorable to female entrepreneurs than male entrepreneurs (Langowitz and Minniti, 2007; Yetim and Yetim, 2006). Social feminist theory proposes that males and females are equal but they have different views due to the socialization process (Fischer, et, al, 1993; Carter and Williams, 2003; Johnsen and McMahon, 2005). Males and females may have an access to different human capital and resources due to their unique socialization process and they may differ in their recognition of opportunities and growth objectives (Tan, 2002; DeTienne and Chandler, 2007). In some emerging countries such as Bulgaria, Hungary and Uzbekistan female owned business owners reported less access to resources than male owned businesses (Welter, Smallbone and Schakirova, 2003). Female entrepreneurs were found to have more specific needs in their entrepreneurial activities than male entrepreneurs (Welter, et al, 2006; Carter, Brush, Greene, Gatewood and Hart, 2003). Previous research on female entrepreneurs indicated a need to understand female entrepreneurship (i.e. their motivation, performance) in emerging countries to better help female entrepreneurial activities (Manalova, Carter, Manev and Gyoshev, 2007).

Therefore extending previous studies in this paper we will focus on the influence of national culture on female opportunity driven entrepreneurship in emerging countries to better understand the "specific" challenges and motivation for female entrepreneurs and better underpin the distinctive features of the opportunity recognition process. We hope that this study facilitates further empirical research and the development of country specific policies which eventually improve the economic development of the emerging countries.

We now present the literature review on opportunity driven entrepreneurship and the influence of culture in opportunity recognition to provide the foundation of the conceptual connection of the study. Next we explore the application of the GLOBE study cultural dimensions on female and male opportunity driven entrepreneurial activities in emerging countries and develop some propositions. Finally we discuss implications of the study and future research agenda.

OPPORTUNITY DRIVEN ENTREPRENEURIAL ACTIVITIES

The Global Entrepreneurship Monitor (GEM) brought into attention the significant difference between the necessity and opportunity entrepreneurship. Necessity driven entrepreneur starts a venture because other employment options are not present and the entrepreneur chooses this path primarily a way to avoid unemployment or had no better choice. (Reynolds, Bosma, Autio, Hunt, De Bono, Servais, Lopez-Garcia, & Chin, 2005). The opportunity driven entrepreneur, on the other hand, is one who noticed an opportunity for making profits, engaged in an act of innovation that involves adding a new wealth-producing capacity to existing resources (Drucker, 1985; Lachman, 1980; Gartner, 1990; Kuratko and Hodgetts, 1998; Ronstadt, 1984; Bruyat and Julien (2001; Reynolds et al., 2002; Sternberg et al., 2006). The necessity driven entrepreneur's impact to the economic wealth and growth is found lower than that of the opportunity entrepreneur (Reynolds et al., 2002; Acs et al, 2005; Acs and Varga, 2005; Sternberg et al., 2006).

Based on the creative destruction theory, entrepreneur is defined as one who brings innovations to the market and creates a new supply and demand curve for new products/services (Schumpeter, 1934). Opportunity driven entrepreneurship is tied to innovation and thereby impacts industry growth and increases demand for production. Within the economic context opportunity driven entrepreneur is an innovator who creates new ventures, implements new technologies and stimulates growth and wealth in the economy (Schumpeter, 1934). GEM 2004 Global Entrepreneurship Monitor report indicated that the rate of female opportunity driven entrepreneurial activities is positively correlated with the economic status, and per capita income of a country and clearly linked to economic growth and job creation (Minniti, et al, 2005; Acs, et al, 2004). The ratio of opportunity driven to necessity driven entrepreneurial activities in low income countries is much lower than the ratio of opportunity driven to necessity driven entrepreneurial activities in high income countries ((Minniti, et al, 2005).

The Austrian School defines entrepreneurship based on mostly asymmetry of information and suggests that knowledge is unevenly dispersed in a competitive market economy (Hayek, 1945) and only "alert" entrepreneurs engage in non-random discovery (Kirzner, 1973). In other words opportunity driven entrepreneur's contribution to economic development stems from entrepreneur's alertness to identify and exploit market opportunities (Kirzner, 1973). In sum, in this study we will define opportunity driven entrepreneur as one who is alert; recognizes market needs; realizes a profit and is able to start a venture as one of several desirable career options.

CULTURE AND OPPORTUNITY RECOGNITION

Redding (1980) pointed out that while the entrepreneurial profile over the globe shares some universal traits other traits might be more culture specific. Bygrave and Minniti (2000) stressed that cultural traits increase the "self-reinforcing nature" of entrepreneurship.

Mueller and Thomas (2001) defined culture as "the underlying system of values peculiar to a specific group or society that shapes the development of certain personality traits and motivates individuals in a society to engage in behaviors that may not be evident in other societies." Previous research highlighted the relationship between national culture and entrepreneurial traits and found that "culture, it appears, may condition potential for entrepreneurship, generating differences across regional and national boundaries" (Mueller and Thomas, 2001).

Each society is organized in a very different way and therefore cultural differences across nations could play a role in entrepreneurial behavior (Mitchell, Smith, Seawright, Peredo and McKenzie, 2002; Thomas and Muller, 2000). According to the expectancy theory the individual exerts certain effort based on the expectation of how well the efforts will lead to the desired results (Vroom, 1964; Robins, 2001). The individual will link performance and the attractiveness of the outcome. If an individual perceives the outcome of a performance is desirable and satisfactory then the individual will put fort effort to achieve the outcome. Expectations could also be influenced by cultural and societal norms (Manolova, Carter, Manev and Gyoshev, 2007). In other words if the culture is supportive of entrepreneurial initiatives then individuals will believe that putting an effort for entrepreneurial actions will lead to desired results. To date opportunity recognition research in emerging countries is limited and it will be valuable to further study cultural differences in emerging countries to underpin opportunity recognition.

Hofstede's (1980) Cultural Dimensions Theory provides a clear definition of differences between countries in values and beliefs. The theory posits that differences in national cultures impact management practices and management practices are influenced by society (Hofstede, 1980). Therefore management practices vary country to country. Hofstede's model focused on five dimensions (i.e. power distance, uncertainty avoidance, individualism/collectivism; masculinity/femininity and time orientation). Hofstede cultural dimensions introduced the discussion of cultural differences and their strong influence on business development. Although Hofstede's theory was cited extensively in numerous cross cultural research later it was argued that the existing dimensions do not give adequate information about cultural differences and additional dimensions should be added to extend Hofstede's original framework (Hofstede, 1998; Jones, 2007; Olie 1995, Søndergaard 1994).

Recently the GLOBE project emerged from integrating existing cultural models and especially extended Hofstede's Cultural Dimensions theory to include nine dimensions to measure cultural differences across borders. The GLOBE study provides a deeper understanding into cultural complexities yet to date the application of GLOBE study into opportunity recognition research, especially in emerging countries, is limited.

Therefore it will be timely and worthwhile to explore the influence of national culture on female opportunity driven entrepreneurial activities in emerging countries in the light of the GLOBE cultural dimensions.

We now return to the GLOBE study cultural dimensions:

Power Distance

Hofstede's Cultural Dimensions Theory states that management is not isolated from society as differences among national cultures impact management practices (Hofstede, 1980). Therefore management practices differ from country to country. Hofstede originally defined five cultural dimensions in his cultural dimensions theory to explain the differences among nations (Hosfstede, 1980). Power distance, degree of tolerance for hierarchical relationships, is one of the cultural dimensions identified by Hofstede (Hofstede, 1980). This dimension measures the degree to which people expect power to be distributed equally (Steers, Sanchez-Runde and Nardon, 2010). High power distance indicates high degree of tolerance for hierarchical relationships whereas low power distance indicates small degree of tolerance. Higher power distance scores indicate an order of inequality, special privileges for those of higher status, superiors consider subordinates as a different kind of person. Lower power distance scores minimize inequality, prefer equal rights, superiors and subordinates are considered as equal." (Hofstede, 1980). Previous research found that managers in low power distance cultures will have more autonomy and deal with less hierarchical bureaucracy therefore they engage in more risk taking behaviors than those in high power distance cultures (Shane, 1993; Kreiser, Marino, Dickson, Weaver, 2010). Managers in high power distance cultures usually less willing to take organizational risks at improving firm's current industry position instead focus more on keeping the current position (Shane, 1993; Kreiser, et al, 2010). Based on previous findings we rationalize that high power distance cultures may state inequality in power and status and therefore limit communication links due to high bureaucratic structures. According to the expectancy theory we posit that female entrepreneurs in high power distance cultures may perceive the outcome of their entrepreneurial initiatives less desirable as the social and cultural norms may hamper experiences of women resulting in different attitudes and motivations toward initiating new innovation based businesses. In other words females in high power distance cultures may tend to be more submissive than those in low power distance cultures and have limited access to resources and entrepreneurial initiatives due to strict hierarchy and large gaps between those in power and those not. In sum female opportunity driven entrepreneurial activities in emerging countries with high power distance are expected to have stronger impediments than female opportunity driven entrepreneurial activities in emerging countries with low power distance.

H1 *Power distance moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in high power distance cultures will initiate less opportunity driven entrepreneurial ventures than those in low power distance cultures.*

Uncertainty Avoidance

Hofstede's Cultural Dimensions Theory explains differences among nations. The theory states that "uncertainty avoidance" dimension measures the degree to which people rely on norms and procedures to reduce the unpredictability of future events (Hofstede, 1980; Steers et al, 2010). Uncertainty avoidance has a considerable negative effect on risk taking attitude in business ventures (Kreiser, Marino, Dickson and Weaver, 2010). In other words businesses in high uncertainty avoidance cultures will have difficulty dealing with ambiguity and uncertainty whereas businesses operating in low uncertainty avoidance cultures better handle vagueness and show willingness to handle risks and take proactive behaviors (Kreiser, et. al, 2010). The rate of innovation was found relatively high in low uncertainly avoidance cultures compared to high uncertainty avoidance cultures (Shane, 1993). Further individuals in low uncertainty avoidance cultures were also found to be high on the "need for achievement" and inclined to be ambitious and motivated (Kreiser, et. al, 2010). Therefore they will be more tolerant and lenient operating in vague and risky situations. Entrepreneurship involves innovation, flexibility and dynamic risk taking (Pickle and Abrahamson, 1990; Stevenson and Gumpter, 1985). Especially in technology based ventures, the dynamic changes in the market and environment create technological and environment uncertainty and personal incapability to completely understand some aspects of the technical environment (Milliken, 1987). As technological uncertainty increases, the need for information gathering and taking risk, being tolerant and proactive increases.

Therefore low uncertainty avoidance cultures better equipped and appear to be more supportive of entrepreneurs than other type of cultures (Mueller and Thomas, 2001). Based on the expectancy theory we posit that individuals in low uncertainty avoidance cultures may perceive the outcome of their entrepreneurial initiatives desirable as the society may better accommodate their entrepreneurial efforts. Further, extending previous research we suggest that cultural traits toward high uncertainty avoidance attitude may discourage female entrepreneurs from going into risky innovation based businesses whereas cultural traits toward low uncertainty avoidance attitudes may encourage female entrepreneurs' risky innovation businesses. For instance, female entrepreneurs in low uncertainty cultures may more easily get business loans and support than female entrepreneurs in high uncertainty avoidance cultures. Venture capitals and financial institutions may be more receptive to risk-taking attitudes and providing credits to females' innovation based risky ventures in low uncertainty avoidance cultures than females in high uncertainty avoidance cultures. Hence, we suggest the next proposition.

H2 *Uncertainty avoidance moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in high uncertainty avoidance cultures will initiate less opportunity driven entrepreneurial ventures than those in low uncertainty avoidance cultures.*

Humane Orientation

Building on findings and theoretical reasoning by Hofstede (1980), Schwartz (1994), Smith (1995) and Inglehart (1997) GLOBE Project established nine cultural dimensions to capture the differences among societies. This dimension measures the degree to which people reward generosity and fairness (Steers et al, 2010). It was found that humane orientation practices correlate negatively with the Gross Domestic Product and the Human Development Index (Kabasakal & Bodur, 2004). In a low human orientation society need for power and material possessions are important and usually the state provides social and economic support to individuals (Groove, 2005). In a high human orientation society need for belonging, care, affiliation, sympathy and promoting the well being of others are important (House and Javidan, 2004; Groove, 2005; Schloeser, 2006). Individuals receive various support in terms of encouragement, care, help, social capital from societies with high human orientation practices ((Kabasakal & Bodur, 2004). A positive relation was found between agreeableness and human orientation (Schloeser, 2006). Further a direct and positive correlation was reported between humane orientation and entrepreneurial activity (Zhao, Rauch and Frese, 2010).

Extending previous research we rationale that female entrepreneurs with opportunity driven risky businesses could be encouraged and assisted in reaching resources to further pursue their ventures in high human orientation societies. Based on the expectancy theory we posit that since high humane orientation societies could be more supportive and tolerant of failures than low humane societies individuals in high humane orientation societies will perceive the outcome of their entrepreneurial efforts is desirable. As the humane orientation culture will better nourish entrepreneurial self efficacy and confidence the individual will put fort effort in their entrepreneurial initiatives. In sum, female entrepreneurs in high humane societies may perceive themselves as having necessary support and assistance in their opportunity driven entrepreneurial activities as they anticipate that society or their in-group will mediate on their behalf if necessary. Therefore they get more confident, expect positive outcomes and feel that they have ability to undertake considerable risks and pursue an opportunity driven risky entrepreneurial venture. In sum we posit that female opportunity driven entrepreneurial activities in emerging countries with low humane orientation are expected to have stronger impediments compared to female opportunity driven entrepreneurial activities in emerging countries with high humane orientation. Based on the rationale above we suggest the next proposition.

H3 *Humane orientation moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in low humane orientation cultures will initiate less opportunity driven entrepreneurial ventures than those in high humane orientation cultures.*

Institutional Collectivism

Extending Hofstede's Cultural Dimensions theory this dimension is established by GLOBE project. The dimension measures the degree to which society encourages collective action (Steers et al, 2010). Previous studies found that culture and socialization patters may play an important role in shaping individuals' cognitive styles (Berry, 1993; Zebian and Denny, 2001) and values and beliefs (Schneider, 1987). Innovation is essential in an opportunity driven entrepreneurship (Drucker, 1985). Therefore societies that value entrepreneurship and innovativeness introduce efficient institutional systems promoting innovative ventures (Vesper, 1983). In other words institutional environment influences the rate of the economic activity, entrepreneurial venture start-ups and strategic actions of organizations in a society (Aldrich and Wiedenmayer, 1993; Manolova, Eunni and Gyoshev, 2008; Yamakawa, Peng and Deeds, 2008). It was found that the strength of an institutional environment (such as legal and financial systems) of a society shapes entrepreneurs' cognitions and willingness to start a venture (Mitchell, Smith et al, 2002; Lim, Morse, Mitchell and Seawright, 2010). GLOBAL entrepreneurship monitor indicated that effective installation of property rights and legal institutional environment (Soto, 2000; Djankov, Glaser and Schleifer, 2002; McMullen, Bagby, and Palich, 2008) and financial institutions (Levine, 2002) encourages the opportunity driven entrepreneurial activities (Bowen and De Clercq, 2008). An effective legal system, especially well established property rights protection is positively correlated with entrepreneurial innovation and venture start-ups (Lim, Morse, Mitchell and Seawright, 2010). Based on the expectancy theory we posit that individuals in high institutional collectivistic societies will perceive the outcome of their entrepreneurial efforts is desirable as high institutional collectivistic societies strengthen the socio-cultural infrastructure of the society; establish training and support systems and facilitate the entrepreneurial activities and new start-ups (Steier, 2009).

On the other hand potential entrepreneurs in low institutional collectivistic societies may face socio-cultural obstacles, such as negative public attitude toward creativity and innovation, legal institutional barriers such as regulatory complexities, strict administrative hurdles, bureaucratic procedures (Grilo and Thurik, 2005; Klapper, Laeven and Rajan, 2006), difficulty in accessing credit, information and support that hinder research and innovation, lack of training programs, etc. It was reported that in an it takes an average of 56 days to start a business venture in a low income country in East Africa (Khavul, Bruton, and Wood, 2009) whereas it is about 4 days in the U.S (1.7% GDP) (Meyer and Pang, 2005). Strict bureaucratic procedures and regulatory burden impose strong impediments in starting up and operating business ventures (Aidis, Estrin and Mickiewicz, 2008; Parker, 2007). In emerging economies of Eastern Europe, such as Lithuiana and Ukraine, due to excessive regulations and high costs create a barrier and limitations for opportunity driven entrepreneurial activities. (Acs et al., 2004). For instance in low institutional collectivistic societies such as Lithuiana and Ukraine, female entrepreneurs were reported to have more barriers in accessing credit and funds than male entrepreneurs and in such countries female entrepreneurs were reported to incline towards necessity driven ventures in service industries with low investment and profit rather than opportunity driven ventures in high tech fields (Aidis, Welter, Smallbone and Isokova, 2007).

Therefore based on the rationale we suggest that female opportunity driven entrepreneurial activities in low institutional collectivistic societies may have stronger barriers than those in high institutional collectivistic societies. Therefore female entrepreneurs in low institutional collectivistic societies may be less willing to start opportunity driven ventures. We posit that female opportunity driven entrepreneurial activities in emerging countries with low institutional collectivism are expected to have stronger impediments compared to female opportunity driven entrepreneurial activities in emerging countries with high institutional collectivism. This brings the next proposition.

H4 *Institutional collectivism moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in low institutional collectivistic cultures will initiate less opportunity driven entrepreneurial ventures than those in high institutional collectivistic cultures.*

In-Group Collectivism

This dimension is established by the GLOBE project extending the Hofstede's Cultural Dimensions Theory. The dimension measures the degree to which people expect pride, loyalty and cohesiveness in their organizations and families (Steers et al, 2010). For instance, middle-eastern immigrants in Canada coming from collectivistic cultures were found more likely engage in integrative thinking than those who are born and raised in an individualistic culture, Canada (Zebian and Denny, 2001.) Individuals in countries scored high in collectivism were found to give high importance on relationships and emotional dependence (Kitayama, et al 1997). For instance strong community ties provide social resources, strength and economic support and play a significant role in East African entrepreneurial ventures activities (Luke and Mushi, 2006; Khavul, Bruton and Wood, 2009). In Africa female entrepreneurs were reported to be more likely occupied with family businesses compared to male entrepreneurs (Bardasi, et, 2007). A positive relationship was found between low and medium income countries and the rate of entrepreneurial activities (Zhao, et al 2010). Yet we think that these entrepreneurial activities could be more necessity driven than opportunity driven. We rationale that since females entrepreneurs in high group collectivistic cultures will more likely rely on support of their in-group in making decisions and taking any entrepreneurial initiatives and have limited external social network ties with those outside of their group. Further their in-group ties may be lacking in industry-specific knowledge and experience. Therefore, although their in-group ties may be helpful in emotional support they may be less helpful in providing opportunity relevant information. Research found the importance of social networking activities in individuals' opportunity recognition (Singh, 2000; Singh, Hills, Hybels & Lumpkin , 1999). For instance social sources of information outside of a person's close social network ties, such as access to informal social networks or participating professional forums and conferences and having mentors will more likely provide opportunity related information to potential entrepreneurs (Ozgen and Baron, 2007) than those who only have communication ties with their in-group network.

Based on the expectancy theory we posit that females in low in-group collectivistic societies will perceive the outcome of their opportunity driven entrepreneurial efforts is desirable as these societies will value self initiatives more. Female entrepreneurs could get benefit of communicating with those outside of their in-group network as participating in such activities make potential entrepreneurs aware of recent trends, developments, facilitate exchanging information. On the other hand in high in-group collectivistic societies female entrepreneurs may not start opportunity driven ventures based on their individual experience as they are highly dependent on the approval, support and decision of their in-group.

H5 In-group collectivism moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in high in-group collectivistic cultures will initiate less opportunity driven entrepreneurial ventures than those in low in-group collectivistic cultures.

Assertiveness

This dimension, established by GLOBE project, measures the degree to which people are assertive, confrontational in relationship with others (Steers et al, 2010). The GLOBE research collecting data from 18,000 managers in 62 countries found that less assertive societies emphasize loyalty, harmony, cooperative relations and solidarity compared to highly assertive societies that value competition (Deresky, 2008). Based on the GLOBE study less assertive societies such as Bolivia (3.78), Malaysia (3.77) Namibia (3.81) Philippines (3.85), Portugal (3.81) (Harzing.com) have more sympathy for the weak compared to the highly assertive emerging societies (Deresky, 2011) such as Kazakhistan (4.51), Albania (4.57) El Salvador (4.49), South Africa (4.49), Hungary (4.71) Morocco (4.72), Nigeria (4.53) (Harzing.com). In other words in highly assertive societies people may be encouraged to take risks, negotiate deals aggressively and be competitive whereas in less assertive societies people encourage harmony and accommodating and supportive relations which reflect in the difference of the female entrepreneurial start-up rate.

Opportunity driven entrepreneurial activities are usually considered more challenging and demanding than necessity based entrepreneurial activities. Therefore setting up an opportunity based venture may require the founder be a risk taker and assertive to handle challenges. It was found that social norms play an important role in female entrepreneurial activities (Aidis, et, al, 2006; Manolova, Carter, Manev and Gyoshev, 2007). Based on the expectancy theory we posit that less assertive cultures where, societal expectation of traditional gender stereotypes, i.e. men are forceful, and self-assertive and women are emotional, compliant and obedient (Heilman, Block, Martell and Simon, 1989; Eagly and Wood, 1991) may create a less favorable environment for female entrepreneurs. As a result females in less assertive societies will perceive the outcome of their opportunity driven entrepreneurial efforts is less desirable than females in high assertive cultures. Hence based on the reasoning we suggest the following proposition:

H6 Assertiveness moderates the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in low assertive cultures will initiate less opportunity driven entrepreneurial ventures than those in high assertive cultures.

Gender Egalitarianism (GE)

This dimension, established by the GLOBE project, measures the degree to which people gender differences are minimized (Steers et al, 2010). GLOBE study suggested that women's economic activities are positively correlated with the extent of gender egalitarianism a society practices (House, Hanges, Javidan, Dorfmand Gupta, 2004). Based on the GLOBE study emerging gender egalitarian practices seem correlated with the female labor force participation rate. For instance, the women workforce participation rate is 22.34% of the total labor force in Egypt (2.9% GLOBE "GE practice rate") (Egypt State Information Service, 2010) 26% in India (2.8% GLOBE "GE practice rate") (Inquirer Global Nation, 2007), 43.5% in Indonesia (3.04% GLOBE "GE practice rate") (Inquirer Global Nation, 2007) 48.9 percent in Kazakhstan (3.87% GLOBE "GE practice rate") (Klaveran, Tijdens, Hughie-Williams and Martin, 2010). The World Bank report (2008) informs that women work force participation rate is about 22% in Middle East and North Africa region, 24.4% in South Asia, 30% South Africa region, 55% in East Asia and Pacific regions (Buvinic, et al, 2010) in which countries' gender egalitarian practices seem linked with the women labor force participation rate.

GLOBE study reported that women's purchasing power is related with the extent of their participation in the labor force. Society's values on the social role of women and men are positively correlated with the measure of gender egalitarianism in a society (House, et al, 2004). Gender related barriers may hinder females accessing capital and collateral (Rumniska, Zimni, 2002). For instance in Central Asia and SubSaharan Africa where there are relatively low gender egalitarian practices and gender based gaps it is found that female entrepreneurs have higher collateral rates (166% in Central Asia and 147% in SubSaharan Africa), and interest rates than male entrepreneurs (Sabarwall, Terrell and Bardasi, 2009). Further it is found that fewer women hold positions of authority and more occupational gender segregation and educational hindrance for women in low gender egalitarianism cultures compared to high gender egalitarianism cultures (Grove, 2005).

Therefore based on the expectation theory we posit that in low gender egalitarian societies female entrepreneurs may consider the outcome of their entrepreneurial efforts is less desirable as their entrepreneurial activities can be hampered by structural difficulties, social customs and norms such as parental role expectations, bureaucratic impediments, access to education and occupational sex segregation. As a result they may put less effort for entrepreneurial initiatives than female entrepreneurs in high gender egalitarian societies where females have better access to resources.

Also according to the social feminist theory males and females may have different views an access to different human capital and resources due to the socialization process (Johnsen and McMahon, 2005; Tan, 2002). Based on the social feminist theory we posit that in low gender egalitarian societies women may not be socialized to "negotiate" deals. Therefore socially-prescribed roles of women, religious and cultural values may hinder females opportunity driven entrepreneurial activities in low gender egalitarian countries and may restrict female entrepreneurs' access to capital, skills, and marketing know-how. Therefore we posit that female opportunity driven entrepreneurial activities in emerging countries with low gender egalitarian practices are expected to have stronger impediments compared to female opportunity driven entrepreneurial activities in emerging countries with high gender egalitarian practices. Hence, based on the rationale above we suggest the following proposition.

H7 *Gender egalitarian practices moderate the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in cultures with low gender egalitarian practices will initiate less opportunity driven entrepreneurial ventures than those in cultures with high gender egalitarian practices.*

Future Orientation

This dimension measures the degree to which people focus on the future such as planning and investing (Steers et al, 2010). This dimension is based on Hofstede's addition to his original work (Hofstede and Bond 1984; Hofstede and Bond 1988). According to the GLOBE study people place more emphasize for saving for the future and longer term plans in societies score high on this dimension compared to people who pursue instant gratification in societies scored low on this dimension (Javidan and House, 2001; Deresky, 2008).

Future orientation was found highly correlated with the extent of entrepreneurial activities in a country (Shane and Venkataraman, 2000). For instance GLOBE reported that in countries with high entrepreneurial rate the future orientation values are relatively high, such as 4.88 in Singapore; 4.41 in Germany and 4.13 in U.S., whereas countries with low orientation rate the future orientation values are relatively low such as 3.32 in Namibia, 3.55 in Zambia and 3.61 in Philippines (Harzing. com).

Based on the expectancy theory we posit that individuals in high future orientation societies may consider the outcome of their entrepreneurial efforts is desirable as individuals in these societies are encouraged to look at the bigger picture, focus on the future, invest, plan, and anticipate environmental uncertainty, changing patterns of market and demand. Therefore female entrepreneurs in high future orientation societies will put fort more effort for initiating entrepreneurial ventures as they could be more capable and proactive in searching for opportunities and anticipating viable ventures that will yield ample profits in the future. Further it may be relatively easier for female entrepreneurs to ask for funding from financial institutions, banks and venture capitalists in a high future orientation society than those in a low future orientation society as the financial system could better support and meet future aspirations of potential entrepreneurs' risky ventures. Thus, we suggest the following proposition.

H8 Future orientation values moderate the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in cultures with low future orientation values will initiate less opportunity driven entrepreneurial ventures than those in cultures with high future orientation values.

Performance Orientation

This dimension, established by the GLOBE project, measures the degree to which society encourages high performance and gives reward to excellence (Steers et al, 2010). According to the GLOBE study societies rated low on performance orientation practices such as Venezuela (3.41), El Salvador (3.72), Nigeria (3.79), Malaysia (4.16) emphasize, loyalty, tradition, environment, society and family relationships whereas societies rated high on performance orientation practices emphasize more power, competitiveness and material possession (Javidan and House, 2001; Deresky, 2008). According to the Hofstede's Cultural Dimension theory high performance oriented cultures usually display "masculine" values such as competitiveness, assertiveness and success (Hofstede, 1980). Usually this type of cultures initiates proactive strategies and individuals are more likely exploit opportunities and interrelate with the external environment (Keiser, et al 2010). The extent of performance orientation was found positively related to the rate of an entrepreneurial activity in a country (Zhao, et al, 2010) as the development of entrepreneurial ventures necessitates a supportive environment to flourish an entrepreneurial climate. Various stages of entrepreneurial ventures, such as opportunity recognition and venture start-up, are influenced by many contextual factors in the external environment (Singh, 2000) and the availability of resources (Timmons, 1994) as well as the creative attributes of an individual (Hills, Shraeder and Lumpkin 1999).

Entrepreneurial activities, especially new venture start-ups and initial entrepreneurial process, involve high uncertainty, pressure, challenge, stressful circumstances and adverse conditions (Baron, 1998). Based on the expectancy theory we posit females in high performance orientation societies will consider the outcome of their entrepreneurial efforts is more desirable as these societies are better equipped to facilitate female entrepreneurial activities by providing access to necessary institutions to support their entrepreneurial ventures. This type of societies may install necessary institutional support structures such as business counseling, technical assistance, credit access that facilitate and accommodate challenging entrepreneurial ideas and new venture start-ups. Therefore female entrepreneurs in high performance orientation societies will put fort more effort for their opportunity based entrepreneurial initiatives than females in performance orientation societies.

Women entrepreneurs use more external business support, such as advice, others' opinions, guidance and coaching, compared to men entrepreneurs as less business experience and having primary burden of domestic activities may affect women's tendency to pursue entrepreneurial activities (Chell, 2002; Mitchell and Weller, 2001; NFWBO, 1999). Social feminist theory suggests that males and females may have different access to resources due to the socialization process (Johnsen and McMahon, 2005; Tan, 2002). Based on the social feminist theory we expect that in a high performance society females can better access to various resources than those in low performance societies where such support systems are not as developed. Therefore potential female entrepreneurs in high performance societies may think that they may better handle unpredicted changes or ambiguous and adverse circumstances so they may be more confident than those in low performance societies in proceeding with the high level entrepreneurial tasks. Therefore we posit that female opportunity driven entrepreneurial activities in emerging countries with low performance orientation values are expected to have stronger impediments compared to female opportunity driven entrepreneurial activities in emerging countries with high performance orientation values. Based on this rationale we suggest the following proposition:

H9 *Performance orientation values moderate the relationship between opportunity recognition and female entrepreneurial activities such that female entrepreneurs in cultures with low performance orientation values will initiate less opportunity driven entrepreneurial ventures than those in cultures with high performance orientation values.*

IMPLICATIONS

We hope that ideas suggested in our paper contribute to further research in entrepreneurship. Unlike most prior studies that explore Hofstede's formulation of cultural values our focus is on female entrepreneurial activities in emerging countries in the light of GLOBE cultural values. We suggest that it is important to provide deeper understanding into cultural complexities to better underpin the distinctive features of the opportunity recognition process as it will help us understand "specific" challenges and thereby develop tailor made programs for female opportunity driven entrepreneurial activities in emerging countries. Therefore we hope that this study facilitates further empirical research and offers implications for the development of public policy and entrepreneurship research.

Since females may have an access to different resources due to their socialization process this study suggests the development of unique country specific policies that facilitate female opportunity driven entrepreneurial activities. For instance policies that address unique cultural dimension of the emerging country can better take into consideration of the special needs of female entrepreneurs in that country and offer specific strategies and programs to handle the challenges female entrepreneurs face. Therefore creative and innovative entrepreneurial thinking and activities are better encouraged rather than hampered.

This study has also implications for entrepreneurship research. The study develops a framework for studying female entrepreneurship in emerging countries and provides a foundation for further studies. Most importantly the study highlights the need to focus on different cultural dimensions to underpin the female entrepreneurship activities. For instance based on this study future empirical investigation of an exploratory cross country study on female opportunity driven entrepreneurial activities and the application of GLOBE cultural values will have merit in advancing the entrepreneurship research. The study also suggests future entrepreneurship research should elaborate the impediments facing female entrepreneurs in emerging countries. Understanding differences of female opportunity driven entrepreneurial activity rates and moderating effect of various contextual differences in emerging countries and their impact on female opportunity driven entrepreneurial activities will help to take a more rational approach in future entrepreneurship studies. Studying the challenges and opportunities facing female entrepreneurs in emerging countries with a deeper understanding of cultural values will help create better awareness, develop better policies, formulate more effective and appropriate approaches and initiate more helpful programs in assisting female entrepreneurs.

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ENTREPRENEURS IN CHINA AND VIETNAM: MOTIVATIONS AND PROBLEMS

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ABSTRACT

Purpose *--This study examines the economic and social reasons why entrepreneurs in China and Vietnam start their small businesses. It also aims to understand problems faced by these entrepreneurs.*

Design/Methodology/Approach *-- Likert-style questions were used to determine entrepreneur motivations and problems. Mean scores were calculated and compared to highlight significant differences.*

Findings *-- Entrepreneurs in both China and Vietnam are motivated by the desire for improved economic status – higher income and job security. Common problems include inadequate access to capital, limited property rights adjudicated by weak legal systems, and rampant corruption. Differences are driven by culture and include, as an example, a disproportionate number of male entrepreneurs in China.*

Research Limitations/Implications *-- Results cannot be generalized to other countries, even those of similar cultures, because the results are highly influenced by politics, economics, religion, attitude towards entrepreneurship and other social factors.*

Practical Implications *-- Since motivations and problems differ across countries, governments can benefit from developing country-specific programs to encourage business creation. As an example, entrepreneurs in both China and Vietnam would benefit greatly by a more equitable allocation of capital. In addition, foreign companies can benefit by understanding entrepreneur motivations and problems to serve as a guide prior to direct investment.*

Originality Value *-- Using current data collected directly from entrepreneurs, this study provides a comparison of the relative progress of small private businesses in two countries (China and Vietnam) with similar economic and political roots but cultural variation and different paths through economic and political transition.*

KEYWORDS -- Entrepreneur, China, Vietnam, Problems, Challenges, Motivations

PAPER CLASSIFICATION -- Research

INTRODUCTION

Small businesses dominate the economic landscape of most countries. Although business publications and the popular press put the spotlight on large multi-national corporations, micro- and small-sized enterprises (MSEs), together with small- and medium-sized enterprises (SMEs), contribute to economic development, increase household income and create jobs as well (Spring and McDade, 1998; Steer and Taussig, 2003). Economies, even those of highly industrialized nations are, in reality, based upon small business. According to Minniti (2008) entrepreneurship is the mechanism through which economic growth takes place. Further, Carland & Carland (2004) argued that the greatest potential for future economic development lies with businesses with fewer than 20 employees and the age-old adage that "What's good for General Motors is good for America" should be replaced by "What's good for Entrepreneurship is good for America."

In this study we examine the motivations of entrepreneurs, and the problems they face, in two countries: China and Vietnam. This paper will make several important contributions. First, it provides better insight into the factors that motivate entrepreneurs and the opportunity to examine differences due to a national environment including political, economic, social and cultural factors. Second, it will suggest country-specific policy changes to enhance entrepreneurial success, leading to overall economic success. In particular, this study seeks to understand vital differences in motivation and problems between China and Vietnam. Entrepreneurs in China and Vietnam responded to a questionnaire about themselves, their businesses and their motivations for starting their current business. A better understanding of these motivations for business ownership can help policymakers design policies that encourage and promote the creation of businesses. Similarly, understanding of differences will help foreign businesses prepare for engagement with China and Vietnam. If motivations and problems differ across these two countries, then policies must be specifically designed to meet the goals and needs of the entrepreneurs within each country.

The discussion of entrepreneurship in China and Vietnam is a particularly interesting one since in the 1950s entrepreneurs were either non-existent or characterized as anti-socialist. They operated, if at all, outside the system, and outside of society.

LITERATURE REVIEW

Factors Motivating Entrepreneurs

What motivates individuals to become entrepreneurs? Why do people take financial risks, leave the safe environment of a job to pursue an uncertain future, and make the personal sacrifices required to start and grow a business? Kuratko *et al*., (1997) argue that to understand the entrepreneurial process, one must understand an entrepreneur's motivation to start and sustain their venture. This topic is doubly important because there also appears to be a direct relationship between motivation and performance (Herron and Robinson, 1993; Kuratko, *et al*., 1997).

In the seminal paper on the nature and motivation of entrepreneurs, Carland *et al.* (1984, p. 358) contrast the concept of entrepreneur with that of a small business owner by defining an entrepreneur "as an individual who establishes and manages a business for the principal purpose of profit and growth and is characterized principally by innovative behavior and employs strategic management practices." To introduce additional rigor, Carland *et al.,* (1992) constructed the Carland Entrepreneurship Index which evaluates and categorizes entrepreneurial potential. The index consists of 33 questions in the four broad categories of *personality, preference for innovation, risk-taking propensity, and strategic posture.*

Specific factors that have been found to motivate entrepreneurs include the desire for independence/autonomy, family security, self-fulfillment and growth, financial gain, and recognition (e.g., Chu *et al*., 2007). Some researchers believe intrinsic personality traits are the primary motivators. Personality traits, such as the need to achieve, a tolerance for ambiguity, a desire to innovate, a propensity for risk-taking, and a preference for internal locus of control, have all been shown to influence entrepreneurial activity (Brockman *et al., 2006;* Collins *et al*., 2004; Chell, 1985; Envick and Langford, 2003; Gaulden *et al*., 2002; Ginsburg and Buchholtz, 1989; Johnson, 1990; Shaver and Scott, 1991; Stewart *et al*., 1996). However, other researchers believe extrinsic factors are more important (Kuratko *et al*., 1997; Robichaud *et al*., 2001). Individuals can be "pushed" into starting a business by external negative conditions such as unemployment and retrenchment, a low paying job with little upward mobility and/or a desire to escape supervision (Curran and Blackburn, 2001; Moore and Buttner, 1997). At the same time "pull" factors, such as the desire to be one's own boss, increase wealth, change lifestyle or use one's experience and knowledge, can attract an individual to entrepreneurship (Birley and Westhead, 1994; Burke *et al*., 2002).

In a captivating study of incarcerated American felons, Lockwood *et al.,* (2006), using a number of personality indicator instruments and the Carland Entrepreneurship Index (Carland et *al.,* 1992), sought to determine if the prisoners were indeed entrepreneurs albeit with illegal businesses. Are these "dark side" entrepreneurs motivated in the same way as legitimate entrepreneurs? The somewhat surprising answer was yes. The felons described their illegal activities in classical business terms, and were "strongly oriented toward entrepreneurship" (p. 208). The difference between "dark side" entrepreneurs and legitimate entrepreneurs is that while legitimate entrepreneurs owe one's duty to the dominant society of our world, "dark side" entrepreneurs owe one's duty to a criminal subset of society (typically due to growing up in environments where criminal activity was the norm).

However, entrepreneurial motivation can vary dramatically by country. In their study of Kyrgyzstan entrepreneurs, Yalcin and Kapu (2008) found the desire to earn more money and the lack of appropriate job opportunities to be the key motivators. In their study comparing

Kenyan and Ghanaian entrepreneurs, Yalcin and Kapu (2008) describe the family tradition motive to continue the family business and to imitate family members. Chu, *et al*. (2007) found increasing income, creating a job for oneself, personal satisfaction and growth, and job security to be the top motivators for entrepreneurs in both Kenya and Ghana. Entrepreneurs in Romania were found to be motivated by the opportunity to increase their income and to obtain job security (Benzing *et al*., 2005).

Other studies have found that culture plays a major role in motivational differences across countries (Chu, *et al*., 2007; McMullen *et al*., 2008). As expected, these variations frequently follow cultural traits described in the Hofstede (1983) framework for classifying cultures. As an example, according to Scheinberg and MacMillan (1988), entrepreneurs in the US and Australia are highly motivated by the need for independence. In contrast, Italian and Chinese entrepreneurs are strongly motivated by collectivist ideals. Again, using the Hofstede framework for classifying cultures, Swierczek and Ha (2003) identified uncertainty avoidance and achievement orientation as two aspects of culture related to entrepreneurship. Shane *et al*., (1991) provided a cross-country comparison of entrepreneurs in Great Britain, Norway and New Zealand. They found that the desire for recognition is stronger in New Zealand and Great Britain than in Norway. This is not unexpected since Norway is an egalitarian, nurturing society. Religious values may also play a role (Benzing *et al*., 2009).

McMullen *et al*., (2008) examined the motivation of entrepreneurs across countries focusing on the relationship between entrepreneurial motivations and government related factors. They argued that fiscal, monetary, and labor freedom are related to entrepreneurial activity and found that entrepreneurial action increases with decreases in opportunity.

Overall, the literature indicates that there are country-specific differences in both the intrinsic and extrinsic motivations of entrepreneurs. Understanding these differences is a first step in government policy change to motivate entrepreneurs and foreign company approaches to tap into a country's entrepreneurial spirit. This study concentrates on the situational and environmental motivations in China and Vietnam for creating a business since these can be influenced by policy-makers.

Problems Facing Entrepreneurs

What are the most troublesome problems faced by entrepreneurs? Challenges such as undercapitalization, competition, cash flow issues, hiring appropriate team members, identifying a target market, protecting intellectual property, and legal/regulatory issues can be very difficult for small businesses and may threaten their initial viability (Stinchombe, 1965; Zimmerman and Zeitz, 2002).

In developing countries, an unstable and/or bureaucratic business context is a frequent problem. For example, entrepreneurs in Africa struggle with laws governing private enterprises. Enforcement of contract and private property laws, as well as overly complex business registration and taxation systems are problems for entrepreneurs (Chu *et al*., 2007). Kenyan entrepreneurs identified a weak economy as the most pressing problem they faced, followed by competition and unreliable/undependable employees. Ghanaian entrepreneurs also identified a weak economy as the most pressing problem they faced, followed by limited access to short- and long-term funding (Chu *et al*., 2007). Turkish entrepreneurs reported tax structure complexity and lack of clarity, unreliable/undependable employees, and inability to maintain accurate accounting records to be the most pressing problems they face (Benzing *et al*., 2009; Chu *et al*., 2008). Hisrich (1988) found the most significant problem for entrepreneurs in Northern Ireland were funding related followed by marketing problems, and weak collateral. Yalcin and Kapu (2008) found that funding, red tape, high taxes, and labor were the biggest problems facing entrepreneurs in Kyrgyzstan. Benzing *et al*., (2005) noted that insufficient capital is a problem for most owners of MSEs and SMEs operating in developing and transition economies. Too often entrepreneurs cannot obtain commercial loans because they do not have the necessary collateral or because the interest rates are extremely high. Without adequate capital the success and growth of their business is limited (Chu *et al*., 2008).

Although entrepreneurs always face problems, no matter where they are located, entrepreneurs in developing countries face a unique set of challenges (Chu, *et al*., 2007; Cook, 2001, Levy, 1993). Yalcin and Kapu (2008) found that although the startup and survival of a new venture is always challenging, it is aggravated by unfavorable conditions especially prevalent in developing and/or transitional economies. Benzing *et al.* argued that in transitional economies the macroeconomic policies "often fuel inflation, keep interest rates high, and stifle foreign investment..., the structural changes necessary for transition are resisted by the entrenched managers and workers employed by state-owned enterprises" (2005, p.8).

Given the level of research of entrepreneurial behavior discussed above, and given the studies focused on entrepreneurship in China and in Vietnam, why pursue a compare/contrast of the motivations and problems of entrepreneurs in these great countries? Heberer (2003) points out that the processes of economic and social change in China and Vietnam are fundamentally different from those in both Eastern Europe and from those of the "Four Tigers" (South Korea, Taiwan, Hong Kong and Singapore) – both natural reference sets of countries. As an example, in Eastern Europe, change was dramatic and swift as the political system collapsed. In both China and Vietnam, the process of social, economic and political change was gradual. Heberer (2003) refers to this effect as "privatization from below." The contrast with the "Four Tigers" is even clearer. In the case of both China and Vietnam, the transformation was part of an intentional migration from a centrally-planned to a market economy under the watchful eye of the communist party maintaining ideological barriers. Further, both China and Vietnam transformed their economies without the help of American resources (financial power and know-how).

COMPARATIVE DESCRIPTION OF CHINA AND VIETNAM

With respect to fundamental political, social and economic changes, it may appear that China and Vietnam are pursuing an identical path. In fact, Heberer (2003) refers to China as "big dragon; and Vietnam, "small dragon." The more popular press has referred to Vietnam as China's "daughter." Indeed, China and Vietnam have much in common. As an example, both China and Vietnam recognized the need to catch-up and/or surpass the "Four Tigers." Economic crisis in the late 1970s caused both countries to embark upon economic reform beginning with the agricultural sector. In addition, although both countries were marked by Soviet-style communism, they were influenced by a social structure that was distinctly Asian and featured a classic collectivist culture including a paternalistic, consensual style of political behavior (Heberer, 2003). Priority was given to personal relationships and the need for harmony – not to conflict and competition.

However, in many ways, China and Vietnam are different. Because of the conspicuous size difference, i.e., Vietnam has only 4% of land mass and 7% of population of China (Heberer, 2003), China has greater diversity in population, more complex relations with its outer provinces, and greater influence on the world stage. China, never the colony of a foreign power, always saw itself as a major cultural center. In contrast, Vietnam's history is marked by constant invasion and colonization; during the period 1954-1976, Vietnam was a divided country with different social and political systems. However, at the onset of economic reform, China had a greater percentage of its population employed by state-owned enterprises (SOEs) (5% vs. 1% for Vietnam), and had stronger bureaucratic machinery behind control of its SOEs, resulting in a more complex privatization path than Vietnam (Heberer, 2003). Vietnam is not simply a smaller copy of China.

Entrepreneurial Environment

China and Vietnam share a common history with respect to the rise of the private sector. The stimulus for entrepreneurial activity was poverty in the agricultural regions. Even prior to any attempts to reform the economic system, a secondary economy, with poverty as the primary stimulus, emerged. These markets were, strictly speaking, outside the official state system. During the economic crisis of the late 1970s, the pressures to expand the secondary economy grew even stronger. In China, 150-200 million workers from the countryside had no meaningful access to urban jobs or the SOEs. Self-employment in commerce and craft-based work was the only solution to absorbing them (Heberer, 2003).

In both China and Vietnam, reality was always a step ahead of economic and political reform. The development of a private sector was tolerated by local authorities because the advantages for employment and availability of goods and services were very clear. In both countries, reform processes were initiated by need-driven abandonment of the collective economy. This action was retrospectively legalized after years of successful practice. As an example, in China, by 1988, limits on employment by the emerging private companies were abolished (Heberer, 2003).

Despite the spontaneous emergence of entrepreneurial activity, the business environment remains far less than ideal. As an example, the ability to establish and run a business is constrained by a sluggish regulatory environment. In China, obtaining a business license requires more than 18 procedures and 218 days; in Vietnam, the situation is marginally better (Heritage Economic Freedom Index, 2009; Djankov and Murrell, 2002). In both China and Vietnam, the legal system is unreliable. The judicial system is vulnerable to political influence and is weakened by widespread corruption which impacts banking, finance and government procurement.

Both countries permit some response to economic forces, yet the state still maintains final authority over economic direction. Intellectual property rights are not enforced. Copyrights, patents, brand names, trademarks, and trade secrets are routinely stolen. All land is state-owned. Local officials ignore court decisions with impunity. Entrepreneurs may toil for years developing products or services only to find unworkable variation in the law from local to national levels concerning the adjudication of property rights. In both counties, labor regulations are rigid and hinder productivity growth. Labor costs are modest but dismissing a poor employee is extremely difficult, typically requiring consultation with local labor representatives.

According to Heritage (2009), China remains a one-party state in which the Communist Party maintains tight control. Any social group (even emerging entrepreneurs) is deemed a threat. Conditions for entrepreneurs are similar in Vietnam where political repression and lack of respect for basic human rights remain serious concerns.

To summarize, while the entrepreneurial spirit has gained social acceptance over the past two decades, the odds are still stacked against startups in China and Vietnam. Entrepreneurs must fight to survive in a very harsh economic and political environment where the next day's rules are based on state policy. As a result, entrepreneurs tend to emphasize short-term profit versus long-term strategy (International Entrepreneurship, 2009).

Official Status of the Entrepreneur

China

In China, entrepreneurs are expected to be socialist, Chinese-style entrepreneurs. They are to be reformers and heroes increasing the social affluence of the state. Chinese entrepreneurs are considered "socialist" if they help build up the "material" and the "intellectual culture of Socialism." (Heberer, 2003) At the same time, entrepreneurs need to be controlled since they concentrate great power in their own hands and power will surely corrupt. Chinese entrepreneurs are to act in the best interest of the state and society. They are to be "patriots" and identify with the political system and its values. They are expected to strive for membership in the Communist Party or another organization with a public protection charter. The percentage of entrepreneurs in the Party is triple the rate for the general population (Heberer, 2003). Because Chinese socialist entrepreneurs are considered different from capitalists, the Chinese attitude toward the growing entrepreneur population is increasingly positive.

Vietnam

In Vietnam, entrepreneurs are considered to be anti-socialist, however they are considered useful to forwarding economic development. Unfortunately, their function predisposes entrepreneurs to political controls, surveillance and mistrust. Entrepreneurs are described as socialist entrepreneurs. They are socialist-directed and subject to the power of the state. In this context, the entrepreneur is defined as a "person who has to take the direct tasks of leadership in the economic production process to achieve the goal of being a prosperous people, a strong country, as well as a just and civilized society." (Heberer, 2003, p.59) To achieve this, a Vietnamese entrepreneur was expected to take morality into account i.e. respect for life and dignity of subordinates and seeing employees as "brothers." By contrast, success for a Western entrepreneur interpreted to be based upon profit-orientation and individual incentive. In Vietnam, entrepreneurship is a moral activity, not an economic one (Heberer, 2003).

METHODOLOGY

To enrich the literature on entrepreneurial motivation and problems, in 2007 and 2008, we collected data directly from entrepreneurs operating in China and Vietnam. The sample consisted of entrepreneurs from China (N=192) and Vietnam (N=223). In this study, we use the term "entrepreneur" to refer to the owner/operator of a retail, service, wholesale, or manufacturing business. This includes owner/operators of micro- and small-sized enterprises (MSEs) which employ ten or fewer people, and small and medium-sized enterprises (SMEs) which employ fewer than 250 people.

Data were collected through interviews conducted by educators, graduate assistants, and government employees located in China and Vietnam. In particular, for Vietnam, the data was collected in the summer of 2007, with the assistance of a Vietnamese economics professor, teaching at a university in Hanoi. The survey was conducted among a random sample of businesses in Hanoi, the capital of Vietnam, and Ho Chi Minh City, the largest city in the country. A list of businesses with contact information was obtained from district offices. The interviewer asked for an appointment to explain the purpose of the study, and followed-up with face-to-face meetings. In China, data was collected from September 2007 to May 2008 with the assistance of two Chinese educational specialists. The potential subjects were identified and randomly selected from commerce telephone directories in the cities of Beijing (capital), Shanghai and Guangzhou (economic center of southern China). Non-profit organizations, SOEs and street vendors were excluded.

The survey instrument used was designed by Hung M. Chu (Chu and Katsioloudes, 2001). The survey has been used in a number of studies since its initial use in 2001. The instrument was originally written in English, translated into both Vietnamese and Chinese, and subsequently checked for inter-translator consistency. The instrument is composed of 26 questions and is divided into several groups. In this study we use questions pertaining to business and entrepreneur characteristics, as well as data pertaining to motivations of, and problems encountered by, entrepreneurs. The motivations and problems were measured using a Likert Scale ranging from a low of 1 to a high of 5. A mean score for each item was calculated, where a higher mean score indicates greater importance.

P-values were computed for each motivational and problem factor comparison to ensure statistical significance. With the exception of the motivational factor "to be closer to family" and the problem factor of "limited parking" (neither of which are relevant to the conclusions drawn), the p-values were all less than 0.0001, which implies the computed differences between Chinese and Vietnamese entrepreneurs are statistically significant and not the result of random chance.

The instrument is highly reliable. The Cronbach Alpha scores range from .818 to .853. The Cronbach Alpha, sometimes referred to as "the reliability coefficient," is the most common estimate for the internal consistency of items in a scale. It is particularly well-suited for Likert scales such as those used in this study (Gleam and Gleim, 2003). Although a widely accepted view is that Cronbach Alpha scores should be above .70 (Nunnally, 1978), some researchers define acceptable minimum scores anywhere from .60 through .80 (Simon, 2008). Still other researchers specify both an ideal minimum of .70 and an ideal maximum of .90 to ensure against a high level of item redundancy (Streiner and Norman, 1989).

RESULTS

Sample Characteristics

Table 1 shows the average age of entrepreneurs was 32.5 years in China and 44.9 years in Vietnam. With regard to educational level attained, the percentage of entrepreneurs with the equivalent of a college degree was 47% in China and a mere 2.7% in Vietnam. This discrepancy is not surprising given the average age difference since statistically the incidence of a college education is greater in younger adult populations. Table 1 also reports the gender composition of the sample; male was the predominant gender in China but not in Vietnam. In China males represented 68% of the sample; in Vietnam, 45%. Given the persistent cultural bias toward men in China, as evidenced by the disproportionate number of males in the wake of the "single child" policy, this is as expected. For the population born between 1985 and 1989, the ratio was 108 boys to 100 girls; for the population born between 2000 and 2004, the ratio was an astounding 124 boys to 100 girls (Economist, 2009). In addition, China has a cultural norm, emphasizing the traditional role of men as the "breadwinner" of the family (Liu, 2003). For Vietnam, the sample being 55% female is consistent with the World Bank (2006) report noting that entrepreneurial behavior offered a way out of farming in the rural areas, especially for young women. Further, unlike China, Vietnam has no cultural bias for men or social policy which would result in a disproportionate number of male entrepreneurs.

Table 1. Sample characteristics of entrepreneurs

	China		Vietnam	
	Frequency	**%**	**Frequency**	**%**
Gender				
Male	139	67.7	100	44.8
Female	62	32.3	123	55.2
Education Level Achieved				
No formal education	2	1.13	25	11.3
Some grade school	1	0.56	41	18.6
Completed grade school	3	1.69	54	24.4
Some high school	1	0.56	33	14.9
Completed high school	38	21.47	43	19.5
Some college	28	15.82	18	8.1
Completed college	84	47.46	6	2.7
Some graduate work	7	3.95	1	0.5
Graduate degree	13	7.34	0	0
Mean Age of Entrepreneurs	32.49 years		44.85 years	
Total Sample Size	N = 192		N = 223	

Reported in Table 2 are the industries/sectors in which the businesses operate. In China and Vietnam, retail and service businesses were the two most frequent sectors. In Vietnam, retailing was the most frequently reported by a wide margin (67%).

Table 2. Sample characteristics of business type

	China		Vietnam	
Type of Business	**Frequency**	**%**	**Frequency**	**%**
Retailing	36	17.31	149	66.8
Wholesaling	35	16.83	7	3.1
Serving	119	57.21	50	22.4
Manufacturing	14	6.73	7	3.1
Agriculture	4	1.92	1	0.4
Other	*	---	7	3.1

*Note: This selection was not available to Chinese entrepreneurs answering the survey.

Motivation Factors

Entrepreneurs were asked to rate 10 reasons for business ownership. On a five point Likert scale with five (5) being "extremely important" and one (1) being "the least important." Table 3 reports that entrepreneurs in both China and Vietnam rated "To increase my annual income" and "To be my own boss" very highly. The income incentive is not a surprise since the rate of people living in poverty for both China and Vietnam is so high (Tenev *et al*., 2003). Common motives for entrepreneurship such as "For my own satisfaction and growth" and "To maintain my personal freedom" are clearly second-tier motivations in such economies. Swierczek and Ha (2003) note that, in general, challenge and achievement is usually more important than issues of the need for income or personal security. However, Maslow's hierarchy of need would suggest otherwise in economically stressed countries. As these economies continue the transition from centrally planned to market economies, these entrepreneurial motivations will remain strong. (Note that one can observe such motivation in play when immigrants enter the United States and, not completely embraced by the economy, will turn to entrepreneurial behavior for survival.) This is not inconsistent with previous studies and can be seen even in different regions of the same country. For example, a study of motivation by Benzing *et al*., (2005) discovered some regional differences in Vietnam. Entrepreneurs in Ho Chi Minh City are more motivated to start a business for personal satisfaction and growth, while entrepreneurs in Hanoi are motivated by "push factors" related to job loss. Hanoi suffers from a weaker economy and higher jobless rate than Ho Chi Minh City, which may lead to greater security needs there.

Table 3: Comparison of motivational factors

	China		**Vietnam**		***Difference***		
Question	**Mean**	***SD***	**Mean**	***SD***	**Mean**	***t-value***	**2-tailed p-value**
Q3.1 To be my own boss	4.22	*0.95*	4.44	*0.73*	2.66	*32.3*	<0.0001
Q3.2 To be able to use my past experience and training	3.91	*1.14*	4.03	*0.79*	1.94	*19.9*	<0.0001
Q3.3 To prove I can do it	4.32	*0.80*	3.82	*0.77*	2.14	*27.8*	<0.0001
Q3.4 To increase my annual income	4.32	*0.82*	4.72	*0.65*	3.03	*41.3*	<0.0001
Q3.5 To gain public recognition	3.79	*1.16*	3.58	*0.89*	1.37	*13.3*	<0.0001
Q3.6 To provide jobs for family members	2.64	*1.25*	4.08	*0.73*	0.73	*7.05*	<0.0001
Q3.7 For my own satisfaction and growth	3.90	*0.96*	3.67	*0.73*	1.56	*18.3*	<0.0001
Q3.8 So I will always have job security	2.93	*1.18*	3.85	*0.87*	0.78	*7.49*	<0.0001
Q3.9 To build a business to pass on	2.69	*1.20*	3.79	*0.77*	0.48	*4.73*	<0.0001
Q3.10 To maintain my personal freedom	3.24	*1.29*	3.78	*0.90*	1.02	*9.19*	*<0.0001*
Q3.11 To be closer to family	2.16	*1.25*	3.79	*0.93*	-0.06	*-0.55*	0.5826

A striking contrast exists in the factor "To provide jobs for family members." The average score for China is 2.64 (SD=1.25); for Vietnam, 4.08 (SD=0.73). This may be due to levels of unemployment in Vietnam being considerably higher than levels in China (Tenev *et* *al*., 2003). It must be noted, however, that unemployment levels in China have risen dramatically since the study data was collected. As an example, by the end of 2008, the unemployment rate for new college graduates stood at over 12%. Chinese employment levels in 2009 were such that 47-53 million non-agricultural workers competed for 6-7 million jobs (Elfstrom, 2009). If the study data was collected in 2009, Chinese entrepreneurs might score "To provide jobs for family members" similarly to Vietnamese entrepreneurs.

Problems Faced

Entrepreneurs were asked to rate 17 potential problems on a five point Likert scale with five (5) being a "very serious problem" and one (1) being "not a problem." The results reported in Table 4 indicate that the problems among the entrepreneurs from the two countries are largely similar with some exceptions. In both China and in Vietnam, entrepreneurs rated "unreliable and undependable employees" as a major problem. For China, it was the number one problem; for Vietnam the number three problem. It is difficult to imagine such a condition in countries with such high unemployment rates and culturally high levels of pride. As an example, the 2004 unemployment rate in China was at 23% of total labor force (Wolf, 2004). Is the condition the natural consequence of an entrepreneur's typical view of employees having lower commitment than their own? Are the employees also family members and protected from normal market conditions? Is education the issue? (Note that Chinese entrepreneurs rated management training as the number three problem; for Vietnam, the second biggest problem.) One plausible explanation is that SMEs and MSEs, faced with limited resources, cannot provide adequate compensation and opportunity for advancement, hence must deal with a restless workforce. Another explanation arises out of a cultural trait common to both China and Vietnam. Both societies value the highly educated, farmers, artists, and business persons, in that order. The best and brightest aspire to professions based as much as possible on advanced education. Persons interested in business will migrate to the SOEs whenever possible since those businesses command some measure of societal respect. Entrepreneurs are then challenged to build businesses around the less capable, less educated and/or less motivated members of society.

Access to capital is an important problem for both Chinese and Vietnamese entrepreneurs – particularly intense for the Vietnamese. Both China and Vietnam are burdened by large state-owned enterprises (SOEs) which by the nature of their perceived value to their countries are privileged and have a disproportionate share of funding from banks, venture capital and stock markets (Linton, 2006). In fact, although the Chinese economy has expanded at an average annual rate of 9.9% because of the private sector, the government, in reaction to the 2009 global recession, is re-nationalizing the economy with state cash and diverting cash to the SOEs (Chang, 2010).

Table 4: Comparison of problems encountered							
	China		Vietnam		*Difference*		
Question	Mean	*SD*	Mean	*SD*	Mean	*t-value*	2-tailed p-value
Q14.1 Unreliable and undependable employees	3.83	*1.06*	3.85	*1.02*	1.66	16.2	<0.0001
Q14.2 Too much competition	3.66	*1.05*	4.32	*0.79*	1.98	21.3	<0.0001
Q14.3 Obtaining short term financial capital	3.15	*1.14*	3.70	*0.84*	.847	8.36	<0.0001
Q14.4 Obtaining long term financial capital	3.08	*1.14*	3.70	*0.84*	.449	4.57	<0.0001
Q14.5 Too much government Regulation/bureaucracy	3.37	*1.11*	3.37	*0.76*	.883	8.84	<0.0001
Q14.6 Limited parking	2.55	*1.18*	3.78	*0.86*	-.266	-2.60	0.7904
Q14.7 Unsafe location	*	*	3.17	*0.82*			
Q14.8 Weak economy	3.03	*1.26*	2.97	*0.70*	.550	4.97	<0.0001
Q14.9 Lack of management Training	3.51	*1.18*	3.90	*0.90*	1.40	13.3	<0.0001
Q14.10 Lack of marketing training	3.47	*1.11*	3.52	*0.91*	.460	4.82	<0.0001
Q14.11 Inability to maintain accurate and informative accounting records	3.29	*2.46*	3.00	*0.75*	-1.33	-7.20	<0.0001
Q14.12 Complex and confusing tax structure	3.09	*1.04*	**	**			
Q14.13 Business registration process	2.85	*1.17*	**	**			
Q14.14 Foreign exchange limitation	2.43	*1.22*	**	**			
Q14.15 Poor road transportation	2.88	*1.79*	**	**			
Q14.16 Electricity problem	2.67	*1.21*	**	**			
*Note: This selection was not available to Chinese entrepreneurs answering the survey. **Note: This selection was not available to Vietnamese entrepreneurs answering the survey.							

On the topic of capitalization, China and Vietnam have distinct histories, resulting in a distinct present. In the late 1980s, Vietnam was highly dependent upon both the Soviet Union and the Eastern European states for financial support. Financial help from the West, especially the United States, was largely non-existent. Foreign investment in Vietnam was largely due to family members living outside of Vietnam; particularly favorable to South Vietnam. China, on the other hand, such as North Korea today, pursued a policy of self-reliance for decades. As a consequence, due to the absence of habits formed by subsidized cultures and market size, when China embarked on its path of economic reform, it had no problem attracting foreign investment. In fact in the 1980s and 1990s, China had, by a large margin, the greatest level of foreign investment of any developing nation (Heberer, 2003).

LIMITATIONS OF THE STUDY/AREAS FOR FUTURE RESEARCH

Including entrepreneurs from developed nations with stable economies would enable the comparison of results with those from nations in economic transition such as China and Vietnam, where conditions change almost daily.

The list of motivations and problems are limited in number and scope, and may exclude some of the motivations of, and problems faced by, entrepreneurs. Presenting entrepreneurs with a prepared list of motivations and problems may unreasonably influence the entrepreneurs' responses.

Results cannot be generalized to other countries, even those of similar cultures, because the results are highly influenced by politics, economics, religion, attitude towards entrepreneurship, and other social factors. Further, a sample categorized by business size or type (e.g. service vs. retail) might yield different results.

Robinson (2007) noted that business failure rates and reasons given for business failure varied by gender. An area for future investigation would be a study similar to this China-Vietnam compare/contrast paper but focused solely on women entrepreneurs. Would the motivations and problems differ? Would the cultural role of women in China and Vietnam influence the results? Also, on the topic of gender, Ndubisi (2008) observed that, in Malaysia, men and women differed in their view toward new information technology. Although perceived *usefulness* of information technology fostered technology *use* for both genders, females perceive system usefulness significantly higher than males do. On the other hand, a "risk-taking propensity" among women (but not among men) is also a strong determinant of system use. Would this correlation hold for China and Vietnam? What are the implications for women entrepreneurs? Would choice of business be impacted? Would success rate be impacted in technology-enabled businesses?

For both China and Vietnam, entrepreneurial behavior was first "tolerated" in the rural regions and, subsequently, spread into the urban settings. Chyi-lyi (2004) pointed out that, in the U.S., *expectation* versus ultimate *reality* in the areas of financial improvement, business process and family relationships were largely similar for both rural and urban entrepreneurs (other than marriage relationships). A study of emerging, central-planning countries which would compare/contrast motivations, problems and expectations would be a topic for future consideration.

Luczak *et al.* (2010) suggest that collectivist cultures might have a competitive advantage in the service sector due to more relational commitment among people in social settings. Business success rates among service sector entrepreneurs in collectivist China and Vietnam could be compared with business success rates in individualist countries.

Other areas for future research would include an analysis of entrepreneurial motivations and problems by age, personality traits and education level. The impact of foreign direct investment and industry-specific variation on entrepreneurs also requires further study.

DISCUSSION AND IMPLICATIONS

In this study we examined motivations of, and problems faced by, entrepreneurs from China and Vietnam. While we found a number of similarities among the entrepreneurs studied, there were some noteworthy differences, such as gender composition, average age and education level of the entrepreneur.

In examining the factors that motivate entrepreneurs, some patterns emerged. The desire to be one's own boss and increase personal income was highly important in both China and

Vietnam. Given the stereotypical view of what motivates typical entrepreneurs, more “pull” type motivations (such as personal fulfillment) would be expected. It would seem that in economically-stressed countries, “push” type motivations (economic stability) are dominant.

In examining the problems facing entrepreneurs, “unreliable and undependable employees” was the highest or the second highest rated problem for both China and Vietnam. Also, there seemed to be general agreement that lack of available capital (both short and long term) was an impediment. China and Vietnam will need to promulgate policies to ensure MSEs and SMEs have the same opportunity as SOEs to access capital. In order to create a more vibrant private sector, China and Vietnam will need to work with academic institutions and business organizations to offer training programs to focus on business knowledge and management skills.

Differences in sample characteristics, motivation and problems between China and Vietnam were also identified. These differences are largely cultural and, as an example, include an unnaturally high percentage of male entrepreneurs in China due to male bias, coupled with a “single child” policy.

This study extends our insight into the factors that motivate entrepreneurs within and across countries. It also provides further insight into the problems faced by entrepreneurs, as well as the study of these problems across countries. The view that there are common motivations of, and problems faced by, entrepreneurs may be flawed, at least in a global context.

Entrepreneurs in both China and Vietnam are motivated by the desire to increase their income and improve their standard of living. Also, entrepreneurs see running a business as a way to gain personal growth and satisfaction. Governments must ask themselves how they can enhance the environment and enable entrepreneurs to earn and keep more money. By reducing the barriers to starting a business, decreasing the time to obtain licenses and permits, and by increasing access to capital, governments can encourage entrepreneurial activity – the backbone of any national economy.

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