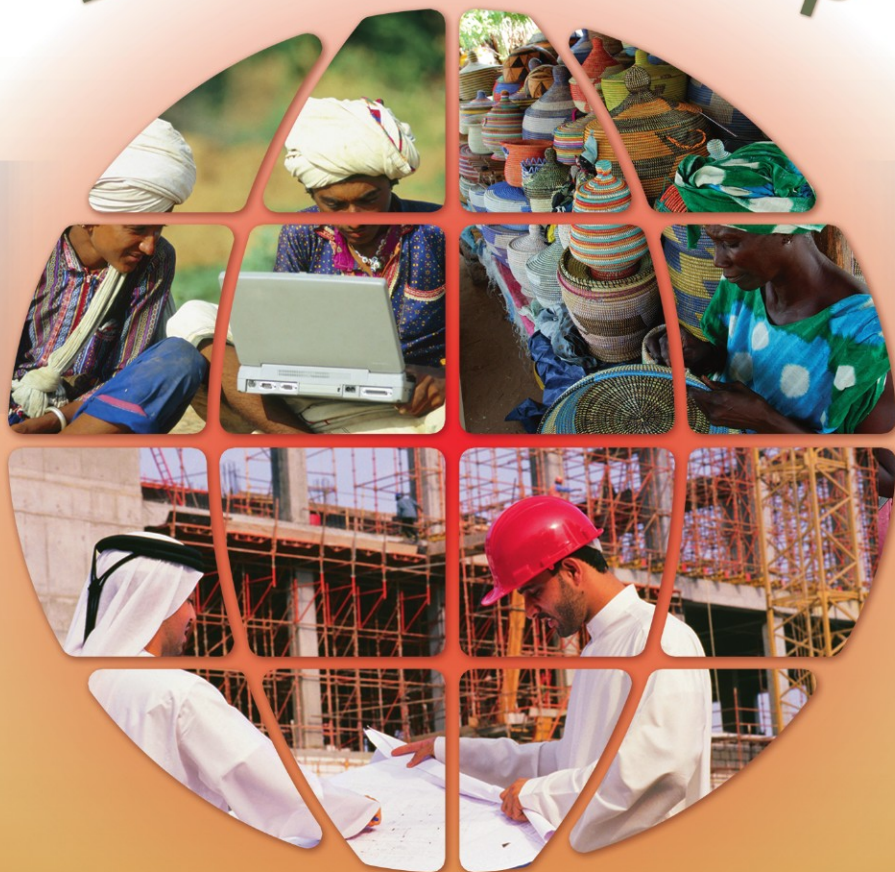


International Entrepreneurship



INNOVATIVE SOLUTIONS
FOR A FRAGILE PLANET

A. Coskun Samli

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Innovative Solutions for a Fragile Planet

 Springer

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*This Book is dedicated to entrepreneurs
everywhere, who innovate, take chances
and contribute to economic well being.
Thank you.*

Preface

In the world's major cities, one finds many Jewish businessmen managing numerous businesses and generating economic wealth. In many parts of Asia, the Chinese own the businesses, Japanese manage them and Pilipinos work in them. Just two or three decades ago the Asian Four Tigers, South Korea, Hong Kong, Taiwan, and Singapore were very poor countries. Currently, they are buzzing with economic activity and ever improving overall economic conditions for all. Additionally when one goes to Los Angeles, New York, or Chicago one finds thriving small businesses by immigrants who have come from almost sub-marginal economic conditions in different parts of the world.

Just why these exceptions? Are some groups of people more capable of accomplishing business activity and generating economic well-being? Is this what can be coined the contribution of entrepreneurial skills? These skills are very important; they vary from one location to another, but they are essential for the future of this world. Many of these and other related concepts are covered in this book. But before everything else, it must be established that the world as a whole is not quite moving in a positive direction. The gap between the haves and have-nots is widening, economic power is concentrating more and more in the hands of the few. As a result, we need more of this entrepreneurial talent. As we will see throughout this book that talent may stop the growing gap between the rich and the poor. We must understand the phenomenon and we must be instrumental in generating more entrepreneurs.

The Problems of the Fragile Planet

While the world is experiencing a very profound movement coined globalization, which is free movement of capital, know how, technology, and information to benefit certain groups and certain regions, the major portions of the world and large majority of its population are being left behind (Samli 2004, 2008).

Perhaps the most alarming cause of many problems that the fragile planet called earth is facing is the fact that multiple social and societal problems

prevailing in many parts of the world are being handled by private parties and hence are not being resolved to the satisfaction of everyone in these societies. For instance, education that is essential for the survival of the society can be privatized; as a result, some people can afford to get education and many cannot. Thus, education moves from being a right to being a privilege. Private solutions of public issues are rather dangerous because these solutions favor private parties and do not reach out to the society as a whole. These patterns of decision making exacerbate already existing problems of discrimination and favoritism. Considering the fact that about two thirds of the world's population live on three dollars or less a day, additional discrimination and favoritism become simply dangerous in terms of blocking the possibilities of having a progressive, peaceful world with all of its inhabitants having the chance to improve themselves. Although privatization is not bad within itself, trying to solve public problems such as health, education, land use, and scarce resources use through privatization creates tremendous amounts of economic power concentration that falls into other areas of the economy.

These private solutions of social and societal problems have been constantly supported by some of the Western countries' insistence on privatization. However, while private problems must be taken care of by private parties, the societal macro problems must be resolved in a macro manner rather than a micro manner so that these far-reaching problems will have far-reaching solutions and large numbers of people will not be discriminated against.

Private vs. Public Dichotomy

Some of the key issues of private vs. public dichotomy are illustrated in Exhibit P-1. These are discussed in some detail in this section of the book. Eight key dichotomies are specified in the exhibit. These are extremely difficult issues. Simplistic one-size-fits-all solutions are totally inadequate. The private vs. public dichotomy is extremely critical since third world countries, in particular, cannot function well until the societal problems are resolved. But if they are resolved by private power bases, the solutions are likely to ignore what I call the *forgotten majority*. This is not an argument related to "private is bad" and "government is good," but providing guidelines for public versus private issue resolution. If privatization attempts to solve public issues, the third-world countries may not have an opportunity to develop.

The Use of Technology

Although technological advances are taking place in large scale, they are not reaching out and benefiting societies as a whole. They are staying primarily with

Exhibit P-1 Problems of the fragile planet

Factor	Outcome
• The use of technology	• Used by a few to generate economic wealth for a select few
• Deficient infrastructures	• Make it impossible to accomplish economic growth that benefits all
• Less than adequate access to education	• Education is becoming costly and beyond the reach of the poor
• Environmental degradation	• Environmental improvement activities are looked upon as a cost factor
• Tax revenues are used for mostly military activities	• Instead of using tax revenues for education, research and infrastructure tax revenues and national resources are going into militaristic projects.
• Top-down globalization is not reaching out to societies as a whole	• Instead of investing, expanding and developing, global giants are exercising merger mania and limiting competition
• Top managers are <i>not</i> being rewarded for their performance	• A big discrepancy between management and worker earnings and creating a major motivation problem
• Riches are reinforcing riches	• The rich are getting richer and the gap between the rich and the poor is becoming intolerable

Source: Adopted and revised from Samli (2004).

already technologically advanced groups. As a result, while those who are using technological advances to their advantage are benefiting immensely, the gap between haves and have-nots is growing and reaching intolerable levels.

Infrastructure Deficiency

Without mature and well-functioning infrastructure, the access to remote corners of the world where the poor and underprivileged reside is an impossibility. Again, particularly in poorer parts of the world, the infrastructure is not totally developed, and, hence, economically deprived markets cannot receive information, cannot gain access to needed products, and cannot store more vulnerable products in well-equipped warehouses and the like. This limited and selective infrastructure deficiency is creating a deeper gap between the rich and poor. In nominally developing the infrastructure, private global giants, along with the concern of regional authorities, are making only partial infrastructure improvements that will be beneficial to them. Although benefiting global giants does have a trickle-down impact, this simply is not enough to level the playing fields where local small companies are struggling to survive and cater to the forgotten majority of the world.

Limited Access to Education

Perhaps, one of the most critical factors in the widening economic gap between the haves and have-nots is education.

As the populations of the third-world countries increase and the cost of education goes up, it becomes difficult for the emerging-world countries to educate their populations in such a way that the individual level of competence will be at least at the same level as it is in developed countries.

The educational gap, almost by definition, is creating hostility, intolerance, lack of ability in problem solving, gender discrimination, and further inability in generating economic wealth. Thus, improvements in the education system are almost a total necessity if the gap between the have and have-nots need to be narrowed. But improvements in the education system cannot be achieved by private solution alone. It is a national issue and must be treated accordingly. Education, particularly in developing countries, cannot be considered a privilege; it must be a natural right for the whole population.

Environmental Degradation

Environmental degradation is perhaps one of the most critical problems of our times. Degradation takes place at the business level as well as the consumer level. In either case, the land, the water, and the air are all in the process of being deteriorated.

Although over the past two decades or so there has been an increasing awareness of the many ways that businesses affect the ecology of the fragile planet, not enough companies are adopting a greening strategy (Grove et al. 1996). The 3Rs (reusing, recycling, and reducing) are not adequately planned and used by the corporate entities and private consumers. Thus, environmental friendliness is not commonly practiced, and having separate and limited attempts to clean up the soil, air, and water are not quite making a dent.

Environmental friendliness is more absent in developing countries; however, because of their size and outreach the developed parts of the world are more responsible for the environmental deterioration. Although clean technologies, solar panels, coal gasification, electric cars, and the like show much potential, the whole concept of environmental responsibility is like a checkered board, uncoordinated and specialized (Lashinsky 2007). As a conclusion it must be reiterated that this problem, just like the others discussed in this section, cannot be resolved with various private decisions. The problem is societal and must be treated as such.

Increasing Militarism

The lack of education and communication are contributing to a lack of understanding of other people and cultures; this situation is creating lines of

demarcation between religions and nations. Countries are putting more into their military preparedness than making an effort to understand other cultures and to learn to communicate well with other cultures.

As limited resources of a country are utilized for political purposes, the economic development opportunities become remote. Unfortunately, some of the third-world countries have less than democratic governments and they are opting militaristic orientations that are not agreed upon by the public in general. Much of the somewhat questionable tax revenues in these countries are going in the direction of top-down power pressures toward the support of military. These types of occurrences are very common in the developing parts of the world and they disrupt fair efforts to develop a fairer and progressive economic systems.

Top-Down Globalization

Globalization is perhaps the most powerful development of the past two decades or so. It certainly is not stoppable. However, despite all the potential good it could deliver, globalization is tremendously beneficial only to a select few in the world (Samli 2004, Stiglitz 2002). While it is making these select few very rich, globalization is ignoring the rest of the societies, indeed, the rest of the world. Hence the gap between the rich and poor is widening. Although there are those argue that, in fact, the world is getting richer, not poorer, especially with millions of Indians and Chinese participating in the global economy like never before and this argument is correct. However, these encouraging developments stay only in certain parts of these countries for certain people only. As a result, the gap between the haves and have-nots is simply getting worse. A global poll by the BBC, for instance, reports that in many countries the benefits and burdens of economic development have not been fairly distributed. Respondents polled also felt that economic conditions vary widely in their country and this situation is worsening. Among these countries are: Italy, Philippines, Indonesia, Portugal, South Korea, Chile, Lebanon, and Turkey. In most cases, the respondents blamed globalization for being either too fast or too slow (BBC World Service Poll 2008).

Globalization, by definition, is spreading as a top-down activity; as such, power brokers in global giants and some governments are sharing the benefits of globalization with a select few rather than benefiting the whole society. Almost all of the global giants that are most instrumental in spreading globalization go after the best markets around the world and they ignore the possibility of spreading out to poorer world markets. This top-down globalization exacerbates the economic gap between the rich and poor.

Management Pay and Company Performance

Global and domestic giants alike are dealing with top management salaries that are out of sight. While the salaries are getting to be very high the company

performance is not necessarily commensurate. The gap between the earnings of the managerial group and workers is not only contributing to the economic gap between the rich and poor but also is creating a major motivation problem. The working group is becoming hostile and discouraged. Once again, this is a societal problem and cannot be resolved with numerous private decisions. In the United States, for example, in the late 1970s, the ratio between the managerial earnings and the labor earnings was about 20 to 1. Today this ratio is estimated by some to be over 350 times (Reich 2007).

The Rich Are Getting Richer

All of these top-down and privatized activities are creating more wealth for the already wealthy. Such reinforcement means top-down globalization, and globalization-stimulated micro solutions of macro problems are not likely to stop. As the rich get richer, the power structure changes and the private sector gains more authority to make public policy decisions in a micro manner. The increasing gap between the wealthy and the poor is being accelerated by these developments. This gap, as discussed in different parts of this book, is not helping to create a peaceful society. Instead, there are increasing feelings of hostility throughout the world between the haves and have-nots (Samli 2008).

In order to reduce the damage that these activities are causing by exercising excessive privatization, it is necessary to generate a bottom-up movement that will improve the economic well-being of the poor throughout the world and narrow the gap between haves and have-nots.

In an earlier book I coined this activity as the *second wave of globalization* (Samli 2004), in which globalization is bottom-up and accomplished by entrepreneurs. Right at the outset it must be posited that entrepreneurship is defined throughout this book is somewhat different from how Shumpeter (1936) defined it. Shumpeter described entrepreneurship as creative destructionism. I believe that entrepreneurship is creative *constructionism*. This point is discussed throughout the book.

The Greed Factor Is Everywhere

Unchecked top-down globalization is accelerating the gap between the rich and poor and making it more pronounced. This is more than partially due to what I call *the greed factor*.

The greed factor can be attributed to the drive to amass as much economic wealth as possible without paying attention to the consequences. People who are driven by greed assume that the world is being ruled by a zero-sum game whereby accumulating economic wealth means taking away from someone else before they take it from you. Such ruthless behavior, by definition, does not help the widening gap between the haves and have-nots. In reality the world and

its economic activities are not ruled by a zero-sum game. They are ruled by unlimited opportunities for everyone. In other words, there is an opportunity for progress and improved quality of life for everyone provided that they are dealing with a leveled playing field (Samli 2008).

Greed and Privatization

In order to continue their ruthless gathering of economic wealth, the greedy take a strong stance against the government power and insist that macro problems are solved by private entities in a micro manner; for example, having private health care system excludes almost 50 million Americans, whereas in Great Britain, Canada, France, and other industrialized countries all citizens have access to health care. This situation increases the gap between the rich and poor (Reich 2007). Most of the points made in this preface are related to such an orientation. It is critical to realize that economic well-being can be enhanced by not using the greed factor but what I call the *ambition factor*. Unlike the greed factor, ambition represents the ability and willingness to generate individual economic well-being and not at the expense of others but generating new economic well-being for all that are involved in that activity and the society as well. This is balancing the top-down globalization with bottom-up globalization. Exhibit P-2 illustrates the general situation. Bottom-up globalization is accomplished by entrepreneurs. However, entrepreneurs need to receive some help from regional, national, or international governments, and other nonprofit organizations that provide guidance to give a boost to generating entrepreneurial entities. More on this topic is in the Introduction chapter of this book. Currently, entrepreneurship are also mostly private but they do not come from the extremely rich group that has tremendous economic power.

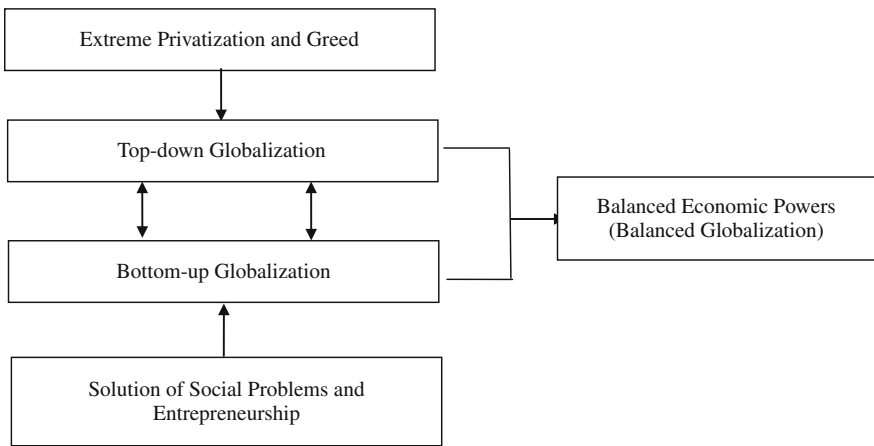


Exhibit P-2 Balancing globalization

The Need for Entrepreneurs

The theme of this book is that top-down globalization stimulated by privatization is creating a greater gap between the rich and poor and hence it cannot continue indefinitely. Thus, there is a need for bottom-up globalization (Samli 2008), this way, top-down globalization should be balanced by a bottom-up globalization. This condition can become a reality only if entrepreneurship in all parts of the world flourishes. This does not mean a clash between the top-down and bottom-up. It is that the bottom-up will flourish through entrepreneurship in the areas that are totally ignored or by-passed by top-down globalization.

Thus, the need for entrepreneurship is not just a whimsical desire but a necessity for the future of our fragile planet. How do we develop international entrepreneurship? We hope that this book explains this all-important concept carefully.

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Acknowledgments

Once again, I certainly could not have written this book, as was the case in my earlier books also, without the help and contribution of many people. It takes many years to conceptualize a book. It is not the writing time of it but the preparation time for it that is critical. This book has been in the making perhaps for over 40 years. I do come from an entrepreneurial family, but it took me more than 50 years to realize that it was not just my family's struggles to make a living but its outreach in terms of creating jobs for some and providing some products and services to many consumers that also were important. My early thinking about entrepreneurship was colored by my uncle's starting a small factory to die woolen yarn, my grandfather's efforts to start a shoe wholesaling business, and my father's running a small factory to produce textiles. I was in the midst of all of these and much more. It wasn't until I went to college in Istanbul and was mesmerized by a professor named Ismet Alkan that I started realizing the importance of small progressive retailing establishments. Professor Alkan had written the first Turkish book on retail management. I used to connect his broad and penetrating lectures to my limited, personal but very real experiences. I certainly hope that the same impact will materialize in the minds of this book's readers as they read and connect the general and theoretical orientation to their limited but very real experiences. My earlier thinking was further formed and advanced by my mentor's teaching and writing. Professor Stanley Hollander of Michigan State University, who was one of the best scholars of my time, taught me much about retailing and entrepreneurship. Now that he is no longer with us, I consider this book an installment of what I owe him and what I cannot possibly pay back fully, *ever*.

My friend, colleague and coauthor in many projects for many years, Professor Joe Sirgy of Virginia Tech, has always been available to interact, discuss, or argue. His influence on my thinking has been profound. Dr. Edward Mazze of the University of Rhode Island has always spent much time on the phone with me discussing the business world as he sees it. He has a profound vision. Many of my concepts presented in this book do connect to some of his ideas. In my previous book I said, "I must confess that I have been influenced by Peter Drucker's thinking and writing." But this was a total understatement regarding the present book. Peter Drucker was fascinated with entrepreneurship, like me, and had tremendous insights into this topic that influenced my thinking immeasurably.

Some of my colleagues at the University of North Florida, Coggin College of Business, directly and indirectly influenced my thinking. Drs. Edward Johnson, Ronald Adams, Greg Gundlach, and Earle Traynham were all kind enough to carry on detailed conversations with me. Dr. Adel El-Ansary, my department head, was and is extremely supportive in any and all of my academic activities. One colleague, Fred Pragasam, at Coggin College has had a special impact on my thinking. Like two obsessed people, when we saw each other we talked about entrepreneurship. I owe him a lot.

During my 45-year-plus professional career, I have done much research and much consulting. All of these efforts, of course, have been influential in formulating my thoughts. My brother, Osman Samli, has been particularly critical in my thought process. He worked with me as we went to businesses and interviewed them, and he also reacted to my thinking for over half a century. He is one of the smartest people I know. My colleague in Turkey, Dr. Tunc Erem, has been interacting with me for a very long time. Because of his help I did some consulting in Turkey and learned a lot. During my long career, I had thousands of students who were exposed to my thinking, whether they liked it or not. But, I would like to assure them that I learned much particularly from those who started their own businesses, and there have been quite a few of them.

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THANK YOU!

Ponte Vedra, Florida

A. Coskun Samli

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Introduction

Globalization thus far has been primarily the activity of international giants. Global giants such as Sony, Toyota, GM, and IBM have been thriving on globalization as they expand their market appeal and their outreach to the richest and most advanced markets of the world. As has been discussed in my earlier books and by many other scholars of globalization, by definition, these giants go to the best markets of the world. As they concentrate on these markets they ignore the rest of the world's undeveloped markets. As these giants function they accumulate much economic wealth. However, this economic wealth is concentrated in the hands of a few privileged markets as the rest of society experiences a growing gap of economic well-being between the rich and poor (Samli 2004, 2008, Isaak 2005).

In addition to these global giants' ignoring small regional markets of the third world, they also become too big and rather dysfunctional. According to some authors, all major companies have been entrepreneurially oriented at the beginning, but in time they become very large, and their administrative practices suffocate their entrepreneurial orientation (Sciascia et al. 2007). Thus, not only do they function in certain geographic areas exclusively and are more interested in accumulating economic power for themselves, but they truly cease to generate new ideas, new jobs, or new products that would be useful to the poorer parts of global markets. Instead, they are engaged in top-down globalization, which is more of an extension of economic power grabbing. If new businesses are created as extensions of the global giants, they unfortunately bypass the forgotten majority (Samli 2004, 2008).

Although there also are companies coming out of third-world countries through globalization, they appear to be following the same pattern as the top-down globalization of global giants once again (Sledge 2007). For example, two Korean companies that have started small and produced for Japan now have become big global gigantic entities. These are Samsung and Emerson. This is more of an accustomed pattern that is easier to imitate rather than taking a major risk and going in the direction of bottom-up globalization. Globalization, in a broad sense, is the closer integration of the countries and people of the world, which is made possible by a significant reduction of transportation and communication costs and the reduction of barriers to the flow of goods and services

(Stiglitz 2002). Since its appearance in the early 1970s, there have been many scholarly and not so scholarly discourses of the term *globalization* (Fiss and Hirsch 2005). Although much has been expected from it, globalization has not delivered enough in that its benefits did not reach out to the poorer parts of the world (Hertz 2001, Samli 2004, Stiglitz 2002).

Finally and most shockingly, some large firms are doing substantial business in the market for the working poor. Not only do they have an audacious drive to extract more profits by selling high-priced products to the working poor, but they are succeeding, and their number is growing (Grow et al. 2007). Nike and Polo, for instance, have charged much higher prices in some of the poor markets of the world. With very powerful advertising and marketing strategies they have managed to establish an extremely popular image for themselves.

Globalization – Past

Globalization is not a new concept. There always have been global giants in existence and indeed there were also not so gigantic importers and exporters. However, past globalization was not a large-scale activity in today's terms. Older generations did not generate a flow of valuable consumer information that should have spread throughout the globe and sparked a far-reaching positive economic movement. Thus, globalization did not play nearly as major a role as it was expected to in the world's economic well-being.

Globalization – Present

One may consider the beginning of current globalization activity as post-World War II. As Japan developed its economy, as Europe normalized its industrial activity, as the USSR became an industrial power, trade and competition started flourishing. Four flows accelerated the process: capital flow, information flow, technology flow, and know-how flow (Samli 2004). Not only did the nature of trade change, but with the tremendous flow of information and with the arrival of the internet, consumers, rich and poor, became more aware of the availability of a large variety of products and services. They became more demanding and more sophisticated with regard to the quality and functions of products and services. During the 1960s, 1970s, and 1980s, newly industrialized countries emerged, thanks to technology transfer and its specifically generated lucrative new markets for international products. This is the era in which the Asian Four Tigers (i.e., Singapore, Hong Kong, Taiwan, and South Korea) emerged as successful developments that moved from third world to first world. But again, this powerful force called globalization did not reach out to the very poor parts of the world.

Globalization – Future

As has already been touched upon, as globalization gained power and momentum, economic well-being concentrated only in certain areas. Globalization is not solely responsible for this outcome; however, at the writing of this book about four billion people around the world, which is approximately two thirds of the total world population, are living on three dollars a day or less. About one and a half billion of this group are managing on a one-dollar-a-day type of budget (Samli 2004).

Although globalization can perform miracles in improving the economic picture of the whole world, it is not even close to achieving such a goal. In fact, if the current conditions do not change, globalization will continue generating a greater gap between haves and have-nots. This is primarily because the current globalization process is top-down. As such, powerful governments and global giant companies are concentrating on certain industries and certain regions selectively. Thus, with the experience and knowledge gained from the current globalization process, it is quite possible, in fact necessary, to generate a second wave of globalization which is bottom-up. This activity is based on small entrepreneurial performances. Since global giants are barely interested in dealing with the small, poor, and scattered markets of the third world, clearly something has to be done with the economic inequality that is growing nonstop (Samli 2008). On the positive side, small entrepreneurial firms generate more innovative economic activity and create more new jobs than their gigantic counterparts. Unfortunately, governments, along with global giants, as mentioned earlier, are playing favoritism and helping the current pattern of globalization to continue and even expand further. Future globalization needs to be radically different from the current process. I call this the *second wave of globalization*, which is from the bottom-up (Samli 2008). This second wave must intentionally support entrepreneurial activity in the form of bottom-up globalization so that the power of ever expanding top-down globalization will be balanced.

From Greed to Prosperity

As the current top-down economic process of globalization continues, the relative well-being of the third world countries deteriorates. As mentioned earlier, globalization is not single handedly responsible for this outcome, but it is not helping the situation even though it could. As discussed earlier, globalization in its current form has supported the greed factor. This combination unchecked has been creating an intolerable gap between the haves and have-nots of the world.

Exhibit I-1 presents an analysis of the world's five richest and five poorest countries. As the five richest countries' economies grew about 211%, the poorest countries grew only 134%, indicating the doubling of the gap between

Exhibit I-1 Per capita income of the wealthiest and poorest nations

			Income	% Change
<i>Wealthiest</i>			2000	2005
1	Luxemburg	44,340	65,630	48.02
2	Switzerland	38,120	54,930	44.10
3	United States	34,260	43,740	27.67
4	Japan	34,210	38,980	13.94
5	Norway	33,650	59,590	77.09
			Total	210.82
<i>Poorest</i>				
1	Republic of Congo	100	120	16.67
2	Ethiopia	100	160	37.50
3	Burundi	110	100	-10.00
4	Sierra Leone	130	220	40.91
5	Tajikistan	170	330	48.48
			Total	133.56

Source: The World Bank, GNI is in U.S. Dollars using the Atlas Method.

the two groups. This undesirable pattern has been continuing for decades now. There does not seem to be any serious relief in sight.

I have articulated elsewhere (Samli 2008) that unless top-down globalization is balanced with bottom-up globalization the world's economic picture will get uglier. As the gap between haves and have-nots becomes exorbitant it will be wishful thinking to hope that we will have a peaceful world. It is maintained throughout this book that top-down globalization must be somehow balanced by bottom-up globalization if there is a future for world peace and prosperity. This bottom-up globalization as discussed throughout this book is based on global entrepreneurship.

A Brief Historic Observation

After Adam Smith (1776) set forth the working conditions of capitalism, we have observed two major threads in markets. These were two opposing groups. The first group believed that with hard work and creativity one can accomplish anything in modern markets. These were the ambitious and entrepreneurial people. They worked hard, then acknowledged others' contributions to their success, and they shared the proceeds of their success with those who contributed to it.

The other group, because Adam Smith did not establish certain parameters in his perception of the market system, believed that their success depended on walking on other people. They perceived the economy as a zero-sum game. Hence, they felt, their success depended on others' failure. Unlike the first group that I coin as *ambitious*, this second group was and is greedy. In the early 18th, 19th, and 20th centuries capitalism primarily succeeded because of the hard

work and creativity of the ambitious group. However, throughout this time and especially during the second half of the 20th century, greed has gained much momentum. In fact, the current globalization, unfortunately, reflects this momentum. Because of globalization there has been a very significant accumulation of wealth and economic power in the hands of very large corporations. As they become very successful and rich, most parts of the countries that they deal with are not only left behind but also are progressively becoming poorer (Samli 2004). These conditions, among other areas, are particularly accentuated in sub-Saharan countries of Africa (Samli, Nkonge and Foscht 2007). The global giants cannot function in remote, small, and scattered markets of the third world. These markets are too small to be of value to global giants. Furthermore, these giants are too far removed from them to function in these markets properly. Thus, these markets are neglected, and the benefits of globalization do not reach them.

The greedy group, as discussed in the preface, in order to maintain its powers and its economic superiority, insists on privatization. In the privatization process, cash flow and economic powers gain immediate advantage against a popular and benevolent government that would consider actions that would benefit all—not only a privileged rich group. This is the top-down globalization that is currently in power.

The Dichotomy of Exogenous vs. Indogenous

During the post WWII era, industrialized countries tried to help less-developed countries. Where these efforts became successful, globalization and trade flourished. Thus, exogenous economic policies helped to a certain extent. But in Chua's words (2003), "exporting free market democracy breeds ethnic hatred and global instability" (front cover). Exogenous economic growth effort has thus created much controversy. Four particular barriers to exogenous economic growth efforts are mentioned in Samli (2002). First, although important, foreign direct investments have been limited. Second, much of the time international giants that have not generated much domestic value are taking out most of their profits. In other words, international giants entered the countries prospered and took out their gains rather than helping domestic economies. Third, international financial lending organizations have been stipulating many strenuous restrictions before they loan money. And fourth, the third-world countries in general, and special economic sectors in particular, are receiving advice from outside consultants who do not understand the special needs and idiosyncrasies of the poorer nations. When exogenous economic development efforts do not yield satisfactory results, it is necessary to turn to endogenous economic development efforts, which are implemented in a bottom-up fashion with the most critical role played by entrepreneurs.

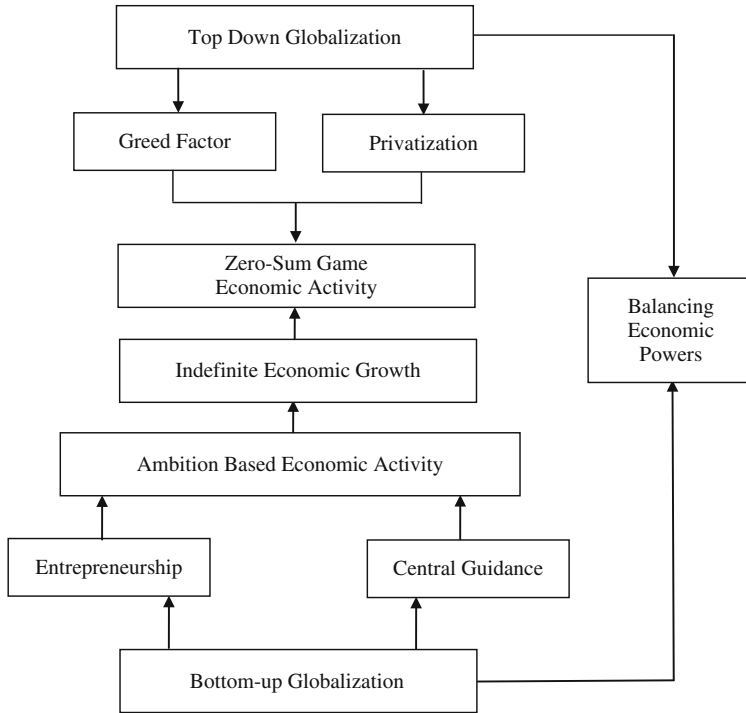


Exhibit I-2 Balancing top-down and bottom-up globalizations

Unless its powers are balanced by what I call bottom-up globalization there will not be much progress in achieving a peaceful world. Bottom-up globalization is accomplished by entrepreneurial activities but it is also further empowering entrepreneurship. If there were to be some kind of a balance between top-down and bottom-up globalizations this world will be a much better place for all. Exhibit I-2 illustrates this ideal situation. This book is based on achieving such a bottom-up globalization through entrepreneurship.

The Magic of Entrepreneurship

In order to appreciate the magic of entrepreneurship, it is necessary to examine why the global giants cannot reach out and cater to the poorer markets. They are basically handicapped in dealing with third-world markets. Exhibit I-3 illustrates where the global giants have difficulty in catering to scattered, small, and idiosyncratic third-world markets. The exhibit illustrates eight key areas.

Inflexibility: Most global giants are so big and contain so many layers of decision makers who may not quite agree with each other. However, the

Exhibit I-3 Problems of global giants

Feature	Practical Outcomes
Inflexibility	Inability to move into new markets and adopt new ideas
Volume dependence	Unless the markets indicate presence of certain adequate volumes, they avoid them
Inconnectivity with Markets	Lack of understanding of the markets, special needs and idiosyncrasies
High-cost operations	All of the managerial and planning activities are very costly and involved
Lack of speed	Cannot make quick and adequate decisions regarding many new and small markets
Being preoccupied with large markets	Large companies have much at stake in major world markets
Inadequate motivation	Large variety of markets and needs do not create motivation for global giants to enter the poor markets
No great economic expectations	There are no immediate incentives to enter these poor markets

corporate culture is such that they may not be quite versatile in terms of new ventures, new markets, and challenging new experiences.

Volume dependence: Global giants will not bother going to marginal or sub-marginal markets since they have to have large sales revenues. These markets do not offer such large revenues.

Inconnectivity with markets: Not only are global giants not much interested in third-world markets, but they are far removed from them. Hence, they cannot be effective even if they have had some connection with these markets. In these markets, they are likely to cause more harm than good. Above all, they cannot quite detect the sudden changes in these markets and respond to them satisfactorily.

High-cost operations: Unfortunately, global giants typically are overburdened with extra costs of complex and borderline dysfunction. This is caused by their multiple layers of decision making and complex decision protocols. They usually cannot quickly respond to market conditions. As an example, as this book is being written, gasoline prices are at record highs, but the automotive industry is not able to produce small, fuel efficient cars. It will take some time before they can do so.

Lack of speed: Organizational complexities and corporate cultures of global giants do not easily allow for effective decisions to be made quickly. They usually display delayed reactions.

Being preoccupied with large markets: Almost by definition, global giants became very gigantic by emphasizing large global markets. Of course, they do not include small and scattered markets of the poor countries since the global giants do very well in the large markets of the industrialized world.

Inadequate motivation: Very closely related to the previous comment, global giants lacked and still lack interest in markets of poor countries. They do not feel that there are great opportunities in these markets.

No great economic expectations: Since there are hardly any radical economic development episodes in the third-world countries, international giants do not expect to enter these poor markets simply because they do not expect outstanding economic gains in these markets. These points are reiterated throughout this book.

As can be seen, while they may be very adequate for major world markets, global giants fall very short of functioning and being effective in third-world markets. This situation creates a major void. As stated earlier, about four billion of the total global population, which is about two thirds of the total, continue living a very meager life on three dollars a day, and most of their needs remain unanswered (Samli 2008).

The Need for Entrepreneurship

If global giants cannot reach out and touch the poorer marginal or submarginal markets, this void needs to be eliminated by creative, small, and flexible enterprises, which are usually created and managed by entrepreneurs. As the economic gap between the haves and have-nots grows and the number of world’s poor increases, the need for such creative, small, and flexible entrepreneurship that are not belabored by the problems of global giants that were discussed earlier, becomes extremely critical. I described a broader picture (Samli 2004) as the second wave of globalization. This picture and related movements depend on the presence and functions of local, regional, or national entrepreneurship.

Although conditions, needs, and idiosyncrasies of small local markets vary from region to region and country to country, in general terms entrepreneurs have certain features that make them ideally suited for these markets. Some of these key features are presented in Exhibit I-4.

Exhibit I-4 Normal features of entrepreneurships

Feature	Practical Outcome
Flexibility	Ability to move into poorer markets and be successful
Need for small volumes	Entrepreneurs can make reasonable profits with small sales volumes
Understanding small markets	They are able to appreciate the needs of small markets and satisfy their needs
Low-cost of operations	Small entrepreneurships are low cost and efficient operations. They can afford being in small markets
Speedy decision making	These enterprises can make decisions fast and act upon them speedily. They can detect the changes in their markets and move accordingly
Innovativeness	Entrepreneurships are considered to be the major source of innovative activity in most societies
Job creation	Almost all related studies have shown that small entrepreneurs grow fast, and they generate new employment in the economy

The Key Parameters of Entrepreneurship

Exhibit I-4 presents normal or key features of entrepreneurs and hence, establishes the parameters that entrepreneurship, particularly in scattered, idiosyncratic, and small third-world markets can accomplish. These parameters are extremely critical if the second wave, or bottom-up, globalization is to emerge and function in the way it needs to so that the gap between the haves and have-nots will be narrowed (Samli 2004).

Flexibility: Entrepreneurship thrives on flexibility. The small firm can easily adjust to even the most dynamic changes in the market. As they change they even improve their profit pictures.

Small volumes are all that is needed: Small and efficient entrepreneurships will reach out to remote and scattered markets. But since they are efficient, entrepreneurs can survive easily under such circumstances.

Understanding their markets well: Small entrepreneurs are almost an extension of the existing third-world markets. They are sensitive to and aware of the new developments in their markets, and they respond well.

Efficiency: Unlike their global gigantic counterparts, entrepreneurs are efficient and are low-cost operations. That enables them to succeed under trying conditions that prevail in the small markets of the world.

Speedy decision making: Almost by definition, one of the greatest advantages of entrepreneurial cultures is that these enterprises can make decisions very quickly and implement the action oriented critical decisions almost immediately. The poorer markets of the world have urgent needs, and such speedy actions are very appropriate.

Innovativeness: As Drucker (1985) posited, entrepreneurs are very good at converting “bright ideas” into organized business activities. They generate and cultivate innovation in society.

Job creation: Being efficient and proactive, entrepreneurships grow fast and create new jobs and employment opportunities faster than the rest of the economy.

As can be seen, the entrepreneurial culture with some key skills is extremely important for the future of the world, assuming that without entrepreneurship the gap between haves and have-nots will grow to a point of hostility and terrorism.

Two Examples

The following two examples would indicate the possibility and versatility of bottom-up globalization.

Mr. Ahmad Taha, a Jordanian-born entrepreneur, is a dealer and exporter of second-hand restaurant equipment. By identifying a potentially big niche market and studying it carefully, he first established himself in New York and then went global. He expanded his business into Canada, British Columbia, and Egypt (Alsaaty 2006).

After surviving in a Nazi concentration camp Samuel Klein went to Brazil. He sold blankets, bed linens, and bath towels door to door. Some 50 years later Klein has transformed his business into a large retail chain in Brazil selling electronics, appliances and furniture. He owned 330 stores and employed 20,000 people. His business became very sustainable, serving primarily Brazil's poor (Prahalad 2005).

Reading Through This Book

The following is a brief synopsis of each chapter:

- Our fragile planet is suffering from the presence and increase of multiple problems. Things are getting worse because there is a constant tendency to resolve public problems privately. This is what privatization efforts are creating. As a result, the rich are getting extremely rich and the poor, devastatingly poor. (Preface)
- Globalization, although extremely important and capable of solving some of the problems regarding the gap between haves and have-nots, is not performing properly partly because it is top-down. It is creating much wealth and economic power in the hands of a few and privileged parties. There is a need also for a bottom-up globalization. This may be accomplished by entrepreneurship. (Introduction)
- Chapter 1 makes a case for entrepreneurship. Through entrepreneurship it is possible to create a bottom-up globalization. Entrepreneurs are capable of innovation, invention, industry, development, and technology transfer, which are very critical activities in economic development.
- Chapter 2 deals with the urgency of the problem and the immediate needs to rectify the situation. Endogenous economic development is advocated as the necessary option.
- Chapter 3 deals with the key of bottom-up endogenous development: entrepreneurship. It explores where the entrepreneurial opportunities are.
- Chapter 4 explores the key characteristics of entrepreneurs. It explores some eleven personal traits of entrepreneurs and provides guidance for identification and development of entrepreneurs.
- Chapter 5 delves into the research support that entrepreneurial entities need. By understanding the entrepreneurial decision-making sequences and allowing adjustments or entrepreneurs' perception of opportunities and threats, the chapter identifies research needs.
- Chapter 6 examines the cultural context within which the entrepreneurs may emerge. An attempt is made to distinguish between individualistic and collectivistic cultures. Particularly in collectivistic cultures, development of human capital needs external help. Here, knowledge sharing communities and Silicon Valley facsimiles are introduced as support.
- Chapter 7 concentrates on development of an entrepreneurial culture within the cultural context discussed in Chapter 6. Here particular emphasis is given to the Chinese and Singaporean experiences.

- Chapter 8 is the continuation of Chapter 7. At this stage in the game, entrepreneurs start developing alliances. The chapter discusses what partners expect from each other, how partners are searched for and how functional lines of demarcation are established.
- Chapter 9 expands the picture into internationalization of bottom-up globalization through entrepreneurship. Entrepreneurs partner with others, develop international networks or even advance to become part of trading blocs. Because entrepreneurs are very vulnerable the trust factor becomes critical. This chapter has an appendix dealing with the trust factor.
- Chapter 10 not only deals with how innovative entrepreneurships begin, but also how they need help to be sustained. In addition to having knowledge sharing communities, Silicon Valley facsimiles need to be present and active. Additionally the chapter explores action learning programs that would enhance sustainability.
- Chapter 11 examines an area of special importance: accelerating entrepreneurial activity. Since the world's problems are getting worse it is critical that entrepreneurial activities throughout the world, are accelerated. More international match making and international communications are discussed.
- Chapter 12 explores a most critical area dealing with the future of entrepreneurship. It articulates the fact that unless governments and other organizations, such as universities, pitch in there will not be a major movement dealing with international entrepreneurship. The chapter presents a research agenda to facilitate the further development of international entrepreneurship.
- Chapter 13 finally examines where entrepreneurial talent is found in a country. It presents a discussion of the key entrepreneurial sources and connects to Chapter 12 for additional research in this all important topic.

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Chapter 1

What Does the World Need?

What this world needs is a very critical question. Obviously whatever its needs, they are not quite satisfied as the gap between the haves and have-nots is increasing at a critical rate. This is a very alarming issue, since the gap typically leads to discontent, restlessness and eventually different types of violent hostilities. Hence, some critical decisions must be made to cope with and ideally eliminate the gap. Coping with the gap implies stopping it from widening, and perhaps, at least in small portions, creating some activity that would cause its narrowing. Drucker (1985), quoting Thomas Jefferson, stated that every generation needs a new revolution. He continued, saying that, “reason in time becomes nonsensical and creates social afflictions.” From such a position it is clear that the world needs a different orientation to economic development such as what is done by entrepreneurs who would create economic revolutions by challenging conventional wisdom.

Indeed, under these circumstances, what does the world need? In Chapter 3, essential activities are brought into focus: innovations, value creation, and economic growth. The world needs all three but in somewhat of an orderly fashion where the gap between the rich and the poor will become more manageable rather than unmanageable.

Innovations

Regardless of whether innovations are created almost unexpectedly by individuals in a society or they are caused by basic insights from adopting an evolutionary market process caused by some agent’s prior activities (Buenstorf 2007), the bottom line is that innovations are necessary for the advancement of a society and the well-being of its citizenry.

Innovation for a third world country is not necessarily developing the first computer or, say, a super computer but adapting the existing computers for local needs and decision making. Under normal circumstances such a development would enhance the productivity of the region or the country, would enhance the speed of production, and/or would enhance business communications and

would, by definition, make major contributions to the country's or the region's economic development. Needless to say, some innovations can be exported to neighboring countries or to the world's markets. In such cases, the benefits of innovation can be extremely significant for the country where they are generated.

Value Creation

In a general sense, all innovations create value. However, this created value may or may not be shared by all. Thus it is critical to think about value creation. Certainly, the world needs value creation all the time; however, if we look at the general concept of value creation expressed by GDP, it would indicate that developing nations are not benefiting from major value creation activity. Both generating, say, head-on products that are used for headaches and pains, and an HIV vaccine, are creative innovations, but the second has much greater implications for the poor countries of Africa than the first one and hence is creating greater value. Thus, discovering and developing what Buenstorf (2007) calls high-order opportunities are critical if the world desires a narrowing gap between haves and have-nots. If discoveries and developments of innovations and their value creation activities reach out to larger groups of people (Samli 2004), particularly in the third-world countries, by means of higher order innovations creating higher order opportunities, it would be reasonable to say that the world is moving in the right direction. This proper direction needs to be reinforced by some type of corporate social responsibility (CSR) that would require companies to make a commitment to make a major contribution that is being aimed at sustainable economic development (Jamali and Mirshak 2007). Jamali and Mirshak (2007) present numerous examples of such orientation. Among many others they mention:

- Creating an electronic library in the Children's Science Museum
- Sponsoring a smart bus that rotates in rural areas, providing IT training
- Donating software
- Sponsoring construction of various university campuses
- Introducing a mobile bus library
- Sponsoring cultural festivals

While skeptics of CSR maintain that this activity dilutes the business focus on wealth creation, proponents of the concept consider CSR as essential for successful business operations by contributing to the economic maturity of regions (Jamali and Mirshak 2007).

Economic Growth

Innovations and value creation are important but do not necessarily create economic growth. Unlike the developed countries, developing or underdeveloped countries experience a vicious cycle of underdevelopment. Exhibit 1-1

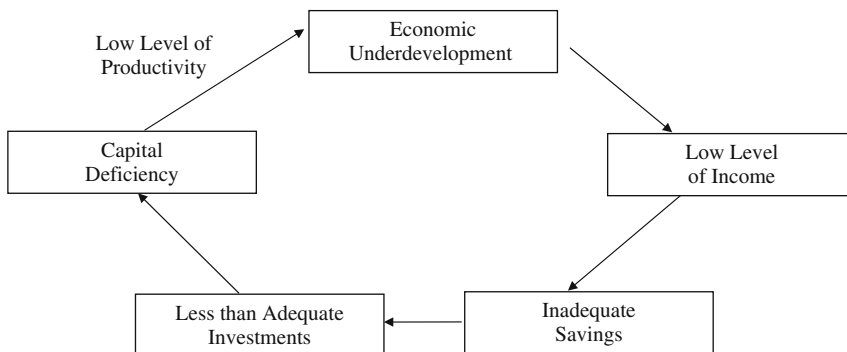


Exhibit 1-1 Vicious cycle of economic underdevelopment

illustrates such a situation. As the starting point, many third-world countries experience extensive poverty. Under the situation of abject poverty, the incomes overall are very low. Since investments are equal to savings and since savings are low, there will be inadequate investments. Inadequacies of investments lead to capital deficiency. Without adequate capital it is difficult to break the vicious cycle. Hence the country remains at the point where it all started. In fact, without some deliberate action, the current status deteriorates as the country’s population increases (Samli 1985).

If there are to be improvements in the world’s economic posture, the vicious cycle in different countries needs to be broken. Breaking the vicious cycle could be temporary by using economic aid coming from outside in the forms of emergency relief or foreign aid. In either case, the progress is temporary, and counting on foreign aid to continue economic development of the country forever is extremely naïve. Although it is possible to improve the economy through aid effectiveness, that will not be forever (Mosley and Suleimon 2007). Thus, it is critical that the country should look at endogenous activities that will prove to be more permanent and reliable.

Permanent or longer lasting vicious cycle breaking activities revolve in three key areas: export stimulation, import substitution, and domestic economic progress. Export stimulation is primarily what was used by the Asian four tigers: South Korea, Taiwan, Singapore, and Hong Kong. By lowering costs and improving quality, these countries performed extremely well in international markets. Import substitution was used somewhat successfully by Japan. The country’s Ministry of International Trade and Industry (MITI) identified key areas that are major burdens on the country’s economy and tried to develop those industries domestically. Finally, concentrating on domestic economy without concentrating on international trade can be achieved by increasing the country’s overall productivity by lowering production costs, stimulating domestic demand, and creating more jobs. This is a possible and very desirable scenario.

It is difficult to measure objectively which one of these three approaches to breaking the vicious cycle is more effective. It is difficult to pursue all three key areas. Perhaps one of the three will be seriously implemented. But there are serious problems in choosing and implementing any one of these three approaches – Not only in deciding which approach is to be chosen and how it is implemented, but perhaps above all, who is going to implement which ever approach is decided upon.

Here, as has already been discussed, the bottom-up globalization movement over and beyond local economic activity becomes a realistic alternative. This is because, however few, the larger domestic firms are already occupied with whatever they are doing, and global giants are not at all interested in what may be a positive beginning for the third-world countries. Although the UN Conference on Trade and Development reports that global inequality between the rich and poor countries is decreasing, poverty and hunger are increasing worldwide. In more industrialized countries, labor’s share of the national income is diminishing. Domestic labor forces are losing ground to international competition. In China, for instance, the economy has been growing 10% each year; however, the 10% of the bottom earners are losing 2.5% in income. The same situation is also reported to prevail in India and Latin America, along with other countries (Vandaele 2009). Thus, generating small and efficient entrepreneurial entities to accelerate economic growth from the bottom becomes not only realistic but also necessary.

Thus, relying on unoccupied, and maybe even unused, domestic talent may become a critical and realistic alternative that needs to be emphasized. Entrepreneurship is the critical answer. Exhibit 1-2 illustrates the two critical options that entrepreneurs have at their disposal. These are opportunity development and opportunity discovery (Sanz-Velasco 2006).

Opportunity development: It is discussed in greater detail in various chapters of this book. Suffice it to say here that opportunity development is somewhat closer to export stimulation. The Asian Four Tigers have used this approach.

Opportunity discovery: Opportunity discovery is perhaps closer to import substitution. But it is also close to a domestic activity that may break the vicious cycle. Some domestic cost cutting activity that would lower the price of the domestic product, expand demand, and employ more people, as mentioned

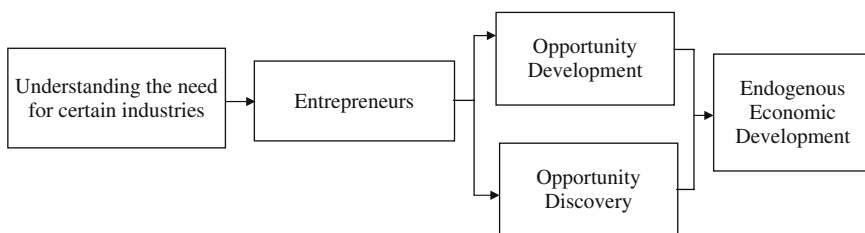


Exhibit 1-2 The two key options

earlier, can be quite effective, regardless of the fact that the product or products in question are primarily imported or domestically produced. Although no two entrepreneurs are exactly the same and no two opportunities are exactly alike, it has been generalized that opportunity discovery is rather low risk and emphasizes the entrepreneurs' orientation toward the business rather than potential customers. In other words, it may be considered as the first mover advantage.

Similarly, in opportunity development higher risks and conditions of uncertainty necessitate more emphasis on market conditions and potential customers. This activity typically is supported by prior knowledge and better utilization of the existing resources.

The Dismal Impact of External Factors

Endogenous emphasis in breaking the vicious cycle receives its support primarily from the fact that external factors or external help that may be used for breaking the vicious cycle has been rather dismal. They are either not there or totally inadequate.

A few years ago, this author made the following statement (Samli 2002, 83):

It is admirable that both the international monetary fund (IMF or simply The Fund and the World Bank (The Bank) are seriously concerned about poverty reduction throughout the world. . . . However this is only a dream and, as such, it does not have much relationship to reality.

The World Bank, IMF, and World Trade Organization have not done much more than exacerbate the troubling economic situation further. This is because these organizations live in their own dogma-driven and unrealistic worlds. Although The Bank and The Fund have money available to be loaned out, they have set unusually unrealistic conditions that must be met before they make loans. These unrealistic conditions can be classified as *functional* and *structural*. As functional requirements, they insist that the borrowing countries reduce their budget deficits, devalue their currency, and reduce domestic credit giving. In terms of structural conditions, they demand freeing control prices, freeing interest rates, reducing trade barriers, and prioritizing state enterprises. Time and time again these extremely rigid conditions have caused serious financial problems within the borrowing countries. Many of these countries have not been able to pay back the funds they borrowed. Because of the rigidity of the requirements, the borrowed monies have not contributed much to the economies of the borrowing countries. As a result of these lending and borrowing activities, the poor countries have become poorer. They are in debt and don't know how to pay their debts. Thus, the outcome of outside help to the third-world countries has been rather dismal. Lobe (2008) reports that weak states that were already very close to collapse at the end of 2006 have done even worse in 2007. The failed States Index has pointed out that many African countries along with Haiti, Bangladesh, and numerous others have done extremely poorly despite the years of poverty-alleviation and development efforts.

Endogenous Economic Development

Twenty or 30 years ago when developing countries did not know where to go or what to do, economically speaking, they had to solicit advice from outside. Today they can dwell more readily upon their own human and natural resources. This is because globalization is making the necessary information and skills readily available through creating a critical functional flow. Availability of information makes it easier to transfer technologies and adjust them to local specific needs. Thus, if there are general agreements regarding local or regional economies in terms of their needs to develop an industry or industries, the necessary information facilitating the basic activities to successfully transfer and localize the needed industries can be transferred successfully. This situation would facilitate the discovery and/or development of opportunities for entrepreneurs or entrepreneurs-to-be. This is the essence of endogenous development orientation that can be, in fact should be, implemented by entrepreneurial movements.

Starting the Endogenous Development

Unlike two or three decades ago, the emergence of globalization and its facilitation of information and technology flows has made it not only possible to rely on endogenous economic development possibilities but also rely on their success in developing local or regional economies. Starting endogenous development in the third-world countries is primarily related to two key elements. First, there must be some important analysis as to what industrial activity is most appropriate and most applicable for the economy under consideration, and second, there must be entrepreneurs available to initiate the necessary activities. This whole development activity is coined as the *social process* that is discussed throughout this book.

Social Process

Conceptualizing invention, innovation, opportunity identification, economic growth, and technology transfer may be called a *social process*. Such a process is critically dependent on the presence and orientation of legal institutions. These institutions play a critical role in the markets of the economies in question (Kingston 2006). The existing social process must facilitate the development and the presence of an entrepreneurial culture and must be very active in developing entrepreneurs who will be creative enough to develop opportunities and use them successfully and/or discover the existence of certain opportunities and develop necessary business activities successfully to take advantage of these opportunities.

The Key Entrepreneurial Lessons

1. Entrepreneurs must innovate for the advancement of a society possibly from a very small scale to bring up the lowest economic well-being in a society.
2. Creating innovations that generate value should not be taken as a given. There are different grades of innovation. The innovations of higher order creating higher opportunities must be preferred and encouraged.
3. Entrepreneurial efforts must be in the direction of generating innovations. These innovations must create value in the society. But above all, the efforts must be geared to generating economic well-being.

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Chapter 2

Not a Moment Too Soon

Throughout this book, a most important point is reiterated: that is, the intolerable growth of the gap between the rich and the poor throughout the world. This problem is urging, in fact begging, a solution or solutions immediately.

The poorer countries are experiencing a major lack of technological advancements due to their inability to obtain financial support, their unskilled and uneducated workforces, and their inadequate infrastructure. Moreover, they experience volatile prices in their small markets (Arinaitwe 2006). Perhaps above all, they do not experience the presence and guidance of a powerful entrepreneurial culture.

The rich creditor governments that own and operate international financial institutions have failed to understand the dilemma that poor countries are facing in their struggle for development (Isaak 2005, Samli 2004, 2008). These countries face some serious traps that the global economy has created, and they cannot overcome these traps without some help from outside.

The Traps That Poor Countries Face

Isaak (2005) identified five major traps, and this author added one more. Six traps are holding down emerging or trying-to-emerge economies. The six traps are: institutions, trade, education, debt, culture, and population.

Institutions: In most parts of the developing world, there is a paucity of proper institutions. Without certain institutions it is almost impossible to make critical progress in the economic activity of the country. Many emerging nations do not even know what their needs are and how to organize institutions to cope with their problems.

Trade: Developing countries are not adequately involved in world trade. Even if they are, due to their lacking negotiation power, the terms of trade are not in their favor. However, all countries have many things to trade. It is critical to identify these tradable goods and services and facilitate the trading activity.

Education: Not only are the levels of literacy low in many developing countries, but many practical skills that would help economic progress are also missing. Without proper educational and skills levels, it is very difficult to

make progress in the country's economic arena. With modern globalization activity, information flow among nations and among people is very real. It needs to be directed more carefully and effectively.

Debt: Available economic credits from the World Bank, IMF, or similar external donors have accumulated a level of indebtedness that many developing countries are having difficulty paying back. Some of the poorer countries are in desperate shape. They cannot possibly pay back what they owe. If the interest charged for the loan is greater than the rate of economic growth, the receiving country is not likely benefiting from the loan.

Culture: Most prevailing cultures in developing countries are extremely passive and traditional (Samli 1995, 2004). With these features, there is very little effort to actively search for new and progressive means of industrial activity to improve national productivity. Traditionalism keeps them connected to old traditional ways of production, and the end result is lack of economic progress.

Population: Finally, many developing countries have runaway population increases. Irresponsible runaway procreation would cut into any minor economic gains the country may be experiencing. With these gaps or major problem areas, the poor nations of the world are having major problems. But the time is passing by without any progress in these areas. Unless the current patterns of creating huge gaps between haves and have-nots are stopped, there cannot be a peaceful world (Samli 2004). There is hardly enough time to reverse this picture before it becomes totally unbearable. Samli (2008) takes a strong position as to the need for bottom-up globalization to remedy the situation by balancing top-down and bottom-up globalization.

Exogenous Development Opportunities

During the past three decades or more, foreign economic aid and financing opportunities by the World Bank or International Monetary Fund and other lending organizations have not been useful in terms of narrowing the gap between haves and have-nots. Part of the exogenous development opportunities are put forth by major international money lending organizations and global giants that are not familiar with prevailing conditions, nor are they much motivated to become benefactors rather than concentrating on making money in major world markets. One may raise the issue that developing countries are not receiving good advice from international consultants. Thus, exogenous economic development opportunities are very slim.

Endogenous Economic Development Opportunities

If exogenous development opportunities are slim, developing countries must turn to endogenous economic development activities. This is not saying that exogenous opportunities must be totally ignored, but as a matter of emphasis

Exhibit 2-1 Endogenous economic development options

Endogenous forces	Problems
Domestic government	Lack of orientation and strategic government enterprises created barrier
Domestic major businesses	They are either connected to global giants or are concentrating only on good domestic markets
Citizenry in general	There is typically a major lack of managerial and planning skills, formal education, and necessary technical skills
Entrepreneurial group (if any)	Perhaps the only viable alternative, but it needs support and direction

endogenous opportunities must be looked at as a more viable orientation. However, as it stands, endogenous development opportunities are also not very functional and partially blocked.

Exhibit 2-1 illustrates some of the exogenous development forces and the problems with each.

Domestic governments: Many domestic governments are not totally honest and think of themselves before the needs of the country. However, even if they are thinking of the country's needs and benefits they lack proper orientation, and hence they cannot quite develop an effective development strategy. This is partly because these governments are less than competent and are also influenced by international financial forces that are not helpful to the country's well-being as typical exogenous development forces have been.

Additionally, many developing countries have multiple government-owned and operated businesses, although at the beginning these government enterprises have been somewhat useful to get an industry or certain activities started that were desperately needed by these societies. The government, for instance, could illustrate how modern farming was done in Turkey. In time the farms became monopolies and revenue-generating organs for the government. As such, these monopolies did not allow new competition to emerge, and they did not bother updating or modernizing their overall functions. In some central African countries energy production is controlled by government monopolies with little or no incentive to improve on normal procedures, which are outdated. My interaction with a group of entrepreneurs from Malawi led me to believe that this is a widespread problem. They simply isolated themselves from progress that is evolving in other parts of the world in similar industries. They seemed to refuse, fully or partially, privatization and giving up their monopoly powers.

Domestic, major, businesses: For some reason or for some opportunistic happenings, all developing countries have some large enterprises. These are typically, directly or indirectly, connected to global giants. Hence, their interest is primarily making money for themselves and for their global giant partners. Even though they may bring about some wealth and some resultant development, their impact is less than far-reaching. They are not typically moved by the idea of helping the domestic economies any way they can. Their efforts create capital intensive activities and create additional unemployment.

Thus, their overall effect on the economic development of the poorer countries is almost negligible. Even if they are making some contribution to domestic economic development, they concentrate only on economically advanced corners of the country without reaching out to the poorer parts of the country. This point is reiterated in different sections of this book.

The citizenry: If the citizens are poor, uneducated, and inexperienced, there is typically a major lack of managerial and planning skills as well. Formal education and necessary technical skills are not commonplace. As a result, domestic endogenous development activity, or leanings toward it, are not an automatic shoo-in. However, considering the lack of progress based on exogenous economic development efforts, endogenous opportunities appear to be more promising.

The Case for Endogenous Development

Exhibit 2-2 presents eight conditions that would justify endogenous development for the poorest countries or posits that in the poorest countries endogenous development is the best alternative. As can be seen in Exhibit 2-2 such a development will utilize national talent. Almost all underdeveloped countries suffer from what is known as the brain-drain. Their best and most talented students find opportunities in other parts of the world. If endogenous growth were to be particularly emphasized, these young and talented people would be used for that purpose. Thus, the country or the region would stop suffering from brain-drain. Endogenous development would call for and utilize domestic resources and would not be dependent on foreign help. Certainly this would necessitate presenting a knowledge base, and perhaps this knowledge base will have to be developed prior to the efforts for endogenous development.

Especially in situations where the country is not capable of generating external support or is being forced to borrow at higher rates of interest, it is much better to utilize endogenous development strategies.

Endogenous economic development provides the ability to decide what the best course of development domestically is. It also indicates different options as

Exhibit 2-2 Advantages of endogenous development

- Utilizes national talent
- Not dependent on foreign help
- Not indebted to external funding
- Able to decide what is the best course domestically
- Cultivates national pride
- Utilizes readily available technology
- Caters to well-defined national needs
- Is proactive in reaching international markets

to how the country could achieve this development. Endogenous development activity, if successful, would cultivate national pride. In such cases people will unite around this effort. Being able to accomplish certain economic progress would even accelerate achievements with more and better results. In the case of endogenous development efforts, being able to acquire internationally available technology, in particular, would make a great contribution to all of the development efforts. By using this tool considerable domestic benefits can be achieved. The technology, once adapted to local needs, can be very beneficial in developing additional industries and further cultivating development efforts.

In planning for endogenous development, it is reasonable to assume that national needs can be examined very carefully and can be connected closely to the capabilities of the country or the region.

Finally, the country or the region may have to resort to endogenous development with subsequent international market entries in mind. Thus, the conditions presented in Exhibit 2-2 are very clear and are very favorable for concentrating on endogenous economic development. Throughout this book this orientation is taken. However, most critically, in this book endogenous development is advocated to be the pivotal force in developing the country's economy. As posited in the Introduction of this book, endogenous development cannot materialize without entrepreneurship, particularly in the third-world countries. Entrepreneurship is perhaps the only viable alternative force in endogenous economic development efforts. However, while in the developed parts of the world entrepreneurship is almost a happening in that it just emerges where it may make a difference both in the economy and in overall quality of life, in developing parts of the world entrepreneurship must be supported, must be encouraged, must be guided, and above all must be taken extremely seriously as the key force behind endogenous development. It must be reiterated that it is not a moment too soon for all-out efforts to be made to stop conditions that are becoming uncorrectable.

Putting Emphasis on Human Resources

Unfortunately, having too much of something minimizes the value of the marginal unit. In developing countries overpopulation is a serious condition. Governments in these countries do not put enough emphasis on their respective human resources. However, if entrepreneurship is not likely to emerge automatically, then the central authorities in these countries must put special emphasis on developing the country's human resources with the hopes that some large and talented groups of young entrepreneurs will emerge and will perform what the country needs: **PROGRESS**.

Progress in this case implies specific undertakings by entrepreneurs that will have a significant and positive impact on the national economy. This primarily depends on the skills of entrepreneurs as well as the support and direction the

entrepreneurs are receiving. Again, this topic is dealt with throughout this book. However, it must be reiterated that the need for entrepreneurship is not totally unique to the third-world countries. It has been suggested that the gap between the rich and the poor is also widening in the industrialized world. This gap cannot be eliminated without some powerful entrepreneurship activity in these countries as well. Such entrepreneurship activity will identify and prioritize economic opportunities that are more promising for both entrepreneurs and the economy. This proposition that entrepreneurs must be supported and guided is not a simple one. It requires much more serious emphasis on human resource development as well as serious knowledge of the prevailing economy and its potential.

Cultural Characteristics

Cultural characteristics may play a very critical role in the behavior and success of developing entrepreneurs. A study of entrepreneurs in the South Pacific indicated that Pacific entrepreneurs differ significantly from nonindigenous entrepreneurs in their perception of culture and tradition. Indigenous Pacific entrepreneurs rated culture and tradition very highly whereas nonindigenous entrepreneurs appeared to be less influenced by the prevailing culture. However, it must be posited that much cultural influence in more traditional and lesser developed countries could be a serious deterrent to entrepreneurial behavior and success (Yusuf 2002).

Cultural characteristics can be major deterrents to indigenous development. If indigenous development is the only possibility or a more feasible possibility, undercapitalization and not knowing how to keep good records can be particularly critical hurdles to development. Combined with poor purchasing power of the population, inadequate and confusing professional advice and unexpected economic shocks are among the cultural or traditional factors that are deterrents to indigenous development attempts (Yusuf 2002).

Negative Traditions for Leadership

In poorer countries, there are less than proportionate numbers of people who can plan and manage. Typically formal education is limited, and small portions of the total population have a chance to receive it. Furthermore, technical skills are not adequate and not widespread enough, and perhaps more importantly there are no economic elites that are involved hands-on in the economic realities of the country and can make a major difference in indigenous economic progress (Yusuf 2002). In such cases, not much entrepreneurial talent would surface. In fact, many traditionally poor countries have young generations who would like to be employed safely

Exhibit 2-3 Critical steps to be taken

- Attracting foreign or domestic investments or economic help if possible
 - Developing carefully planned and implemented infrastructure
 - Helping the development of critically selected industries
 - Making sure that the industries prioritized
 - Establishing fiscal incentives and export promotion
 - Establishing good labor relations to receive more productivity
 - Developing high quality human resources
 - Devising special policies so that entrepreneurship could flourish
 - Keeping government intervention to a minimum as entrepreneurs develop
 - Developing and disseminating effective information
-

and securely by a large company rather than start their own businesses. In many parts of Central Africa, at the writing of this book, this is considered to be a major deterrent to economic development. Every passing day the gap between the haves and have-nots is growing significantly. The world cannot be a peaceful and happy place with such a clear-cut economic class distinction.

There are obvious recent experiences that indicate pulling out of traditional poverty is quite possible. The Asian Four Tigers, i.e., Hong Kong, South Korea, Taiwan, and Singapore, have managed to do so. The social process mentioned in Chapter 1, leading to economic development from an endogenous perspective, is a starting point. However, there must be a suitable atmosphere before the economy takes off. Exhibit 2-3 illustrates this point. The steps indicated in this exhibit are close to what Singapore has used during the past three decades or so. This is further discussed in Chapter 8.

More on Endogenous Development

Exhibit 2-3 does not preclude attracting foreign investments but indicates that this is part of a broader economic plan. In such a plan, development of the infrastructure plays a major role since it is critical for any kind of economic activity and future development. Again part of the general economic plan is devoted to selecting industries that are most suitable to the country's or the region's characteristics. Selecting the particular industries is a critical activity; however, it is even more critical to prioritize these industries according to their expected contribution to the economy. Part of the decision in this area is based on providing incentives for the industries that have potential export opportunities. Again, generating the type of labor and creating desirable labor relations is critical for the economy. Such orientation enhances both regional and national productivity. This is part of the necessary human resources development without which endogenous

development cannot materialize. If the conditions presented in Exhibit 2-3 are met thus far, the foundations for entrepreneurship are established. At this point, the endogenous development activity minimizes government interaction except as a major source of encouragement and guidance. The guidance activity is critically connected to an important and effective information flow that would help generate an entrepreneurial movement. Without an economic plan satisfying the needed critical steps presented in Exhibit 2-3, there cannot be a meaningful and beneficial entrepreneurial movement (Yew 2000). Almost all of the four Asian Tigers followed a similar general plan that is illustrated in the exhibit by ten points. It appears that China and India are paying attention to the points that the exhibit illustrates. However, as discussed in Chapter 7, these factors illustrate the necessary conditions, but not necessarily the sufficient conditions. This is what is meant by stating that entrepreneurship in third-world countries cannot be generated without a certain general national planning, which is discussed elsewhere in this book as a key topic dealing with the development of an entrepreneurial culture. It is quite likely that the efforts to develop entrepreneurial cultures in different countries are not quite the same, and they will yield somewhat different outcomes. However, it is not a moment too soon that such activities must be started.

The rising enthusiasm for entrepreneurship can be seen in all of the advanced industrial countries. Numerous factors are causing a shift from the managed to the entrepreneurial economy. This is primarily because much commodity style production is taking place, or may be taking place, in developing countries. As has been observed in the Asian Four Tigers as well as in India and China, industries that are not extensively economies of scale oriented, but are primarily knowledge-based and growing fast are starting to put more emphasis on supporting smaller companies' roles in the total economic activity (Owen 2002). If this rise in enthusiasm for entrepreneurship is to spread and succeed, particularly in third-world countries, the country will have to be engaged in the development of an entrepreneurial culture such as the one described in Exhibit 2-3 (Yew 2000).

The Key Entrepreneurial Lessons

1. Developing or forgotten countries of the world are suffering from some very serious traps that can be at least partially resolved by entrepreneurial activity.
2. Efforts for exogenous development have not been supporting entrepreneurial efforts.
3. Endogenous development efforts are much more suitable for supporting major entrepreneurial activity.

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Chapter 3

Characteristics of Entrepreneurial Ventures

Introduction

Throughout this book we define entrepreneurship as “constructive creationism.” This is a take-off from the Schumpeterian definition of “creative destructionism.” When we deal with entrepreneurship, we are discussing opportunities or situations that entail the discovery of means–ends relationships through which new goods, services, procedures or organizations are introduced to generate economic value for the company and society (Companeys and McMullen 2007). Entrepreneurship, by definition, does not happen without some proactive stimulation. Whether this stimulation is generated by local or national governments or is activated by a nongovernmental organization (NGO) does not matter as long as entrepreneurial opportunities are identified and an effort is made to guide entrepreneurs in that direction. Thus, the first activity in this entrepreneurial venture is detecting entrepreneurial opportunities. Perhaps, behind any entrepreneurial attempt there is the value proposition, which dwells on the benefit to be created for the customer who is driven by the use of the proposed product or service. In other words, if the products or services generated by the entrepreneurial activity do not generate customer value that entrepreneurial activity is destined to be doomed. Customers rather than consumers are used here for a major reason. Entrepreneurial activity is not likely to generate consumer value for everyone, but typically customer value for those who buy the product or the service generated by the entrepreneurs. In some cases, the benefit for the dealer or retailer may be so significant that it may even exceed the benefit for the user (Allen 2008). In such cases, the dealer or retailer may be very motivated to reach out further into markets.

Detecting Entrepreneurial Opportunities

The benefit to be generated by the proposed entrepreneurship can vary along the line of an opportunity spectrum. Exhibit 3-1 presents a general picture of how entrepreneurial opportunities emerge. At the two extremes of the

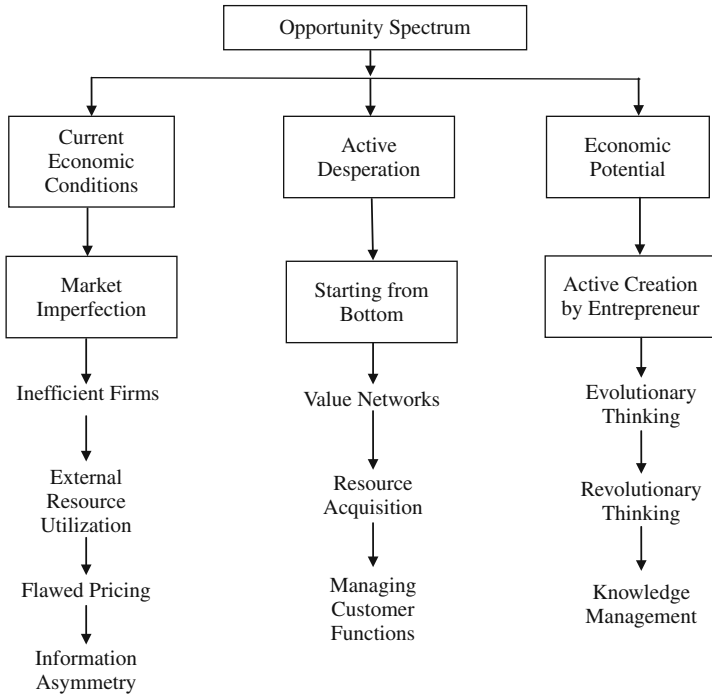


Exhibit 3-1 Entrepreneurial opportunities

opportunity spectrum two opposing situations are identified. These two extreme situations indicate the major entrepreneurial opportunities in a country or in a region. These are current economic conditions and economic potential. While the former is an improvement of current conditions, the latter is a totally new development.

Current Economic Conditions

As early as 1982, Casson discussed entrepreneurial opportunities as economic conditions that entail discovery of new products, services, or production procedures all creating economic value. But as seen in Exhibit 3-1, these opportunities can be just improving current economic conditions or developing new ventures to cultivate new economic opportunities within the possibilities of the economic potential that prevails within the country or the region.

Improving economic conditions stems from prevailing market imperfections that may exist. Under certain circumstances, improving the existing water supply in the country, for instance, can be significantly more beneficial than developing a new industry in the country.

As seen in Exhibit 3-1, inefficient firms can be improved whereby much economic benefit can be generated. For instance, if shoes in the country are hand-made and relatively expensive, introduction of small but efficient shoe factories can be extremely beneficial.

The presence of inefficient firms may lead to misuse or improper use of the country's or region's scarce, but very important, resources. Developing ways to use these resources or improving their use noticeably can be an important contribution to the country's economic well-being.

As seen in Exhibit 3-1, flawed pricing can be easily found in imperfect markets. Flawed pricing is the almost-natural outcome of less than perfectly competitive markets. Lack of competition or concentration of economic power would make the prices of products and services skewed in favor of certain companies. The American economy is experiencing exorbitant gasoline prices as the oligopolistic petroleum industry members are receiving record levels of profits. Or, again as this book is being written, the health care industry, among many others, is charging exorbitant prices and getting away with it. These situations indicate flawed pricing that would be very harmful to many consumer groups in the markets (Cohen and Winn 2007).

Finally, information asymmetry is seen as a major market imperfection. This mostly relates to less-than-perfectly distributed information. It occurs when individuals possess different information with respect to consumers, markets, resources, and opportunities (Cohen and Winn 2007). It may be speculated that the more information asymmetry exists, the greater the opportunities for prospective entrepreneurs who would rectify some of the market imperfections stemming from the prevailing information asymmetry. On the other end of the spectrum, entrepreneurship opportunities can be related to economic potentials of the country or the region and concentrate on developing new industries, new products, new services, and the like. Here entrepreneurs go out of the existing economic conditions and concentrate on new developments or new dimensions in the economy that will generate economic value.

In expanding the economic potential of the country and/or the region, entrepreneurs may apply evolutionary thinking to make incremental improvements in the existing systems such as introducing a fast food concept into the more middle class and busy section of a city, which may create time-saving and more nutritious eating for many people.

Similarly, if entrepreneurs take a revolutionary approach so that they are not dealing with incremental but radical innovation, they may develop a portable and fast copier that may make a significant difference in offices. Whether entrepreneurs have incremental or radical orientations to stimulating the economy and capitalizing on the economic potential is critically connected to knowledge management that is prevalent in the region or the country. The two extremes of an opportunity spectrum and considerations for each are further presented in Exhibit 3-2. On one extreme, where present conditions are improved incrementally, there may be questions such as, "just what are some of the problems of the society or the market that need attention? Who is going

Exhibit 3-2 The two extremes of opportunity spectrum

Economic Conditions Entrepreneurship	Economic Potential Entrepreneurship
What are some of the key problems in the world?	Reposition the company on the value chain by catering to an unserved market.
Who is likely to be helped by this entrepreneurship?	Create a new value chain by a new product or service
Is it likely to eliminate a key problem?	Redefine the consumer value to be created
What is the extent of the proposed set of benefits?	Develop a new distribution system if necessary

Source: Adapted and revised from Allen (2008).

to be helped by incremental improvement? To what extent may the current problem be eliminated, and how effectively?” On the other end of the spectrum, the company may totally reposition itself. This may generate a new way of thinking and a new value chain. Here once again, who is going to benefit and how much become critical questions. The development may call for a totally new distribution system. Some authors maintain that the future is not strictly a continuation of the present, and that radical changes may be more effective than simple incrementalism (Samli 2007).

Knowledge Management

In both mature and developing economies, the management of knowledge is considered very critical in supporting particularly technology-focused entrepreneurial activities (Bruton, Dess and Janney 2007). There are major differences in knowledge management in mature and emerging economies. Information flows, which are a key component of knowledge management, take different forms in mature versus emerging economies. The differences exist because the role of government and the absence of infrastructure and existing levels of know-how make knowledge a different entity. Exhibit 3-3 illustrates the knowledge management process. It reinforces the differences in information flow in different countries. From risk assessment to resources and capabilities, the knowledge management process varies among the different cultures or subcultures that prevail in the regions or countries that are being considered. The unique assessment of opportunities based on the perceived risk factor would lead to different levels and different forms of entrepreneurship.

It must be realized that each resource would represent a bundle of potential activities leading to the development of numerous new products or services. Bundled resources can be tangible or intangible – both are critical in the enhancement of entrepreneurial activity (West and Bamford 2005). Lending a few dollars to an entrepreneur to buy raw materials to make bamboo stools in Bangladesh by the Grameen Bank is tangible (Yunus 2003) while a group of

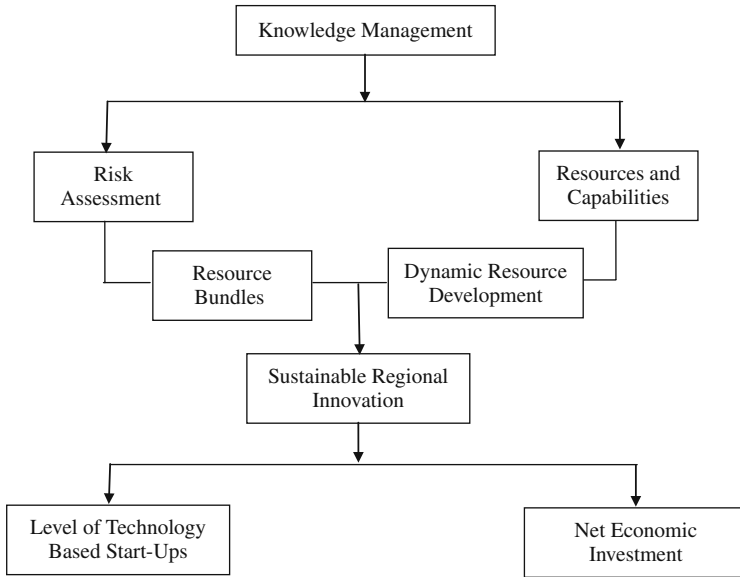


Exhibit 3-3 Elements of knowledge management
 Source: Adapted and revised West and Bamford (2005).

students from the University of North Florida teaching people how to use a computer in Zambia is intangible resource bundling. A financial support activity may be more of a tangible resource bundling and preferred by the lending institution, while an entrepreneurial venture may be more intangible at the beginning but necessary for future progress.

The resources of regions or countries can erode or change. It is critical that dynamic resource development be considered so that resource positions over time remain satisfactory. Developing, creating, and changing resources as they are needed for entrepreneurial economic development must be examined since resource positions change over time.

The social process leading to endogenous economic development may begin with concentrating on a resource-based perspective. Each community may realistically examine its current resource position then start to build an infrastructure that will be supportive of a sustainable regional entrepreneurial development that may be based on innovation. In fact, it has been maintained that the innovativeness and economic growth in 54 European regions can be explained by the differences in entrepreneurial cultures prevailing in these regions. This implies that different types of communities require different resource mixtures to generate or attract the desirable technology-based entrepreneurial ventures. This further means that these communities will have to invest in bundles of dynamic resources that are necessary for the kind of sustainable regional innovativeness that will spur the desired economic development. In other words, if some communities are striving for sustainable

regional innovation, they will have to invest large sums on dynamic resources that will yield the desired economic development. Exhibit 3-3 illustrates that the level of technology-based start-ups is intimately dependent on net economic investments that come in the form of resource bundles.

As seen in Exhibit 3-1, there is a third type of entrepreneurship activity. It does not necessarily deal with market imperfection or economic potential; it stems from prevailing active desperation. The prevailing conditions may be so bad for some people that entrepreneurial action may be necessary. Ignoring these people and their desperate conditions can become a major problem for the society as a whole, since these are wasted human resources.

Active Desperation

Societies, particularly in emerging countries, constantly look for innovative, cost-effective, and sustainable ways to solve social problems, particularly in the form of active desperation. These problems and possible solutions are addressed by “social entrepreneurs” who are primarily change agents. They create social value starting from the bottom. Social values would lead to emergence of social ventures that will cope with social needs stemming from active desperation (Mair and Shoen 2007). In other words, as experienced in one very poor region, economic conditions have gotten so bad that an organization in Mumbai, India, was created to help local women of a slum community market what they were able to sew and embroider. The organization managed to sell through mail order catalogs. The value network that emerged in that community led in the direction of emerging social ventures managed by entrepreneurs (Dickson and Littrell 2003). Value networks are the first step in a three-step consideration. They subsequently reach out and acquire resources as well as help to manage customer functions (Exhibit 3-1). Thus, value networks are means to achieve collective objectives (Mair and Shoen 2007). As mentioned above, the second stage is related to resource acquisition. Here value networks starting totally from the bottom build a business model, however simple they may be, to ensure the acquisition of critical resources. Without acquiring the necessary resources, businesses cannot even start, let alone be run successfully.

Finally, in managing customer functions, value networks make a point of integrating customers into their own network system. Perhaps, the best overall example of active desperation moving in the direction of value networks is the Grameen Bank in Bangladesh. It started out with the disbursing of small loans, micro financing, to the poor who had an idea to start a positive activity that would generate economic wealth and alleviate poverty for women in Bangladesh. It is important to realize that entrepreneurial opportunities are not the same in all markets. If an entrepreneurial culture is desired to emerge in a market, critical knowledge management activity must be present and must be utilized carefully. While, in developed countries this process may take place

naturally within the private sector; in emerging countries, major government guidance is necessary for entrepreneurship to emerge. This does not mean some private organization cannot accomplish the same thing. It simply means such private organizations are not commonly available in these countries.

The Key Entrepreneurial Lessons

1. Entrepreneurial opportunities are not the same in terms of economic profitability and economic benefits to society. Thus, a critical prioritization effort must take place to identify the best options for society and the individual.
2. Two extreme groupings of entrepreneurial opportunities are present economic conditions and economic potentials. In between, there is also another category named *active desperation*.
3. Knowledge management is a necessary but not a sufficient condition to facilitate an entrepreneurial upsurge in the society.

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Chapter 4

Personal Characteristics of Entrepreneurs

Our discussion thus far indicates that it is not exogenous but endogenous economic development that is more feasible for the third-world countries. This type of development calls for an entrepreneurial zeal. Just who are entrepreneurs? What do they do? And how do they succeed? These are extremely critical questions. Without having some answers to these questions, it is not possible to undertake an ambitious endogenous development-orientation. Entrepreneurs are the prime movers of endogenous development.

Exhibit 4-1 tackles the questions of who entrepreneurs are and what they do. It has been stated that the modern concept of entrepreneurship goes all the way to the 18th century. The French economist and philosopher Cantillon used the term first and made the first attempt to define entrepreneurship. Without discussing each and every definition, entrepreneurs appear to be perceived as proactive, thinking, creative, and accomplishing individuals

Exhibit 4-1 Historic analysis of entrepreneurship

Author	Year	Definition or Description
Cantillon	1755	Risk-bearers, directors of production
Say	1800	Economic agent who organizes and supervises production
Walras	1870	Buyer of services to be used in production in fixed technologies
Wieser	1914	Leaders as guiding forces in development process
Schmoller	1901	Individuals with initiative risk-bearing ability who are heads of enterprises. They are born to command
Weber	1920	Those who have a firm character, an industrious work ethic, and energetic attitude
Sombart	1909	Those who are in a position striving for profit and rationalization
Rou		Factor producers who can handle organization information and combine them in production
Walker	1986	Those who exercise organizational capabilities
Menger	1923	Those who are informed on the economic situation, and use this information to produce high order goods
Schumpeter	1934	Creative destructionists
Samli	2007	Creative constructionists

Source: Adapted and revised from Ebner (2005).

Exhibit 4-2 Critical personal traits of entrepreneurs

Critical Traits	Implications
Strongly well developed ego	Trusting oneself to accomplish
Recognizing and working with details	Ability to understand what needs to be done
High level of energy	To display how hard work pays off
Impatient in completing the work	Trying to achieve quickly and efficiently
Contingency thinking	Thinking options way ahead of time
Need to control the business	Fulfilling own dreams with all the workers
Above average intelligence with “holistic” vision	Knowing where to go and how to get there
Pragmatist point of view	Knowing exactly what needs to be done rather than dreaming
Emotional stability	Avoiding panics and disruptions
Strong desire to succeed	Proper level of ambition to finish the work
Certain key characteristics such as alertness, experience in leadership	A realistic decision maker who quickly determines what is needed to be done

Source: Adapted and revised from Yarzebinski (1992).

who, in general, make a major contribution to economic development. Only one definition, that put forth as “creative destructionism” by Schumpeter, is a bit questionable. This is because when an innovation emerges it does not necessarily mean that such a creation will destroy many existing products or services as Schumpeter articulated. It is quite likely that the creativity and forward looking behavior of entrepreneurs may create a momentum for further economic development. This is what I have coined *creative constructionism*. When automobiles emerged and put carriage makers out of business this was not quite creative destructionism, since the new product benefited more people, provided better service for consumers, created many new jobs, and made a powerful overall contribution to the economy. Furthermore, carriages did not disappear immediately. Carriage makers had some time to adjust and move in a different economic dimension. Exhibit 4-1 presents many different and important personal characteristics of entrepreneurs. It represents a maturing understanding of entrepreneurship over time. Exhibit 4-2 presents 12 such personal characteristics that have been directly or indirectly brought about as entrepreneurship in general has been discussed by scholars throughout recent history.

Critical Personal Traits

Perhaps it is critical to reiterate that even though Exhibit 4-2 presents 12 important features, this 12 is not a magical number. It is, clearly, very difficult to identify the characteristics of entrepreneurs and develop an exhaustive list. However, numerous studies and observations have identified these features. A brief description of each follows:

Ego: Self-concept leading to self-competence and therefore ability to accomplish is almost redundant as we think of an entrepreneur as a person who has accomplished and will be accomplishing numerous business-related ventures. With the ego also goes self-confidence. Entrepreneurs believe that they can accomplish almost anything.

Detail recognition: Entrepreneurs have the ability to look at a new undertaking and still see what specific detailed activity it would take to accomplish the full undertaking. Their perception and sense of understanding are necessary ingredients to accomplish any proposed undertaking.

Energy level: Almost by definition, entrepreneurs are energetic and demonstrate to their coworkers that hard work pays off. A project that may take up much time and effort, by definition, is not going to be avoided or ignored.

Patience: Entrepreneurs are, typically, very anxious to complete the work on hand. Although they are patient when it comes to the time and effort needed to accomplish the work, they are also impatient to accomplish the project on hand quickly and efficiently.

Contingency: The perceptive system of the entrepreneurs allows them to think of alternative actions, in case the original plans are not paying off. Therefore, they also focus on contingency plans along with the project on hand.

Need to control: Since they initiate the project, entrepreneurs feel the need to stay on top of the activities and carefully follow the project and its progression. Hence, they are capable of completing the project according to the original specifications or their revised versions.

Intelligence: In order to successfully undertake and complete a project, entrepreneurs are considered to be above average in terms of their intelligence and in terms of their vision to see a project in its holistic form early on. Thus, they make reasonably good decisions.

Pragmatism: Entrepreneurs are pragmatists who see a project or an undertaking in terms of a realistic set of tasks to be completed. They are more like doers than dreamers.

Emotional stability: If they are realistic in seeing the project, its details, and all the related tasks and problems, entrepreneurs need to have a high level of stability since many minor things on the way to completing the project may go wrong. They need to face these problems and work them out patiently.

Desire to succeed: Since the entrepreneurs perceived and lead the project, it is necessary for them to have a high level of ambition to complete the project. A high level of desire to succeed will definitely help to finish the project and succeed.

An overall strong personality: Entrepreneurs have many more characteristics. It is important, for instance, that an entrepreneur is alert enough to connect some external event, such as change in competition, a new competitive innovation, unexpected economic conditions and the like, and connect the event to the project on hand. Similarly, entrepreneurs must have had experience in leadership since they work with many people for the development and successful accomplishment of the project.

Resource allocation: As entrepreneurs see the project and its details in a holistic manner, they also foresee the resources that are needed to successfully complete a project and the necessary funds to acquire and utilize these resources.

As can be seen, entrepreneurs must have certain critical personal traits. Perhaps the most important question at this point is, given all the necessary personal traits, what does a developing society expect the entrepreneurs to accomplish? Although there have been some hints early on, particularly in Chapter 1, regarding the world's needs, a developing economy has more urgent needs that entrepreneurs, while conducting their own business, will be able to accomplish satisfactorily. In order to fulfill the economic needs of a developing country, the entrepreneur must have more specific general characteristics above and beyond the personality traits that were recognized earlier in this chapter. Drucker (1985) in his well-recognized book identifies five key features of innovation, in which the entrepreneur must display full competence. These features are partially touched upon in Exhibit 4-3, but they are discussed in greater detail in Chapter 10. Drucker puts much emphasis on innovation when he discusses entrepreneurship. As far as he was concerned, entrepreneurs are capable of understanding the best economic opportunities, and they are capable of analyzing and prioritizing these opportunities. They start simply but in a very focused manner at a small scale. Subsequently they establish leadership in the market. In all three types of entrepreneurial opportunities discussed in Chapter 3, these five steps of innovation must be workable. Of the 12 personality traits that are presented in Exhibit 4-2, the third column of Exhibit 4-3 highlights the most important ones. Clearly all twelve, and even more, features are important, but according to this author the eight features that are listed in Exhibit 4-3 are more critical than others. All authors who have discussed the critical characteristics of entrepreneurs have developed similar lists. It must be reiterated that none of those can be exhaustive or totally complete. However, the third column in Exhibit 4-3 is extremely critical. If the features listed in the column or some semblance of them are not present, entrepreneurship in general may not exist. If the key features of entrepreneurship have been decided upon and if the society is trying to stimulate an entrepreneurial culture, then it will be critical to identify which of these features are innate to the individual's biological being and which ones are possible to teach. Then the society can construct a critical educational program to generate much-needed entrepreneurs. Of the eight features listed in the last column of Exhibit 4-3, ego, drive, independence, and ability to work with others have already been mentioned and briefly discussed. Entrepreneurs additionally possess nonconventional wisdom. This means, for instance, interpreting an economic happening in a society as an entrepreneurial opportunity. In so doing they are deciphering ambiguity—in other words, simplifying a complex situation and making it workable for economic activity. This whole process must be carefully monitored just to make sure that the entrepreneur is accomplishing what is needed to be accomplished leading to a successful undertaking.

Exhibit 4-3 Economic goals and entrepreneurship

General Economic Goals	Critical Factors to Achieve These Goals (a) Through Innovation	Personality Traits That Are Necessary
Developing a new business that is promising to expand, employ more people, and perhaps go international (Economic Potential)	Understand best economic opportunities	Strong ego
Expanding the existing business in a new direction, so that it will employ more people and perhaps go international (Current Economic Conditions)	Proper analysis	Risk assessment
Developing marginal businesses to eliminate existing terrible economic conditions (Active Desperation)	Simple and focused	Drive for accomplishment
	Starting rather small	Ability to work with others
	Leadership in the Market	Non-conventional wisdom Sense of independence Deciphering ambiguity

Typically, entrepreneurial situation is such that the person who plays a dominant role in the decision-making process is self-reliant and independent; therefore, that person monitors the whole process himself or herself. The entrepreneur in these cases actively scans the business’ external environment (Hunt and Adams 1998). The entrepreneur must keep track of the ever-changing business environment and making sure that the business is well adapted.

Some Considerations About Educational Inputs

At the beginning of this chapter a distinction was made between innate and learned features. This distinction is very important because it is critical to find individuals with those specified innate features and then teach them the critical areas that will equip them with learned features. Both innate and learned features are critical for entrepreneurs to be successful (Nicholson 1998).

If a society is trying to generate an entrepreneurial culture it must learn to identify young people with specified innate features and teach them other learned traits. In Exhibit 4-3, the third column identifies eight innate and learned traits. The characteristics free of bullet signs are the traits that must be learned. A brief analysis of the four traits that must be learned is presented below.

Risk assessment: All businesses in a market system carry certain risks. In general, these risks are two groups of connected factors: internal and external. A starting entrepreneur must be aware of these two groups of factors and the

damage they could cause if not properly aligned. Internally, for instance, an accounting system that does not reflect the firm's activities clearly and misjudges its profit and loss could be detrimental to the starting small firm. This is only one such internal factor; there could be many others. External factors, unlike the internal ones, are not controllable. They must be perceived and evaluated early so there can be a quick response to minimize the possible damage. For instance, if the entrepreneurship detects the possibility of a recession, and if the business is producing motors for various purposes, there may be some modification in its product mix. The business may consider more cost-efficient and more low-priced models than what its regular product mix typically carries.

Nonconventional wisdom: Almost by definition, entrepreneurs have nonconventional wisdom. They not only think differently than average decision makers but also in greater detail. In fact, this particular trait makes it possible for entrepreneurs to start a new type of business, activity, product, or service. Although nonconventional wisdom cannot be taught directly, there are numerous situations and exercises that could be utilized to help the entrepreneur be more effective in various undertakings.

Deciphering ambiguity: The less a country is developed, the more information is available in an ambiguous format. The entrepreneur who needs some serious and organized information will be forced to decipher the very ambiguous information in order to make good decisions for the newly formed entrepreneurship. The same situation applies to on-going entrepreneurships as well. However, for on-going enterprises, the necessary information is likely to be less important. Thus, if the entrepreneur can decipher ambiguity successfully at the outset, this task may become a little bit less serious as the enterprise becomes more successful.

Regular monitoring: An entrepreneur is a systematic decision maker who makes sure that the business is going in the proper direction as it was planned. This will call for regularly monitoring the performance of the business to determine if it is progressing as planned. Studies have shown that entrepreneurs do their own monitoring. It is certainly possible to teach various monitoring techniques. They may be based on return-to-investments, growth in the sales volume, employee morale, company image, and many other related criteria. All of the criteria will be evaluated on the basis of a time frame that was established perhaps when the business was formed.

Although risk, wisdom, ability to decipher, and monitoring are considered here as the critical teachable traits, that does not mean that the other few traits are totally innate. Certainly some progress can be made in cultivating these traits for the entrepreneur-to-be.

An Example

Kemal Sahin, a bright Turkish student with some practical experience in textiles, was offered a scholarship to study engineering in Germany. He had a couple of bags of textiles which he intended to sell and make some pocket

money. Some 17 years, one billion dollar sales volume, and 10,000 employees later, Sahin Holding is the number one company in Turkey and about number 40 in Germany in textile-related products sales and production. Beyond ambition and hard work, Mr. Sahin visualized a complete manufacturing and production chain – from cotton to yarn – from yarn to fabric – from fabric to cloth. In order to facilitate this whole process the group owns a steam and electric power station and a catering company among others. Today Sahin Holding is the 31st largest textile company in the world (<http://www.sahinlerholding.com.tr>).

The Key Entrepreneurial Lessons

1. Entrepreneurs have some very critical personal traits that are likely to make them successful.
2. Some of the critical personal traits are innate, and others are learned. When developing entrepreneurial waves in a society, it would be critical to find the people who have the innate traits and teach them the other learned traits.
3. Four entrepreneurial traits that are critical and must be learned: risk assessment, nonconventional wisdom, deciphering ambiguity, and regular monitoring.

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Chapter 5

Research Support for Entrepreneurs

All businesses need information to make better decisions. Entrepreneurs are no exception. In fact, being more careful and action-oriented decision makers, entrepreneurs need more and better information on which to base their decisions. Just what are the information needs? From where does the information come? How are the key changes in the markets detected, and how is the information used? These are extremely critical issues not only for entrepreneurs but also regional or national governments who would like to generate an entrepreneurial culture. It is not a sufficient condition but a necessary condition that entrepreneurs receive good information that will support their decisions.

Exhibit 5-1 presents six broad steps of entrepreneurial decision sequence. Information needs and some of the possible sources of this information are discussed below. It must be reiterated that information needs vary not only in each step but in different regions, in different countries. Additionally, entrepreneurs perceive risk differently and need better information according to their own perception of information needs.

Opportunity Identification

In Chapter 3, a brief discussion of entrepreneurial opportunities is presented. Regardless of whether entrepreneurship is based on some possible improvements in current economic conditions, generated by excessive economic desperation or capitalizing on new economic potentials, there needs to be some critical information to steer the prospective entrepreneur in that direction. The ideas may come to the prospective entrepreneur, who is of better-than-average education, reasonably intelligent, and full of energy and aspirations. The generation and distribution of research-based information cannot be strictly formulated, but I believe that some collaboration with local governments and/or universities or some proposals from regional nongovernmental organizations (NGOs) that are nonprofit-oriented can, and do, come up with a number of ideas that are legitimately considered as entrepreneurial opportunities. Of course, typical daily news of the country or region and social or economic conditions can also be interpreted as entrepreneurial

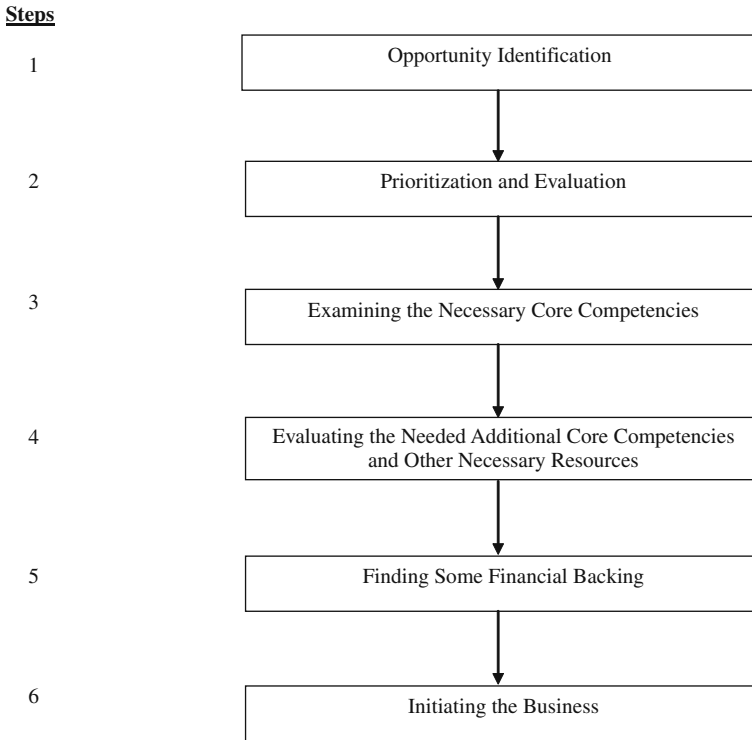


Exhibit 5-1 Entrepreneurial decision sequence

opportunities. If, for instance, existing public transportation, including buses, streetcars, and trains, are less than adequate, starting a small transportation company with low-cost and price-efficient buses can be not only quite lucrative but also quite helpful for the community. Or, in a coastal city, starting a waterways transportation service could again be very useful and profitable. Thus simply existing conditions may give ideas to prospective entrepreneurs. Similarly, of course, some simple idea of having local retail stores for essentials in a region of multiple small towns where people must travel for miles to remote mobile bazaars to shop could be very doable and beneficial. Needless to say, multiple ideas for entrepreneurial opportunities under consideration call for prioritization and evaluation. It is critical first to determine the process of developing multiple feasible ideas.

Exhibit 5-2 presents a model of how entrepreneurs perceive information and develop feasible ideas to start a successful business that is also economically desirable. This is a complex process. But, entrepreneurs do not systematically go through the motions of this process looking for an idea; instead, in one way or another, the idea finds the entrepreneur.

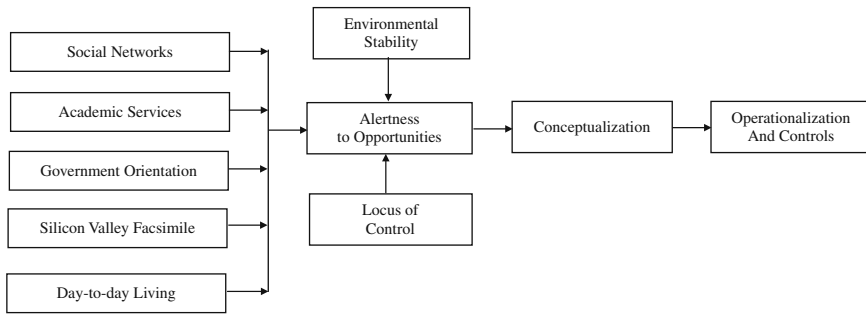


Exhibit 5-2 Information perception and processing

As has been touched upon in our discussion thus far, Exhibit 5-2 identifies the most typical sources of information. Social networks are a solid base of knowledge just as other sources of information; they do not ensure or guarantee that the information will be formulated into a solid entrepreneurial success (Ko and Butler 2007). It must be realized that although many people may be exposed to the same set of facts under the same set of conditions, they do not come up with a new idea for a new venture that an entrepreneur will generate. The differences in perception and interpretation are partially cultural (and hence, they vary in different countries or in different regions) or, according to some researchers, the interpretation is partially biological. Clearly, some people are hard-wired differently to recognize opportunities (Aghion, Harris, Howitt and Vickers 2001, Roper and Cheney 2005, O’Connor and Ramos 2006, Samli 1995). Social networks are only the first in a group of five sources of information. The second source is the academic institutions that are undertaking research about the economy and economic opportunities. Once again, the vigor of these undertakings varies significantly from one country or from one region to another. As a result, the ideas generated and perceived by entrepreneurs would be quite different in different countries or regions of the world.

The third source of information is the result of special government efforts and its (both national and regional) orientation toward economic development and related research. Governments typically do not share the same level of sophistication in conducting research and generating information that could be very useful for an entrepreneur-to-be. However, this situation may be totally reversed in some less-developed countries.

In an earlier book (Samli 2008), the author has briefly discussed Silicon Valley facsimiles. These are primarily centers of information identifying various critical opportunities that would help the economy by stimulating the curiosity and action of entrepreneurs. Finally, entrepreneurs in their day-to-day living may generate new ideas and information for their entrepreneurial activities. As seen in Exhibit 5-2 and as mentioned a few times thus far, one of the key factors for successful entrepreneurship is alertness to opportunities that are indicated by the information generated by five key sources. Here, research indicates that prior knowledge or experience serves as a powerful base in enhancing

entrepreneurial creativity (Ko and Butler 2007). Being alert to noticing and evaluating the possible opportunities indicated by the information coming from at least five sources is a critical prerequisite for success. Here it must be noted that the “if it is not broken, don’t fix it” adage does not apply to entrepreneurs since they often challenge conventional wisdom. Chinese entrepreneurs, as the research indicates, are looking for opportunities leading to new ways to use technologies with which they are rather familiar (Ko and Butler 2007). Research on social learning indicates that some international entrepreneurs prefer using innovative strategies in stable environments (Wijbenga and Witteloostuijn 2007). They are oriented primarily toward economic conditions where they exercise their locus of control. If the environmental stability is not there, their locus of control becomes narrow, and they opt more for low-cost strategies – and still they may not succeed. Thus environmental stability is one of the key external factors in entrepreneurial success. An international study indicated that those individuals who have high-risk preferences and higher level of entrepreneurial orientation along with opportunity identification have led to start-ups which give a major boost to entrepreneurial creativity (Barbosa, Gerhardt and Kickul 2007). As seen in Exhibit 5-2, this complete process generates entrepreneurial creativity and leads in the direction of recognizing the opportunity that is discussed in Exhibit 5-3.

Exhibit 5-3 presents some detail to the overall construction of an entrepreneurial undertaking. If the entrepreneurial needs for information are to be understood and the generation of information to be developed accordingly, it is necessary to understand entrepreneurial process in greater detail. Opportunity recognition, presented in Exhibit 5-3, begins the process of opportunity assessment. If an entrepreneurial undertaking is being considered, then an idea needs to be chosen from a number of alternatives. As Exhibit 5-3 indicates, the opportunity assessment typically is based on four specific criteria: technological, financial, economic, and global. There may be other and more specific criteria based on the nature of the project, such as location, energy, transportation, and the like; however, these four broad criteria still must be utilized. Once the opportunity is assessed, if it is feasible and worthwhile, conceptualization of the new venture (or revision of the old venture) may begin. As seen in Exhibit 5-3, this phase of the project is considered preconceptualization. At the end of this phase there will be one viable entrepreneurial idea that is ready to be put into action.

Opportunity Assessment

As indicated in Exhibit 5-3, the preconceptualization phase is important since the entrepreneurial activity will not proceed unless the results of the opportunity assessment phase are positive. This phase has four key components: technological, financial, economic, and global.

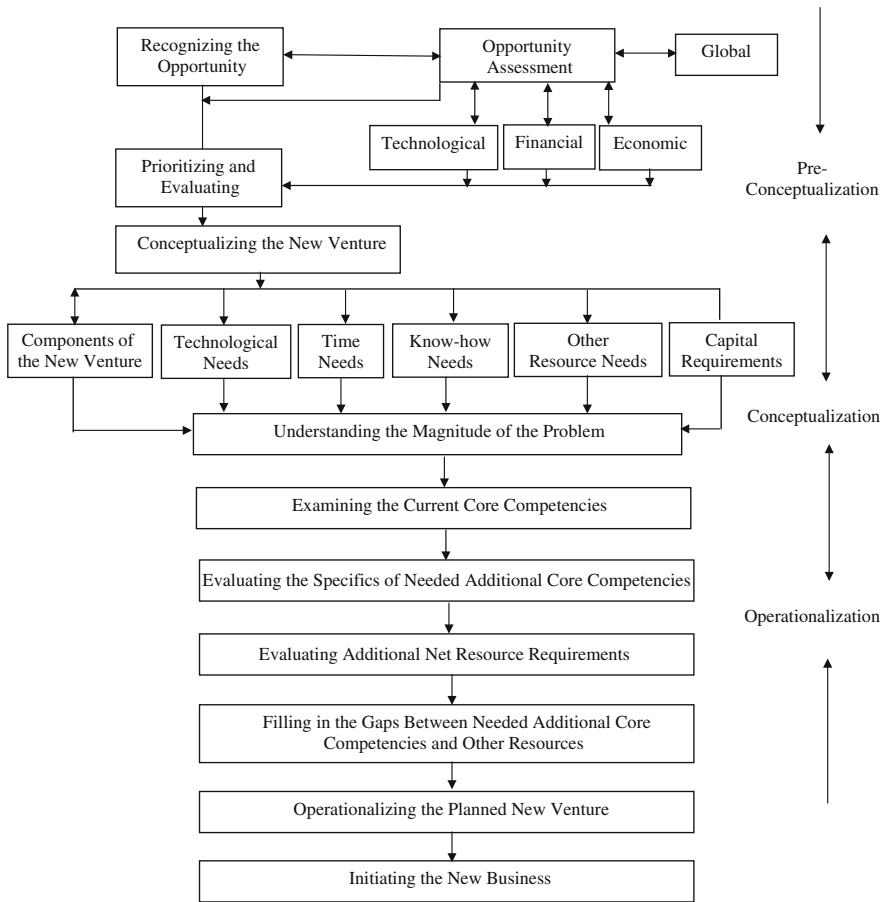


Exhibit 5-3 Entrepreneurial process from conceptual to operational

Technological: Imagine a small food-processing company in Turkey has the idea of canning Turkish style foods for the southeastern part of the country, where a major economic development plan is being implemented. This region has been deprived and does not have certain types of traditional foods. The company first estimates what the market is like in terms of size and revenue. It imports a small canning factory to be built by the supplying group and makes it functional by the same group. On the basis of the size, revenue and cost estimates, the company manages to receive some funding from private sources and some from the government sources. There needs to be additional information for different types of equipment and their sources.

Financial: Based on the basic estimates and short-run projections, the company develops a business plan that would be utilized for additional

financing if necessary. Being realistic in developing financial estimates is critical since the company cannot function without funds.

Economic: The company's market potential estimates are based on two extremes. First, the economy is performing at its best or the potential estimates are rather inadequate. In a growth economy tourism, for instance, could easily be overestimated. Similarly, the second estimate of tourism can be based on a major economic slowdown. Based on these two estimates and by taking a conservative middle position, the company has a reasonable assessment of the opportunity.

Global: The company also has nominal plans to reach out to some international markets that favor the type of foods the Turkish canning company is planning to produce. Some of the Russian Republics, perhaps Iraq and Afghanistan, can be considered as potential markets since these countries have similar cuisines.

Conceptualization

The second phase of the total process of starting an entrepreneurial undertaking is conceptualization (Exhibit 5-3). At the conceptualization level, the company has at least five key components of the proposed venture that need to be carefully investigated and accounted for. These are: technological needs, time needs, know-how needs, other resource needs, and finally, capital requirements.

Technological needs: The company needs more than the equipment to utilize the equipment that is imported. How to maintain, how to repair, how to obtain higher productivity, how to expand the facility if needed and much other technology-related information is needed. All in all, running a factory efficiently is a critical undertaking, and the proposed entrepreneurship must have the information to accomplish this goal.

Time needs: The proposed venture not only needs to be timely in the sense that it is considering the most up-to-date technology, but also the venture must start within a certain time frame and must yield highest output in a given time period. Again much information is needed about these and other time-related events that are critical for the proposed entrepreneurship.

Know-how needs: Almost by definition, if the technological and time needs are satisfied, much of the know-how needs are taken care of. However, at the same time, there are other know-how needs, including computer-aided production systems and prospective marketing activity. Information needs here can be in the areas of software dealing with production and marketing activities, but, these conditions vary depending upon the nature of the proposed business and the prevailing general conditions of the country or the region.

Other resource needs: The prospective business must have knowledge of a number of supply sources. Raw material quality for instance, by definition, creates an important quality differential in the finished product. Therefore, the company must be in a position to differentiate among different suppliers.

Capital requirements: Here, by definition, not only must the proposed venture have adequate financial resources but also must be able to allocate these financial resources among the key functions. These functions are production, promotion, distribution, and the like. By allocating its working capital among its key functions the firm can establish a cost control function and can determine its profitability.

Operationalization

Exhibit 5-3 presents six critical activities in the operationalization of the proposed entrepreneurship. All of these and many others are primarily based on information that may be gathered by the entrepreneur himself or herself but also may come from support organizations such as knowledge-sharing communities and what I call Silicon Valley facsimiles. These latter organizations are further discussed in Chapter 10.

Understanding the magnitude of the problem: This critical topic has been touched upon a few times thus far. It is not how the would-be entrepreneur perceives the situation but how a realistic estimate can be put together of the pros and cons of the project based on research. This can be quite useful for the decision makers.

Research has shown that if the task (operationalization of the whole project) appears to be reasonably controllable, the entrepreneurs may not have to display over-confidence. Particularly in simpler tasks the performances may be underestimated, but under more complicated conditions these performances of the people involved in the project may be overestimated. Thus, entrepreneurs may and do assess the magnitude of the whole proposed venture as it is operationalized and the people who are attached to it on the basis of the complexity of the tasks (Moore and Cain 2007). Here the entrepreneur is assessing the difficulties of the project and how they are likely to be handled by the people in the project. Once again, entrepreneurs are deeply embedded not only in the financial but in the overall workings of the proposed operation. They need to combine the available resources for the new venture so they can assess what else may be needed. This approach will enhance the chances of developing superior learning platforms to take advantage of the market opportunities. Hence, the entrepreneur can be considered a risk assessor (Janney and Dess 2006).

Examining the current core competencies: It is certainly the entrepreneur who has this most difficult task of examining the core competencies at the current time, as well as what additional, if any, core competencies are required for the proposed new venture. The entrepreneur must be very familiar with existing core competencies and must be in a good position to estimate what else is needed.

Identifying the needed additional core competencies: Here there is a major task of not only identifying the new additional core competencies, because of the proposed new venture, but also evaluating the specifics of these needed additional core competencies. Assuming that all the newly identified core competencies are not equal in terms of their relative importance and their relative cost, there are questions as to how much emphasis is placed on each and what the sources of acquisition of each additional core competency are. Again, relating to the Turkish food-processing company in question, the entrepreneur may need additional consulting regarding possible expansion into other international markets, for example. This may be one of the most critical core competencies needed by the proposed venture. Just what kind of information and what types of skills are needed and how these skills are likely to be acquired become critical research questions.

Additional requirements: Once again, the entrepreneur and the manager (if these functions are separated) of the proposed food-processing firm presented earlier undertake some serious research to identify the additional needs of such a facility. How much storage space may be needed? What would be the proximity of the plant to supplies and to transportation to move the output of the firm to the markets? and the like become serious research questions. Since there are no readily available data for such and many other questions, the entrepreneur will have to use approximations and estimations to generate additional information. Clearly, information received from somewhat similar projects can be utilized well if there is a community of knowledge sharing.

Connecting additional core competencies and other resources: The resources, particularly at the beginning, are limited. The entrepreneur will have to prioritize the importance of the additional core competencies and other resource requirements and must be able to determine what can be done and what cannot be done. In this kind of venturing the entrepreneurs must be clear about their objectives and must have a disciplined approach toward implementing the conceptualized new venture (Batenburg, Birkinshaw, Andrew and Andy 2003).

In order to have a disciplined approach, research suggests that the existing knowledge base and how it is used enhance the success of starting ventures. Here the entrepreneur's educational level is critical (DeClercq and Arenius 2006). This educational level would enable the entrepreneur to link the scientific knowledge of theory to local economic growth with practical knowledge (Plummer and Taylor 2004). Much of the time, in such efforts there has been an unnecessary emphasis on start-ups and not enough emphasis on long term survival. Although new firms may tend to grow quickly upon start-up, this tendency stops once the firm has reached a sufficient scale in terms of total business volume and size (Dobbs and Hamilton 2007). The entrepreneur needs to be cognizant of such situations and must not allow such stagnation to emerge.

Operationalization: Starting the new venture must also be based on research. Here the entrepreneur can do enough research to identify the immediate markets of the new venture and reach these markets effectively and efficiently.

In such situations, two different strategies are suggested: First, the entrepreneur waits to complete the project fully and then launches. Second, the entrepreneur launches the business, even though it may not be totally completed, so that there could be additional partners or investors (Schwienbacher 2007). At this point operationalization of the new venture and its initiation are separated. While operationalization is being totally ready to start functioning, it is the initiation stage that actually introduces a fully functioning new venture. There is usually a time, place, and proper process to initiate the proposed new venture before it really takes off.

Core Competencies Current and Needed

Once again, in Exhibit 5-1, steps 3 and 4 deal with core competencies that have already been partially dealt with. The necessary research support here is based on how entrepreneurs see the risk involved in the new venture, and how this risk is translated in terms of current core competencies and additional needed core competencies. It has been stated that an action may appear risky to a practicing manager but might not be perceived risky by an entrepreneur. Thus, entrepreneurs may see risk as an opportunity and may be too optimistic. It has been suggested that this situation can be remedied (if it is a problem) by having entrepreneurs embedded in *Communities of Knowledge Sharing* so that the cost of failure is lessened (Janney and Dess 2006). Communities of knowledge sharing may not exist under such a title. The entrepreneur may develop such a concept that will be extremely useful for many other projects.

Financial Backing: An entrepreneur has to know what financial resources are needed and how they are going to be utilized. Available information would indicate who the prospective donors are and how to get in touch with them.

Initiating the Business

As mentioned earlier, starting the new venture full scale may call for different tasks and even different rituals in different societies. In less-developed countries or regions, clearly, the entrepreneur would need more information, about the characteristics of the markets, other technical information, and marketing skills to be successful. Perhaps it must be understood that the community of knowledge sharing is not a natural phenomenon and does not exist automatically.

Community of Knowledge Sharing

This concept belongs to Janney and Dess (2006). However, it must be reiterated that all the successive steps discussed in this chapter are mainly based on reliable and relevant information. It may be reasonably assumed that in every region or

nation there are communities of knowledge sharing. Such communities may be composed of trade associations, chambers of commerce, a group of universities, and local governments. Chapter 10 discusses these concepts in some detail.

The Key Entrepreneurial Lessons

1. There are at least six broad steps in entrepreneurial decision-making: opportunity identification, prioritization and evaluation, examining core competencies, deciding on the new core competencies that are needed, finding financial backing, and initiating the business.
2. At least five key sources generate critical information for entrepreneurs: social networks, academic services, government orientation, Silicon Valley facsimiles, and day-to-day living.
3. The total entrepreneurial process is analyzed in three phases: preconceptualization, conceptualization, and operationalization.

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Chapter 6

Cultural Elements of Entrepreneurship

In Chapter 3, a discussion is presented about the personal characteristics of entrepreneurs. All human beings are born and raised in a culture; certainly entrepreneurs are no exception. Samli (1995) proposed that personalities are formed under the influence of culture. Just what are the differences in culture, and what are the characteristics of the culture that are most likely to generate entrepreneurs?

First, it is critical to examine how individuals absorb culture, and perhaps based on personalities, how they respond to cultural influences. In general terms, consumer behavior is an expression of preferences. Those preferences are a result of personality as well as the immediate influences of culture. Individual behavior and values are manifestations of cognitive and affective influences. Since first and foremost entrepreneurs are individuals, we must understand the prevailing general cultural influences on individuals. In fact some authors maintain that this is extremely important, and without referring to cultural orientation of the environment at the individual level, it is not possible to understand behaviors and characteristics of individuals who become entrepreneurs. In this case, it is necessary to examine cognitive and affective influences first separately then together. First, let us take a look at cognitive influences. Cognitive learning may be described as active and individualistic ways of receiving information and processing that information that would display the personality. Cognitive effects are considered more important in industrialized societies than developing countries (Samli 1995).

Affective influences and effective learning imply a strong presence of traditional values as well as emotions. These values are more readily available in third-world countries. Cognitive learning in these societies is overshadowed by effective learning.

Cognitive influences are moderated by cognitive modes of information processing as opposed to affective influences, which are moderated and modified by moods, emotions, and other personality characteristics such as optimism.

Although there are other cultural characteristics and cultural classifications, our discussion revolves around the two key cultural groups of countries, *individualistic* and *collectivistic*. I believe this general classification is applicable to industrialized, individualistic vs. developing, collectivistic countries. It must

Exhibit 6-1 Cultural differences in behavior

Individualistic Culture	Collectivistic Culture
<ul style="list-style-type: none"> • Primarily cognitive influences. Individuals make decisions based on information collected • Initiative to search for answers • Influences by hierarchy of needs and social class • Sensitive to information • Only some brand and store loyalties 	<ul style="list-style-type: none"> • Primarily affective influences. Individuals make decisions based on group influences and traditional values • Economic necessities and preferences articulated by the group • Influences by opinion leaders on groups or family elders • Sensitive to opinions and values • Strong brand and store loyalties

Source: Adapted and revised from Samli (1995).

be noted that in both groups of countries there are subgroups, such as collectivistic groups in industrialized countries and individualistic groups in developing countries. However in general terms, industrial societies are individualistic cultures, and developing countries are primarily collectivistic (Samli 1995). Exhibit 6-1 illustrates the key differences in consumer behavior in the two respective cultures. As seen in the exhibit, in individualistic cultures individuals make decisions based on information collected individually. Individuals make their own decisions and are responsible for the consequences. On the other side of the coin, in collectivistic cultures decisions are primarily based on traditional values and emotional influences. Certain group leaders who have more experience and knowledge lead younger people into making certain decisions. In such cases, group leaders are more responsible for the consequences of decisions than individuals.

Cultural Differences

Hofstede, Samli, and Brislin explore different types of cultures and their influences on individuals. Of these efforts, I find the dichotomy (Samli 1995) of individualistic versus collectivistic cultures to be most useful to explain entrepreneurship. Exhibit 6-1 dwells upon the key differences between these two opposing cultural patterns and their respective impacts on individual behavior.

First and foremost, individualistic cultures directly influence individual behavior with cognitive influences. Here information is made available for the individual to make critical decisions, and individuals make their own decisions on the basis of the information they obtain. On the other side of the coin, collectivistic cultures revolving around groups and group leaders (or elders) influence the behavior of individuals. In these cultures, affective influences, traditions, and emotions are more critical in decision-making processes and individuals' behavior.

While in individualistic cultures individuals develop initiative to search and gather information for their problems and decisions, in collectivistic cultures

that initiative does not exist. Instead, economic necessities and traditional preferences dictate in the collectivistic cultures.

In individualistic cultures, hierarchy of needs, which was introduced by (Maslow 1964), and social class (Samli 1995) influence individuals' search process and decisions. In collectivistic societies, group leaders' opinions or family elders are critically important in decision-making processes.

By definition, individuals in individualistic societies are sensitive to information. Individually acquired information is decisive in decision-making situations. Individuals in collectivistic cultures are sensitive to opinions of certain leaders and family elders.

Finally, the last point in Exhibit 6-1 is the follow-up to our observations up to this point. In individualistic cultures individuals are not very strongly attached to brands, stores, or company names, unlike individuals in collectivistic societies where there may be strong inertia reflected in strong brand and store loyalties (Samli 1995). Such strong inertia may inhibit new ideas and new approaches to solving economic problems.

Implication of Cultural Differences

The possible impact of cultural differences can be extracted from Exhibit 6-1. If entrepreneurship is expected to emerge in an individualistic culture, individuals in that culture will have self-efficacy and a need for accomplishment (Punnett et al. 2007). In these cultures individuals may have more effectual logic and may be more prone to new venture creation (Goel and Karri 2006).

At the other end of the spectrum, if entrepreneurship is expected to emerge in a collectivistic culture, unlike the individualistic culture, this is not likely to happen all by itself. A concerted effort may be needed to start entrepreneurship activity. A solid knowledge base needs to be cultivated by a well-developed social network. Additionally, strong focuses on identifying opportunities need to be present. Without these and other necessary conditions, entrepreneurship is not likely to emerge. Considering that many collectivistic countries are in the third world, it may be asserted that without some deliberate critical activities, entrepreneurship is less likely to take place in collectivistic countries. The typical prevailing cultural characteristics in these countries are not totally conducive to all important entrepreneurship activities leading to the emergence of much-needed new ventures. More of this situation is discussed in Chapter 7. It must be reiterated, however, that culture and knowledge of culture are not limited to two groups. Many studies on general or national cultures go beyond what I consider the basic individualistic–collectivistic dichotomy.

Some of the deviations from this dichotomy are presented in Exhibit 6-2. There are basic questions whether these cultural features are intrinsic to basic national culture or separate from national culture. It is critical to determine which of these features of cultural orientation are practiced in which national or

Exhibit 6-2 Additional features of cultural orientation

Uncertainty avoidance	Owners support reliance on social norms, rules and procedures
Power distance	Owners promote acceptance of power
Collectivism	Owners foster collective distribution of resources
Assertiveness	Owners support confrontation
Future orientation	Owners support delaying gratification
Human orientation	Owners promote fairness and altruism
Performance orientation	Owners support striving for excellence

Source: Adapted and revised from Konig et al. 2007.

common culture, and how effective they are in making business decisions and running businesses. The first feature in additional cultural orientation is uncertainty avoidance. Assuming owners are also managers, they rely on social norms and procedures, implying that they calculate risk. Here it has been stated that entrepreneurs are greater risk takers than average managers. Power distance indicates accepting and relying on the power of administrators. Entrepreneurs typically do not rely on power. They believe in interacting with people more as partners; however, this situation varies in different countries. Studies show that power distance leading to paternalism is more common in some cultures. Paternalism in Turkey, for instance, has a positive implication for the moods of workers (Yetim and Yetim 2006). Collectivism within the company implies somewhat of an equal treatment for all resources and rewards. Assertiveness means the owners' encouragement of confrontation. Future orientation refers to planning for the future rather than converting all the values into instant gratification. Human orientation stands for fairness and altruism. Finally, performance orientation means encouraging workers to strive for excellence in their work. All cultures, in general, favor some or all of these additional features of the common culture. It is critical particularly when entrepreneurs in one country try to establish partnerships in different countries; they should not assume that the behaviors and values they experience are exactly the same in these other cultures. Therefore, prior to establishing partnerships it is necessary to identify which cultural characteristics may be different. Without understanding the value systems and behavior patterns, partnerships cannot be synergistic and jointly perform optimally.

Cultural Backgrounds and Entrepreneurial Learning

The national culture within which the prospective entrepreneur grows up becomes one of the key determinants as to how the individual prospective entrepreneur may have to be taught. Here the process of learning and discovery of opportunities need to be examined. If we understand the learning process of an entrepreneur we can teach entrepreneurs to act accordingly. There are a number of models dealing with the process of learning. Carbett's Model (2007)

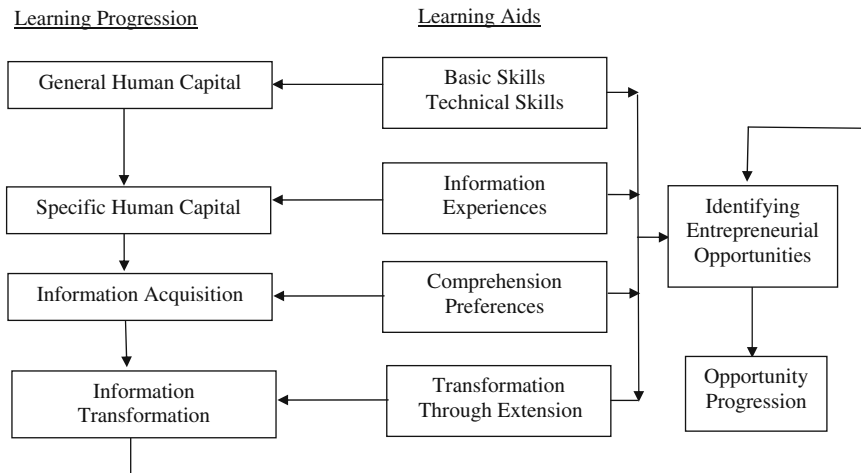


Exhibit 6-3 The learning process
 Source: Adapted and revised from Carbett (2005).

is utilized here. Exhibit 6-3 illustrates the key parameters of this model. As seen in the exhibit, entrepreneurial learning is a process of progression. Four specific stages are specified in Exhibit 6-3.

General human capital: Cognitive factors of learning and behavior are the critical starting point. Even if the culture is collectivistic, individuals must still learn more through cognition. Thus it will be more difficult to get an entrepreneurial group started in a collectivistic general culture. Here individuals through cognition learn basic skills such as reading, writing, thinking, reasoning, and problem solving.

Specific human capital: The second phase in the progression process is generating a specific human capital group. At this stage how much information is being made available and how much experiential learning will be provided for the individuals who may become entrepreneurs, will be decided upon. Clearly there cannot be a model that fits all, but paying enough attention to the generation of an entrepreneurial class by educational authorities of the country is essential.

Information acquisition: How much of the information that is made available is actually acquired. Here the would-be entrepreneur needs to show some comprehension of the information and what kinds of preferences it displays. The preferences would decide which aspect of information is going to be acquired.

Information transformation: The critical point in an entrepreneur’s education is not only comprehension of preferred information but converting that information into risk identification and risk assessment. The whole learning process, partially or as a whole, leads in the direction of identification and evaluation of

the entrepreneurial opportunities. As illustrated in Exhibit 6-3, at each stage of the learning process entrepreneurial opportunity assessment could take place. However, once the learning process is completed, opportunity evaluation becomes much more sophisticated. Thus the ability to identify and evaluate opportunities would depend not only on knowledge but entrepreneurs acquiring and transforming the information that they have absorbed through learning. The opportunity recognition and evaluation process, therefore, is very closely tied into learning, which is cognitive regardless of whether we are dealing with individualistic or collectivistic prevailing cultures. It is, by definition, that the learning process in these situations is formal regardless if it is initiated by the government or by the community of knowledge sharing itself.

Knowledge Sharing

Regardless of the prevailing culture, entrepreneurs need an entrepreneurial culture superimposed on the general culture of the country. This entrepreneurial culture has at least two key goals. It stimulates innovation and contributes to economic growth. Studies show that such entrepreneurial cultures contribute more directly to regional economic developments (Beugelsdijk 2007). In Chapter 5, we introduced a concept coined *Communities of Knowledge Sharing*. In collectivistic cultures such communities are more critical than they would be in individualistic cultures. These knowledge-sharing communities are almost a necessity to initiate entrepreneurial activity in these cultures where such activities are essential for economic growth. Communities of knowledge sharing is not a standard concept. The prospective entrepreneur may be in touch with such a community that will inform and direct him or her toward generating a new venture. However, a community of knowledge sharing cannot function without the necessary information. Isaak (2005) and Samli (2008) maintain that third-world countries need Silicon Valley facsimiles. Once again, I believe that entrepreneurial initiatives in collectivistic cultures are not likely to take place on their own. Some outside source, guidance, and help is essential if entrepreneurial initiatives are to take place. This is where the Silicon Valley facsimiles come into play; they would generate the information that would be imparted by knowledge-sharing communities.

Developing the Silicon Valley Facsimiles

Exhibit 6-4 presents the essence of such organizational effort that is needed for entrepreneurial ventures to get initiated. Such centers, by definition, will attract and stimulate learning and innovation. This condition may vary from culture to culture or from region to region; however, the critical essence of such centers remains the same. Effectiveness of the center, therefore, is of the utmost importance. Chapter 10 delves into the specifics of this point along with other important analysis.

Exhibit 6-4 The crux of Silicon Valley facsimiles

The Essence	The Impact
Reaching out to the brightest minds	Utilizing human resources, blocking brain drain
Stimulating cutting-edge research that is most appropriate	Giving a chance to bottom-up development
Networking with knowledge sharing communities	Making sure that critical entrepreneurial information will reach out to prospective entrepreneurs

Source: Adapted and revised from Carbett (2007).

Silicon Valley facsimiles bring most intellectually oriented minds to undertake important research regarding economic development and entrepreneurial opportunities. Identifying the key opportunities and perhaps prioritizing them so that aspired economic growth would materialize is a major outcome of these centers.

These centers, by definition, are extremely sensitive to cutting-edge ideas, particularly those leading to unique applications that are practical for the particular region of the country where the facsimile is located.

The Key Entrepreneurial Lessons

1. Although it is more conducive for entrepreneurs to emerge in individualistic cultures, they are much more needed in collectivistic cultures.
2. There are special features of cultures within which entrepreneurs can emerge and function successfully.
3. There is a special learning process that would be used by entrepreneurs and that would particularly support their activities.

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Chapter 7

Developing and Maintaining an Entrepreneurial Culture

If we are in a developing country that simply does not have global and local giants then what are our alternatives for economic development? In order to get the economy started the government could generate numerous businesses. These businesses may give the economy a start, but in time these government-owned businesses become stale, out of touch and, in short, regressive. In fact, many developing countries have been and are suffering from this syndrome.

In such cases developing an entrepreneurial culture should be the primary objective. According to many, entrepreneurship can be and in most cases is a key driving force behind the growth in modern economies (Sondakh and Rajah 2008). Entrepreneurship is becoming more relevant in both developing and developed countries in terms of economic growth as well as labor employment. As we have discussed in the Preface and Introduction of this book, counteracting top-down globalization can be achieved, and widening the gap between haves and have-nots can be successfully stopped, or at least slowed down, by entrepreneurship. But as discussed in Chapter 6, in particularly collectivistic third-world countries this will not happen all by itself. There must be an entrepreneurial culture that will facilitate the emergence and success of entrepreneurial ventures. In order to understand the entrepreneurial culture we must explore the enterprise culture. Thus we are acknowledging three different cultures: the prevailing common culture of the country and its population, an enterprise culture, and an entrepreneurial culture. While the first one exists naturally, the second and the third are constructed artificially.

Enterprise Culture

Regardless if it is a developing country or an industrialized country, in order for entrepreneurship to flourish there must be respect, support, and special emphasis on small businesses, since entrepreneurship primarily takes place in an enterprise culture that is primarily composed of small businesses.

Unless in that economy starting a business is considered a special accomplishment where the cultural and social norms support enterprise development and

special support exists for small enterprises in terms of proper technology transfer and supportive networks, enterprises will not emerge. If, in that society small-scale enterprises are not emerging and/or are not succeeding, the opportunities for entrepreneurship will also be blocked, even though this was not the goal for the economic system (Wicksteed 1999).

The enterprise culture, in addition to the points raised above, must be supported by knowledge, skills, and creativity. Both in developing and industrialized countries, perhaps with the exception of a very few, the current orientation is such that the overall economic performance of small enterprises is still below par in realizing their respective full potential. In fact, some studies indicate that small and medium-sized enterprises (SMEs) are losing ground within the constraints of total national economies all over the world. This is primarily due to the lack of emphasis on and support for small businesses in favor of large businesses. If an enterprise culture does not exist, it will be almost impossible to develop an entrepreneurial culture.

Nothing Happens All by Itself

Assuming the presence of an enterprise culture as the social function leading to economic development that facilitates the growth and success of small-scale establishments, one more step must be taken to make sure that the enterprise culture is particularly friendly to entrepreneurship. This relationship between an enterprise culture and entrepreneurial culture must not be taken as given; an entrepreneurial culture is likely to be an enterprise culture also. However, the opposite does not follow. An enterprise culture is not necessarily an entrepreneurial culture as well. At least the following must be present:

- Special emphasis on and support for critical thinking as well as being task and action oriented.
- Special help to identify opportunities by using creativity, and taking advantage of these through knowledge and experience.
- Special help to develop business plans that would create sustainable entrepreneurship activity in addition to providing direction and helping to raise funds.
- Special help to provide know-how and know-who through very active networks (Sondakh and Rajah 2008).

Critical Thinking: Entrepreneurs are creative people and are strongly aware of their surroundings in terms of knowing what to do and the direction of their action toward success.

Identifying Opportunities: As discussed earlier, opportunities are related to improving existing systems, expanding the economy, or reacting to desperate existing conditions. The entrepreneur understands and evaluates the

opportunity options. Critical thinking makes more of an impact in the market, creates more jobs, and gives more quality to the consumers.

Business Plans: Developing a business plan is based on the construction of a business model first. Here the basic orientation is established as to how the company will make money by creating value for its customers, shareholders, partners, and other connected entities. Allen (2006) proposes four stages in such a business model development: (1) What is the position of the proposed business in a total value chain? (2) Who is going to pay whom, how much, and when? (3) What is the impact on the consumer in terms of changing habits, learning, and costs? (4) What are the expected revenues from these products and services? Needless to say, every entrepreneurial undertaking will have completely different answers to these questions. However, such a model indicates four key dimensions: First, how does the proposed business fit the existing system; second, how is it going to be financed; third, how does it impact consumers' life styles; and fourth, how good an economic investment is it? Once these questions are answered with regard to the project at hand then it will be critical to develop a business plan. Exhibit 7-1 illustrates the key parameters of such a plan. Steps of the plan are totally changeable from one entrepreneurial venture to another.

Although such a plan can easily be prepared by private parties in an individualistic culture, it is not likely to become a reality in a collectivistic culture without support, encouragement, or even pressure from local or national governments. Two separate experiences verify this point: the Chinese experience and the Singaporean experience.

Exhibit 7-1 Key elements of an entrepreneurial business plan

• The business that is planned	• What is it? Why that?
• Founding and/or management team(s)	• Who is going to be responsible for starting it?
• Industry and market analysis	• What industry and what market does it fit?
• Product and services of the planned firm	• What are its key products/ services?
• Plan of Operations	• How would it operate?
• Management philosophy	• What is the management philosophy?
• Marketing strategy	• How would it market its output?
• Expected growth size and time dimensions	• Do we expect it to grow? How much? In what time period?
• Financial plan	• Do we have enough financial backing, strategically speaking?
• Alternative strategies	• Do we expect a full entry at one time or incremental entry in time?
• Scheduling of the total event	• What kind of scheduling would we use?
• Pre-opening and support systems	• What are the key pre-opening activities? Why?

Source: Adapted and revised from Allen (2006).

The Chinese Experience

Support from the national government in China has resulted from recognizing the poorer performance of government-owned business and further recognizing that an entrepreneurial culture is needed for new venture creation. The government’s involvement has been a three-pronged activity to support a powerful triangular atmosphere of personality characteristics, cultural environment, and economic environment as seen in Exhibit 7-2. These interactive triangular external factors have been rather successful in new venture creation as well as revitalizing government-owned businesses by privatizing them under the direction of entrepreneurs. As seen in Exhibit 7-2, the triangular forces are focused on opportunity identification. Once opportunities are identified entrepreneurship is encouraged. Successful entrepreneurial new venture creation led to economic development, which in turn helped to further expand entrepreneurial activity (Zhang and Yang 2006). Clearly the macro model presented in Exhibit 7-2 does not provide critical micro implications; however, it makes a good presentation of the general parameters of government support in creating an entrepreneurial culture. The Chinese have been privatizing and making sure that small businesses have a good chance to survive. Research has shown that

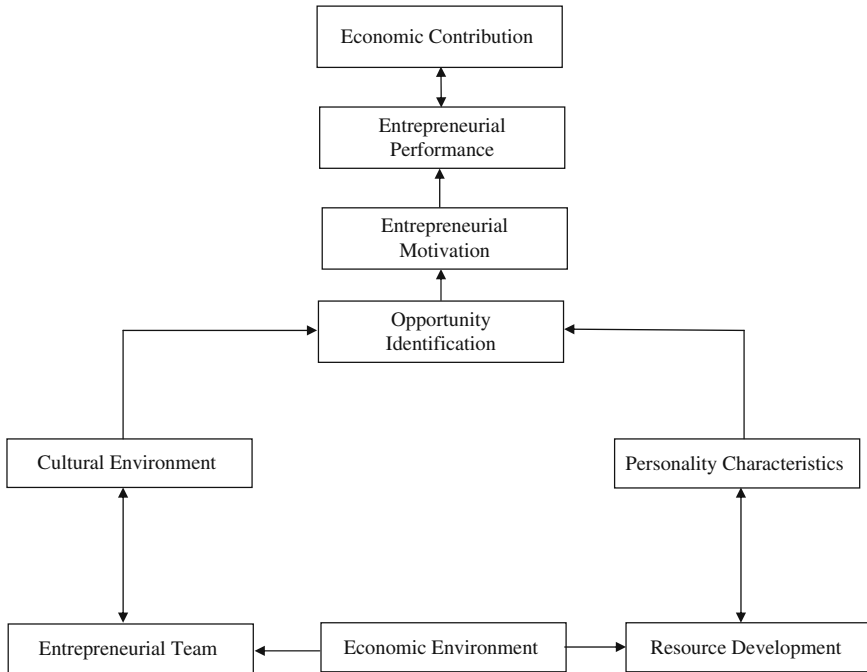


Exhibit 7-2 The Chinese model
 Source: Adapted and revised from Zhang and Yang (2006).

entrepreneurs display a higher risk-taking propensity. In such cases, high entrepreneurial opportunity costs are modified by greater abilities and experiences, thereby lowering entrepreneurial opportunity costs (Zhang and Yang 2006). With this general orientation China led the worldwide entrepreneurial trends in 2003 (Zhang and Yang 2006). Entrepreneurs in China appeared to be quite effective in their undertakings, and the government approved their activities and encouraged them. The Chinese model clearly identifies personality characteristics within the prevailing culture and provides opportunity identification to get entrepreneurs started. It appears to be more hands-on and personalized than the second example.

The Singapore Experience

As one of the Asian four tigers, Singapore has had an active government that has deliberately pursued a policy of active participation in the economy by setting up “government-linked” companies since the country’s independence. This active participation is presented in Exhibit 7-3. It is difficult to identify which one, or ones, of the specified eight major participation activities are or have been most critical, but perhaps developing the infrastructure, providing fiscal incentives for export promotion, and encouraging private enterprises to operate successfully are among the most critical factors any third-world country government must keep in mind. Although Singapore moved from third world to first world by the year 2000 or so, the Singaporean government realized that entrepreneurial spirit was lacking in the country’s population. It must be remembered that some of the government-linked companies were monopolistic (Bhasin 2007) which, at least partially, might have dampened whatever entrepreneurial spirit might have existed.

It is important to realize that the original conditions that created substantial growth for Singapore’s economy were necessary conditions, but it became clear that they may not be totally sufficient conditions. Entrepreneurship was the necessary condition, and something had to be done to stimulate entrepreneurship further. Even though the country had a probusiness environment there was no particular protection for small businesses, which could not compete with

Exhibit 7-3 The role of government: the early Singapore model

- Attract foreign investments
- Develop the infrastructure
- Help the development of well-planned industrial estates
- Create equity participation in industries
- Give fiscal incentives and export promotion awards
- Establish good labor relations
- Construct sound macroeconomic policies
- Pay attention to the fundamentals that enable private enterprise to operate successfully

Source: Adapted and revised from Yew, Lee Kuan, *From Third World to First*, New York: Harper Collins Publishers (2000).

larger and well-established corporations (Tan 2003). More specifically, start-ups or entrepreneurial ventures did not have adequate access to capital. There were no provisions to help entrepreneurs compete in an environment of globalization. And finally, entrepreneurs felt that their hands were tied because of overregulation along with high costs of fees and licenses.

Entrepreneurial Support Era

Exhibit 7-4 attempts to construct the picture reflecting Singapore’s efforts to support entrepreneurship. Although it cannot be quantified, Singapore’s efforts appeared to be more personalized and micro than the Chinese model. While dealing directly with entrepreneurs and their activities, there were also attempts to make general conditions more suitable for entrepreneurial orientation. Three groups of activities were directly entrepreneurial:

1. Entrepreneurial assistance: Numerous agencies were created just for direct assistance to entrepreneurs. For instance, while International Enterprise Singapore is responsible for taking enterprises abroad, Enterprise One Singapore helps local enterprises find ways to start, sustain, and grow their ventures.
2. Entrepreneurship incentives: A number of incentives were also introduced. Among these are tax exemption for starting enterprises, fixed interest rates to finance and assist local enterprises, and equity financing schemes to foster entrepreneurship and innovation efforts.
3. Entrepreneurship education: In addition to the National University of Singapore’s Entrepreneurial Center, the Entrepreneurs Resource Center was developed to make special training available for the business environment in a holistic manner (Bhasin 2007).

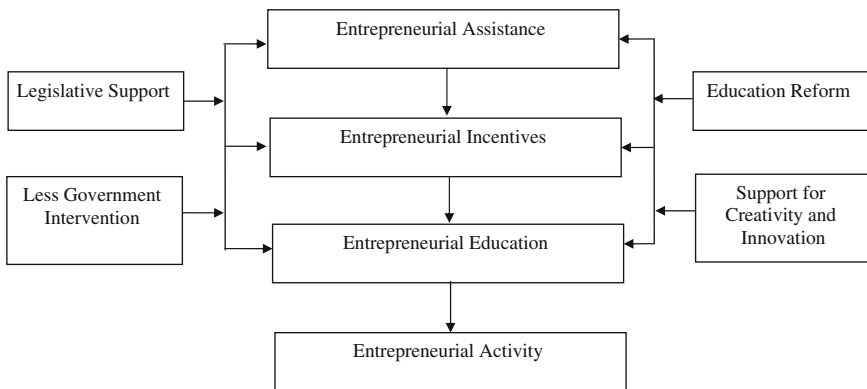


Exhibit 7-4 Support for entrepreneurship in Singapore
Source: Adapted and revised from Bhasin (2007).

Creating Suitable General Conditions

In addition to directly entrepreneurial support, there were special activities designed to create suitable general conditions. Exhibit 7-4 indicates four groups of activities to create suitable general conditions for the entrepreneurial sector to flourish.

1. **Legislative support:** An effort was made to amend the historically dysfunctional bankruptcy laws in favor of encouraging entrepreneurship. This made it possible to more easily pay back debts and eliminate the stigmatization of bankruptcies.
2. **Creativity and innovation:** Officially encouraging creativity and innovation specifically came through a number of initiatives. Among these are Creative Community Singapore, which provided opportunities for Singaporeans to express their creativity and use their creative energies for the common good.
3. **Education reform:** Instead of a traditional education system that is based on progress for those with ability and talent, emphasis was put on critical thinking and the creation of a skilled but compliant workforce. This change in the mindset called for loosening up the educational system, fostering creative thinking, and developing individual skills for larger groups of people who would not even be part of the educational system under earlier conditions.
4. **Less government intervention:** Many government leaders become willing to allow reduction of controls in favor of supporting the private sector to enhance innovation, creativity, and risk-taking (Bhasin 2007). Although Singapore has shown important progress in entrepreneurship between the years 2000 and 2005, and in general its economy has been doing well (depicted by an average personal income of about \$25,000), it is still criticized for not making a paradigm shift in terms of a solution-seeking mentality over an opportunity-seeking approach. This means Singaporeans must become more confident as problem solvers so they will not be afraid to take action, and they must develop a “backpack mentality,” which means being ready to move anywhere and be flexible. This may further mean that since Singapore has a very small market domestically it will have to go more offshore (Low 2006). But, in general, solution-seeking will help entrepreneurs to be more successful and survive longer.

Targeting Forgotten Markets

There are still questions regarding how entrepreneurial a society must be and how much emphasis on entrepreneurship must be exercised. As seen in the Chinese and Singapore an examples, entrepreneurship is a necessary ingredient of economic development and must be utilized in the world’s poorer sections (Beugelsdijk 2007). Indeed, as discussed earlier, the forgotten majority (Samli

2004) who live in these poorer sections of the world do not have too many alternatives other than creating perhaps a bottom-up globalization that is almost exclusively dependent on entrepreneurship.

Just why is it that expansion of poorer economies is not materializing? The first and most general answer is that these countries have not even gone through the first phase of development as depicted in Exhibit 7-3. In other words, most of the poorer countries have not done any of the eight-point development activity phase that was utilized in Singapore. There are at least three very broad problems. First and perhaps foremost is what I call it the greed factor, which simply says “just get richer,” regardless of how much harm you may cause, and accumulate as much economic power as you possibly can, regardless of how you do it. Many governments and larger businesses in the third world unfortunately are driven by this greed factor. Second, the greed factor is creating political and religious turmoil, which typically enhances their cause of exploiting the poor and the powerless. It is clear, however, that governments should be very supportive of entrepreneurial growth in their respective societies since this growth will bring about more economic wealth and more profitable markets.

Many of the developing countries are also so far behind that they do not have proper infrastructures. One of the major moves of Singapore in becoming one of the four Asian Tigers was to emphasize infrastructure up front (Yew 2000). But in the absence of such an approach in some circles, as investment for industrialization is taking place, private companies are developing their own infrastructure according to their needs. However, such an approach, in addition to being costly and uneconomical, also creates a tremendous inconsistency in the infrastructure, since different private companies have different needs relating to the infrastructure; therefore, private efforts do not yield a uniform and functional infrastructure. Thus economic development is hindered, as has been experienced in some parts of Turkey (Sanayi 2007).

Infrastructure and Entrepreneurial Activity

The relationship between entrepreneurial activity and entrepreneurship is a delicate one in that unless the infrastructure is ready to support any and all entrepreneurial activities, there can be no progress. A brief discussion below indicates the relationship between infrastructure and entrepreneurship.

Infrastructure includes: transportation, storage, information flow, energy, supply, and human resource development. Without transportation, entrepreneurs could not get raw materials or equipment nor could they ship their finished goods to the intermediate or target markets. Not only roads and bridges are to be in good shape for land transportation, but also speedy transportation facilities must be available for perishable supplies or fashion merchandise and related products.

Just as transportation of all types is critical, so are the storage facilities. There must be modern, properly located storage facilities to provide the necessary raw materials, parts, and other related materials so that entrepreneurs can be productive and effective. Information flow can emerge and be used in different shapes for different purposes. Entrepreneurs need information regarding economic conditions, new technologies, support systems, and the like. If the country or region does not have an adequate flow of information and proper access to such a flow, entrepreneurs are likely to become handicapped. Availability of energy is critical in almost all aspects of production, storage, transportation, among other functions. Thus, without energy it will be almost impossible to be productive and to excel in economic activities.

Finally, human resource development is essential for all economic activities of a country. A knowledgeable, informed, and capable labor force is a product of a country's educational system, which is basically part of that country's infrastructure. All of the infrastructure components must be in good shape and must be supportive of entrepreneurial activity of all types.

The Key Entrepreneurial Lessons

1. Developing an entrepreneurial culture proactively is extremely critical. Such a culture will promote entrepreneurial business planning and educate for its implementation.
2. While the Chinese have focused on opportunity identification as the most important first step, Singapore has been more focused on creating conditions that are more suitable for entrepreneurial orientation. Both approaches must be cultivated for optimal results.
3. Without proper infrastructure, entrepreneurship is not likely to flourish. This is essential for the country's economic development and has been most neglected.

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Chapter 8

Developing an Entrepreneurial Culture (Continued)

As discussed in Chapter 6, the world needs more entrepreneurship, but this does not happen all by itself. This is particularly true in less-developed countries where collectivistic cultures prevail, and there needs to be an outside force to catalyze the whole process. There has to be an entrepreneurial culture that is constructed deliberately above and beyond the existing general culture. The proposed entrepreneurial culture needs a favorable government or equally important outside force, and at least two institutions, as presented very briefly in Chapter 6. These are well-developed social networks and Silicon Valley facsimiles, which will be discussed in subsequent chapters. While the facsimiles generate the necessary information, the social networks pass the information on to critical elements or parts of the society where the expected entrepreneurs are more likely to be found, such as schools, universities, some select workplaces, and the like.

There have been a few attempts but not a generally accepted procedure to identify entrepreneurial talent and train these individuals to be successful entrepreneurs. Research has shown that entrepreneurs with past experience and knowledge have, reportedly, done well (Tang, Wang and Zhang 2007).

According to a Chinese study, entrepreneurs with knowledge and experience have put these features to work and developed long-term differentiation marketing strategies involving carefully identifying target markets, understanding the needs of these markets, and coordinating all of the business functions to satisfy these needs and generate value. In particular, low cost and innovativeness in differentiating the offering of the proposed new business have been identified as the most critical aspects of entrepreneurial success (Tang, Wang and Zhang 2007).

Competitive Advantage is Always Important

Regardless of their size, businesses must display competitive advantage, which is depicted by the efforts to differentiate themselves. This obviously means the entrepreneurial enterprise is catering to certain specific markets and generating

value for the consumers in those markets. Research indicates that such competitive advantage is more readily achieved by generating a long-term differentiation, which is created by marketing strategy as well as R & D activity. With a boost from government supporting SMEs (small and medium-size enterprises) in terms of availability and quality of services, this long-term survival goal can be achieved (Tang, Wang and Zhang 2007). China’s vibrant housing and construction sector has been very successful by focusing on R & D and new product development. These points of emphasis are reflected in the efforts of long term differentiation marketing strategies by entrepreneurial medium-size firms (Tang, Wang and Zhang 2007). Of course, such findings imply that the entrepreneurial companies are participating and, indeed, competing in some major markets. If the entrepreneurial efforts are geared toward penetrating remote, scattered, small, and idiosyncratic markets, differentiation becomes relatively unimportant, since there are hardly any competitors in such situations. However, catering to these neglected small markets is a critical entrepreneurial challenge. It is maintained here that this goal can be achieved by smaller entrepreneurship more readily as discussed earlier in the book. In fact, small entrepreneurial Italian firms consider their small size to be an asset as they accommodate their customers’ varying needs with the flexibility that small size provides. In order to establish a market presence with some stature those entrepreneurs starting from the bottom may start seeking out partners.

Partnering with Domestic and International Entrepreneurs

The proposed partnership may be within the country or in a foreign market. The first consideration is the format of the partnership. An entrepreneurship may create a partnership with another firm or may acquire another company. Each one of these alternatives is possible, and each has its own advantages. Exhibit 8-1 illustrates the advantages of each of these two alternatives.

Partnership development: The small entrepreneurial firm wants to join forces, pool assets, combine resources, and develop a synergistic partnership. As the exhibit indicates there are many benefits to creating such an alliance.

Exhibit 8-1 Alliance versus acquisitions

Partnership Benefits	Acquisition Benefits
<ul style="list-style-type: none"> ● Complimentarity leading to synergism ● Reversible to previous state ● Partners are free from being forced to make certain decisions ● Partners remain independent ● Complimentarity generates power against offensive strategies 	<ul style="list-style-type: none"> ● Short-run financial benefits ● Economies of scales, speed, and scope ● Easier to make major decisions ● Faster to move on into complicated problem areas ● Strong defensive strategies

Source: Adapted and revised from Samli (2002).

Certainly, the partner can break the alliance and revert to its earlier status. Similarly, the partner is not forced to make unacceptable decisions. In such situations partners still remain basically independent. But joining forces could help the partners to protect themselves from competitive attacks, and similarly the alliance can make an important and powerful attempt to establish its market presence.

Acquisitions: Particularly in the United States and Japan acquisitions have been a major mode of activity toward creating a more powerful organization. When companies merge through acquisition it is easy to eliminate excess capacities, duplications, and unnecessary costly operations. Certainly the newly acquired firm has to follow the orders of the new master. Acquisitions also have a number of additional advantages. As seen in Exhibit 8-1, there are short-run financial benefits of cost cutting and increasing sales volumes. Economies of scales, scope, and speed are expected to be the outcomes of such an organizational move. In such cases, it is simpler to make decisions, and only one set of decisions will take place. Although partners do not have their own autonomy, decisions are made more easily. Easy decision making may be a first prerequisite for effective market performance.

Although both alliances and acquisitions have their own attractive characteristics in third-world countries, alliances or partnering may be considered more practical. Acquisitions in these countries may be such that the acquiring company may take more than what it puts in if the acquiring firm is a foreign firm. There is no reason to assume that the nationals will not be replaced by the acquiring country's expatriates. Furthermore, if the acquirer is a foreign firm from a more advanced economy the original company does not even have the foundation for requesting financial equality and technology transfer. Thus, alliances provide more leverage to third-world countries and to companies in these countries (Samli 2002).

Strategic Alliances – The Core of Partnering

A small manufacturer in Bulgaria is considering having a partner in Bulgaria or in another country. In either case, the Bulgarian firm would consider, among others, a number of characteristics that are displayed in Exhibit 8-2. Certainly, to achieve synergism the partner must already be in the market and reasonably successful. Simultaneously the prospective partner must have certain skills that would make the entrepreneurship that is seeking a partner stronger, more efficient, and more effective in its market presence. It also must display some degree of willingness to establish high-quality output. The prospective partner needs to be ambitious to grow. Clearly, it must have a good reputation to be reliable. The market knowledge of the prospective partner is a must, since the partnership is likely to expand in similar markets. Finally, the prospective partner must be reasonably profitable and must display potential for more profitability.

Exhibit 8-2 What do prospective partners expect

Characteristics of the Entrepreneurship Considering a Partner	Characteristics of a Prospective Partner
<ul style="list-style-type: none"> • Must be in the market and must be successful • Must display skills or show evidence that it can work with a partner • Must display a desire for quality • Must have plans for expansion • Must have a good reputation regarding reliability • Local market knowledge and recognizable presence • Must show profitability and potential 	<ul style="list-style-type: none"> • Positive financial assets • Some unique competencies • Must have certain products and services that are not in the entrepreneur's market • Ambitious plans for growth • Must have competitive advantage that is suitable for one entrepreneur's market • Must be willing to share their expertise • Power to enter global markets

Source: Adapted and revised from Samli (2004).

By the same token, the prospective partner would also have a series of expectations. As stated in Exhibit 8-2, positive financial assets are a critical prerequisite. The entrepreneurial entity looking for a partner would also insist that the prospective partner bring in some unique competencies along with some additional products and services that will yield synergism for the partnership. Certainly, the prospective partner is expected to have ambitious growth plans, again, to strengthen the partnership. It is also expected that prospective partners would have some competitive advantage as they have certain products or services. Needless to say, the prospective partner will be sharing its expertise, and considering going global. It is quite obvious that prospective partnering at the entrepreneurial level is not a very easy proposition. Potential partners are not necessarily plentiful to begin with, but finding them and communicating with them are even more serious challenges.

Searching for a Partner

In 2004, I presented a five-step process for finding a partner (Samli 2004), though I neglected at the time to explain how this begins. There are only a very few opportunities to find suitable names of potential partners before a partnership is accomplished. Perhaps chambers of commerce and direct advertising are the most common carriers of names from which a partner may be found. I believe that what is lacking is a type of organization that I call *international match makers*. These are a very few, if any at all, professional businesses whose primary job is to bring prospective partners together. This is a necessary function for the future of international entrepreneurship. By whatever means, once a company has some contacts, it will go through a five-step process to establish a relationship (Samli 2004).

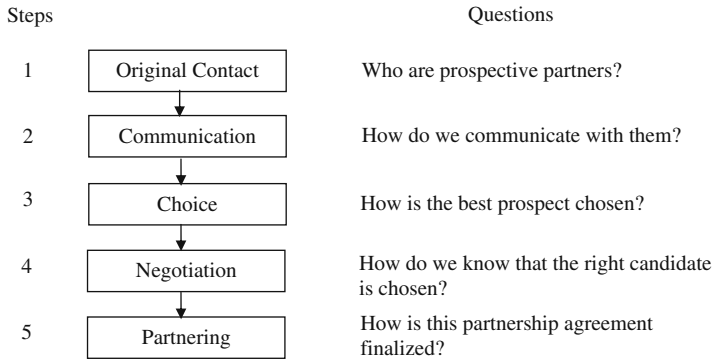


Exhibit 8-3 In search of a partner
 Source: Adapted and revised from Samli (2004).

Exhibit 8-3 illustrates the five steps. Although it raises additional questions, the exhibit also provides a reasonable process for choosing a partner. The questions and how they are answered may vary from one situation to another, but in general terms the five steps are managed in the following manner:

Step 1 – Original Contact:

In addition to Chambers of Commerce and international matchmakers, the Internet is also a very good possibility. The commercial attachés of different countries are also possible sources of names.

Step 2 – Communication:

Once a list is generated, a letter of intent should be sent to all candidates. However, simultaneously the list used in Exhibit 8-2 or some variation of it must be used here to determine the most appropriate partner-to-be.

Step 3 – Choice:

After step 2, the list may be reduced to two or three names. At this point, the whole process needs to be boiled down to one name. From the letters of intent and subsequent communication process along with the checklist analysis a choice can be made at this stage of the process.

Step 4 – Negotiation:

Choosing a name does not imply that the process ends there. The ideal situation at this stage is to have personal interaction. Much of the partnership conditions need to be raised and accepted by both of the parties.

Step 5 – Partnership:

The process described in the previous four steps leads to the formation of a partnership. Once such a partnership is organized, the result of such a decision, even if it is not detailed in a contractual agreement, is somewhat difficult to terminate because of cultural provisions. In some cultures a partnership agreement is considered to be a very critical arrangement. Hence, a handshake needs to come not before but after carefully detailed production, management, and marketing plans have been agreed upon as part of a total strategy (Samli 2004).

It is clear that in order to develop a fruitful partnership, the parties need to agree upon the functional arrangements in which the partnership will be engaged.

Functional Arrangements

Although each case must be evaluated according to its own merits, Exhibit 8-4 identifies the key functions that need to be decided on before the partnership becomes a reality. If the decisions identified in Exhibit 8-4 and perhaps others are not clarified and agreed upon, a synergistic alliance will not materialize.

The critical benefit of the functional arrangements displayed in Exhibit 8-4 at the outset of the alliance is that functional responsibilities are identified and there are therefore, no major conflicts that may take place later on.

Perhaps more specifically, since the information is critical for the alliance, the parties must develop an information base that would relate to the image of the venture as to how it will be developed and how it will be enhanced. This would force both parties to think not only of the present but also of the future.

Early on, the parties must decide who is responsible for local distribution of the products of this alliance and how much expansion possibility exists.

How the proceeds are to be shared is a critical issue. Before the partnership becomes a reality the two parties must agree upon how to divide the profits and losses. Here different countries may have different guidelines. Therefore establishing conditions in advance is a must, rather than being only a simple precautionary measure.

The functional arrangements of a partnership are not permanent. They are likely to be adjusted as the market conditions change. Agreements must be such that the partnership will have the opportunity to expand and make some managerial changes as needed.

Establishing a control mechanism generates flexibility for the partnering agreement. If the agreed-upon conditions are not satisfactory or if the

Exhibit 8-4 Functional arrangements

Function	Implications
Who does what?	Establishing proper divisions of labor
How the image of the partnership will be managed?	Both partners need to think futuristically
Who would make decisions for local distribution?	Making sure the local partner is not kept behind
How the proceeds are to be shared?	Planning in advance how the profits are to be distributed
What is the strategy for expansion?	Making sure that the partnership is gaining market power
What are the control mechanisms for the operations?	Making sure that proper budgeting would benefit both parties

Source: Adapted and revised from Samli (2004).

performance is stifled because of unforeseen situations earlier, having a control mechanism cannot be established suddenly and simply. It is, therefore, critical that a previously established control system is in place and is working well.

Finally, Exhibit 8-4 states that the resources available for the partnership must be allocated properly. This will call for a proper budgeting system to be in place. Such a budgeting system not only must be agreed upon by all parties involved but also must have enough flexibility to accommodate the changing market conditions.

When the original entrepreneurship is dealing with future expansion it must first explore the possibilities for expansion in the market where the partner is and second, for expansion possibilities into new markets.

Entering the Market Where the Partner Is

Regardless of whether the partner is within the same country or in another country, the entrepreneurship that is seeking a partner is obviously planning on expanding into other markets. Chances are that such an effort will materialize in a niche market, but it could be lucrative. As the partnership materializes the company must make certain decisions whether to expand within the partner's market or to enter other niche markets within the same market where the partner is functioning or even have other partners in other niche markets. Certainly, there are pros and cons for all these alternatives; the critical point here is being able to make pre-entry decisions in such a way that the partnership will expand successfully. However, if the entrepreneurship seeking a partner has an ambitious agenda but does not share it with the prospective local partner, particularly in high-context cultures of the third world where a hand shake is as powerful as a legal contract, the company's reputation and its attempts to do further business in the prospective partner's market can be seriously jeopardized (Samli 2004).

Entering New Markets Jointly

Based on the provision that the partnership will be a success, both parties may agree to enter another market, possibly a foreign market jointly. However, an entrepreneurial small firm will probably do better in another country with a partner from that country. Thus, the already established partnership will function as one if another partner is being considered. A Turkish company specializing in various industrial textiles may enter Iran with one local partner and Brazil with another partner. This is how networks of entrepreneurship are being developed.

In addition, having a partnership that is making good progress is a strong incentive all by itself to continue as is. To enter a market jointly with or without

an additional partner in a different country is a critical additional consideration area. There may be other situations forcing the already existing partnership to enter another market jointly. Japanese businesses, for instance, needed to partner with Turkish firms (another Moslem country) to enter Saudi Arabian markets; without the Turkish firms, they simply were not able to enter the Saudi markets.

Regardless of the type of arrangement that is agreed upon, the partners must share knowledge if the entrepreneurial partnership is to be sustained. It is critical for the partners to find and use the most efficient means of knowledge sharing.

Knowledge Sharing

Three specific aspects of knowledge sharing need to be considered. These are: self-protection, joint benefits, and technology transfer. Self-protection is critical, particularly with regard to sharing pieces of information or knowledge that are trade secrets. If the partners have not made any critical arrangements to share existing or new knowledge then there would be serious problems if one party uses the partnership knowledge base without the other partner's approval.

Self-protection: One of the partners may operate, or acquire from other sources, information and technology and turn around and make a deal with another company. Or the partner, after having mastered the technology, may go to another country and operate alone. Similarly, within the same country the partner may go to another niche market alone using the secret of the partnership. There could be numerous other situations that would require self-protection. Just how much knowledge can a partner impart without being taken advantage of, or without the consent of the other partner? The answer to this critical question must be considered when the original agreement is being negotiated.

Joint benefit: While self-protection indicates a negative happening that may harm the partnership and its parties, joint benefit can be a positive consideration. The more knowledgeable the partners in production, new product or procedure development, and marketing, the greater the chance of the partnership for joint success. Thus the partners must give information to each other so that the entrepreneurial partnership will be synergistic. But this will include certain vital information as well. If the partnership is not based on mutual trust the results can be quite devastating. Perhaps the best solution to this paradox is that each partner is also free to develop additional knowledge bases so that it will not be in the best interest of either party to leave the partnership. If the synergistic relationship were to get stronger, neither partner would think of leaving and abandoning partnership. However, as implied earlier, there is no reason for these partners to abandon their own personal agendas as well.

Exhibit 8-5 Partner’s ability to receive the technology

Required Capabilities	Expected Outcomes
<ul style="list-style-type: none"> • Technical knowledge • Qualified personnel • Local supplies • Access to transportation • Quality control • Ability to work with local authorities • Safety cautiousness 	<ul style="list-style-type: none"> • Ability to understand the technology • Efficiency in production • Cost-efficient production • Efficient logistics arrangements • Guaranteeing high quality • Creating positive conditions for the partnership • Ability to handle dangerous procedures

Technology transfer: If a refrigeration and air-conditioning company from Florida is planning to produce components and finished products in central Africa, it must have an appreciation for the technology transfer conditions (and some of the key challenges), since the Florida entrepreneurship is planning production in a region where conditions of conducting business are extremely different.

Technology transfer is a complicated activity that has great benefits but also some serious risks. In this case, there will be an African partner who is capable of using the technology efficiently. Exhibit 8-5 illustrates some of the key conditions for successful technology transfer. Exhibit 8-5 emphasizes the issue of choosing a partner who is able to adopt the technology to local conditions effectively. That means good technical background on the part of the local company, its having skilled workers, knowledge of the work conditions in the country, and being very cautious of high-quality work. Perhaps above all, the prospective local partner must have smooth working conditions with local authorities. In such cases, the entrepreneurship in Florida cannot assume any condition as a given in Africa. It will have to rely on the judgment of the prospective local partner. However, despite all these problems, in such cases the technology transfer process can be extremely successful and beneficial for all parties involved.

The Key Entrepreneurial Lessons

1. Developing alliances through partnering is a most important orientation for internationalization of entrepreneurships.
2. Prospective partners must be in the market and successful, must have certain skills, must have a desire for quality, must have plans for expansion, must have a good reputation, must be knowledgeable of local markets, and must show potential.
3. In order to achieve a synergic partnership, a number of functional arrangements that are going to become key activities of the partnership must be identified and described in detail.

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Chapter 9

Partner Alliances and Networks

In Chapter 8, a serious discussion is presented in terms of entrepreneurs partnering with others. This is the critical second phase in bottom-up globalization, the first phase being the formation of the entrepreneurship. It is this second phase that really displays increasing power and effectiveness of bottom-up globalization. In order to create a powerful second phase the partnering activity must be some version of strategic alliance. Unlike regular partnerships, strategic alliances are major vehicles primarily in the diffusion of technological knowledge that can more readily contribute to the partnerships' success (Lee 2007). Resource-based theory suggests that the decision to choose strategic alliance partners is primarily based on mutual benefit, i.e., mutual potential to provide additional R & D value, manufacturing, and marketing (Lee 2007). Although market access is generally considered to be a major motivation for licensors to form strategic alliances, in some more high-tech industries such as biotech, risk reduction through commercialization may be a more important reason for developing a strategic alliance. Research has shown that entrepreneurs that are more extensively technology-based and product-based are more likely to form strategic alliances. These alliances are being formed at a higher rate than those that are based on less extensive knowledge. Thus knowledge as a foundation is more of a stimulant in the creation of alliances. This process is particularly observed among new firms in the computer and telecommunication industries (Kelley, Rice and Peters 2001). However, the major theme of this book is bottom-up globalization through entrepreneurship. This implies that there are many other industries that do not have knowledge-based characteristics but that need strong entrepreneurial showing. Unless a major entrepreneurial upsurge is taking place, we cannot expect a major bottom-up globalization. Thus, nontechnical and nonhigh-tech industries in the third-world countries may need more help from external national forces, as discussed in Chapter 6, so that the bottom-up globalization will materialize. Whether it is in a technical or nontechnical industry, the firm's proprietary technology-based and product-based knowledge must be present and carefully utilized to create strategic alliances with both domestic and international partners. Learning from partners in an emerging market who have good intentions and can work smoothly in a strategic alliance setting is important. This, as stated earlier, is the second step in bottom-up globalization, and is critical

to achieving the third step. The third step is the emergence of networks from strategic alliances. These networks will generate further economic progress by using complex and dynamic exchange systems composed of multiple entrepreneurs, customers, suppliers, strategic patterns, and even the whole community (Allee 2000). Some authors have coined these phenomena as *value networks*. These networks are independent coalitions of task- or skill-based economic entities. They typically do not have hierarchical control. As Samli (2002) states, they thrive on mutuality and reciprocity in a shared value system. This system identifies the roles and responsibilities of the network. They are always involved in a series of value exchanges that would improve the performance of all of the members of the network and synergize their total performance.

Networks Create Security

Firms from emerging markets may first seek to become involved in partnering, then strategic alliances, and ultimately alliance networks. This type of membership progression is necessary for the development and advancement of bottom-up globalization. This process is strengthened and accelerated through innovation. Innovative entrepreneurial firms have two critical weapons at their disposal. First, they possess a unique innovative technology or product, and second, they are able to react more readily and efficiently to customers' demands than larger and more powerful firms. If they join a network, entrepreneurs can overcome the resource shortage that they may be facing due to the lack of money, reputation, and knowledge. The network membership may eliminate this handicap. The network provides member entrepreneurs an opportunity to tap external resources in the form of innovation management (Luggen, Birkenmeier and Brodbeck 2005). Exhibit 9-1 illustrates the membership progression of an entrepreneurship from emerging markets in search of increased market power through well managed innovation. What are the key tenets of this proposed innovation management? Cooper (2001) presents eight principles. Exhibit 9-2 describes these principles of innovation management.

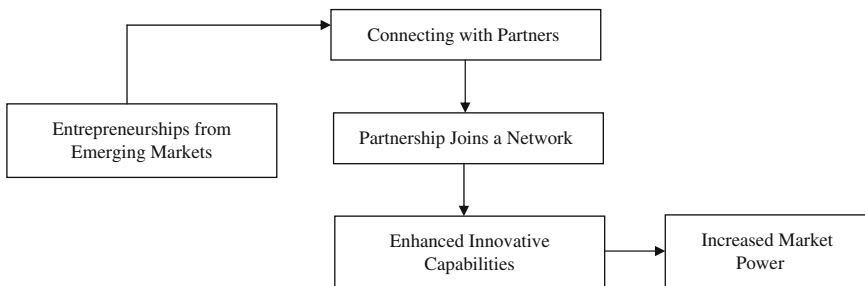


Exhibit 9-1 Innovation management network

Exhibit 9-2 Principles of innovation management

Principles	Implications
Identification of the innovation	What would the innovation contribute to the network?
Incrementalism vs. radical innovation	What are the nature and requirements of the expected innovations?
Key focus areas	How will innovation be managed?
What are the strengths of the network?	How suitable is the innovation?
The risk levels?	Can the network handle the proposed innovation?
Possible changes in the company's complexity	Can we handle more complex situations?
Enhancing the confidence level	How do we make sure that we will not be taken advantage of?
Connecting to the products	Does the network have other products that will create synergism in the market reach?

Source: Adapted and revised from Cooper (2001).

Identification of innovation: What would be the contribution of the innovation to the network?

Incremental vs. radical: If the innovation is an extension of what is already available, in other words incremental, the network will have different type of reaction than having a radical innovation. In the latter case the network adjustment may need some dramatic changes.

Key focus areas: What are the key characteristics of the proffered innovation? How is it going to be managed?

What are the strengths of the network: Is the innovation suitable for the network? Would the network manage the innovation effectively?

The risk levels: What are the risks involved in the proposed innovation? Would the network be able to handle these risks and make a synergistic impact? Without such a possibility the attempts to develop a network will be useless.

Possible changes in complexity: Partly because of the nature of the technology and because of the potentials of the innovation in question there could be numerous changes in the production, distribution, and other related processes. Such changes in complexity can be very taxing for the network; therefore, its capabilities to handle unexpected complex problems is a critical consideration for managing the key innovation.

Enhancing confidence: It can be observed that all of the elements in Exhibit 9-2 are essentially confidence builders. Almost by definition, if a network is based on an innovation management in which all the participants in the network are engaged the chances are that the market contacts will have an enhanced confidence level as to what the network can accomplish.

Connecting to other products: It is possible that the network has other products that will create complementarily with the new innovation. This situation may create synergism in marketing or new innovation.

Networking for Market Power

Exhibit 9-2 illustrates an example of how a group of entrepreneurs network around managing innovation. In essence, this network is more production and product oriented. Certainly, there could be an additional component to this concept in the form of marketing and distribution. Clearly, almost all of the conditions spelled out in Exhibit 9-2 are applicable to marketing and distribution conditions as well. It is critical to reiterate the point that clearly innovations are value creators, but this value cannot be created if those innovations don't reach the market so the value created by them can be disseminated throughout the society. Thus, networks can also be formed on the basis of marketing intelligence (Luggen, Birkenmeier and Brodbeck 2005).

Managing the Network

In order to manage a network there is a need for a generic process. It will explain the network relationships. The generic process presented by Luggen, Birkenmeier, and Brodbeck (2005) is based on four key functions:

- Selection of network partners
- Allocation of tasks and resources
- Regulation of collaboration in the network
- Evaluation of the network business.

Selection of partners: The entrepreneurial network is composed of a number of partners based on their competencies, contributions, and intentions to reach a certain common goal. Here compatibility is critical. If the partners do not have certain common objectives and the willingness to reach them, then there could be serious problems. The selection process must encompass a well-defined scope of the alliance within which a product or service is generated. The selection process is an ongoing activity, and basically there are no limits to the number of partners. In fact, the generation of innovative products and services requires additional firms being integrated into the network. The selection function of the network is performed by *boundary spanners* who are the key persons in the integration of external sources. They reach out and find suitable partners.

Allocation of tasks and resources: Ideally if this task is performed effectively, the network will function synergistically. The allocation process is not ordered from top management, in fact in networks there is no top management. This function is performed by the negotiations among the partner entrepreneurs. They cooperate on the basis of what the network needs rather than their individual advantage.

Regulation function: This function particularly focuses on the reinforcement of the cooperation rules originally established by the network partners. It must make

sure that partners' core competencies are always prioritized. The prerequisite of this function is effective communication among the partners of the network.

Evaluation function: Finally, the overall performance of the network needs to be evaluated systematically and periodically. This function encompasses the whole network and the contribution of each partner to the network's overall performance. Whatever benefits are achieved must be distributed among the network members according to their individual contribution to the network. Without such a process of shared benefits the network cannot survive.

More on the Network Performance

Networks, as discussed here, are entrepreneurial affiliations that operate in a number of related and unrelated industries. Networks have shared resources, shared strategic decisions and shared proceeds. They must create at least four distinct flows:

1. Goods, services, revenue flows: Networks create a flow of transactions, contracts, invoices, orders received and requests for proposals. All the products and knowledge of products are basically part of the product and service exchange.
2. Knowledge flows: These contain strategic information, planning knowledge, process knowledge, technical know-how, and more.
3. Intangible benefit flows: Special benefits, such as image enhancement, customer loyalty, and cobranding, among others, are included here.
4. Inter-market flows: Networks may be designed to take advantage of inter-market opportunities regarding increased demand, improved opportunities, and the like (Samli 2002, 133).

Thus, entrepreneurial networks are keyed to balance external competition, particularly coming from top-down globalization. They also try to expand their market power to reach neglected marginal markets of the third world. In fact, networks truly provide a major opportunity to internationalize entrepreneurship and accelerate bottom-up globalization. As the networks emerge and start functioning as economic powers jointly, they create trading blocs. This way entrepreneurial entities gain greater trading opportunities, and they accumulate more economic power.

From Networks to Trading Blocs

As entrepreneurs become partners and then strategic alliances and, subsequently, develop networks, and if these networks hold their own, then they expand into trading blocs. Thus bottom-up globalization will be accelerated and individual partners will benefit immensely.

Success for networks relies heavily on the four flows that were discussed earlier. If the process is successful companies, regions, and countries will not be overlooked, and all participants will benefit and contribute. It must be reiterated that if successful trading networks are functioning in the world markets in the form of trading blocs, they will generate value and wealth for those who are coined the forgotten majority (Samli 2004). But how will these networks function so that they will become trading blocs and be successful? Exhibit 9-3 answers this question, at least partially, by illustrating how individual entrepreneurs become part of trading blocs. Between the entrepreneurship stage and joining the trading bloc there are at least 12 critical functions.

At the partnership level: The entrepreneurship that is entering a partnership agreement will be in a position to source information that will help financial support. Similarly the entrepreneurship will have a better chance to market the

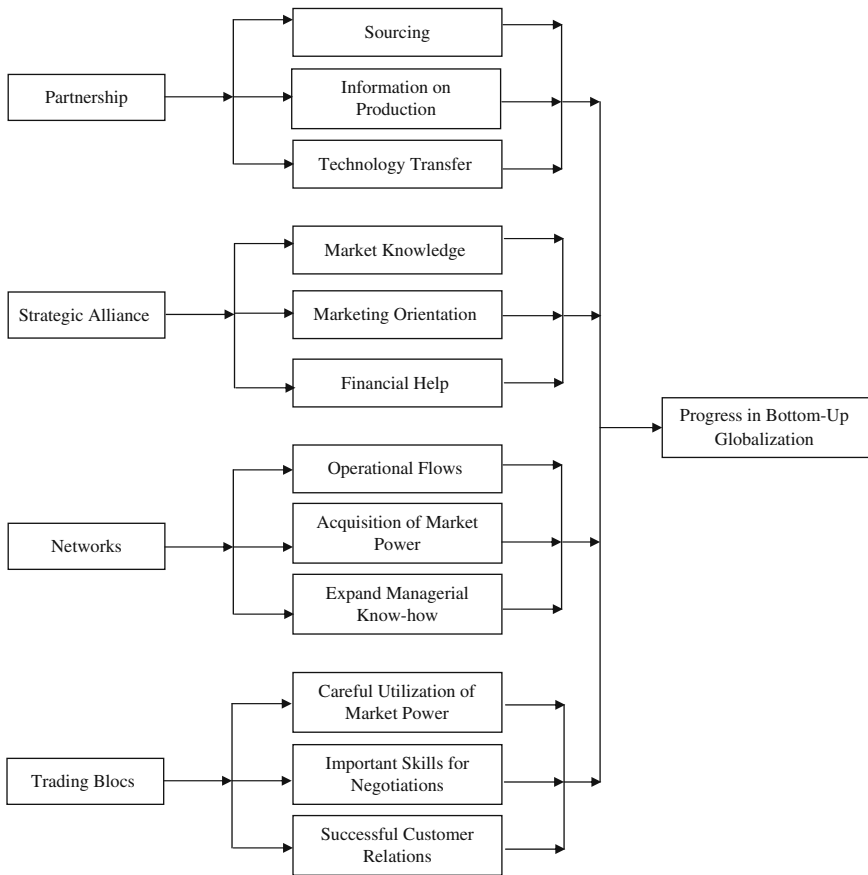


Exhibit 9-3 From partnering to trading blocs
Source: Adapted and revised from Samli (2002).

joint products or services or exchange information to improve the production activity. Almost by definition, partnering gives the opportunity to the entrepreneurship to transfer technology that improves the production process and marketing.

At the strategic alliance level: At this point, the entrepreneurship acquires much information about the market that it may be entering. Similarly, upon entry the entrepreneurship will be able to market its products and services with the help of alliance partners. At this stage in the game the entrepreneurship is also in better shape to receive financial aid.

At the network level: The strategic alliance of entrepreneurs is likely to get a big boost on operational flows. Although, in some cases, one of the four flows may be more critical than others, having all four of the operational flows working is very beneficial to the network partners. The network, clearly, will give the partners market power, and as a whole it will be synergistic in gaining market power. One of the most critical features of networks is that the partners will have access to what the network is likely to offer in terms of know-how. As Samli (2002) states, "There is no best way entrepreneurs would automatically solicit and find proper partners." Selection of partners by entrepreneurs or networks is strongly dependent on willingness and flexibility of all parties concerned. It is also maintained by Samli (2002) that all participants in alliances, networks, and trading blocs must be, or must have, learning organizations. They are open for new ideas and expansion; they exercise entrepreneurial orientation toward excelling in the competitive markets where they function. Even though there is no perfect way of soliciting or being solicited for a network, with current developments in computerized international communication, it is becoming easier to find partners and create networks which may subsequently become trading blocs. As Samli (2002, 136) states: "When a network functions as a trading bloc, it must be in a position to coordinate its activities and create a synergistic personality that will be recognized, liked and respected." There are numerous other conditions that need to exist for the network to function effectively. Ellis (2000) has listed five critical conditions: bilateral communication among members, ability to question general network decisions, full understanding of final decisions, consistency in the decision-making process as well as decisions, and familiarity with local conditions prevailing in local markets.

The presence of bilateral communications means that the network participants can freely share experiences, knowledge, expertise, and any necessary sets of ideas that would enhance the performance of the network. All of these can happen anytime, anywhere, by anyone in the network. Similarly all participants in the network should have the freedom and opportunity to question decisions regarding the network's current or futuristic functions.

If all members don't understand final decisions regarding the network's competitiveness because they do not have full knowledge, the network cannot function. The participants in the network must have full knowledge of what is taking place.

Consistency in the decision-making process implies no favoritism of any kind, in that no partner receives unwarranted and undue favors or special treatments. This is the only way networks maintain a level playing field.

Finally, if and when there is a network action in a specific market competitiveness and strategy implementation, the network will have a full level of familiarity with these local conditions in these local markets. Once again, the network members are very familiar with what is going on.

Thus, it is clear that networks can play a very important role in the process of bottom-up globalization. As stated earlier, however, becoming a partner in a network is not a given. This does not happen automatically. It must be earned and carried out responsibly (Samli 2002).

At the trading bloc level: This is the level where entrepreneurs truly exert market power. The trading bloc, by definition, has amassed certain market power and by using it wisely it generates more market power and consumer value. Because of the gradually gained market power the trading bloc develops important negotiation skills with governments, with partners, and with other trading networks to create more detailed trading agreements. By the same token, trading blocs at this stage become more progressive in establishing successful customer relationships. It must be reiterated that the progression from entrepreneurship to trading bloc is not totally natural and in many cases may not even materialize. The functions displayed in Exhibit 9-3 are not completely standard. Perhaps, the critical point that may be recognized here is that at the trading bloc level, marketing orientation, reaching out, and creating more consumer value are critical, as opposed to the entrepreneurial level, where there may be more emphasis on production and survival.

From Pocket Size to Global Size

Unlike Singapore and China, as discussed in Chapter 7, Italy has been using its entrepreneurial talent in a very different manner. As described in the example of Giovanna Shirolì's activities (a successful small wedding attire manufacturer and distributor), the Italian entrepreneurs kept their sizes small. After many years of dealing with the Italian market only and selling highly customized wedding attire with generations of experience in Italian craftsmanship, now Shirolì's has been exporting to about 18 countries. Shirolì's is typical of a group of small entrepreneurs called *pocket book giants*, who are exporting to niche markets or partnering with many other businesses in many parts of the world and who have improved Italy's export activities by over 6%. These pocket book giants have made their small size a real strength by distinguishing their companies by working closely with clients and using the country's traditional craftsmanship, concentrating mainly on handiwork, to create unique pieces that receive much attention (Mancini 2008).

From the Italian experience we could easily move to becoming a global main player position. The following is a critical example: Cemex, a multinational cement manufacturing company, was established in 1987 in Mexico. It experienced explosive growth. Currently it has 235 cement and ready-mix plants in Mexico, 60 in the United States, 85 in Spain, 45 in Venezuela, 4 in Indonesia and 4 in Egypt. The company's uniqueness in general terms are twofold: First, it made a point of catering to very poor people and second, instead of selling cement mix, the company is selling finished, low-cost housing designed for the poor (Prahalad 2005).

Both of these examples of entrepreneurship are very much in existence and functional throughout the world. In addition to their own entrepreneurial know-how, the above examples are clearly benefiting from the flattening of the world, which is making international operations and trading much easier and more economical. Using small size as an asset to make necessary adjustments to unique market situations is a powerful strength of entrepreneurship. But also becoming powerful enough to concentrate only on certain market segments with suitable products and services is a major tool of success for entrepreneurs. Thus flexibility and focus must always be considered to generate powerful entrepreneurship.

The Key Entrepreneurial Lessons

1. Bottom-up globalization begins as small ethnic entrepreneurs become partners in international organizations.
2. As entrepreneurs internationalize, they become part of networks that function on: identifying innovation, managing innovations, assessing separate levels of risk, adjusting complexities to risks, and enhancing confidence among network members.
3. The networks are basing their essence on four key flows: goods, services and revenue flows; knowledge flows; intangible benefit flows; and inter-market flows.

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Appendix: The Trust Factor

I have maintained that globalization, as it stands, cannot be sustained (Samli 2004). This is because “Darwinism on steroids,” as Thomas Friedman (2000) defined globalization, is such a powerful movement that it destroys rather than builds up third-world economies. Thus, I have advocated a second wave of globalization that is bottom–up and based on entrepreneurship power whereby small and entrepreneurial companies from the West and third world will partner and make an attempt to spread the benefits of globalization further.

The bottom–up orientation in the second wave of globalization, above all, must fulfill a trust factor. Trust is not a given; it is subjective, and is one of the most important starting points in international partnering. Since entrepreneurs are small and may be entering lesser known markets, they need to trust their new partners.

The Need for Trust

Personal trust is extremely critical, especially in less-developed countries that are high-context cultures. This means that, among other things, they rely on handshakes to seal the deal. However, if a small western company coming from a low-context culture in which it relies more on contractual agreements is planning to partner with a small company from a third-world country representing a high-context culture, it may be difficult to establish a foundation for trust.

Thus, it is extremely critical to examine the factors influencing the trust factor and deciding on how it will play out in the future for the partners jointly and individually. Three general areas are examined here: cultural parameters, risk avoidance, and partners’ expectations.

Exhibit A-1 presents the general picture of the trust factor. Some details are presented in each of the three general areas of the trust factor. Note: This section draws heavily from Samli and Miho (2003).

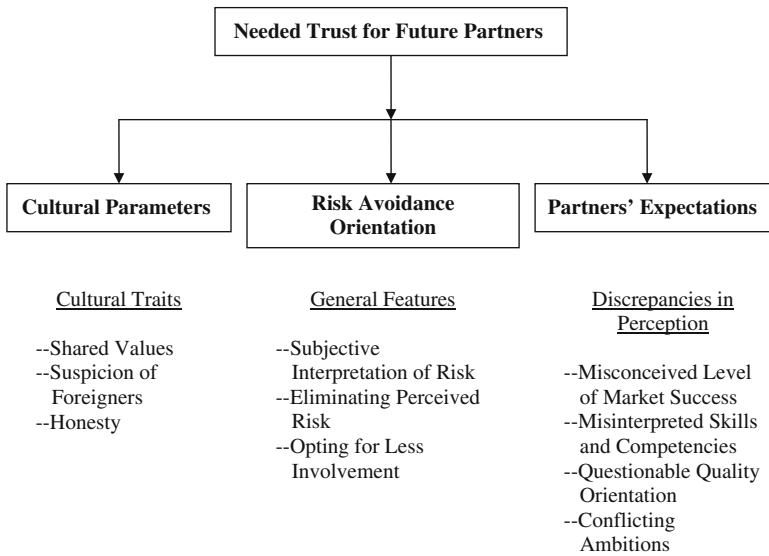


Exhibit A-1 Trust factor

Cultural Parameters

Culture, by definition, is a reflection of shared values. When two businesses come from two different cultures, the situation moves from shared values to unshared values. On top of unshared values, suspicion of foreigners is a critical issue.

Either historically or affectively, cultures have negative perceptions of foreigners’ values. Additionally, honesty, a culture-laden subjective concept, becomes very critical at the beginning stage of exploring partnership possibilities. Without the careful evaluation of these cultural traits, it is not possible to reach the second phase of trust building. Caldwell and Jeffries (2001) have identified seven elements that could be common to both parties even though they are coming from different cultures. Although the seven features are important, and both parties can use them, it is also possible for individual companies to develop their own criteria of trust based on cultural dissimilarities.

Risk Avoidance

Risk avoidance orientation, as defined by Hofstede (2001), has been identified as a critical factor whereby different countries handle risk differently. Because of the degree of risk aversion that prevails in different countries, the necessary trust factor cannot be easily achieved. Here, not only does subjective interpretation

of risk need to be examined, but whatever the perceived risk, it needs to be modified, if not totally eliminated.

If a country or a culture is very risk-sensitive, it may find it necessary to have less involvement to avoid risk. Needless to say, such avoidance, leading to less involvement, makes it difficult to establish international partnerships. Of course, as discussed in different sections of this book, entrepreneurs have somewhat different perceptions of risk from the popular culture.

Partners' Expectations

The third important area in establishing the needed trust is related to partners' expectations. The more sensitive the partners are regarding their own and prospective partners' expectations, the stronger the trust element. As seen in Exhibit A-1, the bigger problem here is the discrepancy between the partners' expectations. Both parties may have misconceived perceptions of each others' level of market success. However, if both parties have established norms that are known, the opportunities for partners to trust each other increase. Three conditions are considered here: First, if the parties expect high value being placed on the relationship; second, if the parties imply their inclination toward sharing fairly the surpluses of their transactions; and third, if the parties put extra emphasis on information sharing, then these norms could bring about very strong relationships (Katsikeas, Skarmeas and Karsikea 2000).

Similarly, there are also some serious problems. The skills offered by the two parties may be misinterpreted in such a way that a trustworthy relationship cannot be further developed. Perhaps, one of the most critical considerations is the fact that both parties may not hold the same quality orientation. If one partner perceives quality in a different way than the other, the future of the partnership is in danger.

The point is further extended into the parties' future ambitions whereas one party is very ambitious in terms of expansion and entering a variety of markets. The other may believe in staying put in one particular market. Such conflicting levels of ambition would jeopardize the development of trust. Once the trust factor is analyzed, another critical area of concern needs to be further examined: that is, cooperation. It must be reiterated that if the prospective partners are small entrepreneurs, a misunderstanding of the expected functions can be extremely serious. Both parties could be dangerously hurt.

Coopetition

Due to rapid changes in the marketplace and the game of business, new strategies must evolve as well. Coopetition is one of the strategies that brings new elements into the game. As it should be reiterated, coopetition means to

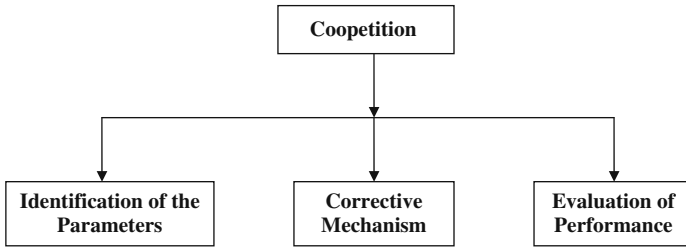


Exhibit A-2 Elements of coopetition

cooperate and compete simultaneously. The prospective partners will have to face the fact that they will compete in some areas as they cooperate in others. Here, a clear understanding of how much cooperation and how much competition, is a necessity if the prospective partnership is to make progress.

As seen in Exhibit A-2, once the parameters of coopetition are identified, then it is critical to decide if these established parameters are working. If they are working, it is equally critical to determine how the overall performance can still be improved further. If the identified parameters aren't working, then there needs to be a corrective mechanism to make sure that the coopetition arrangements will work satisfactorily.

Firms involved in this type of arrangement must learn to walk a fine line between “two diametrically different logics of interaction,” even more so in the international context where more uncertainties are present. If well-managed, however, businesses can gain many benefits. In today’s world of globalization, many examples of coopetition can be found across all industries, and this trend of “working with the enemy” is expected to continue. Even though competition for market position is increasing continuously, so is the frequency of collaborating among competitors. Research (Bengtsson and Koch 2000) has shown that firms tend to cooperate within activities that are far away from the customer, while they compete within activities closer to the customer.

Benefits (Motives) and Risks (Costs)

Through coopetition, companies can reach new markets more easily, recognize new opportunities, and develop new products, skills, and competencies through shared knowledge (Vaheri 2000). High efficiency, in effect, translates into higher consumer value, which is critical, and if it is not achieved, it could be deadly for the company.

Cooperation between competitors can be very risky, however. As knowledge is shared among two competitors, competitive advantage can be lost in the process. This could have dangerous consequences, such as erosion of market share; therefore, the potential partnerships must be examined very carefully.

It is advised that companies look for a competitor with complementary skills and technologies, which are less likely to become immediate competitors and more likely to bring new insights. We believe that when companies learn to function in cooperative relationships, realized benefits will far outweigh the costs of cooperating, a fact that many companies do not yet realize.

In order to improve the chances of cooperation being stronger than competition, partners might put special emphasis on mutual learning, which implies both parties have synergistic benefits to be gained by cooperating with each other. Similarly, the parties may develop agreements as to how future risks will be managed by the partnership (Child and Faulkner 1998).

International Matchmaking

If, as proposed, we were to develop a bottom-up globalization, it is important that companies (small entrepreneurial companies) from industrialized countries partner with companies in third-world markets. Much of the time in such situations, neither party has the capability to identify, to select, nor to work with a foreign partner. Therefore, there is a need for international matchmaking.

Since small and medium-size enterprises are critical to economic development, such matchmaking becomes very critical for the economic future of the world. In some cases, public or national organizations have been assuming the role of the matchmaker. The NORAD Program, for instance, helps Norwegian companies that are looking for partners in third world countries. NORAD has a very specific approach that needs to be discussed. Based on the NORAD approach and the author's observation in the area, Exhibit A-3 has been generated. The exhibit illustrates a six-step international matchmaking activity.

In the exhibit, the starting point is the identification of possible partners. Both parties might be supplying information regarding the matchmaking to the third party. Once the names are identified, it is critical to analyze each prospective partner so that partnership possibilities may be realistically evaluated. When the list is reduced to one or two powerful choices, then a detailed profile of these choices is necessary.

The profiling activity is followed with on-site physical visitation and resulting evaluation. Here, different partners may use internally-generated specific criteria that are pertinent to their particular industries. Once on-site visitation is completed and the parties become familiar with each other, then feasibility analysis of the proposed partnership, including possible competition, is conducted. If the feasibility is favorable, then an action program needs to follow. These three tools will tackle the problems of timing, costs, and necessary activities.

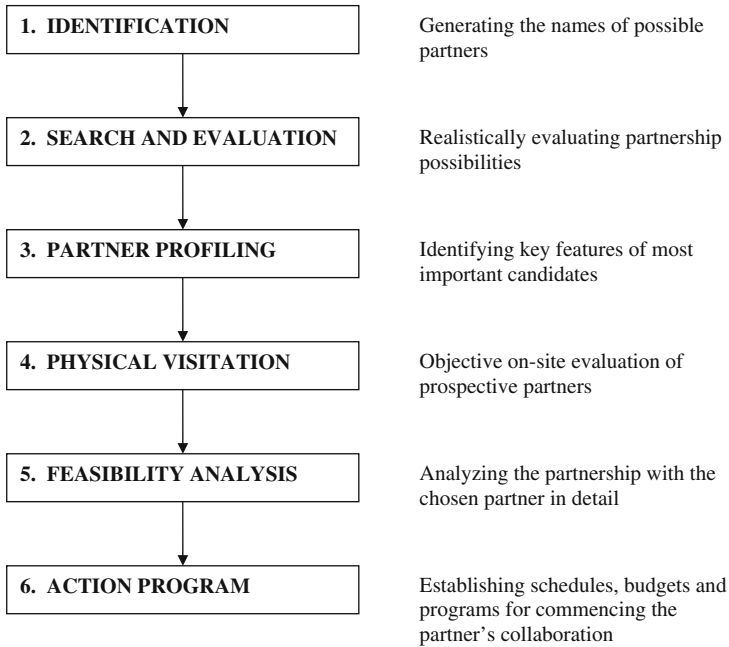


Exhibit A-3 General steps in a matchmaking program

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Chapter 10

Entrepreneurship Needs

Our discussion thus far has revolved around the need for and cultivation of entrepreneurial culture, but this is not enough. If entrepreneurship is likely to become the base of economic development programs, particularly in developing parts of the world, understanding and encouraging the entrepreneur is a must. Local authorities need to be well informed about the special characteristics of entrepreneurs and how their efforts in creation of economic development can be sustained. Sustaining entrepreneurial movements is particularly critical since they are small and quite vulnerable, particularly at the beginning of the entrepreneurial journey. Perhaps here we must reiterate Drucker's (1985) five principles of innovation and how, if they are followed carefully, entrepreneurship will be sustained. These are presented in Exhibit 10-1. The first principle depends on good quality research identifying existing market opportunities. This quality research must be a continuing proposition in the sense that it must indicate what changes, if any, are taking place in the market, and how they might affect existing entrepreneurial businesses. The second principle is related both to research quality and the individuality of entrepreneurs. Here the research findings are going to be perceived and interpreted by entrepreneurs. The changing conditions, say, in the market must be understood well by the decision makers of these businesses in order to assure their survival. The third principle is that the entrepreneurial project must be reasonably simple and the entrepreneurs need to be focused on the details of what they are doing. The applicability of the entrepreneurial project must be emphasized by maintaining focus and keeping the project simple.

The fourth principle is based on starting small. Throughout this book it has been maintained that larger firms or global giants are not always capable of dealing with or catering to small, scattered, and idiosyncratic third-world markets. Only small and flexible entrepreneurial companies can deal with these conditions, generate consumer value, and still be profitable.

Finally, the fifth principle states that as the entrepreneurial venture becomes powerful and recognizable it offers change in the culture and the quality of life. Prahalad (2005) presents a number of examples. Two of them are of particular interest: In order to eradicate unnecessary blindness Aravind Eye Care System in India developed an organization starting from patient identification to

Exhibit 10-1 Drucker’s principles and sustaining entrepreneurships

Principle	Implication for Sustainability
Innovation begins with the analysis of opportunities	There must be a continuing flow of information regarding the conditions and changes in the market
Innovation is both conceptual and perceptual	It is critical that these market conditions and changes are understood by the entrepreneurs correctly
Innovation has to be simple and focused	The practical aspects of entrepreneurship and their applicability in practice must be considered and re-considered.
Effective entrepreneurships start small	It must be understood that small beginning does not mean forever, and there must be help to create networks and trading blocs
Entrepreneurs offer change	As entrepreneurships materialize, there should be promotional activity to promote the values of change

Source: Adapted and expanded upon from Drucker (1985).

postoperative care. The system delivers a major change in the quality of life for millions.

Hindustan Lever Limited helped to produce soaps and a unique approach of marketing them to eliminate diarrheal disease by educating the poor about the need to wash hands with soap.

Both of these entrepreneurial activities made a similar significant change in the lives of millions of people. Although these two examples did not start totally from a very small entrepreneurial setting, they offered a major change to the society and benefited millions of lives in a bottom-up fashion. Smaller entrepreneurships can also, in time, make significant contributions.

I strongly believe that communities without proper entrepreneurship will stagnate and deteriorate (Yarzebinski, 1992). This is not acceptable for the third world, which is trying so hard to break the vicious cycle of economic under-development and narrow the globalization gap.

In Chapter 5, we put forth the details of the most needed research to generate entrepreneurships. However, generating entrepreneurship is not sufficient. It is critical that these entrepreneurial efforts are sustained and, in fact, expanded.

In Come the Action Learning Programs

Although there are many ways to develop entrepreneurial talent and sustainment programs, there are some that are clearly more practical and doable. The Walt Disney Company in 2004 developed a process of building leadership capabilities and pursuing new business opportunities through an action learning program titled “Integrated Leadership Development” (Horan 2007). According to our earlier discussion, such a program that thrives on learning how to add value and understand the impact of market changes on bottom line decisions, needs to be supported by communities of knowledge sharing. Knowing that knowledge

sharing communities survive and can be successful only if they have good information to disseminate brings us back to the concept that has been mentioned a few times thus far. Similarly, some universities individually are attempting to develop entrepreneurial programs in different parts of the world. This process is called transitional learning opportunity. One such small project is what this author’s institution, the University of North Florida, is trying to accomplish in Zambia. The university is trying to enhance computer literacy and entrepreneurship and establish a linkage to develop a business center. There are many varieties of similar such attempts. It is critical that at least a majority of them are combined and grouped into a more proactive major global program, but in the meantime, many action learning programs are being pursued.

Silicon Valley Facsimiles

Exhibit 10-2 illustrates this critical relationship. After the venture is established, active entrepreneurs still need critical information coming to them primarily through some kind of action learning program that allows them to follow their strategic plans or make quick critical adjustments and the like. The critical goal here is achieving sustainability. Although the action learning programs were initiated for the start-up entrepreneurial situations, I consider them to be even more appropriate for sustainability. Here it is expected that the entrepreneur be a problem solver with the ability to see connections between issues, events, and data points as a whole rather than fractured and minimized. The action learning programs try to make this critical situation a reality. However, active entrepreneurs should also be connected to communities of knowledge sharing and Silicon Valley facsimiles as well. As a result of action-learning programs, entrepreneurs maximize the knowledge they receive. The level of action learning, it is maintained, determines the success of the entrepreneurial undertaking.

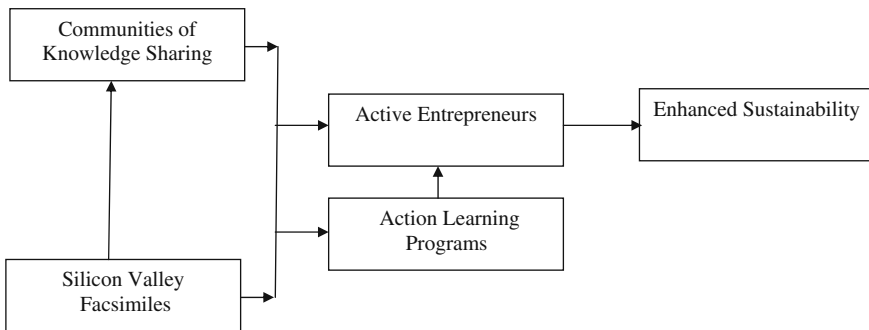


Exhibit 10-2 Enhancing sustainability

Silicon Valley facsimiles: Every country and every region has its own differences. Therefore what may be a successful and important entrepreneurship for one may not be a critical undertaking for another. This is why all countries must have at least one Silicon Valley facsimile so that it will use its own brain power and resources to generate cutting edge entrepreneurial ideas that would benefit the country and the region. Some years ago, I was working with some entrepreneurs from Bulgaria, and they all complained about their computer specialists leaving their companies and going elsewhere to work. My response was: You should have matched whatever offer they received from elsewhere. This type of brain drain and the resultant underdeveloped opportunities are rather common in third-world countries. However, those countries that are particularly in need of entrepreneurial talent should realize that this critical talent starts with what is coined here as *Silicon Valley facsimiles*. Exhibit 10-3 identifies the key characteristics of such centers. Silicon Valley facsimiles are high-tech centers created to utilize a country’s or region’s most capable brain power to cultivate the means to satisfy existing needs without depleting the existing resources, which will be needed for the generations to come. Indeed, without such sustainable centers, it has been argued that less-developed economies do not have a chance to survive a constantly globalizing world (Isaak 2005).

These centers must capture the best minds that are available. Although facsimiles are partially discussed in Chapter 6, the most critical aspect – i.e., helping the individual entrepreneurship to improve its sustainability – is

Exhibit 10-3 Foundations of a silicon facsimile

Key Points	Implications
<ul style="list-style-type: none"> • Attract and keep the best minds • Develop an intellectual center • Nurture an entrepreneurial culture 	<ul style="list-style-type: none"> • Some of them will be entrepreneurs • It will attract the smartest students • Stimulate thinking for radical innovation
<ul style="list-style-type: none"> • Identify an attractive location but not absolutely beautiful • Generate targeted support for cutting-edge research • Make sure that the industrial park is accepted as an intellectual center • Create consistency with a stable political economic system • Create opportunities that lead to first mover advantage • Encourage networking trust and commitment among teams • Manage the transportation infrastructure, pollution, and environment-related problems 	<ul style="list-style-type: none"> • So that the young people will concentrate on their work • Cultivate research findings in the form of possible applications • Receiving attention and promoting new ideas are expected as normal activity • Making sure that political influences are not present • Critical thinking and factual ammunition for future entrepreneurs. • Making sure that intellectual interaction is present • So that the center becomes a model of sustainable development

Source: Adapted and revised from Isaak (2005).

particularly emphasized here. If these centers do not function well, the needed entrepreneurs will not emerge, and if they emerge their sustainability will be low without incoming research information generated by the facsimiles.

The facsimiles are not only intellectual centers but also grouping places for the smartest students, who need to be challenged. Some of these students are likely to become entrepreneurs, and others will be researchers helping entrepreneurs. Facsimiles need to nurture an entrepreneurial culture, which means they stimulate thinking for radical innovation. They, therefore, make out-of-the-box thinking a pattern of thinking that will support radical innovation.

Developing an attractive location is critical for facsimiles. After all, if we want to get the most out of existing talent, there must be more sensitivity toward where the work will take place. An environment is needed where the talent will bloom and flourish, and the best work will be obtained. Thus the places where facsimiles are located must encourage creative interaction and support innovativeness (Kao 2007).

Moreover, facsimiles help to generate cutting-edge research that takes advantage of the local economy's resources. Malaysia, for instance, by using its vast rubber supplies, developed computer components made out of rubber. Replacing plastics resulted in a lot of advantages to computer producers and to Malaysia's economy.

Facsimiles as industrial centers must be recognized and accepted as intellectual centers as well. There may be more regular industrial parks attached to them. Such combinations can be synergistic. Facsimiles in such cases will promote new ideas as their expected normal activity and adjacent industrial parks will put these new ideas to work (Samli 2008).

Being extremely important and requiring considerable resources and attention, facsimiles must be devoid of political pressures. No matter what may happen to the politics of the country, facsimiles must be able to continue their important work without disruption. These industrial and intellectual centers must be capable of functioning at the cutting edge of industries or the economy so that they will create *first mover advantage* for the entrepreneurs. Once again, their emphasis must be on thinking out-of-the-box.

There may be numerous teams working in each facsimile. There must be encouragement for networking, trust, commitment, and collaborative work among teams.

Finally, being examples to respective industrial sectors, facsimiles must manage transportation, infrastructure, pollution, and environment-related problems. They should be able to display how modern technology functions in different local settings.

As Yarzebinski (1992) posits, getting communities to become havens for entrepreneurs is a costly proposition. But it is more costly to start entrepreneurs that are not sustainable or not being able to start the necessary entrepreneurs. After all, communities, regions, and, indeed, nations want and need economic growth, added new jobs, expanded tax bases, increased

wealth, and above all consumer value. Without facsimiles these are not quite achievable goals.

As mentioned in Chapter 6 and reiterated early on in this chapter, it is critical to realize that without facsimiles those entrepreneurial enterprises are on their own, and in third-world countries where information is not readily available, and where knowledge and experience are scarce, they are vulnerable to unexpected market changes.

Having only facsimiles that are generating quantities of different and valuable information is not quite enough. Communities of knowledge sharing must also be in existence and must be able to carry the critical information generated by the facsimiles to already functioning entrepreneurial entities as well as newly starting entrepreneurs. These knowledge sharing communities may be cultivated by private efforts as well as local or national governments.

It must be noted that while these knowledge sharing communities are indispensable, there are no specific models of such knowledge-sharing communities. They may take different forms and function in different ways, dictated by the existing cultural practices and values. It may be critical to reiterate that regardless of whether they are government initiated or constructed by private efforts, their goal is to stimulate entrepreneurship. If they coexist they must be communicating with each other and must be consistent in their goals and their actions. Both of them must be working for the creation of entrepreneurship that are sustainable and could expand internationally.

The Key Entrepreneurial Lessons

1. Sustainable entrepreneurship, according to Drucker, is based on innovations that are opportunity based, conceptual and perceptual, simple and focused, developed by small entrepreneurs, and offering change.
2. Sustainable entrepreneurship are seriously supported by communities of knowledge sharing and Silicon Valley facsimiles. These two entities must coexist.
3. The serious support for entrepreneurial sustainability does not simply happen all by itself. Two outside organizations are essential: Silicon Valley facsimiles and knowledge-sharing communities.

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Chapter 11

Cultural, Regional, and Global Changes

As has been reiterated thus far, entrepreneurs, with the spirit they embody and with the risky-but-bold ventures in which they get involved, are totally indispensable for economic progress. It is maintained throughout this book that a dynamic entrepreneurial environment is totally essential for economic growth. Since developing countries are not quite enjoying the benefits of top-down globalization, they need entrepreneurs in order to cultivate bottom-up globalization. Some scholars maintain that economic development policies over the last two decades have noticeably shifted away from trying to attract large manufacturing firms to encouraging internal markets entrepreneurship (Kreft and Sobel 2005). Our discussion thus far has been about how entrepreneurs generate and support bottom-up globalization. As entrepreneurs form locally, regionally, and even nationally, they start partnering. These partnerships become networks, and networks in turn become trading blocs. As has been reiterated a number of times, however, this line of progression is not automatic. The original entrepreneurship must have dynamic capabilities so that the whole process will materialize and even accelerate.

Accelerating the Entrepreneurial Activity

Exhibit 11-1 presents a model that is conceptualized as the process that is likely to accelerate the progression of entrepreneurial activity. The model begins with the owner-manager, in other words entrepreneurial skills. There have been discussion aspects of entrepreneurship we will emphasize the general skills component.

Owner-manager skills: First and foremost, the entrepreneurship orientation must be present. Exploring, starting, expanding, and succeeding in undertaking a business venture are necessary conditions. In the previous chapters, we have emphasized some of these and more.

Prior experience of the entrepreneur is a critical variable for subsequent success. Just what kind, or kinds, of experiences will make a major contribution

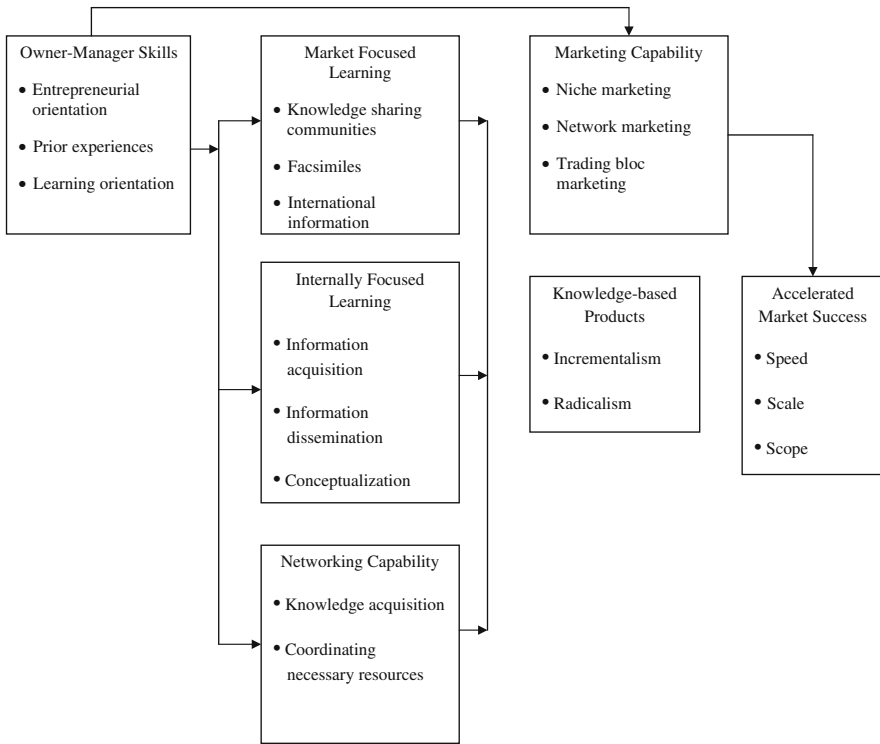


Exhibit 11-1 Accelerating entrepreneurial activity
 Source: Adapted and revised from Weerawardena, Mort, Liesch and Knight (2007).

in forming the entrepreneurial mind is very difficult to identify. Each case is based on its own merits. However, the more the previous experiences, the greater the entrepreneurial success.

Obviously, the entrepreneur’s learning orientation or how much the existing and further formulated information would make a difference in the decision-making process is a critical variable. The more information the entrepreneur receives, the greater the chances for success. Just where is the learning coming from? Exhibit 11-1 identifies three major sources.

Entrepreneurial learning: First, market-focused learning must be identified. The exhibit points out that here, knowledge sharing communities, facsimiles, and international information are critical. These topics have been discussed in Chapters 7 and 8. Certainly, without market-generated information the entrepreneur would not know how to proceed.

Second, internally focused learning is critical. The entrepreneur acquires knowledge by combining owner-manager skills and information that is

gathered from the market. Here preconceptualization takes place, the information is disseminated, and conceptualization materializes.

It must be emphasized that in addition to market-focused international information, the entrepreneur generates more learning from the prospective network into which the entrepreneurship is expanding about international opportunities, and by coordinating all the additional necessary resources entrepreneurial learning is likely to materialize in full.

A Case to Consider: Ulker

In 1944, a Turkish entrepreneur named Sabri Ulker started a little cookie factory. The company had three workers and a very small facility. By 1948, its production had increased three-fold. By 1970, the company integrated with a national food group. In 1974, the company started exporting to the Middle East. Between 1974 and 1992, the company made incremental improvements in its original product lines. In 1992, the company expanded into margarine and other similar products lines. Expansion into other categories continued, and in 1996 the company entered into milk-related industries. By 2000, the company was in the national markets with numerous ready-to-eat products, but throughout it continued expanding its cookie lines and chocolate production both in the country and in international markets. In 2002, the company expanded into the soft drinks industry. The market conditions indicated that the company should (or could) expand into the baby food market. Ulker merged with a Swiss firm to enter this market in 2003. Finally in 2007, Ulker merged with the Godiva Chocolate Company by spending almost a billion dollars. The founder is still very active in operations and decision making. Through the entrepreneur's proactive accelerated action combined with vision and strategic orientation of international incrementalism, the company has become a global giant. It certainly is not necessary to become a global giant, but entrepreneurial learning combined with both market-focused learning and internal learning can move the original sale entrepreneurial activity into global giant status. As the world becomes flatter, such a transition becomes more and more plausible.

Marketing Capabilities

In the entrepreneurial maturing process, the chances are that the newly organized venture first caters to niche marketing. Here the entrepreneur learns to identify the niche market, to communicate with it, and satisfy the needs of it. The second stage in the maturing process is marketing while the entrepreneurship is working within a network. Clearly, who does what and when it is to be done, are

decided upon in conjunction with the other members of the network. Finally, as a member of a trading bloc, the entrepreneur is more internationally-oriented and has gained substantial additional market power. Although the entrepreneurship is an independent entity and quite independent, the entrepreneur will have to know how to generate synergistic power in the markets where the trading bloc is functioning.

Knowledge-based products: These are the most up-to-date, high-tech knowledge applications resulting in new products. Much of the time, most entrepreneurs both in developed and developing countries are working with these knowledge-based products. These are likely to be high-tech or almost high-tech. Here, in developing new products there are typically two key alternatives. The first is called incrementalism. Here entrepreneurship takes a popular product and slowly but surely makes small but important changes. The incrementally improved product displays a reasonable market power and yields good results for the newly organized venture. The second alternative is related to developing a product, or products, radically by perhaps using disruptive technologies. Here a new and different product can generate a powerful market position.

Accelerating success: The whole entrepreneurial activity is accelerated if the flow in Exhibit 11-1 is followed. By being extremely proactive the entrepreneurial undertaking can cope with critical market changes reflected in consumer values and varying demand functions. However, it is equally important to realize that such a proactive orientation can make a strong showing as the new venture expands into different international markets.

Exhibit 11-1 points out a very involved social process leading to economic development through major efforts of entrepreneurs. First and foremost, the exhibit starts with three key orientations that already have been discussed in numerous parts of this book. Without entrepreneurial orientation nothing will happen, but this orientation can become much more powerful if there are prior experiences. Even entrepreneurs with all their capabilities and good will need some prior experience for success. Part of this second orientation is based on the presence of a learning orientation where entrepreneurs learn from their prior experiences.

Exhibit 11-1 expands the learning orientation into three types of learning. The first comes from the community relating to the market in general. Here entrepreneurs learn more about the market with the help of knowledge-sharing communities, Silicon Valley facsimiles, and additional international information coming from various sources. The second type of learning is related to the entrepreneurs' internal motivation to learn. Entrepreneurs, as they acquire information, almost automatically disseminate that information among the people who are directly and indirectly related to the project in hand. And, of course, the acquired information is translated into a conceptual model of the business. The third type of learning is related to networking. As the entrepreneurship expands into partnering and networking, entrepreneurs

must be comfortable interacting with their counterparts in the network. This is also a learned behavior that will necessitate some assistance and previous knowledge.

The next activity described in Exhibit 11-1 is marketing capability. Whether the entrepreneur is functioning alone in a niche market or working with others, marketing of the products and/or services is essential if the proposed entrepreneurship is likely to survive. Here, there may be improved products being offered, indicating incremental product development. Similarly, the proposed product or service may be a dramatically new product indicating the presence of radicalism.

If all of the activities presented in Exhibit 11-1 are satisfied, then the entrepreneurial venture will face accelerated market success, which may be explained by speed, scale, and scope. These three concepts mean the proposed venture gains momentum speedily, expanding volume, and varying offerings and markets by expanding the company's scope.

An Example

Webject Systems, established in 1997, specializes in providing information solutions by using state-of-the-art technologies to companies that are functioning in major industries. By targeting smaller companies in the U.S. that do not have resources to set up offices in India, the company moved from classified ads in Sunday papers to a number of internet web sites. With associates in Europe, China, Australia, and other countries, and with offices in the U.S. and India, the company moved from about \$102,000 in 1997 to \$1,586,000 in 2005. Webject systems started rather modestly and expanded quickly into a variety of business segments such as consulting, software development, geographic information systems, remote sensing, and others (Rao 2007).

The Impact of the Flattening of the World

As economic conditions change in the world, the role and place of entrepreneurship changes. In a best-selling book, Thomas L. Friedman (2006) raised a major point about the world being flat. The flatness, based on convergence of technology and numerous other events, has allowed a number of countries or regions to become part of the global supply chain for goods and services. Perhaps one of the key implications of this concept is increasing competition. In a flatter world it is easier to become a part of the global supply chain. Thus, there is room for more global competitors.

Friedman identified ten forces that flatten the world. These ten forces revolve around making international flow of goods, services, and information easier. As these flows become easy, they intensify, meaning that more companies get involved in those. Here the opportunities for international entrepreneurs increase significantly. A flattened world makes it possible for large companies to choose among many suppliers to buy parts, components, raw materials, and the like. In the supply of these parts, components, raw materials, and the like, many small entrepreneurial producers can find themselves participating. This author coins this situation as the world getting flatter but entrepreneurship getting rounder, meaning that far removed entrepreneurial entities now can be involved in global trade. These conditions are likely to remain as they are and even accelerate for the foreseeable future.

As the world becomes flatter in the way Friedman described it, meaning that it will be easier to enter world trade, there will be more international entrepreneurs. These entrepreneurs are the outcome of accelerated internationalization resulting from dynamic capabilities and their learned competitive strategies. Exhibit 11-2 presents a conceptualization of the accelerated internationalization process. Entrepreneurs who are exposed to knowledge sharing communities and facsimiles obtain information about international opportunities. As the exhibit further illustrates, this information results in, or opens up, the opportunities to find international partners and to develop international networks.

With the accelerated flattening of the world there will be many more entrepreneurs in international partnership arrangements or in a network or a part of a trading bloc. Regardless of their particular organizational arrangements they all enjoy having, or being equipped with, a global mindset. This is the special propensity of entrepreneurial managers to engage in proactive and creative

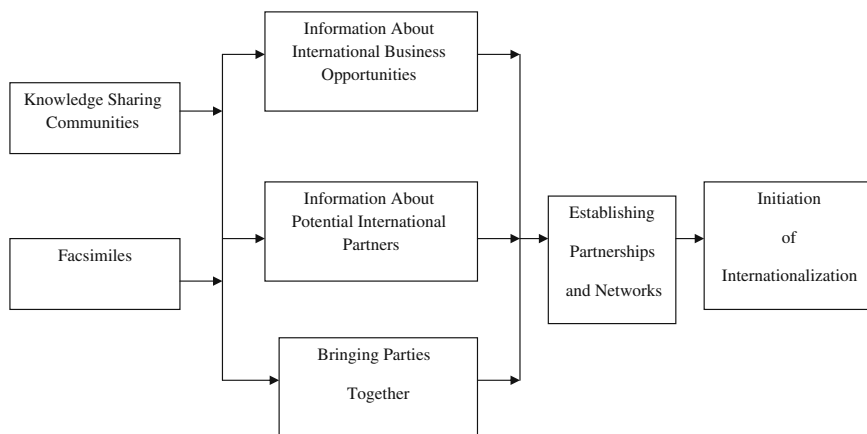


Exhibit 11-2 Internationalization in a flat world
 Source: Adapted and revised from Komulainen, Mainela and Tahtinen (2004).

behaviors in order to achieve their own strategic objectives in international markets (Weerawardena, Mort, Liesch and Knight 2007). Of course, their previous experiences, the specific contacts and broad international education of the entrepreneurial managers enhance their chances to succeed as they pursue opportunities in foreign markets (McDougall, Shane and Oviatt 1994).

These entrepreneurs, in general, followed three major principles: First, they developed a solid plan on profitable long-term growth. Second, they developed a great idea that others cannot readily copy. And, third, they nurtured a network of potential buyers. Zennstrom and Friis, for instance, developed internet telephony, which is also referred to as Voice Over Internet Protocol. Starting the project in Luxemburg, they registered millions of users around the world. Subsequently they sold the company to Ebay for \$2.6 billion (Wolf 2007). This is only one example of a tremendous upsurge in high tech entrepreneurial activity.

Reckitt and Benckiser of England, a major marketer of household cleaning products, appeared to have used the internet to develop ideas. Its product mix includes a range of well-known brands in each market they service. The critical factor of their success is their ability to generate a rapid and market-driven innovation. This means not only creating good ideas and products, but also getting these products to market and generating sales quickly. Furthermore, they have been successful in technology and science, and also in delivering consumer value. These are critical conditions of international entrepreneurship in a flattening world. They cannot be accomplished without having strong strategic alliances and networks (Strategic Direction 2008). BLE is the owner of a chain of specialty stores mainly concentrating on children's apparel markets in Taiwan. Upon the decision of internationalization, BLE partnered with a small Chinese company in Thailand. In this joint venture activity, BLE furnished products and management know how to run chain stores, but did not participate in the daily control of the operations. Subsequently BLE acquired an existing factory in the indonesia to establish a low-cost production facility for its home stores as well as for the Indonesian market and further exportation (Lee and Chen 2003). With the flattening of the world similar partnering and subsequent networks are most likely to emerge. Here even though the company has a long-term growth plan, it leaves local management to local partners.

Information and Communication Technologies (ICT)

In a flattening world, by definition, ICT is playing an increasingly important role. In the flattening world, knowledge societies are emerging. They are based on the development of competitive advantage through the use of information and communication technologies that are practiced and enhanced by entrepreneurs. In the flattening world many developed countries have already decided that if they were to have a future with more and better jobs and better

quality of life, they have to make increasing levels of investment into their knowledge economy. This means creating an environment that facilitates rapid translation of new ideas into new business opportunities that will be particularly useful for entrepreneurial efforts. Small entrepreneurs must understand that their worlds and markets within are changing. These changes are making organizational, cultural and strategic innovations and early adaptations of innovations major topics of importance that are acquired by interdependencies and relationships (Barba-Sanchez, Martinez-Ruiz and Jimenez-Zaco 2007).

Negotiations for Flat World Interaction

In this constantly changing and flattening world, interdependencies and relationships through partnering, networking, and participating in trading blocs by entrepreneurs are extremely critical. Throughout this book we have referred to knowledge-sharing communities and Silicon Valley facsimiles as the key sources of information. However, even before these organizations there must be an original catalyst which I call *international matchmakers*.

International Matchmaking

This concept and what it may accomplish are not commonly known. However, I visualize some go-between agencies that will bring parties together, will accelerate the negotiation process, and will make the whole process more objective and effective before facsimiles and knowledge-sharing communities interact with the individual entrepreneur. The international matchmaker does not necessarily respond to the request of an entrepreneur. Rather, it initiates the first state of communication between two entrepreneurs, one entrepreneur and a network or even one entrepreneur and a trading bloc. As a catalyst these matchmakers can play a critical role in facilitating bottom-up globalization. There are no structural models or job descriptions of these catalysts. In fact, they could easily be private or government connected. It is, however, for certain that some go-between organizations are likely to emerge as entrepreneurship become more and more internationalized.

Key Entrepreneurial Lessons

1. The entrepreneurial activity can be and perhaps must be accelerated by cultivating the owner-managers' skills, the learning process, marketing capability, and aid of knowledge-based products.

2. Successful entrepreneurs have followed three major principles: first, development of a profitable long-term plan; second, development of a new idea that cannot be readily copied; and third, development of a network of potential buyers.
3. The flatness of the world is providing new and vast opportunities for entrepreneurs in international markets. However, successful expansion of entrepreneurs globally is critically dependent on managing locally by implementing local culture into the overall management.

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Chapter 12

The Future of International Entrepreneurship

The goal for all countries, but particularly the developing countries, is sustained increase in the economic standard of living of a country's population. In general terms, an increase in a country's economic well-being is measured by the change in its Gross Domestic Product (GDP), along with certain positive macroeconomic indicators including lack of inflation, increased flow of foreign investments, a strong exchange rate and the like. Perhaps one of the most critical variables that is most neglected in the world economy, and particularly in developing countries, is distribution of income. As discussed at the beginning of this book the economic gap between the haves and have-nots is not only the proof but also the symptom of a major global malady. However, as mentioned many times throughout our discussion the whole world is suffering from this ailment. In general, income distribution is such that the rich are getting richer and the poor are getting poorer. In developed countries, where the growth rate of average income is reasonably acceptable, the populations are relatively tolerant of the fact that income discrepancy between the rich and poor is growing. However, in poorer countries this discrepancy is very critical. As was mentioned earlier, two thirds of the world's population lives on about three dollars a day, and this situation is getting worse. As we have reiterated a number of times in our discussion thus far, this situation is not likely to change unless a bottom-up globalization takes place and balances the current top-down globalization, which is discriminatory and not far reaching to countries' populations. Without a bottom-up globalization, there will be almost no hope for improvement. Thus, the reason for this book emerges. Bottom-up globalization cannot be achieved without a powerful entrepreneurial movement that starts with endogenous economic growth activity, sponsored and supported by a critical effort domestically. Here, to facilitate economic development, governments and associated stakeholders of developing countries must invest in the development of their citizenry in general and a gifted entrepreneurial group in particular so that they can take advantage of the opportunities the markets of the flattening world are offering. Thus, under ideal circumstances the entrepreneurial group will accelerate entrepreneurial thinking and bottom-up economic development activities. It will accomplish this goal by coordinating,

stimulating, and accelerating economic development initiatives from the bottom-up (Husain and Husain 2006, Samli 2008).

The General Picture

In developing countries, as has been reiterated many times, the need for entrepreneurial initiatives is extremely critical, yet the chances are such that these initiatives will not take place unless there are outside supportive forces. Exhibit 12-1 illustrates this general picture. Its all-encompassing point is that a general entrepreneurial orientation is necessary for bottom-up globalization. It further posits that without government help, universities' contributions, and the business and industrial sectors' support, entrepreneurial initiatives are not likely to materialize.

Although governments and universities may have a direct impact on some projects separately, their power becomes particularly synergistic when they participate in an information-sharing community or support the development of Silicon Valley facsimiles.

Many countries have been making an attempt to generate entrepreneurial initiatives similar to the model presented in Exhibit 12-1. Nakheiran University

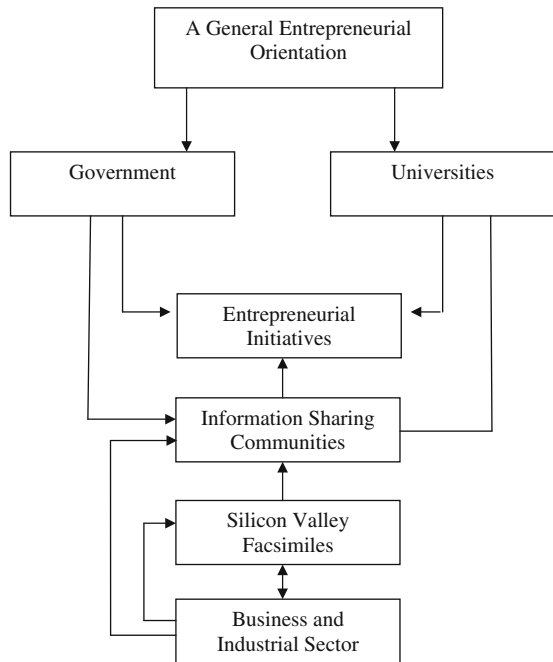


Exhibit 12-1 The general picture

in Azerbaijan has developed an entrepreneurial Center that has coordinated entrepreneurial thinking and action. Originally the center had four key objectives: educate prospective business owners about a free enterprise system, advocate private business ownership, develop management skills, and provide a support system for business owners (Husain and Husain 2006).

In Catalonia, Spain, entrepreneurship is considered a fundamental precondition for healthy economic growth. For such a goal, a network has been constructed that facilitates reaching international markets quickly and with lower risk (Nolan 2003).

According to a number of researchers the combination of local entrepreneurial state theory and institutional environment could explain the Chinese entrepreneurial development, which is cultivating the sustainable growth and dynamic industrial expansion that the Chinese economy has been experiencing during the last two-and-a-half decades. Chinese entrepreneurs have skillfully adapted to their uncertain and rapidly changing environments. Their success, to a substantial extent, has been attributed to their success in their careful usage of business networks and their concentration on incremental innovation in the production of “generic” or “no-brand” products (Li and Matlay 2006). In marketing terminology, this may mean the commoditization of special high-tech products. For the time being this is a very functional national strategy.

Problems and Challenges

There are numerous obstacles, such as lack of financial resources and management experience, poor location, inadequate laws and regulations, along with even more critical factors such as inadequate infrastructure, corruption, limited demand for products and services, and negative economic conditions (Okpara and Wynn 2007). These are rather typical problems. In Nigeria, the government has been pursuing a policy of strong support of small businesses by liberalization of trade, providing a friendlier environment for entrepreneurs and making more financial support available. However, almost none of these conditions would help eliminate the managerial problems that exist in Nigerian small businesses. Exhibit 12-2 summarizes some of the key small business problems experienced in Nigeria and expands these to include basically most of the problems that are found everywhere in the developing world. This is why Okpara and Wynn (2007) maintain that while the importance of small business to a nation’s economy is understood in industrialized countries, the problems negatively affecting Nigerian small businesses have not been studied adequately; therefore, they are not well known.

Exhibit 12-2 presents five key categories of problems that are briefly discussed here.

Exhibit 12-2 Critical managerial problems

Problem Categories	Implications
Administrative problems	Running a business properly by having good accounting, finance personnel, and management activities
Operational problems	Operating a business by developing good marketing, inventory control, production, and other operations
Strategic problems	Having strategic plans, marketing research, and financial analysis
External problems	Not having an adequate infrastructure, facing corruption, not having access to technology, and limited market demand
Structural Problems	The government is flirting with global giants, large firms are not allowing entrepreneurs to emerge, entrepreneurship are bought out

Source: Adapted and revised from Okpara and Wynn (2007).

Administrative problems: In underdeveloped countries, running a small business properly would necessitate having a good understanding of basic administrative areas such as accounting, finance, personnel, and management. Not only are these not well understood, but basic knowledge and skills to run these activities are missing as well.

Operational problems: In addition to lacking major administrative skills, small entrepreneurial businesses also have problems with the operationalizing of the companies. Those companies do need good marketing plans, carefully planned and controlled inventories, good products by competent production activity, and other operations run adequately.

Strategic problems: If the entrepreneurs do not have previous experience and/or do not receive advice and guidance, regardless of how good they may be and how good their project, they may have a difficult time developing strategic plans for their proposed enterprise. But they certainly are in need of strategic plans to operate and hopefully succeed in the marketplace. The general strategy needs to be based on good market research and financial analysis.

External problems: Internal problems relating to administration, operations, and strategy are barriers or challenges for the entrepreneurship in the making. These problems could be resolved by carefully designed curricula dealing with entrepreneurship. However, external problems such as inadequate infrastructure, facing critical levels of corruption, and not being able to acquire the necessary technology are critical problems quite beyond entrepreneurial entities. This is particularly what domestic governments and international aiding agencies must be aware of and rectify quickly if there is any hope for bottom-up globalization that will be accomplished by entrepreneurs. Markets in developing countries are small, scattered, and idiosyncratic, and this is precisely why in these situations small entrepreneurial entities can be more successful than large business entities. They can run their businesses more efficiently and can be profitable even though market demands are limited (Samli 2004).

Structural problems: Finally, there may be some critical barriers to growth of entrepreneurial efforts because existing governments may not agree with the

idea that entrepreneurships are critical for their economic development, and they continue flirting with global giants or very large domestic firms. Similarly, the prevailing conditions in the country can be such that entrepreneurial entities that are making progress may be bought out through mergers or acquisitions and may be stopped from doing whatever they have been doing successfully. These are not only external but structural problems that countries and governments must eliminate if there is any hope for entrepreneurial entities to emerge.

It may be reiterated that even though the need for entrepreneurship is understood, and its contribution to economies is recognized, as can be seen, there are some critical barriers to the entrepreneurial movements. They are more readily in existence in developing countries.

Although many countries have some entrepreneurial activity, I believe that these are totally inadequate. Unless the five problem categories presented in Exhibit 12-2 are addressed, these countries' entrepreneurial activities will not be very successful.

Can There Be a Critical Research Agenda?

Throughout this book we explored how entrepreneurial activities can be globalized and made more effective. We raised many questions, we made many recommendations, and we particularly emphasized the importance of entrepreneurship. Most of the problems that entrepreneurial activities are facing are presented in Exhibit 12-2. Based on the problems raised in Exhibit 12-2, it is possible to put together a critical research agenda. One such agenda is presented in Exhibit 12-3. Right at the outset it is necessary to state that there could never be a complete list since conditions and problems change from one country to another and from one entrepreneurial situation to another. However, Exhibit 12-3 covers numerous critical areas that need to be taken very seriously if an entrepreneurial movement is expected to emerge in a country. It is also critical to point out that just about every research topic in Exhibit 12-3 can be the focal point of a research book. Here, only a brief discussion of the categories and some of the most important research topics is presented.

The first three groups are designed in such a way that the answers to the questions will provide the key outline of a managerial curriculum. The last two categories deal with the external conditions that are needed for an entrepreneurial movement to get started and be sustained. Again, these topics will put together the characteristics and the parameters of a course or courses that are essential in developing an entrepreneurial culture. Exhibits 12-2 and 12-3 make a distinction in different groups of management activities. It is maintained here that these groups need to be addressed carefully regardless of the size, industry, and country where the entrepreneurial endeavor is being considered. The second three categories that are identified in the exhibits are

Exhibit 12-3 A critical research agenda

Category-based topics

Administrative

- Small business entrepreneurial accounting systems
- Small business financial management
- Personnel and human resource management
- Small business management

Operational

- Marketing functions for small entrepreneurial business
- Inventory control for small business
- Efficient production process
- Necessary operational skills

Strategic

- Developing strategic plans for small business
- Marketing research techniques and applications
- Financial analysis for small business strategies

External

- How and what aspects of infrastructure are most critical?
- How could corruption be eliminated?
- How could access to technology be further developed?
- Could market demand be expanded?

Structural

- How could there be more emphasis on entrepreneurial activities?
- How could companies be discouraged from buying competing small businesses?

General

- How can entrepreneurial talent be identified?
 - How can this talent be educated and trained more effectively?
 - How can the entrepreneurial talent be made more innovative?
-

more administrative, operational, and strategic. It must be reiterated that size is critical in accumulating information. Since most business programs at both undergraduate and graduate levels are designed for the American-style big business, many small entrepreneurial businesses do not think very highly of the applicability of the available general information presented in American universities. However, small businesses, because of their size, are more vulnerable than large business giants. Therefore, the research agenda presented in Exhibit 12-3 must be followed and expanded both in domestic as well as in international dimensions to support entrepreneurship.

The Administrative Category

In all businesses all of the operations need to be managed, and the entrepreneurial undertakings are no exception. Just what are the key areas in the administrative category? How are these areas managed domestically and internationally? These are extremely critical areas to be researched. At the present time there are critical

principles as to how entrepreneurial accounting systems should run; how financial management should be conducted, particularly if the enterprise is conducting business in different countries; how personnel must be treated and human resource management made more futuristic; and finally, how should small businesses must be managed in general. There are probably many other activities and questions, but at least attempting to answer such questions in this category presents a strong beginning for this all-important topic.

The Operational Category

All businesses have operations. Just making sure that all of the operations are running smoothly and the entrepreneurial venture is performing well is very important for survival. Just what are the critical aspects of day-to-day marketing and inventory control activities? If the company is producing, does it have an efficient production system? Do the people working in the entrepreneurial venture have the skills to carry on? These are all very sensitive areas. The company must operate daily on the basis of established principles. However, these principles, particularly in the international arena, are not well established.

The Strategy Category

The critical game plan that is called strategy is not just an activity that belongs to large businesses and international giants. Small entrepreneurial entities are more vulnerable than their large or gigantic counterparts; therefore, they are, or they should be, under pressure to develop strong, workable, and effective strategies. This group is even less developed than the first two categories dealing with the management activity and operational functions. There are no carefully identified and developed entrepreneurial marketing strategies or plans for how they should be financed. Again, the need for these strategic options and understanding how these businesses should be kept different in different markets are important areas. Similarly, since these strategies are based on information provided by marketing research, there should be more refined marketing research activity for international entrepreneurships.

The External Category

Much of the time, if they are not simply paying lip service to the importance of entrepreneurship, countries and regions are obligated to make the economic environment smooth for entrepreneurial activities. Much of the time they do not know what is essential for entrepreneurships. Here, again, needs may be quite different in different parts of the world. In some parts of the world

corruption may be a very critical hindrance for entrepreneurship. In others, not having an adequate infrastructure could be devastating.

The Structural Category

The national or regional governments may be very cognizant of the importance of entrepreneurship, but they may not quite know what aspect of entrepreneurship needs more attention so that there could be strong entrepreneurial activity.

The General Category

There is a very critical need for research methodology to identify entrepreneurial talent and how to cultivate it. Identifying the talent is very important, but how such information is obtained and how it may be best used are not quite as well known. Therefore, the future of entrepreneurship is not guaranteed in most parts of the world.

As can be seen, there is a tremendous information gap regarding entrepreneurship as to how it is initiated and how it is sustained. It is only hoped that these gaps will be eliminated by powerful research supported by entrepreneurial activities everywhere.

The Key Entrepreneurial Lessons

1. Economic development initiatives can be coordinated, stimulated, and further developed by entrepreneurial activities.
2. Entrepreneurial initiative-related activities, particularly in the third-world countries, need to be carefully supported by governments and universities to get started.
3. The Azerbaijan model can be used as a major blueprint: educating prospective business owners, advocating private business ownership, developing specific management skills, and providing a support system for entrepreneurial efforts.

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Chapter 13

Tracking Down the Entrepreneurial Talent

Perhaps this chapter should be placed at the beginning of this book. However, exploring the importance of entrepreneurship and understanding how it is managed, which we have done throughout this book, makes it more meaningful to place this chapter here. Just how the entrepreneurial talent is tracked down, and how we get ahold of this talent are very critical issues, and they need to be addressed now.

Once Again Human Resources

As has been implied a number of times throughout this book, human resources are the most important and the best asset of a country. As has been pointed out throughout this book, without a qualified and active entrepreneurial group, the aspired economic development will never materialize. Here the most critical issue is just how we spot entrepreneurial talent and what do we do once we have identified some potential talent? Next to developing an entrepreneurial culture, identifying and developing entrepreneurs is the most critical activity in the endless journey to economic development.

However, the above point must be taken extremely seriously; that is simply *developing an entrepreneurial culture*. In different sections of this book special references are made to China, Singapore, and Italy, among others. In these references, it was implied that in these and some other countries there is a growing attempt to establish an entrepreneurial culture.

In the absence of a well-developed entrepreneurial culture, the starting point is developing laws and regulations that will nurture the development of small business. This is done with the hope that some of those are likely to become entrepreneurs and make the hoped and expected contribution to the economy. Among some other key recommendations, Yago, Barth, and Zeidman (2008) proposed the following policy recommendations for governments that are considering entrepreneurship as an important aspect of their economic development strategy. They propose that first, there should be

incentives provided through capital access programs and other credit enhancement programs for entrepreneurship. Second, there should be tax advantages for entrepreneurs. The cost of workers, compensation and health insurance can be eased by government regulations that would be very supportive for the growth of entrepreneurship. Third, there could be special support programs to expand and promote understanding of entrepreneurship-related issues.

Major Sources of Entrepreneurial Talent

Exhibit 13-1 illustrates the key sources of entrepreneurial talent. Five different sources of entrepreneurs are identified. Particularly the countries experiencing “brain drain” must be cognizant of these sources and must act fast enough in a proper manner to reverse the brain drain or at least stop it.

When Iran became oil rich, for example, most of the successful Iranians living abroad were offered lucrative jobs in Iran. For a while this strategy was successful. This was to reverse the brain drain. By contract, I recently encountered the problem that Bulgaria is having. All the young, computer-savvy Bulgarians were successful in finding better positions abroad. I got the impression that there is a steady stream of East European talent to West Europe and North America. As pointed out in Chapters 11 and 12, Silicon Valley facsimiles are an attempt to counteract this situation. But even with concerted efforts to identify entrepreneurial talent, the search process is not totally in place, meaning that good approaches to identify entrepreneurial talent are still lacking. There appears to be a constant search to identify the right conditions and develop effective procedures to find and develop entrepreneurial talent. There have been some experiments with different scoring techniques to determine better entrepreneurial talent, but the procedures used in these experiments are still at a primitive stage.

Exhibit 13-1 Major sources of entrepreneurial talent

Key sources	Operationalization
• Starting from scratch	Reaching out and identifying the raw talent and polishing it
• Second career	Successful business people may start their own new businesses
• Picking the promising young	Identifying existing promising businesses and business people and providing special support for them to start their business
• Forced out of power	Successful managers who may be laid off who can start new businesses of their own
• Being fond of smallness	Many successful business people may be persuaded to start their own small business because they like small size, and where they are working has become too big

Starting from Scratch

The first source of entrepreneurial talent is starting from scratch. A number of attempts have been made to screen entrepreneurial talent in different ways. Tan and Ng (2006) have analyzed this critical area by the use of problem-based learning (PBL). They maintain that the classroom, with the aid of properly chosen problems, can lead to constructive idea sharing, and it may be the first step in pinpointing entrepreneurial talent. The experiences in Singapore and Morocco also indicate that young entrepreneurs: (1) have at least one parent working in a self-owned business and (2) are good students (Gray, Foster and Howard 2006, Tan and Ng 2006). Exhibit 13-2 illustrates these two conditions. However, the exhibit also emphasizes the importance of experiences before young individuals embark on the entrepreneurial adventure. Gray, Foster, and Howard (2006) distinguish between two distinct ways of entering the entrepreneurial world. The first condition is where it is expected that the young individual will enter into the entrepreneurship venture (e.g., by joining the family business), in which case he or she is *pushed* into the venture by necessity. The second alternative is identified as *pull*. In this scenario, the young entrepreneur is attracted into a venture through new ideas or by recognizing new opportunities. In the case of Morocco, only 20% of entrepreneurs are pushed, and the rest are pulled (Gray, Foster and Howard 2006). There have been numerous attempts to develop tests to identify potential entrepreneurs, but they are still not sufficiently advanced at the point of writing this book.

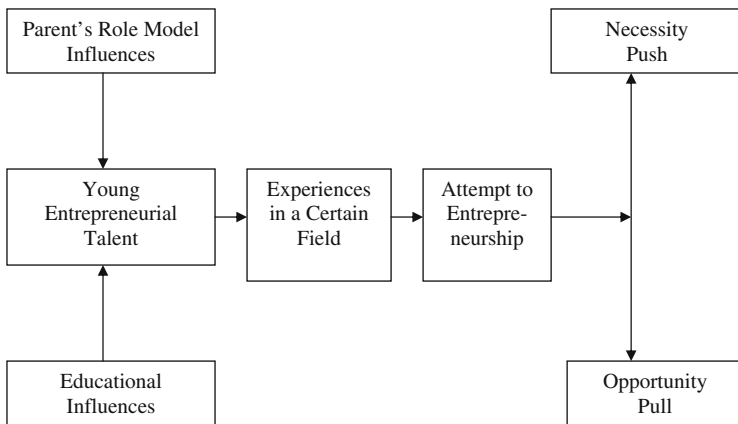


Exhibit 13-2 Young talent’s route to entrepreneurship

Second Career

As seen in Exhibit 13-1, another important source of entrepreneurial talent is those who have been in the business for a long time and are perhaps ready to retire or are tired of what they have been doing. Such people may also be encouraged by some outside support, such as their networks in government and business. These people may have numerous entrepreneurial ideas or a vision to see how certain entrepreneurial activity could succeed. They may already have some plans to start a new venture, and they may already have strong connections to potential support for the planned new venture, such as suppliers, engineers, transportation facilities, and the like. For example, while working for Boeing, Peter Adkinson founded a world famous adventure gaming company (Allen 2006). He was tired of working for a very large company and not being able to do what he really wanted to do (Exhibit 13-3).

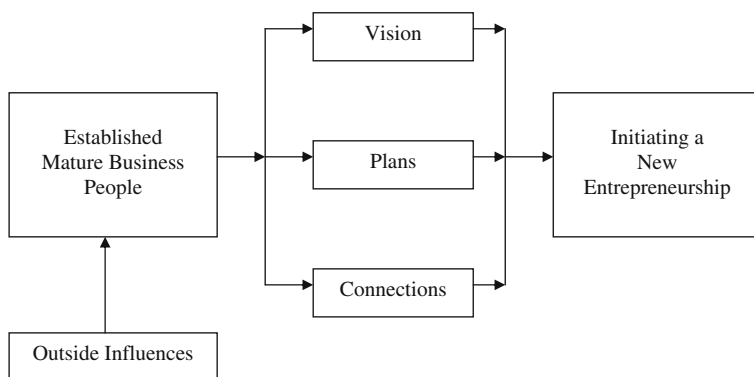


Exhibit 13-3 The second career seekers

Picking the Promising Young Business People

At any given time, in any community there are a number of promising young business people who attract attention. These young business people could easily be identified as potential entrepreneurs. The Czech Republic in the mid-1990s chose some promising young business people to attend this author's institution, the University of North Florida. There, the promising young people attended intensive seminars, lived with volunteer families, and worked in businesses closely related to their own jobs. Some years later many of these people started their own businesses and have established trade relationship with businesses

with whom they became familiar. Perhaps, the most critical issue in such cases is to identify the young talent and make sure that they will get very powerful training in a short period of time. Similar situations can be replicated in all countries with successful results.

Forced Out of Power

In recent decades American Giant Organizations have been involved in downsizing. This is not an exclusively American phenomenon. It is becoming more and more global. The result is many talented and knowledgeable business people are out of jobs. Similar situations exist in many different parts of the world to a greater or lesser degree. Terry Smith confronted such a situation. While working for a Fortune 500 company, he lost his job to downsizing. Instead of going back to what he had been doing for a long time he decided to do something very different. He purchased, with a partner, a franchise of an icecream chain that uses superior ingredients, is involved in new product development, cultivates new markets and is environmentally responsible (Allen 2006). There are literally thousands of such cases in this country and elsewhere in the world. Some of the people are entrepreneurial and can be involved in important business ventures.

Being Fond of Smallness

In all societies there are business people who prefer to be a part of a small establishment rather than being a part of a very large firm. It is, therefore, quite possible to identify certain people in fast growing, large institutions, and offer an alternative opportunity at the entrepreneurial level. Certainly, such an offer is likely to come from local or national government in conjunction with a Silicon Valley facsimile, along with additional influence from the higher education system. In other words, the general picture depicted in Exhibit 12-1 and discussed in the previous chapter must be in place. The conditions posited at the beginning of this chapter regarding the presence of an entrepreneurial culture also must be in place. Without such conditions, trying to create entrepreneurs is more likely to be an exercise in futility. In Chapter 12, the critical research areas for entrepreneurship have been identified. If the conditions for entrepreneurship are positive, then the sixth category listed in the Critical Research Agenda becomes extremely critical. In Exhibit 12-3, this category is coined “general.” It has three key points of emphasis: First, how can entrepreneurial talent be identified? This chapter particularly focuses on this point. However, the second and third items of the general research category must be considered extremely worthy of major research efforts. These are: How can the entrepreneurial talent be educated and trained more effectively? And, how can the entrepreneurial talent be made more innovative? Throughout this book, these last two points

have been explored. However, much research must still be undertaken. These issues are not quite settled as yet. It is hoped that this book will stimulate research and thinking in these most critical areas.

The Key Entrepreneurial Lessons

1. Without adequate support for small businesses, an entrepreneurial culture cannot be enhanced.
2. There must be a critical and working system to identify the entrepreneurial talent.
3. There must be consistency in spotting and training entrepreneurial talent.

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Epilogue

A Special Note to the Serious Reader of This Book

My friend, I am not an unrealistic ideologist, nor am I a goody-two-shoes. I have lived a long academic life to recognize that this world is in trouble. With other givens in place, entrepreneurship is perhaps the only answer to the problems of this fragile world. Even if it is not the only answer, entrepreneurship must be given a chance to perform in the direction that it could very well do. Human resources are the most important asset of any society. They *must* be utilized as completely as possible. Hence, putting special emphasis on entrepreneurship and using it for endogenous development is an extremely constructive orientation for developing countries. After all, small enterprises create more employment than national averages. Similarly they generate more innovations. Furthermore, almost all attempts to utilize exogenous economic development have not been very successful. Throughout this book I have shared many ideas in this respect. The relative emphasis on entrepreneurship should not be taken as a whimsical activity. Rather, it must become a national goal. Certainly there is no one approach to cultivate that national goal, but the approach needs to be identified and implemented.

In this book, particularly for developing countries, I have been advocating bottom-up globalization. Bottom-up globalization through entrepreneurship must not be considered a *pie in the sky* type of concept. It deserves to be treated very seriously. Understanding that the world's poverty is expanding faster than the world's prosperity must be as alarming to the richest people as it is to the poorest people. The existing social process leading to economic development simply is not working in its current form. Economic progress, if any, is not reaching out to remote corners of the world, so we must consider a more radical process such as entrepreneurship.

Certainly we cannot create many entrepreneurs by wishing or by pushing a button. The need for entrepreneurs and policies to support them should be developed carefully and should not be politicized so that one political group will support it and the other will not. Successful entrepreneurs do not happen suddenly. Furthermore, even if they are successful at the beginning, their continuity is also extremely important. Developing, hoping to develop countries must make a major point of creating an entrepreneurial atmosphere and continue with such efforts.

Once it is understood that entrepreneurship is a necessity or very highly desirable, then a concerted effort needs to be made as to how prospective entrepreneurial talent must be located. Here we must know that all countries and all regions are not the same. Both cultures and entrepreneurship opportunities vary from one area to another. Once they are identified, the entrepreneurial talent must be cultivated properly. In this book, we identified the Singaporean, Chinese, and the Italian approaches. One must consider the possibility of a proper combination of all three or even new and more progressive approaches.

Thus, in addition to being sympathetic to a major entrepreneurial push, countries, regions, or even communities must provide information direction, and above all, support for entrepreneurial efforts. These efforts will not only identify entrepreneurial opportunities and develop entrepreneurs but also provide direction as to how these businesses may be managed successfully. Sustainability of the entrepreneurial efforts must be explored, understood, and put in place so that economic progress continues.

This support cannot be short-lived, nor can it be significantly variable, meaning that carefully focused effort must continue. After all, the results of entrepreneurial efforts are not immediate. In fact, there may be a number of years before significant results may be received from the entrepreneurial efforts. However, if the attempts fail in the short run, there will be no benefit to any of the parties involved.

This whole effort must not necessarily be private or public. It is simply essential to identify the greatest opportunities that would make the best contribution to the economy. Frankly, I am very envious of countries such as Singapore, China or Italy who are truly taking care of their entrepreneurs.

International financing agencies that pay a lot of lip service to entrepreneurship must be told that words are cheap, and actions are what really count. We need much better information regarding how to finance and support entrepreneurs.

It must be further understood that even the entrepreneurship cannot remedy the situation of some countries' continued *procreation* as if there is no tomorrow. Those countries and their citizens must be told that the world is not growing and their economic efforts are eaten away by excessive population increases. If the population increase levels off and the entrepreneurial push becomes powerful, there will be much hope for positive economic development.

Perhaps one most controversial point to be made here is that all countries must produce whatever their basic needs are. David Ricardo may be turning in his grave, but products and services that are required for survival must not become a part of free trade and related trade speculations. Countries that cannot produce their basic needs may have difficulty surviving in the long run. Here, part of the entrepreneurial push is to produce the country's basic necessities efficiently and adequately. Internationalization of entrepreneurship is extremely important, but it is more of a gravy than the essential food. We must always have the capability to take care of our basic needs without relying on other countries. Help save our world. Support entrepreneurship.

About the Author

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Dr. Samli received his bachelor s degree from Istanbul Academy of Commercial Sciences, his MBA from the University of Detroit and his Ph.D. from Michigan State University. As a Ford Foundation fellow, he has done post-doctoral work at UCLA, the University of Chicago and as an International Business Program fellow at New York University.

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Decisions (1996), published by Quorum; *Recent Developments in Marketing QOL Research* (1996), published by Quorum; *Marketing Globally* (1998), published by NTC; *Marketing Strategies for Success in Retailing*, published by Quorum (1998); and *Empowering the American Consumer*, Quorum (2001). *Entering and Succeeding in Third World Countries*, Thomson (2004); *Up Against the Retail Giants*, Thomson (2005); *Chaotic Markets* Praeger (2007); and *Globalization from the Bottom Up*, Springer (2008). The books *Social Responsibility in Marketing* and *Empowering the American Consumer* were considered among the most important academic books in the U.S. by *Choice Magazine*, which is managed by librarians. These books received the Choice award. Praeger is publishing his 18th book, which deals with chaotic markets and survival strategies.

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