ENTREPRENEURSHIP: PERSPECTIVES AND STRATEGIES

Edited by:

Dr. B. Nimalathasan

Entrepreneurship:
Perspectives and Strategies

Edited by
Dr. B. Nimalathasan (Ph.D)
Senior Lecturer
Department of Accounting
University of Jaffna
Jaffna , SriLanka

Devi Publication
Karaveddy, Sri Lanka
2010

Title : Entrepreneurship: *Perspectives and Strategies*
By: Dr. B. Nimalathasan

Published by : Devi Publication,
Nallatholai, Vathiry,
Karaveddy, Sri Lanka.

Printed by : Guru Printers,
39/2, Adiyapathm Road,
Thirunelvely,
Jaffna, Sri Lanka.

ISBN : 978-95553086-0-1

Price : 600/=

"Every journey begins with a single step. This journey is for you; this is the step"

Dedicated to

Professor Dr. Syed Mohammad Ather, FCMA

For his academic endeavors

A WORD OF BLESSING

I have great pleasure in writing a blessing message to this book on "Entrepreneurship Perspectives and Strategies" has been edited by Dr.B.Nimalathasan, Senior Lecturer, Department of Accounting, University of Jaffna, Sri Lanka. It is a valuable book consisting of ten papers from six countries such as Malaysia, India, Romania, Finland, Bangladesh and Sri Lanka. These received papers have been reviewed by experts in the field of Management and these are very useful to scholars and entrepreneurs in Sri Lanka.

Entrepreneurship Development is an important factor of our economy. Many jobs are created by small business initiates by entrepreneurs many of whom are going to establish big business. People exposed to exercise creative, freedom, higher self esteem and an overall greater sense of control over their own lives. As such many experienced business people, politicians, economists and educators believe that entrepreneurial culture will maximize the individual and collective goals and economic development of a country. In this connection this book on "Entrepreneurship Perspective and Strategies" will help to understand entrepreneurship education in our country.

Dr.Nimalathasan obtained his first Degree on Bachelor of Commerce from the University of Jaffna and obtained a Post Graduate Diploma in Management from the Rajarata University of Sri Lanka. Dr.Nimalathasan has completed his Ph.D Degree from the University of Chittagong, Bangladesh under the SAARC scholarship scheme. He gained a good knowledge in entrepreneurship through his Degree education and research works. He has published number of research papers at National and International Journals. He has participated and presented research papers at several International Conferences. His knowledge and ability made him to publish this book. Collecting papers from relevant experts

from various countries is not a simple task, but it has been performed by Dr.Nimalathasan with a great effort. I feel this book is greatly welcome and appreciated by all the undergraduate students and researchers. I congratulate Dr.Nimalathasan as a teacher of him and the Dean of the Faculty and request to write more books on various disciplines in Management to facilitate students and public in our country in order to acquire the knowledge and skills.

Prof. K. Thevarajah
Dean/ Management Studies & Commerce,
University of Jaffna,
Jaffna, Sri Lanka.

FELICITATION

Writing this message to **Entrepreneurship: Perspectives and Strategies**, a highly academic pursuit of Dr.B.Nimalathasan gives me delight and pride.

The edited volume with excellent and knowledge articles, is actually an acute reflection of the author's erudition, eminence and intuitive caliber as it precisely meet the today's essential entrepreneurship requirements. The volume deals with identifying the behavioral traits of entrepreneur, highlighting contribution of entrepreneurship education and training, representing positive linkage between entrepreneurship education and entrepreneurial attitudes, intentions or actions, recognizing major factors influencing the success of the construction industry and its sustainability, encouraging entrepreneurship in economic development, managing decision and strategies for business success.

The volume is brought out in English and it would be a fine source and means for persuading students as well as researchers to acquire thorough knowledge in the emerging field of Entrepreneurship. Further, they can augment their language command to discuss and analyze the subject matter critically. His works are always characterized key features like uniqueness, innovation and critical perspective.

Dr.Nimalathasan will go a head with his intellectual vigour in making his valuable contributions towards upliftment of the academic community by writing, editing and publishing further in the future. While congratulating for his excellence endeavour I wish him may success.

Professor M. Nadarajasundaram
Head/ Financial Management,
Faculty of Management Studies & Commerce,
University of Jaffna,
Jaffna, Sri Lanka.

FORWARD

Entrepreneurship is the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services.

It is abundantly clear that entrepreneurship is important for economic growth, productivity, innovation and employment, and many countries have made entrepreneurship an explicit policy priority. As globalisation reshapes the international economic landscape and technological change creates greater uncertainty in the world economy, entrepreneurship is believed to offer ways to help to meet new economic, social and environmental challenges. Entrepreneurship has gained additional attention in the current economic crisis, as it is widely viewed as a key aspect of economic dynamism. Economic crises are historically times of industrial renewal, or creative destruction, as less efficient firms fail while more efficient ones emerge and expand. New business models and new technologies, particularly those leading to cost reductions, often emerge in downturns.

Entrepreneurship development (ED) refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes.ED aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development. Entrepreneurship development focuses on theindividual who wishes to start or expand a business. Small and medium enterprise (SME) development, on the other hand, focuses on developing the enterprise, whether or not it employs or is led by individuals who can be considered entrepreneurial. Furthermore, entrepreneurship development concentrates more on growth potential and innovation than SME development does. However, many of the lessons learned from experiences in both types of development are similar.

Entrepreneurship is a key driver of our economy. Wealth and a high majority of jobs are created by small businesses started by entrepreneurially minded individuals, many of whom go on to create big businesses. People exposed to entrepreneurship frequently express that they have more opportunity to exercise creative freedoms, higher self esteem, and an overall greater sense of control over their own lives. As a result, many experienced business people, political leaders, economists, and educators believe that fostering a robust entrepreneurial culture will maximize individual and collective economic and social success on a local, national, and global scale. It is with this in mind that the National Standards for Entrepreneurship Education were developed; to prepare youth and adults to succeed in an entrepreneurial economy.

In a way, this book on **"Entrepreneurship: Perspectives and Strategies"** has been edited by Dr.B.Nimalathasan, Senior Lecturer of Department of Accounting, University of Jaffna, Sri Lanka with ten (10) papers from six (06) countries such as Malaysia, India, Romania, Finland, Bangladesh, and Sri Lanka.The papers received have been reviewed by experts in the field and these are very useful for scholars and entreprenurers.

Dr.Nimalathasan obtained his first degree [B.Com(Hons)] from University of Jaffna and Post Graduate Diploma in Management (On Merit) from Rajarata University of Sri Lanka, as well as Ph.D from University of Chittagong, Bangladesh under the SAARC Scholarship scheme. He gained a fairly knowledge through his degrees and research works. He has published number of papers at National and International Journals, and presenter papers at several International Conferences. His knowledge and ability made him to publish this book. Collecting papers from relevant experts in various countries is not a simple task, but it has been done by him with a great effort. I feel this book will be greatly welcome and appreciated by all readers. I congratulate Dr.Nimalathasan and request to write more books on various disciplines to facilitate people in order to acquire the knowledge.

Prof. (Dr).T.Velnampy
Head/Accounting,
Faculty of Management Studies & Commerce,
University of Jaffna,
Jaffna,
Sri Lanka.

PREFACE

Entrepreneurship is, in needed, a very complex phenomenon. Theorizing about it and confining it within the parameters of specific models would necessarily involve the simplification of complex realities. A theory that is not grounded in practice would rightly be considered irrelevant. Similarly, a theory that does not lead to more effective practice would be treated as useless. Thus, a theory will have to emanate from practice as well as lead to more effective practice. It was my earnest endeavor to derive the propositions presented in the book from a wide range of entrepreneurial scholars' research papers coming from six (06) countries.

I take this opportunity to convey my sincere thanks to scholars who contributing their research papers to this edited volume.

I convey my deep indebtedness and gratitude to the reviewers for spending their valuable time to review the papers and give valuable suggestions leading to the qualitative improvement of the book. Specially I am thankful to Dr.A.Pushpanathan, Head, Department of Economics and Management, Vavuniya Campus of the University of Jaffna, Sri Lanka for the evaluation of the book.

It is my pleasant duty to put on record my sincere thanks to Prof.K.Thevarajah, Dean, Faculty of Management Studies and Commerce, Prof.T.Velnampy, Head, Department of Accounting, Prof.M.Nadarajasundaram, Head, Department of Financial Management, Mr.K.K.Arulvel, Senior Lecturer, Department of Accounting, University of Jaffna, Sri Lanka for writing the valuable message and forward for the book.

I am extremely grateful to Mr.B.Pratheepkanth, Assistant Lecturer, Department of Accounting, University of Jaffna, Sri Lanka who constantly took keen interest for making this book.

I hope that it will inspire and generate interest among researchers, individuals, organizational professional, and policy makers to understand the entrepreneurial concept.

Dr.B.Nimalathasan

EVALUATION

I am in great pleasure for writing the review for the edited book "Entrepreneurship Perspective and Strategy". The editor, Dr.B.Nimalathasan, Senior Lecturer, Department of Accounting, University of Jaffna, Jaffna, Sri Lanka collected ten articles of experts from different Universities in different countries.

The first article of this book, "Behavioral Attributes of Entrepreneurs An Empirical Study" was written by Solayappan,A., and Jeyakrishnan, J. They focus on the entrepreneurs' behavioral traits in their research paper. Especially they identified 13 behavioral attributes of entrepreneurs in their study. Different authors identified the various attributes of entrepreneurs in their study but the authors discussed only 13 attributes in their analysis. Mean, and standard deviation were analyzed in this study.

Education and training are always very important to every person. Hence the entrepreneurs also need to educate and train themselves to develop their entrepreneurial activities. There are two papers included in this book based on the entrepreneurial education. First paper is authored by M.Tahlil Azim on the heading of Entrepreneurship Education and Training. The author mainly focuses some pros and cons of entrepreneurial education and training. The second paper focuses on the Positive Influence that Behavioral Economics can have over Entrepreneurship Education. The study finds out that the behavioral approaches have proven their consistency and relevance in a wide range of economic discipline. Starting from the well-developed new behavioral finance to neuromarketing, micro and macro economics and even managerial accounting.

The fourth article, Critical Success Factors of Construction Industry in Libiya, is authored by three authors. They especially identified thirteen critical success factors in construction industry. Risk taking is very important factor to project managers when they handle the project. But it would have been better if the study had focused the risk taking.

The fifth article emphasizes 'Encouraging Entrepreneurship and its impact on Economic Development in Emerging Economy: An over view".

Six impacts were analyzed in this article by authors such as Economic thinking, Empowerment, Enhancing purchasing power, Utilization of resources, Foreign exchange earnings, and Regional development and industrial development. The authors recommended that entrepreneurial ability is a cultivable asset, the supply of which can be generated and enhanced through education, training and opportune economic climate, They have has forced the attention of policy makers and planners towards entrepreneurship as the desirable and manageable route to economic development. It is widely acknowledged that entrepreneurship is critical to the development of knowledge-based economy in this research.

The relationship between Sustainability Factors and Construction Firms' performance is discussed in the sixth research paper of this edited book. The three sustainability factors Environmental, Economic, and Social correlated with the performance of the construction firm. The findings of the study provide clear insights to reduce skepticism among contractors in Malaysia about the implementation of sustainable construction. It records positive relationships in all three fundamental and key tenets of environmental, economic and social factors towards performance. It invariably denotes that a construction firm's performance within the context of this study relies heavily, if not critically, on the contractors' efforts to infuse these factors within their organizations.

The management process always involves taking economic decisions, each time by weighing the costs involved in cash and expected cash benefits. In turn, these decisions produce certain changes that can be identified in the financial and physical resources of a business. Management decisions Basic issues in business success is the seventh article of this edited book. Three basic types of managerial decisions investment, financing, and operations decisions -are discussed in this research. Further, this research find out that business success is an important role. It has the quality of investment decisions, operational decisions and the decision to finance and profit distributions.

The eighth research paper examines the question, how entrepreneur can engage in a valuable dialogue with staff in a project setting. It argues that this dialogue has to rest on the appreciation that there is a power relation pervading the dialogue, and this dialogue rests on the interaction of knowledge, language and thinking, Knowledge Integration perspective of communication. It starts from the notion of common ground. Further, the study suggests perceiving the interdependency of knowledge, language and thinking forming a hermetic cultural setting that structures individuals' options for adopting new behavior patterns and knowledge sets.

The ninth article explains the images of business organization in knowledge economy. A model of organizations, recent developments of the concept of efficiency, and 7S model are discussed. Finally their findings indicates that practices, policies and management systems in an organization reflect the interests of small groups, namely, the groups holding power. Management can be regarded as legitimate by the control and coordination of the organization only if such conflicts of interest are explicitly recognized, and the search for solutions is institutionalized.

The tenth research paper of this edited book is about new business strategies of transnational companies from emerging countries. The authors focus the emerging countries in their analysis of their three new strategies - the strategy of integration of "functions" completed by the strategy of "steps getting on" on the overall chain of the "product" value, Strategy based on organizing global networks of suppliers, and Reverse outsourcing strategy - are analyzed using case study method.

The edited book research papers are very important to Sri Lankan entrepreneurs, academics, and researchers. Most of the entrepreneurs in Sri Lanka don't have entrepreneurial education, instead of education they learn from their own experience how to run the business. So now the Sri Lankan Government and Non-governmental Organization help to educate the entrepreneurs to develop their business. This edited book good literature for academics and researchers to do their research works nationally and internationally.

Dr. A. Pushpanathan
Head /Economics and Management
Vavuniya Campus of the University of Jaffna
Vavuniya, Sri Lanka.

LIST OF CONTRIBUTORS

Abdelnaser Omran	University Sains Malaysia, Malaysia.
Abdul Hamid Kadir Pakir	University Sains Malaysia, Malaysia.
Adelwahab Omran	University Sains Malaysia, Malaysia.
Annamalai Solayappan	Annamalai University, India.
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M.Tahlil Azim	Independent University, Bangladesh.
Viorel Cornescu	University of Burchast, Romania.
Waleed Mohamad Rashideh	University Sains Malaysia, Malaysia.

PANEL OF REVIEWERS

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CONTENTS

BEHAVIORAL ATTRIBUTES OF ENTREPRENEURS: AN EMPIRICAL STUDY

Annamalai Solayappan and Jothi Jayakrishnan
Department Business Administration, Annamalai University, India.

Abstract

Entrepreneurs have the ability to improve the standard of living of the human beings. This paper investigates reasons for becoming as an entrepreneur and also analyzes their behavioral traits. The researchers have identified 13 behavioral traits of entrepreneurs. The researchers approached 120 entrepreneurs to collect their opinion towards behavioral traits. The collected data were coded and entered in to the statistical package for social science (SPSS) version-17. Descriptive statistics were executed to analyze the behavioral traits. It is found that the entrepreneurs are giving more importance to uncertainty, risk and innovation. But they are lacking, business ability to convince others and sense of pride.

Key words: Entrepreneur, Behavior, Uncertainty.

1.Introduction

Entrepreneurs are the people with the attitude of business. It involves activity like responsibility. It is a combination of business acumen, innovation, and determination. Entrepreneurs are 'rare breed of leaders' who search for change, respond to it and exploit it as an opportunity to develop new business models for the empowerment. They consider any failure to be one of the many steps and routes to eventual success. They have a mission to solve a particular problem and use opportunity to bring out changes and adopt it and learn without being affected by the limited resources available. They have their own accountability for the outcomes they have created. They produce value, but, it is not measured through the profit. Basically they look for long term return on investment and create lasting improvements to sustain the impact. Some of the basic qualities of the entrepreneurs are risk taking ability, optimism, creativeness, self confidence, looking for challenges, querying, etc.

2. Literature review

This section reviews the literature on the behavioral traits of entrepreneurs.

Young (1986) found that entrepreneurs are independents, searchers, power and income seekers, conserves, professionalism and artists. They have different motivation for an action. Catford (1998) pointed out that the entrepreneurs are taking major risk in terms of time carrier and commitment to providing value for a product or service. Value is infused by securing and allocating the required skills and resources. Lynn Barendsen and Howard Gardener (2004) wrote that entrepreneur have the ability to see things positively. They regularly evaluate their work and measure the impact of their activities on the society. They respond to the situations with a deep sense of conviction. Austin and Wei-Skillern (2006) found the difference between social entrepreneurs and traditional entrepreneurs. Social entrepreneur is to serve the basic needs of society, but traditional entrepreneur is to grab large market gaps and make profits.

3. Methodology

The main objective of the study is to find out the behavioral attributes of the entrepreneurs. This study was conducted in Chidambaram, Cudallore district, Tamilnadu. Chidambaram is famous for lord Nataraja temple. Here, there is a lot of festive celebrations like Natyanjali, Car festival etc. The celebrations create a potentiality in the entrepreneurs to improve their business. This research falls under the category of descriptive, because, the researchers describe the behavioral traits of the entrepreneurs. The present study is confined only the founders of the firm in Chidambaram. A random sampling technique was used for this study. 120 respondents were approached for this study as samples. From the literature review, 13 behavioral attributes were identified for the entrepreneur. These attributes are included in the questionnaire. The primary data were collected from the respondents through the personal interview method using structured questionnaire. Their responses were recorded with five point Likert scale. Where five stands for strongly agree

and one stands for strongly disagree. Further, the collected data were coded and entered to the SPSS package. Data has been analyzed using Descriptive statistics and interpreted for meaning inferences.

4. Results and Discussion

Table-1: Reason for becoming an Entrepreneur

S.No	Reason For Entrepreneur	Percentage (%)
1	Family business	38
2	Self employment	26
3	Future growth	14
4	Profitable	12
5	Flexible environment	10

Source: Primary data computed

Table-1 indicates that the sample respondents opinion towards the reason for becoming an entrepreneur. It is observed, 38 percent of the entrepreneurs are doing family oriented business because of their tradition. It is followed by self- employment of 26 percent. There is a tough competition in the society to get a job. To avoid the unemployment problem, they are doing their own business. 14 percent of entrepreneurs believed that their business have the future growth. 12 percent of the entrepreneurs are profit oriented. Only very few of them (10 percent) are doing their business because of flexible environment.

Family business plays a predominant role in the selected respondents for becoming the entrepreneur. At the mean time, unemployment is also a reason for starting a business in the study area.

Table -2: Behavioral Attributes of Entrepreneur

S. No	Behavioral Traits	Mean	Standard Deviation	Rank
1	Tolerate uncertainty	4.93	0.49	1
2	Risk taker	4.90	0.48	2
3	Innovator	4.86	0.47	3
4	Decision making ability	4.37	0.41	4
5	Responsibility	4.10	0.64	5
6	Complete a task	3.99	0.97	6
7	Growth oriented	3.95	0.71	7
8	Self discipline	3.65	0.11	8
9	Independent	3.30	0.89	9
10	Optimist	3.25	0.89	10
11	Sense of pride	3.05	1.69	11
12	Ability to convince others	2.55	1.36	12
13	Business ethics	2.03	0.95	13

Source: Primary data computed

Entrepreneur behavior attributes were measured with 13 statements. The respondents are asked to rate their behavior. The result of entrepreneurial behavior was discussed in the table-2. Mean score and standard deviation was calculated for each behavior of entrepreneur. From the mean score it is observed that tolerance of uncertainty is given the highest priority among the entrepreneur followed by risk taking ability and innovation. However, business ethics plays a least role in the behavioral character of an entrepreneur. They lack the traits like convince others and sense of pride.

The research is attempted to identify a set of attributes that best describes as an entrepreneur. The attribute 'tolerance of uncertainty' has the highest mean score value of 4.93. Entrepreneurs are having ability to accept dynamic, challenging environment. Entrepreneurs are risk taker and take decision boldly, which secured a response of 4.90. In general, entrepreneurs are realizing their own tasks which involve risk. Creative thinking behavior is a dominating trait in the entrepreneurs. Entrepreneurs are also innovators which has the response of 4.86. Right decision in a right time behavior leads to the entrepreneur to run the business in an effective manner. Bold decisions secure the score of 4.37. Responsibility secures the mean score of 4.10. They felt that they are responsible for the action. The ultimate responsibility is in the hands of the entrepreneurs. The next attribute that got favorable response is complete the task for the actions (3.99). Entrepreneurs are committed to their task. So, they will do the task effectively and efficiently. They have accepted that their self discipline (3.65). Most of the entrepreneurs lead a life style of self discipline. Ability to convince the others (2.55) and business ethics (2.03) were the behavior which secured low mean score. It shows that the study area entrepreneurs are not given much importance to business ethics. Profit is important for them, but the human values which remain as the most valuable thing. They should be ethical to the society. Optimist behavior is found low among the entrepreneurs. But, entrepreneurs should have the high sense of optimism.

5. Conclusion

The present study is aimed to identify the behavioral traits of entrepreneur. This study supports the entrepreneurs who are risk takers, innovators and tolerate the uncertainty. These are the essential behaviors of real entrepreneurs. But, they were not having business ethics. They should recognize the value of ethics. They deal with human emotions, so they always try to approach a problem in a systematic way and take complete responsibility for the outcome. Entrepreneurs should be optimistic and should take a close look at their activities. They ensure that they are heading in their right direction, and to steer their action towards their goal.

Entrepreneurs provide employment. They are helping to develop the national economy. Hence, their behavioral traits are more important. So they should have to possess good behavioral traits.

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ENTREPRENEURSHIP EDUCATION AND TRAINING

M. Tahlil Azim
School of Business, Independent University, Bangladesh

Abstract

Entrepreneurship education and training have gained much attention from the academia in recent years. A good number of studies-both empirical and conceptual have been conducted on the issue. Based on the diverse literatures, this study spots light on the definition, objectives, and contents of entrepreneurship education. It also highlights the approaches of teaching entrepreneurship. It shows that there are multiplicity of objectives, contents and approaches of entrepreneurship education and training followed in different programs.

Key words: Entrepreneurship, Education, Training, Content and Approach.

1. Definition of Entrepreneurship Education

The entrepreneurship education is rendered with multiple objectives ranging from personal skill development to innovative venture creation and target audiences are drawn from diversified backgrounds and levels of education which results in multiplicity of its definitions. There is also some semantic confusion regarding the term used to mean entrepreneurship education in different places. Gibb (1997) points out, for example, that the term "entrepreneurship education" is commonly used in Canada and the US but is much less commonly used in Europe. The preferred term in the UK and other European countries is "enterprise education/training" rather than "entrepreneurship education"

Bechard and Toulouse (1998, p. 320) define entrepreneurial education as "a collection of formalized teachings that informs, trains, and educates anyone interested in participating in socioeconomic development through a project to promote entrepreneurship awareness, business creation, or small business development." Gottleib and Ross (1997) define entrepreneurship education in terms of creativity and innovation applied to social, governmental, and business arenas. According to them, "Entrepreneurship education should be viewed broadly in terms of the skills that can be taught and characteristics that can be engendered in students that can help them develop new and innovative plans. It focuses on the features that are needed to conceive of and start up a brand new business venture." According to Kirby (2004) "Entrepreneurship education refers to activities aimed at developing enterprising or entrepreneurial people and increasing their understanding and knowledge about entrepreneurship and enterprise."

Broadly speaking, the notion of entrepreneurship education may include two different elements or concepts: A broader concept of **education for entrepreneurial attitudes and skills**, which involves developing certain personal qualities that may be applied in practice within the domain of self-employment, business initiation or employment in the large organization and is not directly focused on the creation of new businesses; and A more specific concept of **training in how to create a new business**.

1.1. *C*an Entrepreneurship Be Taught

Despite exponential growth in the entrepreneurship education and training (EET), the debate on whether entrepreneurs are *born or made* and whether entrepreneurship can be taught or not still rears its head from time to time. Some biographies of successful entrepreneurs often read as if such people entered the world with an extraordinary genetic endowment. Their personal characteristics, family heritage or exceptional opportunities etc are believed to be instrumental for transforming them into great entrepreneurs. Entrepreneurial education has also been criticized for attempting to teach what, until recently, has been considered "unteachable". It has been the established understanding among business professionals that some people are born entrepreneurs and will succeed with or without education, while no amount of education can provide

business success for someone who lacks the "entrepreneurial spirit." It is also argued that much entrepreneurial learning is `implicit', being hard to verbalize, occurring incidentally, and drawing on intuition and `tacit' skills (Marsick & Watkins, 1990) and hence it is difficult to transmit from facilitator to the students.

Contrary to the above propositions there are many arguments and evidences that speak for the contribution of entrepreneurship education and training in developing entrepreneurs and entrepreneurial people. There are many counter stories of those who hit on the entrepreneurial jackpot without the benefits of genetics (Henry et al., 2005 II). The entrepreneurial traits and genetics do not fall into any sensible pattern for start-up successes. Banfe (1991) suggests that there is a serendipity of unpredictable events that does not have much to do with family heritage.

Most of the proponents of entrepreneurship education take a mid-way considering the teachable and non-teachable aspects of entrepreneurship. Miller (1987) believes that not all aspects of entrepreneurship can be taught, and that educators cannot create entrepreneurs any more than they can produce foolproof, step-by-step recipes for entrepreneurial success. However, Miller (1987) believes that educators can provide an understanding of the rigorous analytical techniques required to set-up a new business and an appreciation of the limitation of those techniques. He also claims that many of the entrepreneurial characteristics, like self-confidence, persistence and high energy levels, cannot be wholly acquired in the classroom. Stuart Meyer, professor at the J.L. Kellogg Graduate School of Management at Northwestern University comments on teaching entrepreneurs; "They either have it or they don't. I can't teach students the personality traits necessary to take risks, but I can teach them to analyze those risks, to be analytical about their choices, and to learn from mistakes made in the past" (cited in Farrell 1984 p. 63). John R. Thorne, professor at the Graduate School of Industrial Administration at Carnegie-Mellon University agrees, "We can't teach entrepreneurship, but we can teach the mechanics of starting a new business, and impart practical knowledge to our students" (cited in Farrell 1984 p. 63). David Rae (2005) maintains that while education can provide cultural awareness, knowledge and skills for entrepreneurship, the "art" of entrepreneurial practice is learned experientially in business rather than the educational environment.

Gorman et al., (1997) report that the findings from the studies indicate that entrepreneurship can be *taught*, or if not taught, at least *developed* by entrepreneurship education. This supports the findings of Vesper's (1982) US based study of university professors, which demonstrated an overwhelming consensus that entrepreneurship can be taught. Supporting this view, Kantor (1988) claims that, based on his study of 408 entrepreneurship students in Ontario, most generally believed that the majority of entrepreneurial *traits* and *abilities* can be taught, with *abilities* perceived as being more teachable than *traits*. This concurs with the findings of the study conducted by Clark et al., (1984), which indicates that teaching entrepreneurship skills aided the creation and success of new businesses.

Thus many factors are unrelated to genetics and support the counter paradigm that "entrepreneurs are often made, not born". However, the success of an education program in developing entrepreneurs and entrepreneurial people or in other words, the answer to the question, whether entrepreneurship can be taught or not is not a mere 'yes' or 'no', rather it is inextricably linked with the objectives, content, structure, pedagogy and approaches of teaching of entrepreneurship programs.

1.2. Objectives and Contents of Entrepreneurial Education and Training

Depending on the duration, target audience, resource availability and perceived efficacy of the program a multiplicity of objectives for different entrepreneurship education and training programs can be

observed. Objectives, in turn, determine the contents of the program. Addressing the difficulty in deciding the objectives and contents of entrepreneurship education, Garavan and O'Cinneide (1994) postulates that while virtually every career in business involves some combination of knowledge, technique, and people skills, few involve the integration and combination of all functional knowledge and skills to the extent that entrepreneurial activities does. In entrepreneurship, however, it is argued that, while there is a good deal of fundamental business knowledge required which can be taught in a classroom; there is not yet a guiding theory to assist the would-be entrepreneur in dealing with the uncertainties which surround any new business venture. And even if there were, the real test is performance under actual conditions, with all the real world pressures over a period of several years. Consequently, different scholars have put forward different objectives, contents and modalities for entrepreneurship education programs to be effective. The following table-1 summarizes the objectives of the EET program as mentioned by different scholars in this field.

Table-1: Summary of the objectives of the EET program as mentioned by different studies

Study	Objectives
Hills (1988)	✧ to increase the awareness and understanding of the process involved in initiating and managing a new business, and ✧ to increase students' awareness of small business ownership as a serious career option.
Sexton and Kasarda (1992)	✧ convince his/her student to become actively involved in entrepreneurship; ✧ understand the dynamic nature of the world of entrepreneurship; and ✧ slow down the reality shock of the real world by means of formal or informal tuition.

Study	Objectives
Garavan and O'Cinneide (1994)	✧ to acquire skills in the use of techniques, in the analysis of business situations, and in the synthesis of action plans; ✧ to identify and stimulate entrepreneurial drive, talent and skills; ✧ to undo the risk-adverse bias of many analytical techniques; ✧ to develop empathy and support for all unique aspects of entrepreneurship; ✧ to devise attitudes towards change; ✧ to encourage new start-ups and other entrepreneurial ventures.
Hisrich and Peters (1998)	✧ develop various skills required by entrepreneurs. ✧ technical skills ✧ business management skills ✧ personal entrepreneurial skills
Roach (1999) at North Georgia Technical Institute:	✧ knowledge of the characteristics of an entrepreneur; ✧ ability to recognize business opportunities; ✧ basic skills and knowledge to create an effective feasibility plan for a business venture; ✧ ability to identify the various business entry strategies available to entrepreneurs; and

	✧ understanding of the skills needed and means available to collect the market information needed to evaluate the feasibility of a new business concept.
Carolyn Brown (2000)	✧ learn to develop ideas ✧ prepare to start a business ✧ build a viable business
Ulla Hytti (2000)	✧ to learn to become an entrepreneur or to develop an individuals' own entrepreneurship ✧ to learn more of entrepreneurship, to get some information of entrepreneurship
Vesper and Gartner (2001)	✧ personal development ✧ enterprise development
Jeroen Onstenk (2003)	✧ to build enterprising key skills ✧ to grow the entrepreneur as manager; ✧ to develop the entrepreneur as entrepreneur.
Hytti and O'Gorman (2004)	✧ learn about entrepreneurship, ✧ learn to become entrepreneurial ✧ learn ``how to" be an entrepreneur by learning how to start a business.

The above table-1 indicates that different scholars have come up with different objectives of an EET program. In most cases the objectives are overlapping. However, considering the wider spectrum of the issue, it seems that the objectives mentioned by Hytti and O'Gorman (2004) are the most convincing set of objectives for an EET program as it reflects both employability of the participants as well as creation of a venture. Similarly, from the multifarious notes on the contents of an EET program forwarded by various scholars, a summary can be drawn as follows.

Table -2: Summary of the contents of an EET program mentioned by different studies

Study	Contents
Timmons etal., (1987)	✧ business plan
Johannisson (1991)	✧ the know-why (attitudes, values, motivations), ✧ the know-how (abilities), ✧ the know-who (short and long-term social skills), ✧ the know-when (intuition) and ✧ the know-what (knowledge). Noll (1993)

Noll (1993)	✧ by researching customer insights, conducting a self assessment of personal creativity, conducting a feasibility study, and identifying various business entry strategies. ✧ by assessing personal resources and financial status, researching and evaluating the risks necessary to get started, writing a working business plan, and approaching others for money and other resources. ✧ by learning to allocate resources, using various marketing strategies, and managing money and personnel.
Garavan and O'Cinneide (1994)	✧ the formation stage - Emphasis: General business knowledge **Content:** The business world, the nature of entrepreneurship, the characteristics of effective teams and the nature of business transactions and activities. ✧ the development stage - Emphasis: skills and attitude. **Content:** business planning, market selection, financial planning, product identification and making financial presentations.

	✧ implementation stage- Emphasis: general knowledge and attitude **Content:** Financial planning, managing company growth, management functions and attitudes and making the transition from entrepreneur to manager
Kourilsky (1995)	✧ opportunity recognition: The identification of unfulfilled needs in the marketplace and the creation of business ideas. Observation of the market, insight into customer needs, invention and innovation. ✧ marshalling and commitment of resources: Willingness to take risks as well as skills in securing outside investment. ✧ the creation of an operating business: financing, marketing, and management skills.

Rae (1997)	✧ communication skills, especially persuasion; ✧ creativity skills; ✧ critical thinking and assessment skills; ✧ leadership skills; ✧ negotiation skills; ✧ problem-solving skills; ✧ social networking skills; and ✧ time-management skills.
Hisrich and Peters (1998)	✧ technical skills: includes written and oral communication, technical management and organizing skills. ✧ business management skills: includes planning, decision-making, marketing and accounting skills. ✧ personal entrepreneurial skills: includes inner control, innovation, risk taking and innovation.
Vesper and Gartner (2001)	✧ concept of entrepreneurship. ✧ characteristics of an entrepreneur. ✧ value of entrepreneurship. ✧ creativity and innovation Skills. ✧ entrepreneurial and ethical self-assessment. ✧ networking, Negotiating and deal making. ✧ Identifying and evaluating opportunities. ✧ commercializing a concept.

	✧ developing entry strategies. ✧ constructing a Business Plan. ✧ finding capital. ✧ Initiating the Business. ✧ growing the Business. ✧ harvesting Strategies.
Jeroen Onstenk (2003)	✧ motivation, need for autonomy and independence, creativity and originality, taking initiative, risk taking, looking for possibilities, posing challenging objectives, self-confidence, internal locus of control and endurance. ✧ operational management, personnel and organization, financial administration, marketing, financial management, and making a business plan. ✧ recognizing business opportunities, interpretation of market information and the development of customer orientation to the development and effective operation of relation networks and the building of an innovative organization.

The above table shows that the researchers in this field have spotlighted the contents of an EET program from a very specific area of business plan (Timmons et al., 1987) to a comprehensive one that covers contents right from the opportunity recognition to creation and growth of a business including the three essential aspects of entrepreneurship such as, *entrepreneur, enterprise* and *environment* (Onstenk 2003, Vesper and Gartner 2001, Kourilsky 1995).

1.3. Approaches to Teaching Entrepreneurship

It is clear from the literature that the learning methods employed in entrepreneurship education and training programs vary considerably from lectures, presentations and handouts to video and case study-based learning, with group discussion and role-plays. Hytti et al., (2002) in their study of 60 European EET programs identified a variety of teaching methods applied in EET ranging from traditional teaching methods like lectures, taking written exams to case study, computer assisted simulation and internship. The findings of the study are presented in the following table-3.

Table -3 : Alternative teaching/learning approaches adopted in enterprise education programs

Methods	Method Description	Number of programs
Traditional teaching methods	Enterprise education is taught through lectures, taking exams and writing essays	31
Business simulation	The setting up and managing of business is being simulated either via computer-assisted programs or otherwise. This category also includes using the case method in teaching	28
Workshops	Workshops in this context mean for example group work, group discussions and project work	24
Counseling/ mentoring	Individual and/or group mentoring is given for the participants to learn from the potential career options and their own related capabilities and possibilities and to guide in business start-ups and	21

	business operations or projects. The mentors can be teachers, business people or other experts or entrepreneurs	
Study visits	The participants are taken to visit companies or other organizations and/or entrepreneurs or members of other interest groups visit the schools in order to build stronger school work relations and to familiarize participants with the world of work. In some programs study visits were also made abroad	17
Setting up a business	Real companies are set up and managed within the programs	17
Games and competition	Games and competitions are applied in order to increase the attractiveness of entrepreneurship and/or interest towards small businesses	8
Practical training	The students work for a period of time in a real company as a part of the program	8

Sources: Hytti et al., (2002)

Some commentators, such as Davies and Gibb (1991) are critical of the adoption of traditional education methods, which focus mainly on theory and a didactic approach, suggesting that they are "inappropriate" in the teaching of entrepreneurship. Young (1997) supports this view when he questions the relevance and value of a theoretical approach to a subject which deals almost exclusively with activity, suggesting that the experience and practical skills used by entrepreneurs are possibly not something that can be acquired through conventional teaching methods (Henry et. al., 2005).

Davies and Gibb (1991) suggest that using traditional education methods to develop entrepreneurs could be interpreted as teaching "to drive using the rear mirror". Gibb (1993) sketched the contrasts of focus with respect to university/business school learning and that required in an entrepreneurial situation. The contrasts are presented in the following table-4.

Table 4: University /Business School Vs. Entrepreneurial Education/Training Focus

University/business school learning focus	Entrepreneurial education/ training focus
• Critical judgment after analysis of large amounts of information. • Understanding and recalling the information itself. • Assuming goals away. • Seeking (impersonally) to verify absolute truth by study of information. • Understanding basic principles of society in the metaphysical sense. • Seeking the correct answer with time to do it. • Learning in the classroom. • Gleaning information from experts and authoritative sources. • Evaluation through written assessment. • Success in learning measured by knowledge -based Examination pass.	• "Gut feel" decision making with limited information. • Understanding the values of those who transmit and filter information. • Recognize the widely varied goals of others. • Making decisions on the basis of judgment of trust and competence of people. • Seeking to apply and adjust in practice to basic principles of society. • Developing the most appropriate solution under pressure. • Learning while and through doing. • Gleaning information personally from any and everywhere and weight it. • Evaluation by judgment of people and events through direct feedback. • Success in learning by solving problems and learning from failure.

Source: Gibb (1993)

According to Kirby (2004), to succeed it will be necessary to create a learning environment that changes the way students learn and reinforces the development of entrepreneurial skills. He considers the role of two hemispheres of the brain viz. left side and right side in human thought process and actions. The left side handles language, logic and symbols. It processes information in a step by step fashion. Left-brain thinking is narrowly focused and systematic, proceeding in a highly logical fashion from one point to the next. The right side takes care of the body's emotional, intuitive and spatial functions. It processes information intuitively, relying heavily on images. Right-brained thinking is lateral, unconventional, unsystematic and unstructured. It is this right-brained lateral thinking that is at the heart of the creative process. Preliminary research by Nieuwenhuizen and Groenwald (2004) on the brain preference profiles of entrepreneurs appears to confirm the right brain thinking preferences of successful entrepreneurs, which may well explain why so many are known not to have succeeded in the formal education system or are dyslexic (Kirby, 2002). Kirby (2004) prescribes an approach to learning that:

- Gives students ownership of their learning, including negotiating with their tutor their own learning objectives, the resources, activities and processes required to meet these objectives and, importantly, the way in which it will be determined whether these objectives have been met (to stimulate motivation, reduce dependency and provide experience of role orientation).
- Involves students in problem solving in real world situations, possibly in teams (to develop both intuitive and rational thinking, to recognize the multi-faceted nature of problem and solution and to encourage communication and co-operation).
- Encourages students to formulate decisions on data that are immediate, incomplete, "dubious" and, as appropriate, personally generated (to stimulate effectiveness and the ability to cope with uncertainty).

- Provides students with role models who are involved in both the learning and assessment processes (to demonstrate role orientation, ability and motivation).

2 Conclusion

The subject of entrepreneurship is receiving increased attention. Recent changes at global, societal, organizational and individual levels warrant more entrepreneurial behavior on the parts of the individuals (Gibb & Cotton, 1998). Consequently, entrepreneurial education has firmly established a "beachhead in academia" (Ronstadt, 1995). It has many positive offerings to the development of most sought after entrepreneurial skills in the participants. Considering the multiple objectives ranging from personal skill development to innovative venture creation, Bygrave (1994) convincingly highlights the contribution of entrepreneurship education and training in the following comment:

"We cannot ensure that entrepreneurship training would create a Bill Gates or any other successful entrepreneur that you know of, as a physics professor would not be able to guarantee you an Albert Einstein, but give us a student/course attendant with an orientation towards business and we can improve the performance of such an individual".

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ENTREPRENEURSHIP EDUCATION UNDER THE AUSPICES OF BEHAVIORAL ECONOMICS

Elena Druică[1]; Viorel Cornescu[2] & Rodica Ianole[3]
[12]University of Bucharest, Romania
[3]Nicolae Titulescu" University, Romania

Abstract

The main purpose of the paper is to argue that behavioral economics can represent a paradigm that will lead to a more relevant entrepreneurship education, through a better understanding of economic behavior. The results obtained by conducting two small research studies on hyper consumption and framing effects over economics students, along with solid proofs from the emergent and interdisciplinary literature in the field, represent a strong incentive for further inquiries in this area.

Keywords: Entrepreneurship Education, Behavioral economics, Economic behavior.

1. Introduction

The societal function of entrepreneurship is to provide adaptive reality testing (Etzioni, 1987, p. 176). In other words, entrepreneurship strives to overcome and transform the inertial social patterns that govern relations, organizations or modes of production, in the sense of rendering them more compatible with the changed environment.

At the other end, the role of behavioral economics is to change the contemporary rigid paradigm of rational and predictable economics, to transform the dismal science into a more meaningful and comprehensive tool, to understand and to analyze the world, "to increase the explanatory and predictive power of economic analysis through an increase in the degree of realism of the assumptions at the basis of economic models" (Zarri, 2009).

Putting this two "missions" together we argue that the insights provided by behavioral economics and economic psychology can play a tremendous role in defining entrepreneurial studies, in respect with its application on the organizational field, but also regarding our own economic triggers as individuals.

The importance of such a topic resides in the well-agreed hypothesis that entrepreneurial education is considered an effective strategy (Lin, 2004) towards more innovation, and thus, we will add, to economic growth. Drawing from the US model of "Business Administration" specialization, the Romanian academic landscape has made an evident progress in expanding both bachelor's and master's programs in this direction. Nonetheless, at a general level, there are few studies assessing the impact of such an initiative. Having already the experience of three generations of BA graduates, we try to asses not merely their impact on the economy but how could behavioral economics impact their preparation, stressing the necessity of a more specific approach to make truly effective this particular specialization.

The following section of the paper tackles the development of entrepreneurship education, both in the global context and in Romania, rooted primarily in the neoclassical economic view.

2. Entrepreneurship Education

To begin with an entrepreneurial touch, let us start by facing the following challenge: "Why educate young people to become entrepreneurs if the system send them the message that the ultimate goal is to work for the state and that job security is what the majority of young people aspire to?" (Fayolle, 2009).

We will try to embark in the search of a plausible answer in a diligent way, through a short literature review on the issue. One perspective of analysis is that on "education about entrepreneurship", mainly setting the theoretical background on entrepreneurs, creation of firms, small and medium size organizations, socio-economic implications of the phenomenon and other related theories (Laukkanen, 2000). The European Commission (2006) illustrates this fact by supporting the idea that an increased levels of entrepreneurship can be reached through education and especially entrepreneurship education. The negative consequence that often appears in practice consists in an analytical approach that considers entrepreneurship as a "capstone course that brings together the functional parts of a business" (Sheperd & Douglas, 1996, p. 1). With a more incisive formulation McMullan and Long (1987, p. 261) characterise this educational paradigm as "an add-on to current education in management".

The other frame abandons the descriptive stage putting the emphasis on the purpose: "education for entrepreneurship", and underlying the stimulation of the entrepreneurial process by addressing current and potential entrepreneurs (Haase, 2010). In other words, this is more about acquiring the necessary competencies in order to become an entrepreneur (Rasmussen & Sørheim, 2006). The essence of the majority of the models concerning entrepreneurial competencies resides on knowledge, skills and abilities (Baum et al., 2007).

Even if the two perspectives are not at all divergent, an optimal combination of them is rarely achieved. A good illustration of this fact is the reality that there are not too many successful entrepreneurs that have created their organizations directly after their graduation from a specific program on entrepreneurship. This result is closely linked to the challenged addressed in the beginning of the section, which is a matter of aspirations shaped by external social norms and not by our true needs.

Bringing it down to the national framework, in the last 20 years Romanian entrepreneurship education was mostly integrated into the economic education, which has known an emerging trend (see figure-1), moving the emphasis from science and engineering towards social sciences, especially economics, commerce and business, and law (Heisemon et al., 1999).

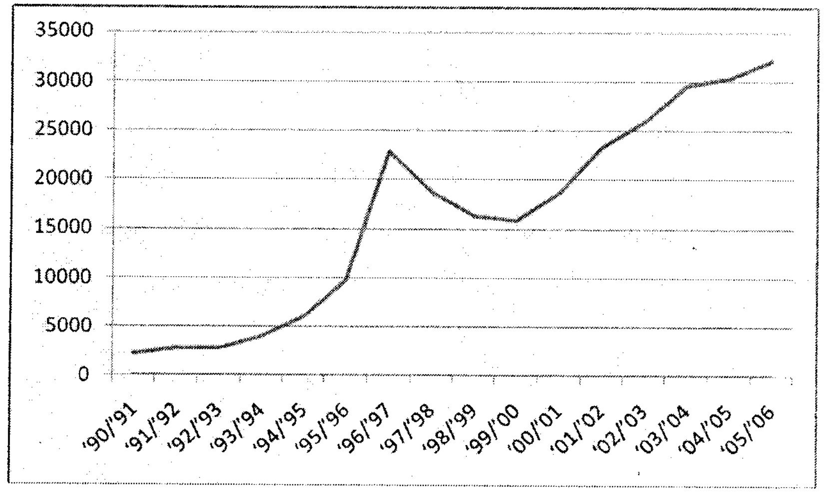

Figure - 1: Evolution of Romanian Higher Education by Field of Study - Economics (number of graduates)

Source: Personal calculation with data from the Statistical Yearbook 2008

However, even if we preserve in mind the quantitative emphasis and the slow pace of harmonization with the international standards, we have to admit that nowadays we can find more concrete entrepreneurial disciplines of study integrated in the academic curriculum: "Entrepreneurial culture" or "Entrepreneurship and Business Administration" (within the Faculty of Business and Administration, University of Bucharest, at both bachelor and master level).

To also illustrate the cons regarding this issue we have to extend the view in terms of measurable outcomes on the economic impact of entrepreneurship education. We easily learn that we cannot find very solid proofs neither at national or international level. Most of the available research focuses on descriptive studies of entrepreneurship courses (Vesper and Gartner, 1997) or studies debating the contents of good entrepreneurship education (Fiet, 2001).

This enhances the intermediate conclusion expressed in the introductory part that we need to focus more on understanding our own economic triggers. We argue in the next chapter that behavioral economics can be a useful tool in achieving this goal.

Behavioral insights

In this section we will focus on the positive influence that behavioral economics can have over entrepreneurship education. Starting with 1902 and the neglected "Psychologie economique" of Gabriel Tarde, we find a lack of understanding among the economists and the public who tended to focus primarily on the profit making of entrepreneurs (Warneryd, 2008).

The first insight we have tried to exploit is represented by a positive link between entrepreneurship education and entrepreneurial attitudes, intentions or actions. The framework in which we have tested our assumptions is one of high uncertainty, characterized by the Affluenza virus. The Affluenza virus is, according to James (2007), a set of values that make us vulnerable to emotional distress. More precisely, it is about our insatiable desire for money, fame and power, our envious and obsessive need to compete with and compare ourselves to others. At a moderate level all these features can constitute incentives for starting a personal business. Thus, the problem is how we can distinguish between some patterns easily recognizable in an entrepreneurial behavior and a deviated behavior that doesn't lead to any personal or professional development.

In this new light we have tried to find out whether students have already been infested with the virus, resulting in hyper consumerist behavior, and also to somewhat measure the level of "infection". The sample was formed of 32 master students and 54 bachelor students from the Faculty of Business and Administration within University of Bucharest. We have applied the two questionnaires provided by James [5, p.7] in the beginning of his book. At this point we need to mention that we are perfectly aware of the humble dimensions of our sample but also it is necessary to point out that this kind of experimental approaches are totally

unusual in the Romanian academic landscape (regarding economic research), thus it was mainly an initiative to break the ice in this direction.

The results point out the age segment 26-42 as highly affected, the other age groups manifesting a lower intensity of the virus impact. The primary explanation consists in their connection with the labor market and the intricate perception of the act of consumption as a social signal. This illustrates the power of the perceived social norms, and thus the perceived social pressure to carry out or not an entrepreneurial behaviour. Increasing awarness on the risks we are exposed to as individuals within the contemporary society can lead to a better understanding of our motivational pillar and therefore have a positive impact over our work.

After acknowledging the status-quo of the students on the consumerist trends, we have advance, only to the bachelor group, two classical challenges posed by Tversky and Kahnemann (1981, 1998): the loss aversion problem (see figure 2) and the "Asian disease" problem (see figure 3). Once again we invoke the fact that we don't impose the validity of these results at a larger scale at this moment, but for certain they offer a similar perspective with the international research and they will be extended in the future.

Question 6. Imagine that you are richer by $20,000 than you are today, and that you face a choice between options: receive $5,000

B. a 50% chance to win $10,000 and a 50% chance to win nothing.

Question 7. Now imagine that you are richer by $30,000 than you are today, and that you are compelled to choose one of two options:

C. lose $5,000

D. a 50% chance to lose $10,000 and a 50% chance to lose nothing."

Source: Kahneman Daniel.,& Riepe Mark. (1998). Aspects of investor psychology. *Journal of Portfolio Management, 24.*

Figure-2: The Loss Aversion Problem

The research method was formed by two groups: a control group and a treatment group. The first stage consisted in exposing the loss aversion problem to the control group and after a week they were also exposed to the "Asian disease" problem.

The difference in approaching the treatment group was represented by a debriefing session after the decision related to the first problem in which the framing effect was explained as a cognitive bias: presenting the same option in different formats can alter people's decisions. Thus, the two questions are in fact similar translated in financial outcomes but there is this tendency to select inconsistent choices, depending on whether the question is framed to concentrate on losses or gains. After this "intermezzo", the following week, the same group was confronted with the second decisional problem.

People are informed about a disease that threatens 600 citizens and asked to choose between two undesirable options:

Option-1
(a) saving 200 lives with certainty
(b) one third chance of saving all 600 and two thirds chance of saving nobody

Option- 2
(c) 400 people dying with certainty
(d) two thirds chance of 600 dying and one third chance of nobody dying

Source: Tversky Amos.,& Kahneman Daniel. (1981). The framing of decisions and the psychology of choice, science, New Series, 211 (4481), 453-458.

Figure-3 : The "Asian disease" Problem

The control group followed the conventional path of the bias and they didn't recognize the similarity of the options in neither one of the situation. Fortunately, the treatment group behaved favorable to the "treatment" and most of the students have had the ability to identify the similar pattern and thus to make consistent choices. Moreover, they have also noticed that their inclination to make an inconsistent choice at the moment they have read option- 2.

Taking this point and also the responsibility for the small sample that was used in the experiment, in the next section we will try to emphasize some of the implications of these results for economic education in general and entrepreneurship education in particular. We underline once again that these assertions are not experimentally tested yet but they just offer a glimpse of a future article.

Implications for entrepreneurship and economic education

As prospect theory illustrates it, framing impacts people, because individuals perceive losses and gains differently. There are some voices that assert that the consequences of framing effects may be inescapable. The contemporary hyper consumption society is a vivid example of a subtle and expanding frame with a new philosophy at its core: to have or to be, to live only by possession and consumption.

However, we think that the effects of framing can be at least reduced by providing more coherent and credible information, reflected in education and especially in entrepreneurship education that trains individuals to assume more risks than usual but doesn't make them aware of these simple and in the same time complex implications derived from their personality and daily behavior.

Even if at a global level there are universities and associations which pay considerable attention to the impact of emotions on economic behavior, the Romanian economic academic landscape largely continues to ignore the insights coming from psychology, sociology or anthropology.

Especially for an entrepreneurial formation the issue of questioning the standard hypothesis and exploring alternative and non-conventional models should be a central preoccupation. The assumptions traditionally made, like the fact that agents (i) are driven by well-defined, stable and self-centered preferences, (ii) use all the information available and (iii) act in order to maximize their objective functions (Zari, 2009), are far from describing in a adequate manner human behavior and the discrepancies became even more accute on the shoulders of an entrepreneur. Therefore, advancing the idea of bounded rationality and explaining other cognitive dissonances and biases could be of considerable interest for students in their future professional endeavors but also in understanding the hidden part of their personality.

It is also of great help for our students to learn about simple things in their ordinary life with huge impact in socio-economic decision, like the "decoy effect" or "anchoring" (Ariely, 2008) just to give some examples, but the list can continue.

The hard truth of the matter is that the old rational Homo Economicus is very far away from the social and economic reality and we need an enhanced focus on education to train a sustainable generation of young economists and entrepreneurs.

3. Conclusion

Behavioral approaches have proven their consistency and relevance in a wide range of economic disciplines, starting from the well-developed now behavioral finance to neuromarketing, micro and macroeconomics and even managerial accounting.

The present paper supports the implementation of this approach also in entrepreneurial and business administration studies. Of course, the results of our studies should be viewed in the light of the study's limitations: the small number of students and their affiliation to only one program and one university. It will be very interesting to make further inquiries on students with the same hyper consumerist profile, but from a different specialization humanities or exact sciences for example. Also, to apply the same questionnaire in other Romanian cities not only in the capital, that is probably the most affected by the Affluenza virus.

Nonetheless, despite all limitations regarding mentalities and the number of subjects, it was quite clear, even at this stage, that after becoming aware of concepts like for example framing effects, anchoring, arousal impact, overconfidence in assessing probabilities and so on, students were much more able to recognize when their own emotions made the decision and not their rationality and they benefited from a better self control in decision process.

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CRITICAL SUCCESS FACTORS IN CONSTRUCTION INDUSTRY IN LIBYA

Abdelwahab Omran, Abdelnaser Omran and Abdul Hamid Kadir Pakir
School of Housing, Building and Planning,
Universiti Sains Malaysia, Pulau Pinang,Malaysia

Abstract

Performance of a project has always been an important issue in the construction industry. A critical success factors is something that the organization must do well to succeed. Critical success factors are very important cause influence that to project success. This paper seeks to identify the major factors influencing the success of the project, particularly in construction projects in Libya. A questionnaire survey was carried out to explore the most critical success factors for construction projects. A sample of 35 participants was involved in this study. As results, it was revealed that, project understanding, cost and time estimate, communication, adequate project control, top management support, client involvement, competent project team, problem solving ability and authority of the project manager are ranked as higher critical success factors in Libya.

Keywords: Critical success factors, Construction industry, Survey and Libya

1. Introduction

Construction is an activity to build buildings or constructions that are inseparable with their location. The result of construction activities are such as building construction, road, bridge, railway, tunnel subway, airport building, dams and etc. This activity includes planning, preparation, execution, demolition and repairing buildings and other constructions. The construction industry generally represents a significant share of the total economic activity of a country with corresponding demand of materials, services and labour inputs. It is sensitive to the movements in the general level of business activities; the movements in the construction tending to both amplify and lead those movements in the economy as a whole. In other words, its peaks are generally relatively higher, and its trough lower and both peaks and troughs tend to precede their counterparts in a general business cycle (BPS, 2003). Over the past two decades, construction industry sectors have been experiencing chronic problem such as low productivity, poor safety, inferior working conditions and insufficient quality. These problems have been identified as factors that affect construction's performance. Hampsons (1997) believed that construction performance affects productivity across all sectors of the economy. Generally, problems in construction can be divided into 2(two) which are External and Internal Difficulties. According to Odeh and Battaineh (2002), External factors were the lowest ranked group of factor by both parties. It seems that all parties are familiar with these factors and were able to deal with them effectively without causing any major delay. Al-Momami (2002) indicated in his survey that the major causes identified were: poor design, change order, weather, site conditions, late delivery, economic conditions and increase in quality.

2. Factors Effecting the Project Success

Project success factors are those input to the project management system that lead directly or indirectly to the success of the project or business (Cooke & Davies, 2002). Belassi and Tukel (1996) categorized success factors into four main groups. These are factors relating to the project managers, factors relating to the project, factors relating to the organization and factors relating to the external environment. Chan, Scott, and Lam (2002) identified a set of project success factors; project team commitment, contractor's competencies, risk and liability assessment, client's competencies, end-users' needs, and constraints imposed by end-user. Shenhar *et al.*, (2002), used multivariate analysis method to identify project success factors. They found that project success factors vary with project type, they depend on high uncertainty or low uncertainty, and that project managers must carefully identify the factors that are critical to their particular projects. High-uncertainty projects demand a specific focus on project definition, milestones, design, documentation, and policy and customer participation. Low uncertainty projects need to focus more on formal and structured selection of contractors, budget monitoring, quality and managerial autonomy.

3. Criteria of Project Success

Project success means different things to different people. Each industry, project team or individual has its own definition of success. Over the last 10 years, a number of researchers have shown intense interests in this topic. Munns and Bjeirmi (1996) consider a project as the achievement of specified objective, which involves a series of activities and tasks that consume resources. From the oxford Dictionary (1990), criterion is defined as a standard of judgment or principal by which something is measured for value. Lim and Mohamed (1999) advocated a criterion as a principle or standard by which anything is or can be judged. The Oxford Dictionary further defines success as a favorable outcome or the gaining of fame or prosperity. When combining these terms together, criteria of project success can be defined as the set of principles or standards by which favourable outcomes can be completed within a set specification. Pariff and Sanvido (1993) consider success as an intangible perceptive feeling, which varies with different management expectations, among persons, and with the phases of project. Owners, designers, consultants, contractors, as well as sub-contractors have their own project objectives and criteria for measuring success. However, client may value other dimensions more. Albert and Ada (2004) defined project success are dependent on project type, size and sophistication, project participants and experience of owners, etc. In the early 1990s, project success was considered to be tied to performance measures, which in turn were tied to project objectives. At project level, success was measured by the project duration, monetary cost and project performance (Navarre & Schaan, 1990). Time cost and quality are the basic criteria to project success, and they are identified and discussed in almost every article on project success, such as that of Belassi and Tukel (1996), Hatush and Skitmore (1997) and Walker (1995,1996). Atkinson (1999) called these three criteria the "iron triangle". He further suggested that while other definitions on project management have developed, the iron triangle is always included in the alternative definitions. Pinto and Pinto (1991) advocated that measures for project success should also include project psychosocial outcomes which refer to the satisfaction of interpersonal relations with project team members. Subjective measures such as participant's satisfaction level are known as "soft" measures. The inclusion of satisfaction as a success measure is suggested by Wuellner (1990). Pocock et al. (1996) further suggested including the absence of legal claims as an indicator of project success. This then calls for including "safety" as a success indicator as well, since it is sensible to expect that if accidents occur, both contractors and clients may be subject to legal claims, as well as financial loss and contract delay in the construction project. Kometa et al., (1995) used a comprehensive approach to assess project success. Their criteria include: safety, economy (construction cost), running/maintenance cost, time and flexibility to users. Songer and Molenaar (1997) considered a project as successful if it is completed on budget, on schedule, conforms to user's expectations, meets specifications, attains quality workmanship and minimizes construction aggravation. Kumarasamy and Thorpe (1996) included a variety of criteria in their study of project evaluation. These include meeting budget, schedule, quality of workmanship, client and project manager's satisfaction, transfer of technology, friendliness of environment, health and safety.

4. Methodology

As the primary objective of this study is to identify factors related successful project in construction industry. This study was carried out using structured questionnaire. As stated by (Sekaran, 2003) questionnaire is a popular method of collecting data because researchers can gather information fairly easily and the questionnaire responses are easily coded. The dependent variable for this study is successful project management in construction industry. This dependent variable is measured using 13 items. The items are as follows: All items were rated using a 5- point Liker scale with 1 representing strongly disagree to 5 representing strongly agree. The targeted population for this study was project leader and members from construction sector in Libya. The sample was project leaders and members from Libyan construction companies. This study aims to collect a sample size of about 63 using purposive sampling as the targeted sample need to be exposed to project management. All the collected information from the survey were checked and verified for their correctness. The returned questionnaires were then analyzed using Statistical Package for Social Science (SPSS); Version 11.5 for windows software. Further, after keying in the data into SPSS, a

Relative Importance Index (RII) was used to determine the most critical success factors (CSFs). The 5-point Likert scale was converted to relative importance index for each factor, which made it possible to cross-compare the relative importance of each of the factors as perceived by the respondents.

$$\text{Relative importance index} \quad (\text{RII}) = \frac{4n1 + 3n2 + 2n3 + 1n4 + 0n5}{4N} \quad (0 \leq \text{RII} \leq 1)$$

Where N = Total number of respondent, 4= highest weighted score (0, 1, 2, 3, 4) on scale of agreement (whereas n1 = number of respondents for Not Very important, n2= respondents for Not Important, n3= respondents for moderately important, n4=respondents for Important and n5 = respondents for Very important.

5. Results and Discussion

A critical success factors is something that the organization must do well to succeed. In terms of information system projects, a critical success factor is what a system must do to accomplish what it was designed to do. Based on the mean value criterion, the first ranking by the respondents' as CSFs was project understanding that is the major Critical success factor in construction projects in Libya. It is important that the project team understand the project, particularly with respect to project goals and objectives. Understanding the project mission is the most important factors related to project success (Pinto, 1988). The factor "Competent project team" seems to be the second-ranked factor that is as CSFs in construction projects in Libya. The competence of the project manager and project team members is a critical factor for project success, (Belassi, 1996). It is important that the project manager and project team be selected wisely to ensure they have the necessary skills and commitment to perform their functions affectively. "Effective communication" was ranked as the third critical success factor. "Whereas, effective communication is vital in creating an atmosphere for achieving project success (Hartman, 1996). Communication is not only essential within the project team, but also between the team and the rest of the organization and the client (Pinto, 1988). Further, in successful project the project manager is not only strongly committed to meeting project objectives, but also has the authority to have control over developing plans, making changes as required, and fulfilling them (Chua, 1999). Consequently, a factor such as "Realistic cost and time estimates" was ranked fourth. However, realistic and accurate cost and time estimates are critical to project success (Chua, 1999; Pinto, 1989). The next factor that considered as important CSFs in construction projects in Libya was "Problem solving ability" and ranked as factor number fifth. Regardless of carefully a project is planned, it is impossible to foresee every problem that could arise. It is vital that the project team is responsive and capable of taking appropriate action when problems develop (Jiangand, 1996, Pinto, 1989). Followed by, 'Project manager authority" factor which is ranked as sixth. Factor like "project planning" was ranked as the seventh critical factor. This is an important factor that project manager; engineer etc should be taken into consideration. In fact, the external factors which meant here are lack of materials on the market; lack of equipment and tools on the market; poor weather conditions; poor site conditions (location, ground, etc.); poor economic conditions (currency, inflation rate, etc.); changes in laws and regulations; transportation delays; and external work due to public agencies (roads, utilities and public services) and etc. "Adequate project control" are ranked as sixth factor followed by "resources" as the ninth CSFs. "Top management support" has been ranked the tenth CSFs. However, management support for has long been considered of great importance indistinguishing between success and failure (Belassi, 1996) and (Pinto, 1989). Project management is dependent on top management for authority, direction and support. Top management should make it clear that the project is worthwhile and that they support it, (Belassi, 1996) and (Nicholas, 1989). Interestingly, many upper managers are unaware of how their behavior influences project success (Graham, 1997). Additionally, successful projects have good control and reporting systems that provide adequate monitoring and feedback that enables comparison of team performance and project goals (Gioia, 1996, Jian, 1996, Jaselskis, 1988). Adequate monitoring and feedback mechanisms give the project manager the ability to anticipate problems, oversee corrective measures, and ensure that no deficiencies are overlooked (Pinto, 1998). The eleventh CSF appeared in our results

was external factor. Another CSF observed by the respondents was that project characteristics and it is ranked the eighth (see Table 1). The last CSFs are Clint involvement and it is ranked. However, in the project delivery is important to project success, but this study has shown that this kind of factor is ranked by the respondents as the latest factor that might be as critical factor in construction project in Libya. However, a research by Jiang, (1996) proved that such factor can be considered as one of the priorities factor to be making the project a success. For successful project the user must be strongly committed to the project goals and be involved in the project management process (Kharbanda, 1996).

Table-1: Ranking the most important Critical Success Factors in Libya

Factor	RII	Ranking
Project understanding	0.891	1
Competent project team	0.853	2
Communication	0.833	3
Realistic time and cost estimates	0.831	4
Problem solving	0.829	5
Project manager authority	0.801	6
Project planning	0.792	7
Adequate project support	0.788	8
Resources	0.781	9
Top management support	0.704	10
External factors	0.689	11
Project characteristics	0.674	12
Client involvement	0.661	13

6. Conclusion

The project management process is complex, usually required extensive and collective attention to a broad aspect of human, budgetary and technical variables. In addition, projects often possess a specialized set of critical success factors in which if addressed and attention given will improve the likelihood of successful implementation. On other hand if these factors were not taken seriously might lead to the failure of the project management. As projects are used widely in the construction industry, therefore, it is vital to identify factors that contribute to the successful implementation of a project and to identify the factors' relative importance as the project journeyed throughout the life cycle. This paper, therefore, identified the major factors influencing the success of the project, particularly in Libya.

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ENCOURAGING ENTREPRENEURSHIP AND ITS IMPACT ON ECONOMIC DEVELOPMENT IN EMERGING ECONOMY: AN OVER VIEW

Syed Mohammad Ather[1] & Balasundaram Nimalathasan[2]

[1]Department of Management Studies, University of Chittagong, Bangladesh.

[2]Department of Accounting, University of Jaffna, Sri Lanka.

Abstract

Entrepreneurial activities create incremental wealth, which is a precondition to economic growth. Entrepreneurship nowadays is universally recognized as critical resource in the economic development process of a country. In view of this fact entrepreneurship development received serious attention among the policymakers, planners and development economists as a strategy of economic growth. The study highlights the impact of encouraging entrepreneurship on economic development in emerging economy. Therefore, efforts are to be directed towards the search and development of such entrepreneurial talents. The fact that entrepreneurial ability is a cultivable asset, the supply of which can be generated and enhanced through education, training and opportune economic climate, has forced the attention of policy makers and planners towards entrepreneurship as the desirable and manageable route to economic development. It is widely acknowledged that entrepreneurship is critical to the development of knowledge-based economy. Moreover, the given recommendations would be helpful to the practitioners, researchers, planners, policy makers and academicians, who are involved in the development of entrepreneurship.

Keywords: Entrepreneurship; Economic Development (ED); Emerging Economies

1. Introduction

The presence of entrepreneurism in an economy is a healthy sign. The economic growth increasingly relies on entrepreneurship as its driving forces (Kourilsky & Esfandiari, 1997). Entrepreneurship in an area devoid of any significant economic activity has a different connotation and is to be understood differently. It does not emerge out of industrial background with well developed institutions to support and encourage it, and it is characterised by the conditions associated with underdevelopment. Therefore, the entrepreneur in this region may not be an 'innovator' but an 'imitator', who would copy the organization, technology, products of the innovators from the other developed regions. (Wohl, 1969). A number of social scientists have contended that entrepreneurship is the key variable which links the social-cultural milieu with the rate of economic development. Recently even economists have shifted the emphasis from the rate of capital formation to the growth of high-level manpower such as entrepreneur as the major determinant of the rate of economic growth. In the economic analysis of the neo-classical economists there is no room for enterprise and initiative. Both the micro and macro theories have assigned a passive role to entrepreneurship or consider even some theoretical firms as entrepreneurs. In the firms' behavior analysis the entrepreneur or the management group is viewed as a passive agent of the production process who acts mechanically to changes imposed on it. The maximization models which have been recently developed have introduced the firm's real investment programme as a decision variable. In fact this decision variable calls for entrepreneurial skills. The recent experiences from developing countries all over the world fevers the hypothesis that entrepreneurship can be developed through planned efforts. There also has been wide recognition that the entrepreneurial development is essential not only to solve the problem of economic development but also to solve the problems of unemployment, unbalanced areas development, concentration of economic power, and diversion of profits from traditional avenues of investment. Therefore, one can notice some attempts by the government's

development agencies and other institutions to undertake the task of entrepreneurial promotion.

2. Objectives

The main purpose of the study is to encourage entrepreneurship and its impact on economic development in emerging economies. In order to materialize this objective, the following specific objectives have been considered.

1. To understand the philosophy and concept of entrepreneurship and economic development;
2. To establish the linkage between entrepreneurship and economic development with economic growth;
3. To identify the impacts of entrepreneurship on economic development; and
4. To suggest some measures in order to encourage the entrepreneurship and its development.

3. Material and Methods

Given the nature of the present study, it was required to collect data from the secondary sources. The authors were always careful of the objectives of the study and collected data accordingly to achieve those objectives. Secondary data were collected from research studies, books, journals, newspapers and ongoing academic working papers. The collected data may be processed and analyzed in order to make the present study useful to the practitioners, researchers, planners, policy makers and academicians of the concern area.

4. Discussion and Findings

The findings of the study have been analyzed under the following sections. One hand, the terminology of entrepreneurship and economic development. On the other hand, the linkage and its impact between entrepreneurship and economic development.

4.1 Entrepreneurship

Cunningham and Lischeron (1991) in their article, "Defining Entrepreneurship" stated that the term entrepreneurship is derived from the French verb 'entreprendre' and the German word 'Unternehamen', both of which mean ' to undertake'. According to Robbins and Coulter (1998) entrepreneurship is a process of identifying the profitable opportunities from the environment, exploiting those opportunities through the successful organization of business operations, handling the risks and uncertainties carefully and managing the operations systematically to help attain the objectives of a firm. On the other hand Cole (1942) indicated that entrepreneurship is the purposeful capacity of individual or a group of associated individuals, who undertake to initiate, maintain or organize some profit-oriented business units for the production or distribution of economic goods and services.

Hagen (1962) described that entrepreneurship is creating opportunities for investment and production, establishing an organization capable of introducing new production process, accumulation of capital, collection of raw materials, innovation of new production techniques and new products, searching for new sources of raw materials and above all the selection of an efficient manager to run the day affairs of the organization. Entrepreneurship is generally accepted to be a necessary condition for sound long-term economic development (Carree & Thorax, 2003). Entrepreneurs introduce new products and new production processes in an economy. In the process, incumbent firms are forced to innovate in order to withstand the pressure generated by new firms. As a result, entrepreneurship has a rejuvenating effect on economies. This theoretical relationship has inspired a large body of empirical work, largely in agreement with the expected positive effect between entrepreneurship and economic growth (Prague, Van, & Versloot, 2007).

4.2 Economic Development

Economic development has been a focal point right from the days of Adam Smith, Ricardo, Mill, Schumpeter and other noted economists. Adam Smith did not assign any significance to entrepreneurial role in his monumental work 'An inquiry into the Nature and Causes of the Wealth of Nations' published in 1776 (Bisht & Sharma, 1991). Ricardo (1992) identified machinery, capital and labour as three important factors of production. According to Ricardo (1992) profit, profit leads to saving of wealth, which ultimately goes to capital formation and leads to economic development. Lewis (1969) stated that the proximate ways of economic development are: (1) The effort to economies; (2) The increase of knowledge and its application to production and increasing the amount of capital or other resources per head. Since economic development is closely associated with 'human-endowments', social attitudes, political conditions and historical accidents, only economic requirements for development are not enough. The thinking of the economists during 1950s and early 1960s focused mainly on the concept of 'stages of economic growth' in which the process of development was viewed as a series of successive stages through which all countries must pass. It was primarily an economic theory of development in which the right quantity and mixture of saving, investment and foreign aid were all that was necessary to enable developing nations to proceed along an economic growth path that historically had been followed by the more developed countries. Development thus became synonymous with rapid, aggregate economic growth. Economic development refers to increases in the standard of living of a nation's population associated with sustained growth from a simple, low-income economy to a modern, high-income economy [Alan Deardorff, (------); Hla & Anne (2009)]. Its scope includes the process and policies by which a nation improves the economic, political, and social well-being of its people [O'Sullivan & Steven (2003)]. Furthermore, economic development refers to social and technological progress. It implies a change in the way goods and services are produced, not merely an increase in production achieved using the old methods of production on a wider scale. Economic growth implies only an increase in quantitative output; it may or may not involve development. Economic growth is often measured by rate of change of gross domestic product (GDP) (eg. percent (GDP) increase per year.) Gross domestic product is the aggregate value-added by the economic activity within a country's borders. Economic development typically involves improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates. GDP does not take into account important aspects such as leisure time, environmental quality, freedom, or social justice; alternative measures of economic well-being have been proposed.

4.3 Entrepreneurship and Its impact on Economic Development

Entrepreneurship is commonly seen as a positive, even pivotal, aspect of economic development. The main argument for the positive effect of entrepreneurship can be found in Schumpeter's work (Schumpeter, 1912) wherein he discussed that by introducing new ideas, products, production processes and organizational structures, entrepreneurs challenge the current economic conditions. Existing firms need to adapt to the new standards set. Firms that are unable to do this will experience performance loss and will eventually disappear. This process of 'creative destruction' enhances regional economic development. In a nutshell, this is the basic reasoning often applied in assessing the role of entrepreneurship in economic growth for developed countries. It remains unclear whether the same positive relationship can be expected for developing countries. There are reasons to expect that the situation may be different in developing countries. The Schumpeterian view on entrepreneurship assumes that new firms are started on the basis of perceived business opportunities that are left unexplored by incumbent firms. Particularly in developing countries, many new firms are started for different reasons. The distinction between opportunity and necessity entrepreneurship is relevant in this respect. Opportunity entrepreneur's

base their new firms on perceived business opportunities, whereas necessity entrepreneurs are pushed into entrepreneurship because all other options for work are either absent or unsatisfactory (Bosma & Narding, 2007). These different motivations carry through to the actual business itself. Although opportunity entrepreneurs can be said to contribute to the market by testing new combinations that they have perceive as a business opportunity, this is not so for necessity entrepreneurs. The motivation for entrepreneurship is found in the need innovation, it is not implied as in the opportunity-entrepreneurs case. Necessity entrepreneurs can, therefore, be expected to be less inclined to growth than opportunity entrepreneurs. The occurrence of necessity entrepreneurship can be expected to be related to the early development stage of an economy. Developing countries are assumed to have higher shares of necessity-based entrepreneurship because of the need for self-support and lack of employment opportunities. People in developing countries, particularly if a welfare system is in place (Henrekson, 2005), experience less push factors into entrepreneurship, and necessity based entrepreneurship can be expected to be less important. Global Entrepreneurship Monitor data indeed shows this pattern. In the 2004 report (Acs, Arenius, Hay & Minniti, 2005), a clear correlation was found between the opportunity-necessity ratio and GDP levels. It can, therefore, be said that the Schumpeterian relationship between entrepreneurship and economic development applies mainly to developed countries. Economic development of any region is an outcome of purposeful human activity. Men assume various roles in the development process, namely, as organizer of human capital, natural material resources, worker and consumer. He stands at the centre of the whole process of economic development. According to Schumpeter (1971) economic development consists of "employing resources in a different way", bringing in a new combination of means of production. The entrepreneur looks for ideas and puts them into effect for economic development. Every concrete process of development finally rests upon preceding development. Every process of development creates the pre-requisites for the following. Thereby the form of the latter is altered and things will turn out differently from what they would have been if every concrete phase of development had been completed first to create its own conditions. Development, according to Schumpeter, is a distinct phenomenon, entirely foreign to what may be observed in the circular flow or in the tendency towards equilibrium. It is spontaneous and discontinuous change in the channels of the flow, disturbance of equilibrium, which forever alters and displaces the equilibrium state previsiouly existing (Schumpeter, 1971). In real life, development of industrial and commercial activities and spontaneous and discontinuous changes in consumer's taste disturb centre of equilibrium. Businessman in the process of coping with such disequilibrium indentifies opportunities for himself. It is however, the producer who as a rule initiates economic change and consumers are educated by him if necessary; they are as it were, taught to want new things or things which differ in some respect or other from those which they have been in the habit of using. The producer combines material and forces so as to meet the wants of consumers. The impact of entrepreneurship on economic development have been discussed as under the sub-heads.

Economic Thinking

The sense of high need achievement and motivation introduced by entrepreneurs bring about the required necessities in a class of society which transform the perception of the economic thinking, which is necessary to bring about the economic development.

Empowerment

Entrepreneurship leads towards a broad range of aspects including financial and decision-making capacities of individual persons which ultimately results in "Empowerment". "An Empowered Nation" is absolutely necessary for the overall development of a country which can efficiently rid of the curse of poverty.

Enhancing Purchasing Power

The long-term goal of entrepreneurial efforts aims to ensure that poor can contribute and share the benefits of growth through enhancing their purchasing power. It will in turn encourage economies to specialize in, and concentrate on, areas where these will add relative cost advantage over other economies. Eventually, this will become a strong tool for poverty alleviation.

Utilizations of Resources

Entrepreneurship encourages utilizing the resources (i.e., capital, labour and raw materials) which otherwise remain unused. They (entrepreneurs) can mobilize rural savings, which may otherwise remain ideal, or which may be spent on luxuries or channeled into non-productive ventures.

Foreign Exchange Earnings

Entrepreneurship facilitates substantial foreign exchange savings and earnings. A wide range of consumer and simple producer goods, now being exported, it may give more foreign flow inside of the country.

Regional Development and Industrial Dispersal

The concentration of industrial and other activities has given birth to the phenomenon of the so-called pockets of development where economic and social change is achieved at a much faster rate than in the outlying rural districts. This, trend, although predominant, can be checked and corrected through the entrepreneurship. For one thing, such entrepreneurship leads to the creation of employment opportunities on a dispersed basis not only in large cities and towns but also in smaller towns and far-flung, regions. Therefore, entrepreneurship makes to reverse the current trend of the migration of the people from rural to urban areas.

5. Policy Implications

Although the present study was confined to encourage the entrepreneurship and its impact on economic development, it may be appropriate to state briefly the policy implications for the study. In this context, the following policy actions may be considered worthwhile.

Infrastructural Environment

To develop infrastructural environment it is needed to change the present institutional structure of the country. For the development of entrepreneurship, it is necessary to supply more and more infrastructural elements, especially to improve power, gas and telecom sectors. For producing these elements, Government can invite and accept foreign investment and investors if needed.

Entrepreneurship Development Institute

The Government should establish similar institutes in other areas of the country at least one in each assistant government divisions. In this connection the examples of India may be mentioned where there are a number of Government sponsored institutes or centres offering entrepreneurship development programmes at national level and state levels. For example Entrepreneurship Development Institute of India (EDII), Ahmedabad, National Institute of Entrepreneurship and Small Business (NIESBUD), Delhi, Small Industries Service Institutes (SISI), National Institute for Small Industry Extension and Training (NISIET), National Science and Technology Entrepreneurship Development Board (NSTEDB) etc at national level and Institutes of Entrepreneurship Development (IED) and Centre for Entrepreneurship Development (CED) at state levels work for the training and promotion of entrepreneurship throughout the country. A directory of industrial, technical and management experts is to be prepared so that prospective entrepreneurs can make use of their expertise at various stages of establishing the units.

Integrated Package Assistance

Integrated package assistance, viz., simulative supportive and sustaining services may be offered by the governmental and promotional agencies to the sample entrepreneurs in order to develop entrepreneurship in study areas. For this purpose, clear-cut policy decisions may be advocated.

Research and Development Forum

Entrepreneurs, bankers and policy makers need information about potential and existing competitors, finance, market and technology as well. A research cell involving representatives from concerned agencies including universities can be engaged in finding innovative plans and ideas refining information, developing new method of production and collecting the news about the advent of new technology in business. This type of cell may be formed either at private level or at Government level of both, so that all interested groups can get information for the development of business and activities upon request on fee basis.

Privatization Policy

The formulation of privatization policy with necessary incentives, legislation and facilities may contribute to the promotion of entrepreneurship.

6. Concluding Remarks

Entrepreneurship has been widely recognized as a potent factor in economic development. The concept of entrepreneurship is decorated by various attributes like 'innovation', 'organization building ability', 'gap-filling function', 'input completing' etc. The persons with these qualities are required to initiative and sustain the process of industrialization. Therefore, efforts are to be directed towards the search and development of such entrepreneurial talents. The fact that entrepreneurial ability is a cultivable asset, the supply of which can be generated and enhanced through education, training and opportune economic climate, has forced the attention of policy makers and planners towards entrepreneurship as the desirable and manageable route to economic development. It is widely acknowledged that entrepreneurship is critical to the development of knowledge based economy. Moreover, the given recommendations would be helpful to the practitioners, researchers, planners, policy makers and academicians, who are involved in the development of entrepreneurship.

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THE PERFORMANCE OF CONSTRUCTION FIRMS SUSTAINABILITY: SUCCESS IN INDUSTRY

Waleed Mohamad Rashideh and Abdelnaser Omran
School of Housing Building and Planning, Universiti Sains Malaysia

Abstract

The importance of sustainability for the future generation cannot be overemphasized. There is an increased awareness about sustainability issues among both the government and private sector. The achievement of sustainability depends on the three pillars of sustainability; environmental, economic and social criteria. Governments and firms may apply these criteria as the framework towards achieving sustainability. When the firms do not apply these criteria, it could be due to a number of constraints, both at the organizational level or as a result of social related issues. Malaysia is one of the fastest growing countries in South East Asia. The rapid development is the preferred avenue to promote sustainability practices. The paper attempts to examine the relationships between sustainability factors and the performance of Malaysian construction firms. This research adopts the approaches of questionnaire survey and selective interviews focusing on Malaysian contractors registered with Construction Industry Development Board of Malaysia (CIDB), from Grade 4 to 7. The examination of relationships was done using Pearson Product Moment Correlation Coefficient test where the guidelines of correlation coefficient (r) will be employed to interpret relationship among variables. The study provides evidence that with better implementation of sustainability practices within an organizations, the better the performance in sustainability would be for that said organization.

Keywords: Sustainability factors, construction industry, firms' performance, and indicators.

1. Introduction

Sustainability has long been recognised as one of the most important issues that affect the future of human civilisation. Sustainability is believed to be based on striving for a balanced use of resources between the present and future generations. The integration of the three dimensions of sustainability makes the concept universal and holistic (Mickwitz and Melanen, 2009; Spilanis, et al., 2009). Sustainability is a comprehensive concept governed by three bottom lines which are the social, environmental and economic performance of sustainable development (Ding, 2008; Elkington, 1997; Gasparatos et al., 2009). The notion behind sustainability arises from several issues, mainly issues that include climate change, biodiversity loss, global water crisis and many other environmental changes (Baumgärtner & Quaas, 2010). Though there may exist various methods to approach sustainability, several groups of academicians have come to the fundamental agreement that sustainability basically concerns protecting the planet while fulfilling the satisfaction of needs from different stakeholders (Boyko et al., 2006).

Sustainable development must consider improving the ability to understand the social responsibility and having awareness towards shareholders and social events (Gloet, 2006). Efforts toward creating sustainability have to be on a global scale (Ugwu & Haupt, 2007). This implies that the efforts towards sustainability have to be channelled from both local and global sources. A mere personal approach effort will not be sufficient in achieving sustainability, but ultimately a more collective effort is required to change the behaviour of man to achieve the sustainability concept (Phillips, 2003).

From the social perspective of sustainability, the provision of good education, creating goodwill and the improvement of community consultation are crucial in attracting new people to new townships (Boyko et al., 2006). Therefore, it is a task for companies to provide equality among workers in terms of knowledge and education (Azapagic, 2004). It seems that, to be successful in establishing social sustainability, one should interact with relevant social players such as government, local authorities, employees, end users, media and nongovernmental organizations (Zabel, 2005). In this context, it seems to imply that a good relationship between management officers and workers are one of the elements in achieving sustainable development successfully in the organization. Considerations should also be given to the significant issues influencing these areas such as health, crime and social expectations. These considerations could help to make these areas to be socially sustainable. Therefore, in order to deal effectively with sustainability, the key players must consider the need for extra knowledge. Having identified the database for knowledge will indefinitely make it easy to be used and applied as well as enable new skills to be practiced in the journey towards sustainability (Gloet, 2006). Sustaining economics of business is a major element of sustainable development which creates profits and supports employment which will consequently contribute towards social welfare (Azapagic, 2004). Should the economies of business fall, the resulting stress will impact the company in negative ways, such as reduced production as well as insufficient or weak financial standings. Therefore, there is an urgent need to increase the awareness of economic performance which leads to the sustainability of the organization.

The need for sustainable development within the construction industry is much required as unsustainable construction has undoubtedly had an adverse effect on the environment. The construction industry contributes to sustainable development by achieving the following aims: (1) making construction more profitable and competitive, (2) delivering buildings and structures which provide greater satisfaction, well being and more added value to customers and users; (3) fair respect and treatment for stakeholders; (4) enhancing and better protecting the environment and; (5) minimizing construction impact on the consumption of carbon based energy and natural resources (DETR, 2000). At this juncture, it is suffice to imply that the principles of sustainable construction adhere to the definition of sustainable development by protecting the environment and at the same time enabling people to improve their lives through the pursuit of economic and social objectives. Basically the aims of sustainable

construction are to, (1) build for the long term-construct buildings that are durable and long lasting; (2) build for our children-make their environment safe and; (3) build for the planet-draw materials from sustainable resources (Alameda County, 2002). It can be deduced here that sustainable construction is all about human interaction with the environment and the adoption of sustainability principles that will transform companies into becoming more conscious towards the environment as well as the fate of future generations. Currently, most approaches only include the economic and environmental indicators of sustainable development and do not include the social factors (Azapagic & Perdan, 2000). The construction industry on the other hand should not only look at fulfilling the environmental dimension, but also to concentrate on the other two pillars of sustainability; economic and social (WCED, 1987). This should be done to avoid unequal segregation of focus, i.e. achieving the objectives of environmental protection but at a complete negligence of the social and economic objectives. However, in some countries, only a handful of construction firms identify economic, social and cultural factors as part of their sustainable framework of construction (Bourdeau, 1999).

The responsibility of construction firms is to understand the impact of environmental damage they cause and take tangible measures to address the problems. The purpose of proposing sustainable construction is to address the responsibility of the construction industry in attaining sustainability (Hill & Bowen, 1997). In order to attain sustainability, construction activities must contribute to the improvement of the environment as well as the advancement of society (Shen et al., 2010). Due to the weaknesses facing the construction industry, their challenge has been in the areas of productivity, quality, safety, technology and unproductive practices (Zainul Abidin, 2008; Zainul Abidin, 2009). The Construction Industry Development Board of Malaysia (CIDB) identifies environmental factors and other sustainability issues as one of the top issues in the Malaysian construction industry (Zainul Abidin, 2008; Zainul Abidin, 2009). In dealing effectively with sustainability issues, a wide range of factors, including those at the micro and macro level must be taken into consideration (Gloet, 2006). As highlighted by Azapagic (2003), these issues remain the same even for different businesses and sectors. It also needs changes in work practices in many cases (Gloet, 2006). WCED (1987) declared that many of the sustainable development issues are related to the depletion of the resources and therefore, environmental stress has appeared in the political and economic power deliberations. Furthermore, other issues have also appeared from the social perspective such as child labour, discrimination, corruption and working conditions that reflect the ethics of the companies, which should require a mechanism to help the firms' efforts in decreasing social impact (Hauschild et al., 2008).

2. Measuring Sustainability Performance

Indicators are numerical measures for providing major information in relation to social, economic and physical systems (Veleva et al., 2001). These numerical measures can then serve as a measurement tool to gauge the progress in achieving certain goals, help in decision making, and increase the awareness of sustainability. In the context of sustainability, indicators are a method for measuring and analyzing the progress in achieving sustainability objectives in an easy and understandable manner for the benefit of educating and communicating to project stakeholders (Guy & Kibert, 1998). The performance indicators may vary for different companies; therefore, the selection of indicators may be determined by project stakeholders or professional consultants. Sustainability indicators play an important role in different factors, such as; (1) a linkage between objectives and goals to the management activities; (2) performance assessment; (3) build consensus or in-house policy; (4) make operational principles more obvious and ethical and; (5) translate aspects of sustainability in the form of performance measurement (Azapagic, 2004; Azapagic & Perdan, 2000; Potts, 2006). These different aspects are important as they measure the progress of achieving sustainable development objectives at different levels; both macro and micro. Taking the construction sector as an example, the indictors could be

used to indicate or gauge items such as land use and diversity. The use of indicators could be translated as a form of implementation towards performance improvement of the industry.

In order to take sustainability into serious consideration, raising awareness and training are essential (Zainul Abidin, 2010). This is due to the fact that cultures of communities are influenced when addressing environmental and economic effects (Guy & Kibert, 1998). Currently, there seems to be an increasing level of awareness as well as the integration of sustainability within business practices. This is evident as construction firms are moving towards reducing the environmental impact of construction activities, measuring the impact in order to give a positive impression on the society and making sustainability as the part of the agenda of corporate sustainability (Azapagic, 2003; Robinson et al., 2005). The increase in awareness has also pushed the sector to encourage improvements through initiatives and programmes, such as best practices programmes and performance indicators (Robinson et al., 2005). Measuring the performance of contractors in achieving sustainability is one of the key issues facing the construction sector (Dunna & Burela, 2007). The performance of contractors in achieving sustainability may be the key element in determining whether the company is successful in implementing sustainability through construction. Environmental performance measures seek to gauge impact on the environment, i.e. emissions, ozone depletion rates, climate change, toxicity, extraction of water and minerals and depletion of fossil fuels (Shiers et al., 2006). The entire spectrum of environmental performance may be too broad to be applied to construction firms. According to Azapagic and Perdan (2000), methods are still under development as the availability of quantitative applications in real-life studies are few and far in between. A more localized measure of impacts such as emissions, building impact, use of land as well as water pollution may be better suited and sufficient for the subject matter of performance measures.

Presently, the progress towards sustainability may not be the same for every company as local constructions firms are not on a common levelled plane or field in terms of progress. Some companies may have implemented sustainability as a core company strategy since their establishment while some may have just started. This calls for the assessment of a firm's status in achieving sustainability to be more suited for and reflective of this situation. The assessment may comprise of a tailored framework for construction firms which highlight standards and company performance in sustainability. The assessment will show shortcomings via investigating the performance in carrying out construction projects from the sustainable development point of view (Shen et al., 2010). Upon determination of the firm's status of sustainability, it is possible to draw and arrange the company's future aims with regards to sustainability. The assessment also leads to defining the acceptable sustainability performance indicators (GRI, 2002). By implementing the performance measurement models, organizations are able to enhance their business process and at the same time help in developing strategies to sustain their long-term business objectives (Dunna & Burela, 2007).

In this context, construction is known to be one of the most unsustainable sectors and the increase in awareness has pushed the sector to encourage improvements through some initiatives and programmes such as the construction best practices programme and the move towards innovativeness (Robinson et al., 2006). Krajnc and Glavic (2005) have also maintained that there is a need to identify and develop a comprehensive model or framework including sustainability standards, which concentrates on the performance of the sector in more detail and can be fitted and tailored to the assessment of sustainability of companies. The process of using indicators tries to include strategic policy and implementation towards performance improvement of the industry (Ofori, 2001). When the purpose is to monitor the performance, it is recommended to develop the indicators of sustainability factors (Fricker, 1998). Azapagic and Perdan (2000) showed that sustainability indicators are developed by companies and sectors to be used internally or as tools to communicate with stakeholders. Figure 1 shows the key sustainability issues for the mining and minerals sector.

Key sustainability issues for the mining and minerals sector		
Economic issues	**Environmental issues**	**Social issues**
✓ Contribution to GDP and wealth creation ✓ Costs, sales and profits ✓ Distribution of revenues and wealth ✓ Investments (capital, employees, communities, pollution prevention and mine closure) ✓ Shareholder value ✓ Value added	✓ Biodiversity loss ✓ Emissions to air ✓ Energy use ✓ Global warming and other environmental impacts ✓ Land use, management and rehabilitation ✓ Nuisance ✓ Product toxicity ✓ Resource use and availability ✓ Solid waste Water use, effluents and leachates (including acid mine drainage)	✓ Bribery and corruption ✓ Creation of employment ✓ Employee education and skills development ✓ Equal opportunities and non-discrimination ✓ Health and safety ✓ Human rights and business ethics ✓ Labour/ management relationship ✓ Relationship with local communities ✓ Stakeholder involvement ✓ Wealth distribution

Source: Azapagic, (2004)

Figure-1: Key sustainability issues for the mining and mineral sector

The Figure -1 above shows the concern about the major sustainability factors and their elements. Developing the indicators was derived from each of this issue. The capabilities of this model is in assessing the level of sustainability at the company level, as well as sustainability reporting, while it is too difficult to translate these issues into indicators of sustainable development, besides being good for large scale organizations (Azapagic, 2004). Therefore, what should be done to improve sustainable construction performance? The following section presents the real need for sustainable construction.

3. The Push towards Sustainable Construction

Construction has always been the spearhead for development and is always seen as the economic driver of a nation. Therefore, construction has grown to indelibly become a truly important industry for any nation. Since the 1992 Earth Summit in Rio de Janeiro, the construction industry has been hard-pressed to be more proactive towards achieving sustainability. Combined with the sheer magnitude of construction and its importance, it is without a doubt that the industry could contribute in many ways towards the bigger picture of sustainable development. It can be deduced that after the summit, construction companies have begun to implement or integrate sustainability into practice. The deduction is based on the premise that contractors often face environmental challenge when they attempt to seek safe sustainable development (Patermann, 1999). In the later stages of their policy implementation, they often realize that their policies must and should be assessed and evaluated. The assessment may be done to coincide with the three pillars of sustainability, being; economic, social and environmental factors. Conscious of this pertinent matter, sustainable development researchers have developed a sustainable development assessment framework (Ding, 2005). Construction is about supply and demand. Clients, i.e. building occupants, anticipate a certain level of expectations to be gained from the use of the building. Expectations here may be derived from the building fulfilling its intended function as well as the building fulfilling social expectations. Social

expectations have their correlations with the social perspective of sustainability. Social sustainability involves fulfilling the satisfaction of human needs, having a fair justice system and at the same time account for the fate of the future generation (Azapagic & Perdan, 2000; Spangenberg & Bonniot, 1998).

The growing consideration of sustainable development will cause an effective switch in future actions where contractors will have an improved perception towards understanding social responsibility and a more cautious approach to shareholder needs (Gloet, 2006). However, Gloet (2006) added that in order to achieve sustainable development in terms of social progress, there arise the need to improve on aspects such as change, enhancing awareness and improvements in social responsibility. Social sustainability is achieved in developed countries through changes in behaviour, lifestyles and in attitude (Fricker, 1998; Kühtz, 2007). From the organizational perspective, social sustainability provides the necessary human capital to impact corporate profitability, continuity and achievement of organizational targets (Wilkinson et al., 2001). Therefore, it is implied here that in order for organizations to stay competitive within the industry, they should invest in human capital by training the employees. The study chooses the contractor firms to examine the relationships between sustainability factors and sustainable construction firms' performance.

4. Research Methodology

The research adopts a questionnaire survey as the main research method, backed up by selective interviews. Both the questionnaires and interviews were conducted on construction companies in the Malaysian construction industry. The data collected was analysed by means of statistical analysis.

4.1 Questionnaire Design

The review of literature revealed that there was no comprehensive list of performance indicators developed specifically for construction firms. The survey, which consisted of two main parts, is aimed at examining the relationship between sustainability factors and the performance of construction firms among contractors. Part one sought background information about the respondents, such as the experience of the respondents in the construction firms, and the type of projects their companies had or were involved in. In part two, respondents were asked to rate their level of agreement towards the indicators based on a Likert's scale; where 1 denominates 'strongly disagree', 2 'disagree', 3 'neither agree or disagree', 4 'agree', and 5 'strongly agree'.

4.2 Questionnaire Survey

The study is limited to the contractors registered with the CIDB in Malaysia. As at in June 2008, there were 63,465 registered contractors in Malaysia under various grades of classification; Grade G1, G2, G3, G4, G5, G6 and G7 (CIDB, 2008), based on the size of projects, capital and personnel resources contractors (Fadhlin, 2004). For the purpose of this study, it excludes none and dormant contractors from the calculations. Low Grade contractors (G1-G3) represented the highest registration (82%) compared to the other grades which accounted for 52,482 contractors. The middle category of contractors (G4-G5) represented (9.5%), accounting for 5,583 whilst the big contractors (G6-G7) accounted for 5,400 (8.5%). The G1 category, representing the lower contractors are usually driven by cost and working as sub-contractors to the bigger contractors (CIDB, 2008). The study considers the categories of G4, G5, G6, and G7 which are the medium to large contractors, for several reasons: 1) These contractors were involved and performed construction projects, 2) contractors had direct impact on the environment, and 3) from G1 to G3, the capital paid was less and number of employees was also less as well whereas for G4 to G7, the paid up capital and number of employees were substantially higher.

Obtaining views from different grades of companies ensures a holistic indicators set for the sustainable performance of the construction firms. The study chose the probability sampling design (Sekaran, 2003).

The study divides the population in strata on the basis of some characteristics and from each grade draws at random a predetermined number of units (Singh, 2006). For the research the disproportionate was selected in the process (Singh, 2006). Then for each grade the research used a simple random sampling process because it has the least bias and offers the most generalizability to the entire contractors (Sekaran, 2003). Subsequently, the final version of the questionnaire was distributed to 510 contractors companies. The returned questionnaires were 319. Table-1 summarizes the responses based on two data collection methods for this research.

Table-1: Summary of Data Collection Techniques

Method of Collection	G4	G5	G6	G7	Total
Self-Administered Survey	51	70	35	137	293
Interviews via questionnaires	5	7	4	10	26
Total	**56**	**77**	**39**	**147**	**319**

All the questionnaires were processed, computed, and analysed. Table-2 summarises the response rate of the respondents in the data collection.

Table 2: Summary of Questionnaire Distribution

Item	Questionnaires Distributed	Questionnaires Returned	Percent
G4	90	56	62%
G5	140	77	55%
G6	70	39	55%
G7	220	147	66%

4.3 Data Analysis Method

To ensure that the rating scale (1-5) for measuring the indicators produced the same results over time, a reliability analysis using the internal consistency method was first conducted. The analyses were performed with the use of the Statistical Package for Social Sciences (SPSS) statistics software (version-14). The Pearsonian Product Moment Correlation Coefficient test was selected to examine the relationship between sustainability factors and the performance of construction firms among the contractors. To interpret the relationship among variables, the guidelines of correlation coefficient (r) were used (Rowntree, 1981).

5. Analysis and discussion

5.1 Respondents Background

After the questionnaire was distributed, a total of 319 responses were received. This total number of questionnaires returned is deemed valid for the analysis. Among those responses, 50 completed responses were from directors, 149 from managers, 37 from senior executives, 45 from project managers, 13 from architects, 14 from engineers and 11 from other positions within the respective companies with an overall response rate ranging from 3.4% and 46.7% as shown in Table-3.

Table-3: Background Information of Contractors (%)

Respondents	Number of Questionnaire Valid response	Percentage (%)
Director	50	15.7%
Manager	149	46.7%
Senior executive	37	11.6%
Project Manager	45	14.1%
Architect	13	4.1%
Engineers	14	4.4%
Others	11	3.4%
Total	319	100%

About 32.3% of the respondents were involved in residential buildings, 40.8% were involved in commercial buildings, and respondents involved in industrial buildings, roads and bridges were 19.4%, 3.4% and 1.6% respectively, where as the last corresponding respondents of 2.5% were involved in other areas. This varied involvement of the respondents across the spectrum of different construction projects undoubtedly gives the responses garnered credence in terms of a more inclusive feedback pertaining to the diversity of the construction activities as well as the industry in itself. As the experience in the construction industry is quite respectable and coupled with the wide representation of the respondents' vocation within the firms, opinions and views on the relevance of sustainability factors obtained through the survey can be rightly be regarded as important and reliable.

5.2 Reliability Analysis of the Questionnaire

With the help of SPSS version 14.0, Cronbach's alpha was calculated to test the internal consistency reliability of the general scale. The alpha reliability coefficient ranges between 0 and 1. The closer alpha is to 1, the greater the internal consistency reliability of the scale. Cronbach's alpha values for environmental factors, economic factors, social factors and sustainable construction firms' performance are 0.92, 0.912, 0.886 and 0.95, respectively. All alpha values registered are greater than 0.7, indicating that consistency of the indicators included in the scale to be excellent.

5.3 Correlation Analysis

The correlation analysis was conducted on all variables, both independent and dependent variables with the aim to explore the relationships among these variables. The correlation procedures are subject to a two-tailed test of statistical significance from 0.05 to 0.01. The correlation coefficients range from 0.315 to 0.85, at $P < 0.01$. The results of correlation analysis are as summarized in Table -4.

Table-4: Pearson's correlation coefficient and significance test of response to questions of respondents

		Environmental Factors	**Economic Factors**	**Social Factors**	**Performance**
Environmental	Pearson Correlation	1			
Factors	Pearson Correlation	.538**	1		
Economic	Sig. (2-tailed)	.000			
Factors	Pearson Correlation	.315**	.457**	1	
	Sig. (2-tailed)	.000	.000		
Social Factors	Pearson Correlation	.375**	.515**	.858**	1
	Sig. (2-tailed)	.000	.000	.000	
Performance	N	319	319	319	319

****. Correlation is significant at the 0.01 level (2-tailed).**

5.4 Factors and Performance Indicators

5.4.1 Environmental Factors and Performance

This section reports the results to determine the existence of the relationship between the environmental factors and the perceived sustainable construction firms' performance of contractors in Malaysia. The hypothesis tested is as follows:

$H_A(1)$: There is a positive relationship between the Environmental Factors and Sustainable construction firms' performance of the contractors

To test this hypothesis, the Pearson product moment linear correlation was applied. The correlation coefficient was $\underline{r} = 0.37$ at $p < 0.01$. This indicates that there is a significant positive relationship between the implementation of environmental factors and the perceived sustainable construction firms' performance of contractors in Malaysia. Therefore, the companies that exhibit high level of environmental factors experience better sustainable construction firms' performance.

5.4.2 Economic Factors and Performance

The hypothesis developed in this section is to determine the existence of the relationship between the economic factors and the perceived sustainable construction firms' performance of contractors in Malaysia. The hypothesis test used to determine the above relationship is as follows:

$H_A(2)$: There is a positive relationship between Economic Factors and Sustainable construction firms' performance of the contractors

The Pearson product-moment linear correlation was used to determine the existence of the above relationship with resulting the correlation coefficient as $\underline{r} = 0.51$ at $p < 0.01$. Thus, there were significant positive relationships between the implementation of economic factors and the perceived sustainable performance of contractors in Malaysia. It is found that companies that practice high level implementation of economic factors experience better sustainable construction firms' performance.

5.4.3 Social Factors and Performance

This hypothesis developed to test the relationship between the social factors and the perceived sustainable construction firms' performance of Malaysian contractors is:

H_A (3): There is a positive relationship between the implementation of social factors and sustainable construction firms' performance of the contractors

The Pearsonian product-moment linear correlation was used to determine the relationship between the social factors and the perceived sustainable construction firms' performance. The result indicated that there was a significant relationship between the social factors and sustainable performance of contractors in Malaysia, with $\underline{r} = 0.85$, at $\underline{p} < 0.01$. This result seems to imply that the contractors that vastly implement social factors will experience better performance.

With all three hypotheses devised for this study holding true based on the results of the analysis, measuring performance of construction firms should rightfully incorporate the extent of implementation of these three factors within the firms as well as their activities in the construction industry.

6. Conclusion

The significance of examining the relationships between sustainability factors and construction firms' performance is undoubtedly tremendous; enabling practitioners within the industry to truly appreciate the benefits of implementing sustainable development strategies and policies as a necessary way forward and not as drivers of costs. The finding in turn could be used to predict the trends of the implementation of sustainability factors within contractor firms. The findings of the study provide clear insights to reduce skepticism among contractors in Malaysia about the implementation of sustainable construction. The recorded positive relationships in all three fundamental and key tenets of environmental, economic and social factors towards performance invariably denotes that a construction firm's performance within the context of this study relies heavily if not critically on the contractors' efforts to infuse these factors within their organizations. Such information could contribute to the construction industry in terms of implementing the

appropriate and most suited sustainability practices and strategies that can be adhered to in order to sustain construction companies in Malaysia to not only propel them forward but more so to equip them with the necessary munitions to flourish in an industry that is becoming more global and challenging.

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MANAGEMENT DECISIONS BASIC ISSUES IN BUSINESS SUCCESS

Bratu Anca; Grigore Maria & Cornescu Viorel;
University of Bucharest; "Nicolae Titulescu" University, Bucharest;
University of Bucharest; Romania.

Abstract

Any business is a system of financial relationships and cash flows that are activated and directed by managerial decisions. Creating value for shareholders depends on obtaining a cash flow higher than expected by them. The purpose and the business value depend on the generation of long-term cash flows. Any business conducted successfully in all aspects as an integrated system will generate in future such cash flows, thereby creating value for shareholders. The success of the operational activities, the performance and long-term sustainability of business depend equally on a number of fundamental, individual or collective decisions of the management team. Each of these decisions has an economic impact on business. The management process always involves taking economic decisions, each time by weighing the costs involved in cash and expected cash benefits. In turn, these decisions produce certain changes that can be identified in the financial and physical resources of a business.

Key words: Financial Decision, Investment Decision, Operational Decision, and Financial Management

1. Introduction

The managers make decisions on behalf of the company shareholders, decisions that affect a wide range of groups interested in the company's activity, like employees, creditors and the community. In doing so, the managers are responsible for the efficient allocation of internal and external resources available to create economic gains for shareholders, while earnings reflected by the combination of the distribution of dividends and the appreciation price of the shares held by the owners.

Although daily the management faces a variety of issues, in principle, most managers' tasks are similar, so that we can group all management decisions in three categories:

- Investment decisions (concerning issues related to allocation / investment of resources);
- Operational decisions (involving the conduct of business operations using the resources);
- Financial decisions (determining the appropriate financing structure of such allocations).

These basic types of managerial decisions properly rotate around each segment of the system business decision: investments - operations - financing.

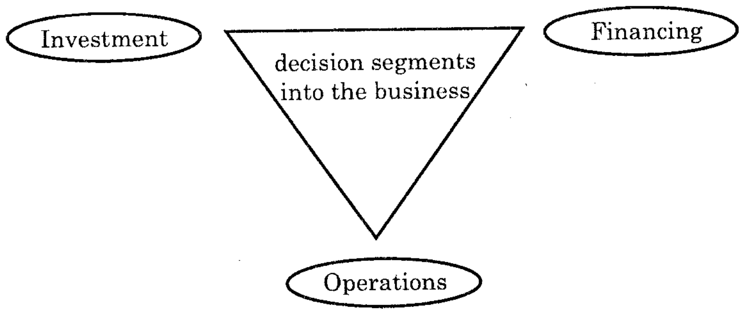

Figure -1: Segment of the System

For a competitive management, the fundamental economic target is to select the strategic resource allocation in order to create an economic value over time sufficient to recover all the involved resources and getting an acceptable gain in terms of risk expected by the shareholders. The successful allocation of resources will result in superior value for business and automatically improves the net economic position of the shareholders / owners. If the company shares are traded on an organized market, its value is determined by financial markets, if the company is not listed on a capital market, its value will be reflected in the price offered by potential buyers of

business.

Creating value for shareholders depends, ultimately, on the proper coordination of the three segments based decision-making common to all organizations:

- The selection, implementation and monitoring of all investments, based on a coherent and sustainable economic analysis of a concise and effective managerial process;
- Guideline the company transactions on the basis of profitability, in case of choosing the decisional alternatives, and the principle of cost-benefit relationship in optimizing the use of available resources;
- Ensuring a prudent financing business, weighing the expected benefits and risks involved in balancing the financial structure of capital based on the internal or external resources. The decisional variants must be selected and targeted to ensure long-term success, not limited to current achievements that cannot be sustained in the future or which may divert the attention from long-term goals set.

1.1 The Investment Decisions

The investment is the driving force of any economic activity. They are the source of economic growth and the support of the competitive strategies of the management, normally based on a prudent planning (investment budget) in order to ensure the existence of sources of funding in three major areas:

- Working capital (cash, receivables and inventory, without commercial credit from suppliers and other current operating obligations);
- Physical assets, fixed assets (land, buildings, equipment, machinery, offices, IT technical equipment, laboratory equipment etc.).
- Fund allocation programs (R & D, developing new products and services, promotional programs, etc.) and procurement.

Investment concept can be seen from several viewpoints:

- In economic terms, investment is the purchase of fixed capital, that is a production or a marketing factor. These assets increase the economic potential of the company and contribute to its operation over several successive production cycles.

- In financial terms, investment is the allocation of money for the purchase of industrial or financial assets. To invest is to hold a capital, or make an immediate expense and certain in order to obtain probable future revenues. This concept broadens the concept of investment, including in this category those expenses that contribute to the functioning of the company (research, development, training, etc.) not immediately and directly.
- In accounting terms, investment means the expenditure for purchase of fixed assets (tangible, intangible and financial assets). This attitude is more restrictive than economic or financial one. In practice the accounting approach extends, it is based on the criterion of the long-term capital. Thus, besides the fixed assets the investments include the financial permanent need of the operating cycle and the inherent losses in launching new activities.

In setting the budget for investment in the regular planning process, the management has to choose from a wide range of options regarding the new investment, which is intended to exceed the expectations on the profitability or at least to be at the level of expectations. The level of profitability is generally correlated with the shareholders' expectations how to determine the cost of capital. In this respect a key management responsibility is the consistent choice of investment options and their successful implementation (the results exceed the demands reflected by the cost of capital). The new investment is the vital factor of growth strategies, leads to the creation of value if the predetermined performance standards are met or exceeded by the results.

The successful companies regularly evaluate the allocation of investment resources to see if the current performance and forecasts on products, services or business segments are still in line with the organization's overall strategic position. When the economic performance or projections arising from the analysis as being below expectations, the decision option is disinvestment seen as diametrically opposed to investment. Creating value for shareholders depends on a successful combination of the existing investments, coupled with the successful

implementation of new investment. The management of the portfolio of the strategic activities of the enterprise is efficient if there is a genuine value creation.

For deciding on investment it is calculated indicators for assessing the efficiency of investment. They allow comparison of several variants of project for the same investment and also comparing them with other projects in the same industry or other economic sectors. Evaluating an investment project raises two issues:

- The liquidity (current expenditure investment is followed by future revenue split time);
- The return (a property investment fund is a cost to be covered).

Investment projects can be assessed by two methods:

- Traditional methods;
- Methods based on the updating.

The traditional ones are used increasingly rare, despite the fact that they are very simple. They have the disadvantage of not taking into account an investment decision parameter: time.

Methods based on updating take into account this parameter, thereby providing an objective basis in assessing the effectiveness of projects. To compare the investment costs with the cash flows of the project, all these sizes are made at the same time reference (usually the date of service of investment).

The most widely used criteria for assessing investment projects are:

- Recovery period of investment, the time required for invested capital to be matched by the cumulative updated cash flows;
- Net present value, that compares the amount invested (updated if necessary) with the present value of total cash flow (including residual value);
- Profitability index, which measures the profit made from a monetary unit invested capital;

- Internal rate of return, which is the discount rate for net present value is zero.

Financial evaluation must be completed with a multidimensional analysis that takes into account the complexity of investment. Such an analysis should highlight the impact of investment projects on each company functions and the connection between these projects and the firm's strategic orientations. These guidelines are three major options:

- Investment project should strengthen the market position of the company;
- Investment project should be convergent with established business relationships with external partners (suppliers, customers, competitors, state etc.); and
- The investment project must be compatible with the internal structure of the company.

1.2 Operational Decisions

The strategies and key decisions must focus on efficient use of resources invested to make sure that their continued implementation and operation are consistent with the criteria and expectations that the original decision of allocation of these resources was based. In the beginning the company has to identify the basic skills they have and to put them into service of the segments of the target market, and to allocate human and material resources effectively and prudently against competitors' products and services. Companies must differentiate supply market to achieve a competitive advantage, being necessary to pursue excellence in meeting the real needs of consumers.

In this segment there are, besides strategic perspective, the advantages and practical use of low-cost production facilities, special skills of employees, customer service quality, information systems related to network performance reviews or unique opportunities for research and development. In carrying out the work, managers need to anticipate and cope with the consequences of price changes and the action of competitors on sales and on the profitability of each individual product or service.

However, all the activities of a company, whether conducted internally or externally, must be organized on principles of efficiency and maintained at a level which allows it to achieve a competitive advantage in the market.

The solid operating results can be achieved only if the management has a realistic understanding and perception of the processes carried out, of the economic costs and benefits for each component of the organization and the relative contribution of each product or service in order to achieve overall company results. This requires an information system properly articulated, which has a high degree of data collection and reporting meaningful information to policymakers. Another necessity is the one related to the impact on the profitability determined by the level and the share of the fixed costs and also by the variable nature and the volume of the business transactions in a company.

For the operational efficiency it is essential an operational planning process. The targets set are likely to increase the importance of economic decisions. Budgeting and review processes are designed to provide important feedback to management and to provide signals on the need for corrective action, without which it could not meet its objectives. Modeling the activities and the company accounting based on activities (Activity-Based Accounting) represents new informational structures, whose achievement is made possible by the information technology which is more and more efficient.

The key parts of the operational segment contain a number of operational indicators that measure the efficiency and effectiveness of revenue and expenditure management. Among these are found a series of financial indicators such as operating income margin or indicators that relate to the various cost items of revenue or sales. There are also indicators that reflect an overall picture of an operational activity, such as turnover or total assets per employee and certain operating statistics such as average hourly production, increases the percentage of production or consumer satisfaction. These operational indicators vary from one activity to another, because these indicators are known according to the specific variables that guide the company performance. In fact, the operating rates are ideally derived from the key factors determining firm performance, whether by physical assets, human resources skills, the resources or the application of new technologies. Economically speaking the relative profit on a product or the contribution to the product in cash for each product or service to achieve sales is important information to determine the current performance and to guide strategic decisions regarding product and service portfolio.

The distinction between indicators calculated according to the accounting data and those resulting from economic analysis are important in the operational segment, because the results may vary significantly. This problem has led to increasing use of recent methodology, which directly addresses to these needs, called analysis-based activities (activity-based analysis). This process is actually a step identification of all physical activities involved in a particular function of the firm or any activities necessary to ensure the achievement of certain product lines, followed by a thorough economic analysis of costs and benefits involved in running of each stage, and of the total. Because it is based on economic value this analysis has become an important tool to support the current emphasis on management during the creation of value. In addition, reporting such activities to the greatest achievements in the industry is another way to refine the measurements made in the company.

1.3 Financial Decisions

In this segment, various financing options meet and they are available to management, necessary for the operational assets and long-term investment. As shown by the schematic representation, the financing segment starts from the operational net profit which is the major source of financing a company. In this context one can identify two major decision areas, strategic and opportunity (costs - benefits):

- The destination of the profit (defining dividends policy)
- Modeling firm financing structure in order to minimize its cost of capital and maximize enterprise value.

This type of comparison and decisions is the power and top-management decisions, as the exclusive prerogative of the Board, as these decisions are crucial for future stability and continuity of business activity.

The first part, the division of proceeds, reflects the basic recipients of surplus created by the firm: shareholders, creditors, and company itself (through reinvestment of profits).

Each of these recipients of profits is affected in one way or another by the policies, strategies, opportunity analysis or current or previous management decisions. For example, payment of dividends to shareholders is related to the Board decision. Here, the main analysis of opportunity is related to establishing the amount of dividends paid to shareholders as part of return on investment made, to alternative investment funds and maintain them in the development of the company, in order to create additional value added for the shareholders, reflected in the assessment of the company shares on the market quotations.

Dividend policy defines the company's management option between reinvesting all or part of net income and its distribution as dividends. Objective in mind when selecting one of the two alternatives is to maximize enterprise value.

In practice there are distinguished several types of dividends:

- Direct participation in profits policy, which assumes a constant rate of dividends relative to net profit;
- Political stability or safety, which aims to ensure a constant annual dividend growth (g), regardless of variations in net profit;
- Regular dividend policy plus surpluses, which is a compromise between stable dividend distribution policy (or a stable growth rate) and direct participation in profits policy. It involves paying a regular dividend of low value and of surplus as a percentage of net profit. This policy provides company a flexibility advantage and shareholders benefit that may be based on a minimum amount of dividends collection. Regular dividend should be set at a sufficiently low that it can be paid in years with small profits, or in years when it takes a considerable amount of profits for auto

financing. The regular dividend is filled with an extra dividend in the years that are available in excess. This policy is beneficial to business where profits are highly volatile;

- Waste policy (opportunistic), which involves determining the dividends based on investment and financing decision. If investments are profitable, they will be covered primarily self-financing. Dividends will then be equal to net profit un-invested.

Moreover, interest payments to creditors are a contractual obligation. Paying interest rates relative to the operating profit is a function of management policies and actions regarding the use of debt. The debt ratio will be higher in capital structure; the greater the need for cash will be required to pay interest and the greater will be the company's risk exposure, raising the possibility that the company basically is not able to pay its obligations on interest, if a decline in activity occurs.

The undistributed profit is the residual earnings of the period after tax, a net amount remaining after payment to the company's interest and dividends. Normally, this amount constitutes an important part of the capacity needed for increased funding.

Increasing the funding can be achieved through capital injections by creditors or shareholders, according to management policies aimed at ensuring long-term sources.

The key indicators, in terms of distribution of surplus created, are cash flow and net profit, calculated as unit values per share. They are leading indicators of firm capacity to pay both shareholders and creditors. In addition, one can use specific indicators to measure the proportion of dividends paid, the coverage rates and interest repaid on account of profit and how the company met its obligations relating to debt service.

The second part, planning the capital structure involves the selecting and balancing of the relative weight of different sources of capital the firm has at its disposal:

- Own sources of economic agents (self-financing);
- Generated sources of capital market (equity injections from the issue of new shares and bonds);

- Borrowed sources (bank loans, loan discount, factoring loans)
- Subsidies from the state budget for investment;
- Leasing.

Financing decision is influenced by several factors:

- *Cost of procuring capital*, aiming its reduction.
- *A capital structure that the company seeks.* Most companies share alternate government securities (shares, bonds) with loans based on targeted objectives and their costs.
- *Maturity of financed assets* that should be in accordance with the liabilities - source. The equipment investment with an economic life of five years is intended to be financed from a loan with similar maturity, because of cash flow generated by using that asset to be paid the instalments and interest on the loan.
- *Current and expected financial situation of the company.* If the firm undergoing a difficult period, managers must avoid contracting new loans, because they would be more costly for society because of the risk premium which would incorporate an interest rate applied by banks and the restrictions they impose them. In this case you should use own funding sources (share issue). But if profits are expected in the future, it will be preferred borrowed sources and later, when the market value of shares will increase due to the profits, it will issue shares.
- *Debt conditions* (interest rate restrictions imposed by creditors, the availability of assets to be used as collateral, etc.).
- *Company listing on stock exchanges.* Generally listed firms have more financing opportunities than the others, can attract significant investment funding. Listing Stock Exchange is a public recognition of the competitiveness and financial performance of company. Disadvantages of listing on stock exchanges are the greatest exposure to risk (such as a hostile takeover), the large volume of information to be publicly available in the form of periodic reports and diversion of management objectives in the long term because of short term

requirements imposed by the market (listed companies must maintain a policy of progressive growth to consistently attract and distribute dividends to shareholders).

The combination chosen after consideration of risk and debt service requirements will have to provide financial support to a predetermined level of profitability, linked to the risk acceptable to management and Board of Directors. A key factor in the choice of financing structure is the impact of financial lever of indebtedness. It can be defined as a prudent use of capital raised from fixed-cost obligations in the context of investment opportunities whose earning potential is higher than the cost of the capital borrowed, the difference representing the benefit of the company.

This process also requires a series of comparative economic analysis, which is facing the benefits associated with risks of various financing options available to management. The existing equity shareholders may be reimbursed by the company repurchases shares on the market, using some of the financing capacity. This choice has become an important issue of the management of the capital of a firm, as these redemptions reduce the volume of shares available on the market, making existing ones more valuable. In addition, for those repurchased shares are not required a dividend payment, thus saving funds for possible acquisitions or investments. The choice to be made is between adding value through new investment or adding value to existing unit by reducing their shares.

A basic economic principle of a success management is that the results from an investment must be higher than the average cost of capital (own and borrowed), in order to create added value for shareholders and to obtain a satisfactory total return for them. The results obtained are the weighted average cost of capital, have no impact on value, while those under the cost level will lead directly to the destruction of shareholder value. The manager's decision will be based on a careful analysis that distinguishes between measurements made on the basis of accounting data and those based on cash flows.

If the business is based on the development of a stable political structure of capital, as growth occurs on account equity value on non-distributed profits, management will want to benefit from this growth, to a certain extent, by increasing the volume of long-term debt, while the management decides to change any policy debt. In this case a new repayment plan will be considered and this will normally change the company's capital structure and the cash flow projections.

2. Conclusion

For business success an important role it has the quality of investment decisions, operational decisions and the decision to finance and profit distributions. There are calculated indicators for assessing the efficiency of investment in order to decide on investment. They allow comparison of several variants of the same investment project and comparing them with other projects in the same industry or other economic sectors. Decisions related to operational sector concerns the price of products and services, volume of products and services, costs (fixed and variable) of products and services, with the objective to maximize operating profit.

The financing decision concerns the choice between own sources and sources of borrowing. Selection criterion is the capital cost, target is to reduce weighted average cost of capital. The decision for net profit allocation between dividends and self-financing fund has direct implications on investment and enterprise self-financing capacity.

The core business system that one compels us to track and analyze a series of dynamic relationships between strategies, policies and management decisions and cash flows they generate. In fact, the system is reduced to a simple financial model of firm growth in its key variables interacting with one purpose: to create value by generating positive cash flows that exceed the cost of capital. Achieving a certain consistency in these choices and decisions on key variables is critical for long-term success of the company management and shareholders to satisfy claims, whereas only one coherent system can achieve calibrated performance.

The basic idea of a successful management is to develop and maintain a compact and uniform set of strategies, investment objectives and operational and financial policies that support one another, not to be antithetical. They must be chosen from the relevant and cautious analysis of the economic conditions and options, both individually and in various combinations. The measurement and implementation arrangements should be chosen so as to support and emphasize the need to obtain long-term performance, which will lead to improve the investors' perceptions about the flows released from the existing and future investments or disinvestments of underperforming units.

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LANGUAGE RELATIVISM AND MANAGEMENT OF THE TRIADAE KNOWLEDGE, LANGUAGE, THINKING

Oliver Krone
University of Lapland, Finland

Abstract

This chapter examines the question to how management, represented here by the entrepreneur, can engage in a valuable dialogue with staff in a project setting. It is argued that this dialogue has to rest on the appreciation that there is a power relation pervading the dialogue, and this dialogue rests on the interaction of knowledge, language and thinking. This chapter draws on a Knowledge Integration perspective of communication and starts from the notion of common ground. It is suggested perceiving the interdependency of knowledge, language and thinking forming a hermetic cultural setting that structures individuals' options for adopting new behavior patterns and knowledge sets. Working with an analogy to bilingualism the argument is made, that entrepreneurs can become more flexible and gather action options when they cease using their natural power position. Thereby they increase their capacities seeing world with the eyes of staff. This allows for "requisite variety" for behavior due to an increase in self-efficacy beliefs in "foreign territories"- management becomes cognitive bilingual.

Key words: Communication, Knowledge, Language, Thinking, Power differences, and Perspective taking

1. Introduction

Entrepreneurship is commonly referred as the process of developing and bringing to the market a new product, and thus the way in which innovations are brought to the market (Denning, 2004). More broadly speaking entrepreneurship is then the question of how to start and run a business so that it is becoming successful (e.g. Simon, 1996, Amabile

& Tempest, 1999) and render a stable income to the owner - the entrepreneur. Given that often entrepreneurship is very closely tied to the idea of innovation and how those are put to the market, it deems valuable to examine the role of entrepreneurship into the process of communication for innovation. In this chapter such a perspective is developed based on the notion that management and staff do not share the same points of references in respect to language, knowledge and thinking (e.g. Schein, 1992, 1996 a/b; with an extension to Whorf, 1956 & Sapir, 2002). What is in particular important for this paper here is the idea that management as broader concept often combined with entrepreneurship (cp. Amabile & Tempest, 1999) often looses touch with normal staff and thus leading to power differentials (cp. Hogg & Terry, 2000; Hogg, 2001; Galinsky et al. 2006).

2. Theoretical Exposition

This paper examines the proposition put forward in Krone (2008) that individual behaviour in projects is a representation of attempts keeping face in line with individual and collective expectations (Barnes, 1995). While not neglecting this element of keeping face, in line with Clark (2008) the argument is extended suggesting that behaviour espoused in projects is bound to language based expectations (joint activities) that are resting on a "common ground".

From an entrepreneur's perspective, as Galinsky, Magee, Inesi, & Gruenfeld (2006) argue, it is not necessary attempting seeking this "common ground" as its role of entrepreneur has power which supersedes needs to keep face; they already have a power position and can act based on it (Galinsky et al., 2006, 1072). In previous work on Knowledge Integration in multidisciplinary project settings (Holahan & Markham, 1996; Ganz & Hermann, 1999; Steinheider, 2000; Krone, 2007) the establishment of this common ground is identified as an important ingredient to successful development work. This includes product development (Ganz & Hermann, 1999; Steinheider, 2000) and requirements engineering (Al-Rawas & Easterbrook, 1996; Nuseibeh &

Easterbrook, 2000). Based on the Social Identity Theory (SIT; Hogg & Terry, 2000) and the knowledge formative components of Self-efficacy theory (Bandura, 1997) knowledge held by members from different domains in a project guides their behavior (Krone, 2007). The formation of self-efficacy beliefs and the adaptive capacities asked for (Bandura, 1997) are identified as correlating with social engagements individuals undergo in project work. The idea is examining how these beliefs embedded in knowledge contrast and contradict expectations of behavior as brought forward by project peers (Krone, 2008).

For entrepreneurs, as high power persons, such a change of perspective does not take place (Galinsky et al., 2006, 1069). The role as such alludes to a position allowing remaining unaltered in light of adversarial circumstances or project settings. However, such a shift of behaviour or adaption to new situations, based on their "human character" and not as a function in the organizational setting, would enhance for projects communicative openness as management is a role model in respect to information sharing (quantity and quality; Krone, 2007). In the interaction between individual face keeping and belonging to a given domain group in a project, staff has to renegotiate its knowledge and self-conceptions. This element of renegotiation becomes a key premise for knowledge integration as a process (Krone, 2007, 117). The relationship between self-efficacy/SIT and knowledge Integration is explicated in figure-1.

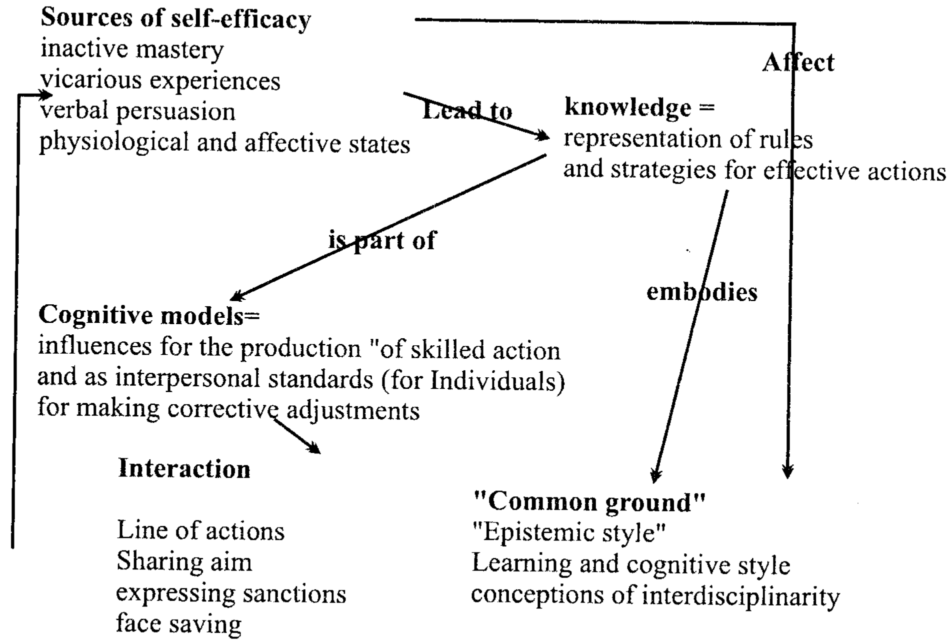

Figure-1: Interaction of Self-efficacy and Knowledge Integration

For entrepreneurs such a perspective change does not take place (Galinsky et al., 2006, 1069). They are much more drawn to modes of behaviour serving their self-esteem and attributions of characteristics to other (cp. Fine, 2005, ch. 3). In this way entrepreneurs become less emphatic to suggestions by others, and also treat those suggestions as attacks on their leadership role leading to social exclusion of the challenger (cp. Hogg & Terry, 2000; Hogg, 2001). As Kremer and Bienzeisler (2004) suggested in their article on the training environment for Knowledge Integration it seems useful to start "training" for more flexibility and openness to processes of Knowledge Integration with management staff. The process of social exclusion, as described by Hogg and Terry can be in particular observed, when the respective peer-group is under outside stress; a condition for a start-up company most likely very common during the first years of existence.

3. Research Proposition

The idea of this paper is thus that management, or the entrepreneur, has to become aware of this mode of behaviour inhibiting communication with his staff, and leading potentially to outcomes very adversarial to the notion of corporate success. The chapter suggests that by using a language understanding going back to Whorf's "speech relativism", management can be enlightened about the potential beneficial interventions of their staff. This notion of enlightenment, by recognizing the language relativism, is based on prior work in Knowledge Integration (eg. Curtis, Krasnser & Iscoe, 1988; Buckingham Shum & Selvin, 1999; Steinheider, 2000; Cebulla, 2004; Steinheider & Menold, 2004; Clark, 2008).

4. Concept Identification

In the following section three dedicated objects intersecting in Knowledge Integration (Krone, 2007, p.117) are isolated and contextualized from a language perspective.

4.1 Knowledge

In line with Penrose (1995), Kuhn (1996), Barnes (1995), Berger and Luckmann (1999) knowledge is described on the one hand as narrative description of reality observations, and on the other hand that "objective knowledge" in a strong rational program stance is not attainable (cp. Toulmin, 1990). Knowledge is a consensual process outcome (cp. Sandberg, 2005 for the process of knowledge generation within interpretative approaches). Proponents of a valid knowledge claim need to agree by some means on the validity of the argument made. Speaking with Barnes (1995) knowledge claims are based on observations and dialogically sanctioned as valid. Two processes for achieving this validity are possible.

The first one is the methodological oriented discourse. The second one is a weak form which is agreement about the fact that is observed, while conceding that the causes can be described in different ways. In this

perspective knowledge becomes an approximation of reality descriptions (Barnes, 1995). In both cases the argument is provided by the use of language. In line with this understanding of knowledge, entrepreneurs share the same environment as their staff. Thus, at least it can be said that an agreement on the facts that can be known by staff and the entrepreneur are very high, because at least in theory there is no difference of the environment in which both live in (cp. Penrose, 1959). Having said this, and referring back to Schein (1992, 1996 a/b) the two groups will differ in what they see in concrete terms. It becomes apparent that knowledge about the facts with which the organization is working, as well as what the purpose of the organization is, are becoming disputable and open for interpretation.

4.2 Language

Language shall here not be understood as human capacity for language and grammar development, but rather as a form of conceptional environmental description. In this understanding focus is on concepts (Edwards, 1991) and how those become objects of reality description. Related is the notion of theories and paradigms as defined by Kuhn (1996). Latter argued paradigms entailing a verbal description of the universe of discussion as it given to a discipline (cp. Bromme, 2000; Bromme, Jucks & Rambow, 2003). Disciplines and language form a unit predicating the objects about which members of a discourse can engage in (cp. Krone, 2007). Insofar as theories are refinements of the overall paradigmatic description about a universe of discussion, during secondary socialisation (Berger & Luckmann, 1998) members of a given discipline become members of a given language group. This description is very close to the one given by Sapir (2002), Barnes (1995), or Berger and Luckmann (1998). Against this background it is argued that knowledge and language are interdependent objects shaping humans understanding and rationalisation of the world they are living in. As can be seen from the introduction, entrepreneurs' interpretation of the organization, that is "theirs", as well as the way in which they articulate their concerns are bound to the status group of management, respectively entrepreneurs. And as Status groups have rules of their own (Hogg & Terry, 2000), it becomes apparent that communication lapses between entrepreneurs and their staff are related to ways of perceiving world and articulating how to proceed in this world (cp. Schein, 1992, 1996 a/b; Krone, 2007).

4.3 Thinking

If it is accepted that knowledge and language are interdependent objects, the question should be how knowledge sets and language capabilities shape thinking. Referencing to thinking, this is understood here as purposeful action in order to fulfill a given task leading back to the epistemological question of knowledge (Cook & Brown, 1999; Tsoukas, 2003) and its "application". In particular the "classic" distinction of knowledge of tacit/explicit (Polanyi, 1966) becomes a new twist. Understanding knowledge as a language based description of "reality", thinking becomes a derivative of language and knowledge utilization, while shaping what can be reflected about. In this understanding knowledge outcomes are reflections of and about reality as it has been brought to terms. It enables rationalizing about a state of affairs of which the thinker has vocabulary understanding the situation he/she is experiencing. As terms are theoretically embedded, automatically situational interpretations are theory applications as embedded in a paradigm. Entrepreneurs, in view of the author, are not excluded from this patterning of thinking. However, what is different from employees is their natural inclination to stick to their way of thinking (cp. Galinsky et al., 2006, 1072). When interacting with staff in development work, or normal communication, they are even more prone then other's to take their knowledge and argumentation for granted and less likely accepting others' point of view. Galinsky et al., suggest people in power positions, such as entrepreneurs, are much more inclined to take action right away as a measure allowing circumventing taking issue with other's concerns (ibid.). Galinsky et al., argue that the failure overcoming this tendency overriding others' point of views and not taking their concerns serious can lead to power demise in the long run (cp. Kets de Vries, 2001, p. 146-147) for

different forms of managerial psychotic behaviour and how this is transferred into organizations living).

4.4 Bilingualism

The capacity to see the world different Boroditsky (2003), based on a linguistic relativity argument, suggested that the use of language is giving rise to very different conceptions of world pending which language with which grammar the person giving a description is using (Boroditsky, 2003, p. 917). In her account the language a person speaks does structure the way in which world is perceived. Based on empirical evidence on certain concepts (e.g. shapes and substance, objects as well as space) she came to the conclusion that the alleged structuring of thinking by language exists (ibid., p. 920), and that people speaking several languages have the option to describe the world in which they are acting in very different forms pending on the language used for thinking (ibid., p. 919). When considering the question at hand here from the perspective of bilingualism it seems that management, including entrepreneurs, might obtain a strategic advantage when consciously beginning to take perspective of their employees (cp. Galinsky et al., op cit.). However this idea seems to be less likely in countries that are driven by more "male" oriented values, while those countries that are oriented to more "femininity" values have empirically better chances having management staff being able to take the perspective of staff as there a likelihood exists to value others' people for their value (cp. Hofstede, 1991 for the concept of male and "femininity" working values; Krone, 2007 empirically for the impact of "femininity" and male working values on innovation development; cp. Galinsky et al., 2006, 1073 for the idea that responsibility in respect to others' diminishes the value of the power position).

5. Conclusion

This chapter has suggested looking into the relationship between entrepreneurs and their staff from a communicative perspective that is structured by power differences between the two. It was argued that entrepreneurs have capacities to ignore consciously their subordinates' point of views and that in addition cultural effect exist that make this ignorance of others' more likely (Hofstede, 1991; Schein, 1992, 1996 a/b; Galinsky et al., 2006, Krone, 2007; Krone, 2008). Likewise it was shown that for entrepreneurs a different world exists. This is seemingly structured by entrepreneurs' knowledge and language shaping their way of thinking in respect to the ideas brought forward by their subordinates and also conceiving word in general in a different form. Arguing that entrepreneurs have not to take care of issues of face saving (Barnes, 1995) and dialogical knowledge verification (Sandberg, 2005), it was suggested that management consciously should attempt going out of their power position. Thus they start seeking understanding of the arguments brought forward by staff (cp. Kremer & Bienzeisler, 2004). Coming from this line of argumentation the author suggests that entrepreneurs do themselves a favour attempting learning the knowledge and language of their staff in order to overcome the negative impacts of their power positions as those can lead to organizational misbehaviour hampering potentially organizational survival.

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Norms and Knowledge Integration Problems of Multidisciplinary Project cooperation. 3-16. Analele Universitii Bucuresti Stiinte Economice si Administrative. 2008, 2.

IMAGES OF BUSINESS ORGANIZATIONS IN KNOWLEDGE ECONOMY

Joia Radu-Marcel; Dumitru Andreea-Paula and Babonea Alina-Mihaela
University Nicolae Titulescu, Bucharest, Romania

Abstract

"New Economy" requires organization to focus on human-centered paradigm. This implies, under the pressure of new demands, redefining the ways of structuring the humans in the organization's relationship with its environment by giving priority to social and human dimension. Great importance in achieving performance in an organization has the following factors: the skills, values, explicit knowledge, processes and organizational practices, along with intellectual capital. In this context, through this article, we aim to answer questions such as: What is an organization? Why is it there? For what reasons does it exist?

Key words: Business organization, Knowledge economy, Organizational analysis, Efficiency, Effectiveness

1. Introduction

Gareth Morgan is the promoter of "metaphoric line of approach" in organizations. Morgan believes that using metaphors is like the awareness of needing to learn to face with ambiguity, complexity and paradox of reality in organizations. *Each metaphor provides a certain perspective on organizational life, allowing us to see beyond the appearances*. The metaphors or the images of organizations work together, face or complete each other, creating a real interactive and dynamic kaleidoscope integrated as an expression of organizational complexity (Morgan, 1986).

This study is very important because it shows the different approaches of the organization. We tried to analyze the different approaches of the business organizations by using specialized references. A great number of articles from the reference literature treats in a responsible manner that the organizations face complex aspects, hard to solve and even dangerous. In this way, we try to offer solutions for the companies, to help them improve their management and to avoid difficulties.

2. Literature Review

The main source of inspiration for this article is Morgan's study (1986), "Images of Organizations", where the author, a promoter of "metaphoric line of approach", describes his own beliefs regarding the economical issues in business organization. He uses the metaphoric expression for highlighting the main problems the organizations faces with. He emphasizes a top quality management; this idea is also promoted in Leavitt's book, (1972) "Managerial Psychology" that uses its own model to present key elements structures, technologies, objectives, members, functions and activities. The central part of Levitt's (1972) rhomb is taken by objectives in the organizational system. The main two sources are completed by an excellence model, analyzed in Peters and Waterman's book (1982), "In Search of Excellence: Lessons from America's Best-Run Companies", that underlines the great importance of efficiency and effectiveness in order to achieve organizational success. We also used a Romanian source in order to state that this subject has been also approached in the companies.

3. Paper Content

Morgan (1986) shows that the one and the same organization is in the same time, several different things:

1) The organization is a designed, assembled and functionalized design as a "scheme" to make clear rational targets;
2) The organization is a "body", a natural and opened system, that always adapts in order to survive and fight for existence with other organizations;
3) The organization is a political field where different groups and interest coalitions fight, and the internal life in the organization represent a mix

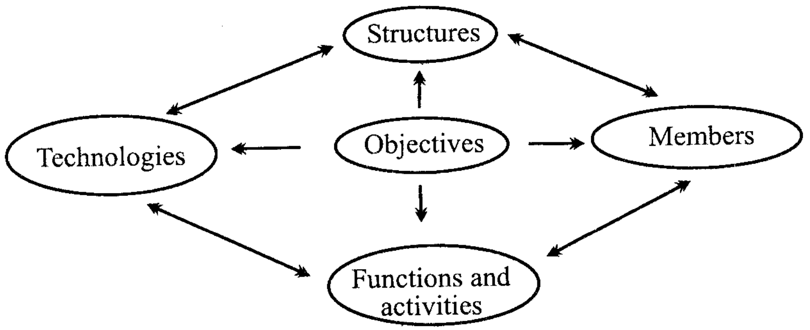
of conflicts, alliances, negotiations, lobbies, sabotages, influences etc;
4) The organization is a mechanism of dominations, an exercising power and control system, of distribution of privileges and fixation of servitudes;
5) The organization is a cultural phenomenon, a little society, with very personal values, beliefs, mentalities, ideologies and rituals, that define "the organizational personality" and further it determines how the real organization is perceived and interpreted, how are things or events organized and planned;
6) The organization is "a brain"-in order to work properly, it should pick-up and process information and to develop knowledge. As a real brain, the organization learns, observes, lies, forgets, invents, memorizes, analyses etc in order to survive and develop;
7) The organization is "a psychological prison" - the processes and the inter-organizational behaviors and the relationships between the organization and its environment are the expression of the members in the organizations, the results of psychological processes, even if they are conscious or unconscious, individual or collective.

These images reveal the richness, multivalent and multidimensional nature of organizational dynamics. Organizational schemes, Member of functions, internal regulations, documentation, accounts etc. In other words, formal gears in organizations are just "the top of the iceberg", the apparent, visible organization. "Under water" but it carries a lot of power, philosophy of success, "pulse" psychological perspectives, axiological orientations, cognitive processes, communication dynamics that fill with life formal structures. Organizations are always something more than they seem. Performance management is therefore a process of discovery and understanding of the organizational "hidden" parties. Morgan's metaphors are, in this sense, an excellent tool for knowledge.

3.1 Models of organizational analysis

There are a lot of theories, models and theoretical developments in management, but we chose to analyze "Leavitt's rhomb", an organizational model which is a social and technical system and Le Moigne's model of organization. Both have been successful in the literature in this domain.

These models make it possible to analyze organizations, despite their diversity and complexity, tackling them according to a set of common elements that are found in all forms of organization. The principle is the foundation on which the concept of these models tries to explain how they are "built" and how the organization relates to its operating environment, but also provides clear answers on the causes and ways to ensure organizational effectiveness. Graphic illustration of Harold Leavitt model is the following figure -1.



Source: Leavitt H. (1972). Managerial Psychology, University of Chicago Press.

Figure-1: "Harold Leavitt model"

In this model, unifying the organizational element is the primary objectives. They have a double significance. First, the objectives are the organization's raison d'être, why it exists or more rigorous in terms of systems theory, a specific organization function purpose of the system. Secondly, the objectives can be defined as desired end-state organization that allows their use as criteria for assessing organizational effectiveness. Nature and the aspirations embodied in the objectives determine the characteristics of other elements of the organization.

The functions and activities are tasks, works and operations of the organization that is must be performed to achieve objectives. The relationship between objectives and functions/activities is captured by making the operational principle, a fundamental principle of formal organization, rational - to maintain stability and efficiency; it is necessary that each organization is built around the activities that are undertaken to achieve the objectives and only then it should be centered on individuals or groups that are going to perform these activities.

3.2 Recent Developments of the Concept of Efficiency

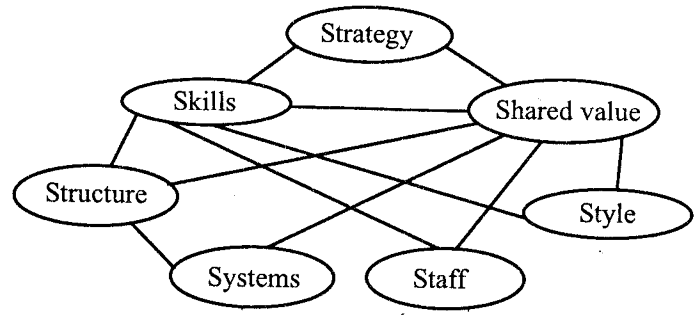
Peters and Waterman (1982) subjected to a critical examination the formal and the rational analytical tools of management. As Simon and March before them, Peters and Waterman drew attention to the inherent limits of these approaches: they are effective in stable environments and in relation to relatively simple problems, allowing strict control of processes characterized by continuity, linearity and repeatability. The purpose of these techniques is the preservation of a situation considered optimal. The underlying idea of these streamlined and narrowed approaches is the intolerance towards any error or deviation from a course considered "normal".

But when the life organization takes place in a dynamic environment and consists of many challenges and discontinuities that require flexibility, imagination, creativity, experimentation and action, rational-formal management tools can become prohibitive and inhibitory mechanisms. In these situations, the key to organizational effectiveness can be found in non-rational aspects, informal, intuitive and rebel against the existing order. Peters and Waterman noted that management is a complex activity and its rational-formal methods - organization charts, budgets, financial statements, schedules, performance standards, procedures and formal rules, etc... - Are essential, but may not be the only benchmarks for governor. It also needs information about the quality of organizational intervention area. Using the model of organizational excellence, Peters and Waterman seek to reconstruct the balance between approaches based on relationships and formalized techniques and management approaches such as particularistic, qualitative, heuristic, and phenomenological.

Organizational excellence is, in the authors of this concept, the cumulative effect of the action of the following characteristics of the organization (Peters & Waterman,1982):

1. action orientation;
2. customer orientation;
3. high-quality benefit through a complex and appropriate reasoning of the organization members;
4. encourage autonomy and entrepreneurship;
5. organizational structures and simple and relaxed mechanisms;
6. focusing on key activities in which the organization is performing;
7. rigor and appropriate dosing flexibility in the mix of centralization-decentralization; and
8. support the key values that foster loyalty, professionalism, dedication and creativity of the organization members;

Also, Peters and Waterman (1982) are the authors of a strategic model that allows the systemic analysis of the key elements involved in the development and restructuring of the organizations. This model, widely known, is enshrined as the "7S model", which comes from seven factors (seven words that in English begin with the letter S) and which in the concept of Peters and Waterman, exercise a decisive influence on organizational dynamics: strategy; skills; shared value; structure; systems; staff and style (figure-2).



Source: Peters, T., & Waterman R. (1982). In Search of Excellence: Lessons from America's. Best-Run Companies, Harper & Row.

Figure-2: "7S model"

In the initial phase change, is set the organization's strategy which shows the priorities in resource allocation, the work and organizational skills to achieve competitive advantage arising. In other words, the strategy provides the answer to the question "Where, why and how the organization will engage in competitive fight?"

The next step is to determine the organization's strengths and skills necessary for successful promotion strategy. Further is set the needed changes to determine other factors. Assuming that the organization has developed a clear vision and coherent strategy to follow, it must select the main organizational skills able to support the implementation strategy. If the strategy suggests ways to adapt the organization to its environment and exploitation of the potential competitive, the skills analysis facilitates finding practical way of implementing the strategy. Skills must be developed so that their operation strategy to ensure success. Distinctive core competence is the interface between strategy and new image of the organization, determining changes in other "S".

Shared values and ethical standards of organization members circumscribe to the organizational culture. They relate to things, events, actions and conditions considered important for the organization survival and effectiveness. In other words, they show what is "good" and what are "bad", what to do and what not to do, what to be encouraged and discouraged.

The structure consists of interdependencies between parts of the organization, reflecting their functional and hierarchical specialization and the communication flows, the decision-making authority and the responsibility distribution. Systems are, in "7S" model, management and operating mechanisms that support the internal order: processes and operational workflows and their adjustment mechanisms. The "staff" factor refers to the profile management team needed to promote their organization's strategy. This issue does not depend on individual capacities of the managers, but on the know-how and organization's collective intelligence. Management style has two dimensions: personal style act of exercising leadership and symbolic actions. Style forms depending on how managers' personal conduct and signals are examples of implementation of the organization staff.

"7S" model is not a detailed action guide or a complex collection of infallible recipes for the organization development, but a model that provides an integrative and holistic organized human system. His cognitive value is precisely that it clearly indicates the "search areas" for solutions to

the most important problems of organization, while leaving sufficient intellectual freedom to formulate the final response.

4. Conclusion and Implications

Concepts and methods that have dominated thinking and practice management for more than a century - strict division of tasks, formal authority, chain of command, structure, control, loyalty, discipline, co-ordination, incentives and sanctions - will cede ground to new approaches and conceptual frameworks. Management will require new symbols to indicate the sources of efficiency and competitiveness. Future management models should be an expression of "kaleidoscopic thinking", as Kanter (2004Fargues that guide the organization to change permanently and use inexhaustible opportunities offered by human imagination and creativity. The new symbols should help address certain categories and unconventional solutions to stimulate exploration beyond traditional boundaries, to develop the ability to establish links and create synergies, to help invent new combinations.

Knowledge and intelligence are becoming more and more important factors of organizational dynamics and the intangible values of the organization are the words of this power (Kanter, 2004H the same author has identified three key values of intangible nature, embedded in the "3C" model:

1. **concepts** or the results of continuous innovation and assimilation of the best methods, practices, technologies and ideas;

2. **competencies** understood as operational skills, particularly in serving clients, skills formed through a process of lifelong learning, selection and institutionalization of best practices;
3. **connections** established by developing partnerships between the organization and various elements of its environment in order to build an integrated system, flexible one, based on communications in order to connect the "inside" with the "outside" of the organization, facilitating access to opportunities and innovations.

Competitive organizations direct their human potential to investigate new and significant ideas. Such organizations couple their internal communication networks to the business partners systems to generate knowledge and recovery. The "3C" provides an example of a systemic and high quality approach by highlighting the importance of communication to internal and external interdependencies, the importance of the information as coagulating principle in any type of organization.

The following features are specific to the most managerial problems of modern economic organization Tãma° (1998).

1. They are complex interweaving of factors, causes and effects relations, and therefore are difficult to define and structure;
2. They are the result of "game" of power and interests by generating competition and conflict;
3. They generate change resistance from groups or organizational areas;
4. They involve psychological and moral issues, often degenerated into opportunistic behavior;
5. They entail costs, often non-quantifiable, and different allocations, that

arise distributional conflicts or pragmatically problems;

6. They are not isolated, but they manifest in complex interactions between different aspects of organizational life; and
7. Their solution rarely dealt with within the true-false dichotomy, being "good" or "unsatisfactory" according to the reactions of various departments or interest groups within the organization;

Concepts and management tools are not neutral value, they do not generate practices to serve equally well on everyone in the organization. Before being a "social technology", management is an ideology, a vision that expresses a particular interest, a practice that maintains a certain structure of power distribution in the organization. Any organization is political fields faced bear interest groups, values, beliefs, aspirations and attitudes different mentality. From this perspective, the organization is presented as a mechanism of domination, namely as a tool to exercise power and control. Practices, policies and management systems in an organization reflect the interests of small groups namely the groups holding power. Management can be regarded as legitimate by the control and coordination of the organization only if such conflicts of interest are explicitly recognized, and the search for solutions is institutionalized.

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NEW BUSINESS STRATEGIES OF TRANSNATIONAL COMPANIES FROM EMERGING COUNTRIES

Margulescu Serghei and Margulescu Elena
University Nicolae Titulescu Bucharest, Romania

Abstract

The analysis of strategies adopted in the last 10-15 years by companies in emerging countries that have managed to reach the status of global companies, enables us to appreciate that, in a first stage, emerging companies have followed the "normal" principles of corporate strategies leading Western companies to a multinational or a transnational status. But more important is what happened in the second stage, namely that many emerging companies were able to overcome the classical principles and strategies and to develop new business models. We consider that the most remarkable and ongoing process over the past 10-15 years, and whose effects will increase in coming decades in a manner which can not be said to have been predicted, that companies "functional" specialize, will definitely make its mark also on the emerging companies strategies.

Keywords: Emerging countries, Emerging companies, Classical strategies, Modern strategies

1. Introduction

One cannot talk about globalization without taking into account the economic momentum of emerging countries, their development in rates two times higher than in developed countries and projections that indicate that the cumulative Gross Domestic Product will be at a higher level within 25-30 years. The BRIC countries (Brazil, Russia, India and China) will surpass the G7 countries from this point of view, and the first 15 emergent countries will surpass the G7 after 2030.

Table -1: BRIC Situation

	G7	Developed countries	BRIC	Next 11 emerging countries	Total emerging countries
2005	27,3	32,4	4,2	2,9	8,9
2015	33,0	39,6	10,2	5,6	19,0
2030	43,0	51,6	28,2	12,5	46,8
2050	64,2	77,0	90,0	35,5	138,0

Source: Antoine van Agtmael. (2007). The Emerging Markets Century, New York: Free Press, based on Goldman Sachs estimates for BRIC and another 11 emerging countries and JPMorgan for another countries.

Before, however, the years will validate or not this scenario, we can see the nowadays realities in the world. A study undertaken by Boston Consulting Group (BCG) has recorded impressive economic concentrations that exist in emerging countries. In 2006, a total of 100 companies in these countries have assets of 520 billion USD, this means more than the top 20 global automobile manufacturers.

UNCTAD inventoried until 2004 a total of five companies from emerging Asia, which were among the top 100 transnational companies regarding the size and another 10 external assets, which could be included among the first 200 companies.

In 2006, Foreign direct investment(FDI) from the emerging economies (including mergers and acquisitions) reached the level of 174 billion in the USA, 14% of world total, up from 5% in 1990. Their share in world FDI stock was 13%, representing $ 1600 billion in US (compared to 8% in 1990).

Investment flows take place increasingly SN and SS relations as emerging economies invest both in developed and in the less developed countries.

2. Paper Content

Typology of strategies implemented by emerging companies

According to Antoine van Agtmael (2007), one can see three historical steps (the author calls them "waves") that define the commercial relationships between industrial and Third World countries during the last century:

- First wave defined by FDI in production facilities overseas;
- Second wave defined by outsourcing and offshoring;
- The third wave defined by competition between transnational companies from developed countries and strong global companies in emerging countries; Today, we stand in the early stage of the third "wave".

Rise of a growing number of companies from emerging countries to the status of global companies is obvious. From the methodological point of view, we accept the criteria the author proposes to trace the entrance of a company in the selected category of global companies, as following:

1. To be the world leader in the industry;
2. To have a global presence in exports and even production;
3. To have one of the top three market share position as a sufficient number of countries in order to be considered a global player;
4. To be globally competitive, not only in Chapter price, but also in quality, technology and design;
5. To refer to the biggest and the best companies in the world.

The ways of achieving these performances, the strategy adopted, there has never been a single abstract step, but a succession of steps. These attempts have however one common denominator: the courage of strategic management decisions, allowing faster browsing of those steps, getting out of the classic pattern of organic development that the Western occidental companies have run across.

Analysis of strategies adopted in the last 10-15 years by companies in emerging countries that have managed to reach the status of global companies, enables us to appreciate that, in a first stage, emerging companies have followed the principles of "normal" corporate strategies that lead Western companies to multinational or transnational status, as following:

- Focus on activities or core competencies and outsource other;
- Accession to the status of market leader in key markets around the world;
- Keeping costs at a low level and quality high level;
- Impeccable customer service;
- R & D investment;
- Hiring the best specialists and their corresponding reasons;
- Building a strong brand;
- Motivating employees through options and other incentives.

But more important is what happened in the second stage, namely that many emerging companies were able to overcome the conceptual principles and strategies to develop classical and new business models.

Currently, we cross a time when we try, by specialists and researchers, to "unveil the mystery" of how many emerging companies were able to achieve this unexpected success. For example, Boston Consulting Group concludes that there are five types of strategy determinants, namely:

1. Growth of local brands globally (e.g., Hisense in China for consumer electronics, Bajaj Auto in India for two or three wheeled vehicles, Tata Motors of India for cars);
2. Transforming engineering excellence in innovation globally (e.g., Embraer of Brazil for the production of regional jets);
3. Acceding to the status of a global leader in a niche product (e.g., BYD in China which produces batteries, Johnson Electric in Hong Kong that produces electric motors and video cameras for cars);
4. Widening ownership advantage of natural resources by implementing new ways of marketing and distribution (e.g., Sadie and Brazilian companies in international distribution Perdigao cereal, chicken and pork, Brazilian Vale Company in world exports of iron ore);

5. Implementing new models for business performance or new types of market penetration (e.g., Mexican company Cemex in cement and construction materials).

Certainly, the list of examples of each type of strategy presented above can be extended enough to validate these trends. In the following, we want to systematize in our own way the range of the main strategies implemented by emerging companies until now, facing their efforts to become global players in an increasingly globalized world.

We believe that the most remarkable and ongoing process developed in the last 10-15 years, and its effects will increase in the following decades, in a manner which cannot be said to have been predicted the "functional" specialization of companies affects the strategies of emerging companies. We call them "modern strategies." They join to a category of strategies that have direct link with the new division (national and international) of labor specialization based on "functions". We name them classical strategies, and based on these we refer to those who have provided the greatest success in recent years as emerging companies in their globalization plans.

We believe that the following structure of strategies practiced by emerging companies to accede to the status of global companies can be enlightening for today:

A. Classical Strategies, which:

- Global brand development strategy;
- Global development and supply of niche products strategy;
- Non-organic growth strategy;
- The strategy of geographical adjustment of business flows on South-South and South-North directions;

B. Modern Strategies, which:

- The strategy of integration of "functions" resulted from the global value chain restructuring, based on the new "functional" specialization in manufacturing and services, completed by the strategy of "steps getting on" on the overall chain of the "product" value;

- Strategy based on organizing global networks of suppliers;
- Reverse outsourcing strategy on South-North direction. Modern strategies implemented by companies from emerging countries

1. The strategy of integration of "functions" completed by the strategy of "steps getting on" on the overall chain of the "product" value

A unique strategy of building several corporations in emerging countries, which have started from scratch or have followed a restructuring process, was the strategy specialized on a certain "function" of a product value chain. This is the excellent example of large contract manufacturers in East Asia, South and Southeast from electronics, telecommunications and light industry.

Their strategies can be grouped by the size and complexity of the "functions" taken for execution, in conditions of anonymity, from the greatest western transnational companies:

- simple strategies: focusing on production function, as the "original technology manufacturers" (OEMs) and global suppliers;
- more complex strategies: integrating several functions, usually manufacturing and design, as "original design manufacturers" (MDGs) are; Some of the strategies of companies like Taiwan Semiconductor Manufacturing Company (TSCM), Hon Hai Precision Industry and High Tech Computer (HTC), Pou Chen and Yue Yuen are emblematic in this regard. The acquisition in the same time of the production function or of a combination manufacturing and design from a large number of order companies competing with each other, turned such functions integrators into "giant anonymous" in terms of established brand in the market, which remained in the position of partners to the globally integrated business, unavoidable to major brand companies worldwide.

Hon Hai Case

We mentioned earlier the five largest companies contract manufacturers of electronic components based in the U.S., some of which

relocated their headquarters in Singapore (as Flextronics and Solectron). But in 2004 we are the witnesses of a spectacular evolution. Hon Hai Company exceeds, with a turnover of 17 billion dollars, both Flextronics and Solectron, and so it is becoming the largest contract electronics manufacturer in the world.

The company is not only one of the largest, but it's one of the most profitable, perhaps due to heavy involvement in China. The company strategy was to build in China a few "mega-cities" for the 100,000 workers (out of 160,000), Chinese working in these industrial parks, providing all the amenities of cities. Profile of activity is more diversified, covering three areas: computers, communications and consumer electronics.

Founder, Terry Gou, is a graduate of American University that began his own business in 1974 with a garage company that produced plastic switches and other components for cheap televisions. But in 1981 he came to the attention of PC makers, for which he began to manufacture modules and circuits. In 1991 he was listed on Taiwan Stock Exchange and in 1993 was the first Taiwanese electronics company that has built large production capacity in China, representing 80% of its total capacity (Flextronics had in 2004 only 40% of capacity in China and Solectron 27%).

Hon Hai has reached in the top because of the speed with which it manages to translate projects into products, while maintaining the league with the lowest cost producers, but also because it is developing a new organizational concept, called a one-stop shopping. This model, like the direct distribution model promoted by the Dell Company, requires an extremely generous offer module that can be easily assembled by the beneficiaries. The company has vertically integrated into a model called components, modules, moves and services (CMMS), which allow to quickly and continuously reposition to new products and new areas. In this approach, it is helped by the research and development centers in U.S.A, Europe and Japan, focused on the research and development of new products, while centers in Taiwan and China are dominant in the field of research and engineering of wireless connections processes. With over

3,000 engineers, Hon Hai, in 2005, had a total of 13,000 patents and 20,000 patent applications.

The company has to be noticed also in the research field where it's strategic decision was to move not only on their own, but mainly in tandem with its big clients. It is the adept of the philosophy according to which business partners and brand challenges will always pull you forward, so Hon Hai have always targeted at the first customers of the top 2-4 companies in each area:

- Dell, HP, Intel, Apple in the computer field;
- Nokia and Motorola in mobile phone services;
- Cisco and Sun Microsystems in networks; and
- Sony and Nintendo in electronic games;

Also, at the insistence of such companies, it has diversified his international presence by investing in Hungary, Czech Republic, Scotland, Mexico, Brazil, India, along with the migration from a pure fabrication from the position of a contract manufacturer to the position of the joint and even the original design maker.

2. Strategy based on organizing global networks of suppliers

Supplier's networks establishment is a fascinating example of strategy based on non-organic growth, without involving any form of ownership of production capacities or equity provider's network.

Li & Fung Case

Li & Fung Company is emblematic for it's assertion that "the success of firms today depends less on what they produce, but on their ability to work within a network". Though here we talk about Li & Fung as a large producer of clothing, toys and other consumer goods, worth $ 9 billion per year, this company has not even a factory.

It is defined as a "network orchestrator" a network of over 8300 suppliers through a total of 70 supply centers located in over 40 countries. Dispersion of manufacturing processes is not the only one half of the network orchestration. Dispersed production involves designing a complete supply chain, optimizing the management and relating processes.

The other half is represented by the network itself and the degree of flexibility obtained. As the authors of the "Competition in a plain world" say, the network is a capacity or a potential energy. Supply chain harnesses the potential for a particular demand. Orchestration consists in developing and managing the network, but also in designing and management of specific supply chains.

Organizing a business as a network is increasingly seen as a better alternative to relocation operations, outsourcing or strategic alliances. Some studies show that half of the companies that have relocated their activities haven't obtained anticipated gains, as only 40% of mergers and acquisitions undertaken reach their objectives and these strategic alliances are risky because more than half end in failure.

Although there are still many examples of successfully running the business in property-based systems, as in the case of vertically integrated companies (Esquel is a company, for example, which also owns the chain, from plantations of cotton to fiber processing, manufacturing, and final product distribution), we can observe the trend to the transition from proprietary models to models based on orchestration. ***If Esquel is the model of an extreme vertical integration, Li & Fung is the example of an extreme orchestration..***

We analyzed in the previous chapter the principles and a managerial innovation that a great network orchestrator, Li & Fung company has implemented in order to develop business. The network is actually a "global integrated business" that consists of a core company Li & Fung, in its turn, a "global company", and the many independent suppliers that revolve around her. Gravitational force is given by the system that offers benefits to network participants: providing access to a global demand, orders flow linearization based on the 30/70 rule, financing facilities, access to information and global connections. The "Li & Fung" network surpasses in many ways its predecessors in the original way in which it managed to integrate an increasingly diverse set of "functions" from the global value chain of products. The company has expanded its presence in the supply chain to some important markets such as USA.

Through a series of strategic acquisitions and licensing agreements, it added a range of services provided simultaneously for a number of users, including product design, development, marketing, logistics, distribution and customer services, which the company translated right in the client's marketplace. Company's basic function, that of a "contract manufacturer", has expanded to the concept of one - stop - shopping based on a complete offer packages for the product, production supply, dynamic renewal of stocks, close connection with purchase teams from customers and ending with the development of private brands and national branding strategy. The key word is the 'functional' specialization of the network, which cannot be compared to traditional corporate models of transnational or multinational companies.

3. Reverse outsourcing strategy on South-North direction

If until the past 20 years, integrated companies in terms of functions were dominant, now it is possible to build a business from practically any part of the value chain. Contract manufacturers, designers without fabrication, manufacturing companies with no brand, no brand manufacturers and many other combinations have proven to be successful organizational structures.

Retention of some functions within the company involves the outsourcing of others functions. We used to see Western companies realizing outsourcing to other companies in developed countries or emerging countries.

Situations in which companies outsourcing functions are companies from emerging countries have not yet entered into our daily perception.

Outsourcing based on SS relationship, such as the widely practiced by companies in Taiwan in the relationship with China seems normal. Less normal in terms of business building is the outsourcing of emerging companies to companies from industrialized countries, which is why it is called "reverse outsourcing".

Embraer Case

Brazilian aircraft manufacturer, Embraer, is the first example of a new type of company, which being located in an emerging country, has nevertheless structured an extensive network of suppliers in developing countries. Aircraft manufacturer Embraer exists since 1969, but after its privatization in 1995 it has developed a niche product, building small and medium size regional aircrafts (50-110 seats). In this example, it is not so much interesting how the niche product was found, but rather how the business is structured.

The company is specialized in the functions of manufacturing, logistics and assembly. Company Embraer is the first example of a new type of company, which is located in an emerging market, but which is central to a wide range of suppliers from developed countries. Thus, classical outsourcing first appeared reversed. Embraer is able to design new planes, medium size, to the highest standards of quality at lower costs than competitors, using Brazilian engineers and specialists, who are as well trained as those in developed countries, but claim a lower wage level.

In these conditions, Embraer is making aircraft on a global scale, remains an integrator, a designer and a regional supersonic aircraft assembler, noting that a series of parts are delivered by outsourcing operations. Thus, Embraer E-70 and E-90 (launched in 2002, and 2004) are powered by two engines designed and equipped by GE and Honeywell avionics, parts of wings and pillars are from Kawasaki (Japan), titanium plates from the VSMPO (Russia), doors and fuselage parts are built in France, Spain and Belgium, and the electronics is provided by an American company.

This type of outsourcing allows Embraer to obtain the highest quality with the lowest price of components which are purchased worldwide, thus giving him an appreciable advantage over its competitors, which are more vertically or horizontally integrated (such as Bombardier). Company benefits in this way of greater flexibility, increasing the productivity rate in an easier manner, by building the delivery chain and the process of assembly. Outsourcing model is giving to the Embraer, the possibility to establish strategic alliances with its suppliers, which assure accelerate product development phase, maintaining low costs and access to the most advanced technology. Other advantages of this system lie in the fact that both co-production and licensing agreements give the ability to sell easier their aircraft in developed countries and at the same time, to keep competition at a distance.

3. Conclusion and Implications

The analysis of strategies adopted in the last 10-15 years by companies in emerging countries that have managed to reach the status of global companies, shows that, as a first step, they followed the principles of "normal" corporate strategies that have led Western companies to the multinational or transnational status. We have named them classical strategies: global brand development strategy, strategy of development and global supply of niche products, non-organic growth strategy and the strategy of geographical adjustment of business flows on South-South and South-North directions.

But these strategies have a direct link with the new labor division (national and international) based on "functional" specialization.

In the second stage, however, many emerging companies have managed to overcome the classical principles and strategies and to develop new business models.

Some of these new business models are directly related to the development of the "functional" specialization of companies. We named them modern strategies and we made reference to those who have largely ensured the success of the recently emerging companies in their efforts to accede to the status of global companies, namely: the strategy of integration of "functions" resulted from the global value chain restructuring, based on the new "functional" specialization in manufacturing and services, completed by the strategy of "steps getting on" on the overall chain of the "product" value, strategy based on organizing global networks of suppliers, reverse outsourcing strategy on South-North direction.

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Dr. B. Nimalathasan

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Dr.B.Nimalathasan is a Senior Lecturer in the Department of Accounting, Faculty of Management Studies and Commerce of the University of Jaffna, Sri Lanka. Dr.Nimalathasan obtained his first Degree on Bachelor of Commerce from the University of Jaffna and obtained Post Graduate Diploma in Management from the Rajarata University of Sri Lanka. Dr. Nimalathasan has completed his Doctoral Degree Programm at University of Chittagong, Bangladesh under SAARC scholarship scheme. He has published many research papers in leading National and International refereed and indexed journals and contributed chapters in different edited volume. He has participated and also presented research papers at several National and International Conferences. I congratulate Dr.Nimalathasan and request to write more books on various disciplines in Management to facilitate students and public in Sri Lanka in order to acquire the knowledge and skills.

Mr. K. K. Arulvel

Senior Lecturer, Department of Accounting,

Faculty of Management Studies & Commerce

University of Jaffna,

Jaffna, Sri Lanka.

ISBN 978-95553086-0-1

9-789555-308601

Price: Rs.600.00