

**INTERNATIONAL REGIONAL DEVELOPMENT:
RECOGNISING ENETRPRENEURS' NEEDS AND PERCEPTION**

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ABSTRACT

Development of regions is recognized internationally as a critical issue associated with improving the lifestyle, prosperity and wealth of communities throughout the world. Entrepreneurship – the process of establishing, nurturing and developing new enterprise – is seen as an important strategy in regional development. The paper reviews the outcomes of many researches over a number decade on concepts of socio-economic development in the venture creation process, and establishing entrepreneurial environments to encourage new and growing enterprises. From this literature review, the paper presents a model identifying elements and components in both the venture creation process and creation of an entrepreneurial environment. Using the Lombok region of Indonesia as a questionnaire to 93 entrepreneur and responses to the questionnaire are used to modify the venture creation and enterprise environment model. There are important implication from the model and its evaluation for government, teaching and training institution, industry association and entrepreneurs.

Keywords: Regional development, entrepreneurship, venture creation process, entrepreneurial environments.

Background

Small and medium enterprises have significant roles to play in regional development process which implies regions and their communities will strive to ensure new enterprises are established, nurtured and developed and existing enterprises will survive and grasp opportunities for growth and prosperity. Policy makers and researchers have examined the process of entrepreneurship frequently, focusing attention on two important aspects – venture creation and entrepreneurial environment. This paper focuses on the outcomes of previous research in these two areas and develops a model representing components and elements of both venture creation and venture environment. This model is then evaluated by using data representing the needs and perceptions on entrepreneurs in one region or island of Lombok in Indonesia. As a result of analysis from 93 entrepreneurs, the model is reviewed and modified with implications for government, teaching and training institutions, researchers, industry associations, communities and entrepreneurs.

Regional Development and Entrepreneurship

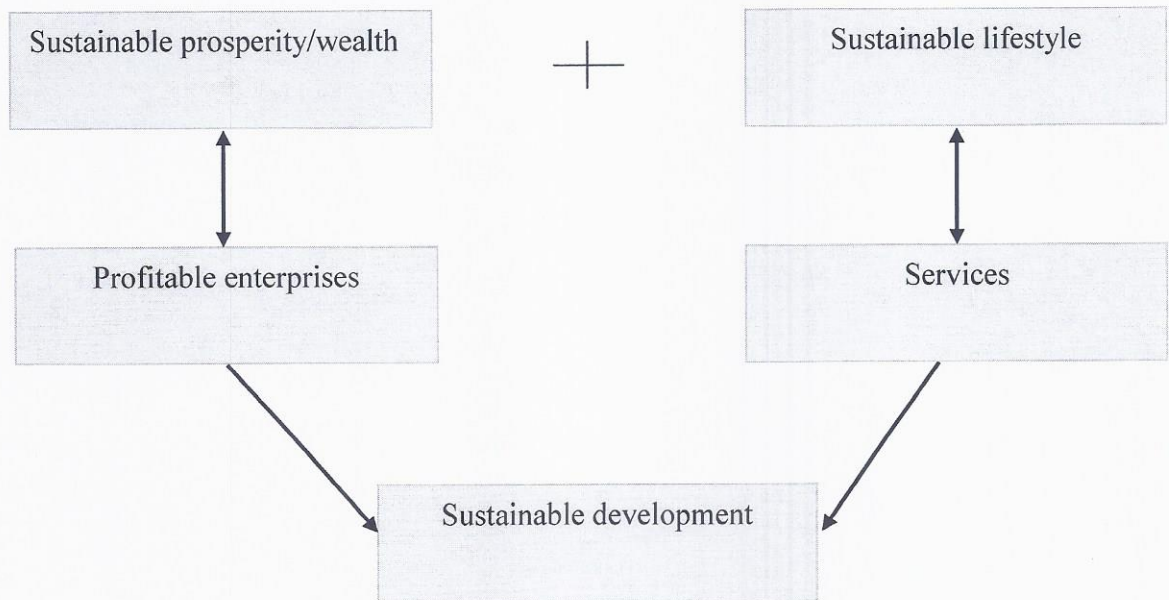
For the purpose of this paper, ‘regions’ can be equated with communities within a self contain area with commonalities, shared identity and separated from other areas as a results of a number of economic and social characteristics (Powell, 1993). Regions can simply be described as ‘communities with common interest’ – implying economic, social and cultural interests.

Communities within regions may be seen as having two expectations (Figure 1):

- The creation and sustainability of prosperity while maintaining and enhancing environmental quality and not diminishing opportunities for future generations.
- Improving the lifestyle of the communities including social well being and cultural development largely through the provision of services from the private and public sectors.

Figure 1

REGIONAL DEVELOPMENT COMPONENTS



Source: Developed for this paper

The creation of wealth and prosperity is a direct outcome of the establishment of new enterprises and the enhancement of current small and medium enterprises. This applies particularly to regions which identify the need for value-added enterprises. Many regions in South East Asia and the Pacific are rich in natural resources and the key to regional development success in generating wealth and prosperity, is to utilize those resources through value-adding enterprises..

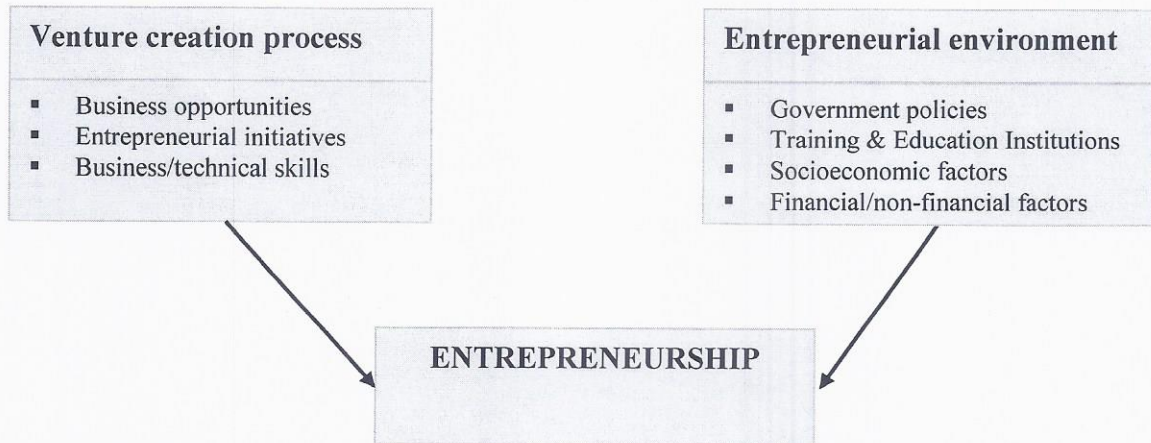
Lifestyle enhancement means services linked to education, health, security, recreation facilities and the equivalent. While some of these services may be provided through government infrastructure, many flow from small and medium entrepreneurs who recognize opportunities and establish enterprises to meet the needs of communities.

It is against this background of regional development that this paper examines the role of entrepreneurship in development, the establishment of a venture creation and venture environment model which would be appropriate in encouraging entrepreneurship but with the

proviso that such a model should be evaluated against the needs of entrepreneurs and perception of entrepreneurs in terms of qualities and processes linked to new venture creation and current venture development (Figure 2).

Figure 2

ENTREPRENEURSHIP IN DEVELOPMENT



Source: Developed for this paper

The entrepreneur in this paper refers to someone who perceives an opportunity and creates an organisation (venture) to pursue this opportunity (Bygrave, 1994). Thus, entrepreneurship refers to new venture creation. While, the term “venture creation process” refers to the process that begins with the “idea” for a business and culminates when the products or services are sold to customers in the market (Bhave, 1994). On the other hand, “entrepreneurial environment” refers to a combination of factors such as economic, sociocultural, and political factors that influence people’s willingness and ability to undertake entrepreneurial activities, and the availability of assistance and support services that facilitate the start up process (Gnyawali & Fogel, 1994).

The role of environmental factors is crucial in supporting venture creation processes. Much of the literature examines entrepreneurial environment and its role in supporting the venture creation process, however, most studies have been fragmented and focus on a limited number of environment (Gnyawali & Fogel, 1994). Few of these studies have paid adequate attention to the entrepreneurs’ (who are the main beneficiary of the environment) needs and perceptions

about the roles and importance of entrepreneurial environment in stimulating and facilitating their action in the process of venture creation activities.

Based on the above, related research into the elements of venture creation process and entrepreneurial environment were reviewed. From this review, the elements of venture creation process were identified as business opportunities, entrepreneurial initiatives, and business and technical abilities of entrepreneur. The entrepreneurial environment was identified as government policies and procedures, business training and educational institutions, socioeconomic conditions, and financial and non-financial support to businesses. This review leads to a model, which is developed later in this paper.

Venture Creation Process

The individual decision to start a business is influenced by a number of factors. Among those factors are a person's perception of desirability and feasibility of starting a business (Shapiro & Sokol, 1982), the person's propensity and intention to found a business and his or her understanding of environmental forces (Learned, 1992). The entrepreneurial process involves an invention phase, during which new ideas are generated, and an innovation phase, during which new ideas are developed into marketable goods and services. In the first phase, the entrepreneur identifies opportunities for new applications of a technological discovery or tries to create a new product or service. This phase is guided primarily by a mode of thinking that is intuitive, synthetic, and holistic (right-brain-hemispheric thinking), but supported by some rational (left brain) information processing to translate the idea into a workable model or prototype. During the innovation phase, the rational, analytic, linear mode of thinking gains dominance as market opportunities for the new idea are assessed and plans for its financing, production, and distribution developed (Olson, 1985).

When considering the importance of entrepreneurship for many economies, the policy of encouraging new business creation, together with growth of existing enterprises, is to encourage economic growth. While recognising that the individual is a key actor in the whole entrepreneurial process, and that motivation, competency, and networking are vital, individuals will make their way more effectively, in a complex world, if a range of supporting mechanisms exists. For example, by promoting entrepreneurship, the individual could be

synthesised to the possibility of finding a business; economic profiling could highlight where viable business ideas are to be found; and for those persons who approach state agencies, the use of appropriate selection procedures and the provision of initial seed and early stage equity financing could reduce the likelihood of failure (Cromie, 1994).

Several studies above indicate that the individual is a key actor in the whole entrepreneurial process and the needs of support from environments surrounding entrepreneurs in order to succeed. This paper now reviews the 3 elements in the venture creation process.

1. Business opportunities

Relationships may exist between environmental factors and performance of an individual entrepreneur, and a match between specific requirements of the entrepreneurs and environmental forces would lead to greater likelihood of business start-up and success. It is also suggested that entrepreneurship can flourish if potential entrepreneurs find opportunities in the environment, if environmental conditions motivate entrepreneurs to take advantage of these opportunities, and if environmental conditions enhance entrepreneurs' ability to start and manage a business (Gnyawali & Fogel, 1994).

Entrepreneurial opportunities tend to be higher in economies that are deregulated, where market mechanisms operate freely, and where entrepreneurs have to face very few barriers to entry (El-Namaki, 1988). An entrepreneur is creating an organisation to pursue a business opportunity and entrepreneurial process involves all the functions, activities, and actions associated with perceiving opportunities and creating organisations to pursue them (Bygrave, 1994).

Therefore, in pursuing business opportunities and creating an organisation, individual entrepreneurs should have technical and business ability and possess entrepreneurial initiatives- two further elements to be examined.

2. Entrepreneurial initiatives

A stream of research on entrepreneurship emphasises the psychological and behavioural characteristics of entrepreneurs. The most common of these are the **high need for achievement** (McClelland & Winter, 1969), **capacity to innovate** (Schumpeter, 1934), **internal locus of control** (Shapero, 1977), **propensity for taking risks** (Brockhaus, 1980), and **key entrepreneurial characteristics** (Management Systems International,

1990). The study of the psychology and social construction of new organisations revealed that an entrepreneur, based on his or her personality, is motivated, and tunes in to changes in the environment and forms thoughts, feelings, and words that describe the venture that is to be created. Some of these thoughts and behaviours act to bracket the time involved in organisation creation and to set a pace for that creation. The brackets and pace frame market events, which become symbols for the public about the venture's validity or legitimacy. Presumably, if a series of critical events disconfirm the venture it "dies" as a thought, plan, or going concern. If critical events continue to confirm the venture, it survives, becomes an organisation and alters the bracketing of time in its subsequent development (Bird, 1992). A similar study which attempts to explain the observations that not all individuals have the potential to found organisations, and that of those who do, not all try or succeed, proposed three dimensions to organisation formation: **propensity to found, intention to found, and sense making**. These three dimensions lead to a decision to found the venture, or to abandon the attempt. Several propositions are derived from the model (Learned, 1992).

An entrepreneurial initiatives study (Krueger, 1993) based on opportunity recognition used Shapero's propositions in which entrepreneurial intentions derive largely from **perceptions of feasibility, perceptions of desirability, and a propensity to act** which derives from control beliefs. Entrepreneurial intentions should derive from feasibility and desirability perceptions plus a propensity to act on opportunities. Prior entrepreneurship-related experiences should influence entrepreneurial intentions indirectly through these perceptions. Path analysis found that feasibility and desirability perceptions and propensity to act each proved significant antecedents of entrepreneurial intentions. Perceived feasibility was significantly associated with the breadth of prior exposure. Perceived desirability was significantly associated with the positiveness of that prior exposure. In this study, strong support was found for Shapero's model, arguing for further application of intentions-based process models of entrepreneurial activity.

Based on the psychological characteristics of entrepreneurs, Shaver & Scott (1991) examined the possibility that relatively enduring attributes of the person might affect entrepreneurial activity and describes the social cognitive processes involved in

constructing representations of the external environment, and suggests which motivational variables affect behavioural choices. This study emphasizes the need of a person, in whose mind all of the possibilities come together, who believes that innovation is possible, and who has the motivation to persist until the job is done. People that have an **urge for excellence, willingness to take moderate risk**, and desire to be **independent** are very likely to become entrepreneurs (McClelland, 1961). A study conducted in various countries (Management Systems International, 1990) found some behavioural characteristics of successful entrepreneurs. These characteristics include **opportunity seeking and initiative, persistence, risk taking, demand for high quality and efficiency, commitment to work, goal setting, systematic planning and monitoring, and independence and self-confidence.**

The literature on personal entrepreneurial competencies argues that people with certain behavioural characteristics are able to perceive the opportunities available in the environment, seize such opportunities, and then turn such opportunities into profitable ventures. Yet, a personality or behavioural profile is not a sufficient condition for people to go into business. An individual with a high propensity to start a business is more likely to go into business when he or she sees several business opportunities in the environment. Furthermore, the propensity to enterprise will be enhanced when an individual feels confident in his or her ability to enterprise (Gnyawali & Fogel, 1994). Therefore, the entrepreneurial initiatives based on psychological and behavioural factors are not sufficient condition for people to create new venture. Technical and business capability is needed to complement the individual's entrepreneurial initiatives.

3. Technical and business abilities

Technical and business capabilities are required by individuals to start and manage a business. "Technical capability" refers to the technical skills, "business capability" refers to the knowledge and skills in various functional aspects of business (Vesper, 1990) such as **business planning, product development, marketing, personnel management, general management, accounting and finance.**

Furthermore, as entrepreneurs face resistance from customers, investors, and several other stakeholders, they require some **political and strategic planning skills** in order to succeed

in their endeavours (MacMillan, 1983). Without having the technical and business ability, entrepreneurs may not be able to seize the opportunities available to them and successfully go through various start-up activities or manage the ongoing business. Individuals with the necessary technical and business ability, when combined with entrepreneurial initiatives will increase their chances of going into business. Once they are in business, they are most likely to be winners (Vesper, 1983). For example, Olsen & Johannessen (1994) investigated entrepreneurial learning and how abilities acquired through learning affect future performance of a new firm. Using learning theory, then reviewed the entrepreneurial literature, linking it with education, managerial experience, start up experience, and industry experience.

A causal model was designed, which integrates the literature review on entrepreneurial ability and learning theory with respect to future venture performance. It was argued that learning theory provides a plausible theoretical foundation for discussing abilities in relation to post start-up success. Management Systems International (1990) also identified certain abilities or characteristics of successful entrepreneurs as **ability in information seeking and ability in persuasion and networking**.

A match between the opportunity, the technical and business ability, and the entrepreneurial initiative is crucial in the process of venture creation. While the opportunity may enhance one's initiative to do a business, persons with high levels of initiative to create a business will perhaps be able to identify the opportunities in the environment. Similarly, ability to create a business may depend upon the nature of available opportunities. The process of developing competent entrepreneurs and increasing their likelihood to enterprise consists of developing multiple business opportunities in the environment, enhancing people's initiative to create a business, and developing their capability to create a business. Competent entrepreneurs will be able to take advantage of most opportunities and respond to the needs of the environment. Therefore, it is concluded that a key role of entrepreneurial environment is to help entrepreneurs develop both entrepreneurial initiative and the technical and business abilities. Persons with low entrepreneurial initiatives lack the necessary motivation and mind set required to start a business, whereas persons with low technical and business

ability lack the skills needed to manage the start-up and subsequent processes of business operation (Gnyawali & Fogel, 1994).

Venture Environment

Reviewing ideas on entrepreneurial environments suggest it can be grouped into elements which focus on: (1) government policies and procedures in promoting entrepreneurship; (2) socioeconomic conditions for entrepreneurship development; (3) availability of training and educational institutions to support entrepreneurship; and (4) availability of financial and non financial support to facilitate and encourage entrepreneurship (see figure 2).

1. Government policies and procedures

Governments can influence the market mechanism and make them function efficiently by removing conditions that create market imperfections and administrative rigidity. They can also create an “enterprise culture” that enables firms to take a reasonable risk and seek profits.

Substantial research on the role of government to stimulate entrepreneurship has shown that government is one variable that stimulate entrepreneurship (Bruno & Tyebjee, 1982). Changes in government policy initiatives may be needed to support market-oriented movement and new venture creation (Hisrich & Vecsenyi, 1990). Government support (the provision of financial aid and tax reduction for entrepreneurs establishing new ventures) has brought the Basque people in Southern Europe prosperity in entrepreneurship (Dana, 1995), as has privatisation along with dramatic policy reforms in Argentina (Dana, 1997). Enterprise zone programs, initiatives using local government or using local businesses as partners, and other tax or investment incentives are government efforts to encourage the development of small businesses (Dandridge, 1982).

An example of successful government intervention to support entrepreneurship development is the effort of the government of Argentina in restructuring its economy compared with actions in Uruguay. Since 1989 (Dana, 1997), the government of Argentina has embraced privatisation along with dramatic policy reforms; in contrast, the government of Uruguay refrained from passing such legislation.

Entrepreneurs may be discouraged from starting a business if they have to follow numerous rules and procedural requirements, if they have to report to numerous institutions, and if they have to spend more time and money in fulfilling the procedural requirements (Dana, 1987; Dana, 1990; Young & Welch, 1993). A similar study (Everett & Watson, 1997), suggested the importance of government policy in helping the small business sector avoid failure. If the underlying causes of small business failure are predominantly internal (endogenous), then government policy would be best directed at the firm. If the underlying causes of small business failure are predominantly external (exogenous), then government policy would be best directed to changing the economic environment within which small business operate. A study by Sarder, Ghosh, & Rosa (1997) evaluated the role of government and non-government support organisations to small enterprise in Bangladesh. This study compared the performance of assisted firms with that of non-assisted firms through interviews with the owner-managers of 161 firms and with officials from organisations. This study found that the overall impact of assistance was found to be relatively low but significant, although assisted firms performed much better than non-assisted firms.

2. Socioeconomic conditions

Entrepreneurship will not prosper if most member of the society view it with suspicion. A favourable attitude by society towards entrepreneurship and widespread public support for entrepreneurial activities are both needed to motivate individuals to start a business (Mokry, 1988).

Close relatives can help entrepreneurs seek out solutions, locate resources, and assemble a team of willing people to address the entrepreneurs' problem (Kao, 1993). In the broader context, entrepreneurial behaviour is influenced by the environment surrounding the entrepreneur (Huisman, 1985) and the attitude of the area population may stimulate entrepreneurship (Bruno & Tyebjee, 1982). Related studies found that organisation birth rates were high in areas with high occupational and industrial differentiation, with high percentages of recent immigrants in the population; large industrial base; large urban areas; and with the availability of financial resources (Pennings, 1980; Pennings, 1982). Furthermore, the presence of experienced entrepreneurs and successful entrepreneurial role

models in a community or country conveys a message to potential entrepreneurs that business is an attractive career option. Conversely, negative public attitudes towards entrepreneurs, coupled with the lack of role models may discourage people from going into business.

Culture is another factor which influences entrepreneurial initiatives. Societies and cultures that value entrepreneurship tend to develop societal systems to encourage new business (Vesper, 1983). In China for instance, it is often recognised that entrepreneurial role models encourage people to go into business supported by close networks of family members and relatives (Kao, 1993; Siu & Martin, 1992). In examining the global landscape, it is believed that some individuals across different cultures tend to be more productive in starting new ventures than others both inside and outside a home country. The model in this study is illustrated through Chinese with their high propensity to start new businesses when they migrate to new countries (Busenitz, 1996).

On the other hand, issues of culture are also considered as entry barriers for an entrepreneur to a business venture. These include cultural discrimination against certain groups (El-Namaki, 1988) and the barriers are one of the possible causes of low and declining rates of new business entrepreneurship in Japan (Hawkins, 1993).

Economic factors such as the proportion of small firms in the population of firms, extent of economic growth, and diversity of economic activities also influence the rate of new venture creation and growth. One study has shown that the greater the percentage of small firms in a growing sector, the greater the share of jobs created by small firms in the industries operating in those sectors (Phillips, 1993). Firms are more likely to grow if they are in highly innovative industries than if they are in less-innovative industries (Kirchhoff, 1991). One research has shown that cities having a larger number of economic development programs achieve a higher rate of growth in new venture establishments than cities having a smaller number of such programs (Feiok, 1987). Similarly, Davidsson & Wiklund (1997) developed regression models that use economic-structural factors as explanatory variables investigated three matched pairs of regions in Sweden. While the regions in each pair are similar on economic-structural dimensions, one region in each pair has shown a higher and the other a lower rate of new firm formation. Factors such as

high sophistication of buyers, strong distribution channels, and intense rivalry among existing firms provide an opportunity for entrepreneurs to pursue innovation (Porter, 1990). Finally, entrepreneurial behaviour in a particular country is influenced by the country's particular stage of economic development (Huisman, 1985). Economic and governmental factors (availability of support, availability of financial support, labour supply, extent to which connections are needed, government regulations, and intensity of competition in environment) are more likely to influence individuals' perceived self-efficacy in starting any business (Liang & Begley, 1996).

3. Training and educational institutions

A low level of technical and business skills could prevent motivated entrepreneurs from starting a new venture (Davidsson, 1991; Vesper, 1990). Similarly, unless entrepreneurs are well equipped with technical and business skills, they may not be able to overcome various problems they encounter at different stages of their business development. The need for training programs appears greater in countries where very limited external assistance is available, market imperfections exist, large industries dominate the industrial sector, government policies do not support small businesses, and several bureaucratic hurdles have to be overcome to get permission to start a business.

Training and educational services are particularly important in emerging market economies because entrepreneurs lack basic business skills. In one survey, 30 per cent of the entrepreneurs requested training in the areas: business plan preparation, planning, decision making negotiation, pricing, market penetration, organisation and management, management of the workforce, and handling of cash-flow (Swanson & Webster, 1992).

Overviews of seventeen research papers on environmental variables that influenced new venture creation found that proximity of universities and technically skilled labour force are among factors that stimulated entrepreneurship (Bruno & Tyebjee, 1982). Similar studies concluded that availability of a technically skilled labour force and sufficient labour supply influence the start up business and greater entrepreneurial activities (Lau et al., 1992; Liang & Begley, 1996).

Some research evidence has shown that successful entrepreneurs can be developed through educational and short-term training programs (Management Systems International, 1990;

McClelland & Winter, 1969). A study of job creation in various states of the United States of America showed that every 1 per cent increase in a state's college-educated population led to 1.2 per cent increase in job created by small firms (Phillips, 1993). A study (Wong, Wong, Kwan, & Gansham, 1994) focused on environmental factors in Singapore to assess the favourability of its environment in promoting entrepreneurship development and found that external factors which included availability of labour and the education system, are more conducive in fostering entrepreneurship than internal factors.

4. Financial support to businesses

Generally, entrepreneurs require financial assistance for at least one of three purposes: to diversify or spread start-up risk, to accumulate start-up capital, and to finance growth and expansion. While availability of financial resources appears to be a major predictor of the frequency of new business start ups, many lenders seem to be unwilling to invest in high-risk projects or tend to withhold support until the firm has been established successfully (Pennings, 1982).

Most bankers, especially commercial banks, may hesitate to finance small start-up firms because of the high costs involved in the processing and supervision of loans. Moreover, most bankers lack the experience and capability needed for understanding and responding to the special needs of small entrepreneurs (Vesper, 1983).

Research has shown that creation of investment companies, provision of low interest loans, and availability of credit guarantee schemes for small business financing have all contributed to the establishment of new businesses (Dana, 1987; Harrison, 1988; Hawkins, 1993). Also venture capital availability is one factor that stimulates entrepreneurship (Bruno & Tyebjee, 1982). Organisation "birth rates" were high in areas where financial resources are available (Pennings, 1980; Pennings, 1982). Based on a psychological perspective, the availability of financial support is one of the factors that is found to have an impact on perceived feasibility to form companies in Singapore (Liang & Begley, 1996).

For existing businesses, the availability of financing could reduce the likelihood of failure (Cromie, 1994). However, financing is also considered as one of the barriers to start-up (Volery et al., 1997). Data on entrepreneurship in developing countries suggest a slow

pace of enterprise creation and an equal gap in the propensity of business to survive. This suggests the existence of barriers that prohibit the process of entry, continuity, and exit of an entrepreneur from a business venture. Among the barriers to entry is difficulty in acquiring financial resources (El-Namaki, 1988).

5. Non-financial support to businesses

Entrepreneurs need support services in addition to financial assistance. In particular, entrepreneurs need assistance in conducting market studies, in preparing business plans, and in getting loans. Business incubators can play a major role in providing a variety of services to start up entrepreneurs (Hoy, Wisnieski, Gatewood, Byrant, & Patel, 1991). As most incubator facilities provide office space, common office facilities, faster and efficient means of communication, and counselling and advisory services to their tenants at low costs, incubators can be very helpful in places where infrastructure is not well developed or where modern physical facilities are costly.

Entrepreneurs spend nearly half of their time during their start up phase in making contacts and networks with other entrepreneurs and related agencies (Aldrich & Zimmer, 1986). Therefore, networks are useful mechanisms to enhance business capability of entrepreneurs. Networks provide four essential ingredients to entrepreneurship (Manning, Birley, & Norburn, 1989): support and motivation; examples and role models; expert opinion and counselling; and access to opportunities, information, and resources. The forms of network include trade fairs, entrepreneurial fairs, associations and clubs. The network is also recognised as a method for overcoming the barriers to start-up where participants established contact network during attending the training program (Birley, 1985).

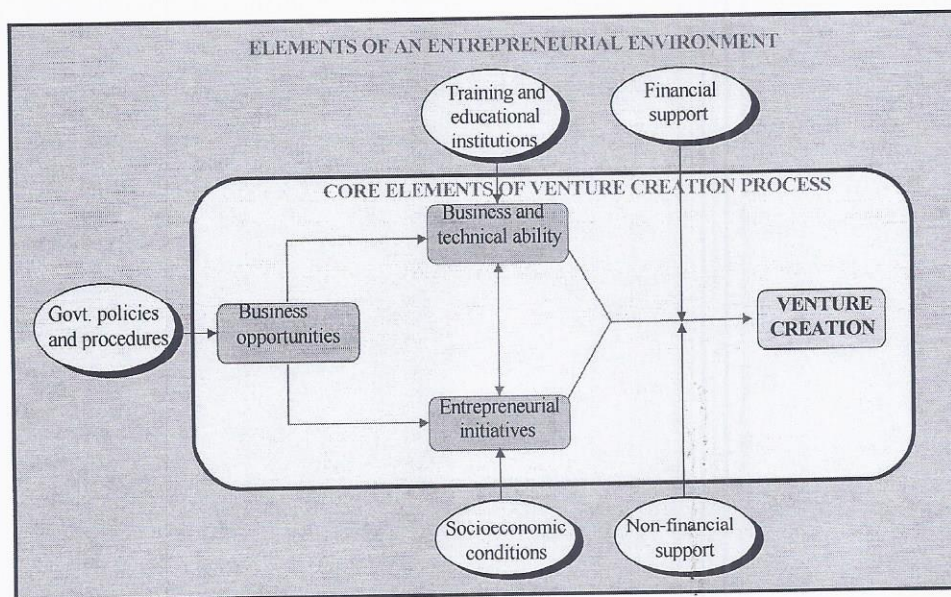
Government procurement programs and subsidies for research and development are also important for entrepreneurs (Goodman, Meany, & Pate, 1992). Further, research has shown that provision of management and entrepreneurship training programs, various forms of start up incentives (for example tax concessions, exemptions of custom duty), and provision of consulting services enable entrepreneurs to start a business (Dana, 1987; Hawkins, 1993).

Certain infrastructure elements seem to make substantial impact on the entrepreneurial environment. These elements include the existence of universities and research and development programs, a well educated and technically skilled labour force, and modern transport and communication facilities that provide easy access to suppliers and customers (Bruno & Tyebjee, 1982; Gartner, 1985). Firms make location decisions based on a community's ability to supply trained and capable workers and the proximity to research and development institutions (Galbraith & Noble, 1988).

Based on the review of relevant literature on venture creation process and entrepreneurial environment, the integrative model which links the elements of venture creation process and entrepreneurial environment is developed in figure 3.

Figure 3

**AN INTEGRATIVE MODEL OF
THE VENTURE CREATION PROCESS AND
ENTREPRENEURIAL ENVIRONMENT**



Source: Developed for this research

Testing The Model

Methodology

To analyse the model presented in figure 11, ideas, opinions and attitudes were collected from entrepreneurs in the region or island of Lombok, Indonesia. At the time of study, there were 1319 entrepreneurs in the working population. Entrepreneurs were identified as the owners/managers of small business supported by the government and/or non-government agencies throughout the region. The stratified sampling was the sampling method used in this study and the population was divided into three strata on the basis of business type, that is, manufacturing, trade, and service and disproportional stratified sampling was applied, where the sample size for each stratum was allocated equally for each business type (Zikmund, 1997).

According to the data derived from the list of entrepreneurs gathered from various agencies, which were supporting small business in the region, the samples were stratified based on its business types as seen from table 1.

Table 1
Number and Percentage of Sample and Population of
Entrepreneurs in each Business Type

No	Business types	Number of sample	% of sample	Number of population	% of population
1.	Manufacturing	31	6.86	452	34.27
2.	Trade	31	6.51	476	36.09
3.	Service	31	7.93	391	29.64
	Total	93	21.30	1319	100.00

Source: Research sampling.

For the purpose of this study, the components in the elements of venture creation process and entrepreneurial environments from literature review were adjusted based on its relevancy to the object of the study to entrepreneurs in the region or island of Lombok Indonesia. Thus, the venture creation process elements were adjusted to 21 components and the elements of entrepreneurial environments to 28 components. Those components within elements are shown in tables 2 and 3.

Table 2
Components within Elements of

VENTURE CREATION PROCESS

No.	Elements	Components
1..	Business opportunities	<ol style="list-style-type: none"> 1. Highly deregulated economy 2. Free market mechanism 3. Few barriers to entry
2.	Entrepreneurial initiatives	<ol style="list-style-type: none"> 4. Capacity to innovate 5. High need for achievement 6. Propensity for taking risks 7. Intention to create a business 8. Sense of a business 9. Opportunity seeking and initiative 10. Demand for high quality and efficiency 11. Commitment to work 12. Independence and self confidence
3.	Technical and business abilities	<ol style="list-style-type: none"> 13. Ability in lobbying 14. Ability in networking 15. Ability in information seeking 16. Technical ability related to business 17. Ability in business planning 18. Ability in product development 19. Ability in marketing management 20. Ability in personnel management 21. Ability in accounting & finance

Source: Developed for this paper.

Table 3
Components within Elements of
ENTREPRENEURIAL ENVIRONMENTS

No.	Elements	Components
1.	Government policies and procedures	1. Regulations on imports and exports 2. Soft loans facilities for supporting small business. 3. Procedural requirements for registration and licensing 4. Regulations related to the responsibility of reporting business activities to some institutions. 5. Laws to protect proprietary rights
2.	Socioeconomic Conditions	6. Public attitude toward entrepreneurship 7. Presence of experience entrepreneurs in the environments 8. Entrepreneurial culture in the environment 9. Values and belief toward entrepreneurship 10. Govt rewards for successful entrepreneurs 11. Diversity of economic activities in the environment 12. Country's economic growth
3.	Training and educational institutions	13. Business training institutions 14. Technical training related to business 15. Educational business institutions 16. Entrepreneurship training programs
4.	Financial support to businesses	17. Business information center 18. Venture capital companies 19. Soft loan programs from banking institutions 20. Credit guarantee program for start up enterprise 21. Soft loan programs from state owned enterprises
5.	Non financial support to businesses	22. Counselling and support services 23. Business association 24. Incubator facilities 25. Government support for entrepreneurship and small business research and development 26. Tax incentives and exemptions 27. Local and international business networks 28. Modern transport and communication facilities

Source: Developed for this paper

Self-administered questionnaires were used in conducting the survey for collecting primary data. Data were analysed using cross tabulations, t-test, and analysis of variance (ANOVA).

Findings

Perceptions to the elements of the venture creation process

This study examined attitudes of entrepreneurs to the **relevancy** of each component of the elements in the model followed by perceptions of **assistance or help** provided and the **importance** of each component in the elements of the venture creation process. It is also examined the differences of entrepreneurs' perception to the components in each element.

Entrepreneurs saw all components of the 3 (three) elements were seen as relevant. In general, more than 90 per cent of entrepreneurs saw the 21 components as relevant to the venture creation process – only the component 'highly deregulated economy' registered support of only 66.7 per cent of entrepreneurs. The component 'free entry barriers to any business' registered support from 89.2 per cent and all other elements registered more than 90 per cent support with many reporting support from close or equal to a 100 per cent of entrepreneurs. The conclusion can therefore be reached that entrepreneurs see the 3 elements and the 21 components in the venture creation process as relevant. This aspect of the model therefore **does not require adjustment**.

This study reveals no significant differences in perceptions of entrepreneurs of the relevancy of 21 components in the process. The finding therefore indicated that entrepreneurs of manufacturing, trade and service businesses have common views on the relevancy of each component of the venture creation process.

Dealing with the perceptions of the **importance** of the 21 components, responses in table 2 illustrates varying perceptions of importance for different components. Component 21 - ability in accounting and finance was rated lowest in terms of importance followed by component 1 - highly deregulated economy and component 17 - ability in business planning. However it is worth noting that relatively low percentage rating for importance did not necessary mean a low percentage rating as a measure or record of **help or assistance** from this component. For example, it is worth noting that while 'ability in accounting and finance' received the rating of 68.5 per cent in terms of importance, entrepreneurs rated it as **extremely helpful** (97.8 per cent). It might be that some entrepreneurs do not appreciate the role of accounting and finance and the same may apply to the components dealing with business planning, deregulated

economy and intention to create a business – the other components with lowest ratings of importance.

In terms of the industry/link responses, the study also indicated no significance differences in perceptions of entrepreneurs of the help of each component, however entrepreneurs perceived differently as to the importance of the component ‘highly deregulated economy’ and component ‘intention to create a business’. Differences were greater among entrepreneurs in manufacturing and trade businesses.

The analysis of perceptions of entrepreneurs in terms of assistance from each component and importance of each component provides further evidence of support for the model and retention of the 3 elements and 21 components. The conclusion is therefore that those associated with assisting entrepreneurs in either creating new ventures or managing ventures can focus on the 3 core elements of the venture creation process and the 21 components of those 3 elements in designing training programs, counselling and assistance programs.

Perceptions to the elements associated with the creation of an entrepreneurial environment

The 5 (five) elements in the process of creating entrepreneurial environment was developed in the model from literature and examining whether entrepreneurs perceived the elements and components as **relevant, helpful and important** in the present form and the **role** they may play in the process of creating new ventures.

Results vary dramatically from those recorded for entrepreneurs reviewing the model dealing with core elements of the venture creation process where there was uniform support for all elements and components from entrepreneurs. This is not the case for components in the model linked to creating an entrepreneurial environment.

For the element **government policies and procedures**, only for components ‘procedures for registration and licensing’ and ‘soft loan facilities for supporting small business’ were seen as relevant, if the view was taken that only those components that gain support from 50 per cent or more of entrepreneurs as being ‘relevant’. This would mean that only these 2 components would be included in the model as part of the element dealing with government policies and procedures.

For the element **socioeconomic conditions**, all except one of the components (government rewards for successful entrepreneurs) gained 80 per cent or better support from entrepreneurs in terms of relevancy and therefore could be seen as being included in the model.

For the element **business training and educational institutions**, only **one component** (entrepreneurship training programs) gained support from more than 50 per cent of the entrepreneurs – it would appear that other components are not seen as relevant by entrepreneurs.

For the element **financial support to businesses** as a factor in creating entrepreneurial environment, only **one component** (soft loans programs from banking institutions) gained more than 50 per cent support from entrepreneurs.

For the element of **non-financial support for businesses**, there are **three components** gained more than 50 per cent support - local and international business networks, modern transport and telecommunication facilities and finally government supports for entrepreneurship and small business research and development.

In terms of the differences in perceptions among entrepreneurs in manufacturing, trade and services businesses, this research found only one component (regulation related to the responsibility of reporting business activities to some institutions) reported differences (see table 6.3, column 5). However, as this component is considered relevant by less than 50 per cent entrepreneurs, the differences do not have significant implications for this research.

The conclusions are therefore that, based on the question of relevancy, the model developed from literature requires substantial adjustment, with a significantly reduction in components of each element, unless there are off-setting factors that need to be taken into consideration.

The final issue is the question of whether those elements in the creation of the entrepreneurial environments are seen as **relevant** by entrepreneurs was also rated as **important and helpful** and therefore whether there is a role for the elements in the venture creation process.

As already noted, only the components ‘procedures for registration and licensing’ and ‘soft loans facilities for supporting small business’ in the element from the model dealing with **government policies and procedures**, were perceived as relevant by entrepreneurs.

Soft loan facilities were seen as **very important** and **helpful** for about 56 per cent or more of entrepreneurs responding. On the other hand, ‘procedures for registration and licensing’ were

only seen as **very important** by only 42.5 per cent of entrepreneurs and helpful by just over 70 per cent. These two components should therefore **remain** in the model. However perhaps the model should also review the component dealing with regulation on imports and exports since this was seen as important for 78.6 per cent of entrepreneurs, with 50 per cent of entrepreneurs indicating help from this component. Similarly, 'laws to protect proprietary rights' was seen by only 37.5 per cent of entrepreneurs as **very important** however 62.5 per cent indicated **help** from this component. The conclusion from this analysis suggests that those two components (regulations on imports and exports and laws to protect proprietary rights) should be retained within the model so that the element government policies and procedures would include four components not five.

The element **socioeconomic conditions** had been given strong support by entrepreneurs in terms of all components with the exception of one (government rewards for successful entrepreneurs) being seen as relevant. All the components were seen as important but entrepreneurs responding saw all of the components as helpful. It can be argued therefore that all the components should be retained with the possible exception of component 31 – government rewards for successful entrepreneurs.

The element of **business training and educational institutions** was not strongly supported by entrepreneurs with entrepreneurs seeing only component 37 - entrepreneurship training programs – which gained more than 50 per cent of support in terms of relevancy. In addition, component (business training institutions) and component (business information centre) are rated highly in terms of importance and assistance and therefore would remain in the model.

The element identifying **financial support for businesses** only received partial support from entrepreneurs in terms of relevancy of components – the only components identifying support by more than 50 per cent). This component was strongly seen as important and helpful however two other components are worthy of consideration - component 41 (credit guarantee programs) seen as important for 92.3 per cent of entrepreneurs however not helpful by many entrepreneurs. On the other hand, component - soft loans programs from state owned enterprises were seen as important by 92.7 per cent of entrepreneurs and helpful by almost 60 per cent of entrepreneurs. The case may be made therefore for retaining component 42 in the

model, which means that the model in terms of financial support will be restricted to the component dealing with soft loans.

Finally, the element identifying potential **non-financial support for businesses** saw only three components gaining support from entrepreneurs. In terms of **relevancy** – component linked to networking, component 48 linked to transport and telecommunication and component ‘government support for entrepreneurship and small business research and development’. When further data was analysed and reviewed, there was seen to be support for component (business counselling and support services) which was seen as both important and helpful plus component ‘incubator facilities’, which received support exceeding 50 per cent in terms of **importance and help**. This would mean retaining five of the components in the model.

Table 4 presents the original components and the components of entrepreneurial environments which were eliminated as a result of this study, and final model elements and components.

Table 4
The Original and Eliminated Components of
Entrepreneurial Environments within the Model of this Research

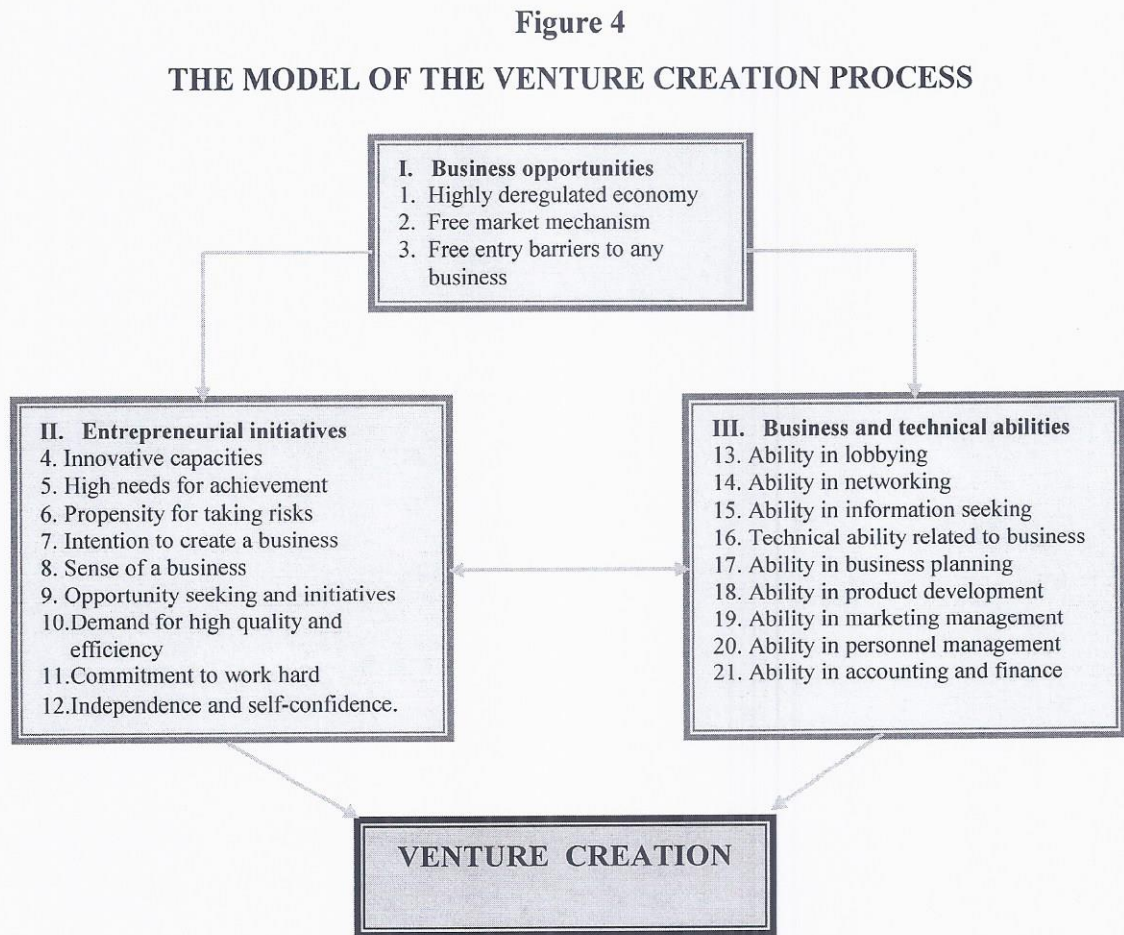
Elements	Original components within the model	Eliminated from the model	Retained in the model
Govt. Policies and Procedures	22.Procedures for registration and licensing		22.Procedures for registration and licensing
	23.Regulations on imports and exports		23.Regulations on imports and exports
	24.Laws to protect proprietary rights		24.Laws to protect proprietary rights
	25.Regulations related to the responsibility of reporting buss. activities to some institutions	25.Regulations related to the responsibility of reporting buss. activities to some inst.	
	26.Soft loans facilities for supporting small buss.		26.Soft loans facilities for supporting small buss.
Socio-economic Conditions	27.Public attitude towards entrepreneurship		27.Public attitude towards entrepreneurship
	28.Presence of successful entrepreneurs in the environments		28.Presence of successful entrepreneurs in the environments
	29.Entrepreneurial culture in the environments		29.Entrepreneurial culture in the environments
	30.Values and beliefs towards entrepreneurship		30.Values and beliefs towards entrepreneurship
	31.Government rewards for successful entrepreneurs	31. Government rewards for successful entrepreneurs	
	32.Diversity of economic activities in the environments		32.Diversity of economic activities in the environments
	33.Country's economic growth		33.Country's economic growth
Business Training & Educational Institutions	34.Business training institutions	34.Business training institution	
	35.Technical training related to buss.		35.Technical training related to business
	36.Educational business institutions	36. Educational business inst.	
	37.Entrepreneurship training program		37.Entrepreneurship training programs
	38.Business information centre		38.Business information centre
Financial Support to Businesses	39.Venture capital companies	39.Venture capital companies	
	40.Soft loans programs from banking institutions		40.Soft loans programs from banking institutions
	41.Credit guarantee programs	41.Credit guarantee programs	
	42.Soft loan programs from state owned enterprises		42.Soft loan programs from state owned enterprises
Non-financial Support to Businesses	43.Counselling and support services		43.Counselling and support services
	44.Business association	44.Business association	
	45.Incubator facilities		45.Incubator facilities
	46.Tax incentives and exemptions	46.Tax incentives and exempt	
	47.Local and international buss network		47.Local and international buss network
	48.Modern transport and telecomm. facilities		48.Modern transport and telecomm. facilities
	49. Govt. support for entrepreneurship and small business R & D		49.Govt. support for entrepreneurship and small business R & D

Source: Table 2 and 3

REVISED MODEL

Based on the findings from testing the model developed in figure 4, it can be concluded that the model in figure 4 would retain all **elements** both for the venture creation process and the creation of an entrepreneurial environment however **changes will be made in components** of elements in the section providing entrepreneurial environments. All the components are retained within the element for the venture creation process.

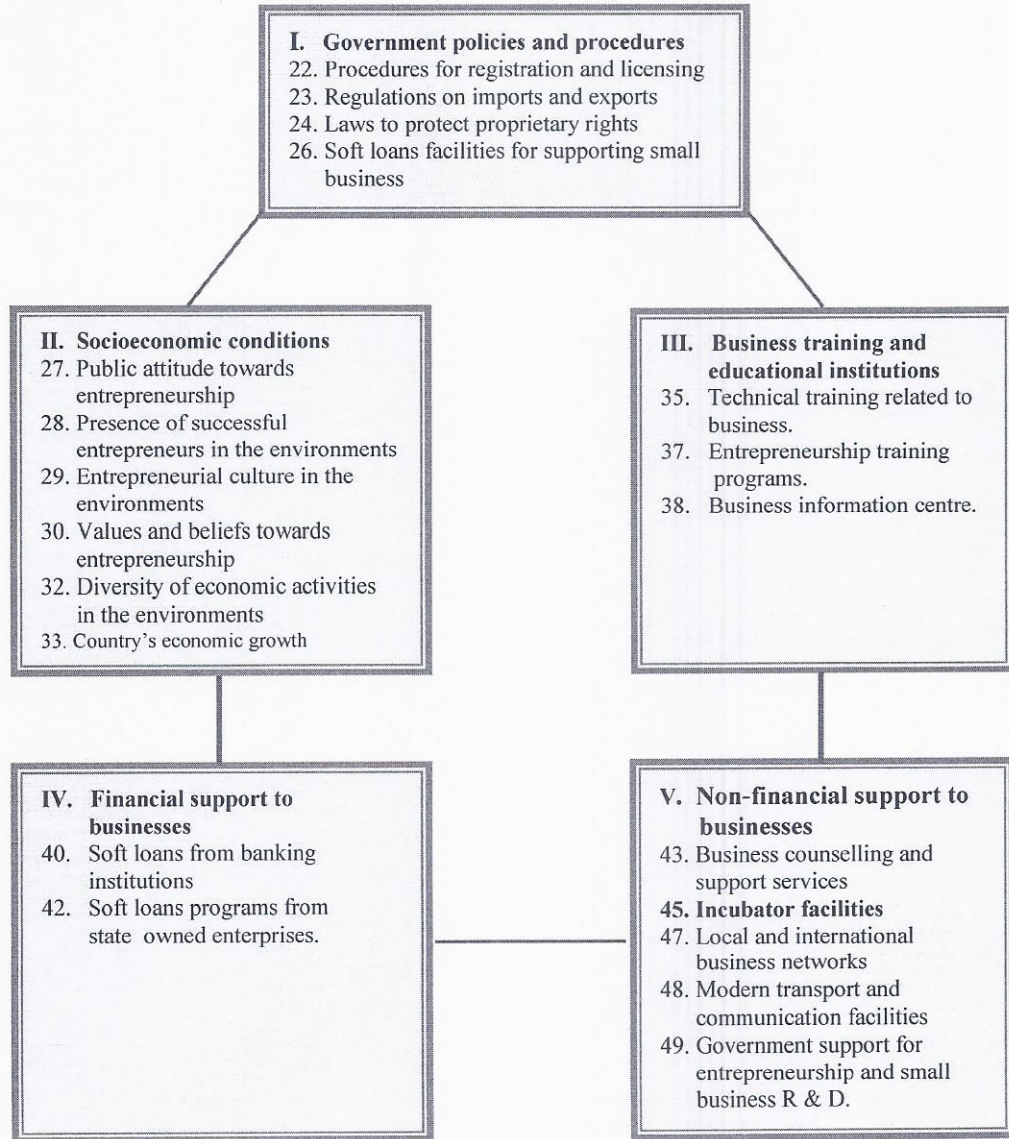
A summary of components for each element in the model is set out in figures 4 and 5 below.



Source: Figure 3

Figure 5

REVISED MODEL OF ENTREPRENEURIAL ENVIRONMENTS



Source: Modified from Figure 3

Implications for Theory Incorporating Contributions to Knowledge of the Research

This study has contributed to the theory of entrepreneurship and venture creation as described below.

This study adopted an **integrative approach** in which entrepreneurs were asked their perceptions to a range of components within elements of the venture creation process and entrepreneurial environments. Other research for example a study by El-Namaki (1988) focused on only one element of the venture creation process (business opportunity).

Furthermore, this is the only study, which has addressed the **relevancy** of components within elements of the venture creation process and entrepreneurial environments in venture creation activities based on entrepreneurs' perceptions. This study has produced results that can be used to assess the help/assistance, order of importance and relative importance of components within each element of the venture creation process and entrepreneurial environments in venture creation activities.

This study investigated the **order of importance** of components within each element according to entrepreneurs' perceptions and also investigated the **relative importance** of one component compared to others in each element of the venture creation process and entrepreneurial environments.

The research established the possible **relationship** between entrepreneurs' perceptions of the **help/assistance** and of the **importance** of components within each element of the venture creation process and entrepreneurial environments. This relationship produced matrices that can be used to determine entrepreneurship policies and programs. **Links** between entrepreneurs' needs and the roles of entrepreneurial environments were established. This study produced results which indicated entrepreneurs considered most components within elements of entrepreneurial environments did not facilitating their needs in venture creation activities.

Finally, this study has **compared the differences in perceptions of entrepreneurs** in manufacturing, trade and service businesses to the relevancy, help/assistance, and importance of components within elements of the venture creation process and entrepreneurial environments, and also compared the differences of entrepreneurs' perceptions of the role of entrepreneurial environments in facilitating venture creation activities

Implications for Policy and Practice

The conclusions reached above in revising the model have implications for government policy and the practice of delivering services either from government or the private sector for those wishing to establish a new venture or strengthen and develop an established venture.

In terms of the venture creation process, this research found that 3 major elements and all the components are seen by entrepreneurs as relevant, important and helpful. It follows that training programs, assistance programs, and counselling programs should focus on these elements and their components.

For the creation of an entrepreneurial environment, the implications are more complex. It appears from the analysis summarised in this chapter, that some entrepreneurs see components as being relevant, important and helpful in assisting the creation of an entrepreneurial environment. On the other hand, there are many components drawn from the literature and included in the original model for the research, which were not seen as relevant by entrepreneurs but at times were seen as important or helpful. In other cases components were seen as relevant and may be seen as important, but not helpful.

These perceptions have implications for policy and practice. There is a case for policy makers to review the original model developed for the research and to determine whether the elements and the components are seen as relevant, important and helpful. If there is agreement from policy makers on the original model, then action needs to be taken to correct perceptions by entrepreneurs who apparently do not see all the elements or components as relevant, important or helpful.

There is a particular case for policy makers and practitioners involved in assisting the venture creation and venture development process, to focus on those components which are seen as **important but not helpful**. These components include:

- Regulation on imports and exports
- Soft loans facilities for supporting small business
- Credit guarantee programs
- Soft loan programs from state owned enterprises.

Because these are seen as important by entrepreneurs, it appears that there is some problem in the delivery of programs or at least the publicity associated with the programs since entrepreneurs do not necessarily register the programs have been helpful. Adjustments of the programs are needed to overcome this problem.

There is another issue that may be worthy of review by policy makers and practitioners – the question of whether entrepreneurs always recognise the **potential benefit** from some or all of the components included in the elements in the model. Two examples can be quoted - component 36 (business training and educational institutions) was not seen by many entrepreneurs as being relevant to the creation of the entrepreneurial environments and component 21 (ability in accounting and finance) was one of the lowest rated components in the venture creation process seen by entrepreneurs as important. Given these two components are strongly supported by researchers; it may be argued that perhaps there is a **lack of understanding by practitioners** of the role of accounting and finance and the role of business training and educational institutions.

Implications for Further Research

This research program developed a model to depict the venture creation process and an entrepreneurial environment supported from that process and tested perceptions by entrepreneurs of various components in the model.

There are at least three areas of research that can be seen as logical extensions of this research program:

1. Extending the research to determine why entrepreneurs see some components of various elements as not relevant or of little importance or of little assistance in the venture creation process or the venture development process.
2. Extending the research to identify how frequently entrepreneurs actually utilise the components nominated in the model and determining potential relationship between the components used and responses to perceptions on importance and assistance.
3. Implementing the model as part of a venture creation support program in one area of Indonesia to evaluate the impact of implementing ideas flowing from the research. In other words, if a program could be developed highlighting the components identified as outcome of this research, further programs could evaluate to what extents such programs were accepted by entrepreneurs and produce direct benefits for entrepreneurs in the venture creation and development process. This area of research can be extended further by comparing performance of entrepreneurs in one region that adopted the model with entrepreneurs in a different region in Indonesia, which did not have the benefit of results from this research.

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