
The education and training of entrepreneurs in Asia

Leo Paul Dana

The author

Leo Paul Dana is with the Department of Management, University of Canterbury, Christchurch, New Zealand.

Keywords

Education, Training, Entrepreneurs, Asia

Abstract

Entrepreneurship creates wealth and reduces unemployment. Entrepreneurs contribute to industrialisation as well as to economic growth; they improve living standards and tax revenues from their enterprises contribute to a nation's treasury. Not surprisingly, then, governments have been spending considerable sums trying to create entrepreneurs. The question remains, however, *Can entrepreneurship really be taught?* To provide a response of any value, one must address the definition of entrepreneurship. As evident from the literature, there is no universally-accepted definition of entrepreneurs or of entrepreneurship. If entrepreneurship is equated with the causing of economic disequilibrium – as per the Schumpeterian literature – then one can argue that entrepreneurs tend to be born, rather than made. In contrast, if relying on the definition provided by the Austrian School of Economics, it is possible to train entrepreneurs to identify opportunities and act thereon. Thus, while it can be argued that it is difficult to teach Schumpeterian entrepreneurship, efforts to teach Kirznerian entrepreneurship appear to have achieved some levels of success. However, to be truly successful, training programmes must be relevant to the host environment. It would be a fallacy to assume that a programme that has been functional in one environment will necessarily have the same effect elsewhere. A great danger lies in attempting to trans-locate training programmes. This article provides a survey of education and training of entrepreneurs in different contexts across Asia.

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Education + Training

Volume 43 · Number 8/9 · 2001 · pp. 405–415

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Introduction

Schumpeter (1947, 1949) perceived economic development as the basis for reinterpreting a vital process that had been crowded out of neo-classical economic analysis by the static general equilibrium theory. He described the entrepreneur as creating disequilibrium in order to profit therefrom. As he saw it, the function of the entrepreneur was to revolutionise patterns of production by exploiting an invention or innovation. How easy can it be to teach an individual to invent a creation that will cause economic equilibrium? In contrast to the innovator described by Schumpeter, Kirzner (1973, 1982) argued that an entrepreneur might simply identify an opportunity for profit, rather than create one. The Kirznerian entrepreneur, therefore, could benefit from education in general and managerial training in particular, without necessarily requiring the skills to be innovative. The purpose of this article is to describe and analyse some attempts to train people to become entrepreneurs. While individuals may be trained to become Kirznerian entrepreneurs, some difficulties will be discussed.

In particular, attention is directed to transitional economies. Several of these, including the Kyrgyz Republic, have been applauded for their policy changes that have welcomed enterprise, emulating industrialised economies of the West. Yet, a closer look reveals that transitional economies have different fundamental problems than do countries with long histories of capitalism and entrepreneurship.

It is useful to distinguish between entrepreneurial skills (e.g. Schumpeterian innovation and creativity) and managerial skills needed for the operation of small businesses. As well, it would be useful to distinguish between the teachings of directives and the transformation of minds.

Entrepreneurial learning and training in networks

For millennia, entrepreneurship was passed on from father to son. Guilds controlled entry to various sectors of the economy, and to be admitted into one entailed lengthy periods of training. An individual was expected to undertake an apprenticeship during which a

trade was learned. This type of training was related to personal and commercial relationships, rather than dedicated educational institutions. Guild-type organisations appeared as early as the ancient Mesopotamian civilisations of Assyria and Babylon. Groups of craftsmen formed associations to safeguard their interests, and to develop relationships. Simultaneously, they performed quality control functions, by ensuring that future members were sufficiently trained by recognised experts in their field. While examining the guild system of the Occident, it became evident that an apprentice in Western Europe was dependent on his master and subordinate to him and he was expected to defer to the master. In contrast, in the bazaars of the Middle East, the difference between a master and an apprentice is simply a professional qualification. Unlike the Western guild of Mediaeval Europe – which focused on “Master” and “Sub-ordinate” – in the East, the guild was created around “Trainers” and “Trainees”. This is further elaborated in Dana and Etemad (2000).

In Asia, clan associations and other ethnic networks became important mediums through which entrepreneurial knowledge and skills were transferred from successful to budding entrepreneurs. An informal vocational education system – stemming from ethnic networks – provides mentors as well as on-the-job training. Sociology provides us with a rich literature on ethnic networks. Detailed literature reviews appear in Light (1972) and Dana *et al.* (2000). Loewen (1971) studied Chinese entrepreneurs in Mississippi while Wong (1987) conducted a study of Chinese entrepreneurs in New York. Similarly, Ray *et al.* (1988) and Brenner and Toulouse (1990) focused their research upon the networks of Chinese entrepreneurs in Canada while Min (1984) and Min and Jaret (1985) analysed Korean networks in Atlanta. In their investigation of Surinamese entrepreneurs in Amsterdam, Boissevain and Grotenbreg (1987) found that ethnic networks can provide introductions to wholesalers, and warnings of government inspections.

An empirical study by Dana (1993) found similar networks among Italian entrepreneurs living and working in Canada. Most importantly, however, networks provide entrepreneurs with mentors and focused

training as well as access to business ideas, market information, and technical assistance. A network can teach individuals a great deal about sourcing, regulation, production, marketing, distribution logistics, customer service and even taxation. Aldrich *et al.* (1987) found network accessibility significant in predicting new venture creation. Dubini and Aldrich (1991) further argued that networks were central to the training of entrepreneurs. Iyer and Shapiro (1999) proposed a model for ethnic business, providing a framework that is useful when considering entrepreneurial learning and training in networks and related social capital accumulation. While individuals can actively learn from formal or informal networks, due to restrictive practices not all entrepreneurs can have access to one. In India, for example, some castes were traditionally excluded from entrepreneurship. Consequently, individuals from certain families had no access to business networks and related training activities. For this reason, concerted efforts have been made to formalise at least some forms of vocational and education training for small business owner-managers and their workforce. The next section of this article will briefly outline some important aspects of entrepreneurial and small business training activities in Asia.

India

The lacunae in the educational system of India do not necessarily promote entrepreneurial thinking, creativity or innovation. For this reason, there have been recent attempts to encourage and facilitate entrepreneurial learning and training in India (Dana, 2000). The National Institute for Entrepreneurship and Small Business Development is the para-statal organisation that oversees the formal training of small business managers in India. The institute organises entrepreneurship development programmes, prepares manuals, and produces educational videos. Among its activities one can find even “Training Trainers for Barefoot Managers”. Non-governmental organisations also teach small business management in India. The Progress Harmony Development (PHD) Chamber of Commerce is notably active in this field. Since its establishment, in 1905, the chamber has grown to include over

1,600 direct members and 80 associates serving over 22,000 small enterprises. Since 1988, the Konrad Adenauer Foundation of Germany has co-operated with the chamber, sharing the belief that the development of enterprising spirit and initiative among individuals can help a society achieve self-reliance and optimal development. Small firms also contribute to other economic and social objectives, including employment, distributive justice, and a feeling of dignity amongst individuals of all castes.

Functions of the PHD Chamber of Commerce and Industry include: developing entrepreneurial skills and attributes; training in small firms to improve productivity; fostering a spirit of self-reliance and self-confidence to make entrepreneurship self-generating, and providing vocational education and training. Lectures, seminars, case discussions, field visits and role-playing are among the methodological tools used by the chamber. Also active in training individuals to operate small firms is the Entrepreneurship Development Institute of India (EDII). One of its missions is to create entrepreneurial personalities among youth. Established in 1983, the institute is a wholly autonomous body, sponsored by the Industrial Credit and Investment Corporation of India, the Industrial Development Bank of India, the Industrial Finance Corporation of India and the State Bank of India. With the motto that entrepreneurs are “not born, but made”, the EDII has launched a variety of training programmes, including its own, very successful educational video series. Its Rural Entrepreneurship Development division concentrates on rural development, employment generation and poverty alleviation through the promotion of micro-enterprises and related training programmes. Perhaps the most unique contribution of the EDII is its summer camp, an entrepreneurial training adventure for youth, which was first launched in 1992.

It is generally acknowledged that achievement-oriented societies have always been characterised by innovative, creative and enterprising individuals. The EDII also recognised that the conventional educational system in India does not focus on entrepreneurship. Therefore, the EDII has taken upon itself the task of educating and training the youth to achieve, improve and value entrepreneurial attributes. The

entrepreneurship camp involves teenagers from across India who are invited to the EDII campus for a ten-day period, during which they learn achievement, a concern for excellence, creativity, innovation, leadership, problem solving, and systemic planning. The programme is designed to increase the self-confidence of potential achievers and thereby to motivate and develop their concern for enterprise and for related achievements. Candidates are trained to realise their latent potential, develop capabilities by sharpening skills, learn entrepreneurial traits including creativity, concern for excellence, leadership, and problem solving and establish a forum for fruitful networking. Methodology includes role-plays and simulation exercises. Since the conventional educational system does not address these issues, the annual entrepreneurship camp at the EDII has been very popular and successful. Interestingly, the EDII also has a separate, intensive programme aimed exclusively at the sons and daughters of industrialists.

Indonesia

To encourage enterprise among the indigenous Indonesians – known as *pribumis* – the state introduced a policy allowing these people favourable credit terms and easy access to business permits (Dana, 1999). Yet, they often lacked entrepreneurial skills and were rarely interested in pursuing entrepreneurial training. Consequently, Indonesians often sold their business permits to Chinese entrepreneurs, and this did not rectify the imbalance between Chinese and local entrepreneurs in Indonesia. As ethnic Chinese entrepreneurs became increasingly successful in Indonesia, Javanese would-be-entrepreneurs complained that Chinese entrepreneurship was a *de-facto* barrier to entry, inhibiting them from becoming entrepreneurs. This ignored the well-known fact that the Chinese had more experience in business and better access to capital and business networks. To assist cottage industries and small-scale indigenous enterprises controlled by *pribumis*, in 1973, Indonesia introduced the Small Enterprises Development Programme, a subsidised credit scheme. Results were less than satisfactory, and the programme was discontinued. The Government concluded that small-scale

entrepreneurs could be better assisted through vocational education and training than with finance alone.

Considerably more successful was a unique "special guidance scheme" to train small-scale owner managers in Indonesia. The state identified clusters of entrepreneurs operating in the same economic sector and geographic region. The clusters – *sentras* – were provided with training facilities and related subsidies. It was the Third Five-Year Plan (1979-1984) that initiated the training assistance to the *sentras*. These clusters operate in the rural areas of each province, and also in some urban centres, including Bandung, Jakarta, Semarang and Surabaya. Such networking and co-operation between entrepreneurs has enhanced both performance and competitiveness. Also, the cluster approach has proved to be more cost-effective than other small business initiatives in this country. From the Government's perspective, clusters facilitate the logistics of small business assistance. Clusters of traditional craftsmen include silversmiths in Sumatra and copper specialists in Java while wood carvers operate in Bali. Other successful clusters group together entrepreneurs in the chemical, food, footwear, leather and textile industries.

In contrast to the West, where competing firms tend to be rivals, *sentras* encourage co-operation among different firms within the same industry. Clustering may also facilitate marketing and related activities. The geographical proximity of firms – within a cluster – simplifies subcontracting to firms that require larger quantities. The provincial governments and the provincial offices of the (federal) Ministry of Industry jointly implement a Small Industries Development Programme, the "*Program Pembinaan dan Pengembangan Industri Kecil*", commonly referred to as BIPIK. BIPIK provides no capital, instead it contributes technical training and assistance. Under the wing of BIPIK, the Directorate General of Small Industry got involved in the "*Bapak Angkat-Mitra Usha*" (Foster Father Business Partner) linkage scheme, which sets out to train entrepreneurs. This involves a large "Foster Father" firm and a small "Business Partner". Several thousand large firms have signed this type of co-operation agreements with tens of thousands of small business partners across Indonesia.

Provinces also have their own training and development programmes for small businesses. The island province of Bali, for instance, has carefully formulated economic and social objectives, which bridge the gap between village life and commerce. Emphasis is on agriculture and small-scale industries as well as tourism. For example, women on this island province have been trained to raise pigs, which are exported live to Singapore. In Indonesia, not only the state, but also large firms have programmes to assist and train entrepreneurs. A motivating factor is that once assisted, entrepreneurs often become subcontractors, suppliers and/or distributors for the larger, assisting firm. This results in sophisticated and more reliable vertical integration. In 1980, PT Astra International established the Dharma Bhakti Astra Foundation (YDBA) to demonstrate the firm's commitment to the Small to Medium Scale Enterprise and Co-operative Reinforcement Programme. The foundation's mission is to assist entrepreneurs in production techniques, processes, finance, management and marketing. The YDBA began providing on-the-job training for entrepreneurs, and many of them became subcontractors for PT Astra International. Other non-governmental organisations active in the training and development of entrepreneurs in Indonesia, include the Association for the Promotion of Small Enterprises and the Indonesian Chamber of Commerce and Industry. In addition, the Institute of Management Education and Development provides a range of training programmes for entrepreneurs.

Malaysia

Under colonial rule, UK administrators encouraged indigenous Malays to work the land, while the ethnic Chinese dominated the small business sector of Malaya. "Secret societies" were the principal support and network organisations of the Chinese immigrants. The Chinese entrepreneurs (*tokays*) were amongst the leaders of these secret societies and indirectly controlled the education and training of employees.

Since independence, the state has tried to curtail the influence of *tokays*, by implementing a series of ethnic-based policies to govern entrepreneurship in

Malaysia. In 1975, the Institute Teknologi MARA (ITM) established the Malaysian Entrepreneurship Development Centre (MEDEC), to help develop entrepreneurship and train the indigenous *bumiputras*. Striving towards similar goals, the National Productivity Centre in conjunction with MEDEC and the National Economic Research Development Association has designed and implemented a management training package that proved both popular and successful amongst *bumiputras*. In 1977, MEDEC launched a three-month long, part-time, Entrepreneurship Development Programme (EDP), and in 1981 a full-time, improved programme was also introduced. The main purpose of EDP drive was to help potential entrepreneurs with new venture start-ups and the focus of this support was expanded to include other forms of relevant training. For example, the EDP programmes introduced a five-day Achievement Motivation Training component. As well, there is a training programme focused on export development. Based on a programme of the Irish Management Institute, the ITM also adopted an 18-month course in franchise training.

In recent years, Malaysia's Ministry of Entrepreneur Development has been very involved in training entrepreneurs. Its courses teach business registration, book-keeping, and ethics; the focus is on teaching the managerial skills required to operate a small firm successfully. The Council of Trust for the Indigenous People works under the Ministry of Entrepreneur Development, providing a course on small business creation as well as business advancement.

In addition, the Business and Advanced Technology Centre, the Development Bank of Malaysia and the National Productivity Corporation offer other courses. Like MEDEC, these are all bodies of the federal government.

The Philippines

In his early work, Sharma (1979, p. 223) claimed that the "... Filipino entrepreneur is college-educated and hails from a business-oriented family". Similarly, Swierczek and Jatusripatak (1994) described their research sample of Filipino entrepreneurs as technically skilled, innovative and

opportunistic. Yet, while the ethnic Chinese in this country have been particularly active in small business development, indigenous Filipinos have tended to exhibit a lesser incidence of entrepreneurship. Considerable effort has focused on broadening the appeal of entrepreneurship, and entrepreneurs in the Philippines have long been assisted by foreign venture capitalists as well as by local sources of support. For example, in 1974, the Canadian International Development Agency (CIDA) sponsored the Cagayon Valley Co-operative Development Programme, to help farmers in their efforts to develop co-operatives in the Philippines. In 1981, another CIDA project was designed to assist small-scale Filipino fishermen in similar endeavours. Additional Canadian funds were allocated to support micro-enterprise and small business development across the country. During the late 1980s, CIDA planned an Enterprise Development Project to promote increased entrepreneurial capability amongst the indigenous population in the Philippines. Educational and training support was geared towards cottage industries as well as micro-enterprises and small businesses.

Approtech Asia, an international organisation based in the Philippines and financially supported by CIDA – undertook projects to help train women entrepreneurs in the Philippines. Likewise, the Singapore-based Technonet Asia initiated a project to assist technology transfers to the Philippines and implemented a number of supporting training programmes. Another important player is the International Fund for Agriculture Development, which channels aid to small-scale farmers. One of its technical assistance grants, to the International Rice Research Institute (in Los Banos, Philippines), led to research on training programmes aimed to encourage the cultivation of *azolla*, which is a low-cost, natural fertiliser. Because *azolla* is labour-intensive (as opposed to capital-intensive), it proved ideal for small-scale farmers in the Philippines. Over the years the Government also implemented several initiatives to cultivate and enhance the national entrepreneurial spirit. These included industrial estates and export processing zones (in Baguio City, Bataan, Cavite, and Mactan) as well as countrywide special development programmes. The Government also created

tax holidays and credit incentives to encourage entrepreneurial inflows from overseas, especially in those sectors of economic activity that are likely to create labour-intensive small businesses.

The Small Enterprises Research and Development Foundation of the Philippines (SERDEF) was established by the private sector to initiate, sponsor, promote, assist and conduct research, training and development in micro-enterprises, cottage industries, and small and medium sized firms in the Philippines. The foundation works with a variety of organisations, forging linkages with government agencies, industry associations and educational institutions, such as the University of the Philippines Institute for Small Scale Industries. SERDEF has funded several training and support publications, including: *Introduction to Entrepreneurship*; *Credit Manual for Small and Medium Enterprises*; *Filipino Women in Business: A Case Book* and *You, Too, Can Start Your Own Business*. The Institute for Small Scale Industries offers a large variety of relevant training courses to local entrepreneurs. These include Financial Management, Young Entrepreneurs' Training Programme, Strategic Marketing, Total Quality Management, Production Management, Business Franchising, Entrepreneurial Career Development and an Appreciation Course on Entrepreneurship. The institute also offers a small business-consulting course and a trainer's course on entrepreneurship development that details entrepreneurship strategies and teaches participants to design, implement, monitor and evaluate entrepreneurship development programmes. An advanced training course, offered by the institute involves the "Project Appraisal, Evaluation and Monitoring Course for Small and Medium Enterprise Projects". This course develops and upgrades skills in appraising, monitoring and evaluating small and medium-scale enterprise projects. A more specialised training course on offer is entitled "Designing and Implementing Entrepreneurship Programmes for Women". This course acknowledges cultural, social, legal and other barriers to female entrepreneurship and trains them to overcome them. Similarly, another player in the promotion of entrepreneurship in general and female business ownership in particular is the Philippine Foundation for Resources

Management that offers a focussed training programme on "Women's Involvement in Entrepreneurship".

Singapore

Singapore was built and is populated by people from various cultural backgrounds, including Malays, Tamils, and ethnic Chinese from different provinces (Acs and Dana, 2001). Many migrants to Singapore were sojourners from China, who intended to eventually return to their homeland. As shown in Table I, Foochows, Henghuas, Hokchias and Hokkiens – each speaking a different dialect – came from Fujian Province, while Cantonese people, and Teochews came from Guang Dong. Hainanese immigrants came from Hainan Island. Hakkas came from Fujian and Guang Dong. The Hokkiens are the largest ethno-cultural group in Singapore. Since entrepreneurs from this ethnic group had no long-term commitment to the UK colony, they usually avoided capital-intensive industries, which required long payback periods. Thus, the ethnic Chinese in Singapore were largely concentrated in commerce, an activity in which gains were more immediate.

For linguistic reasons, people tended to live among, and to work with others who spoke the same dialect. When new immigrants arrived, they networked with entrepreneurs of their own dialect group, and learned to launch their own firms in the same sector. This led to considerable occupational clustering, as shown in Table II. The Hokkiens – who had political contacts with the colonial government – became involved in entrepot trade. Many Hokkiens traded along Chulia Street. Other Hokkien entrepreneurs lived on

Table I Chinese dialect groups in Singapore

Dialect group	Dialect spoken	Origin in China
Cantonese/Guangzhouren	Guangzhouhua	Guangdong Province
Foochow/Fuzhouren	Fuzhouhua	Fujian Province
Hainanese/Hainanren	Hainanhua	Hainan Island
Hakka/Kejiaren	Kehua	Guangdong Province (mainly)
Henghua/Xinghuahren	Xinghuahua	Fujian Province
Hokchia/Fuqinren	Fuqinhua	Fujian Province
Hokkien/Minnanren	Minnanhua	Fujian Province
Teochew/Chaozhouren	Chaozhouhua	Guangdong Province

Source: Dana and Leong (1999)

Table II Small and medium enterprises operated by Hakka people in Singapore

Sectors	Sole proprietorships	Partnerships	Limited companies	Total
Chinese medical halls	142	23	2	167
Imported goods/clothing materials	70	27	1	98
Importers and exporters/grocery shops	47	23		70
Tailors	60	3		63
Metal goods/ironmongery	50	7		57
Leather goods/shoes	44	7		51
Watches/opticals/goldsmith	40	9		49
Apparels	29	11		40
Pawnshops	10	14		24
Furniture	15			15
Hotels	8			8
Others (cinemas, newspapers, etc.)	43	3		46

Source: Nanyang Khek Community Guild (1965)

China Street, where they sold sundry items as well as fresh greens. Telok Ayer Street was home to larger-scale Hokkien entrepreneurs who imported goods from neighbouring countries. The Teochews dominated the rice trade across Southeast Asia. In Singapore, Teochews could be found along Circular Road, not far from the Singapore River. On Chin Chew Street, they traded spices. On Chulia Street, Teochew dealers sold bird's nest and shark's fin. Under the leadership of Mr Aw Boon Haw, producer of Tiger Balm, Hakka entrepreneurs dominated Singapore's medicine halls. The Cantonese were regarded as a lower class. They were clustered in the district around Kreta Ayer. Many sold cloth. Some sold furniture, musical instruments, tobacco and silk, which they imported from China. They had shop-houses on Pagoda Street and on Temple Street. Others were artisans, goldsmiths, tailors and restaurant-owners.

To foster co-operation among people sharing the same dialect, and to promote commercial and industrial development, entrepreneurs established and joined clan associations. Mingling with other members helped individuals understand trends in product development as well as price fluctuations. Clan associations provided social contacts, education and training opportunities, business ideas, market information, start-up capital and technical assistance. This web of networking played an important role in the development of entrepreneurship and related vocational education and training in Singapore. Not surprisingly, the pre-war Chinese community

in Singapore has been cited as cultivating entrepreneurs more easily than other ethnic minorities in this country (Gasse, 1982). It should be noted, however, that these entrepreneurs were mostly merchants, not industrialists. To propagate their specialised knowledge, the Hakka clan associations built several private schools. While other schools emphasised learning to read and write, the schools of the Hakka associations taught cultural values related to entrepreneurship and trained their youth for a career in small businesses. The youth were encouraged to lead their lives such as to make future contributions to their people. These schools were meant to create, develop and train future entrepreneurs. The first of these Hakka schools was the Yin Sin School, consisting of six classrooms. Located on Telok Ayer Street, it opened in 1905. A year later, the 20-classroom Kee Fatt School was established at 30 Cainhill Road. Several other schools were built and supported by Hakka associations. These are shown in Table III.

Table III Schools producing Hakka entrepreneurs

Institution	Year opened	Number of classrooms	Address
Yin Sin School	1905	6	Telok Ayer Street
Kee Fatt School	1906	20	30 Cainhill Street
Nam Thung Public School	1927	3	7 ½ mi. Holland Road
Tong Fah School	1933	6	53 Craig Road
Tai Keow Public School	1936	8	288 Q Lorong Tai Seng
Lee Chee Public School	1938	8	3 Mataban Street
Sam Foh School	1946	3	467 Beach Road
Wen Shien Public School	1949	7	160 Neil Road

Source: Nanyang Khek Community Guild, Singapore

A clan association of the Teochews, the Singapore Teo Chew Poit Ip Huay Kuan, established the Ngee Ann College in 1959. This was a Chinese-medium college, which provided tertiary education to students who graduated from Chinese high schools. It eventually evolved into Ngee Ann Polytechnic. The Hokkien Hui Kuan (Hokkien Clan Association) donated land to build Nanyang University, which opened in 1958. This was the first Chinese-language University outside China. Eventually, Nanyang University became home to the Nanyang Technological Institute and in 1991 to Nanyang Technological University.

Adapting to the environment

As discussed above, different programmes have been implemented in different countries. While some have tried to create wealth without reference to race or religion, other programmes have focused on redressing inequities. One may ask, "If some ethnic groups provide large numbers of entrepreneurs, is it a wise use of funds to spend money trying to convert non-entrepreneurial people into entrepreneurs?"

If we are to narrow the gap between rich and poor countries (or decelerate its growth) then there is a great need for vocational education and training – across the board. As the wise men used to say, "It is better to teach a man how to fish, rather than simply to give him some fish". Perhaps more relevant is the fact that salmon and lobsters are not harvested in the same way.

A prerequisite to training people, is to understand them, their cultural values, historical experience and mindset. In Malaysia, organisations are training *bumiputras* to operate firms. Although many of the new enterprise owners have never been in business before, they have seen other entrepreneurs – albeit mostly Chinese – in action. The situation is different in Cambodia, Moldova, Tajikistan and other transitional economies where there are few entrepreneurs to emulate.

In recent years, transitional economies in Eastern Europe have legalised entrepreneurship, and some Westerners have been eager to rush to these places with various entrepreneurship training programmes that ostensibly have proven

successful in the West. When dealing with a transitional economy, however, it might be wise to be sensitive to differences in mindset. It is not a simple matter of teaching small-scale management principles, but more importantly to train and develop an entrepreneurial mindset. Even vocational education and training programmes that have succeeded in Eastern Europe might need further adjustments for transfer to Asia's transitional economies. In contrast to Eastern European situation, which replaced communism with market oriented economies, transition in Asia might prove compatible with the principles and strategies of central planning. Entrepreneurship is allowed as a complementary to state enterprise, rather than as a promising substitute. How do we teach entrepreneurs in a transitional context? Despite logistic difficulties, an exchange programme with a management school in Nebraska has allowed students at the management faculty of Huzand State University in Tajikistan (Central Asia) to benefit from the knowledge and experiences of US-trained professors. Relevant courses included finance and marketing, but reportedly emphasise working with a large-scale corporation. Perhaps more emphasis should be placed on entrepreneurial skills and on self-employment and training should be made available to a wider audience. Most future trainees are already involved in micro-enterprise. For example, at Kanibadan bus station, children sell tea to passengers, but such vendors in the informal sector are unlikely to attend a five-year programme at a business faculty.

Vocational education and training is often a problem in transitional economies in general and in Tajikistan in particular. Whereas Soviet rule had imposed universal, free education only a small proportion of Tajik children were attending school during the late twentieth century. Most Tajiks speak Tajik, which has become the new official language but Russian is still needed for certain government matters. This is a problem for the rural Tajik where people have not learned Russian. Tajikistan is an example of an economic environment that presents little opportunity for legitimate entrepreneurship. Many economic activities are still illegal, and therefore conducted in a covert way in order to avoid punitive measures from law-

enforcing authorities. Reporting on the high level of underground activity in Kazakhstan, Glinkina (1999) explained that according to expert forecasts, heroin technology was likely to grow in Tajikistan and in Turkmenistan. Future research might look at how to teach people in these environments to identify and pursue sustainable, legal opportunities for enterprise. Where governments have clung on to socialist ideology, there tends to be a large sector of the economy that is state-controlled and it operates alongside the traditional bazaar and the more modern small firm sector. It is useful, therefore, to distinguish among these very distinct sectors of economic activity, which co-exist in the transitional economies of Asia. The bazaar, the state-controlled planned sector, and the small firm sector are components of the formal economy. In addition, a parallel economy includes informal economic activity, an internal economic activity with no transaction, a covert economic activity and a fictitious economic activity. While informal economic activities exist – as a matter of choice – even amongst the advanced and industrialised developed nations (Dana, 1995), for some people in transitional economies, this is the only strategy for survival.

How do we reconcile these differences? Under central planning, the lack of a legal market economy led to permanent shortages. Survival strategies often involved the emergence of illegal entrepreneurs in a parallel economy, where inefficient regulations could be circumvented. According to Grossman (1977), this underground activity increased the overall efficiency of resource allocation under central planning. The problem was that a mindset evolved, equating efficiency with the evasion of regulation. Recent years have been characterised by economic and regulatory reform as well as a change in the mindset of people. However, changes in mindset have not kept up with rapid developments in regulatory frameworks (North, 1990). Since these have not been evolving at the same pace, new problems have become associated with transition. Because of their experience under central planning, people came to equate entrepreneurship with the avoidance of communist law. When new regulations were introduced to usher in market economics, people continued to circumvent business law.

As noted by Feige and Ott (1999), during the transition period evasion and non-compliance with new rules rendered them ineffective. Thus, where economic reform has been faster than the ability of people to adapt, inertia has delayed economic development. Describing a collectivist legacy that has survived from the past, Štulhofer (1999) refers to cultural inertia. This includes distrust of the state, of banks and of legal institutions. Especially among the elderly, there is still a deep distrust of the state and related institutions. Current conditions in transitional economies encourage informal economic activities and make this sector popular with the entrepreneurial youth. In particular, in those transitional countries that lack well-developed market institutions, it is common to have a large and dynamic underground economy. O'Driscoll *et al.* (2001) reported on the extent of a black market in Laos, which apparently was larger than the formal economy in this country.

Concluding remarks

Readers have been introduced to a variety of programmes that have been created to train entrepreneurs – albeit Kirznerian rather than Schumpeterian – in different Asian environments. Although this is not resulting in what Schumpeter termed “creative destruction”, it would be naïve to think we could train people to cause such disequilibrium en masse. It is more attainable, indeed, to strive for the creation of a Kirznerian class – successful owner-managers of small-scale and medium-sized enterprises.

Given the economic miracles of Singapore and other tiger economies, can it be assumed that the same levels of entrepreneurship are attainable in transitional settings? The creation of an entrepreneurial class in transitional economies requires alternate methodologies.

Training programmes have succeeded in teaching people managerial skills useful in the operation of businesses in the West. Other programmes have succeeded in training people to be owner-managers in Eastern Europe. In the Czech Republic, for example, or in Hungary – after a generation of communist rule – there has been a rebirth of an entrepreneurial class. The question

remains, "How is an entrepreneurial class created in an environment where capitalism has not existed in recent history?" The key is to begin by focusing on cultural inertia.

While there has been talk of Vietnam possibly becoming "the Next Tiger or a Future Jaguar" (Venard, 1998, p. 7), one must not assume that entrepreneurs can be trained in the same way in Vietnam as in Singapore. In transitional economies, private enterprise is often concentrated in the informal sector. This is illustrated by the large numbers of self-employed vendors in the profitable distribution of goods and services. The law is often bent, but authorities generally tolerate the informal sector (Chamard and Christie, 1996; Dana, 1992). Furthermore, Krufft and Sofrova (1997) have noted that a newly emerging private sector may lack the necessary professional, financial and economic infrastructure. Hence, for many entrepreneurs in some transitional economies, legal transactions are often limited to informal barter. The transition from such a traditional system to a modern cash economy will require cognitive innovation. A prerequisite will be for people to internalise new notions of measurability, to encourage the use of cash. New elements of formality and impersonal structure will have to be introduced and internalised before new institutions can function effectively.

How can trainers help? Perhaps we should try to avoid the translocation of Western vocational education and training mistakes along with Western-style "expertise". In the case of Asia's emerging transitional economies, Western "experts" should remember that it would not suffice to teach managerial methods. It is important to keep in mind the fact that people in transitional economies are usually accustomed to be told exactly which procedures to follow. Yet, there is no formula for entrepreneurship!

Some targeted economic training and development programmes have failed to assist those it was designed to help and educate. Often, enterprises disappear when subsidies run dry and as a result there have been few lasting benefits to the local economy. Perhaps financial assistance programmes should all come with relevant short- and medium-term training programmes, not only in finance, tax and payroll topics but also in entrepreneurial attitudes and mindsets.

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