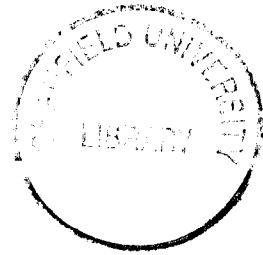




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SWP 15/87 HARDSHIP, DISCIPLINE AND ENTREPRENEURSHIP

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Hardship, Discipline and Entrepreneurship

The number of definitions which have been put forward for the word "entrepreneurship" suggests that there is little agreement as to its nature, and, perhaps, still less as to its origins. Like many concepts, however, it can perhaps be more easily identified by reference to its absence rather than to its presence; we all know of business people who appear to enjoy every possible advantage in terms of education, skills, support, assistance and advice, but have totally failed, while others who labour under every possible hardship have nevertheless succeeded; clearly there is some mysterious bundle of attributes, attitudes and abilities which is a necessary condition of success in enterprise.

It is generally agreed that indigenous businesses can and must make an important contribution to economic development, if only because Government, agriculture and larger firms have either absorbed all they can or have failed to employ people at any reasonable cost. If entrepreneurship is a necessary ingredient for successful new business, it is therefore worth trying to identify its origins, to recognise potential entrepreneurs in order to employ assistance as effectively as possible and, if possible, to reveal or to create entrepreneurship so that more people will start and develop more successful businesses.

A great deal of research has been undertaken in this field, and there is substantial evidence, over some twenty years, that it is possible to create or reveal entrepreneurs. Even the most enthusiastic proponents of any particular approach, however, do not pretend that they have found the one and only method, and doubts must remain as to whether the selected trainees who participate in entrepreneurship development programmes would have started business in any case, particularly since training is so often accompanied by a generous package of additional services such as privileged access to finance, premises, markets or raw materials. It is therefore worthwhile to look beyond the presently accepted methodologies and to examine whether quite different approaches to entrepreneurship development may or may not be an effective substitute or complement for the existing approaches.

We should first of all look beyond the very small number of entrepreneurs who have in some sense been "created" by entrepreneurship development programmes, to the vast majority of people who have successfully started and developed businesses without any such assistance. If we can identify any common factors underlying the origins of individual enterprise, or of the numerous groups, tribes or even nations which have demonstrated a higher than average ability to start successful new enterprises, we may discover one or more influences which can be "simulated" in some way. People who have not had the luck, or perhaps the misfortune, to undergo this particular kind of experience could then undergo a simulation of it, and enhance their entrepreneurial potential as a result. In the same way as a dose of cowpox confers the same immunity as smallpox itself, but without the same danger, we may be able to find a surrogate instrument to enhance entrepreneurship.

If we look at the recent economic experience of nations, we might conclude that two atomic bombs, or failing that, defeat or the ravages of war were the best recipe. It has been suggested that one reason for the economic renaissance of nations such as Germany and Japan is, or was, the fact that they were compelled to install new plant and equipment since most of the older machinery, with which more "fortunate" countries were still encumbered, had been destroyed by war. There are, however, many other countries which have been seriously dislocated in a similar way to Japan and Germany, but whose industrial plant was not destroyed in the process. Korea had little industry to speak of before the Korean war, and its industrial growth has not been a renaissance but a quite new phenomenon. Hong Kong's society was totally transformed by the influx of millions of refugees from the mainland, as was Taiwan, in a very different way, but both have demonstrated dramatic "national entrepreneurship". The population were up-rooted, many as refugees, and the existing order was in way or another destroyed; this appears to have provided a fertile ground for enterprise.

The United States is arguably the world's most consistently successful economy. The Civil War only damaged a relatively small part of the country, and did not destroy the political system or society as a whole. Since then, the country itself has not been touched by war, and although immigration has continued, it has never been on so massive and rapid a scale as in Hong Kong or Taiwan, so that the immigrants have been absorbed into society, rather than over-

whelming it. Does America's success not suggest that physical or social disruption is not a necessary stimulus for national enterprise?

If we look closer, however, we find that virtually everyone in the United States is descended from a refugee, from political or economic hardship. The country itself was never disrupted, but its population came because they were, in one way or another dissatisfied, with their earlier existence. The process continues, with Hispanics, Vietnamese and others, and apparently, economic success continues similarly.

Two major American groups appear not to play their part in innovative enterprise; blacks and indigenous indians. It may be suggested that the original black people, in particular, were more totally dislocated and thus more likely to innovate than any other group. Two critical differences emerge, however: first, they were forcibly removed from their original homes, and did not themselves decide to leave Africa because of hardship; second, they were not expected or even permitted to fend for themselves on their arrival in their new home. The origins and early circumstances of the black community are therefore quite different from all the other emigrants who make up American society, and the relative weakness of their entrepreneurial contribution, at least until recently, is perhaps to be expected.

We have seen that hardship, and the need to "start again", have often been associated with national success in enterprise. Can the same be said of the numerous communities which have distinguished themselves as sources of entrepreneurs? The Jews are perhaps the longest standing and most widely recognised entrepreneurial community. Is there some feature in their ethnic makeup, or their culture, which favours individual enterprise? In fact, the Jews are not only the most successful community, but they have also been, for at least the last 3,000 years, almost continually harrassed, expelled and forced to start again. The diaspora may not have been comfortable, either when Titus sacked Rome or Hitler set up concentration camps, but it has had the effect of scattering the Jews into alien communities, where they have no established position, except the fact perhaps to be mistrusted, and have therefore had no option except to do the things which others did not want to do. It may include sweeping the streets, but also includes risk taking and enterprise.

The remarkable success of Taiwan, Hong Kong and Singapore has led some people to conclude that Chinese people have some inbred personality trait which leads them to be successful in enterprise. In fact, the Chinese in these countries, and indeed those who have spearheaded the success of Malaysia, Indonesia and other countries in the region, are themselves "overseas Chinese", whose forebearers, or they themselves, left China for economic or political reasons. Mainland China itself may in the near future demonstrate similar economic success, for other reasons which we shall discuss later; until recently, however, the Chinese who stayed at home, either because they have not suffered sufficiently to risk departing, or lack the initiative to leave, have not demonstrated any particular entrepreneurial characteristics.

There are many other examples of peoples whose economic performance is not particularly notable at home, but who have made contributions to other countries' economies which are quite out of proportion to their small number. The Indians in East Africa, the Armenians in Egypt, the Lebanese in West Africa, the Kikuyu in Masailand, the Mahajans all over India except in their desert homeland of Rajasthan, the Tamils in Sri Lanka, the Palestinians in Arabia and the British almost everywhere except in Britain; all have shown that dislocation and hardship can lead to enterprise.

It may be, in fact, that there will in the not too distant future be a remarkable flowering of new businesses among the millions of refugees, in all parts of the world, who have left their homes for better things elsewhere. In spite of attempts by host governments and well meaning assistance agencies to segregate such people and to make them dependent on outside aid, many refugees in The Sudan, in Somalia, in Pakistan, Kenya and elsewhere, as well as in apparently more hospitable environments such as the United States, Canada, Western Europe or Australia, are already showing the entrepreneurial potential of suffering.

Individuals can become socially marginal in the same way as whole countries; detailed examination of the lives of most entrepreneurs reveals some "determining event" which was in some sense a personal disaster. Richard Bruce, in "The Entrepreneurs", gives numerous examples based on in-depth interviews with successful entrepreneurs. It may be an obvious incident such as being prematurely

orphaned or otherwise deprived of economic support, or it may have been more subtle, such as a sudden personal realisation of loneliness or inadequacy. The effect, in either case, has been similar to that of dislocation of a whole nation or community; the individual has been deprived of his or her normal means of economic or social support, and has had to "start again".

In addition to hardship and dislocation, and partly because of it, all the nations, groups and individuals to which we have referred have also been subjected to fierce personal discipline. The Jewish religion requires a degree of self-discipline that generally exceeds that required by the societies in which they live; the Germans, the Japanese and the remnants of the Kuomintang who took over Taiwan had all undergone years of military discipline. The very experience of living in a difficult environment, and of planning, financing and executing a move and then surviving in a new and often hostile environment requires qualities of self-restraint, abstinence, hard work and voluntary postponement of gratification which are normally far more severe than those demanded by the lifestyle of those who remain at home, or of the indigenous people of the place in which these refugees relocate.

In Germany and Japan national defeat and dislocation followed a period of improved discipline; in China, more recently, the national dislocation of the original revolution, the abortive "great leap forward" and the Cultural Revolution have been accompanied and followed by a fierce regime of discipline. Current experiments at individual enterprise in China, not by positive incentives or training, but merely by allowing people to use their own initiative, suggests that the combination can be equally effective, whatever the sequence.

Hardship requires discipline, and discipline overcomes hardship; it is not perhaps surprising that people who have suffered hardship, and responded with self-discipline, have enjoyed entrepreneurial success.

The foregoing arguments may or may not be convincing explanations for the entrepreneurial success of certain nations, communities and individuals, but we are interested not so much in explanations but in ways of "artificially" promoting the quality which, we agree, has been engendered through hardship and discipline. Persecution, racial intolerance, famine or bereavement may

be effective causes of entrepreneurship, but it is difficult to see how such misfortunes can humanely be simulated in order to increase the supply of entrepreneurs in countries which have not been so unfortunate as to be affected by their "natural" causes. Should we not concentrate on improving and defining the accepted techniques for entrepreneurial development, which emphasis innovation, goal setting and achievement, rather than attempting to substitute misfortune?

This might be a reasonable objection, were it not for the fact that some attempts have been made, in India, Uganda and Malawi at any rate, to develop entrepreneurial ability through a process, which in retrospect at any rate, looks surprisingly like an attempt to simulate dislocation, hardship and discipline. The results have been extremely positive.

In Malawi, the Salima Rural Trade School runs a two year programme whose objective is to train young men to become independent craft entrepreneurs in rural areas of the country. The course is full time, and students live and work in one place, with very few opportunities to return to their families or relatives. Their work is subject to the discipline of the School, and of the marketplace, in that much of it has to be sold to local customers, and the regime is very much like that of a "boot camp" where new army recruits are inducted into the rigors of military life. The trainees have to get up at 5.30 a.m., their living accommodation is regularly and fastidiously inspected, and apart from a very small component of simple management the training is almost entirely technical, using materials and equipment which are similar to those with which they will have to work when they start their businesses. No achievement motivation or other attempts to promote individuality or innovation are included. At the end of the course, the students receive some \$70 worth of raw materials and some simple tools, most of which they have made themselves during training. They are posted, on their own, in rural locations which are deliberately distant from their own homes. A recent survey revealed that some 77% of those who had undergone the training, over the last eight years, were still in business, and many of them were employing a number of others as well as themselves. Very few traditional entrepreneurship development programmes can claim a similar record of success.

In Uganda a programme which is run by the Vocational Training Centre in Kampala has similar effects, although much of the discipline, hardship and apparent lack of support arises from the chaotic conditions of the country rather than from any appreciation of the merits of hardship and self-reliance. It is a one year course, and the students, from rural areas, are similarly accommodated in dormitories, far from their homes. Because there are few funds for raw materials or equipment, their services have to be sold, and, again because of shortage of funds, it is impossible to provide them with any imported tools when they leave. They only have a few items of equipment, in a box which they have made themselves as one of their early exercises, and a very small amount of scrap raw material. Those who are responsible for the programme were very pessimistic about its success, because of the lack of resources, and the difficult physical conditions under which the trainees were trained. In fact, however, about 75% of the trainees succeeded in establishing and sustaining businesses in remote rural areas, and many are reinvesting hundreds of dollars a month in new equipment and raw materials, thus enabling them to employ others and to satisfy the enormous demand for rebuilding and mechanical repairs which has arisen in the years of chaos in Uganda. Here again, the success rate is very high, and the training does not include any overt training in entrepreneurship as such.

In Bihar State of India, a similar programme has been developed, originating in this case from the need to involve young tribal people in the mainstream of the economy. Staff from the Birla Institute of Technology, concerned that their expertise was mainly being channeled to the modern sector and making no impact on the rural poor, started the Centre for Rural Entrepreneurship. As in Malawi, young people are chosen from their villages, but come to a highly regimented and barrack-like environment. They follow a rigorous regime of personal discipline, cleanliness and technical training, and then return to their villages to start enterprises in such diverse fields as joinery, saal leaf cup making, mechanical engineering and silk collection. It is too early to measure its success, but, here again, the indications are that a large proportion of these people are successful at starting and sustaining independent businesses, individually or in groups. The success rate, in fact, appears to be rather higher than that achieved by more traditional entrepreneurship development for the same area, with participants drawn from the same tribal groups.

It may seem old fashioned, or merely perverse, to attempt to introduce traditional notions of discipline and hardship into training which is intended to develop the rare and subtle qualities of vision and innovation. It may be that the isolated genius who starts a futuristic enterprise in Silicon Valley would be crushed by the kind of training regime we have described. Outward Bound type training experiences however, with a substantial element of physical danger and endurance, have been very successfully introduced into management development programmes at the Cranfield School of Management in England, one of whose objectives is to help managers be more intrapreneurial and innovative within a corporate environment.

In the physically harder and perhaps psychologically even more constraining environment of a traditional rural society, the need for self-reliance, delayed gratification and for simple hard work is perhaps even stronger. Most innovations in the field of entrepreneurship development consist of new and more elaborate classroom simulations and further efforts to encourage creativity and originality. This may, or may not, be appropriate for the minority of potential modern sector entrepreneurs, but there is a far more urgent need for massive numbers of rural and shanty town entrepreneurs, to produce employment for themselves, and others, services to the community and, in many cases, to redress ethnic imbalances.

Programmes which are designed to develop such people might well be improved by the imposition of a disciplined and rigorous regime, with some complement of physical endurance training; this may not be fashionable or sophisticated, or indeed comfortable for trainees or trainers, but the results in terms of new and sustained enterprise may more than justify the attempt.