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***Portfolio entrepreneurs in Malawi: the role of risk and the environment
in the process of portfolio creation and growth.***

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Acknowledgments

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Abstract

Focus/research gaps

Entrepreneurship is seen as being vital to the creation of wealth in society and as such, a crucial mechanism for the alleviation of poverty in the developing world. Most research in Africa, however, has concentrated on the role entrepreneurship in the informal sector in largely rural contexts. There has been little research on how entrepreneurship relates to larger formal businesses in developing/emerging countries especially those residing within urban environments.

This thesis focuses on larger scale multiple business owners, or portfolio entrepreneurs within the capital city of Lilongwe in the country of Malawi. Malawi is a poor but fast growing landlocked Southern African state evincing many of the characteristics of developing nations in Africa and elsewhere.

Of particular emphasis in this study is the focus of how risk and the environment play a role in the creation and growth of the groups of companies owned by portfolio entrepreneurs. Risk and the environment are little studied concepts when it comes to portfolio entrepreneurship in high-risk and uncertain environments, which are characteristic of many other developing/emerging economies in Africa (and elsewhere). Of the work that has been done, there is little to no coverage of the growth process by which new business formation occurs or does not occur by larger scale portfolio entrepreneurs in developing/emerging markets in Africa.

The thesis addresses these research gaps by exploring processes of portfolio diversification (growth, non-growth and contraction) by portfolio entrepreneurs in a developing/emerging market context and the effects of two little studied variables: risk and the environment in this process.

Method

Twenty-four prominent portfolio entrepreneurs have been sampled, owning a total of 122 individual firms. These entrepreneurs (as a whole), turnover more than 200 million dollars annually and employ over 8000 people. The methodology was qualitative in nature combining a longitudinal study (that followed as group of the entrepreneurs over periods between two to five years), with semi-structured interviews with each entrepreneur. The analysis looked at both individual-level and external firm-level determinants to portfolio diversification, using risk and the environment as explanatory factors. The analysis combined a number of qualitative data analysis techniques.

Results and Implications

The findings suggest that risk-aversion is a crucial factor in explaining how and why portfolio entrepreneurs create and grow business groups. Risk-aversion and risk-mitigation are found to be crucial elements to adapting to the identified, enabling and hindering conditions of the environment to venture creation, operation and growth. The findings suggest that these portfolio entrepreneurs within Malawi can be considered growing, high-impact entrepreneurs and consequently a focus for policy.

A number of policy recommendations concerning the environment for business creation and operation are suggested for government and non-government institutions. In addition a number of strategic recommendations are made for entrepreneurs already/ or looking, to operating in high-risk, uncertain environments, pursuing growth and success. For scholars, the research identifies a future agenda for those interested in the role of risk, the environment and growth in the process of portfolio entrepreneurship.

Declaration of non plagiarism

I, **Antonio C. Malfense Fierro** do hereby declare that this thesis submitted for a PhD Management:

- (a) Has been composed entirely by myself.
- (b) That the work is my own.
- (c) That the work has not been submitted for any other degree or professional qualification.

Signature:

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List of abbreviations

AMJ	Academy of Management Journal
AMR	Academy of Management Review
ATR	Attitude to risk
CEO	Chief Executive Officer
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
ERD	Entrepreneurship and Regional Development
Est.	Established
ETP	Entrepreneurship Theory and Practice
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
HR	Human resources
I	Interview
IMF	International Monetary Fund
ISBJ	International Small Business Journal
ISIC	International Standard Industrial Classification
JBM	Journal of Small Business Management
JBV	Journal of Business Venturing
MBA	Master of business administration
MCC	Millennium Challenge Corporation

MCG McKinsey Global Institute

MCS Multi country study

ME Middle Eastern origin

Mill\$ Millions of dollars

MK Malawi Kwacha

MNO Malawi National Statistics Office

MNCS Multi National Corporations

NGO Non-Governmental Organisation

OECD Organisation Economic Co-operation and Development

PE Portfolio entrepreneur

PG Postgraduate

PSED Panel Study of Entrepreneurial Dynamics

R Results

RBM Reserve Bank of Malawi

RI Repeat interview

RPED Regional Programme on Entrepreneurship Development

SBE Small Business Economics

SBED Journal of Small Business Entrepreneurship Development

SEJ Strategic Entrepreneurship Journal

T Total

UDF United Democratic Front

UG Undergraduate

UN United Nations

US United States

VC Venture capital

Preface

I first became interested in habitual (more specifically portfolio entrepreneurs) when discussing my masters thesis with my supervisor Professor Peter Rosa sometime during the autumn of two thousand and six. Little did I know at the time, that portfolio entrepreneurs were not as foreign a concept as I thought. Incidentally, I had grown up in a community in which a number of my peers came from families in which either their mother or father was a portfolio entrepreneur. Professor Rosa was one of the first researchers to focus on portfolio entrepreneurs, his seminal 1998 paper in *Entrepreneurship Theory and Practice* being one of the most cited in this subfield of entrepreneurship research. It consequently was not surprising that our shared interest in Africa naturally led to the completion of a master's thesis on portfolio entrepreneurs within Malawi. Following on from this, I pursued a PhD in the subject, hoping to investigate the portfolio entrepreneurship phenomena further.

In my fourth year as a PhD candidate, in one of many conversations with Murray Low (director of Columbia University Business school's entrepreneurship centre), on this thesis, he revealed his opinion (backed by a study his centre had done) that of all the predictive indicators of entrepreneurial success, the only indicator in his experience that seemed to have a degree of causality with eventual entrepreneurial success was the number of businesses an entrepreneur may have started prior to their initial success. Professor Low was clearly describing habitual entrepreneurs. Interestingly and unbeknown to me at the time, Professor Low, was once a PhD student of Professor Ian MacMillan who wrote the seminal (1986) editorial in the *Journal of Business Venturing* arguing that to really understand entrepreneurship we should try to understand habitual entrepreneurs.

In the spring of two thousand and eleven after an introduction by Professor Low, I met the very Professor MacMillan at the Wharton school's entrepreneurship centre. My study into portfolio entrepreneurs had come full circle: back to where it all began.

To my mother,

'Tu ne cede mestitia sed contra audentior ito'.

(1.0) INTRODUCTION

'Men have been taught that it is a virtue to agree with others. But the creator is the man who disagrees. Men have been taught that it is a virtue to swim with the current. But the creator is the man who goes against the current. Men have been taught that it is a virtue to stand together. But the creator is the man who stands alone'¹.

(1.1) Background to the study

The rising interest in entrepreneurship in both academic and policy circles rests on the notion that in a world which is experiencing rapid and unpredictable change, particularly in the growth of opportunities through technological innovation and progress, entrepreneurs play a critical role in economic development (Drucker 2006). Entrepreneurs, under these conditions, are the people who are most efficient at matching opportunity with resources, adding value to the economy. With the increased environmental volatility, in the late 20th Century, there have been difficulties in applying theories of neoclassical economics based on the theory of the firm, with their assumptions of perfect competition and information, and economies in equilibrium. In such conditions interest has focused much more on Austrian economics, whose theorists make no such assumptions, and whose interest in the role of the entrepreneur is much greater (Knight 1921, Schumpeter 1934, Kirzner 1973). This emphasis on the role of the entrepreneur in economic development has been adopted by a new generation of entrepreneurship scholars (Gartner 1988, Low and MacMillan, 1988, Delmar 1997, Dess et al. 1997, Shane and Venkataraman 2000).

Research interest in the entrepreneur in the 1970s and 1980s concentrated on small scale entrepreneurs. The agenda was dominated by identifying the characteristics of successful

¹ Ayn Rand (1943), *The Fountainhead*'.

entrepreneurs, and by discovering the nature of the entrepreneurial process, notably identifying best practice and strategies leading to the successful launch and growth of a new venture. By the late 1980s, however, it became increasingly realised that the successful entrepreneurs often operated at the large-scale level, and that many did not just start one business but a succession of businesses (MacMillan 1986).

These habitual entrepreneurs have been a focus of increased research interest over the past two decades or so (Westhead and Wright 1998 a b c, Rosa 1998, Rosa 1999 a b, Westhead 2003 a, Rerup 2005, Baron and Ensley 2006). Habitual entrepreneurs have been found to constitute between 12% Cross (1981) to 52 % (Ucsbasaran et al. 2006 a) of the entrepreneurial population within the United Kingdom and between 39% to 51% worldwide (Ucsbasaran et al. 2008). Habitual entrepreneurs fall under two categories, serial and portfolio entrepreneurs. Habitual entrepreneurs are a type of entrepreneur who have prior entrepreneurial experience (Westhead and Wright, 1999) and are therefore, different from novice entrepreneurs. There are two different types of habitual entrepreneurs: portfolio and serial. Serial entrepreneurs are entrepreneurs who have closed or sold their business, but at a later stage have started or purchased a new one (Iacobucci 2002).

Portfolio entrepreneurs are defined most clearly as individuals who currently have minority or majority stake in two or more independent businesses (Westhead et al. 2003). Portfolio entrepreneurship is by no means a rare phenomenon. European studies have reported rates from 12% across sectors (Westhead and Wright 1998 a) to almost 40% (Pasanen 2003).

Despite this growth of research on habitual entrepreneurship, there remains some notable research gaps. These include little research on the role of risk, and of the environment on the process of multiple venture creation by habitual entrepreneurs (Ucsbasaran et al. 2008). Additionally there is a perception by researchers that most of our knowledge of habitual entrepreneurs is based on research conducted in developed countries. It is for this reason that the role of risk and environment may have been largely overlooked, because these factors are arguably much more prominent and visible in volatile developing countries. Hence this study seeks to address these gaps by focusing on the role of risk and environment on new venture creation processes by habitual entrepreneurs, and to set in

Malawi, an African developing country in which entrepreneurs face formidable challenges of uncertainty and changing conditions.

(1.2) Problem background

In 1986, Professor Ian MacMillan of the Wharton School in an editorial for the *Journal of Business Venturing*, argued that to really understand entrepreneurship, scholars should study habitual or 'experienced' entrepreneurs. Consequently a plethora of studies have focused on serial and portfolio entrepreneurs. Initially these studies focused on differences between these two different types of entrepreneurs and how they differed from novice entrepreneurs (Birley and Westhead 1993, Kolvereid and Bullvag 1993, Westhead and Wright 1998 a, Ucsbasaran et al. 2003, Westhead et al. 2004, Mosey and Wright 2007). In addition, further studies focused on performance and ascertaining the proportion of habitual entrepreneurs within the entrepreneurial population (Schollhammer 1991, Kolvereid and Bullvag 1993, Scott and Rosa 1996, Westhead and Wright 1998 a, Rosa and Scott 1999 a b). These first studies attempted to discern whether portfolio or serial entrepreneurs performed better than novice entrepreneurs and who performed better serial or portfolio entrepreneurs (Stuart and Abetti 1990, Birley and Westhead 1993, Westhead and Wright 1998 a c, Westhead and Wright 1999, Alsos et al. 2006, Gompers et al. 2007). The results of these studies were largely inconclusive (Ucsbasaran et al. 2008) but did identify certain characteristics typical of each type of entrepreneur. Subsequently these studies have continued along the same trend looking at the differences between these types of entrepreneurs when it comes to a multitude of theoretical conceptions of entrepreneurship: opportunity recognition, creation and exploitation, networks, entrepreneurial teams, growth, venture creation (to name but a few).

These studies were split between those scholars that focused on the firms owned by these entrepreneurs and others who focused on the entrepreneurs themselves. A distinction that can be classified as, the 'units of analysis' within entrepreneurship research (see Scott and Rosa 1996).

It is important to note that before the introduction of entrepreneurship as a management discipline, a large body of economics, strategy, organisation studies and management research focused on multiple firms under one corporate entity, what became known as business groups. The focus of this research was, large diversified corporate business groups in many regions of the world looking at firm specific

factors (see Leff 1978, Khanna and Yafeh 2007). In the absence of research focusing on the individual-level of analysis i.e. the owner or entrepreneur of these groups, entrepreneurship scholars saw an opportunity for further publication and began contributing to the literature on business groups highlighting the role of the entrepreneurs, or portfolio entrepreneurs (Iacobucci 2002, Iacobucci 2009, Iacobucci and Rosa 2010). Ucsbasaran et al. (2008) comment that as a consequence of this other focus the business group to determine levels of multiple business ownership in an economy it is consequently difficult to get a true picture of the scale of the phenomena.

Thus, it is important to acknowledge that this research also contributes to a literature on business groups as it is essentially based on the same phenomenon. This research, unlike most, hopes to integrate the two units of analysis both firm and individual contributing to both literatures and bridging the theoretical divide both within the entrepreneurship domain and outside of it.

The firm-focused business group research is largely based on big corporate business groups using quantitative analysis (see Khanna and Rivkin 2001, Khanna and Yafeh 2007). The sub-field of portfolio entrepreneurship within the entrepreneurship field offers important insights into the nature of these business groups at the early stage of their existence, or in environments where sophisticated corporate structures are not yet in existence. In these environments, entrepreneurs are still at the helm (not owner managers) and are in the process of creating larger and larger diversified groups.

The impact of portfolio entrepreneurs in the economy in creating wealth and prosperity has been found to be significant (Scott and Rosa 1996, Rosa 1998, Lechner and Leyronas, 2009, Balunywa and Rosa 2009). However, the large majority of these studies have been conducted in developed Western economies and a few large emerging markets with relatively stable economic environments with less risk and uncertainty (see section 2.5.1, chapter 2). Very few studies on portfolio entrepreneurship have been conducted in the developing world, with hardly any in Africa. As a consequence the understanding of the habitual and portfolio entrepreneurship phenomena is not complete and there is much potential for future work (Wright et al. 1997 a b, Westhead and Wright 1998 a b, Ucsbasaran et al. 2001, Carter and Ram 2003).

There is a growing interest from both the private and public sector on business opportunities in Africa's rapidly expanding markets (Mahajan 2008, MGI² 2010) and how the exploitation of these opportunities is increasing levels of wealth within the continent. This interest in the opportunities present in Africa, is in part driven by the continent's abundant natural resources and a burgeoning young population. Entrepreneurs are argued to be fundamental in recognising such opportunities and turning them into value creating enterprises (Kirzner 1973, Shane and Venkataraman 2000).

However, this interest has not seen a corresponding rise in the academic work conducted within the continent investigating how entrepreneurs are taking advantage of these opportunities and creating wealth (see literature review). Empirical studies on African entrepreneurship are still largely focused on small scale rural informal businesses that do not grow and have little impact on the economy (see Mead 1994, McPherson 1996). This is because the policy agenda has been driven by the need for alleviating poverty through developing micro businesses, and more recently, through developing social and sustainable entrepreneurship. In Western countries there has been an assumption that entrepreneurs also have a role in creating wealth at a national level through innovation, producing a trickle-down effect that alleviates poverty by creating new jobs. Large-scale habitual entrepreneurs are fundamental wealth creators. In developing countries, however, it has been assumed that large-scale entrepreneurs are absent and that entrepreneurship is "necessity" based and survivalist, not wealth creating and innovative (see the recent GEM studies, for example, Acs et al. 2005, Brixiova 2010).

Consequently, there is a lack of knowledge on larger scale enterprises and the entrepreneurs who create and operate these enterprises. The subsequent need for a focus on experienced large-scale entrepreneurs has been spurred by a pioneering study by Balunywa (2009) that showed that portfolio entrepreneurs contribute significantly to the Ugandan economy through the multiplier effect and consequently can be argued to be a main driver for the increases in wealth and welfare in that country. Thus, there is a clear research gap on research that is focused on larger-scale, rapidly expanding entrepreneur-led local businesses that are successful and contributing to welfare in African economies.

This study focuses on a type of habitual entrepreneur, the portfolio entrepreneur in one of these understudied contexts. The focus is portfolio entrepreneurs in Malawi, a small poor but fast growing

² Mc Kinsey Global Institute

landlocked country representative of many other African states. This thesis examines the role of risk and the environment in the process of portfolio diversification (growth) of portfolio entrepreneurs within Lilongwe, Malawi.

(1.2.1) Portfolio entrepreneurs and risk

A key tenet of entrepreneurial theory is the assumption that the entrepreneur is an inherent risk-seeker, different from the rest of us who by comparison are risk-averse labourers (Kihlstrom Laffont 1979, Rees and Shah 1986, Muller 1999, Stewart et al. 1999, Wagner 2003, Ekelund et al. 2005). Under this logic habitual entrepreneurs ought to be superior risk-seekers and risk-takers. However the issue is more complex. Before assessing the role of risk and portfolio entrepreneurship it is important to distinguish between the concepts of risk and uncertainty, which are often confused. Knight (1921) made this distinction and is ultimately the inspiration for the scholarship on risk, uncertainty and entrepreneurship that has followed from his work. Knight (1921 pg. 223) explains:

‘The practical difference between the two categories risk and uncertainty, is that in the former the distribution of the outcome is known (either through calculation a priori or from statistics or past experience), while in the case of uncertainty this is not true, the reason being in general that it is impossible to form a group of instances, because the situation dealt with is in a high degree unique. The best example of uncertainty is in connection with the exercise of judgement or the formation of those opinions as to the future course of events, which opinions (and not scientific knowledge) actually guide most of conduct’.

Portfolio entrepreneurs are assumed to be risk-seekers and yet the notion of risk is hardly addressed within the academic literature (see Ucsbasaran et al. 2008). The only mention of risk within the portfolio entrepreneurship literature is that portfolio entrepreneurs spread risk by owning multiple firms (Westhead and Wright 1998 a, Rosa 1998). The assumption is that portfolio entrepreneurs, much like the theory from which they borrow their name, *‘portfolio theory’*, reduce overall business risk by owning multiple diversified firms as opposed to single firms. Research on the portfolio process of these portfolio entrepreneurs (Rosa 1998, Westhead and Wright 1998 a, Rosa and Scott 1999 a b) assumes risk reduction and mitigation through risk-spreading but does not identify how this is actually

achieved within the business group, while not examining the overall role of risk in the process of portfolio entrepreneurship.

The lack of breadth of contextualisation surrounding the concept of risk is made more prescient by (Miller 2007 pg. 66) who states: '*Prior research points out that risk, is a multidimensional construct and the meanings and sources of risk can differ across individuals and situations*'. Thus, portfolio entrepreneurs who by definition spread risk through creating and owning multiple companies are an ideal sample of entrepreneurs through which to understand the role of risk in business creation.

Ucsbasaran et al. (2008), highlight that even within the subfield of habitual entrepreneurship, risk is little studied. This risk-reducing nature of the business group is not clearly explained nor elucidated. Questions arising as to how these entrepreneurs actually reduce risk through the companies they own, how they perceive, assess and react to it are left unanswered. Most crucially the studies from which the understanding of portfolio entrepreneurs derives are largely from developed economies with low-risk and uncertainty (see literature review). What about the portfolio entrepreneurs operating in high-risk, uncertain environments? Do they look at risk the same way and are these entrepreneurs really risk-seeking? Surely being a risk-seeker in an environment with high-risk and uncertainty is a recipe for disaster, but how then are these entrepreneurs so adept at surviving and growing their businesses?

Consequently, the conceptualisation of risk by scholars is lacking, as the crucial 'how and why' questions surrounding risk and portfolio entrepreneurship is limited by the environments from which current theory has arisen. These environments (or contexts) are very different to the typical high-risk and uncertain environments of nations in the developing world. The dichotomy that remains is how does one reconcile this understanding of risk and entrepreneurship to the developing world? What can these portfolio entrepreneurs in a developing country in Africa tell us about the nature of risk and entrepreneurship?

(1.2.2) Portfolio entrepreneurs and the environment

There is little research on how the environment affects the growth process of portfolio entrepreneurs' business groups. Ucsbasaran et al. (2008), in a lengthy review of the habitual entrepreneurship

literature, comment that there is a need for more research on habitual entrepreneurship (particularly portfolio entrepreneurship) to be undertaken in developing and emerging contexts due to the surprising lack of research on how institutional context/environment effect the nature and extent of the habitual entrepreneurship phenomenon and that it should be considered in several institutional and regulatory contexts (Rosa 1998, Westhead and Wright 1998 b, Carter and Ram 2003).

Work undertaken has shown how portfolio entrepreneurs add companies to their portfolios and grow (Rosa 1998, Rosa and Scott 1999 a b, Lechner and Leyronas 2009) but little has looked at the actual factors within an environment that affect this (Ucsbasaran et al. 2008). Ucsbasaran et al. (2008) pg. 110 explain:

‘A further dimension of the external environment concerns the relative buoyancy of the macro-economic context. In economic recessions ‘luck’ is likely to be a less frequent determinant of a habitual entrepreneur performance. A strong recessionary environment could lead to the quick closure (or filtering out) of inefficient new and established firms. Habitual entrepreneurs with broader human and financial capital resources may own firms that are better able to ride out recessionary waves compared with novice entrepreneurs with narrower skills and knowledge to leverage. Further research is needed to analyse this issue’.

In addition there is a dearth of studies that look at current conditions within developing and African economies that are affecting entrepreneurs (Acs and Virgill 2010), never mind successful habitual entrepreneurs such as portfolio entrepreneurs. Institutional theory within economics argues that institutions are integral to the creation of successful entrepreneurial eco-systems and that without efficient institutions or in situations where institutions are non-existent, entrepreneurship suffers (see Stephen et al. 2005).

The World Bank amongst many other institutions involved within developing countries would argue that this is the case, however, is it really? Which studies have actually looked at successful experienced entrepreneurs over time, identifying whether this view is relevant in today’s fast growing developing world? The literature review will look at whether this has actually been achieved in Africa looking at the surveys of most relevance and whether this is indeed the case.

This thesis consequently looks at the effect of the environment in enabling or hindering business group growth in the process enlightening the process of growth or venture creation of business groups and determining whether institutional views of the condition necessary for successful entrepreneurship are relevant in Malawi's entrepreneurial ecosystem.

(1.2.3) Portfolio entrepreneurs and the process of diversification (growth)

The process of portfolio formation, the creation of more than one company owned by a portfolio entrepreneur is an entrepreneurial growth process (Rosa 1998, Rosa and Scott 1999 a b). Subsequently this process has relevance to the important subfield of 'growth entrepreneurship' (Achtenagen et al. 2010). Growth entrepreneurship research has been of pivotal interest to governments and firms since Penrose's (1959) seminal work. Despite the many studies on growth, there is still much room for further research that highlights different growth processes, how entrepreneurs grow their firms and what affects this growth. Recent research argues that theoretical development within growth entrepreneurship has been slow, and research results are often inconclusive (Achtenagen et al. 2010, Shepherd and Wiklund 2010, Kiviluoto 2011). Calls have subsequently been made for research looking at the phenomenon in novel ways (Delmar and Davidsson 2006, Iacobucci and Rosa 2010, McKelvie and Wiklund 2010).

When studying entrepreneurship and especially new ventures, a lot circulates around the entrepreneur; what choices s/he has, what s/he finds important and what values s/he has (Kruger et al. 2000). Hence, in order to try to understand the firm one naturally needs to understand the entrepreneur (Scott and Rosa 1996, Shane 2000, Davidsson and Wiklund 2001). Far too often, the distinction between the individual and the firm becomes blurred and individual-level behaviour is explained by firm-level variables and vice versa (Penrose, 1959). The same problem Penrose noted more than 50 years ago is still found in evidence today: '*Presently, entrepreneurs – as the enactors of business growth – are not given the central role they deserve, though they decide whether to grow the business or not*' (Achtenagen et al. 2010 pg. 309).

Thus, this study looks at growth from the portfolio entrepreneur's perspective in a high-risk uncertain developing economy where growth is achieved in the most arduous and complex of environments. By

doing so, the study contributes to the literature of growth and portfolio entrepreneurship, testing the applicability of work undertaken in developed economies and highlighting the possible outcomes a portfolio entrepreneur may face when attempting to grow.

(1.2.4) Portfolio entrepreneurship process: the integration of risk, the environment and growth.

Within the entrepreneurship field, few studies look at the processes that lie beneath entrepreneurial phenomena. Scholars call for more contextualised and process focused work to be undertaken (Low and MacMillan 1988, Rosa 1998, Zahra 2007, McKelvie and Wiklund 2010, Welter 2011). For portfolio entrepreneurs the very act of creating a business group of more than one company is a complex and nuanced phenomena. Scholars have tackled this by looking at the types of new business added to a business group, the reasons why these groups have formed and how they have occurred (Rosa 1998, Rosa and Scott 1999 a b). These accounts have been retrospective, with no studies looking at this process longitudinally and concurrently over a prolonged period of time (Rosa 1998, Ucsbasaran et al. 2008). Furthermore, the role of risk and the environment in this process has been tackled separately. Work that has been done focuses on entrepreneurs as a whole. No empirical or conceptual work has tried to integrate or bridge these varying elements of entrepreneurial theory into one theoretical understanding, using a specific context.

This thesis tries to achieve this goal: an integrated holistic approach to the portfolio entrepreneurship phenomena tackling three little understood theoretical factors within the context: risk, the environment and the process of portfolio formation (growth). The aim of this approach is to better understand the specific phenomena and the process of portfolio entrepreneurship in a small landlocked and fast-growing country, Malawi. In the process, this thesis also aims to contribute to the wider literature on entrepreneurship and entrepreneurship in Africa, in these three distinct sub-fields. This thesis, hopes to highlight and enlighten the important role that large-scale portfolio entrepreneurs currently play in the creation of wealth and welfare in Africa today.

Finally this thesis also contributes to the business group literature both from the entrepreneurial perspective and that of organisation studies, management and strategy. This pursuit purposively

drawing attention to the breadth and depth and importance of this early stage, business group phenomena in a fast-developing nation Malawi and its overlapping contribution to theoretical development in business group research.

(1.3) Research Issues

This study is exploratory as there is little comparable contextual empirical evidence, through which to inform the design of the research. No studies have been undertaken within Malawi or any other countries in Southern Africa, looking specifically at portfolio entrepreneurs: their diversification activities with respect to risk and the environment (see literature review). As such the results of the research are new and inductive, ultimately complimenting an exploratory approach. The aim of the thesis is to build onto theory. Existing theory provides a preliminary framework, but this is the initial starting point which is developed further by the initial early empirical stages of the research and becomes more elaborate as different phases of the fieldwork progress.

The work is qualitative, focused on attaining deeper meaning and insight to the phenomenon under investigation. Constraints within the specific context of the study make it very difficult to implement a purely quantitative approach due to a lack of primary numerical data on the phenomenon (see Balunywa and Rosa 2009). Incidentally, this nature of the work allows for a flexibility that is necessary when undertaking research of an exploratory nature. The flexibility allows for manoeuvre and a more accurate insight into the causal mechanisms under study and the phenomenon they engender.

However, a more quantitative approach is combined with qualitative analysis in the analysis of the results of the research. Numerical percentages are used to display the degree to which certain effects are evidenced within the main body of research. This is to better display the degree of the research findings, using numbers to facilitate this and considering the dual mode of analysis a quantitative representation is necessary when doing the firm analysis considering the sample size (122 individual firms). The use of numerical percentages brings a consistency to form when displaying the results of the qualitative work which aids understanding.

This use of multiple methodologies and data follows a post positivist epistemological approach, critical realism. Critical realism acknowledges that knowledge is not perfect and only known probabilistically and is a combination between an interpretivist and realist view of science. Critical realism emphasises the use of multiple methods with a focus on triangulation to verify research findings (see Blundel 2007).

The methods employed are largely qualitative with the use of semi- structured interviews, longitudinal case studies of ten entrepreneurs in combination with an analysis of the literature and secondary data. 24 semi-structured interviews with 24 different portfolio entrepreneurs were conducted. These interviews lasted between an hour and four hours. Semi-structured interviews were decided upon due to a need to dig deep into the rationales behind the entrepreneur's activities allowing for flexibility and further questioning when unexpected anecdotes or answers to questions were encountered. The flexible nature of this method also allowed for the researcher to test the entrepreneur's underlining assumptions about the causal effects of the phenomenon, in the process getting a better understanding of the true nature of the phenomenon or occurrence. Interviewees were asked whether it was agreeable that they be recorded. However, not all interviewees agreed to be recorded due to the sensitive nature of the topics under discussion. Although this was not ideal it allowed the interviewee a sense of freedom and ease when answering questions. This allows the interviewer to dig deeper into the phenomena under study and receive answers that are more accurate and revealing, than otherwise. The feeling of an interview without the omnipresent recorder in actuality gave the interviewer and interviewee more of an impression of an extended discourse or discussion as opposed to the sterility and inflexibility of a recorded interview, where there is a keen sense of the discussion being an interview, due to the presence of the recording device.

Longitudinal case studies of individual entrepreneurs were implemented to more accurately frame the diversification process of the business group and the entrepreneur's relation to this over time. As the thesis ultimately examines the effects of the environment and risk in this process of diversification (growth) it was essential to investigate these variables over time, to contrast this to the non-longitudinal interview group and to increase validity and capture a greater understanding of the interactions of these different variables. In the case of diversification (growth) this was essential to

accurately chart the expansion and contraction of a business group with respect to changes in the environment and with respect to the entrepreneur's attitude to risk.

The longitudinal interviewees were repeatedly interviewed two to three times over a two to five year period. The longitudinal periods allowed the research to gather important insights and observations to more accurately describe the process of portfolio expansion or contraction over time, negating the retrospective bias of existing research. An example of this retrospective bias, is that if one interviews a portfolio entrepreneur about how s/he has created a portfolio group in the past, their attitude to risk and the affects of the environment in venture creation the research essentially is based on accounts of the past with the accuracy of this account is limited to a post hoc rationalisation.

It is important to frame accounts that are essentially based in the past with accounts that were more dynamic and recent. This meaning accounts where the entrepreneur had been interviewed repeatedly over a number of years. The contrast between these two sets of accounts would increase the validity and accuracy of the accounts while also improving the understanding of the variables under study. The purpose of this was to ensure triangulation, which reduces the inherent biases of a singular method. With changing environmental conditions in African economies, the relationship between growth and the creation and perpetuation of a business group owned by a portfolio entrepreneur has to be longitudinal in order to display more accurately causal relationships, which in turn increases the validity of the research.

The longitudinal element introduced to the analysis also provides a major methodological contribution considering that almost all the research conducted on portfolio entrepreneurs, indeed the large majority of entrepreneurship research, is retrospective within minimal longitudinal studies (see Low and MacMillan 1988, Rosa 1998, Chandler and Lyon 2001, Westhead et al. 2005, Ucsbasaran et al. 2008). Consequently, there is a dire need for more in-depth longitudinal research on the phenomenon (Rosa 1998, Iacobucci 2002, Carter and Ram 2003, Westhead et al. 2005). Thus, from a methodological standpoint this thesis addresses a research gap and improves the body of empirical research available while also highlighting the benefits of such an approach when studying the particular focus of this discourse.

An analysis of the literature was necessary to frame the theoretical understanding of the portfolio entrepreneur in the context of which the main body of empirical work had been completed. As the work was exploratory, this was necessary in order to define which theories the researcher was using as a comparison, for the eventual outcomes of the context specific work. Without this grounding the results would not be able to contribute to theory and the main theoretical aim of the work would be pointless. With the analysis, however, the results of the work could be framed within what is known about the portfolio entrepreneurs, ultimately ensuring that confirmatory results strengthen existing theory and that divergent or opposing results contribute to form new theory and understanding.

The sample of portfolio entrepreneurs chosen was defined by geographic boundaries, all being present within the capital city of Malawi, Lilongwe, and according to the definition of Westhead (2003) with regard to what a portfolio entrepreneur is. This meant in reality that only individuals that had majority or minority share in at least two independent businesses at time of interview, were interviewed. The selection of the entrepreneurs was broad but it was felt that this would better reflect the differences within the population and also encapsulate entrepreneurs operating in all sectors of the economy. This would ensure that the theory to be tested and developed would distinguish portfolio entrepreneurs not by scope and category but rather as a whole. Furthermore, the differences in sizes of the portfolio groups owned would ensure that the portfolio diversification process could be more thoroughly analysed. This would also give a fuller picture of the diversification process of these groups by having entrepreneurs within the sample that were in different stages of portfolio growth and differed in their amount of business venturing experience.

The reasons for this location were ease of access to the entrepreneurs (the researcher having lived and grown up in Lilongwe), the nature of Lilongwe in being the capital, i.e. the closeness of government institutions and foreign institutions (governments and NGOs) and crucially the ability to test the inter-relationships between these environmental characteristics with that of the diversification of business groups owned by portfolio entrepreneurs.

The sampling methods used a system of snowballing of established contacts (see Saunders et al. 2003). This was necessary due to environmental specifics that revolved around a general lack of sources for secondary data. There were no databases of portfolio entrepreneurs/entrepreneurs to work

from. A general lack of this sort of information or the difficulty to access certain information from government sources resulted in the snowballing method. The method also suited the particular nature of the entrepreneurs being studied. Lilongwe is a very inter-connected place, relatively small by global standards. Entrepreneurs know each other and do business with each other. This is due to a degree of political paranoia present by many of the entrepreneurs that do not wish to attract the attention of government and the public. This is a consequence of the one party state that was in place through much of Malawi's history. Entrepreneurs are fearful of being in the public eye for fear of recriminations from individuals in government jealous of their success and wanting a means through which to obfuscate funds. Thus, the snowballing method, which relies on contacts with previous interviewees acting as a point of reference for new interviewees, bypassed the suspicions of entrepreneurs when speaking with an individual they do not know.

Finding the portfolio entrepreneurs became difficult after existing networks had been exhausted. The researcher at this point, actively went out into the community to seek entrepreneurs using information from discussions with peers to discern which entrepreneurs were appropriate for the study. For example, a friend might mention that a certain individual had started two very successful businesses recently or a previous interviewee's wife might mention that the researcher should go and interview X individual as s/he would fit the criteria. Certain chance meetings with individuals at social events and some through consultancy also resulted in new interviewees.

The analysis of the research relied on coding and categorisation of interview transcripts, with broad themes becoming apparent in the answers of entrepreneurs to questions asked. These broad themes were refined further through a detailed assembly of causal factor codes to describe certain events.

In combination with this, an analysis of the environment was undertaken which looked specifically at the macroeconomic context and issues of political economy. This environmental analysis was then juxta-positioned with the expansion, consolidation or contraction of the portfolio groups owned by the entrepreneurs. A number of economic social and political themes became apparent through the anecdotes of the entrepreneurs when asked to describe or elucidate their understanding of the Malawian economy. Such accounts would describe in detail how their ability to do business had been affected by certain conditions present within the economy or why they had started a certain business

and why they had used their own financing. This allowed for the development of a deeper understanding of the affect of the environment to the portfolio process and the ultimate existence of the portfolio entrepreneur.

(1.3.1) Research questions and objectives

This study set out to discover how portfolio entrepreneurs within Malawi create and diversify their business groups and what affect the environment and risk have during this growth process. As a result the research questions can be broken down into three theoretical themes or categories: creation/diversification process (growth), risk and the environment. The following research questions are grouped into these themes and the correlating research objectives follow. The research objectives outline what the researcher hopes to achieve in the answering of the research questions through the undertaking of the empirical research.

(1.3.2) Growth: research questions and objectives

RQ1.) *Why and how do portfolio entrepreneurs diversify and grow their business groups?*

RQ2.) *Can the number of firms owned by portfolio entrepreneurs be considered to continue to grow when venture creation rates are contrasted over time?*

RQ3.) *What are the factors that affect the development: growth, stagnation or contraction of business groups owned by a portfolio entrepreneurs over time?*

RO1.) To identify why and how portfolio entrepreneurs grow (diversify) their business groups within the high-risk uncertain Malawian context, what the rationales are behind this and whether these rationales are consistent with research undertaken in Western contexts.

RO2.) To assess whether portfolio entrepreneurs' number of firms continue to grow longitudinally. (In an attempt to answer the question as to whether portfolio entrepreneurs' number of firms can be

considered to continue to grow longitudinally and whether they could be a focus for government economic policy, within the context)

RO3.) To identify the factors that affect portfolio entrepreneurs' business groups growth, contraction and stagnation. (Allowing entrepreneurs to identify what strategies are best for growth and what problems they are likely to face).

(1.3.3)The environment research questions and objectives

RQ1.) *What environmental conditions: political, social and economic affect the operations of portfolio entrepreneurs in Malawi?*

RQ2.) *What are the conditions present within the environment that enable venture creation by portfolio entrepreneurs?*

RQ3.) *What are the conditions present within the environment that hinder venture creation and success by portfolio entrepreneurs?*

RO1.) What are the environmental conditions present within the context (political, social and economic) that affect the operation of business groups by portfolio entrepreneurs?

RO2.) What are the enabling conditions to venture creation and success by portfolio entrepreneurs? (How can government and other entrepreneurs improve and take advantage of these conditions?)

RO3.) What hinders venture creation and success by portfolio entrepreneurs (How can government and entrepreneurs overcome these hindrances to improve success?)

(1.3.4) Risk: research questions and objectives

RQ1) *What attitudes do portfolio entrepreneurs have towards risk and do these attitudes change over time and with success?*

RQ2) *How do portfolio entrepreneurs manage risk?*

RQ3) *How is risk reduced/spread within the business group and does it contribute to success? (at the firm and individual-level)*

RO1.) To identify what attitudes portfolio entrepreneurs have towards risk and whether they are similar to theoretical notions of the risk-seeking entrepreneur and whether they are born out of the particular environment.

RO2.) To identify how PEs manage risk. What process, both informal and formal, do PEs use to manage risk?

RO3.) To identify what strategies portfolio entrepreneurs employ to reduce risk (at the individual-level) and the firms and types of companies, that reduce risk within a portfolio group. While also identifying whether these behaviours increases the likelihood of success or are identified by the entrepreneurs as being crucial to their success.

(1.4) Structure of the thesis

Chapter Two, the literature review examines the various literatures of the different theoretical views examined within this thesis: risk, the environment for venture creation/operation and growth. Each theme is given a separate section which identifies the relevant theories attached to each theme and their development. Each section on the three themes also includes an analysis of the themes empirical literature within the entrepreneurship domain. Through this analysis of the empirical studies of each theme and identification of relevant theories, research gaps (and problems) are identified for each theme. The chapter concludes by conducting an analysis of the empirical literature on African and Malawian entrepreneurship identifying research gaps and the space in which this study falls.

Chapter Three, consists of sections highlighting the context of the thesis, Malawi. This chapter looks at Malawi's demographics and recent political history identifying the specific context and conditions in which the research was undertaken. A number of analyses are undertaken of the macro economy that comes to a typology of the time periods of the Malawian economy during the period of research.

These time period typologies are then used in the results chapter to aid the identification and understanding of context specific findings.

Chapter Four, the methodology explains how the research was undertaken. This chapter consists of sections and sub-sections on the research design of the study; the philosophy and ethics of the study; the methods used and the rationale for their selection; the sampling methods; the data analysis undertaken; triangulation of the data sources; the validity and reliability of the methods and the limitations of the methods employed.

Chapter Five, contains the results of the research collected and analysed. It highlights the demographics of the firms and entrepreneurs while investigating the results pertinent to each theme of the work: risk, the environment and growth. The chapter also details how the data were analysed for each theme, how the results came about and the applicability to existing empirical evidence.

Chapter Six is the final chapter of this thesis. It first identifies how the research questions for each theme risk, the environment and growth, have been answered through the results gathered and how the research objectives have been met. It continues by looking at the theoretical contributions of the results concerning each separate theme and contributes a number of theoretical models that integrate the three themes, in order to better understand portfolio entrepreneurship with the context. The chapter concludes by identifying a number of recommendations for policy makers, entrepreneurs and recommendations for scholars' future research.

(2.0) LITERATURE REVIEW

'If you have men who will only come if they know there is a good road, I don't want them. I want men who will come if there is no road at all³'.

(2.1) The subfield of habitual entrepreneurship: definitions and development

Portfolio entrepreneurs fall under a broad categorisation of habitual (or experienced entrepreneurs). Habitual entrepreneurs can be broken down into two types: serial and portfolio entrepreneurs. Serial entrepreneurs are entrepreneurs who start but only own one business at any one time but subsequently move on by selling their business and starting others during their lives. Portfolio entrepreneurs on the other hand start and continue to own multiple businesses, at a minimum always have a shareholding stake in at least two businesses. Habitual entrepreneurs contrast with novice entrepreneurs: entrepreneurs who have just entered into their first business having previously been involved in other activity (not entrepreneurial). For sake of clarity the following definitions (Westhead et al. 2003 b, Ucsbasaran et al. 2006 a) have been proposed and are consequently accepted and used by this researcher (Ucsbasaran et al. 2008 pg. 13):

'Novice entrepreneurs are individuals with no prior minority or majority business ownership experience wither as a business founder or as a purchaser of an independent business which currently own a minority or majority equity stake in an independent business that is either new or purchased'.

'Habitual entrepreneurs are individuals who hold or have held a minority or majority ownership stake in two or more businesses, at least one of which was established or purchased'

Habitual entrepreneurs as mentioned can be subdivided into two groups, one of which is portfolio entrepreneurs who are the focus of this thesis:

³ David Livingstone (Unknown)

'Serial entrepreneurs are individuals who have sold/closed at least one business which they had a minority or majority ownership stake in, and currently have a minority or majority stake in a single independent business' (Ucsbasaran et al 2008 pg. 13).

'Portfolio entrepreneurs are individuals who currently have minority or majority ownership stakes in two or more independent businesses' (Ucsbasaran et al 2008 pg. 13)

Ucsbasaran et al. (2003) further clarified these criteria by adding two new categories to the classification. These categories were, 'habitual acquirers and habitual starters'. Habitual starters refers to habitual entrepreneurs that start more than one business in parallel to others and habitual acquirers refers to habitual entrepreneurs who acquire more than one business.

After MacMillan's seminal (1986) call for entrepreneurship scholars to study habitual entrepreneurs the habitual entrepreneurship literature initially focused on ascertaining the proportion of habitual entrepreneurs within the entrepreneurial population. Studies undertaken predominantly in Europe and the United States showed rates of habitual entrepreneurship between 11.5% and 64% of the entrepreneurial population (Ucsbasaran et al. 2008). Studies looking at the proportion of portfolio entrepreneurs with the entrepreneurial population show varying rates of between 17 and 34% of the entrepreneurial population (Ucsbasaran et al. 2008). Findings subsequently suggested that habitual entrepreneurs were important to wealth creation (Westhead and Wright 1998 a, b; Westhead et al. 2003a, Rerup 2005, Baron and Ensley 2006) and that they made a fundamental contribution to wealth in society (Scott and Rosa 1996).

After establishing that habitual entrepreneurs were a valid and important phenomenon within entrepreneurship, the focus shifted with a number of empirical studies looking at whether habitual entrepreneurs performed better than their novice counterparts and if there were significant performance differences between classes of entrepreneurs, i.e. between novice and serial, serial and portfolio and so forth (Stuart and Abetti 1990, Birley and Westhead 1993, Westhead and Wright 1998 a, c, Westhead and Wright 1999, Delmar and Shane 2004, Alsos and Carter 2006).

Studies on the whole did not show any discernible performance difference between novice and habitual entrepreneurs (Birley and Westhead 1993; Kolvereid and Bullvag 1993, Westhead and

Wright 1998 a c). In contrast some studies did, however, show that the newest business owned particularly by portfolio entrepreneurs did perform better than new firms owned by novice entrepreneurs (Westhead et al. 2003 a b, 2005 b c, Alsos and Carter 2006). Dahqvist et al. (2000) in a Swedish study shows that portfolio entrepreneurs in addition to serial entrepreneurs reported greater employment and sales sizes. Westhead et al. (2003 a, 2005 a) went a step further finding in their Scottish studies that the average sales revenues of firms owned by portfolio entrepreneurs were greater than that of novice and serial entrepreneurs. These studies also show that portfolio entrepreneurs regarded their current profit performance about average when related to competitors and that their firms reported higher absolute and percentage employment growth over the period of the study (1996-2001). Additional analysis in the Westhead et al. (2003 a, 2005 a), studies reveals that the top 4% of the fastest growing businesses of portfolio entrepreneurs in Scotland generated 55% of new jobs created.

Ucsbasaran et al. (2008) observe that the multitude of performance studies failed to examine whether the nature of experience, e.g. how experience is acquired and whether experience is associated with business failure or success is linked to the number of business opportunities recognised and the quality (i.e. the wealth creation potential of these). As a consequence a call for further study of habitual entrepreneurs, specifically the portfolio entrepreneur, resulted (Wright et al. 1997 a b c; Westhead and Wright 1998 a b, Rosa 1998, Ucsbasaran et al. 2003, Carter and Ram 2003). The argument behind this was simple, portfolio entrepreneurs started and owned multiple companies, thus what better cohort to understand the role of opportunity in business creation?

Most of these studies did not look specifically at the portfolio of firms owned by portfolio entrepreneurs but rather focused on the entrepreneur and his/her characteristics in specific contexts (Ucsbasaran et al. 2008). This omission gave rise to studies conducted in the farm sector by Carter (1998, 1999, 2001, 2003), Ronning and Kolvereid (2000), Alsos et al. (2003) and Alsos and Carter (2006). Rosa's seminal (1998) work on portfolio owners in Scotland being the most prominent of the non-farm sector work. Rosa's work being followed by two consequent studies Rosa and Scott (1999 a b).

Interestingly the theoretical lenses used to understand habitual entrepreneurship followed the genesis of the entrepreneurship field's theoretical development. Initially studies followed on from McClelland's (1966) work, on the entrepreneurial characteristics of entrepreneurs by researching whether there were differences between habitual entrepreneurs and novice entrepreneurs and within the habitual entrepreneur class. These studies continued with the introduction of theories of human capital and more recently behavioural cognition and the role of opportunity (see Ucsbasaran et al. 2008).

(2.2) Review and analysis of the empirical literature.

Ucsbasaran et al. (2008 pg. 99) during the only comprehensive review on the habitual entrepreneurship phenomenon stress the need for additional studies into habitual entrepreneurship: *'An objective of this review is to encourage additional studies to provide fresh insights into the habitual entrepreneurship phenomena'*.

In response, the author⁴ decided to critically assess where the gaps in the habitual entrepreneurship sphere lie. Thus the author undertook an independent analysis of the empirical papers they review in their study (39 papers). The aim of such an analysis was first to see whether their recommendations for future work were accurate and substantiated, and whether anything might have been missed.

Table 2.1: Empirical review of the habitual entrepreneurship literature

Type of studies	Total	Percentage (of sample)
Empirical	39/39	100%
Europe and U.S.A.	39/39	100%
Sole focus on portfolio entrepreneurs	5/39	13%
Focus on experienced founders/VC ⁵ related	6/39	15%
Industry specific focus	10/39	26%
Non-industry specific focus	26/39	68%
Cross sectional	33/39	85%
Comparative studies	19/39	49%
Quantitative	31/39	79 %
Qualitative	8/39	21%
Using a specified theoretical lens	12/39	31%
Using no specific theoretical lens	27/39	69%
Longitudinal quantitative	6/39	15%
Longitudinal qualitative	0/39	0

⁴ The thesis originally included first person references but after examination the author was required to change these references to the third person.

⁵ Venture Capital

The majority of empirical studies on the habitual entrepreneurship phenomenon are quantitative studies, cross sectional and do not use a specific theoretical lens (see table 2.1). This is highlighted by Ucsbasaran et al. (2008) in their summary of the empirical literature.

A large proportion (almost 50%) of these studies are comparative studies looking at differences between portfolio, serial and novice entrepreneurs (see Ucsbasaran et al 2008 pg. 34-55) or in rare cases between types of within class entrepreneurs i.e. serial founders and serial acquirers. What is interesting is the number of studies using the same samples to run different comparative analyses. There are a total of nine comparative studies (almost half of all the comparative studies that use the same samples). These studies are: Westhead and Wright (1998 a, c), (same sample of 621 entrepreneurs), Westhead et al. (2003 a), Westhead et al. (2004), Westhead et al. (2005 a, b, c) (all using a sample of 354 entrepreneurs) and Carter (1998, 2001), (using the same sample of 296 entrepreneurs).

While it is perfectly permissible to use the same sample to test different variables and to apply different theories, problems arise from such research. The fact that all of these comparative studies are quantitative ultimately ensures that scholars have built up a body of knowledge and evidence using a only a few samples that are from the same contexts and that cannot sufficiently look at the phenomena in any great depth, indeed come up with any meaningful theory to describe the specific phenomena.

It is thus not surprising to the author at least having researched this for five years now, that there is no theory but a proliferation of theories (see Carter and Ram 2003). None of these theories can sufficiently explain the habitual entrepreneurship phenomenon. Incidentally, this view could be argued to be supported and applied to the entire body of empirical evidence considering that only 31% of the studies reviewed by Ucsbasaran et al. (2008) use a specified theoretical lens. One would expect, seeing that the majority of studies are quantitative and deductive that more theory would be used. In contrast, the actual reality is that one finds quantitative studies displaying the inductive exploratory characteristics of qualitative work. The obvious irony here is that these studies cannot claim to have sufficient depth when trying to understand the habitual entrepreneurship phenomenon. Thus any argument that the habitual entrepreneurship field is over researched is exactly the opposite; it is in fact under researched and under developed theoretically.

None of these salient observations are mentioned by the authors of the Ucsbasaran et al. (2008) review. These observations also provide a compelling argument for the undertaking of the research for this thesis. As a consequence of this apparent focus on comparative studies (between types of entrepreneurs), it appears that there has been a neglect of specific studies that focus on serial and portfolio entrepreneurs separately.

There are very few empirical studies that focus specifically on portfolio entrepreneurs. Only five studies in the Ucsbasaran et al (2008) empirical review do so, (Rosa 1998, Carter 1999, Rosa and Scott 1999 a, b, Carter et al. 2004). Of these five, Rosa (1998), Rosa and Scott (1999 a, b), use the same sample. This statistic might perhaps be misleading as Ucsbasaran et al. (2008) have left out a large body of research that looks at business groups as opposed to portfolio entrepreneurs. Business groups describe the organisation of the firms owned by the portfolio entrepreneur but quintessentially focus on the firm and rarely the entrepreneur.

The business group literature also describes and evaluates large corporate conglomerates likely listed on stock exchanges present in many developing and emergent nations, further confusing matters. The confusion is made worse by the nature of many of these business groups in developing and emerging nations. In developing nations for all intents and purposes these business groups can be considered portfolio firms owned by (habitual) portfolio entrepreneurs as they are not listed on stock exchanges, due in part to the relative nascency of financial structures in these countries. Conversely the business group literature itself suffers from a lack of focus on the entrepreneurs. This has been remedied with the inclusion of studies by Iacobucci (2002), Iacobucci and Rosa (2005) in the Ucsbasaran et al. (2008) review. However, Ucsbasaran et al. (2008) do not make this distinction of the existence of two separate research streams: business groups and portfolio entrepreneurs, rather referring to the same phenomenon and as a consequence leave out a large body of evidence germane to the habitual entrepreneurship phenomena.

The lack of longitudinal studies is also evident with only six studies being longitudinal and none of those being qualitative. The relatively high proportion of studies focused on habitual entrepreneurs and venture capital begs the question: why the emphasis on VCs has become so prominent in the research agenda? There are more studies focused on VCs within the list than studies focused on

portfolio entrepreneurs for example. A reason for this could be the interest of VCs in experienced entrepreneurs, more often than not serial entrepreneurs. More likely, however, is that scholars have followed a general trend in entrepreneurship research over the past decade that focuses on VC and angel investing related work (see Chandler and Lyon 2003). Cynically this might be a consequence of the field's top journals publishing a disproportionately high volume of VC related work in recent decades.

What is even more noticeable is the absence of studies from contexts outside of Europe and North America and the lack of qualitative longitudinal studies. There is one Malaysian study by Taylor (1999) conducted outside of these contexts. These deficiencies in the literature are highlighted by Ucsbasaran et al. (2008) i.e. the lack of qualitative, lack of longitudinal studies and lack of studies from emerging and developing countries. However, since the Ucsbasaran et al. review in (2008), there has been a PhD thesis focused on portfolio entrepreneurs in Uganda and a subsequent unpublished conference paper (Balunywa and Rosa 2009).

Balunywa's (2009) qualitative thesis on Ugandan entrepreneurs set out to investigate the contribution of entrepreneurship to growth in Uganda. In the process of the research he decided to focus on a sample of 23 portfolio entrepreneurs, many of whom are amongst the richest individuals and most successful entrepreneurs in Uganda. Balunywa wished to test the GEM conceptualisation of entrepreneurship, arguing that its focus on newly created firms and novice entrepreneurs was perhaps misguided as it missed out on already existing firms and experienced entrepreneurs (such as portfolio entrepreneurs).

Balunywa work shows that portfolio entrepreneurs in Uganda contribute to growth through employment, venture creation (start-up) and infrastructure development. He demonstrated this by showing that of the overall tax contribution in Uganda, portfolio entrepreneurs portfolio firms were amongst the highest tax contributors in the Ugandan economy. Furthermore, Balunywa shows, how by the 'multiplier effect', the firms and operations owned by these portfolio entrepreneurs contribute far in excess of their specific business activities. In addition, Balunywa (2009) thesis shows how Ugandan entrepreneurs have taken advantage of opportunity and specifically privatisation by the state.

When the author looked closely at Balunywa thesis it became evident that his work suffered from many of the problems that Ucsbasaran et al. (2008) and this author have pointed out with the current state of habitual entrepreneurship research. His sample, while including extremely large business groups does not gather any information on group turnover and of the individual firms comprising the portfolio of firms.

While there is mention of the industries in which these portfolio entrepreneurs operate, there is very little information on the number of firms each portfolio entrepreneur owns and under which industrial classification they fall. He does go into depth using two case studies where he reveals this information (number of firms owned) and a strength of his work is that he has some very good statistics on the individual industries in which the biggest firms within these two case-studies operate and their consequent contribution to the Ugandan economy. Nonetheless, there are some gaps within the research and this is unfortunate, as the scale of some of the entrepreneurs included within his sample dwarf the most successful entrepreneurs in this thesis' Malawian sample. Crucially however, Balunywa (2009) does show that portfolio entrepreneurs in African economies may, as in the case of Uganda, make large contributions to tax revenue GDP and infrastructure development and, thus, that it is likely that portfolio entrepreneurs play a greater role in national economic growth in Africa than they do in other developed countries.

It is clear from this review of the empirical literature that although some commentators might argue that habitual entrepreneurship is a well researched area within the entrepreneurship domain; the reality is that it is not. The majority of this published empirical evidence is skewed towards studies that use the same comparative samples, use quantitative methods, with a dearth of longitudinal and qualitative studies and with the exception, of a Malaysian and Ugandan study (Taylor 1999, Balunywa 2009) a total lack of focus of studies outside of Europe and North America.

(2.3) Habitual entrepreneurs: the research gaps and consequent theoretical focus of this thesis

Theoretically, the Ucsbasaran et al. (2008) review demonstrates that the majority of studies have not been theoretically focused and those that have are predominantly within the human capital, opportunity and cognitive behavioural spheres. Every element of the focus of this thesis, risk, the

effect of the environment on portfolio growth and creation has been little researched, indeed there is not one paper that focuses on any of the 'specific' topics within this thesis, with reference to portfolio entrepreneurs. Ucsbasaran et al. (2008) acknowledge these numerous gaps within the literature throughout their review as do numerous other scholars of habitual entrepreneurship:

On the environment for entrepreneurship and studies in different economic contexts (Ucsbasaran et al. 2008 pg. 120):

'A number of habitual entrepreneur and portfolio entrepreneur studies have generally been conducted in several developed countries. Surprisingly the links between institutional context and extent and nature of the habitual entrepreneurship phenomenon are still relatively neglected [sic]. Most notably there is a need for additional studies to focus on the habitual entrepreneurship phenomena in transition and developing economies'.

On the lack of longitudinal and qualitative studies (Ucsbasaran et al. 2008 pg. 118):

'This review has generally discussed evidence from cross sectional studies [sic should have inserted 'comparative and using the same samples']. Relatively few studies were longitudinal. Surveys provide information relating to the scale and nature of key themes. On the downside they have limited ability to capture details relating to the "why" and "how" aspects surrounding a phenomena. Researchers concerned with exploring important process issues [growth and diversification amongst those] should consider using a variety of qualitative methods of data collection and analysis (Rosa 1998, Ucsbasaran et al. 2003)'.

Writing specifically of longitudinal studies (Ucsbasaran et al. 2008 pg. 118):

'Longitudinal studies offer the advantage of being able to establish causal relationships between an entrepreneur's human capital profile, entrepreneurial behaviour and firm (and entrepreneur)' [they do not mention that longitudinal studies are essential in growth and diversification research of portfolio entrepreneurs specifically i.e. how portfolio entrepreneurs over time create new firm, diversify and grow (Rosa 1998)].

On Risk (Ucsbasaran et al 2008 pg. 101):

‘Attitudes to risk exposure reported by habitual entrepreneurs who have accumulated significant wealth (Wright et al 1997a) could be assessed in relation to the value of the opportunities they subsequently identify. Future studies might usefully undertake direct comparisons of initial and subsequent opportunity identification, pursuit and exploitation behaviour reported by each “type” of entrepreneur’.

This thesis addresses these research gaps by looking at the attitudes that entrepreneurs have towards risk longitudinally and how this affects the creation of new businesses and whether this attitude changes with success. This thesis takes a step further than what Ucsbasaran et al. (2008) propose, looking specifically at the role of risk within the creation of new firms.

(2.4) Structure of the proceeding literature review; risk, the environment and growth

This literature review follows by looking at the three central themes of this thesis in turn and how they relate to the phenomena under study: the portfolio entrepreneur and in the wider context of entrepreneurship research.

First, the author will evaluate the role of risk in entrepreneurship the central theme of this thesis, looking at the empirical studies conducted and how it relates to portfolio entrepreneurship. Second the author evaluates the environment for entrepreneurship or the institution literature and how it relates to the phenomena portfolio entrepreneurship. Third, the author evaluates the ‘process’ research that has been done on portfolio entrepreneurship i.e. the growth literature. Finally, as the study is set in an African country the thesis will evaluate the empirical literature on African entrepreneurship and studies conducted in Malawi.

The aim of this literature review is to provide an analysis of the empirical studies of relevance and to show who how these three themes (risk, the environment and growth) are interconnected within this thesis, the relevance of each when understanding portfolio entrepreneurship within the context

(Africa). In addition, the review aims to show how these themes have been neglected with reference to the subject of this enquiry (habitual/portfolio entrepreneurs) and how this investigation enlightens the wider realm of entrepreneurship research. The overall purpose of this pursuit is to provide a novel template from which scholars and others may understand entrepreneurship and specifically portfolio entrepreneurship in contexts little studied. This pursuit aims to develop and contribute to new theoretical themes and consequent theories that are largely un-investigated and tested in such contexts in Africa/the developing world, and where a multitude of research gaps exist.

(2.5) Historical conceptualisation of risk and entrepreneurship

Most modern entrepreneurship textbooks refer to “risk-seeking” as a defining characteristic of entrepreneurs, although the consensus is that they tend to be moderate risk-seekers rather than reckless gamblers. Cantillon’s (1775) pioneering book *‘Essai sur la nature du commerce en general’* is often referred to as the source for the idea, that the entrepreneur is identified by risk-bearing and hence by default is a risk-seeker. Despite this frequency of references to Cantillon, however, it is unclear how many scholars have actually read his book.

A close reading reveals that while there is numerous mention of risk, the interpretation of what Cantillon means by risk, has been fundamentally misunderstood. The idea that entrepreneurs are inherently risk-seeking as they bear risk is a myth that has been perpetuated and continues to be perpetuated. Entrepreneurship scholars tending to cite this incorrect understanding, have consequently built up a multitude of theories, indeed an entire conceptualisation where risk and particularly risk-seeking is at the centre of the entrepreneurship phenomenon. The author does not disagree that risk is not central to the entrepreneurship phenomenon but does disagree with its current conceptualisation.

When Cantillon wrote of entrepreneurs, he lived in a time where the risks to venturing were a lot higher than they are today in the developed world. The high risks of transport across the seas, war, famine, disease and pestilence have been written in a multitude of texts on the period in Europe and in North America. So when Cantillon writes of risk he writes of a reality present within his time that

affects all manner of economic activity. This seemingly high focus on risk, coupled with his introduction of the lexicon 'entrepreneur' to the discourse has ensured that some scholars have mistakenly put the two together and formed a consensus that he is defining the entrepreneur by risk.

Cantillon in the 'Essay on the Nature of Commerce' makes numerous mention of the risk that entrepreneurs encounter when ferrying goods by land or sea, '*the circulation and exchange of goods and merchandise as well as their production are carried on in Europe by undertakers and at risk*'. (Cantillon 1755 Pg. 47)

He also stresses that the variation in wages are in part a function of the risk that is born:

'Those who employ artisans or craftsmen needs must therefore pay for their labour at a higher rate than for that of a husbandman or common labourer; and their labour will necessarily be dear in proportion to the time lost in learning the trade and the cost and risk incurred in becoming proficient'. (Cantillon 1755 Pg. 19)

Cantillon's treatment of risk simply implies that there is risk in commerce, however, not once does he argue that entrepreneurs are differentiated by bearing this risk or that this risk is any different to the risks faced by non-entrepreneurs. In fact, there are numerous passages where Cantillon mentions risk-bearing/risk and does not ascribe this exclusively to the entrepreneur.

On the risks of child-rearing:

'A young woman takes care not to become a mother if she is not married; she cannot marry unless she find a man who is ready to run the risk of it. Most of the people in a state are hired or are undertakers; most are dependent and live in uncertainty whether they will find by their labour or their undertakings the means of supporting their households on the footing they have in view. Therefore they do not all marry, or marry so late that of six women, or at least four, who should produce a child every year there is actually only one in six who becomes a mother'. (Cantillon 1755 Pg. 81)

On the risks of transport:

'The difference of prices in the capital and in the provinces must pay for the costs and risks of transport, otherwise cash will be sent to the capital to pay the balance and this will go on till the prices in the capital and the provinces come to a the level of these costs and risks. Then the merchants and undertakers of the market towns will buy at a low price the products of the villages and will have them carried to the capital to be sold there at a higher price: and this difference of price will necessarily pay for the upkeep of the horses and manservants and the profit of the undertaker, or else he would seize his enterprise' (Cantillon 1755 pg. 151/3).

On interest:

'Though money passes for a pledge in exchange it does not multiply itself or beget an interest in simple circulation. The needs of man seem to have introduced the usage of interest. A man who lends his money on good security or on mortgage runs at least the risk of the ill will of the borrower, or of expenses, lawsuits and losses. But when he lends without security he runs the risk of losing everything. For this reason needy men must in the beginnings have tempted lenders by the bait of a profit. And this profit must have been proportionate to the needs of the borrowers and the fear of avarice of the lenders. This seems to be the origin of interest. But its constant usage in states seems based upon the profits which the undertakers can make out of it'. (Cantillon 1755 pg. 199/201)

So in essence while Cantillon acknowledges that there are risks in what entrepreneurs do, he by no means argues that this risk is specific to entrepreneurs. In reality (as shown earlier), Cantillon attaches risk to a number of different economic and human phenomena explaining its role in decision making and economics. So in the author's interpretation what this means, is that yes, entrepreneurs might take risk and that the prices of the good they sell represent that risk as profit (although he does not mention profit specifically, rather he calls it the entrepreneurs 'upkeep', they are no means distinguished by that risk bearing/taking).

A more accurate reading of Cantillon's work would reveal that he distinguishes entrepreneurs by uncertainty more so than risk. He argues that prices and wages are also a consequence of the uncertainty born by the entrepreneur. He uses an example of a farmer to get his point across:

'He employs part of the land to feed stocks, produce corn, wine, hay, etc. According to his judgement without being able to foresee which of these will pay best. The price of these products will depend, partly on the weather, partly on demand; if corn is abundant relatively to consumption it will be dirt cheap. If there is scarcity it will be dear. Who can foresee the increase or reduction of expense which may come about in the families? And yet the price of the farmer's produce depends naturally upon these unforeseen circumstances, and consequently he conducts the enterprise of his farm at an uncertainty'. (Cantillon 1755 Pg. 49).

Mentioning entrepreneurs that sell goods he writes:

'These undertakers can never know how great will be the demand in their city, nor how long their customers will buy of them since their rivals will try all sorts of means to attract customers from them. All this causes so much uncertainty among these undertakers that every day one sees some of them become bankrupt'. (Cantillon 1755 pg. 51)

It is this very juxtaposition of uncertainty and risk that Frank Knight (1921) sought to explore when understanding the entrepreneurial phenomenon. Knight's seminal work *'Risk, Entrepreneurship and Profit'* argued that the concept of risk is not an homogenous category in its relationship to entrepreneurship and that the fundamental differences in different types of risk, is the key to risks entire place in entrepreneurship. Knight broke down risk into two categories, risk and uncertainty, but unlike Cantillon he segregated the two, arguing that risk was measurable and that uncertainty was not:

'The practical difference between the two categories risk and uncertainty, is that in the former the distribution of the outcome is known (either through calculation a priori or from statistics or past experience), while in the case of uncertainty this is not true, the reason being in general that it is impossible to form a group of instances, because the situation dealt with is in a high degree unique. The best example of uncertainty is in connection with the

exercise of judgement or the formation of those opinions as to the future course of events, which opinions (and not scientific knowledge) actually guide most of conduct'. (Knight 1921 Pg. 233)

Knight essentially made a very mute point about the nature of risk: that it could be calculated, predicted and known and that uncertainty was more a case of guess that was predicated by the knowledge, the experience of the individual (the entrepreneur) and the entrepreneur's sense of luck. He crucially made the point that this process was different across individuals. Following on from this one is at loss as to why entrepreneurs were suddenly considered to be risk-seeking, when if one reads into what Knight is saying it is more likely that they deal with uncertainty more effectively or at least believe that they have the powers of prediction. In this sense Knight's conceptualisation of the entrepreneur was erringly similar to that of Cantillon. Considering this clear similarity, that for the author points more to uncertainty and the entrepreneur, it is even more curious how the field of entrepreneurship has come to characterise the entrepreneur as a risk-seeker.

Knight (1921) saw entrepreneurial income as being a residual of the productive process of the economy: the difference between the cost of production inclusive of the wages of employees. He also argues that entrepreneurial income was a consequence of entrepreneurs bidding in an economy for productive resources and that their income was the residual left after prices had been set on these productive resources. He argues:

'Whether any particular individual becomes an entrepreneur or not depends on his believing (strongly enough to act upon the conviction) that he can make productive services yield more than the price fixed upon them by what other persons think they can make them yield (with the same provision that the belief must lead to action). After any individual has become an entrepreneur, the amount of his income depends on his success in producing the anticipated excess, and in the sense is a matter of his correctness of judgement, But it is clear that his success is equally a matter of (a) the failure of judgement, or (b) an inferiority in capacity, on the part of his competitors. The two factors of (a) capacity and (b) judgement of one's capacity is again compounded of judgement (of factors external to the person judging) and executive capacity' (Knight 1921 pg. 280/81)

Knight (1921) is essentially arguing that the entrepreneur extracts value from his belief that he can yield profit from productive resources, where others cannot. He is not saying that this is a consequence of risk-taking but rather a consequence of knowledge/experience and a conviction in the entrepreneur's own belief in his/her ability. Of course there is risk in this process, what the entrepreneur might know of the likelihood of success or reward (or 'a factor external to the person judging') or uncertainty what the entrepreneur cannot know.

A differing view on the role of the entrepreneur within economics was advanced by the famous Austrian economist; Joseph Schumpeter, whose work is receiving much attention at present. Schumpeter's concept of creative destruction as the quintessential entrepreneurial process arose out of his many works that postulated that the liberal democracy and capitalism were on the wane threatened by socialism within the developed economies and the rise of communism, epitomised by the Soviet colossus. Schumpeter lived in a time where the state was increasingly involved in the organisation of productive resources. He lived through the events of Black Friday, the subsequent effects of the great depression and the new deal (which threatened the individualism so predominant in American life). He then saw the splitting up of Europe after the Second World War in the building of the symbolic Berlin Wall and the subsequent rise of the Soviet Union and its satellites in Europe. Schumpeter was fearful that these systems of organisation would come to predominate and crush the individual spirit of the entrepreneur that necessitated economic growth, where change/development was created through a system where innovation relied on the destruction of technology and methods of the past.

Fortunately Schumpeter's powers of foresight (for once) did not predict the falling of the Berlin Wall, the breakup of the Soviet Union, the rise of China and what some commentators have called the eventual predominance of the liberal democracy. This was so much in evidence, that Francis Fukuyama (1992) claimed in his modern day classic '*the end of history and the last man*' that humankind had reached a point of societal organisation that could not be bettered. Fukuyama (1992) argues that humankind are essentially at a point where there is no history (which he sees as ideological conflict), hence humankind lives in a time of '*the end of history*'. Recent events and the questioning of capitalist based liberal democracies have, however, tested these claims by Fukuyama and shown them to perhaps be premature.

Schumpeter believed that entrepreneurship consisted of bringing in new processes of production while also producing new products or old products in new ways. He saw the entrepreneur creating disequilibrium through this process, hence his use of the words '*creative destruction*'. The difference between the cost and inputs of these new processes is what Schumpeter saw as entrepreneurial profit.

Following on from Schumpeter the works of Israel Kirzner postulated that the entrepreneur while being risk-seeking and creative also had the foresight and ability to recognise opportunity. This as he put it was a consequence of information, and entrepreneurs being able to access that information and using it to their advantage (he was perhaps the first economist to touch on the notions of asymmetrical information, a concept that the modern economist Joseph Stiglitz received the Nobel prize in economics for).

Kirzner disagreed fundamentally with Schumpeter's analysis of the entrepreneur's role in the economy arguing:

'For me, on the contrary, the entrepreneurial role, although a source of movement within the system, has an equilibrating influence; it is entrepreneurial alertness to unnoticed opportunities which creates the tendency toward the even circular flow of equilibrium. For Schumpeter, entrepreneurship is important primarily in sparking economic development; for me it is important primarily in enabling the market process to work itself out in all contexts-with the possibility of economic development seen merely as a special case' (Kirzner 1973 pg. 81).

Kirzner also disagreed with Knight's view of the entrepreneur: that it was the entrepreneur's ability to take in uncertainty through his/her own ability, good luck and the entrepreneurialism of the market (i.e. the amount of entrepreneurial competition) that resulted in profit.

'The Knightian entrepreneur does not display those distinctive features which I have endowed the entrepreneur. The very emphasis on uncertainty in the Knightian system has tended to mask the fact that when an entrepreneur does enter into an admittedly risky venture he does so because he believes that on balance it offers an attractive opportunity. The great interest with which Professor Knight considers the question of whether, ex post, profits

outweigh losses deflects attention from the tremendously important insight that, viewed ex ante, every entrepreneurial decision taken envisages only profits. What does not come through in the Knightian exposition is the active, alert, searching role of entrepreneurial activity (Kirzner 1973 Pg. 82/83).

It was from this standpoint that the theories of opportunity recognition (Shane and Venkataraman 2000) or entrepreneurial alertness (Kaish and Gilad 1991) came to dominate the field of entrepreneurship. From the author's viewpoint the problem with this view is the assumption that entrepreneurs start businesses purely for profit and the further assumption that risk is taken to further this end (i.e. the exploitation of opportunity). That opportunity in itself (while created by the market), is somehow privileged to the entrepreneur. These assumptions do not take into account the role of necessity, multiple business ownership by entrepreneurs and how entrepreneurs maximise profit indeed their survival in conditions of high-risk and uncertainty, where taking too much risk is irrational and destructive. When Kirzner writes that entrepreneurs take risks when they expect high rewards, he does not consider that entrepreneurs might not see that high-risk as a high-risk, as they intend to reduce it through their experience, knowledge and skill in business.

Considering the development of the theory of entrepreneurship within the economics field, where risk was a crucial element. In the late sixties and seventies, more so in the eighties strategy scholars spurred on by the opportunities they saw in a new discipline entrepreneurship began researching the phenomenon of the entrepreneur. The result was a host of new empirical studies that tested the theoretical offerings of the entrepreneurship economists, in the attempts at gaining legitimacy as a field of enquiry. These studies have brought us to the 'current state of the art' of entrepreneurship research and the empirical studies that have tested and investigated the nature of risk and the entrepreneur.

(2.5.1) Analysis and review of empirical study of risk within entrepreneurship

The role of risk while being identified as central to the entrepreneurial phenomenon has in reality received very little attention. While there are a plethora of studies exists looking at risk within finance

and other management fields the actual empirical work on risk and entrepreneurship is very little considering the theoretical importance of this construct within the phenomena.

The author conducted a literature review looking at ten journals where entrepreneurship papers were published. Two of these journals: Academy of Management Journal and Academy of Management Review are not technically entrepreneurship journals but are so well respected within the management discipline, that the papers that are published on entrepreneurship have often become defining works in the entrepreneurship field. In addition to these journals, the author conducted a review of the entrepreneurship specific journals as ranked by Harzing (2011). These journals were: the Journal of Business Venturing (JBV), Entrepreneurship Theory and Practice (ETP), Small Business Economics (SBE), Entrepreneurship and Regional Development (ERD), Journal of Small Business and Enterprise Development (SBED), International Small Business Journal (ISBJ), Journal of Small Business Management (JBM) and Strategic Entrepreneurship Journal (SEJ).

The author scoured every journal issue and ran searches on the terms risk and entrepreneurship. This process, whittling the journals down to the papers that were about risk and entrepreneurship. the author then read and classified these papers, removing papers from the analysis that were not actually about entrepreneurs and risk i.e. they focused on the firm-level, finance or strategy. The results of this analysis are summarised in the table 2.2 on the next page.

Table 2.2: Risk empirical literature review (summary)

Journal	Number of Papers	Empirical studies	Theoretical/Review Studies	Empirical: quantitative Studies	Empirical: comparative studies	Nascent entrepreneurs
JBV	9	8	1	8	4	0
ETP	4	3	0	3	1	0
SBE	9	7	2	7	2	4
ERD	0	0	0	0	0	0
ISBJ	0	0	0	0	0	0
SBED	0	0	0	0	0	0
SBM	0	0	0	0	0	0
SEJ	1	0	1	0	0	0
AMJ	2	2	1	2	1	1
AMR	1	0	1	0	0	0
TOTAL	26	20	6	20	8	5
(%)		77%	23%	100%	40%	25%

From table 2.2 it is clear that risk and entrepreneurs, has received very little attention in the entrepreneurship field specifically. What is startling is the predominance of quantitative studies (100% of the sample), empirical comparative studies (40%) and studies focused on nascent entrepreneurs (25%).

The comparative studies are all focused on discerning differences in risk propensities/perceptions/attitudes between entrepreneurs and non-entrepreneurs, while a large number of studies are focused on nascent entrepreneurs: entrepreneurs who have recently started their first business. If one combines these two categories these studies comprise 65% of the entire empirical sample. This is not even considering that one of the JBV studies (Simon et al. 1999) is of MBA students and two papers are on the CEOs of Fortune 500 Companies in the United States (Forlani and Mullins 2000, Mullins and Forlani 2005).

If scholars are trying to understand the role of risk for entrepreneurs, why are scholars looking at individuals who are MBA students and highly likely to not be entrepreneurs to substantiate concepts about risk for entrepreneurs? The same problem arises as to how a sample of CEOs of Fortune 500 Companies can be claimed to all be entrepreneurs when it is likely that a number are professional managers and that the initial founders are large shareholders (Forlani and Mullins 2000, Mullins and Forlani 2005). In addition, both of these studies used survey instruments to collect data so it is not even certain whether the questionnaires were filled out by the CEOs or founders of the firms within

America's Fortune 500 (see Saunders et al. 2003 for a critique of survey based research). Furthermore, the focus on nascent entrepreneurs (Brockhaus 1980, Van Gelderen et al. 2005/2006, Caliendo et al. 2007, Gartner and Liao (forthcoming), does not consider that an entrepreneur's view of risk may change with experience. Knight (1921) precisely argued that it was the entrepreneur's belief in his/her ability that allowed them to turn profit at the expense of others and deal with uncertainty and risk.

Another problem with some studies is that although some of the samples from these studies are longitudinal in the sense that the data comes from different years (Van Gelderen et al. 2005, 2006) there are none that look at risk longitudinally and thus, they do not take into account changes in risk over time for entrepreneurs. The measurements of risk in these studies follow a quantitative trend attaching scores to risk attitudes and behaviours. What is problematic about this approach is that the measurement of risk is predicated upon hypothetical situations or simulations of risk (often involving gambling/loss scenarios, investment case studies) where the respondent is asked to decide a course of action, that course of action subsequently being attached to a degree of risk. The question that one naturally has to ask is how is asking entrepreneurs about hypothetical situations and how they would react/ make decisions relevant when understanding actual risk for entrepreneurs?

One would think that entrepreneurs and risk is about how entrepreneurs overcome risk in their everyday operations, the creation of companies and how they perceive it indeed react to it, but yet one finds that the empirical evidence of entrepreneurs and risk is about hypothetical situations? The problems with this entire body of research is simply illustrated by this example:

Let us assume an entrepreneur goes to a casino. The entrepreneur gambles at the casino and takes a wild bet on red on the roulette table with just under a 50% outcome of success and wins. The entrepreneur returns to his/her business the following day and is presented with a new venture idea by one of his/her employees. The entrepreneur calculates what s/he believes the chances of success are with the enterprise, mediating this by the amount of investment, his/her entrepreneurial experience, knowledge of the specific industry and the time needed to get it off the ground. The entrepreneur is also cognisant at this time of the risk of failure: the risk that s/he loses their money, the effect that this might have on their current business, their pride, their family and employees. Using all this information, the entrepreneur decides that the idea for a new venture has a probable likely outcome of

50% chance of success. The entrepreneur decides not to invest in starting the venture as it is too risky, but yet last night s/he played roulette and won.

If one were an entrepreneurship scholar researching the entrepreneur's risk propensity/attitude one would propose a hypothetical risk scenario perhaps involving a gambling proposition and considering that the entrepreneur took the roulette bet/ any other proposition, deduce that the entrepreneur is indeed a risk-seeker, the whole while not knowing what the entrepreneur has done in the past with the actual risks associated to his/her business and new opportunities. Even propose the researcher decided to use a risk-measurement case-study to make these propositions more consistent, the entrepreneur might still take a risky choice. The researcher subsequently deducing that the entrepreneur is a risk-taker when in reality when faced with real scenarios: real losses, real effects the entrepreneur would act and behave totally differently. This situation described is of obvious concern when trying to understand risk for entrepreneurs.

In addition the samples and environments from which this research has been conducted are almost exclusively from the developed and advanced economies. In the case, of the few country level samples (Petrakis 2004, Kreiser et al. 2010), these samples are predominantly from the U.S.A, European and other developed countries with the outlier being Indonesia. Looking at the empirical work in its entirety there are hardly any studies on developing countries (Costa Rica being protectorate of the United States). The individual-level and firm specific studies result from data in the U.S.A, Canada most of Europe with some Eastern European countries (including Russia), Australia, Singapore, China, Indonesia (McGrath et al. 1992, Ray 1994, Teoh and Foo 1997, Everitt and Watson 1998, Tan 2001, Keh et al. 2002, Watson and Robinson 2003, Petrakis 2004, Psaltopoulos et al. 2005, Norton and Moore 2006, Van Gelderen et al. 2005, 2006, Caliendo et al. 2007, Elston and Audretsch 2011, Podoyntsyna et al. 2012). There appears to be no studies focused on risk specifically within African entrepreneur/firm samples or from other developing nations.

The lack of studies in developing nations is a serious omission in the understanding of risk and entrepreneurship. If entrepreneurs do indeed take risk and are conceptualised within the entrepreneurship field as being risk-takers, whether moderate or not, how can researchers be certain when the research undertaken has been from environments in which uncertainty and risk is low, such

as developed nations? Consequently, what about entrepreneurship in regions and countries of the world where there is a high degree of uncertainty and high-risk in entrepreneurship? Is it then equally applicable that entrepreneurs in these environments understand and look at risk in the same way and are conceptualised by risk-seeking?

(2.5.2) Risk and entrepreneurship: a summary of the research gaps

To summarise these initial sections of the literature review have focused on the historical conceptualisation of risk and entrepreneurship and the extant empirical work that has followed. This has taken the form of an insight into the work of the four economists most credited with work on entrepreneurship, and 'risk and entrepreneurship'. Following on from this a comprehensive literature review analysis of the empirical work evidenced in the entrepreneurship field's journals, has been undertaken. This analysis identifies several gaps in the literature:

- 1.) There is a fundamental misunderstanding about how economists conceptualised risk and entrepreneurship and consequently 1.a) The whole empirical substantiation of risk and entrepreneurship has been based on a misleading conceptualisation.
- 2.) In reality there are very few studies that focus specifically on risk and entrepreneurship.
- 3.) There appear to be no qualitative studies, they are all quantitative studies.
- 4.) There is only one study on risk and entrepreneurship in developing nations where risk and uncertainty may be higher.
- 5.) There is a predominance of studies on nascent inexperienced entrepreneurs starting their first businesses and just beginning to understand and experience enterprise.
- 6.) There is a predominance of comparative studies, many seeking to substantiate the entrepreneur as being more risk-seeking than the labourer or treating risk differently. This is in addition to work that focuses on risk differences between different types of entrepreneurs.
- 7.) There are flawed methodologies when it comes to understanding, classifying and measuring risk for the entrepreneur. 7a.) These methodologies do not place the entrepreneur and real events/conditions of risk as central to the research and following theoretical development.

This chapter will now follow by looking at the theoretical development of risk in the entrepreneurship field, looking in depth at the empirical studies that have come to formulate the theoretical understanding of the phenomena and that are most relevant to this thesis. In addition the author evaluates the conceptualisation of risk that this thesis follows: what it measures, where and who it investigates, how it measures it and how it attempts understands it.

(2.5.3) Problems with the understanding of risk within entrepreneurship

Risk as a concept in management is most often associated with the finance field. Due to the quantitative nature of risk within finance, a whole host of research has arisen that looks at reducing and diversifying risk of shares (see Academy of Management Journal). This research is particularly focused on stakeholders of large publically, listed companies where CEOs have a value maximising obligation to their shareholders. If one does a search in the eminent management journals on risk you will find that the majority of papers discuss risk at the firm-level in the finance/accounting field. In addition to this, quite a few studies of risk exist within the strategy discipline which essentially looks at the behaviour of firms in creating change. As a consequence in the management sense, when one talks of risk it is likely that one understands risk from the financial perspective. Subsequently, theories engendered from the finance and accounting fields consequently aim to reduce shareholder/firm risks.

Thus, the problem when trying to talk of risk in the entrepreneurial sense is that researchers and outsiders understand this risk from the financial/accounting perspective. As shown (table 2.2, pg 39), the large majority of the work conducted on risk and entrepreneurship has been quantitative and the theories used to explain the phenomena have been from the finance/accounting discipline. Further complicating matters is the role that early economists (that did not use econometrics) played in modelling entrepreneurship with risk being a crucial element. Early entrepreneurship scholars looking for theoretical justifications and legitimacy for their nascent field read the works of these economists and as shown in the section about Cantillon and Knight, fundamentally misunderstood the role of risk in the entrepreneurship phenomenon.

As a consequence a whole paradigm and conventional wisdom has arisen where the wrong conceptualisation of risk is incorrectly attached to the entrepreneur or 'tested' in the quantitative sense. As argued in the early sections, this incorrect conceptualisation has been further promulgated by the use of methodologies in current entrepreneurship research that do not place the entrepreneur and what the entrepreneur does and thinks as central to the understanding of risk.

The following section is ordered by first defining what is meant by risk, second, how others have measured risk, after which follows the two conceptualisations that have characterised research on risk in the entrepreneurship field: the trait/risk propensity approach and the cognitive/risk perception approach. Finally as risk is most often thought in a financial sense the relevant risk in finance theory is investigated.

(2.5.4) Definitions of risk

Adams (1995) and Sjöberg et al. (2004) comment on the difficulties in defining what risk is. Risk can mean different things to different people in different contexts (Adams 1995). Janney and Dess (2006) call this 'polysemic meanings' i.e. that the risk measurements employed may be appropriate for a certain contexts while being unable to provide generalisable measurements for all contexts. Further confusing the issue, concepts of risk are to an extent culturally constructed (cultural theory) by individuals (Thompson et al. 1990). Adams (1995), pg. 67 notes:

'Cultural theory is better understood not as a set of categories of 'ways of life' but as a typology of bias. Some cultures are more individualistic than others, some more hierarchical, some more egalitarian and some more fatalistic. But in certain circumstances risk can draw out each of these tendencies in any culture'.

In this sense risk may be different to different group of people and entrepreneurs, in different contexts and situations but the general concept of risk is still present across all cultures and groups of people.

If you cannot define what risk actually is to everybody, then there are obvious problems for generalisable measurement: that the measurement of risk depends on the choice of measurements and

methods used (Baucus et al. 1993, McNamara and Bromily 1999 and Bromiley et al. 2001). This is of obvious concern but outside of the scope of this thesis.

The research primarily attempts at shedding light on the ways in which risk is mitigated by a set of entrepreneurs who by definition mitigate risk. The aim is to shed some light on the vague and largely unsubstantiated conceptualisation of risk in entrepreneurship. In addition to this aim, the research enlightens risks role in the venture creation process and the overall success of the portfolio entrepreneur in a high-risk context.

(2.5.5) Measurement of risk: which measure and types of risk are appropriate to entrepreneurship?

Problems with the measurement of risk abound (as mentioned earlier) and even more so when applied to entrepreneurs and what they perceive risk to be. Risk management scholars such as Adams, argue that risk is intrinsically subjective to the individual, while being objective to the expert. Adams (1995 pg. 55) contends that, *'risk is defined by most who seek to measure it, as the product of the probability and utility of some future event'* Applying this to an entrepreneurial perspective, risk is the probability of a desired outcome weighed against the knowledge of the benefit or success of that outcome. The probability of that outcome, which could be the decision of the entrepreneur to start a successful business that does not fail, is weighed against what that entrepreneur knows/ has learnt from previous experience, whether s/he believes the business will be a success or not. Dickinson and Giglierano (1986) would categorise this new venture risk into two types, that a firm will undertake a venture that fails (sinking-the-boat risk) and the risk that a firm will fail to undertake a venture that would have succeeded (missing-the-boat risk) In this sense the perception or the attitude of an entrepreneur towards risk is crucial to their function in creating businesses.

Janney and Dess (2006) make note of further conceptualisations of risk that can be summarised in three distinct types of risk that are different in some aspects and similar in others. These can be categorised as risk as variance, risk as downside loss, or risk as opportunity (or opportunity cost). Risk as variance is a financial measurement of risk. As such it is intrinsically linked to the performance of

assets and securities against the market. Please refer to the section (2.5.8 pg 52) 'risk in portfolio theory' for further explanation as to what these risks are and how they have come to define the portfolio entrepreneur.

Risk as downside loss generally refers to the likelihood of loss, as well as the negative consequences of managerial or entrepreneurial decisions. The idea is that decision makers will forego possible positive outcomes if there is an equal or greater probability of a negative outcome (MacCrimmon and Wehrung 1986). Janney and Dess (2006) make the point that as a consequence risk as downside loss often captures risk considerations outside of the scope of risk as variance.

Risk as opportunity on the other hand refers to when entrepreneurs make a decision on risk based on the opportunity cost of the decision balanced against the potential upside gain. This is simply understood that if an entrepreneur is offered an alternative opportunity to the upside gain of a new venture for example, the upside gain has to outweigh that of the alternative opportunity. So as the value of alternative opportunities rise (opportunity cost) so the value of the upside gain must increase. The risk in this scenario is the rise in opportunity cost as this makes it difficult for the entrepreneur to take the opportunity of a new venture for example.

Risk as opportunity cost is an interesting conceptualisation when it comes to the habitual entrepreneurs. As habitual entrepreneurs, specifically portfolio entrepreneurs, have high human capital and experience profiles it is likely that they come across new business opportunities more so than your novice entrepreneur. In essence the portfolio entrepreneur owns multiple businesses and thus has taken opportunities outside the scope of his/her first business, thus it the conceptualisation of risk as downside loss might not be equally applicable to portfolio entrepreneurs or on the contrary even more so.

Das and Teng (1998) break the risk behaviour of entrepreneurs into two theoretical approaches to the phenomenon, the trait approach and the cognitive approach.

(2.5.6) The trait approach to risk: risk propensity

The trait approach looks at the characteristics or traits of entrepreneurs and how these impact on the entrepreneur's existence. This approach in entrepreneurship research stems from the pioneering work on 'entrepreneurial personality' of (McClelland 1965). Risk, in the trait approach attempts to define the entrepreneurial function through the propensity of the entrepreneur to take risk. Sitkin and Pablo (1992) define risk-taking propensity as the tendency of a decision maker either to take or avoid risks.

It is no surprise considering all the risk bearing implicit in these conceptualisations of risk, that many scholars (following on from their interpretations of Cantillon, Knight and Kirzner), have modelled risk propensity or attitude in attempts to understand why some people become entrepreneurs and others not. Most have made the assumption that entrepreneurs are risk-seeking while workers are risk-averse (Kihlstrom and Laffont 1979, Rees and Shah 1986, Muller 1999, Stewart et al. 1999, Wagner 2003, Ekelund et al. 2005). Empirical work following from this rationale has found the risk-seeking assumption of entrepreneurs difficult to substantiate empirically.

Empirical work testing the risk propensity of entrepreneurs is weak and contradictory (Sexton and Bowman 1985, Low and MacMillan 1988). Studies purporting a higher risk propensity for entrepreneurs than non-entrepreneurs such as Sexton and Bowman 1986 and Begley and Boyd 1987 has come into sharp contrast with studies purporting the opposite, that there is no discernible difference between the risk propensity of entrepreneurs and non-entrepreneurs (Brockhaus 1980, Smith and Miner 1983). Brockhaus' (1980) study on new venture founders found that entrepreneurs were moderate risk-takers but that this risk-taking propensity was no different than non-entrepreneurs and thus that risk-taking propensity may not be a distinguishing characteristic of entrepreneurs. Palich and Bagby (1995) went a step further in distinguishing entrepreneurs from non-entrepreneurs by showing that entrepreneurs perceive risk differently i.e. that they perceive risk to be less in a business situation due to being more optimistic about the strengths versus weaknesses and opportunities versus threats than non-entrepreneurs. Scholars have consequently argued that there is little evidence that risk-attitudes impact entrepreneurial decisions (Palich and Bagby 1995, Keh et al. 2002)

Other scholars comment that studies on risk propensity of entrepreneurs are flawed in that they use different measurements of entrepreneurs (Ginsberg and Buchholtz 1989). Gartner (1985) postulated

that part of the problem might be that there might be just as much difference in risk-taking propensity between classes of entrepreneurs, as between entrepreneurs and non-entrepreneurs. Janney and Dess (2006) propose that it might not be a question of how much more risk entrepreneurs face than non-entrepreneurs but rather that entrepreneurs face different kinds of risk unobserved to others making them seemingly more risk-seeking.

This stream of research that focuses on variability in risk propensity continues within the entrepreneurship field at present. In section 2.5.1, the author shows that the large proportion of current work published in the acknowledged entrepreneurship journals are comparative studies and of these studies, many compare novice entrepreneurs to non-entrepreneurs. These studies are still grabbing at the elusive but seemingly un-substantive contention of a difference in risk propensity between entrepreneurs and non-entrepreneurs.

This thesis in breaking that trend does not aim to compare types of entrepreneurs or non-entrepreneurs and entrepreneurs, rather it looks at experienced multiple business owning entrepreneurs in an uncertain and high-risk context. The purpose of this is to test the flimsy assumption indeed the conventional wisdom within economics and certainly with some in the entrepreneurship field, which conceptualises entrepreneurs as risk-seekers. However, trying to empirically disprove or substantiate the risk-seeking contention is not the main aim of this thesis, but rather a holistic approach to risk is the ultimate aim.

The implications of these findings on this work of the trait approach or risk propensity are multifarious. First it suggests that the risk-taking propensity of entrepreneurs is in reality a flawed concept (yet it has its place within the literature). This argument highlights the need to understand entrepreneurial risk from another theoretical perspective. Second, it gives rise to the notion that perhaps whether entrepreneurs are more risk-taking or more risk-averse is not really the right question. Rather the right question is, how do these attitudes, or risk propensities affect the success of the entrepreneur's business/s and how does risk play a role in the creation and perpetuation of these ventures? Third, as pointed out by Gartner (1985), studies should look at the differences between different types of entrepreneurs and how they perceive risk and what role it plays in their existence to better understand risk. Last, the author would argue that this provides a compelling reason to

undertake this research. The research approach in investigating a certain group of entrepreneurs, where venture creation is high, in a distinct cultural and environmental context elucidates these different types of risk in venture creation and success, allowing us to better understand the role of risk in entrepreneurship.

(2.5.7) The cognitive approach to risk: risk perception

The cognitive approach to risk on the other hand looks at how entrepreneurs use information to generate entrepreneurial outcomes. This approach has developed off the ground breaking work of Kirzner (1973) who proposes that entrepreneurs are able and alert to access market opportunities that others do not see. This has consequently given rise to a multitude of scholarly work looking at opportunity and entrepreneurship.

As Das and Teng (1998 pg. 71) define it:

‘The cognitive approach attempts to understand how perceptions (Cooper, Woo and Dunkelburg 1988), cognitive and decision-making styles (Kaish and Gilad 1991), heuristics (Manimala 1992), biases (Busenitz and Barney 1997) and intentions (Bird 1988) of entrepreneurs affect their behaviour (Shaver and Scott 1991), including entrepreneurial risk behaviour.

This approach in entrepreneurial risk is exemplified by the work on the risk perception of entrepreneurs. Risk perception is defined by Sitkin and Weingart (1995) as a decision-maker’s evaluation of the levels of risk inherent in a situation, associated with its uncertainty and the control that individuals perceive they have over such uncertainty. Forlani and Mullins (2000) go further defining it as the degree of uncertainty and potential loss associated with an opportunity.

Palich and Bagby (1995) led the way in the study of risk perception, finding that entrepreneurs while not having discernible differences in risk propensity with non-entrepreneurs might perceive risk to be less than non-entrepreneurs in strategic opportunities. Das and Teng (1998) introduce another dimension to perception making a distinction between short-range and long-long range entrepreneurial risk. They argue that risk is intrinsically embedded in time and consequently this has been largely

neglected by the literature. They introduce a typology of entrepreneurs and different behaviours to risk, finding that craftsmen entrepreneurs are identified by their short-term risk behaviour which causes them to be largely risk-seeking. Opportunistic entrepreneurs are characterised by their long-term risk behaviour tending to have risk-averse properties as they focus on missing-the-boat risk. This attempt at a typology of entrepreneurial risk, finds its theoretical grounding in cultural theory and the effects it has on risk perception and attitudes (see Adams 1995).

Das and Teng (1998) argue that their framework that considers risk and time, effectively answers the question about whether entrepreneurs are more risk-taking than non-entrepreneurs by finding that, *'it depends on the risk horizon, namely, whether it is about short-range risk or long range risk. In other words it helps understand why not all entrepreneurs are about risk-taking'* (pg. 83). However, it is worth noting that the Das and Teng (1998) paper is a theoretical paper that is not backed up by empirical evidence.

Janney and Dess (2006) provide an opposing theoretical contention, considering risk to be intrinsically linked to the venture creation process. They argue that the risks of venture creation for entrepreneurs are different to those found in established firms. Their major contention is that opportunities rely on specialised knowledge that arises out of concerns for rent appropriation and information asymmetry. They argue, *'Traditional measures of risk do not properly account for these concerns; hence an illusion of greater risk-taking attaches itself to entrepreneurs, especially if the specialized knowledge is difficult to observe'* (Janney and Dess 2006 pg. 385). They subsequently assert that risk undertaken by entrepreneurs is less as it is mediated or mitigated by the specialised knowledge the entrepreneur has when undertaking the venture creation process.

They also acknowledge a limitation in their work as they argue from the point of view of a *'narrow niche of entrepreneurial activity-start-ups in knowledge-intensive ventures'* (Janney and Dess 2006 pg. 397). They consequently suggest that that research be undertaken in other contexts where venture creation takes place and where required knowledge intensity is not as great. Portfolio entrepreneurs fall into a category of experienced (habitual) entrepreneurs that are continually creating ventures. Thus, evaluating the role of risk in this process is important to further validate the findings of Janney and Dess (2006) while providing novel theoretical insights.

Furthermore, the context of this research, a developing nation with nascent industries and entrepreneurial ventures, is a perfect environment in which required knowledge intensity is not as great as it would be in a developed economy. In a developed economy the sources of value creation have largely been exploited or saturated through excess competition. Thus, opportunities in the developed world increasingly and in contrast to the developing world, exist in industries where knowledge intensity is crucial (in protecting competitive advantage) and high for the start of new ventures. Examples of this are high technology innovative industries that are not fully exploited in terms of opportunities for value creation.

Janney and Dess (2006) provide interesting theoretical insights for this particular work. Of most interest is their contention that entrepreneurs mitigate risk through specialised knowledge. As the process of portfolio creation and expansion is essentially about risk mitigation (or reduction) this insight from their work might provide a basis for why portfolio entrepreneurs in this study consider themselves to be risk-averse and could be one of the processes of risk reduction that portfolio entrepreneurs utilise. This will be investigated further within the results section of this work.

Acedo and Florin (2007) take Janney and Dess' (2006) work a step further in highlighting a model of risk perception that takes into account other factors apart from knowledge intensity. They proposed a tripartite model whereby they argue that the perception of risk attached to a strategic opportunity in small and medium sized firms is jointly influenced by a.) the individuals past experience related to the opportunity b.) Their cognitive style for gathering and analysing relevant information and c.) Their tolerance for ambiguous situations and outcomes. They argue that the risk perception of new ventures is not influenced by whether an individual is more or less risk-seeking but rather by their perception, which according to them is influenced by the variables in their model (above). They draw scholar's attention to the particular role of proactive disposition in entrepreneurship, which they believe should be included in the modelling of the opportunity identification and enactment process. They define proactive disposition as, 'how proactive an entrepreneur is in scanning the environment for opportunities' (Bateman and Crant 1993), how they socialise seek feedback and actively sell their ideas to move their projects forward (Crant 2000) and how they look ahead and anticipate competitor's future actions (Lumpkin and Dess 2001) They cite Forlani and Mullins (2000) to support

their argument that risk perceptions and choices (such as attitudes to risk) do not influence the perceptions of risk in a new venture.

The author disagrees with these arguments put forth about risk perception of new ventures not being influenced by the attitude to risk or risk tolerance of entrepreneurs. On the contrary, the author will show how risk choice or attitude is closely linked to the types of new ventures pursued by portfolio entrepreneurs and the multiple ways in which portfolio entrepreneurs mitigate/reduce risk in the formation of new ventures and through the development of a portfolio group of companies.

(2.5.8) The financial approach to risk: risk in portfolio theory

In finance risk is viewed differently than in entrepreneurship. Risk is considered to be the uncertainty of return on an investment as measured by the variation of returns on the investment over time (Dickson and Giglierano 1986). The capital asset pricing model (CAPM) is used to determine theoretically appropriate rates of return of an asset when added to a well diversified portfolio. The two elements of risk in this process are what are commonly referred to as systematic risk and unsystematic risk.

Systematic risk refers to the affects of the uncertain performance of the general economy on the assets or securities value. This is also known as un-diversifiable risk. On the other hand the other factor unsystematic risk refers to specific risk associated with assets. For example venture specific factors such as competitor reaction, consumer acceptance and managerial competence. This risk is diversifiable meaning that it can be evened out or reduced through the purchase of multiple assets in different sectors for example.

The basic premise of portfolio theory is that with a large enough portfolio of varying assets and securities, the portfolio's overall unique risk will be reduced by an averaging process of all the assets. The risk of the portfolio will then consist of the average of the systematic risk elements of the portfolio, weighed by the value of the asset or security (Dickson and Giglierano 1986).

When applied to the firm this theory suggests that diversified strategic business units can reduce overall venture risk (Naylor and Tapon 1982). However, the negative of this as highlighted by Naylor

and Tapon (1982) and Cardozo and Smith (1983) is that the firm may find it difficult to sell SBU's as it is a lot easier for an investor to put together an investment portfolio of stocks with diversified and reduced risk for example, than it is for a firm to suddenly develop a portfolio of SBUs for its shareholders. So the argument is, that given a choice an investor would rather go for a mutual fund than a strategic business unit or a firm that attempts to reduce risk through SBUs. This might explain why portfolio entrepreneurs undertake a business group structure.

Nonetheless, it is important to explain how firms diversify and reduce their risk through strategic business units as this has obvious implications for the portfolio entrepreneur and the subject of this thesis. Dickson and Giglierano (1986 pg. 60), point out that '*a firm may vertically integrate forward or backward to ensure distribution channels or sources of supply and integrate horizontally to gain entry into new geographic markets, other specialist market niches, or to benefit from economies of scale in production and marketing*'. This in effect reduces the risk of the enterprise. However, they also point out that a risk exists in diversification or the purchase of strategic business units in finding management that have the sufficient knowledge and skills of different markets to make sound decisions when confronted with a portfolio of many different firms with varying functions existing in different markets. Peters and Waterman (1982) refer to a process of knitting that successful companies employ in businesses of this type where the companies operate only businesses they know and understand.

For the author this is where the portfolio entrepreneur fits into the discourse on risk reduction in portfolios. The portfolio entrepreneur is in essence a super manager of the type needed to ensure that the risks of diversified businesses are mitigated. However, if entrepreneurs are considered to be risk-seeking how do you explain the risk-averseness of action in the formation and management of a portfolio group?

The portfolio entrepreneur's group of companies exists to reduce risk further but not entirely due to the financial explanation offered above, rather for a host of other factors that are both key considerations of entrepreneurial theory. In the habitual/portfolio entrepreneurship literature, this receives scant attention (as mentioned previously), with risk being considered rather broadly as in portfolio theory, as a mechanism to reduce overall risk of the group of companies (Rosa 1998,

Westhead, Wright 1998 a) or as a portfolio of assets and securities. The author's contention is that these risk-mitigating processes have not been delved into in sufficient depth and thus there is a viable research gap that needs theoretical filling.

(2.5.9) Which type of risk is most appropriate for the study?

Having looked at the varied and complex literature regarding aspects of risk relevant to the study of entrepreneurship, it is prudent to identify which types of risk are relevant to this study of portfolio entrepreneurs and risk. For obvious reasons 'risk as variance', which is covered under financial portfolio theory is likely to yield similar conceptions from the empirical results on portfolio diversification, however, as noted by many scholars- financial risks predicated upon stock market situations are very different from the risks faced by entrepreneurs.

Thus the conception most likely to yield applicable results, is that of the risk of downside loss. In this sense the author agrees with Janney and Dess' (2006) insight that this is the most likely risk conception of risk for entrepreneurs. However, heeding the caution by these authors, the author does not wish to limit this empirical work by stringently adhering to the seemingly most appropriate conceptualisation of risk. As mentioned on numerous occasions within this thesis, the thesis does not attempt to define and 'box' risk according to certain definitions and conceptualisations. Rather, the focus of this thesis is to look at risk from a qualitative viewpoint, its role in the process of continual venture creation of portfolio entrepreneurs. Also how entrepreneurs view risk and risk's role in their behaviour. The aims of this are: to first identify where these empirically unsubstantiated claims hold true when applied to portfolio entrepreneurs in a high-risk, uncertain context, Second, to identify other characteristics of risk evidenced in the entrepreneurial process of venture creation, using the portfolio creation process as a lens.

(2.5.10) Summary and proceeding structure

Having looked at risk's role within the entrepreneurship phenomena the literature review follows by looking at another central theme of this thesis, the effect of the environment in the process of portfolio

diversification and growth. The research questions that this thesis hopes to answer on the environment are:

RQ1.) *What environmental conditions political social and economic affect the operations of portfolio entrepreneurs in Malawi?*

RQ2.) *What are the conditions present within the environment that enable venture creation by portfolio entrepreneurs?*

RQ3.) *What are the conditions present within the environment that hinder venture creation and success by portfolio entrepreneurs?*

As a consequence the literature review on the environment focuses on looking at the empirical evidence on environmental effects (political, social and economic) on venture creation and operation. The aim of the exploratory research was to try and discern what conditions were either enabling or hindering portfolio entrepreneurship in Malawi. A key component of this exploratory analysis was asking the entrepreneurs what they thought about the environment and what had been advantageous and disadvantageous to their growth (venture creation) and operation. At the same time the entrepreneurs when speaking about setting up certain businesses would mention things that had been difficult and problems they had encountered. As a consequence an additional source of data was realised in trying to understand the research questions (this will be elaborated upon in the methodology and results chapters).

The longitudinal element of this study also allowed the author to look at these processes dynamically, over time and with changing environmental conditions, coming to a better understanding of the affects of the environment on venture creation, growth and the ultimate success of the portfolio entrepreneurs.

(2.6) Definitions of environment

Boulding (1978) observes that in a sense the environment is everything else outside of a particular organisation. However, some environmental elements are more relevant to particular organisations and issues at hand than others (Catriogiovanni 1991). Catriogiovanni (1991 Pg. 543/544) writes

further, *'theorists have found it useful to stratify environment according to levels of specificity, immediacy and relevance to the organizational phenomenon of interest'* (Beard and Dess 1988, Child 1972, Dill 1958, McKelvey 1982, Starbuck 1976, Ulrich 1987).

Academics consequently acknowledge that the environment and its effects on firms and individuals can be viewed from a variety of theoretical perspectives (Gartner 1985, Gnyawali and Fogel 1994, Begley et al 2005, Stephen et al 2005). Within the organisational view: environmental determinism, strategic choice, resource dependence and population ecology theories have all been used a theoretical lenses to understand the role and impact of the environment.

This research considers the environment from the environmental determinism perspective. This meaning that the environment is a set of outside conditions to which the organisation (or entrepreneur in this case) must adapt (Aldrich 1979, Aldrich and Pfeffer 1976, Hannan and Freeman 1977).

The section will follow by first looking at institutional approaches to the environment for entrepreneurship which abound in the development economics literature, as a primer for what follows, a review of some entrepreneurship scholars' empirical contributions in identifying how and what environmental conditions impact venture creation and operation.

(2.6.1) Institutional approaches to the environment for entrepreneurship

Stephen et al. (2005) identify three trends within the literature of institutions and economic activity relating to entrepreneurship.

The first concerns a literature that looks at the influence of colonial institutions on the subsequent development of former colonies. Advocates of this perspective argue that the origins and nature of colonisation are key determinants to development as they heavily influenced and characteristic of current institutions in these countries. These ideas are predicated on the basis that settler mortality rates during the colonisation period engendered the nature of the specific colonisation and the subsequent institutions.

The second trend is a legally focused research agenda that investigates creditor protection laws, investor protection laws and law enforcement and how this relates to development and economic activity. This perspective highlights the role of distinct legal families (the common law, French civil

code and German civil code, Scandinavian law) on financial and corporate systems of countries (La Porta et al. 1997a, b, 1998, 1999a, b, c 2001, b, 2002 a, b). The aim of this research is to identify the effects of these legal variants on different types of corporate structures existing in nations, their impact on industrial structure and economic development.

The third trend relates development to the existence and efficient functioning of healthy financial sectors which is ultimately a function of legal institutions. This is what Stephen et al. (2005) refer to as the 'law and finance literature' (Beck et al. 1999, 2001a, b, 2003a, b, Beck and Levine 2004, Levine 1998, 1999, 2002, 2003a, b Levine et al 2000). The results of this research shows that the level of financial sector development is determined by credit protections law, risk of government contract modification and accounting regulation. More recent research (Stephen and van Hemmen 2004) has shown how legal rules that protect investors as well as enforcement of these rules are essential to fostering finance, itself a major cause of economic growth.

Stephen et al. (2005) argue that the role of institutions in promoting entrepreneurial activity has only recently been a topic of focus and as such examinations of the formal and informal factors that affect entrepreneurship (venture creation) are important.

(2.6.2) The environment and venture creation

Gartner's (1985) seminal work identifies a framework for describing new venture creation that integrates four major perspectives in entrepreneurship; characteristics of the individuals who start the venture, the organisations which they create, the environment surrounding the new venture, and the process by which the new venture is started. Gartner's framework shows that the environment has an impact on the individual(s) starting a business, the process through which a venture is created and the particular type of organisational form through which the venture is realised.

This paper discusses the role of the environment in venture creation and sustainability using a sample of multiple business owners in a developing nation within Africa. Gartner (1985 pg. 697) states that, *'it is not enough for researchers to seek out and focus on the concept of the average entrepreneur and "typical" venture creation. New organizational forms evolve through variation and this variation in*

new venture creation needs to be studied (Aldrich 1979, Hannan and Freeman 1977, Pfeffer and Salacik 1978, Weick 1979').

Bruno and Tyebjee (1982) in their overview of 17 research papers on the environment found twelve factors that in their estimation stimulated entrepreneurship: 1.) venture capital availability, 2.) presence of experienced entrepreneurs, 3.) technical skilled labour force, 4.) accessibility of suppliers, 5. accessibility of customers and new markets, 6.) government influences, 7.) proximity of universities, 8.) availability of land or facilities, 9.) accessibility of transportation, 10.) attitude of the area population, 11.) availability of supporting services, 12.) living conditions.

Further studies by Pennings on rates of venture creation (1980, 1982a, 1982b) found that organisations birth rates were high in areas with: larger size urban areas, a large industrial base, high percentage of recent immigrants in the population, high occupational and industrial differentiation.

Dubini (1989) in an interesting study contrasting motivations and the environment with the rate of firm start up in Italy found that there were three types of perceived environments that affect venture creation. These environments are: *munificent environments*, characterised by efficient infrastructure, established capital markets and the availability of incentives to start a business; *supportive environments*, in which the creation of an infrastructure specifically aimed at encouraging new companies could lead to a significant increase in entrepreneurship and *sparse environments* lacking both infrastructure and capital availability.

Dubini (1989) characterises munificent environments as having; a strong presence of family businesses and role models, a diversified economy in terms of size of companies and industries represented rich infrastructure and the availability of skilled resources, a solid financial community and presence of government incentives to start a new business. She subsequently identifies sparse environments as having the following features: lack of entrepreneurial culture and values, networks, special organisations or activities aimed at new companies; lack of a tradition of entrepreneurship and family business in the area, absence of innovative industries; weak infrastructures, capital markets, few (ineffective) government incentives to start a business.

In her cluster analysis of thirty eight environmental variables she identifies three broad groups of relevant environmental variables to venture creation, one set dealing with sophistication of infrastructure and the accessibility to information and resources (skills technology and market information). The second dimension relates to the strength of capital structure and the availability of funds from private or financial institutions. The third and final group of variables concerns government involvement through loans, low cost opportunities related to new business formation or with the availability of money from various sources.

Dubini (1989) concludes that in munificent environments government funding is less likely to increase the rates on entrepreneurship and venture creation. She argues that government funding and support in these types of environments would be counter-productive and at an opportunity cost to the community and that these resources could be used more effectively elsewhere. She argues further that in sparse environments government funding to entrepreneurship is likely to also yield poor results as these environments lack the fundamental infrastructure necessary to support entrepreneurial endeavour. As such government efforts in these environments should focus on improving the infrastructure of the entrepreneurial environment (training programmes, incubators, and consultancy services).

Funds used to finance entrepreneurs in her opinion are most productive when offered in environments where the infrastructure supports entrepreneurial diffusion (supportive environments). Thus the implications of her study to public policy programmes aimed at supporting/ improving rates of entrepreneurship should take a nuanced approach, characterised by different interventions for different types of entrepreneurial environments.

Gnyawali and Fogel (1994) developed an integrated framework (combining empirical studies conducted up until that time) for the study of environmental conditions conducive for entrepreneurship. The model consists of five dimensions: *government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, financial support to businesses and non financial support to businesses.*

The government policies and procedures dimension refers to efforts by government to stimulate entrepreneurship by removing conditions that hinder it, such as market imperfections and administrative rigidities. Gnyawali and Fogel (1994) also point out that governments can also foster 'entrepreneurial culture' which assists in increasing the potential for venture creation by individuals.

The dimension socio-economic conditions, highlights the importance of attitudes to entrepreneurship within society and widespread support for entrepreneurial activity. They argue that this is of critical importance to motivate entry into an entrepreneurial career. They cite the work of Mokry (1998) who suggests that local communities play an important role in developing an entrepreneurial environment. Kao (1993) identifies the ways in which this can be achieved by communities: helping entrepreneurs seek out solutions, locating resources and in assembling a team of willing people to address the entrepreneur's problems.

Dimension three entrepreneurial and business skills refers to the importance of these skills in allowing entrepreneurs to overcome the problems they face at different stages of their business development. Vesper (1990) shows that a low level of technical and business skills could reduce the likelihood of an entrepreneur starting a new venture. Gnyawali and Fogel (1994 pg. 50) comment, *'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 business and several bureaucratic hurdles have to be overcome to get permission to start a business'*. They observe further that despite the importance of these skills to promoting entrepreneurship they have been overlooked, citing a study by (Gnyawali 1991) who showed that of all the World Bank's lending in developing countries only 4% had been spent on developing technical and business capability of entrepreneurs.

The last two dimensions within Gnyawali and Fogel's (1994) framework are financial support to businesses and non-financial support to business. They consider financial support to businesses to be the funds required by entrepreneurs to: diversify or spread start-up risk, to accumulate start-up capital and to finance growth and expansion which they consider to be support services in addition to finance. They continue further that one of the main problems in developing and emerging economies is the lack of (and finance) from venture capital and commercial bank sources. Thus, *a paradox*

emerges: entrepreneurs cannot start a business without financial assistance, they do not have access to financial institutions and cannot secure financial assistance if they lack prior business experience' (Gnyawali and Fogel 1994 pg. 51).

Non-financial support refers to support infrastructures that are non-financial, this being assistance from sources outside of the tradition finance sources i.e. business services assistance from incubators (Hoy et al. 1991), business development assistance programmes (Phillips 1993), start-up incentives (Dana 1987, Hawkins 1993), government procurement programmes and subsidies for research and development (Goodman et al 1992).

In addition to the five elements of their framework they also draw attention to the important of certain infrastructural components: the existence of universities and research development programmes, a well-educated and technically skilled labour force and modern transport facilities easy access to suppliers and customers (Bruno and Tyebjee 1982, Gartner 1985).

Following on from this Begley et al. (2005) examined the role of environmental munificence and carrying capacity as they relate to potential for starting a business in samples taken from thirteen countries (Anglo Saxon, East Asian and South Asian nations). The focus of the research was the political and economic factors that influence interest in starting a business and whether this was consistent across different regions in the world. They identify seven politico-economic dimensions that represent perceived munificence and carrying capacity: financing available, supportive government regulation, market opportunities, access to support services, supply of skilled labour, connections needed and competitive conditions.

However, their study looks at samples of MBA students in these thirteen countries and their attitudes to eventually starting a business. As such it is unclear as to whether any of these individuals will become entrepreneurs and whether their findings are representative of an entrepreneurial population. Moreover, the study is not on 'actual venture creation experiences' but 'hypothetical venture creation experiences' occurring (possibly or not) in the future and the subsequent hypothesised effect of political and economic factors to this process. As such the implications of the research to policy makers, apart from identifying some relevant factors that may be applicable to 'actual entrepreneurs'

is not relevant to those entrepreneurs in the process of starting a business or starting a second business or those entrepreneurs who have started multiple businesses over their lifetimes. Thus, while identifying hypothetical and perceived environmental munificence and carry capacity dimensions, the paper fails to identify how these factors in reality affect the venture creation process and which of these factors are either hinderers or enablers to venture creation in the sample and whether there are differences across the country samples. Furthermore, the country sample does not include any African countries with a curious mix between developing and developed nations.

Nonetheless, the authors find that their seven politico-economic factors identified are consistent across their sample from thirteen countries each at varying stages of economic development, geographical locations and cultural background. These factors therefore represent a viable lens through which to view the impact of the environment on the venture creation process in other empirical research. The authors also argue that these seven factors are configured differently in countries according to unique configurations of economic factors, political systems and government involvement in business and history. Thus, their relative importance may vary in different contexts, highlighting the need for further research to be undertaken in other country contexts.

(2.6.3) Review and analysis of the empirical literature concerning the environment

Table 2.3: Summary of empirical literature: environment studies

Journal	Number of papers	Empirical studies	Theoretical reviews Studies	Empirical quantitative Studies	Empirical qualitative studies	Nascent entrepreneurs
JBV	2	2	0	2	0	0
ETP	4	3	1	3	0	1 MCS ⁶ 3
SBE	0	0	0	0	0	0
ERD	2	2	0	2	0	0
SBM	0	0	0	0	0	0
SEJ	0	0	0	0	0	0
AMJ	0	0	0	0	0	0
AMR	1	0	1	0	0	0
SBED	0	0	0	0	0	0
Totals	9	7	2	7	0	0
(%)						

⁶ Multiple Country Studies

Entrepreneurship journals as identified by Harzing (2011) were searched for all studies concerning the environment and entrepreneurship. These journals were: Journal of Business Venturing (JBV), Entrepreneurship Theory and Practice (ETP), Small Business Economics (SBE), Entrepreneurship and Regional Development (ERD), Small Business Management Journal (SBM), Strategic Entrepreneurship Journal (SEJ), Journal of Small Business Enterprise Development (SBED). In addition, Academy of Management Journal (AMJ) and Academy of Management Review (AMR) were reviewed due to their high standing within the management discipline. Many of the seminal empirical and theoretical studies in entrepreneurship have been published in these broad theme management journals and thus they are equally as important as the majority of entrepreneurship specific journals.

Initially the search revealed a number of papers concerning the environment (fourteen). A list and summary table were drawn up of these papers. On closer inspection and analysis it became evident that many of these papers were irrelevant when it came to understanding what environmental factors affect the creation and operation of entrepreneurial firms, although seemingly relevant from their titles (Zahra 1993, Linguzzi and Passaro 2000, Smith and Cao 2007, Leo and Juncuck 2008, York and Venkataraman 2010). A substantial number of the papers included the environment in the modeling of the phenomena under study. So for example a paper in JBV (Zahra 1993), initially made the list but on closer inspection (analysis of the paper) it became evident that the paper was about corporate entrepreneurship and classifying its sample in terms of environments and subsequent comparative financial performance with the aim of providing a set of entrepreneurial activities for executives in different environmental clusters. It was therefore not germane to what this thesis hopes to investigate.

Four of the studies included in the table above (Stenholm et al. 2012, De Clercq et al. 2011, Gohmann 2010, Begley et al. 2005) were multi-country studies that used various survey data from GEM, Euro barometer, World Bank, Index of Economic Freedom, Global Competitiveness Index and classes of MBA students, from around the world). These studies compare different regions and countries in world in terms of the differences in the measurements for the entrepreneurial environment. The Begley et al. (2005) study is included in the theoretical discussion early on in this section to give an example of some of the flaws with the methodologies in use.

A large proportion of the empirical studies above, as so often the case in research concerning the environment, focus on how the environment (institutions/economic social and political conditions) affect the creation of new businesses. As such these studies focus on nascent entrepreneurs or latent entrepreneurs (Ritsila 1999, Begley et al. 2005, Valliant and Laffuente 2007, Gohmann 2010, De Clercq et al. 2011). The question that remains is what about the entrepreneurs that are not nascent entrepreneurs? What about the new firms that are created by experienced portfolio entrepreneurs and most importantly what about the entrepreneurial firms already in existence?

Thus, very few if any of these studies actually look specifically at the conditions that effect entrepreneurship from the perspective of habitual or experienced entrepreneurs. Those that do, do not ask the entrepreneurs themselves about what hinders and enables there venture operations or venture creation but rather use broad measures available in many global surveys such as GEM, that consequently fail to get into the nuances of specific environmental conditions that affect entrepreneurs in different parts of the world. These studies (as mentioned) often compare regions and countries of the world using different measurements of the entrepreneurial environment to substantiate differences between countries, between types of environments and types of entrepreneurship (see Stenholm et al. 2012). Some studies also examine what factors affect motivations/likelihood to start a business by entrepreneurs (Dubini 1988, Begley et al. 2005, Gohmann 2010) but not what environmental conditions ‘actually’ affect venture creation or operation.

Consequently, these largely comparative quantitative studies are often light when it comes to contextualising the environment and how it affects venture creation and operation. In addition there are few studies on specific contexts or single country-level studies on habitual entrepreneurs. Those studies that do, once again focus on nascent entrepreneurs using GEM or other data sources and consequently refer to new venture creation (Ritsila 1999, Valliant and Laffuente 2007).

The remaining the studies are theoretical and do not offer any new insights to the phenomena under study merely evaluate the extant research, developing theoretical models to be empirically substantiated (Gnyawali and Fogel 1994, Aldrich and Fiol 1994).

All of the empirical studies are quantitative and do not use longitudinal methodologies (Stenholm et al. 2012, De Clercq et al. 2011, Gohmann 2010, Valliant and Laffuente 2007, Begley et al. 2005, Ritsila 1999, Dubini 1988). There are consequently no qualitative longitudinal studies exploring the environment and venture creation and operation.

This study on portfolio entrepreneurs in a single African country fills many of these gaps. As portfolio entrepreneurs create and run multiple businesses during their lifetime they are an ideal sample through which to understand how the environment affects the venture creation and operation process. As shown, the specific focus on this type of entrepreneur as opposed to novice or other entrepreneurs contributes to our knowledge on the phenomena. Furthermore, the context of this study is particularly relevant as Malawi is a poor fast growing developing country with high perceived-risk, volatile economic and political conditions. As such it is an ideal context in which to observe the effect of the environment in venture creation and operation. The use of longitudinal data contrasted with data on portfolio growth also effectively seeks to capture how entrepreneurs behave with change in such an environment.

During the five years or so during the period of research Malawi has changed drastically. There have been two Presidents with different economic and political policies and the economy has grown very rapidly amid much praise from the international community (See Chapter 3). More recently the impressive economic growth rates and policy implementation has begun to unravel with many commentators worried of the country sinking into chaos (led by an increasingly autocratic ruler), who up until April 2012 was receiving much criticism from the international community. That ruler is now deceased and Malawi enters a new period of optimism.

All the while experienced successful entrepreneurs owning growing businesses have been asked on what affects their venture creation and operations. They have created, closed and scaled-down some businesses, and environmental conditions have had an impact in these processes. What are these environmental conditions? How and why do they impact these entrepreneurs, their existing and new firms? How have they adapted to these changing conditions? What strategies do they employ in such an environment?

(2.6.4) Summary and structure of the proceeding literature review

Having looked at the literature germane to the research questions on the environment this literature review will now follow by looking at the literature concerning the diversification or growth process of the portfolio of companies owned by the portfolio entrepreneurs.

The research questions concerning growth are:

RQ1.) *Why and how do portfolio entrepreneurs diversify and grow their business groups?*

RQ2.) *Can the number of firms owned by portfolio entrepreneurs be considered to continue to grow when venture creation rates are contrasted over time?*

RQ3.) *What are the factors that affect the development: growth, stagnation or contraction of business groups owned by a portfolio entrepreneurs over time?*

It is important to note that this growth process is linked to the analysis of the environment. Research question three for example ties into the environmental focus of part three of this literature review. As portfolio entrepreneurs grow firms by generally diversifying (the adding of a business to a portfolio of businesses) this often involves creating a new business which in turn is affected, in some part by the environment. However, the literature on habitual entrepreneurship and more specifically portfolio entrepreneurship has separated these two interlinked facets. As a consequence this thesis looks at them separately contributing to two distinct literatures. The first literature, is that of how the environment either enables or hinders business creation and operation. The second literature focusing on the process of growth amongst entrepreneurs, more specifically portfolio entrepreneurs: why and how portfolio entrepreneurs grow (RQ1).

The second research question essentially tries to shed some light one of the 'holy grails' of entrepreneurship research. Is it possible to identify the growing entrepreneurial firms in a location and consequently provide support to these firms as a mechanism for economic growth? Essentially this research question is tied to the longitudinal element of this research that tracks portfolio entrepreneurs over time, seeing whether there business groups grow or not. As nobody has done this longitudinally, the research offers a very valuable insight into this specific group of entrepreneurs evaluating whether

they grow or not and not assessing this retrospectively i.e. the pervasive question asked by many scholars: ‘how did you grow in the past?’

It is important to note that very little research has actually been conducted specifically on portfolio entrepreneurs and how they grow and diversify. The studies of most prominence are Rosa’s seminal (1998) work and his following work: Rosa and Scott (1999 a, b). However, a large body of evidence concerning the process literature on a portfolio of firms is found within the business group literature (see Iacobucci 2009). As mentioned in section 2.2, this business group literature has largely been neglected by scholars of habitual entrepreneurship (the Ucsbasaran et al. 2008, review does not even mention business groups), as the business group literature focuses on the firms that portfolio entrepreneurs own and is generally published outside of the main entrepreneurship journals.

As such, this thesis that aims to understand the growth process of portfolio entrepreneurs has to delve into the business group literature as it offers valuable insights to the empirical evidence of how and why portfolios of firms grow and come to be. Moreover, by tying this literature into the wider literature of habitual entrepreneurship a more consistent, holistic and clear picture of the phenomena is possible. Incidentally, this also remedies one of the problems in entrepreneurship research the lack of multi-disciplinary research commented on by a number of scholars (Low and MacMillan 1988, Chandler and Lyon 2001, Zahra 2007).

The following section 2.7 looks at the general growth literature in entrepreneurship and more specifically the studies that are relevant from the business group literature and those studies within the habitual entrepreneurship literature that focuses on the growth process portfolio entrepreneurship.

2.7) The domain of ‘growth entrepreneurship’

Entrepreneurship is commonly associated with growth, often lauded as the engine of economic development and private wealth creation (Schumpeter 1934, Gartner, 1988, Low and MacMillan, 1988, Delmar 1997, Dess et al. 1997, Shane and Venkataraman 2000). However, during the last couple of decades interest in the field has risen dramatically (Davidsson et al. 2008, McKelvie and Wiklund 2010). The role of growth entrepreneurship for an economy is seen as being crucial, as

research shows that small start-up firms create the majority of net new jobs (Birch 1987, Kirchoff 1994, Aldrich 1999).

Growth entrepreneurship research is often focused on novice start-up entrepreneurs, a stream sparked by Birch (1987). More specifically, it is a small share of start-ups, the high-growth 'gazelles', which are the real job creators (Birch, 1987). This view has recently been criticised by Shane (2009), who argues that small firms can be job destructors, due to their tendency to not survive for more than a couple of years. Growth entrepreneurship is also often focused on the study of the growth on an individual firm. However, it was recognised in the late 1990s that growth was not necessarily about growing a single business, but rather through the entrepreneur achieving growth by starting a number of firms (Rosa and Scott 1999 a).

A number of studies have attempted to predict the development of starting firms, by assessing the personal characteristics and social capital of the founder, growth expectations, the role of location and access to various resources. Despite this research, it is found that researcher's ability to predict this firm development is very limited and little is known about the phenomenon (Delmar and Davidsson 2006). Recent research argues that theoretical development within growth entrepreneurship has been slow, and research results are often inconclusive (Achtenagen et al. 2010, Shepherd and Wiklund 2010, Kiviluoto 2011). Calls have subsequently been made for research looking at the phenomenon in novel ways (Delmar and Davidsson 2006, Iacobucci and Rosa 2010, McKelvie and Wiklund 2010).

The reasons for scholar's limited understanding are numerous; the author would argue that to some extent it may be due to the tendency to explain human behaviour with quantitative methods, before sufficient exploratory qualitative research (aiming at contextual understanding) has taken place.

When studying entrepreneurship and especially new ventures, a lot circulates around the entrepreneur; what choices s/he has, what s/he finds important and what values s/he has (Kruger et al. 2000). Hence, in order to try to understand the firm one naturally needs to understand the entrepreneur. Far too often, the distinction between the individual and the firm becomes blurred and individual-level behaviour is explained by firm-level variables and vice versa (Penrose, 1959). The same problem Penrose noted more than 50 years ago, is still found in evidence today: '*Presently, entrepreneurs – as the enactors of*

business growth – are not given the central role they deserve, though they decide whether to grow the business or not (Achtenagen et al. 2010 pg. 309).

The author highlights this need for research focusing on growth from a different perspective than the traditional, and attempt to conduct such research in this study (Delmar and Davidsson 2006, Iacobucci and Rosa 2010, McKelvie and Wiklund 2010). Having summarised the general growth literature and its place in the entrepreneurship field the section that follows looks at the business group literature and how it relates to portfolio creation and growth.

(2.7.1) Business groups and emerging economies

Business groups have been found to constitute a large share of all firms in most of the world's economies (Ghemawat and Khanna, 1998, Westhead and Wright 1998, Alsos and Carter 2006) and they are especially prominent in the developing and emerging economies (Khanna and Rivkin 2001, Kock and Guillén 2001, Khanna and Yafeh 2007). The relationship between firm size (employees) and the occurrence of being part of a group is strongly, positively correlated. Iacobucci and Rosa (2005) show in their sample that amongst micro firms (1-9 employees) only 1.4% were part of a group, while the rate was 65.3% for large firms (more than 250 employees). In other words, the bigger the firm is, the more likely it is to be part of a group.

Research has studied the role and reason for the formation of business groups in emerging economies. Ghamawat and Khanna (1998) examine the two largest business groups in India and found that the major reason for group formation is policy imperfections. These policy imperfections make it more beneficial to group businesses under an umbrella instead of growing individual businesses. In a study of the largest business groups in nine emerging economies, Guillén (2000) finds that asymmetries in inward and outward trade and investment affect the creation of business groups. However, Khanna and Yafeh (2007) in a review of business group literature, find that despite a number of studies attempting to uncover an explanation, the formation of business groups still remains unexplained.

Another research question concerning business groups is whether they perform better or worse than a single firm. Khanna and Rivkin (2001), using data from 14 emerging economies, find that group

affiliation had a positive effect on profitability-levels, suggesting that firms belonging to a group experience synergistic effects. Khanna and Palepu (2000) in a study of business groups in Chile discover a curvilinear relationship towards performance affected by institutional changes. This research stream is much like the research stream within habitual entrepreneurship that attempts at discerning whether portfolio entrepreneur perform better than serial and novice entrepreneurs and whether habitual entrepreneurs (portfolio and serial) perform better than each other and as a whole better than novice entrepreneurs.

However, in a recent study Khanna and Yafeh (2007) they suggest that little is known about the longevity of business groups in comparison to other forms of business. This essentially is a comment about the lack of longitudinal studies within the business group literature and consequently complements a major research gap within the portfolio and habitual entrepreneurship literature.

Despite a number of studies focusing on business groups having been conducted in the past (see Khanna and Yafeh 2007 for a review), the focus has been at a firm-level, to the detriment of research into the dynamics of individual groups and their entrepreneur creators (Iacobucci 2009). Therefore, instead of focusing on the business group, this thesis shifts the focus to individual-level and the study of the portfolio entrepreneur that creates the business group. However, this does not mean that the analysis is limited to a focus solely on the individual-level or entrepreneur but rather it is multi-level study focusing on the firms the entrepreneurs grow and the entrepreneurs themselves and their roles in creating and adding new ventures to a group. This focus also covers a major criticism of the portfolio entrepreneurship literature, that more focus should be placed on the firms that the portfolio entrepreneurs own (see Rosa 1998, Carter et al. 2003, Ucsbasaran et al. 2008).

(2.7.2) Portfolio entrepreneurs and growth

Growth for portfolio entrepreneurs is often associated with the formation of a new firm to become part of the overall portfolio/business group. This is a crucial distinction, as growth is often thought of as a process that exists and develops from a single firm. Rosa and Scott (1999 a) show that growth can be achieved outside of the single firm, through the portfolio diversification process. Portfolio

entrepreneurs and growth can be argued to have been heavily studied (Rosa 1998, Scott and Rosa 1999, Iacobucci 2002, Iacobucci and Rosa 2005, Lechner and Leyronas 2010, Iacobucci and Rosa 2010), but despite this attention that there are critical gaps in the literature.

On a sample of 23 case studies in Scotland, Rosa (1998) studied the entrepreneurial processes of habitual entrepreneurs. He found that in most cases new firms started are a consequence of related diversification and that businesses started were mostly, in one way or another, linked to the previous businesses. On a strategic level he found that new businesses were started to gain competitive efficiency, by serendipity or because the entrepreneur, despite knowing of other opportunities to start new firms, rejected the idea due to a desire to concentrate on the core business.

Rosa (1998 pg. 48) finds from his study of 23 case studies that two dimensions categorise the habitual/ portfolio entrepreneur, and that dimension 2 (next page) relates to growth/ the process of diversification.

Dimension 1: *'The entrepreneur'*. Rosa (1998) finds that multiple business owners were encountered in several of his cases and that they used more formal business practices in assimilating and managing their new ventures. This is consistent with the undertaken research sample.

Dimension 2: *'Ventures founded'*. Rosa (1998 pg. 50) categorises the reasons why portfolio entrepreneurs end up creating and owning multiple firms:

- i) *'related diversifications'*: he finds these to be the most common within his sample arising from opportunities in the existing core business.
- ii) *'new types of mainstream ventures'*: Rosa points out that within his sample changes in business direction were rare and more often associated with the transition from immature to mature businesses.
- iii) *'pilot businesses'*: Rosa states that pilot businesses were regularly encountered where new diversifications were first piloted before considerable resource allocation.
- iv) *'hobby businesses'*: Rosa refers to a number of his sample owning hobby businesses i.e. businesses that were not solely for profit but rather lifestyle reasons.

- v) *'Phantom businesses'*: the existence of business that did not operate but were either used for tax purposes or never formally ceased.
- vi) *'Financial management businesses'*: Rosa refers to the existence within his sample of businesses that were created mainly to manage the funds flowing from other businesses in their group. and
- vii) *'buyouts mergers and acquisitions'*: (how it reads)

Rosa and Scott (1999 a, b), using the same sample as Rosa (1998), found that the natural growth process of starting firms is not about increasing the size of a single firm, which currently is the focus in the majority of the growth literature, but about *'growing the clusters of companies under the control of the entrepreneur or entrepreneurial team'* (Rosa and Scott 1999 a, pg. 22).

In this way the entrepreneur may be able to more efficiently take advantage of different types of markets, resource opportunism and limit failure. However, the (Rosa, Scott 1999 a) results were based on a sample of entrepreneurs who were known to grow their portfolios, and hence only explain the behaviour of a sub-sample of portfolio entrepreneurs, i.e. those that actually do manage to grow. Thus, the reasons for not growing the portfolio, and the contextual factors or environmental factors affecting this lack of growth, were not examined in any great depth in this study.

Rosa and Scott (1999 b, pg. 533) identify a large range of diversification and managerial strategies for growth:

- (a) Planned deliberate diversification into a new market (new firms acquisitions, joint ventures)
- (b) Planned forced diversification into new markets to spread risk or overcome adversity
- (c) Un-planned (opportunistic) diversification into new markets (new firms, acquisitions, joint ventures)
- (d) Business creation as a challenge or hobby
- (e) Obtaining legal protection for a new area or brand name
- (f) Ring fencing a geographical diversification conveniently
- (g) Ring fencing risk

- (h) Adding value to existing operations
- (i) As a favour to others
- (j) The management of income and profits, or family assets
- (k) For tax benefits
- (l) In order to cut costs and enhance internal efficiencies

However, the Rosa and Scott (1999, b) paper (in a different journal) from the (1999, a) paper, gives some reasons for non-growth. Rosa and Scott (1999, b) determine that from their sample those entrepreneurs who have not grown their portfolios likely do so due to precarious financial positions and as a consequence '*pull in their horns*' (Rosa and Scott 1999 b, pg. 53). They also show how some entrepreneurs within their sample switch resources to the best performing or high-growth firm and thus do not have the resources to invest in the other periphery businesses. Rosa and Scott (1999 b.) also argue that from the evidence of their sample portfolio entrepreneurs, that portfolio entrepreneurs are likely to diversify and grow opportunistically in times of boom and consolidate or '*pull in the horns*' in times of recession. The Rosa and Scott (1999, b) study does therefore go into some detail as to why portfolio of firms might not grow but does not do so in much depth or longitudinally and as a consequence there is room to build on their findings.

Iacobucci (2002) studied the causes of the formation of business groups in the Italian manufacturing sector. His analysis shows that the best explanation for the cause of growth is an exploitation of the firm's '*know-how*', while growth is directed into activities that are similar or complimentary to those of the former businesses. The reasons why new companies are started, instead of creating new branches on existing ones, is due to economic incentives for management. The study by Iacobucci (2002) is a quantitative study and to some extent explains the causes for group growth, but does not do it in much detail. Questions remain unanswered, about why/how business groups do grow and why they do not grow or contract and what factors affect this process.

In a paper by Iacobucci and Rosa (2005), the authors find that the main way to achieve growth for medium-sized firms is through setting up new companies. They also show that high levels of diversification are indicative of entrepreneurial processes, i.e. that the businesses set up were not

closely related to the core business, but rather businesses that enabled the exploitation of new opportunities. This study was focused on medium-sized firms and the process of diversification was limited to the most recent event, hence giving only weak support for what the growth process might look like in the longer term. Furthermore, the authors' sample consisted of businesses that were known to grow, and hence may not be an accurate explanation of the typical growth process of a business group owned by a portfolio entrepreneur.

Lechner and Leyronas (2009) found, in a case-study of three firms in France, that in addition to diversification, group formation can be a means of integration, separation of activities and hence an effective structure for implementing the vertical and horizontal configuration of the firm. The authors also found that a group of companies works both as an enabler and as an outcome. For the entrepreneur, owning a number of companies improves his/her reputation, further attracting complementary resources which in turn help to facilitate the exploitation of new opportunities, overcome over-embeddedness, and deal with competition. The study manages to explain to some extent the development of business groups but is limited in that the results are based on three extreme cases in a 'developed' country.

In a recent study by Iacobucci and Rosa (2010), the authors study the growth of business groups by habitual entrepreneurs. Their major findings are that the reasons for portfolio entrepreneurs to set up new companies are a need to specialise and a means of holding current, or accessing new key personnel needed to exploit new opportunities. Their research shows that the entrepreneurial team of people setting up a new venture may be of crucial importance as both an enabler and as an outcome when growing a portfolio of businesses.

(2.7.3) Summary and following literature review

Having looked at growth role within the general entrepreneurship field and more specifically how and why growth is achieved in the business group and portfolio entrepreneurship literatures. This thesis will now follow by looking at the empirical studies on African entrepreneurship.

As the author has mentioned throughout this literature review it appears that in every facet of this thesis risk the environment and growth and how it relates to portfolio entrepreneurship that there are

either very few studies or major research gaps. More importantly, however, and as mentioned in the overview of the habitual entrepreneurship literature, one of the main gaps is the lack of knowledge indeed studies of habitual entrepreneurs in Africa.

As this study is focused on portfolio entrepreneurs in Malawi it is important to assess what empirical studies on African entrepreneurship have been conducted, have any of these studies been conducted in Malawi and where do the research gaps lie in this very little researched context.

(2.8) Empirical overview and review of studies concerning African entrepreneurship

Entrepreneurship journals as identified by Harzing (2011) were searched for all studies concerning African entrepreneurship. These journals were: Journal of Business Venturing (JBV), Entrepreneurship Theory and Practice (ETP), Small Business Economics (SBE), Entrepreneurship and Regional Development (ERD), Small Business Management Journal (SBM), Strategic Entrepreneurship Journal (SEJ), Journal of Small Business Enterprise Development (SBED). In addition, Academy of Management Journal (AMJ) and Academy of Management Review (AMR) were reviewed due to their high standing within the management discipline. Many of the seminal empirical and theoretical studies in entrepreneurship have been published in these broad theme management journals and thus they are equally as important as the majority of entrepreneurship specific journals.

The summaries of the consequent analysis are included in the table below.

Table 2.4: Summary of the empirical literature: African studies

Journal	Number of papers (total)	Empirical studies	Theoretical reviews Studies	Empirical quantitative Studies	Empirical: qualitative studies	Habitual entrepreneur Studies
JBV	3	1	2	0	1	0
ETP	1		0		1	0
SBE	4	4	1	3		0
ERD	5	5	0	3	2	0
SBM	0					0
SEJ	0					0
AMJ	0					0
AMR	0					0
SBED	2	2		1	1	0
Totals	15	12	3	7	5	0
(%)						

The first thing that strikes one is how few studies have been conducted on the African entrepreneurship phenomenon (fifteen identified in this analysis). The majority of studies are quantitative, however, there is a relatively large proportion of qualitative studies (33%). This is possibly a consequence of the lack of numerical data available in the African context (see Balunywa and Rosa 2009) and the consequent need to collect and obtain one's own exploratory data. As there

has been so little research in the African context (as evidenced), the qualitative approach that seeks to build theory and really grasp the ‘how and why questions’ of a phenomenon, is even more important in Africa than in the relatively information rich contexts of the developed nations.

None of the studies represented in the table above are focused specifically on habitual entrepreneurs. This is a glaring omission in the already sparse literature concerning African entrepreneurship. However, there is a conference paper by Balunywa and Rosa (2009) based on Balunywa’s (2009) thesis that looks at the portfolio entrepreneurship phenomena in Uganda (that is not published). Balunywa (2009) PhD thesis is the only other work that focuses on portfolio entrepreneurs in Africa.

Table 2.5: African studies: sample characteristics

Papers/ Journal	Sample size	Revenues/profits if available	Employees	Country
Robson et al. (2009) SBE	496 (Ghana govt. survey)	Unknown	4-50 (4-9 (60.2%), 10-19 (23.7%), and 20-50 (16.1%))	Ghana
Robson and Obeng (2008) SBE	500 (Ghana govt. survey)	Unknown	4-50 mean 11.9 Median 8	Ghana
Goedhuys and Sleuwaegan (2010) SBE	205 firms total high growth (10% growth per annum)- World Bank data	Unknown	5-500 (mean 31 employees)	Angola, Botswana, Burundi, Congo D. R. Gambia, Guinea, Guinea Bissau, Namibia, Rwanda Swaziland, Tanzania.
Fadahunsi and Rosa (2002) JBV	10 case studies (Qualitative ethnographic study)	6 Entrepreneurs Turnover: 3181- 27 million dollars) (2 in the millions, 3 in the hundreds of thousands(below 500000 dollars) and 1 less than 5000 dollars)	1-300 (4 under 20 2 over 150)	Nigeria
McDade and Spring (2005) ERD	57 entrepreneurs total (28% portfolio entrepreneurs) Qualitative	300000- 10 million dollars (of entire network) specific figures not asked	3-400	Botswana, Ethiopia, Ghana, Kenya, Mali Senegal, South Africa, Uganda, Zambia, and Zimbabwe
Robson, and Freel (2008) ERD	500 (Ghana govt. survey)	Unknown	4-50	Ghana
Naude et al. (2008) ERD	114 (GEM Novice entrepreneurs)	Unknown	Unknown	South Africa
Kristiansen et al. (2005) (ERD)	392 (Quantitative)	Unknown	Less than 50	Tanzania
Tillmar (2006) (ERD)	35-38 (Qualitative)	Unknown	Unknown	Tanzania
Birru W.K (2011) (SBED)	100 small scale ent. leather industry (Quan and Qualitative)	Unknown	Unknown	Ethiopia
Masakure O. et al. (2009) (SBED)	726 (Quantitative govt. survey data)	Unknown	Less than 4	Ghana
Khavul S. et al. (2009) (ETP)	8 case studies (Qualitative)	150\$-1612\$	4-50	Kenya and Uganda
Balunywa (2009) PhD, unpublished paper Balunywa, Rosa (2009)	23 Portfolio entrepreneurs, two of them case studies. (Qualitative)	Unknown (secondary data reveals that the largest two turnover in excess of 100M\$)	200-8000	Uganda

Table 2.6: African studies: summary statistics

Type of Study	Total	Breakdown
Firm-level focus	1	
Individual-level focus	13	
Portfolio entrepreneurs	1	Uganda unpublished
Nascent entrepreneurs	1	
Multi country study	3	Western, Central Southern, Eastern Africa
Single country study	10	Ghana 4 studies, Tanzania 2, Uganda 2, South Africa 1, Ethiopia 1

From table 2.5 it is clear that there are a number of single, country level studies and that there is a predominance of studies undertaken in Ghana, Tanzania and Uganda. Of the studies undertaken in Ghana, three (Robson et al. 2009, Robson and Obeng 2008, Robson and Freel 2008) use the same sample for analysis.

Of the multi-country level studies (Table 2.5 and 2.6), what is striking is the actual number of entrepreneurs/firms used in the samples. For example the McDade and Spring (2005) sample consists of 57 entrepreneurs from 10 countries. The Goedhuys and Sleuwaegan (2010) firm-level study concerns 205 high-growth firms out of 947 firms from twelve separate countries. Finally the Khavul et al. (2009) paper consists of eight case studies total, from Kenya and Uganda.

The majority of the multi-country level and single country level studies have been focused on small/micro firms consisting of fewer than 50 employees. Of the nine studies where the data is available, six (or 67%) focus on firms with less than 50 employees. Only four studies focus on firms with employee numbers greater than fifty. Moreover, only one of the studies (Balunywa 2009) looks at firms or entrepreneurs that employ more than 500 people.

Two of these studies where more detailed employment figures are available (Robson et al. 2009, Robson and Obeng 2008) which as already established use the same survey data, use figures that indicate a mean of 11.9 and 8 employees per firm respectively. In addition a breakdown of their employment figures by number of employee categories reveals that the majority of the sample contains firms with under 20 employees: (4–9 employees (60.2% of the sample), 10–19 (23.7%), and 20–50 (16.1%).

Of the studies that focus on firms/entrepreneurs employing fewer than 50 people where data are available the annual turnover is between 150 and 1612 dollars per annum (Khavul et al. 2009). As the focus of many of the studies represented above is on similar small scale micro entrepreneurs it is likely that the turnover rates are not drastically different. One study that focuses on the micro entrepreneur specifically (less than 4 employees) Masakure et al. (2009), is likely to have even lower turnover rates.

Even amongst the samples that contain firms or entrepreneurs employing over 50 people the variation in turnover is high. For example, the Fadahunsi and Rosa (2002) study while containing the largest entrepreneur/firm by turnover (27 million dollars) also contains five other entrepreneurs/ firms where one other entrepreneur is in the millions of dollars of turnover bracket. The remaining four entrepreneurs, having a combined turnover of less than half a million dollars with the lowest end of the scale having a turnover less than 5000 dollars.

The McDade Spring (2005) article that looks at 57 entrepreneurs over ten different countries is the only study where the businesses turnover in excess of three hundred thousand dollars with a maximum of ten million dollars. However, the authors did not ask the entrepreneurs specifically what their turnovers were. The figure used is from information gleaned from the entire network association members (500), of which 57 have been used in this study. The problem therefore is that there are no individual statistics of the individual entrepreneurs, their firms and turnovers so one does not know how skewed this data may be. In addition the McDade and Spring (2005) paper focuses on a very narrow niche within entrepreneurship research looking only at the impact of these entrepreneurs from regional network programmes. The paper does not focus at all on the firms these entrepreneurs own, how they create and grow these businesses. As a consequence the study lacks in detail and this is further compounded by the sheer number of countries from which the entrepreneur sample is gleaned.

The Balunywa (2009) PhD thesis and Balunywa and Rosa (2009) paper is the exception focusing on portfolio entrepreneurs who employ between 200 and 8000 people. While the employee data in these studies is available for the entire sample no turnover figures are given. Only through secondary research by this author was it obtained that the two largest grouping of portfolio firms each had in

excess of one hundred million dollars of turnover. However, for the rest of the sample this information is not available.

Taking these sample sizes into account it is clear that there is a research gap concerning large entrepreneurial firms with significant turnovers (there is only the Balunywa 2009 thesis). The author has shown that of the research conducted most is focused on small, micro firms and that those studies involving larger scale businesses vary widely in employee and turnover rates. Furthermore a large proportion of the studies have not ascertained accurate employee or turnover data.

Thus, this analysis shows that there is considerable scope for the undertaking of this thesis. First this research is only the second study in Africa to focus specifically on large-scale portfolio entrepreneurs within a single country. Second unlike many of these studies it captures qualitative and quantitative information on the types and each firm owned by the portfolio entrepreneurs, turnover, employment and how these firms grow. Third it is the first study that covers such a level of detail at both the entrepreneur and firm-level using a qualitative methodology that focuses on larger firms. Finally it uses three theoretical lenses to enlighten the portfolio phenomenon risk, the environment and portfolio creation/growth.

(2.8.1) Malawian entrepreneurship studies

In the case of Malawi there has been no large study on habitual entrepreneurs in the country. The empirical studies that have been undertaken on entrepreneurship follow the trend identified in the first section i.e. a predominance of focus on micro/small scale entrepreneurship in rural contexts (see Tellegen 1997 (Malawi), Trulson 1997 (Tanzania) for further details). Thus, as shown throughout this chapter there is a clear gap in the literature with regards to habitual, indeed specifically portfolio entrepreneurship within the country.

Portfolio entrepreneurs undoubtedly play an important and increasing role within countries in Africa such as Malawi, where privatisation schemes are in the ascendancy and where private enterprise is seen as a viable, indeed the only long term mechanism through which to improve welfare (see Balunywa 2009). The nascent nature of a developing economy undoubtedly provides many more

opportunities for entrepreneurship than the developed (due to less competition and bureaucracy), thus it is interesting to see whether or not this is the case and if so what is it exactly that allows for this nature, indeed is it evident?

The only applicable study (albeit not undertaken in Malawi) that highlights numbers of African portfolio entrepreneurs in African economies, is that of the World Bank's regional programme on enterprise development (RPED) that compared the performance of minority entrepreneur firms and indigenously African owned firms (see Ramachdaran and Shah 1998). In this study, entrepreneurial data was collected from over 200 firms in each of the seven African countries- four of which relate to Malawi due to proximity (the others being in West Africa) Kenya, Zambia, Zimbabwe and Tanzania.

Interesting findings of Ramachdaran and Shahs (1998) study that relate to this work is the correlation between education and size. A much higher percentage of entrepreneurs managing medium and large firms have university degrees than those managing very small firms. Further findings point towards the minority (i.e. Asian/ European firms) growing at a significantly faster rate than those owned by indigenous African entrepreneurs.

However, what is most interesting from this research and most germane to this particular enquiry is data concerning the existence of habitual/portfolio entrepreneurs within these economies close to Malawi. Data shows that amongst the Asians 58% of the entrepreneurs within the sample owned more than one business. For Europeans this stands at about 68% average from the available data (Tanzania is omitted unfortunately). Further, amongst Africans 29% of the entrepreneurs own more than one business. What scholars can ultimately infer from these findings is that portfolio entrepreneurship within four countries in close proximity to Malawi is significantly high amongst the varying indigenous populations and immigrant ethnicities. In addition this corresponds nicely with the works of Scott and Rosa (1996), Kolvereid and Bullvag (1993) and Westhead and Wright (1998 b) all pointing to high rates of portfolio entrepreneurship within developed countries.

More recently the World Bank's doing business surveys and business climate indicators have come to replace the early studies on the effect of entrepreneurship in Africa and research has consequently been done in a number of countries. These indicators ultimately arise from a theoretical position that

argues that high institutional development equates to high/higher rates of entrepreneurship. This position assumes the lack of entrepreneurship it perceives in many African countries is a consequence of time taken to get a business licence, legal and property rights. As a consequence the doing business indicator measures these criteria often using inappropriate methods coming to what they consider a generalisable view of a countries entrepreneurial environment and assuming that low ranking on its doing business indicator equates to low levels or inefficient entrepreneurship. This thesis in the later chapters, particularly with reference to the analysis done of the entrepreneurial environment will identify these anomalies. For now, it is important to clarify what the doing business survey of Malawi found.

The doing business survey measures a number of indicators concerning the ease of doing business in a country. The survey has recently changed to include more measures of the entrepreneurial environment. These measures used for the most recent World Bank survey (2012) are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency.

Malawi ranks 145 out of 183 nations and on the ease of starting a firm 139 out of 183. There are various flaws in the methodology which ensures that firms and entrepreneurs surveyed in this thesis would not even fit the criteria of the World Bank surveys. For example the measurements used to come to a ranking for the ease of starting a business rely on a set of standardised procedures. These procedures measure the amount of procedures and time taken to register a new business. The cost of this process is calculated as a proportion of Gross National Income, which for Malawi is 330 dollars this year (see World Bank).

The firms that are surveyed have to fit further criteria set by the World Bank. Nowhere in the World Bank documents is there any information on the number of firms surveyed in Malawi. At a conference at George Washington University in Washington D.C. that the author attended in 2011, a number of a 140 firms was bandied about by a World Bank economist but this cannot be validated by any figure on their website, presentation slides or in their publications. The World Bank criteria for its firm survey is that the firms have to be 100% domestically owned, have to be private limited companies within the 'business capital' of the country, do not own any real estate, have to have a turnover of at

least 100 times of GNI (so for Malawi that would be 33, 000 dollars) and has start-up capital of at least ten times GNI or only 3,300 dollars and less than 50 employees).

By these measures the majority of firms owned by portfolio entrepreneurs would not make the criteria. First they would not be included in the World Bank survey as the firms are in Lilongwe the capital of the country and not Blantyre the ‘commercial centre’. In reality the average turnover of the firms sampled is almost 2 million dollars per firm and the average employees are over 50 (see Chapter 4). Thus it is likely that many of these portfolio entrepreneurs firms would not be included even in situated in Blantyre. Consequently it is likely that the firms included within the World Bank survey are not likely to be of any significant scale or of impact to the economy.

Furthermore, the World Bank measurement criteria for all its categories used to compile its individual and overall rankings are biased towards firms with generally under 50 employees but in some categories under a 100 employees (in the case of the construction measure and where they require listed companies). The generally low thresholds of required turnover (33, 000 dollars) also ensures that many of the firms surveyed are likely to have less impact than the firms owned by any of these portfolio entrepreneurs. The lowest turnover in this studies entire portfolio sample is 300, 000 dollars equivalent and the highest being around the 50 million dollar mark.

Consequently, as a measure for the entrepreneurial environment in Malawi the World Bank doing business survey is clearly skewed towards small-scale low impact entrepreneurship. While these firms might be larger than those in some of the studies analysed in Table 2.5 due to the threshold of having at least 33,000 dollars turnover, they are still on the small side. Indeed as this research will show the ‘Doing Business’, policy recommendations may be misleading by not identifying the environmental problems of utmost concern to high-impact entrepreneurs that employ large number of people in countries where labour is cheap, technology in its infancy and firms are labour intensive.

As a consequence a number of governments in the developing world focusing on improving their nation’s ‘doing business ranking’ might be better served by focusing on other areas of policy improvement that will be of more relevance and impact to the entrepreneurs that are creating the growth in these nations.

(2.8.2) Summary of the empirical literature and following chapter structure

This literature review chapter has been split into five sections. Section one identified the focus of this study habitual entrepreneurs and more specifically portfolio entrepreneurs. This chapter reviewed and analysed the phenomenon under study identifying where the research gaps lay and how this study hopes to elucidate some of those very research gaps.

Section two looked at a central theme of this thesis, risk. This section looked at the historical conceptualisation of risk in addition to a number of subsections including the analysis of the empirical literature and the theories that might be of relevance. Risk was defined and issues on how it is understood in entrepreneurship indeed measured were evaluated. Moreover, research gaps were identified and summarised.

Section three followed a similar format to that of the risk section but focused on the role of the environment in venture creation and operation. This section defined, analysed the empirical literature, found research gaps and looked at the theories that might be of relevance to the study.

Section four looked at how growth is achieved within a portfolio group and what the literature identifies as contributing to the growth process of portfolios. It also evaluated these studies identifying where they did go into great detail and where the opportunities lie for further research.

Finally, section five looks at the wider and specific context of this research: Africa and the country of Malawi. First this section looked at the current understanding of African entrepreneurship providing an analysis of the empirical literature which revealed the need for a study such as this while also pointing out the imbalance on research in African entrepreneurship. The section then followed by looking specifically at Malawi and the studies conducted in Malawi on entrepreneurship and how whether they related to this study at all and how many of the studies have failed to gather information on larger scale successful entrepreneurs such as portfolio entrepreneurs.

This thesis proceeds by looking at a brief introduction to the country of Malawi for readers unfamiliar with this small and poor landlocked state. Chapter 3 looks at its history, demographics economy and politics, identifying the period in which this research was conducted. This is an important facet, introducing the context before the methodology chapter that follows after. As a key component of this

study is longitudinal, it is important for the reader to have a good understanding of the changes in Malawi during the period of the research. A knowledge of the changes in the country during the period of research will undoubtedly help in understanding the behaviours of the portfolio entrepreneurs during the period of research and aids the consequent analysis.

(3.0)THE RESEARCH CONTEXT: MALAWI

'I wish I could bring Stonehenge to Nyasaland, to show that there was a time when Britain had a savage culture'⁷.

(3.1) Chapter outline

This chapter follows by looking at the context of the research, Malawi. As the thesis is about portfolio entrepreneurs in Malawi it is crucial to understand the political economic and social environment in which these portfolio entrepreneurs function. The research has been undertaken in a particularly volatile period of Malawi's history, thus it is necessary to understand the major events, politics and characteristics of the economy during this time. This chapter is by no means a history of Malawi and it does not detail every significant development within the country over the period of the research, or before that. However, it aims to give the reader a clear picture of the major developments and economic policies undertaken during the period of the thesis 2006-2012. More specifically, it charts the successes and failures of Malawi's last government led by an omnipresent president who was in office during the entire duration of the research.

This chapter follows by first looking at the key demographics and statistics of the Republic of Malawi. Following from this an analysis is undertaken of the political environment in the country, especially emphasising the policies of dominant presidents who have played a leading role in shaping the economy and society since gaining independence from Britain in 1964. This analysis looks at the former president's two terms identifying the major economic and political policies during these periods. Moreover, an assessment of the impact of these policies is reached while also defining the two distinct periods of Malawi's history in which this research was undertaken.

It must be made clear at this junction that it is incredibly difficult to gain in-depth data on Malawi's political and economic environment. There are very few academic papers on the subject that are available either online or in libraries. The information from the Malawian government largely arises

⁷ Dr Hastings Kamuzu Banda (first president of Malawi), speaking before independence in 1963. The observer March 10, 1963.

from the Reserve Bank of Malawi's annual and quarterly publications, and other information based on foreign sources that use that very R.B.M. data. Information gathered from two expert interviews with a prominent former foreign diplomatic and a manager of a multinational bank was used as a further data source (Chapter 4, Section 4.6.3). Political commentary during the period of research has been analysed and brought together in a coherent timeframe from the few academic sources, newspapers and online publications in Malawi and information from the key informants. This information was in its first format very incomplete at times (especially from newspapers within Malawi and elsewhere), thus considerable care was taken to fill in these gaps where possible.

Quintessentially this chapter 'sets the scene' for the main protagonist of this thesis, the portfolio entrepreneur. It identifies the main characters (or forces) that affect the protagonist, that make up the protagonist's environment and consequently the everyday reality of the protagonist. It identifies how these characters (forces) have and may have affected the protagonist over the period of research. It ultimately contextualises the protagonist within one of this thesis' main discourses: understanding the role of the environment in venture creation and growth. As the reader will be made aware in the methodology chapter, this is a key component of the research approach undertaken.

(3.2) Malawi demographics: recent political and economic history

Malawi is a small landlocked country in Southern Africa bordered by Zambia, Tanzania and Mozambique. Established in 1891: the then known British protectorate of Nyasaland, became known as Malawi after independence in 1964. Its first president Dr Hastings Kamuzu Banda declared himself life president (as so often the case in Africa after the end of colonialism). He was finally stepped down, after the holding of the first multiparty elections, after three decades of Banda rule in 1994. There have been two subsequent presidents since, Dr. Banda, Bakili Muluzi (two terms) and Bingu Wa Mutharika (who died late into his second term).

The population stands at roughly 16.5 million people⁸. Malawi has one of the highest birth rates and subsequently fastest growing populations on earth. As a consequence Malawi is one of the most densely populated countries in Africa. The incidence of HIV is one of the highest in the world with 11% of the population infected. Infant mortality rates (although lower than in previous decades), are high and amongst the highest in the world. Life expectancy (although improved) sits at a meager 52 years of age for both sexes due to the effects of HIV, waterborne diseases, malaria, plague and bilharzia. Malawi is a majority Christian nation with 82% of the populace being Christian. The next highest religious group are Muslims sitting at 13% of the population. Adult literacy rates stand at 63% of the population.

The economy ranks as one of the least developed in the world but has recently experienced an economic miracle seeing average growth rates of almost 8% between 2007-2012 (see table 3.1) and section 3.3.3). Incidentally this period of excellent growth has coincided with this study of large-scale portfolio entrepreneurs, many of whom are benefitting from the faster than usual rate of economic development. However, despite this recent surge in economic growth the country still has a plethora of problems that are associated with poor and developing countries in Africa.

The economy is largely agriculture based with 80% of the population living in rural areas. The Malawian GDP 2010 by composition of sector reveals that 36.5% of it is agriculture, 19.9%, Industry and 35.5% is services (see Tembo 2010). Agriculture contributes 90% to export earnings with tobacco being the major export earner (50-60% of exports), the rest being other agricultural products such as sugarcane, cotton tea and corn. Agriculture accounts for nearly 37% of a paltry GDP of roughly 6 Billion dollars with an average of 5% GDP growth over the last decade (see R.B.M. statistics, table 3.1). The nation's debt is amongst the highest in the world as a proportion of GDP and the country largely relies on foreign economic assistance and donor aid from institutions such as the World Bank, IMF and individual donor nations.

⁸ All future stats are as recent as possible taken from the CIA World Factbook, Malawi Statistics Office (MSO), Reserve Bank of Malawi (RBM), World Bank (2012). These stats will not be cited each time within the chapter, as to do so would be unnecessarily repetitive.

Table 3.1: Key economic statistics (compiled from R.B.M. data)

YEAR	INFLATION (%)	DEPRECIATION U.S. \$ (%)	BANK LENDING RATE (%)	REAL GDP GROWTH (%)
2003	9.6	27.11	45	1.2
2004	10.1	11.79	25	1.7
2005	14	8.76	25	4
2006	16.7	15.92	25	1.9
2007	9.6	1.92	20	8.5
2008	7.7	0.42	15	8
2009	10.1	3.27	19.63	8.6
2010	7.4	3.70	13	7.1
2011	7.7	10.64	13	-6.8
2012	15% + predicted	50% (predicted)	10-15% predicted	5 %

Malawi has qualified for some debt relief under the heavily indebted poor countries (HIPC) programme and has qualified for assistance under the Millennium Challenge Corporation. However, as many observers have noted this really has not had the effect envisioned. Malawi historically has been one of the best African nations in paying off her national debt, therefore the advantages accrued to debt reductions are not as high as other African countries with dubious repayment histories. Furthermore, the much lauded assistance from the Millennium Challenge Corporation is yet to materialise.

Various structural adjustment policies have been implemented since the 1970s leading to serious devaluations of the local Malawian Kwacha (MK), an unstable currency that as a consequence has been pegged to the US dollar since 2006. Privatisation schemes have been underway for some time now, yet the government still faces problems with developing a market economy, education, HIV aids and paying for the management of donor aid through conditions set by the IMF amongst many. Foreign exchange reserves are low, in short supply and the country imports more than it exports contributing to a significant balance of trade deficit. As a consequence of the balance of trade deficit

there are considerable shortages of foreign currency for business transactions. Due to the shortages in foreign currency supply, a substantial clandestine market has arisen in the country through which a large proportion of foreign currency transactions take place.

There are also serious problems in the supply of electricity, water (in some areas) and fuel. These are largely due to a lack of electricity generation infrastructure, a lack of water supply infrastructure and a lack of foreign currency to buy fuel. These shortages have an obvious effect on industry and commercial activity.

The period of research in Malawi started in 2006, with the last interviews being conducted in 2012. As a consequence the research was undertaken during the two terms of Malawi's second democratic president, Bingu wa Mutharika. Thus, this introduction chapter to the context of the research follows by looking at the significant contributions of the wa Mutharika administration to the Malawian economy and political landscape. A considerable proportion of the research was conducted longitudinally between the years 2006 -2012. Thus, it is important to provide a context for the environment in which these entrepreneurs created and continued to grow their firms, while also providing a context for the research undertaken.

(3.3)The time period of the research: political, economic and social landscape

Bingu wa Mutharika followed Bakili Muluzi (a phenomenal portfolio entrepreneur in his own right) who was president of Malawi for two five years terms, during 1994-2004. Bingu wa Mutharika was president of Malawi for almost two terms from 2004-2012.

Muluzi towards the end of his second term tried to amend the constitution to allow him to stand for election to a third term as president. After his plan to amend the constitution failed, he identified Bingu wa Mutharika (a former World Bank economist and vice chairman of the Reserve Bank of Malawi) as a politician he could put forward as his party's next presidential candidate. Muluzi thought that Bingu would be easily influenced, however, Mutharika a shrewd politician in his own right had made a career for himself by being under-estimated by his political opponents, eventually turned the tables on Muluzi after he became president with Muluzi's backing (see section 3.3.2 for details).

(3.3.1) 2004-2009: Mutharika's first term as President

Bingu wa Mutharika's first term as president of Malawi can be characterised by two distinct time periods. 1.) *2004-2006: Consolidation of power and implementation of economic policy* and 2.) *2007-2009: The birth of the Malawian economic miracle*.

In period 1.) between 2004 and 2006 Mutharika would consolidate his and his parties' power, instating the economic policies that would create the birth of the Malawian economic miracle (period 2. between 2007-2009). This growth and success ultimately winning him a landslide re-election to a second term, which further strengthen his political position and surprisingly contributed to the near collapse of the country during the later stages of his second term (section 3.4.1).

Table 3.1 in section 3.2 shows some of the key economic performance indicators during Mutharika's time as president (years in bold text) and provides a reference for the statistics used in the following sections.

The following sections of this chapter identify the key political and economic policies during the time period of Mutharika's first term. Most importantly they give a background and a running timeline to the political, economic and social environment in which the research took place. As such these sections provide context and are germane to the later analysis chapters of this research. The following sections identify some of the conditions that have affected portfolio entrepreneurs in the country during the period of the research.

(3.3.2) 2004-2006: Consolidation of power and implementation of economic policy

The tables were turned on Bakili Muluzi from the very beginning of Bingu wa Mutharika's first term when he formed his cabinet, picking ministers without Muluzi's consent. Gradually, as the relationship between the two leaders soured the two become irreconcilable. One of the reasons for this was Mutharika's insistence on the formation of a corruption bureau. Mutharika insisted to the world that it was necessary to rid Malawi of corruption (or more likely for him to leverage it, as a political tool to secure power). Muluzi on the other hand saw it as a political tool to exert power and influence diminishing the influence of himself and the previous government. This fissure between the leaders culminated in Mutharika forming his own party in 2005, citing hostility from the party to his anti-corruption campaign. In the process he broke away from the UDF- (United Democratic Front) that in which Muluzi still had considerable influence.

The years of 2005 and 2006 were key years for Mutharika's consolidation of power and also for the main economic policies that have affected Malawi since. First in 2005, he cancelled local elections, not allowing the opposition to get a foothold in domestic politics. After further crop failures (Malawi experienced famine in 2002 (as did much of the Southern African region), Mutharika started a fertilizer-subsidy programme. At the time and in the years that followed this fertilizer subsidy cost 4.6% of GDP or roughly a third of the entire GDP contribution of aid in-flows (see Lea and Hanmer 2009). Shortly after the implementation of the fertilizer subsidy in 2006, the Reserve Bank began to peg the currency to the U.S. dollar, in part due to the fertilizer subsidy programme. Examination of table 3.1 in Section 3.2, shows the effect of pegging the currency to the dollar, on the subsequent depreciation of the local currency.

Furthermore, during 2006 Mutharika consolidated his political power base further by first arresting his (Muluzi backed) vice president on corruption charges and latterly placing Muluzi under investigation for corruption. On the international front Malawi also qualified for relief under the heavily indebted poor countries initiative (HIPC) programme which brought extra revenues into government.

(3.3.3) 2007-2009: The birth of the Malawian economic miracle

By 2007 the fertilizer-subsidy programme began to increase agricultural output (co-incidentally the country also experienced a prolonged period of good rains denied to the previous government of Bakili Muluzi. This resulted in an increase in the production of maize and a consequent maize surplus. In December 2007, the US granted Malawi eligibility status to receive financial support within the Millennium Challenge Corporation (MCC) initiative, earmarking a 400 million dollar programme to rehabilitate and improve the ailing power generation infrastructure within the country.

In 2008 a number of key decisions were taken by government. First diplomatic relations were ended with Taiwan and started with China (contributing to an inflow of Chinese FDI and the obligatory building of a new parliament, promises of a national stadium and a five star hotel and conference facility). Second, Mutharika further consolidated his power when several opposition figures and ex-security chiefs were arrested after he accused his predecessor, Bakili Muluzi, of plotting to depose him. Lastly the construction of the first phase of a 6 billion dollar scheme (what became known as a 'white elephant') started. The 'white elephant' is an inland port aimed to link landlocked Malawi with the Indian Ocean through the Zambezi River in Mozambique, which was started on the Shire River at Nsanje (a tributary of the Zambezi River).

(3.3.4) 2009: Analysis and summary of Mutharika's first term

During Mutharika's first term, he received much praise from the donor community for his handling of the economy. Of particular note was the introduction of the fertilizer subsidy programme in 2006 that helped subsistence farmers increase crop yields of maize. As a consequence of Mutharika's policies Malawi during his first term secured food security and reduced extreme poverty. Extreme poverty had been reduced from 52% to 40% and there was Maize surplus of 1.3 million metric tons by 2009 (see Cammack 2011). Malawi's economy had also grown at an average of about 5 % during this period: mid 2004 - mid 2009 (see table 3.1, section 3.2).

The introduction of Chinese government trade and investment with the ending of diplomatic relations with Taiwan, increased and contributed to historically high levels of foreign direct investment in

2008/2009 which further contributed to the high growth rates of the Malawian economy. By 2010 China would become Malawi's second biggest import partner (Tembo 2010). Furthermore, a return to a strict and prudent management of the economy coupled with increased aid flows from foreign donor nations saw Mutharika become the darling of the international community and a man that could do no wrong.

These positive outcomes, coupled with tight controls of government spending and increased aid inflows allowed the government and the private sector to invest in a number of infrastructure projects contributing to a construction boom during 2005-2008 (see Malawi National Statistics Office) which also contributed to growth (see Lean and Hanmer 2009). Prices of tobacco (Malawi's main export earner) were also high and rising during the majority of his first term, further contributing to the economy's performance.

Key to Mutharika's economic reform was the Reserve Bank's role in once again (since the times of Dr Banda) pegging the currency to the dollar and controlling inflation. During Muluzi's reign the currency had been liberalised, inflation was high (at one point over 90% in 1995) and the currency frequently devalued.

In retrospect Mutharika's return to a fixed exchange rate regime served three purposes:

- 1.) It kept inflation low although not that drastically (table 3.1, section 3.2).
- 2.) It ensured that the mass of the people were not as affected with rising prices due to inflation and devaluation of the currency as during Muluzi's reign.
- 3.) It stimulated imports, and import growth from government spending and private consumption which contributed to economic growth, through the multiplier effect (see Lea and Hanmer 2009).

Essentially Mutharika kept rural people and the international donor community happy, during his first term thus securing his voting base for a second term and the crucial high inflows of aid. Cynically one could argue that Mutharika was lucky, as during his term of office the country experienced good rains (there had been no drought), high tobacco prices and increased aid inflows (see Cammack 2011).

Mutharika during his first term built up a fortune (which a number of political commentators and opponents have called into question) and in the process like Muluzi, he himself became a portfolio entrepreneur. By the end of Mutharika's first term he was sitting in a comfortable position and it was no surprise that he won the following election with a landslide, securing 66% of the vote.

(3.4) 2009-2012: Mutharika's second term as President

Mutharika's second term starting in May 2009, saw the achievement of the pinnacle, of what is termed 'the Malawian economic miracle' and the consequent precipice and low point of his time in office. Consequently it is characterised in a single section that follows (3.4.1). 2009-2012: The pinnacle before the precipice: steady decline and near catastrophe.

The time period was a key period in the research with many interviews being taken during this time and the majority of the longitudinal components re-interviewed during this time period. Thus, it is of significance as it is one of the most unstable time periods in Malawi's history and contextualises how the portfolio entrepreneurs within this research reacted and adjusted to the changing environmental conditions in the country.

(3.4.1) 2009-2012 The pinnacle before the precipice: steady decline and near catastrophe

Mutharika's second term started innocuously enough and Malawi by the end of the 2009 had achieved one of the highest economic growth rates in the world (8.6%, see table 3.1). However, the megalomania that had surfaced during the later years of his first term became more apparent. Mutharika became increasingly dictatorial and paranoid.

First, during 2009 the government expelled a number of the 'tobacco chiefs'⁹ from foreign multinationals present within Malawi over an argument over minimum prices for tobacco. World tobacco prices were falling (due to reduced demand and shifting market trends) and at the same time,

⁹ CEOs and Upper Management of tobacco related MNCs.

Malawi's smallholder farmers due to significant rains and the fertilizer subsidy, had surplus crop. The result was a drop in price due to the excess supply, reduced quality of the product and reduced demand. As Malawi's foreign currency earnings are largely tobacco based, Mutharika knew the effect that the fall in prices and earnings, could have on sustaining his economic miracle and paying for his fertilizer subsidy programme. He also knew the effect that it would have on small-holder farmers who grow the majority of Malawi's tobacco crop.

The tobacco chiefs were accused of collusion by not maintaining the government set minimum price (buying tobacco on the cheap) and therefore disobeying the wishes of the president. When they attacked the Mutharika policy of minimum prices as a lunacy they (the 'tobacco imperialists', Mutharika coined) were told in no uncertain terms to leave the country and to not return.

This falling in the tobacco price coupled with the after effects of the global economic crisis of 2009 further reduced government revenue from exports, foreign direct investment and consequently the supply of foreign currency in the economy. Moreover, Malawi banned cotton exports in 2009 in an attempt to galvanise the local textile industry further hurting foreign exchange revenues. Malawi has always experienced periods of foreign currency shortage especially during the time between the sale of tobacco on the international market. Malawi runs a trade deficit and as a landlocked country with high transport costs. Imports are consequently expensive and exports are not as competitive as other African countries. This coupled with a lack of industrial diversification ensures that Malawi imports most of what is needed in the country, by government, corporations, private individuals and entrepreneurs.

However, in 2009 the foreign currency shortage was especially acute due to the fall in tobacco prices and the reduced foreign currency earnings from the export of tobacco. The costly fertilizer subsidy programme still needed the same earnings from exports to pay for itself and as a consequence as early as February 2009 there were prolonged foreign currency shortages, with the dollar trading at a 30%-40% premium on the black market. The lack of foreign currency also contributed to the first prolonged fuel shortages in Malawi's history, starting in November 2009 (see Kampanje 2012).

In 2010, Mutharika's economic miracle began to unravel and by November foreign investment had dropped by 45.7% (to 58.2 million dollars from a 107 million dollar high in 2009). Incidentally by this time China has become Malawi's second largest import partner, signalling the drying up of initial Chinese FDI to be replaced by Chinese imports (see Tembo 2010). Further compounding matters tobacco prices continued to fall in 2010 hurting Malawi's supply of foreign exchange, the cotton ban started to take effect and its macro economy struggled. The result was that growth by the end of the year had fallen by 1.5% to 7.1% and looked to fall further in the coming year (see table 3.1).

2010 was also a milestone politically as Mutharika had also changed the national flag without consultation, fired his vice president (for not supporting the nomination of his brother as a presidential candidate at the end of his term in 2013), cancelled local elections for a second time, received much international condemnation for his treating of opposition to his rule, and started a diplomatic row with Mozambique over the use of the Zambezi River as an access to the sea for Malawi's exports. The first phase of his inland port had been completed and when Malawi tried to sail a barge through Mozambique, the boat was consequently impounded as no feasibility study had been conducted on the Zambezi River. Of more embarrassment, the president had not seen it fit to consult the Mozambique government on the scheme to open an inland port at Nsanje, providing landlocked Malawi a trade route to the Indian Ocean, by way of the Zambezi River which flows through Mozambique to the Indian Ocean.

Moreover, during 2010 political unrest began to surface with many people becoming tired of the increasingly frequent power cuts, shortages in fuel and foreign currency. Mutharika being typically hot headed dealt with this opposition, as a threat to his power, curtailing individual liberties and continuing with his policies.

The year 2011 saw Mutharika being tested to the limit in sustaining Malawi's economic growth with considerable international condemnation of his increasingly autocratic policies and actions. During 2011 tobacco prices had collapsed (see Cammack 2011) and the shortages in electricity, foreign currency and fuel were reaching record levels. Driving around the capital, Lilongwe one could see mile upon mile of parked cars by filling stations waiting for petrol or diesel. During February of 2011 the government had a stand-off with universities over academic freedom after a lecturer had been

accused of inciting revolution, after likening the situation in Malawi to that of the conditions that caused the Arab spring.

In April 2011 after an email from the British High Commissioner to the Foreign and Commonwealth Office was leaked and published concerning the academic stand-off, matters escalated. The email outlined many of the fears that people in the country were having over an increasingly paranoid, autocratic ruler intolerant of criticism and opposition. Within weeks the British High-Commissioner was deported and the Malawian ambassador expelled from London.

The results of the action saw the withdrawal of donor funds (contributing 13.4% of GDP in 2008) which had already started, accelerated and the United States suspended the four hundred million dollar Millennium Challenge Corporation grant to aid the struggling power generation facilities in the country. By mid-year no general budget support had been pledged by the donor nations for 2011-12. Donors cited the worrying political condition and the mismanaging of the economy through exchange rate control as major contributing factors. As a consequence the finance minister Ken Kandodo adopted a zero-deficit budget and the fertilizer subsidy programme (which the government could never really afford) was finally dropped.

The average middleclass Malawian by this point could not get fuel for his/her car, any foreign currency (black market currency rates by this point were close to a 50% premium) and could not speak in opposition of the president and suffered from power cuts daily. Poor Malawians were affected even greater, by pressures on their income including increasing food costs and a breakdown of government health services. On July 20, 2011 NGO planned demonstrations took place throughout the country, meeting resistance by the security forces. The demonstration quickly escalated with accusations of police brutality, subsequently turning violent. Rioting followed with the police using live ammunition to quell the riots, killing 20 people throughout the country and injuring many more. These actions, marking a low point in Mutharika's presidency.

In the following months until the end of the year political unrest continued with university students holding a protest on August 20th and being tear-gassed. Numerous planned vigils by the Catholic Church and NGOs were called off at fear of violence from the security forces. Mutharika during this

time became increasingly out of touch with reality openly calling for his supporters and the government apparatus 'to deal with' opponents to his rule. By the end of the year further scandal erupted with the suspicious death of a student police informant in Blantyre.

Up until April of this year (2012) Malawi looked to be slipping into a 'Zimbabwe like' dictatorial abyss. Mutharika was becoming increasingly fractious with the international community, increasingly heavy handed with political opponents and the economy had almost come to a standstill (due to the prolonged foreign exchange fuel and electricity shortages). Government were cancelling infrastructure projects as they had no money to pay contractors. International airlines refused to take payment in local currency and the national airline stopped flying all together due to the lack of forex to purchase aviation fuel and pay for the maintenance of its aircraft in South Africa.

Mutharika suffered a heart attack on the 5th of April 2012. For a few days amidst the confusion (it was only announced on the 7th of July), politicians plotted to circumvent the constitution installing his brother as new leader as opposed to the exiled vice-president who had been removed from the ruling party in 2010. Thankfully the plot failed, and the vice president Joyce Banda was sworn in.

The new president Joyce Banda immediately signaled a change of focus, in a return to diplomacy and the start of the rebuilding of the destroyed relationship with the international and business community. This in addition to a political shake up, seeing Mutharika's key supporters and instruments removed from their role in government. The tobacco chiefs have consequently been invited back into the country, foreign diplomacy resumed with Britain and tellingly in April 2012 just a few days before the writing of this chapter the Kwacha was liberalised falling by almost 50% to the dollar.

All the while portfolio entrepreneurs adapted. They changed strategies and coped with the volatile conditions continuing to create and grow, existing and new businesses.

(4.0) METHODOLOGY

'Today it is almost heresy to suggest that scientific knowledge is not the sum of all knowledge. But a little reflection will show that there is beyond question a body of very important but unorganized knowledge which cannot possibly be called scientific in the sense of knowledge of general rules: the knowledge of the particular circumstances of time and place. It is with respect to this that practically every individual has some advantage over all others because he possesses unique information of which beneficial use might be made, but of which use can be made only if the decisions depending on it are left to him or are made with his active cooperation'¹⁰.

(4.1) Chapter outline

The methodology chapter follows by looking at the studies: research design, research philosophy and ethics, choice and justification of methods, sampling strategy, data collection, data analysis, validity and limitations. The chapter shows how the data for the research were collected, what type of data were collected, how it was analysed, validated and what the limitations are of the work.

The chapter starts by looking at the research design, the philosophy and the choice and justification of the methods employed. It then follows looking at the sampling strategy for the two samples utilised in this research: the general sample and the longitudinal sample. The chapter then proceeds looking at how the data were collected from four different sources: semi structured general interviews; semi-structured repeat longitudinal interviews, expert interviews and the secondary data collected. The next section then describes the process through which the data were analysed what tools and methods were used. The chapter concludes by looking at the methods utilised in order to increase validity and the limitations of the methodology.

¹⁰ Frederick von Hayek, *'The Use of Knowledge in Society'*.

(4.2) Research design overview

An exploratory inductive qualitative design was undertaken. An exploratory and inductive design was chosen due to the need to collect data from a previously unexplored context. Consequently the research was not grounded in any particular theory but rather the research design hoped to contribute to new theory through an inductive process where the research defines what is to be analysed. However, there were deductive elements to the research. An initial pilot study had contributed to the development of a theoretical framework, which was then deductively applied to the research that followed. Limited quantitative data analysis and presentation was used on the firm sample (i.e. the firms the entrepreneurs own).

The use of a firm-level sample helped to overcome one of the problems and biases in entrepreneurship research, the units of analysis problem (see Scott Rosa 1996). This question concerns whether it is appropriate to look at the entrepreneur, or the firm that the entrepreneur owns. Early on in entrepreneurship research there was a lack of focus on the entrepreneurs with many studies focusing on the firm (see Low and MacMillan 1988, Chandler and Lyon 2001). As a consequence there were calls for a shift in the unit of analysis to the entrepreneur (Scott and Rosa 1996).

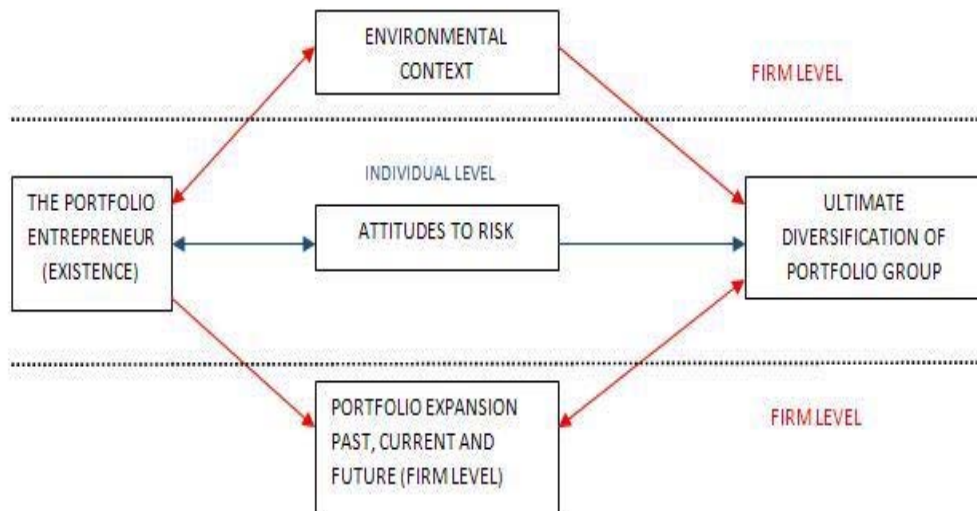
Research conducted today typically uses the entrepreneurs as the unit of analysis but the firm is still used as a unit of analysis in some work and especially in quantitative studies. In the habitual entrepreneurship literature there have been calls to focus on the firms that portfolio entrepreneurs own as there is a lack of detail on this side of the habitual entrepreneurship phenomenon (see Rosa 1998, Carter and Ram 2003 Ucsbasaran et al. 2008). Thus, this research used both modes of analysis to overcome the biases in each and contribute methodologically to the study of habitual entrepreneurship. (This is explained in greater detail in the theoretical framework, section 4.2.1 to follow).

The use of quantitative data in this thesis is by no means complex being limited to means and percentages, of the firm analysis undertaken. The quantitative data was consequently used more as a tool to represent the data effectively. This section follows by looking at the components of the research design.

(4.2.1) Theoretical framework

Six of the portfolio entrepreneurs who were interviewed in December 2006 (during the course of the author's masters thesis) provided a pilot study from which an initial theoretical framework arose (sometime during the second year) of the author's PhD from the exploratory research (see figure 4.1).

Figure 4.1: Theoretical framework 1



The interviews with the six portfolio entrepreneurs in 2006 were exploratory and inductive, not grounded in theory. This was a consequence of little being known of portfolio entrepreneurship in Malawi and as many scholars note there is no model or theory that adequately explains portfolio entrepreneurship (see Rosa 1998, Carter and Ram 2003, Ucsbasaran et al. 2008). From the inductive analysis of this data five points of interest arose that formulated the theoretical framework. First was an understanding of the portfolio entrepreneur's existence i.e. why/how they existed. Second was the role of the environmental context, attitudes to risk and portfolio expansion. These three processes being connected to an outcome: the ultimate diversification of the portfolio group.

The arrows indicate possible causal relationships. So for example the portfolio entrepreneur (existence) contributes to the portfolio entrepreneur's attitude to risk which in turn leads to the ultimate diversification of the portfolio group. However, attitudes to risk also affect the existence of the portfolio entrepreneur i.e. their ability to successfully own or manage two businesses or more, hence the double arrow head.

This initial theoretical framework was applied to the analysis of further interviews additional to the six in 2006. A fundamental aim of this research is to marry two different modes of analysis when understanding the portfolio entrepreneur, the individual-level mode of analysis and the firm-level mode of analysis. This describes the unit of analysis problem that entrepreneurship scholars debated in the formative years of the field (as discussed in section 4.2).

Although most research today focuses on the entrepreneur a large proportion still focuses on the firms that the entrepreneur owns. In the case of portfolio entrepreneurship the firm and entrepreneur are obviously interlinked, however, two distinct streams of research have resulted. The first stream focuses on the entrepreneur and falls under the portfolio entrepreneurship literature. The second stream of research the business group literature focuses on the firm. As shown in the literature review these two streams of research rarely converge so much so that in the Ucsbasaran et al. (2008) review of the habitual entrepreneurship phenomena only two papers on business groups are even mentioned.

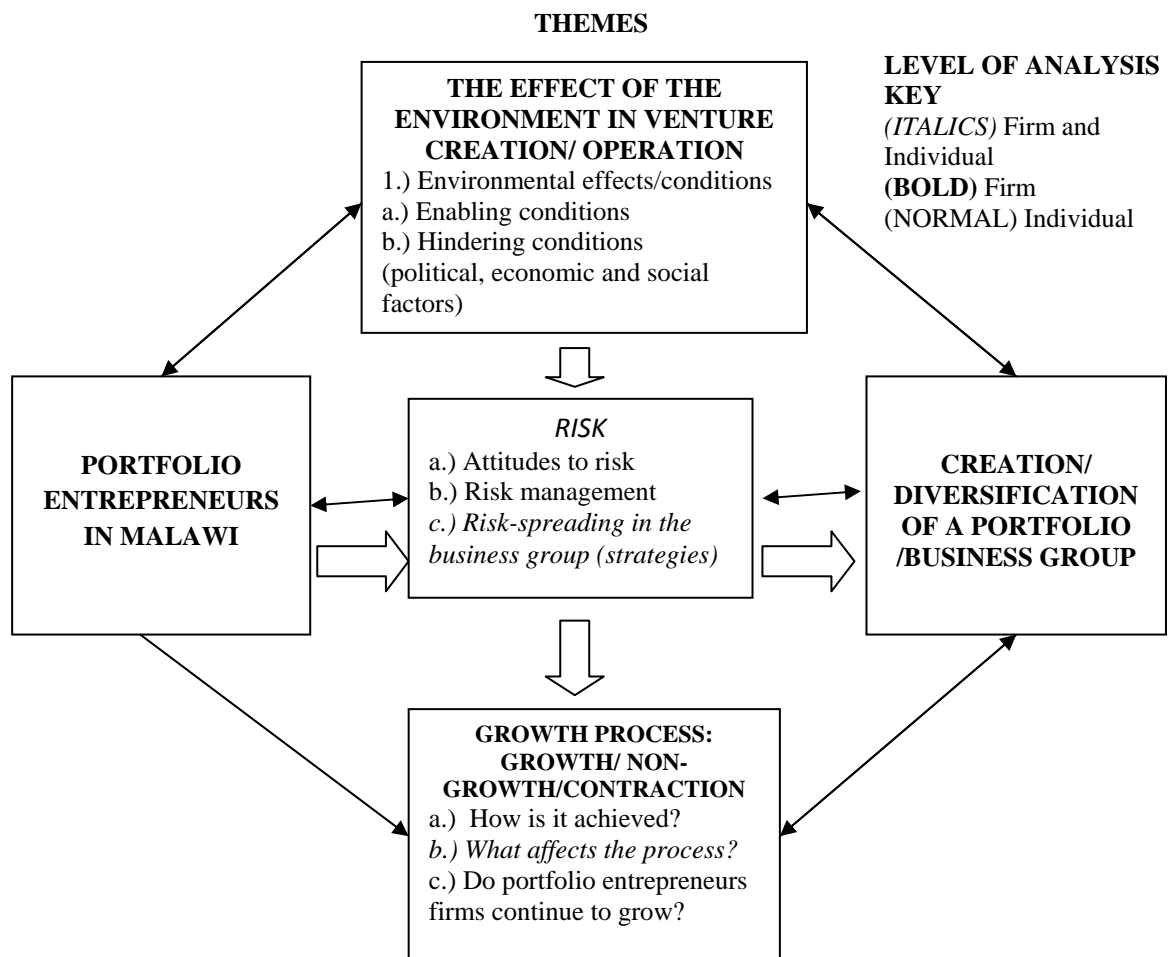
Furthermore, the lack of a dual mode of analysis when understanding the portfolio entrepreneurship phenomenon has resulted in a lack of research conducted on the firms that portfolio entrepreneurs own in a portfolio (Rosa 1998, Carter and Ram 2003, Ucsbasaran et al. 2008) and in the business group literature the entrepreneurs running or owning the business groups (Iacobucci 2009). This has ultimately resulted in these two streams of research which essentially describe the same process, but at different outcomes and levels of development.

This study in breaking new ground undertakes a dual mode of analysis that looks at both the entrepreneur and the firms that the entrepreneur owns, undertaking analysis at both levels. Thus, in this early theoretical framework the modes of analysis are displayed separated by dotted lines (see figure 4.1). At the time the first theoretical framework was conceptualised, it was envisaged that the entrepreneur's existence, attitude to risk and the eventual diversification of the business group were individual-level (entrepreneur) considerations hence the line that separates these boxes from two sections at the top and bottom entitled 'firm-level'.

Environmental context and portfolio expansion were viewed as being understood or investigated from the firm-level i.e. the effect of the environmental context on the firms within the portfolio group

leading to the ultimate diversification of the group (top of the figure). The bottom of the figure (also firm-level) represents the growth of the group of firms affecting the ultimate diversification of the portfolio owned by the portfolio entrepreneur. However, as the research progressed and the understanding of the phenomenon became more nuanced some of the assumptions of the initial theoretical framework became illogical. This was largely a deductive process based generated from the inductive theoretical framework. When testing the assumptions and envisioned relationships between the different themes against data collected from initial interviews it became evident that some of the initial theoretical framework did not make sense. This is in keeping with a post positivist, critical realist approach (as discussed later). Consequently, a more refined theoretical framework arose:

Figure 4.2: Theoretical framework 2



The new theoretical framework (figure 4.2) clarifies and defines the components of the theoretical framework figure 4.1 (section 4.2.1). This process of refinement was made possible after data begun to be analysed revealing the major focus of the research. This occurred through defining the data that had been captured and what inferences and relationships could be drawn from the data with respect to theoretical framework figure 4.1. In the process, the theoretical framework was used as a deductive instrument through which to understand the three themes of the research and as a consequence a set of research questions for each theme arose. However, as the data were collected and the analysis took place it became evident that the conceptualisations of each facet of the theoretical framework needed to be re-defined and in some cases changed.

First the three themes, the environment, risk and growth are clarified in more detail. As one notices from figure two the components of the theoretical framework become more refined. Instead of environmental context from theoretical framework figure 4.1, the environment is defined as the conditions that affect venture creation and operation. This arose due to the revelation from the interviews that when portfolio entrepreneurs spoke about the environment, the crucial points were about how it either positively or negatively affected their business groups and that these factors fell under three categories political, social and economic. Thus it became clear that environment could be conceptualised as the conditions that either enable or hinder venture creation and operation.

Secondly instead of portfolio expansion past current future, it was realised that this component was more a question of whether the portfolio of firms grew or not. Thus, in theoretical framework two this is more about the process of growth i.e. whether a portfolio of firms grows in number, remains the same (non-growth) or contracts. The inferences from the research process pointed to the different development paths a portfolio of firms owned by a portfolio entrepreneur might take. For example, a portfolio either grew, stayed the same or contracted. Thus, growth was really about the conditions that affected these developmental processes, on which little has been researched longitudinally.

Additionally, as the research progressed it was realised that risk existed not only at the individual-level of analysis (as in the first theoretical framework, figure 4.1) but at the firm-level of analysis too. Initially the author conceptualised risk as being an individual-level component of portfolio entrepreneurship, but as data were collected the author realised that risk was also about the firms that

the portfolio entrepreneurs owned. This meaning that not only the entrepreneur's attitude to risk was important but also a question as to whether certain firms within a portfolio might reduce the high-risk of other firms within a portfolio. Risk was therefore conceptualised at both levels of analysis.

The consequent research questions and objectives that arose from the three themes of the final theoretical framework are included in summary form in figure 4.2. These research questions (on the environment, risk and growth) and their corresponding objectives of each question are outlined below.

1.) On the environment:

RQ1.) *What environmental conditions political, social and economic affect the operations of portfolio entrepreneurs in Malawi?*

RQ2.) *What are the conditions present within the environment that enable venture creation by portfolio entrepreneurs?*

RQ3.) *What are the conditions present within the environment that hinder venture creation and success by portfolio entrepreneurs?*

RO1.) *What are the environmental conditions present within the context (political, social and economic) that affect the operation of business groups by portfolio entrepreneurs?*

RO2.) *What are the enabling conditions to venture creation and success by portfolio entrepreneurs? (How can government and other entrepreneurs improve and take advantage of these conditions)*

RO3.) *What hinders venture creation and success by portfolio entrepreneurs (How can government and entrepreneurs overcome these hindrances to improve success?)*

2.) On risk:

RQ1) *What attitudes do portfolio entrepreneurs have towards risk and do these attitudes change over time and with success?*

RQ2) *How do portfolio entrepreneurs manage risk?*

RQ3) *How is risk reduced/spread within the business group and does it contribute to success? (at the firm and individual-level)*

RO1.) To identify what attitudes portfolio entrepreneurs have towards risk and whether they are similar to theoretical notions of the risk-seeking entrepreneur and whether they are born out of the particular environment.

RO2.) To identify how PEs manage risk? What process both informal and formal do PEs use to manage risk?

RO3.) To identify what strategies portfolio entrepreneurs employ to reduce risk (at the individual-level) and the firms and types of companies, that reduce risk within a portfolio group. While also identifying whether these behaviours increases the likelihood of success or are identified by the entrepreneurs as being crucial to their success.

3.) On growth:

RQ1.) *Why and how do portfolio entrepreneurs diversify and grow their business groups?*

RQ2.) *Can the number of firms owned by portfolio entrepreneurs be considered to continue to grow when venture creation rates are contrasted over time?*

RQ3.) *What are the factors that affect the development: growth, stagnation or contraction of business groups owned by portfolio entrepreneurs over time?*

RO1.) To identify why and how portfolio entrepreneurs grow (diversify) their business groups in the context, what are the rationales behind this and whether these rationales are consistent with research undertaken in Western contexts.

RO2.) To assess whether portfolio entrepreneurs' number of firms continue to grow longitudinally. (In an attempt to answer the question as to whether portfolio entrepreneurs' number of firms can be considered to continue to grow longitudinally and whether they could be a focus for government economic policy, within the context)

RO3.) To identify the factors that affect portfolio entrepreneurs' business groups growth, contraction and stagnation. (Allowing entrepreneurs to identify what strategies are best for growth and what problems they are likely to face).

(4.3) Research philosophy and ethics

There was a slight dilemma when deciding on the epistemological approach to this work. Naturally the interpretivist paradigm seemed a fit due to the qualitative and exploratory nature of the work. However, when considering the way in which the data had been collected, the way in which they were analysed and the highly contextual nature of the data it became apparent that a critical realist approach, best suited the research and methods undertaken.

Critical realism is a post positivist epistemological viewpoint. It essentially combines the best elements of the positivist approach (that reality exists outside of one's experience of it and has structures) but crucially disagrees with the positivist view that truth can be entirely known. It essentially critiques positivism by acknowledging the subjective and contextual nature of both truth and the theory derived from it. Furthermore, like interpretivism it acknowledges the role that both actors and researchers have to play in the process. Similar to the works of Kuhn (1970) and Popper (1963) critical realism acknowledges that while there might be an external truth of reality, that truth is by no means entirely knowable, that it is the nature of knowledge to continually build upon and challenge prevailing notions of the truth (Kuhn 1970). As Popper would argue there is no such thing as a definitive proof of a theory, but rather continual falsification of theory (Popper 1963).

Critical realism as a philosophy arose during the last 35 or so years when two philosophers of social science Rom Harré and Roy Bhaskar helped the philosophy to transfer from the natural sciences to the social view of theory and phenomena. In Bhaskar's influential (1975) work he coined the term 'transcendental realist' to refer to the view of a relationship between the nature of human knowledge and that of the objects investigated in the natural sciences. Following on from this, Bhaskar's (1979) work aimed at creating a unity of method between the natural and social sciences. He consequently reworked the term naturalism to be 'critical naturalism' when applied to social science. Critical naturalism acknowledges that there can be differences in the nature of objects under study.

Blundel (2007) observes that the core ideas of critical realism flow from the combination of transcendental realism and critical naturalism. Critical realism is in essence is a middle ground between a realist view of social science that demands structure and the interpretive view of social

science that looks towards actors and subjective interpretation, that builds actor and researcher specific knowledge.

Critical realism acknowledges that while objects might comprise of underlying structures that are separate from the understanding of those structures, mechanisms or causal powers attached to these objects result or 'generate' into a phenomena. However, the activation of these causal powers and the generation of a specific phenomena is not a given. This meaning that the activation of objects and causal powers (mechanisms) is not always the same as it relies on the presence of additional factors (or context). Thus, as Sayer (2000) notes mechanisms can produce different outcomes at different times and that the same event can have completely different causes.

Say for example we applied this structure and causality argument to different types of entrepreneurs. Two entrepreneurs might both have similar capabilities to own multiple businesses or to become portfolio entrepreneurs. One does and one does not. The reasons for this might be differing conditions, one might live in an environment where s/he does not need to own multiple businesses in order to grow and become successful and the other might live in an environment where multiple business ownership is necessary for sustained growth and success. Critical realism thus acknowledges that while two objects might have the same structures to their existence (a reality) the causal mechanisms or conditions that surround that reality might result in two entirely different outcomes. The other side of this coin is that similar outcomes or events might be the result of entirely different causes. For example, you may have two portfolio entrepreneurs in an environment that necessitates portfolio entrepreneurship but the causes of this might not be the particular environment for both cases.

Thus as Blundel (2007 pg. 54) writes,

'In common with interpretivists and those who pursued the post- modern 'turn', critical realists have rejected naturalism', recognising that the social world cannot be understood in the same way as its natural counterpart. However, in contrast to these paradigms, realists have been unwilling to stop their search at the level of meaning, but prefer to see its interpretation as merely the starting point for the pursuit of deeper causal explanations'.

The critical realist approaches interpretation as a beginning to understanding a phenomenon and its underlining structures. Critical realism promotes multiple methodological approaches that are aimed at understanding the underlining structures of phenomena but crucially merging this understanding with the understanding of human actors (Tsoukas 1989). Critical realism, therefore promotes the use of multiple methodologies to understand phenomena. It is through the process of triangulation that these various multiple methodologies create valid viewpoints that attempt to understand the structures and mechanism behind phenomena.

The qualitative and quantitative approaches of this work (comprising of both induction and deduction) combined with the interpretation of actors realities, is an attempt at understanding the underlining structures behind the formation of a portfolio of firms (from the perspectives of the environment risk and growth), suit a critical realist epistemology. The author does not believe that the theoretical contributions of this worked are forever to be fixed in stone, nor that the outcomes of this research can entirely capture the structures, mechanism and causal effects of the phenomena. The nature of portfolio entrepreneurship in different contexts, is far too complex to entirely know! Yet the author would agree with post positivists that reality can be known only imperfectly and probabilistically (Robson 2002). This thesis acknowledges the fundamental role of context within the understanding of phenomena and attempts to falsify theory (the risk-seeking nature of entrepreneurs for one). However, as will be discovered the author has made a great deal of effort at reducing the subjective biases that is acknowledged in this research through the use of multiple methodologies and a heavy emphasis on three types of triangulation (see section 4.4.2).

(4.3.1) Research ethics

Zickmund (2003 pg. 78) writes on ethics, *'Within any society there is a set of normatively prescribed expectations of behaviour (including rights and obligations) associated with a social role, such as a researcher, and another, reciprocal role such as a respondent'*. As the researcher has no expectation of the respondents apart from the attempt at discerning the truth from them, the section will focus on the obligations of the researcher in this case.

For the author the most important ethical factor in undertaking this research was to be clear and concise as to the purpose of the research and how the data gathered would be used and respondents' privacy during this process. Consequently before, the author undertook each interview with a new respondent the author explained the purpose of the research and how the data gathered would be used and who would be privy to it. The author also informed the respondents that the author would supply the final outcomes of the research, if they so wished. The author asked further, whether the respondent wished to remain anonymous or whether the author could use their real names. Most of the interviewees did not have a problem with use of their real names. However, the author took a decision that not revealing any of the respondents' names would be the most ethical action when completing this thesis.

The reasons for this were simple. First the author interviewed many individuals who are connected with each other through business relationships or know of each other through the business community in Malawi. Some are enemies of each other and some are friends. In reality the community of growing successful portfolio entrepreneurs in Lilongwe is rather small and thus it would not take much for the spread of sensitive information on personal viewpoints (revealed in this thesis) to other entrepreneurs: that could affect business relationships, firm competitiveness or reveal sensitive information. The entrepreneurs were extremely frank with the author at times and even though the majority gave permission to use their names, attaching some of the sensitive information revealed, to them would in the author's opinion be a violation of trust even if they gave their express permission. Many entrepreneurs revealed information that nobody else knew apart from their business partners or close confidants. The possibility of third parties misconstruing quotes or building assumptions on what the entrepreneurs said or meant was a feasible reality.

Thus, the author felt it was the best course of action to not risk any of these possible negative outcomes by not revealing the entrepreneurs names, or the names of their companies. Thus, as will be discovered in the results chapter some quotes are not referenced to the code names of the portfolio entrepreneurs. So for example some quotes will read 'Zu commented' and others will read 'a services entrepreneur suggested' etcetera. This inconsistency was done purposively to protect the respondents

from 'savvy' individuals connecting anonymous bits of information to lead to the true identity of the entrepreneurs.

Second as the reader will discover a lot of information was politically sensitive and as described in chapter three during the period of research it was not advisable to be openly critical of government or the president at that time. Thus, there was a risk that third parties could use such information to detrimentally affect the individuals of the study.

(4.4) Choice and justification of the research approach and method.

This section follows by looking at the choice of the research approach and method. The first section, section (4.4.1) looks at why an exploratory, qualitative longitudinal approach was applied to the research. The second, section (4.4.2) Clarifies and justifies why inductive and deductive research processes were undertaken in the research. Finally, section (4.4.3) provides the rationale for the reasons why the specific data collection methods were employed and how they relate to the research approach.

(4.4.1) Exploratory, qualitative and longitudinal research

The approach as identified in section 1.3 of the introduction chapter, was exploratory as little research has been undertaken on portfolio entrepreneurs within Malawi. The advantages of the exploratory approach arise as it is a valuable means of finding out *'what is happening; to seek new insights; to ask questions and to assess phenomena in a new light'* (Robson 2002 pg. 59).

As such there is a need to generate data and theory. Empirical research on African entrepreneurship reveals that there is very little, if any, quantitative data that can be used for quantitative analysis (see Balunywa and Rosa 2009). As a consequence researchers need to collect their own data and build initial theory. Furthermore, the exploratory approach allows the researcher flexibility and is capable of adapting to change within the data process. Ultimately exploratory approaches start with a broad conceptualisation of the phenomena under study gradually becoming more refined as the research is undertaken. The flexible nature of exploratory and qualitative works assists this process in allowing the researcher to change course, define, redefine and refine data. As such qualitative methodologies are most suited to exploratory studies as they seek to gain a deep understanding of phenomena.

Qualitative research is aimed at capturing deep context rich phenomena. Davidsson (2005) argues that qualitative research is especially necessary in understanding process within entrepreneurship research (which he argues as a field is still conceptually young) and understanding the heterogeneity within entrepreneurship. This thesis attempts at understanding a number of entrepreneurship processes evident within portfolio entrepreneurs.

Most importantly, however, unlike many studies this qualitative research includes a longitudinal segment to guard against the biases of retrospective insight in entrepreneurship process research. Davidsson (2005 pg. 18) writes, *'The behaviour-plus-outcome definition lures one into a retrospective view that compresses time and de-emphasizes the process aspects of entrepreneurship. It may therefore be advisable to have a domain delineation that explicitly highlights the process nature of entrepreneurship. To study the processes as they happen is important in order to avoid selection and hindsight biases'*.

(4.4.2) Inductive and deductive approaches

Inductive research describes the process through which data are collected and subsequent theory developed. It is different from deductive research that tests hypothesis and theories. The crucial distinction in the inductive approach is that the data leads to the generation of theory whereas in the deductive approach the data either confirms or validates or falsifies a set of theoretically driven hypotheses.

Saunders et al. (2003) identify six inductive research exemplars. Induction emphasises 1.) Gaining an understanding of the meanings humans attach to events; 2.) A close understanding of research context; 3.) The collection of qualitative data; 4.) A more flexible structure to permit changes of research emphasis as the research progresses; 5.) A realisation that the researcher is part of the research process; 6.) Less of a concern with the need to generalise.

As the research approach was exploratory and qualitative, inductive research best suited the approach and the methods utilised in order to collect the data. Inductive research is a flexible methodology that permits alternative explanations to phenomena and thus is suited to exploratory research which hopes to explore contexts little studied where little theory exists. As a consequence inductive research is often context specific due to the nature of the thick-holism in qualitative research (Miles and Huberman 1994, Saunders et al. 2003, Davidsson 2005).

However, the study did use deductive research elements during the research process as explained in section (4.2.1) and is compatible with the critical realist philosophical approach as discussed in

section (4.3). This use of both inductive and deductive research followed a process outlined by Miles and Huberman (1994) where theoretical frameworks help to clarify what is to be studied in qualitative research while also increasing the validity of research outcomes. As described in section (4.2.1), an initial framework arose from the first round of interviews that identified the themes, possible theoretical focuses of the work and the possible inter relationships between the different themes in understanding the phenomenon under study. This initial theoretical framework then morphed into a subsequent theoretical framework that further clarified and defined the conceptual space of the study (after subsequent data analysis) and consequently generated the research questions and objectives. The interviews with entrepreneurs that followed this initial theoretical framework essentially 'tested' its applicability to the subject under study. As the understanding of the phenomena became more pronounced with subsequent interviews and data collection so the theoretical framework was refined as the research questions were generated.

While this research generation and testing can be described as a deductive approach it is not the deductive approach utilised in quantitative studies as the research questions arise as a consequence of the theoretical framework (which arises from the data collection (interviews) and not the literature. Thus, the research utilised both inductive and deductive processes that allowed for an iterative generation of theory. This meant that the theory building was continually refined and redefined as the research process progressed and as the data revealed possible theoretical explanations (see Miles 1976, Miles 1979, Miles and Huberman 1994, Saunders et al. 2003).

(4.4.3) Rationale for methods employed

As the research approach was qualitative, longitudinal and inductive the methods employed were largely a consequence of this nature of the research. As a consequence qualitative in-depth semi-structured interviews, longitudinal semi-structured in-depth repeat interviews and expert semi-structured in depth interviews were used for data collection (see section 4.6 for further details on each).

Some of the reason for the choice of qualitative interviews as a data collection instrument are as outlined by Saunders et al. (2003): 1.) The nature of the approach to research 2.) The significance of establishing personal contact 3.) The nature of the data collection questions and 4.) The length of time required and completeness of the research process. The following paragraphs explain how each of these facets relate to the undertaken research.

As the research was exploratory, inductive and qualitative in was important to gather context rich primary data. Semi –structured in depth interviews allow a researcher to first get a grasp of the context of the research and secondly to probe answers from respondents (a process where respondents explain or build on their answers to give meaning to their actions, allowing the researcher to build theory from this process, see Saunders et al. 2003). In addition semi-structured interviews allow the discussion to develop in areas in which the researcher does not foresee often being critical in revealing data that would otherwise not be captured.

Additionally, interviewing people allows researchers to establish personal contact with respondents. This is often significant as unlike quantitative surveys it ensures that the person being interview is the person the interviewer wishes to interview. With a survey one is never quite sure who ends up filling it out in the end. Moreover, interviews can be arranged in advance and rescheduled thus it is likely that once an interview is set it will be completed. Surveys on the other hand offer no guarantee that the envisaged respondents will complete them. Thus, in circumstances in Africa where postal services are problematic and survey response rates low interviewing offers a viable mechanism through which to overcome these problems and get access to the focus of a research project. The inflexibility of survey methods with researchers not being present when the survey is being completed, ensure that the reason for incomplete answers is never known. Consequently in a face to face interview, reluctance in revealing certain information can be ascertained and strategies utilised to overcome this problem i.e. the researcher can rephrase a question or allay some of the respondents' fears of revealing information.

The nature of the data collection questions can also necessitate the interviewing method. In this research it was necessary to get an in-depth and complete understanding of portfolio entrepreneurs, their contexts, their reasoning of their actions and why their reasoning as to why they take certain

decisions. As such the questions that needed to be asked were complex, open ended and the order and logic of the questions changed at times (see 4.6 for details on the interview questions). Thus, a flexible and appropriate interviewing approach was needed that could first collect this data effectively and allows for the flexibility needed to gather the data. For these reasons semi-structured in depth interviews were chosen as a data collection method.

Finally, the fourth point of Saunders et al. (2003): ‘that the length of time required and completeness of a process often necessitates the use of interviews’, was evidenced in this work. First as mentioned interviewing was the only viable method through which to obtain data for this exploratory analysis due to the lack of any databases of portfolio entrepreneurs and the low envisioned response rate of survey instruments. A quantitative approach was not necessary as the data was not available and was of a nature and in a context where an exploratory approach was needed. Thus considering the time frame and the completeness of the process interviews were the best solution that could effectively complete the process in the given time period. Nonetheless, quantitative data were gathered at the firm- level through interviews with minimal quantitative analysis.

(4.5) Sampling strategies

This section is broken into two parts the general sample which refers to the total sample utilised during this research and the longitudinal sample which was composed of a proportion of the general sample that were interviewed repeatedly over time. The following sections describe how and why certain sampling strategies were utilised and how the end samples came about.

(4.5.1) The general sample

The research was undertaken in the capital city of Lilongwe. Lilongwe is the centre of government where most NGOs and foreign governments involved in the country are based. While Blantyre (roughly the same size) is argued to be the commercial centre of the country, this is so due to the large corporate foreign and locally listed companies which base their head offices in Blantyre, such as banks and financial institutions. Lilongwe on the other hand is the centre for the government

ministries, tobacco industry, the fledgling stock exchange, European Union, World Bank and many of the nation's largest entrepreneur led companies.

Thus, Lilongwe was chosen as a focus for this study as many large-scale entrepreneurs operate their national operations from within it and the proximity to government and it was envisioned that there would be a number of portfolio entrepreneurs operating. Furthermore, the researcher grew in Lilongwe and as such it was a viable location in which to conduct research over the PhD time period. In addition, the researcher coming from an entrepreneurial family was an insider to the phenomenon and as such could leverage networks and contacts finding entrepreneurs willing to participate in the study. There is a whole body of research that identifies the strength of insiders when trying to understand a very specific social phenomenon (see Merton 1972).

The sampling was purposive identifying portfolio entrepreneurs who lived within Lilongwe according to the definitions in the introduction and literature review. Thus, the entrepreneurs had to have at first interview a minimum stake-holding or equity in two or more businesses (as per the Westhead et al. 2003 a definition of portfolio entrepreneurs).

The researcher had completed a pilot study during 2006 for his master's thesis looking at portfolio entrepreneurs which inspired the undertaking of a PhD in the subject. This study of six portfolio entrepreneurs identified some of the networks, characteristics and themes that might be relevant when looking at the phenomenon as a whole.

Identifying a sample of portfolio entrepreneurs was a difficult process. There are no lists of entrepreneurs or surveys from which a researcher may begin identify a relevant sample within Malawi. This is a common problem in entrepreneurship or small firm research undertaken in Africa that has been commented upon by a number of scholars (Mead 1994, MacPherson 1996, Balunywa and Rosa 2009). The type of entrepreneur, portfolio entrepreneurs made this task even more difficult. If you refer to the analysis in the literature review, the majority of studies on African entrepreneurship are focused on small scale entrepreneurs in rural areas or rarely in urban contexts. Finding samples for micro entrepreneur research is as easy as going to different markets within a city and interviewing the clearly visible micro scale entrepreneurs selling meat, weaving baskets, building furniture and so on.

Or in the rural case going to a number of villages and finding who is producing and selling what (often using databases of micro finance loans).

Identifying portfolio entrepreneurs is an entirely different proposition. First, they are generally at a larger scale and not in the public eye. In the only other thesis on portfolio entrepreneurs in Africa Balunywa (2009) identified his portfolio entrepreneurs by looking at newspapers and figuring out which names were coming up in the business sections and forming a sample of the largest portfolio entrepreneurs in the country from that. In Uganda, there have been studies on big entrepreneurial families such as the Madhavanis for example and these families are generally in the public eye. However, in Malawi this is a totally different proposition. Large-scale entrepreneurs generally keep out of the public eye, are rarely in the papers, do not get involved in politics and there have been no studies on these entrepreneurs to indicate their identity.

This is for a number of reasons. First during the one party state that existed for 30 years after independence, entrepreneurship was tolerated as a necessary means for development but the state remained the largest influence within the economy. If an entrepreneur became too wealthy, too large, involved in politics (or able to influence politics) they were seen as a threat to government and in many cases were forced to leave the country. Secondly, due to the nature of government and the civil service where high levels of corruption is present, entrepreneurs purposively keep out of the public eye to not attract the attention of rent-seeking public servant and officials.

Finally, due to the nascency of the economy and sources of information, unless you are an insider within the community figuring out who owns what and which entrepreneurs own multiple businesses is virtually impossible, as there is way through which to discern who to possibly interview. Unlike the many studies of portfolio entrepreneurs conducted in Scotland for example, one cannot go to Companies House and figure out which individuals have more than one company registered. While the author understands this is by no means an easy process it is even harder in many African contexts. In addition, these large-scale entrepreneurs generally do not like revealing information to strangers, who they do not know or trust.

As a consequence the researcher used a system of snowballing, identifying individuals who owned multiple businesses through contacts and personal networks. On data collection trips these individuals were interviewed and once the initial list of contacts was exhausted, the initial contacts became the resource through which to make introductions to other portfolio entrepreneurs. The process suited the type of person that was interviewed in many cases. It is difficult for a researcher to get access/ indeed time to people when they are not introduced by a business partner or friend of the entrepreneur. An introduction by one portfolio to another in many cases a phone call helped in vetting the researcher (overcoming mistrust and suspicion) and gaining access to an interview. For example, at the end of some interviews with highly connected individuals the researcher would ask if the entrepreneur could recommend anybody else to interview and perhaps make an introduction. Through this process the list of interviews with portfolio entrepreneurs grew and problems of mistrust and suspicion were overcome. In some instances individuals revealed that they owned multiple businesses in social situations or when the researcher was conducting other work and this also helped with increasing the sample size.

This process of snowballing that utilised previous contacts and actively sought out portfolio entrepreneurs, helped to build trust between the researcher and respondents. In the case of the longitudinal sample this was especially evident where a number of portfolio entrepreneurs were re-interviewed over periods of time between two and five years. Through these repeat interviews, strong trust relationships were built with the respondents. In many cases the longitudinal sample entrepreneurs would reveal more pertinent information as they became comfortable with the researcher and this aided the validity of the analysis.

At the end of the process 24 separate portfolio entrepreneurs made up the sample. They were interviewed at different times during the course of the research (see data collection section 4.6, for details on when they were interviewed). Moreover, ten of the 'general' sample of 24 portfolio entrepreneurs were interview longitudinally (see below). In the first section of Chapter 5 (results), a detailed analysis of the demographics and characteristics of the entrepreneurs follows.

(4.5.2) The longitudinal sample

The longitudinal sample consisted of ten entrepreneurs of the 24 entrepreneurs (total sample) size to interview repeatedly over vary intervals of time (see table 4.3). The purpose of this is elaborated in the research design section. These entrepreneurs were purposively chosen from the general sample to represent portfolio entrepreneurs in varying stages of portfolio development. As portfolio entrepreneurs own multiple companies there are some entrepreneurs that own more businesses than others. Generally the larger scale portfolio entrepreneurs are older having accumulated more businesses as a consequence. The younger portfolio entrepreneurs are the opposite just having started a second business or looking to grow. In the middle were the entrepreneurs of middle age having significant portfolios expanding rapidly. Thus the rationale behind this was to capture different types of portfolio entrepreneurs in different stages to better understand the processes under investigation and especially with regard to the general themes of the research: risk, the environment and growth.

Table 4.1: The longitudinal sample

Portfolio Entrepreneur	No of Businesses in Portfolio (1st Interview)	Age	Ethnicity	Experience
Fe	4	46	Indigenous	Experienced
Ha	5	57	Asian Descent	Very Experienced
Jo	3	61	European Descent	Experienced
Jo	2	27	Indigenous	Novice PE
La	3	50	European Descent	Experienced
Mi	2	30	European Descent	Novice PE
Gi	11	59	European Descent	Very Experienced
Ru	3	55	European Descent	Experienced
Zu	3	36	Asian Descent	Experienced
Ri	2	25	European Descent	Novice PE
Results	Total Businesses: 38		European Descent: 6 Asian Descent: 2 Indigenous African: 2	Experienced: 5 V. Experienced: 2 Novice PE: 3

From the above table 4.1, different types of portfolio entrepreneurs have been identified. This research is the first to characterise portfolio entrepreneurs by experience and size of the portfolio group. Five entrepreneurs are very experienced existing at a level where they own five businesses and have been in business for over 30 years. Five of the entrepreneurs are experienced owning between three and four businesses and have been in business for more than ten years. Three of the entrepreneurs are what the author terms novice portfolio entrepreneurs (not to be confused with novice entrepreneurs). Novice portfolio entrepreneurs are characterised by just being at the cusp of being classified as a

portfolio entrepreneur i.e. owning two businesses and having less than five years experience. Thus the sample represents a good mix of varying types of portfolio entrepreneurs and varying sizes of portfolio groups. This ensures that growth especially can be contrasted between smaller less experienced portfolio entrepreneurs and larger very experienced portfolio entrepreneurs

Initially the researcher had hoped to longitudinally interview the entire sample but had to be reduced this to a feasible number of ten entrepreneurs after seeing how many of the entrepreneurs would allow for longitudinal interviews and indeed whether they could be contacted in the years that followed. In order to manage the research effectively and ensure a greater number of repeat interviews over a significant time period the smaller more manageable sample of ten entrepreneurs made sense.

However, everything did not run as smoothly as forecasted as the sample had to involve a new entrepreneur. Initially the sample was defined at nine entrepreneurs interviewed over varying time intervals. However, when one entrepreneur left the country having sold up his business another entrepreneur was drafted in at that point and interviewed repeatedly from that point forward (see table 4.1 in section 4.5.2 for details). Thus, in the final analysis the longitudinal sample consists of ten entrepreneurs with one having left and sold up providing an interesting contrast to the eventual outcomes of portfolio entrepreneurship.

(4.6) Data collection

As the research is exploratory and qualitative the data were collected through the use of semi-structured interview for the two samples: the general sample of 24 entrepreneurs and the longitudinal sample that consisted of ten of the 24 entrepreneurs (re-interviewed at varying intervals of time). In addition expert interviews were undertaken and secondary data collected from a variety of resources. The four sections that follow, first detail the content and questions asked within the different type of semi-structured interviews (the general and repeat longitudinal interviews), detailing how long the interviews lasted when they were undertaken and how they were recorded. The third and fourth sections detail the interviews undertaken with experts and the sources of secondary data.

(4.6.1) General sample: semi-structured interviews

Semi-structured in-depth interviews were used to collect the data from the respondents of the study (24 different portfolio entrepreneurs). Semi-structured interviews were decided to allow the researcher flexibility in data collection. As the topic is novel inductive and exploratory, structured interviews were envisaged to be too rigid and that therefore it would be difficult to really grasp and explore the subtleties and nuances from the responses. It also allowed the researcher to propagate a more conversation type feel to the interview that allowed the respondent to relax and reveal information and thoughts highly germane to the research. Structured interviews often feel cold and exercise-like for respondents: a task that has to be over and done with, and as such they run the risk of not gathering data that may be captured in a semi-structured interview.

The flexibility with the semi-structured interview also allows the researcher to explore topics or content that may arise during the interview that is interesting and relevant.

The semi-structured interviews comprised of 20 questions in six separate sections (see Appendix 1 for first interview templates). Crucially the interviewer could ask questions outside of these twenty questions when interesting topics of conversation arose. Often the most revealing of insights were captured when the entrepreneurs went of topic and started talking about something totally un-related to the question. This probing of the respondent for further elaborations and clarifications allows a

researcher to gain deep holistic insight into the entrepreneurs' actions and consequent entrepreneurial processes (Miles and Huberman 1994, Rosa 1998, Saunders et al. 2003). Before the interview started details on the age of the entrepreneur, qualifications and contact details were asked for. The entrepreneur was then asked whether s/he preferred to remain anonymous, explained the purpose of the interview and how the research would be used and disseminated.

A broad open ended question was then asked on the business history of the entrepreneur, much like the Rosa (1998) life history approach. This question would ask the entrepreneur to recount his/her business activity and every company created or shut during his/her lifetime. Further questions were then asked by the interviewer on why each company had been started, its purpose, if there were any partners and how it had been financed. Through this the researcher could build up a profile of the size of the portfolio group, the component companies, what they did, why and how they were created. Following from this, there were five additional sections: motivations, Malawian economy, process (risk and evaluation of opportunity) and a final section on business success and failure.

The motivation section contained three questions. The first asked the entrepreneurs why they had become an entrepreneur. The second question asked if those motivations had changed over time and with success. Finally the entrepreneurs were asked what the motivations were to own multiple companies and why they started new companies and grew existing ones. The motivation section was followed by a section on questions on the Malawian economy, or the environment.

The Malawian economy section consists of five questions that were aimed at getting the entrepreneur's opinion on the environment and how that environment had shaped their activity. The first question asked the entrepreneurs to characterise the current economic environment for business. The second and third question asked the entrepreneurs the current advantages for starting and operating companies in Malawi and the disadvantages for doing so. The fourth question asked the entrepreneurs to characterise the developments in the Malawian economy over time (a historical view). The final question asked the entrepreneurs if opportunities had arisen through the changing economic conditions in the country throughout their careers.

The next section was the process section under which two sections fall, risk and evaluation processes for start-up. The risk section asked the entrepreneur five questions. The first the entrepreneur's attitude to risk. The second the role of their attitude to risk in their success whether or not it had stopped them from accessing certain opportunities or not. The third is a question asking the formal and informal processes the entrepreneurs used to manage risk. The fourth question asked if their attitude to risk had changed with portfolio expansion and the final question asked whether their attitude to risk had changed during periods of boom and bust.

The final process section asked the entrepreneurs about their evaluation processes for business start-up and comprised of three separate questions. The first question asked how the entrepreneurs evaluated business opportunities. The second question asked how the entrepreneurs went about realising these opportunities (or exploiting them) and the final question asked whether they had a process or a deductive framework that they had developed over time and with experience that they applied to new opportunities for business creation.

The final section concerned success and failure and asked the entrepreneurs two questions. The first asked them what they considered to be the key factors to their success and the second question what they considered to be the key factors to their failure.

These interviews were recorded and transcribed where possible and lasted between one hour and four hours. Some entrepreneurs did not want to be recorded and therefore were not recorded. The interviews often took place at the offices of the entrepreneurs and were arranged at times that suited the entrepreneurs. In particular cases the entrepreneurs would cancel meetings as they got excited talking about how they had created their businesses and as mentioned some of these discussions would last four hours. During the interview the researcher would take notes in addition to the tape recordings and in cases where entrepreneurs were not recorded the notes would be verified with the entrepreneur at a later stage if there was any confusion.

The entrepreneurs were interviewed in different data collection trips to Lilongwe undertaken by the researcher during the five years of the PhD (see table 4.2 in section 4.6.2). Some data collection trips were more fruitful than others and once the research progressed it became harder and harder to find

suitable interviewees and thus the number of interviews decreased. The interviewees were contacted by telephone, introductions and arrangements made for meetings. In some instances interviews had to be rescheduled and were undertaken on subsequent data collection trips as a consequence.

Table 4.2: General sample interview dates

DATA COLLECTION TRIP	NUMBER OF INTERVIEWS	DATE OF INTERVIEWS
1	6	December/January 2006/2007
2	11	August 2008
3	3	August 2009
4	2	January 2010
5	2	January 2011
TOTAL	24	December 2006- January 2011

(4.6.2) Longitudinal repeat interviews

A group of nine of the 24 portfolio entrepreneurs were initially selected to form part of a longitudinal case group, this being increased to ten (for the reasons mentioned in section 4.5.2). The longitudinal element of the study was necessary due to the need to look at change over time. As identified in the introduction and literature review there has been no longitudinal study of portfolio entrepreneurs (see the analysis in the literature review) and very few longitudinal studies in entrepreneurship research (Low and MacMillan 1988, Chandler and Lyon 2001). As the three central themes of this research risk the environment and growth concern how entrepreneurs act and react to risk the environment and how they grow or do not grow it was important to look at these factors over time.

In following with the normal sample semi-structured interviews were undertaken with these ten entrepreneurs over varying periods of time. The semi-structured interview consisted of a total of thirteen questions on four different sections (see Appendix 2 for a full interview template).

The first section concerned growth or non-growth of the portfolio group of the entrepreneur. Four questions were asked in this section. The first asked whether the portfolio had grown or contracted since the last interview. The second question asked if it had grown or contracted which businesses were closed and which were started asking details if a business had been started. The third question asked the reasons for starting a new business or closing an existing business. The final question asked

how the core business of the portfolio was performing and whether there had been any significant investments to speak of, or any problems with the core business.

The second question was on risk and the purpose of the section was to test whether attitudes to risk had changed over time and if so, how and why. The risk section consisted of three questions. Question one asked the entrepreneurs their current attitude to risk. The second question asked whether their attitude to risk had changed since the last interview and the final question asked whether their attitude to risk had changed or had not and why.

The third section concerned the environmental theme and thus asked four questions about the economy/ business environment. This section hope to see how the economy/ business environment had changed since the last interview and whether it had affected the entrepreneur. The first question asked how the economy was going at the present time. The second asked whether the condition of the business environment or the economy had had any effect on the entrepreneur's business ideas or plans for further growth and expansion. The final two questions asked the entrepreneur first what advantages there were for doing business in the country or starting a business and the final question what disadvantages there were for entrepreneurs starting or running a business at the current time.

The final section asked one open ended question asking the entrepreneur what their goals and ambitions for the future and if they planned to grow and if so why? This question was asked to see whether the entrepreneurs had a clear strategy for their portfolios and what they aimed to do in the future. This was important as it provided a context for the repeat interview that followed and allowed the researcher to see whether the portfolio entrepreneur had achieved what they set out to do and if so or if not, why. This was important to see how the planed behaviour of the entrepreneur might be affected by the changing economic or business environment conditions at the next interview.

Table 4.3 (next page) details the scheduling of the interviews and the time period between interviews.

Table 4.3: Longitudinal sample interview dates

FIRST Interview	1 st Repeat Interview	LONG. PERIOD FIRST Interview	2 nd Repeat Interview	LONG PERIOD 1 st RI ¹¹	3 rd Repeat Interview	LONG PERIOD 2 nd RI	TOTAL LONG. PERIOD
Dec06	Dec08	2	Dec10	2	Jan12	1	5
Dec06	Aug09	3	Dec10	1	Oct11	1	5
Dec06	Dec08	2	Dec09	1	Sold, Left country	n/a	3
Dec06	Dec08	2	Dec10	2	Jan12	1	5
Dec06	Aug09	3	Dec10	1	Oct11	1	5
Aug08	Aug09	1	Dec10	1	Oct11	1	3
Aug08	Aug09	1	Dec10	1	Oct11	1	3
Aug08	Aug09	1	Dec10	1	Oct11	1	3
<i>Jan10</i>	<i>Jan11</i>	<i>1</i>	<i>Oct 11</i>	<i>1</i>	<i>n/a</i>		2
Aug08	Aug09	1	Dec10	1	Oct11	1	3
10 PEs	10		9		9		

From the above table 4.3 it is clear that 28 repeat interviews were conducted in addition to the 24 general sample interviews. The total number of interviews is therefore 52. (The selection criteria, descriptive statistics of the entrepreneurs in the longitudinal sample is contained in table 4.1 section 4.5.2.

The 28 repeat interviews lasted between 45 minutes and one hour and a half. Initially the longitudinal sample consisted of nine entrepreneurs but when one entrepreneur left the country selling his business (highlighted in bold) another entrepreneur was drafted into the sample (highlighted in bold italics). The data from ten entrepreneurs were used for analysis as the entrepreneur that left provided an instance where a portfolio had been sold. The researcher attempted to repeat the interviews in the same month where possible but as evidenced in the table above this was not always the case. Certain entrepreneurs were difficult to get a hold of during data collection trips and in some cases interviews were cancelled and the researcher could not schedule before he left the country hence accounting for the variance in interview dates.

There are two distinct longitudinal periods for the sample of portfolio entrepreneurs: one of five years in length and the other three years in length. This is in addition to the entrepreneur added to the sample who was re interviewed twice over a two year period (in bold italics). The reasons for this

¹¹ Repeat Interview

discrepancy was due to six entrepreneurs being interviewed in 2006 and of those six five being chosen for the longitudinal sample. The reasons for this were:

- 1.) To provide a longer period of longitudinal data.
- 2.) To contrast this five year period of data with a shorter period of data (three years and two years).
- 3.) Practical considerations: some entrepreneurs did not want to be a part of the longitudinal sample.

(4.6.3) Expert interviews

Two expert interviews were undertaken primarily to get an understanding of the political and economic environment (see Chapter 3). The interviews were necessary due to the lack of data available on the Malawian political scene and on the operations of the economy specifically when it came to monetary policy. These two individuals, both highly experienced, had insider knowledge on these important areas of the analysis and it provided a contrast with the primary and secondary data obtained, thereby increasing reliability.

These interviews were undertaken in 2009 with a former British High Commissioner to Malawi and a General Manager of a foreign multinational bank present in Malawi. The interview with the former British High-Commissioner included questions on the country's leaders, government, its policies, the bureaucracy and political allegiances. The interview with the bank manager, concerned monetary policy (from the Reserve Bank), rules governing the financial sector and the problems certain policies created for the financial sector. The interview questionnaire for these two expert interviews are not included in the appendix due to an understanding with the respondents that the information on what types of questions would be asked would not be revealed.

The interview with the former British High Commissioner to Malawi lasted close to three hours. The interview with the bank manager lasted over an hour. These interviews were essential in obtaining insider knowledge to what was happening within the political scene in Malawi and thus provided context and further information for Chapter 3 on Malawi and the environmental analysis undertaken.

These interviews complemented information gleaned from the many specific questions asked about the economy to the general sample of 24 portfolio entrepreneurs and thus provide interesting contrasts, between the two sources of data. In addition informal discussions with economists, other academics and international development professionals at various conferences and other speaking events also supplemented this information.

(4.6.4) Secondary data

A number of secondary data sources were used to contrast against the primary and longitudinal data gathered through the research. These secondary data sources were:

- 1.) A review and analysis of the empirical literature on all of the topics of this research (portfolio entrepreneurs, risk, the environment and growth)
- 2.) A review and analysis of the empirical literature concerning African entrepreneurship and specifically Malawian entrepreneurship
- 3.) Media and other governmental and non-governmental informational resources on Malawi's political economy.

First a comprehensive review of the literatures pertaining to the research was undertaken. Empirical analysis of the studies concerning portfolio entrepreneurs, risk, the environment and growth was undertaken identifying the studies contribution to knowledge and the subsequent research gaps (see literature review chapter).

The literature review also analyses data from other studies on African entrepreneurship. A search of studies of Malawian entrepreneurship was also undertaken. The results show that there have been no studies on portfolio entrepreneurs within the country of Malawi and of those studies that have been undertaken (the World Bank's 'Doing Business' study, Tellegen 1997) for example focus on small scale entrepreneurs.

In addition newspapers (In Malawi and outside), online news, websites, available government and non-government resources were used to compile the information present in Chapter 3 concerning Malawi, its politics and economics.

This secondary data was extremely important as first, a significant proportion of this study focuses on how portfolio entrepreneurs venture creation and operation activities are either enabled or hindered by the environment (economic, political and social conditions). Second, the thesis also looks at how portfolio entrepreneurs grow their portfolios identifying what causes growth, and what causes contraction. Finally, the portfolio entrepreneurs' attitudes to risk were also looked at with respect to whether the Malawian economy was performing or not. Thus it was important to get a clear picture of what was happening in the Malawian economy during the period of the research (2006-2012). This data is then contrasted to the actions of the portfolio entrepreneurs with specific reference to the longitudinal sample that looked at these three elements risk the environmental and growth over time, thereby ensuring reliability and increasing validity.

(4.7) Data analysis

Qualitative data analysis is acknowledged for not having, a well formulated processes of data analysis (Miles 1979). This being in sharp contrast to quantitative studies where there are clear conventions that researchers use when analysing data. Part of the problem arises due to the flexibility inherent within qualitative work, this meaning, that methods are generally not prescribed but rather chosen to reveal the research context. Furthermore, as the ontological and epistemological nature of qualitative work is specific rather than general issues of external validity and reliability are argued to be irrelevant at times.

Miles (1979) refers to a process of data reduction that elaborates a coding scheme which is then processed into themes to be compared with informal site analysis or summaries of what the researcher knows or thinks. The results of this process can then be compared to quantitative data. Sieber (1976) defines four formal approaches to quantitative data analysis.

- 1.) The intertwining of analysis and data collection.

2.) Formulating clauses of phenomena: essentially a categorising process- progressively more abstract concepts.

3.) Identifying themes and

4.) Provisional testing of hypotheses.

Miles (1976), building on Sieber's work, identified rules of thumb when undertaking qualitative analysis:

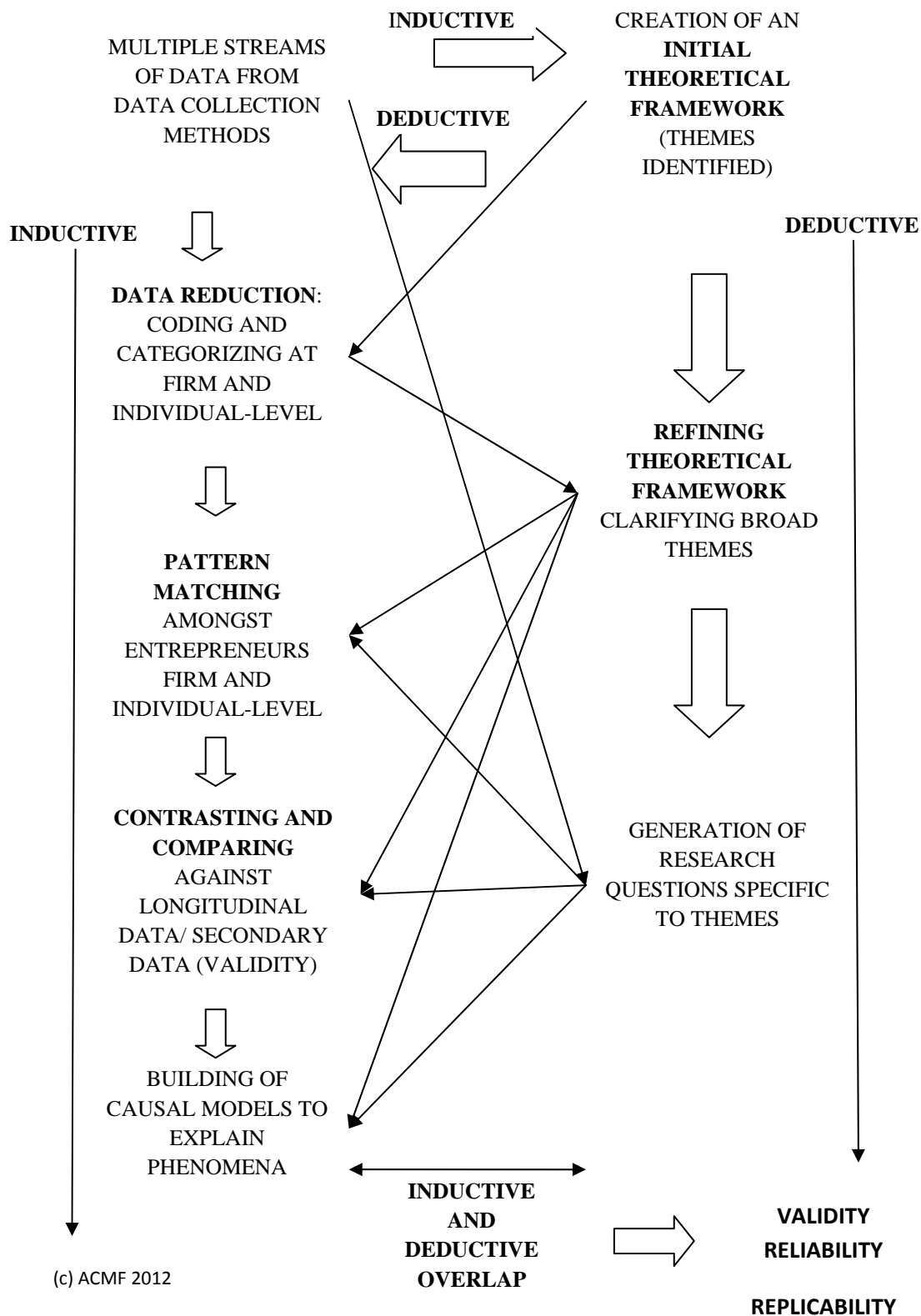
1.) Consider the validity of any particular generalisation. Is there supporting evidence from elsewhere in the data? Does it hold true for several different people, roles, groups, or occasions?

2.) Is there any negative evidence?

3.) Given a generalisation, make a prediction. What else would be true if this generalisation were true? Then go look at the 'else' to see if it is there or not.

The figure on the following page (figure 4.3) shows how through the processes of induction and deduction the data was analysed. It also shows what steps were taken to analyse the data and the development of theoretical frameworks and research questions to help guide this process. It also touches on the next section of this chapter validity and reliability.

Figure 4.3: Data analysis



(4.8) Validity and reliability

Validity and reliability are often thought of as quantitative research concepts that are grounded in a positivistic paradigm (Golafshani 2003), however, these two concepts are just as important to qualitative studies that apply post positivist approaches, such as this work. The primary reason why validity and reliability are important for qualitative researchers is that it quintessentially assesses the quality of the research undertaken or its trustworthiness (see Patton 2002, Johnson 1997). The greater the 'trustworthiness' of findings, the higher the validity of the research and the subsequent quality of the work (see Golafshani 2003). Reliability is essentially closely linked to validity thus demonstrating validity is sufficient to establish reliability (Lincoln and Guba 1985).

Maxwell (1992) conversely argues that once validity has been established so too has the generalisability of the work. He makes a crucial point that validity is relative to the purpose and circumstance of qualitative research:

'Validity is not an inherent property of a particular method, but pertains to the data, accounts or conclusions reached by using that method in a particular context for a particular purpose. To speak of the validity of a method is simply a shorthand way of referring to the validity of the data or accounts derived from that method' (Maxwell 1992 pg. 284)

Validity is often achieved through the use of triangulation (Jick 1979, Maxwell 1992, Golafshani 2003, Olson 2004). Triangulation essentially refers to the use of different types of data and methods when trying to understand a phenomenon and is crucial to a critical realist approach. The use of different methods and types of data essentially counter deficiencies or biases in any one method or type of data (see Denzin 1978). Thus triangulation increases the validity of research findings from different types of data and methods by reducing bias. Olson (2004 pg. 4) summarises triangulation as follows:

'Triangulation means mixing approaches to get two or three viewpoints upon the thing being studied. The resulting dialectic of learning thrives on the contrast between what seems self evident in interviews, what seems to underlie lay discourses, what appears to be generally

true in surveys and what differences arise when comparing all these with official interpretation of the same thing’.

This section consequently follows by first looking at how triangulation was achieved in the research undertaken. It then follows by looking at what qualitative researchers call, trustworthiness. First the author identifies what makes a piece of research trustworthy and in doing so, the author shows how the trustworthiness of this research was achieved.

(4.8.1) Triangulation

This section follows showing how method, theoretical and analytical triangulation was achieved in this research.

Figure 4.4: Data and method triangulation

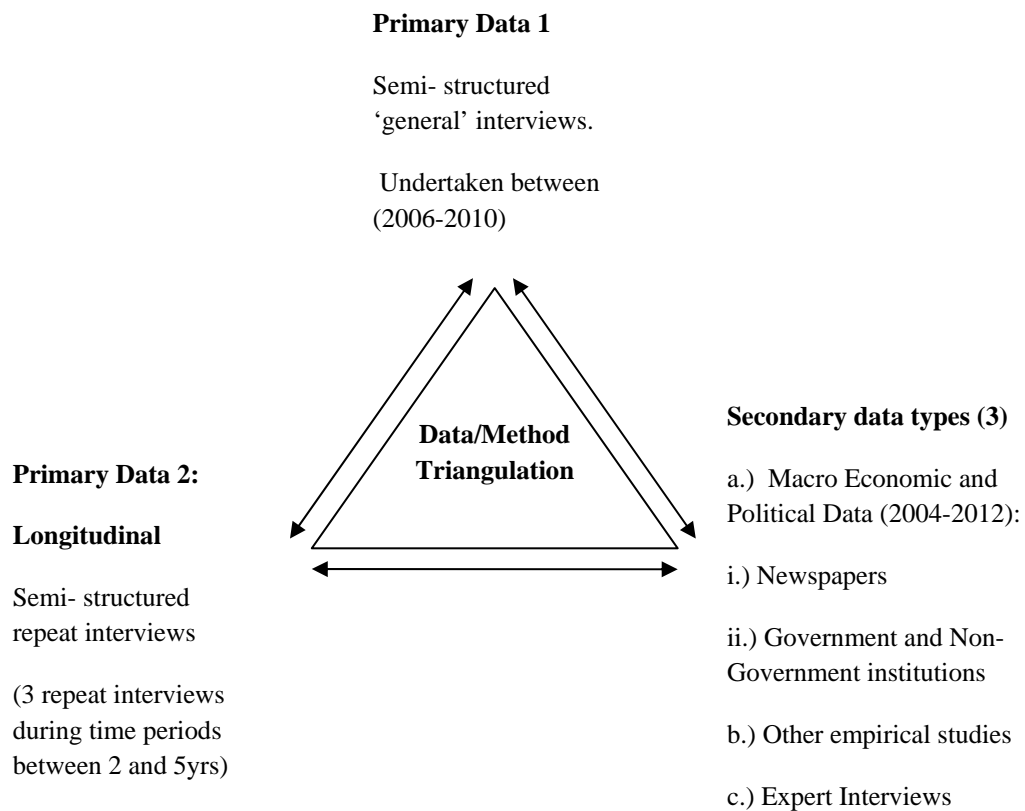
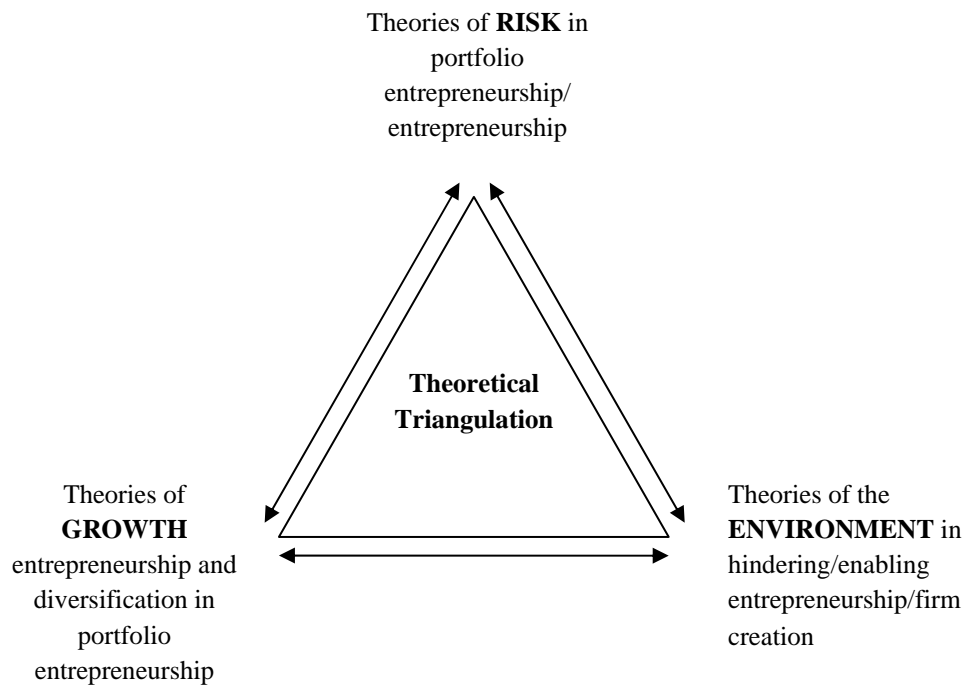


Figure 4.4 (page previous) shows how triangulation was achieved through the different data collection methods used during the research. As you can see, three types of data collection methods were used to aid the final analysis: Primary Data 1: semi-structured general interviews, Primary Data 2: Longitudinal Data and finally Secondary Data (of which there are three different types. These data sources were largely qualitative, however, some of the secondary data were quantitative (figures statistics, indicators). The analysis of some of the data captured by the qualitative instruments were of a quantitative nature and thus rudimentary quantitative analysis was undertaken. This is explained in greater detail by Figure 4.6: Analytical Triangulation (to follow).

Through the use of various different methods (as outlined), qualitative and quantitative data: so triangulation was achieved and consequent validity. The analysis undertaken from these different sources and types of data ensured that the inherent biases in each were reduced. In addition, when undertaking the analysis the analysis from the different types of data and different instruments used could be contrasted to ensure that a more holistic, less biased, representative and consequent 'valid' understanding of the phenomena resulted. This approach is crucial to a critical realist approach to discerning the truth from data.

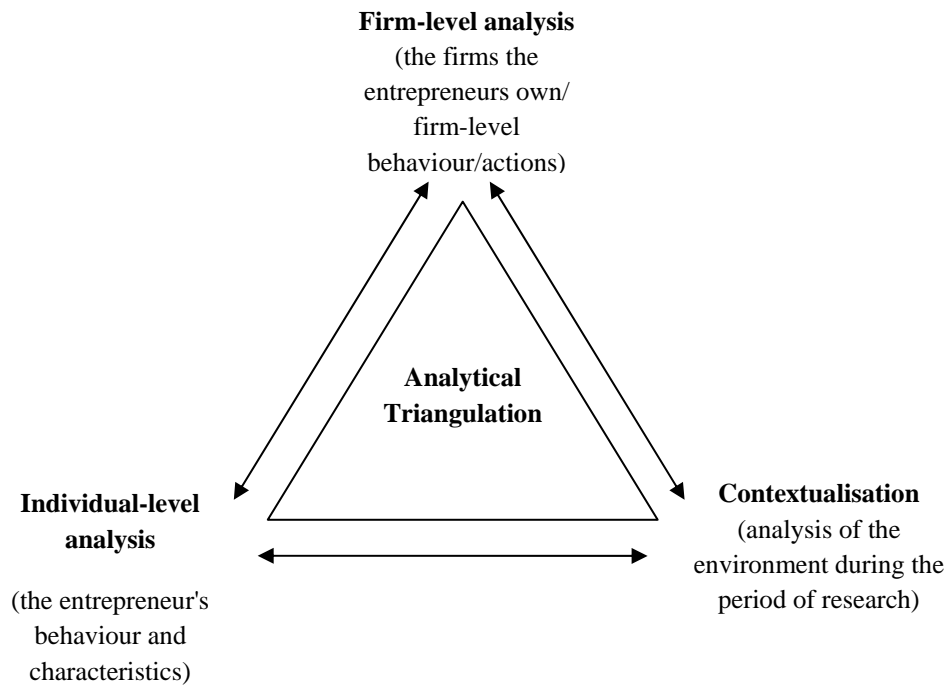
Figure 4.5, on the next page shows how triangulation was also achieved at the theoretical level showing how the multiple themes and theoretical focuses of the research reduced bias in any single use of theory. The data collected and analysed on each theme describing the portfolio entrepreneurship phenomenon show various theoretical inferences on the phenomenon. When these inferences are contrasted, compared and the linkages between them identified, so the bias is reduced in the explanation of the phenomena.

Figure 4.5: Theoretical triangulation



The figure (4.6) on the next page shows how triangulation was achieved at the analytical level. As mentioned earlier entrepreneurship scholars debate the level of analysis that should be used in entrepreneurship research. This question simply asks whether the firm or the individual should be the focus of analysis for entrepreneurship scholars. Recently the individual-level of analysis, the entrepreneur has been in the ascendance, however, there is still a role for the firm-level of analysis. This level of analysis problem is of particular relevance to the portfolio entrepreneur where a number of scholars highlight the lack of information on the firms owned by portfolio entrepreneurs. In addition entrepreneurship scholars generally decry the lack of contextualisation within the field (Zahra 2007, Welter 2011).

Figure 4.6: Analytical triangulation



The research by considering both the individual and firm-level of analysis in combination with contextualising the research overcomes some of the biases in focusing on a single level of analysis. In analysing the multitude of data from these perspectives so the analysis is more likely to reveal the relationships between the different theories and the some of the underlining causes of the phenomena.

(4.8.2) 'Trustworthiness' in qualitative research

Guba (1981) argues that there are four components that qualitative researchers should address when assessing the trustworthiness of their work: a) credibility (in preference to internal validity); b) transferability (in preference to external validity/generalisability); c) dependability (in preference to reliability); d) confirmability (in preference to objectivity).

Shenkton (2004 pg. 83) identifies the provisions that a qualitative researcher should make in order to ensure Guba's trustworthiness in qualitative research is achieved (table 4.4 below).

Table 4.4: 'Strategies for trustworthiness in qualitative work'

<i>Quality criterion</i>	<i>Possible provision made by researcher</i>
Credibility	<ol style="list-style-type: none"> 1.) Adoption of appropriate, well recognised research methods 2.) Development of early familiarity with culture of participating organisations 3.) Random sampling of individuals serving as informants 4.) Triangulation via use of different methods, different types of informants and different sites 5.) Tactics to help ensure honesty in informants 6.) Iterative questioning in data collection dialogues 7.) Negative case analysis 8.) Debriefing sessions between researcher and superiors 9.) Peer scrutiny of project 10.) Use of "reflective commentary" 11.) Description of background, qualifications and experience of the researcher 12.) Member checks of data collected and interpretations/theories formed 13.) Thick description of phenomenon under scrutiny 14.) Examination of previous research to frame findings
Transferability	<ol style="list-style-type: none"> 1.) Provision of background data to establish context of study and detailed description of phenomenon in question to allow comparisons to be made
Dependability	<ol style="list-style-type: none"> 1.) Employment of "overlapping methods" 2.) In-depth methodological description to allow study to be repeated
Confirmability	<ol style="list-style-type: none"> 1.) Triangulation to reduce effect of investigator bias 2.) Admission of researcher's beliefs and assumptions 3.) Recognition of shortcomings in study's methods and their potential effects 4.) In-depth methodological description to allow integrity of research results to be scrutinised 5.) Use of diagrams to demonstrate "audit trail". i.e. a representation of the data collected and how the themes progressed (conceptual frameworks)

Source: Shenkton (2004 pg. 83)

Maxwell in his seminal (1992) paper in contrast describes four different approaches to validity in Qualitative research: descriptive validity, interpretative validity, theoretical validity, generalisability and evaluative validity.

'Descriptive validity' refers to the factual accuracy of the information used for the analysis. Descriptive validity in Maxwell's estimation consists of two types: primary descriptive validity and secondary descriptive reliability. Primary descriptive reliability refers to what the researcher reports to have heard or seen. Secondary descriptive validity accounts for instances where the inference by the researcher is highly complex and problematic i.e. what the researcher may have heard or read that happened.

'Interpretative validity' refers to the attempt by qualitative researchers to interpret the subjects under study. This meaning to interpret the phenomena under study not on the researcher's terms but rather from those studied (Bohmann 1991, Headland et al. 1991). Unlike quantitative research interpretative validity infers from the words and actions specific to qualitative research subjects.

'Theoretical validity' on the other hand is different from both descriptive and interpretive validity in that ultimately it is a function of explanation: the degree of abstraction beyond concrete understanding that brings in the researchers theoretical contributions to what is being studied. This Maxwell (1982) argues is a.) The validity of the concepts themselves as applied to the phenomena and b.) The validity of the postulated relationships amongst concepts.

Generalisability is defined by (Maxwell 1992 pg. 293) as *'the extent to which one can extend the account of a particular situation or population to other persons, times or settings to those directly studied'*. He argues further that qualitative studies usually do not generalise as they develop theory as opposed to testing it. Generalisability Maxwell shows composes of both internal and external generalisability. Internal generalisability refers to within group (institutions, persons, settings) generalisability while external generalisability refers to generalisability outside of the group. As a consequence Maxwell (1992) writes that qualitative researchers often focus on internal validity as they are not focused on generalising to populations, institutions or setting outside of that studied. Thus the major issue with ensuring internal generalisability is the interview instrument. Interviews are often done at one time capturing some information but not all, thus their generalisability to longer periods of time, or processes during longer periods of time can be inaccurate in not capturing all the relevant information.

Evaluative validity (Maxwell 1992 pg. 295) writes, '*involves the application of an evaluative framework to the objects under study rather than a descriptive, interpretive or explanatory one*'.

(4.9) Limitations

The study is exploratory, inductive and qualitative. The research design was informed by the data available and the subject of the study. Quantitative data were analysed and contributed to the large amount of data collected from the firm sample. While limitations exist, as to the methodology of the work, it was entirely appropriate indeed the only feasible method through which to conduct the research.

Nonetheless the major limitation of this methodology is the issue of generalisability. This issue arises for a number of reasons.

- 1.) The sample is of portfolio entrepreneurs in a specific context and not all types of entrepreneurs.
- 2.) The sample contains different portfolio entrepreneurs owning companies in many different types of industries and at different levels of scale and operation.
- 3.) The sample is purposive and not random and thus cannot be representative.
- 4.) The research is largely qualitative with basic quantitative analysis and can only answer how and why questions pointing to possible relationships that need to be tested by further quantitative study and analysis.
- 5.) There is no theoretical grounding of the study.
- 6.) The disadvantages of the data collection methods employed may have missed out pertinent data due to their flexible nature.

(5.0) RESULTS

'There is no means by which anyone can evade his personal responsibility. Whoever neglects to examine to the best of his abilities all the problems involved voluntarily surrenders his birthright to a self-appointed elite of supermen. In such blind reliance upon 'experts' and uncritical acceptance of popular catchwords and prejudices is tantamount to the abandonment of self-determination and to yielding to other people's domination'¹².

(5.1) Chapter outline

This chapter is split into three separate sections. As the research was undertaken from two levels of analysis: the individual and firm, the results are split where possible by those that concern the individual (the portfolio entrepreneur) and the firms that the portfolio entrepreneurs own. Each section explains how the analysis for the results in that section was undertaken. This is necessary as this specific analysis on the themes of the thesis adds to the general explanation as in the methodology.

The first section is entitled characteristics and business groups. It looks at the descriptive statistics that concern both the portfolio entrepreneurs and the types of firms that they own. This section details the sample used for the later analysis. The section concludes by looking at the individual and firm characteristics of the longitudinal data that were used in the research. The section that follows concerns the theme of risk, highlighting the role of risk reduction and mitigation in portfolio creation and diversification. It comprises of five sub-sections that detail, risk at the firm-level, individual-level (risk attitudes/ perceptions and change over time), risk management and the rationales for diversification (risk-spreading and other elements).

The chapter then examines the role of the environment in hindering/ enabling portfolio creation and diversification. It begins by analysing the enabling factors of the environment to portfolio entrepreneurship first looking at firm/macro level and then the entrepreneur. Finally a section that

¹² Ludwig von Mises, *'Human Action'*.

integrates the three perspectives of this research in the process of portfolio creation and diversification concludes the chapter.

(5.2) Characteristics of portfolio entrepreneurs and their business groups

(portfolios)

(5.2.1)The portfolio entrepreneurs

Table 5.1: Characteristics of the portfolio entrepreneurs

Entrepreneur	Age	Ethnicity	Sex	Job in addition to self-employment?	Job Prior?	Qualifications
<i>B. A</i> ¹³	68	Asian	Male	No	Yes	A levels
<i>G. C</i>	55	European	Male	No	No	Tertiary (UG)
<i>Z. C</i>	34	Asian	Male	No	No	A levels
<i>R.F</i>	53	European	Male	Yes	Yes	Tertiary (UG)
<i>F. J</i>	44	African	Male	Yes	Yes	Tertiary (UG &PG)
<i>W. K</i>	48	Asian	Male	No	No	No
<i>C. LP</i>	59	European	Male	No	Yes	Tertiary (UG)
<i>D. L</i>	58	African	Male	Yes	Yes	Tertiary (UG & PG)
<i>G. P</i>	55	European	Male	Yes	No	Tertiary (UG)
<i>J. S</i>	25	African	Male	No	Yes	Tertiary (UG)
<i>M.S</i>	28	European	Male	No	No	Tertiary (UG)
<i>L. S</i>	56	European	Male	No	Yes	Tertiary (UG)
<i>M. T</i>	52	African	Male	Yes	Yes	Tertiary (UG & PG)
<i>G.T</i>	60	European	Male	No	Yes	A levels
<i>J.V</i>	58	European	Male	Yes	Yes	Tertiary (UG)
<i>L.W</i>	48	European	Male	No	Yes	Tertiary (UG)
<i>H. Z</i>	54	Asian	Male	Yes	Yes	Tertiary (UG)
<i>R. B</i>	25	American	Male	No	Yes	Tertiary (UG)
<i>H. D</i>	35	Lebanese	Male	No	No	High School
<i>L. S</i>	60	Euro- Zim	Female	No	Yes	HS High School
<i>G. N</i>	46	African	Male	Yes	Yes	Tertiary (PG)
<i>J. P</i>	45	Euro-Zim	Female	Yes	Yes	Tertiary (UG)
<i>M. K</i>	50	Asian	Male	No	Yes	Tertiary (UG)
<i>R. MC</i>	40	Euro- Zim	Male	No	Yes	HS High School
TOTAL: 24 RESULTS	<u>Ave: 48</u>	<u>American/ European: 13/24 54%</u> <u>Asian/ME 6/24 25%</u> <u>African: 5/24 21%</u>	<u>Male: 22/24 92%</u> <u>Female 2/24 8%</u>	<u>Yes: 9/24 38%</u> <u>No: 15/24 62%</u>	<u>Yes: 17/24 71%</u> <u>No: 7/24 29%</u>	<u>Tertiary UG: 13/24 54%</u> <u>Tertiary PG: 4/24 17%</u> <u>Tertiary UG&PG: 4/24 17%</u> <u>High School: 6/24 25%</u> <u>None: 1/24 4%</u>

From table 5.1 it can be seen that there is a wide range of portfolio entrepreneurs present within the sample. The sample consists of 24 portfolio entrepreneurs with an age range from 25 to 68, with an

¹³ Names are protected for anonymity purposes

average age of 48. The large majority of the sample are male. This is not surprising considering the literature on habitual and portfolio entrepreneurship in the West (Rosa and Hamilton 1994, Kolvereid and Bullvag 1993, Westhead and Wright 1998c, Westhead et al. 2003 b) and in Africa (Balunywa 2009) but perhaps slightly misleading in this case. As you will see from other analysis done in this section (table 5.2) many of the entrepreneur's spouses are involved in the running of different businesses in the portfolio group and in some cases are the impetus for the creation of some of the businesses. Thus, levels of female portfolio entrepreneurship while appearing to be low, is higher in reality than table 5.1 suggests.

The human capital profiles of the entrepreneurs are not surprising. First the large majority have some form of tertiary education (17 of the 24 entrepreneurs 71%). The remainder of the entrepreneurs have high school qualifications and in only one case no education at all. This trend of superior human capital profiles within habitual (portfolio entrepreneurs) has been identified in research undertaken outside of Africa (Kolvereid and Bullvag 1993, Westhead and Wright 1998 a c Ucsbasaran et al. 2008) and within Africa (Ramachdaran and Shah 1998). Furthermore, the experience profiles of these entrepreneurs is understandably high with 71% of the sample having held a job prior to self-employment. Superior experience has been identified within the literature as a possible cause for why habitual entrepreneurs are highly successful, and may own multiple businesses (Ucsbasaran et al. 2001, Westhead et al. 2003 b, Ucsbasaran et al. 2006 a).

More surprisingly, however, is the existence of the entrepreneurs having a job in addition to their business activities (38%). This is a very peculiar characteristic of African entrepreneurship where individuals use supplementary income from their jobs to either create new businesses in the portfolio group or start new businesses. In a paper by Rosa et al. (2005), the authors identify in a Ugandan sample of a mix of micro and larger scale entrepreneurs that many entrepreneurs in Uganda held jobs in addition to successful businesses. The reasons Rosa et al. (2005) identified for this finding, was that it was a measure of status for the entrepreneurs to hold an additional job while providing them with job security.

However, this work extends that initial finding on a range of different types of entrepreneurs at varying scales, to larger portfolio entrepreneurs. In addition, this research identifies that these

concurrent jobs in this instance act as financial capital. The income from these jobs often provides the start-up capital for a new venture and provides cash-flow when the business group might not be performing well. Furthermore, in some of the cases these jobs have created the competencies that the entrepreneurs have leveraged to start their own businesses and in some cases the jobs entrepreneurs have held have fed into their own businesses i.e. the procurement of services by the entrepreneurs businesses, to the businesses the entrepreneurs work for. This research consequently highlights these natures for the first time in research concerning portfolio entrepreneurs in Africa while also identifying this as a strategy that reduces the risk of failure (see section 5.8).

The backgrounds of the entrepreneurs are diverse and have been classified according to ethnicity. Europeans, Asians and people of Middle Eastern decent are considered portfolio entrepreneurs who hail from Europe and the Indian subcontinent (India and Pakistan) and the Middle East. These entrepreneurs are largely immigrants having in most cases settled in the country before independence in 1964. They are all for technical purposes Malawian, living and residing in the country but due to a single passport policy by government (Malawians may only hold one passport) many are not considered citizens even though they have lived in the country for over 50 years. Africans in this classification are considered indigenous Africans who do not historically hail from anywhere else other than Malawi/Africa.

The sample is majority European (54%) with Asians/ People of Middle eastern origin making up (25%) and African (21%). The relative lack of indigenous African entrepreneurs that is not surprising and has been commented on by a number of scholars researching African entrepreneurship (Elkan 1988, Ramacharan and Shah 1998, Acs and Virgill 2010). One of the reasons for this in the Malawian context is the size and nature of these portfolio groups. These businesses while sometimes being classified as small by European standards are large when considered by African standards and thus it is typical of African samples that larger businesses are often owned by people of European or Asian descent (see Elkan 1988 and Ramacharan and Shah 1998).

Furthermore, the peculiar history of many African countries after independence necessitated non-indigenous African entrepreneurship. Immigrants in many cases could not find work in the public sector which was reserved for indigenous Africans and as a consequence were either employed in the

private sector or started their own businesses as a means for survival. In the case of the Asian community many Asians that had worked on the railways throughout Eastern Africa lost their jobs when there was a wave of national sentiment and anti-Asian policies by a number of African leaders in the early seventies including (Idi Amin, Dr Hastings Kamuzu Banda, and Julius Nyerere). These entrepreneurs either started businesses or left the country for Britain, India or Pakistan.

Thus the ethnic make-up of this sample is not surprising but rather reflects many old large businesses groups that have been run and developed by immigrants to Malawi for decades. Many of the indigenous African portfolio entrepreneurs spoke of the lack of indigenous entrepreneurship without being prompted, identifying reasons in their experience why there was a lack of indigenous entrepreneurship in the country. Some of these reasons are elucidated in the later sections about the environment (see section 5.6.4).

Table 5.2: Characteristics of the entrepreneurs: partnerships, firm ownership, family business incidence

Entrepreneur	Firms	Use of Credit	Partners in business	Family businesses
<i>B. A</i>	2	No	Yes: wife	No
<i>G. C</i>	11	No	Yes: partners	Family business
<i>Z. C</i>	3	No	Yes: wife	No (formerly)
<i>R.F</i>	3	No	Yes: partners	No (formerly)
<i>F. J</i>	4	Yes no longer	Yes: wife	No
<i>W. K</i>	16	No	Yes: extended Family	Family business
<i>C. L</i>	2	No	Yes: partners	No
<i>D. L</i>	4	No	Yes: partners	No (nascent)
<i>G. P</i>	4	No	Yes: wife	No
<i>J. S</i>	2	No	Yes: family	Family business
<i>M.S</i>	2	No	Yes: father	No
<i>L. S</i>	4	No	Yes: wife	No (nascent)
<i>M. T</i>	5	No	Yes: wife and others	No (nascent)
<i>G.T</i>	3	No	Yes:	No
<i>J.V</i>	3	No	Yes: wife	No
<i>L.W</i>	3	No	Yes: partners	No
<i>H. Z</i>	5	No	Yes: partners	Family business
<i>R. B</i>	2	No	Yes; partners	No (future maybe)
<i>H. D</i>	9	No	Yes: partners	Family business
<i>L. S</i>	3	No	Yes: partners, husband	No
<i>G. N</i>	4	No	Yes: partners, wife	No (nascent)
<i>J. P</i>	3	No	Yes: partners	No
<i>M. K</i>	17	No	Yes partners	No (future maybe)
<i>R. MC</i>	8	No	Yes: partners	No
TOTALS: 24	T: 122		Partners: 100% Spouse: 9/24 (38%) Wife: 8/24 (33%) Husband: 1/24 (4%)	Family Business: 5/24 (21%) Nascent/may become: 6/24 (25%) Non: 12/24 (50%) Former 2/24 1%

Table 5.2 highlights other individual-level characteristics of the portfolio entrepreneurs. First it identifies the number of firms owned by each portfolio entrepreneur. Second it identifies whether the entrepreneurs have partners in these businesses and finally it classifies the businesses as either family businesses, non-family businesses or businesses that are in the nascent stage of becoming family businesses or are likely to become family businesses in the future.

Of interest is the use of partners (by every single portfolio entrepreneur) in their portfolios of businesses. This confirms research undertaken elsewhere showing the importance of the entrepreneurial team in habitual and specifically portfolio entrepreneurship (Rosa 1998, Westhead et al. 2003b, Ucsbasaran et al. 2006, Iacobucci and Rosa 2010). This is likely a consequence of the lack

of the use of credit to finance the portfolio entrepreneurs businesses (column 3, table 5.2) and that credit being too expensive. Thus portfolio entrepreneurs in Malawi avoid bank finance but rather go into partnership when creating businesses. There are a number of reasons why this occurs, but primarily it is a consequence of risk and the environment and shall be elaborated upon in the risk and environment sections (see section 5.6 and 5.8).

Another interesting statistic as mentioned earlier is the number of spouses involved in the businesses of portfolio entrepreneurs. Nine spouses or roughly 37 percent of the sample are partners in the businesses. Of these nine spouses eight are female (This meaning that the husbands are the venture founders/heads, this fact consequently pointing to much higher levels of female entrepreneurship than first identified (33%). This nature of portfolio entrepreneurship has not been pointed out by other studies. This has very interesting implications for research concerning Africa where studies decry the lack of female entrepreneurship with medium and large firms (Ramachdaran and Shah 1998, World Bank). At least in this case it seems that females are well represented but their role and involvement in entrepreneurship is understated due to the focus and bias in the position of males as the heads of portfolio groups.

The involvement of both male and female spouses in the business group also points to another interesting facet that this research has highlighted: the role of family business in large-scale entrepreneurship in Africa. As you can see from table 5.2, six of the 24 portfolio groups include family businesses and a large proportion of the businesses have been classified as being nascent family businesses or likely to be family businesses in the future. These businesses have been classified in such a way, due to the involvement of a husband and wife team in the running and partnerships of some of the businesses and in many cases the stated desire of the portfolio entrepreneurs to involve their children in the business at a later stage. This has been identified in the literature by Rosa (1998) as a type of entrepreneurial founder, however, Rosa's research found that these businesses often did not grow due to the constraints of family involvement. Further the Rosa (1998) research did not identify this nascent form of family business highlighted in this sample.

Thus, the research shows the importance of family business in larger-scale portfolio entrepreneurship in Africa highlighting how the portfolio process often morphs into family businesses by showing at a

very nascent stage how family businesses come to be. This has interesting implications for the study of large-scale high-impact entrepreneurship within Malawi and Africa. Furthermore, this peculiar trend also has implications for the rest of the work concerning risk that shall be elaborated upon at a later stage.

The following section looks in greater detail at the individuals that comprise of the longitudinal interview group contrasting the longitudinal groups descriptive statistics to that of the general sample. This is important to show whether there are any descriptive discrepancies between the two samples, while also showing the representativeness of the longitudinal sample.

(5.2.2) The portfolio entrepreneurs of the longitudinal sample

Table 5.3: The portfolio entrepreneurs of the longitudinal sample

Entrepreneur	Age	Ethnicity	Sex	Job in addition to self-employment?	Job Prior?	Qualifications
<i>G. C</i>	55	European	Male	No	No	Tertiary (UG)
<i>Z. C</i>	34	Asian	Male	No	No	A levels
<i>R.F</i>	53	European	Male	Yes	Yes	Tertiary (UG)
<i>F. J</i>	44	African	Male	Yes	Yes	Tertiary (UG &PG)
<i>J. S</i>	25	African	Male	No	Yes	Tertiary (UG)
<i>M.S</i>	28	European	Male	No	No	Tertiary (UG)
<i>J.V</i>	58	European	Male	Yes	Yes	Tertiary (UG)
<i>L.W</i>	48	European	Male	No	Yes	Tertiary (UG)
<i>H. Z</i>	54	Asian	Male	Yes	Yes	Tertiary (UG)
<i>R. B</i>	25	American	Male	No	Yes	Tertiary (UG)
TOTAL: 10 RESULTS	<u>Ave:</u> 42.4	<u>European/</u> <u>American:</u> <u>6/10</u> 60% <u>Asian:</u> <u>2/10</u> 20% <u>African:</u> <u>2/10</u> 20%	<u>Male:</u> 10/10 100%	<u>Yes: 4/10</u> 40% <u>No: 6/10</u> 60%	<u>Yes: 7/10</u> 70% <u>No: 3/10</u> 30	<u>Tertiary UG:</u> <u>10/10</u> 100% <u>Tertiary PG: 1/10</u> 10% <u>Tertiary</u> <u>UG&PG: 4/24</u> 10%
FULL SAMPLE TOTAL: 24 RESULTS	<u>Ave:</u> 48	<u>American/</u> <u>European:</u> <u>13/24</u> 54% <u>Asian:</u> <u>6/24</u> 25% <u>African:</u> <u>5/24</u> 21%	<u>Male:</u> 22/24 92% <u>Female</u> <u>2/24</u> 8%	<u>Yes: 9/24</u> 38% <u>No: 15/24</u> 62%	<u>Yes: 17/24</u> 71% <u>No: 7/24</u> 29%	<u>Tertiary UG:</u> <u>13/24</u> 54% <u>Tertiary PG: 4/24</u> 17% <u>Tertiary</u> <u>UG&PG: 4/24</u> 17% <u>High School: 6/24</u> 25% None: 1/24 4%

From table 5.3, it is clear that the longitudinal sample is a good representation of the entire sample. As evidenced, the statistics for the longitudinal sample and full sample (last two rows) are very similar. There are only minor discrepancies in the average age but this is too be expected when considering the inclusion of younger portfolio entrepreneurs in the longitudinal sample to provide a greater contrast for portfolio expansion. Unfortunately none of the two female entrepreneurs were available for the longitudinal study hence it is entirely male. The only other significant discrepancy is that everyone of the longitudinal sample has an undergraduate education. The rationales for the selection of the longitudinal group are included within the methodology (section 4.6.2).

Table 5.4: Longitudinal sample: partnerships, firm ownership, family business incidence

Entrepreneur	Firms	Use of credit	Partners in business	Family businesses
<i>G. C</i>	11	No	Yes: partners	Family business
<i>Z. C</i>	3	No	Yes: wife	No (formerly)
<i>R.F</i>	3	No	Yes: partners	No (formerly)
<i>F. J</i>	4	Yes no longer	Yes: wife	No
<i>J.V</i>	3	No	Yes: wife	No
<i>L.W</i>	3	No	Yes: partners	No
<i>H. Z</i>	5	No	Yes: partners	Family business
<i>R. B</i>	2	No	Yes; partners	No (future maybe)
<i>J. S</i>	2	No	Yes: family	Family business
<i>M.S</i>	2	No	Yes: father	No
TOTALS: 10	T: 38		Partners: 100% Spouse: 3/10 (30%) Wife: 3/10 (30%)	Family Business: 3/10 (30%) Nascent/may become: 1/10 (10%) Non: 6/10 (60%)
TOTALS: 24	T: 122		Partners: 100% Spouse: 9/24 (38%) Wife: 8/24 (33%) Husband: 1/24 (4%)	Family Business: 5/24 (21%) Nascent/may become: 6/24 (25%) Non: 12/24 (50%) Former 2/24 (1%)

When looking at partnerships firm ownership data and incidence of family businesses within the longitudinal sample (table 5.4 above) once again the longitudinal sample is a very good representation of the entire (general) sample.

The longitudinal sample roughly contain about a third of the entire sample of firms and there no major discrepancies concerning partners and spouses in the businesses. There is a slightly higher rate of

family businesses within the firms sample but this is contrasted by fewer nascent/ or may become family businesses, being present.

Consequently, when it comes to the individual-level data that has been collected the purposive longitudinal sample is a very good representation of the entire sample, this is quite surprising but could be a consequence of a relatively small sample of entrepreneurs to pick from. The next section follows looking at the firm-level characteristics of both the general sample and the longitudinal sample.

The following section looks in greater detail at the firms that comprise of the business groups and the analysis undertaken at this level that is used in the results sections risk the environment and growth (to follow). This section looks at the type of firm industry locations, (broken down by each firm, the employment and turnover figures and the reasons why these firms were created in the first place).

(5.3)The firms owned by the portfolio entrepreneurs

The 24 portfolio entrepreneurs as revealed during data collection own 122 different firms. As mentioned throughout this thesis and particularly with reference to the literature review there are few studies that have obtained firm data concerning the firms that portfolio entrepreneurs own. As a consequence little is known of the firm side variables of the portfolio entrepreneurship phenomena. In addition as mentioned throughout the methodology chapter there are few studies in entrepreneurship that combine both firm and individual-levels of analysis and even fewer if any in portfolio entrepreneurship. If one then looks at firm-levels of analysis of specific studies on African entrepreneurship (as shown in section 2.8 of the literature review), there are hardly any studies that provide this type of data. For the one study in Uganda specifically on portfolio entrepreneurs (Balunywa 2009, Balunywa and Rosa 2009) these data are largely unavailable. Consequently the provision of this data in this thesis is crucial to building knowledge and contributing new knowledge to these literature gaps. However, before moving into revealing this information it is important to understand how and why it was classified.

The portfolio entrepreneurs during the interview process were asked about all the firms in which they had equity stakes, why they had created these firms and how the ideas for creation had come about. In addition, portfolio entrepreneurs were asked about the total turnover and employee numbers of their business groups. A number of the entrepreneurs did not reveal this information and some subsequent attempts at getting this information have fallen on deaf ears. As a consequence some of the employee numbers and turnovers are not known but estimated. The estimates are based on similar size businesses owned by other entrepreneurs and in some cases by information revealed by third parties. Where possible and available, secondary data was used to ascertain accurate estimates of turnover and employee numbers. This being said this data for the majority of the portfolio entrepreneurs was obtained from the entrepreneurs themselves and in those cases where there was no data accurate estimates were used based on the techniques described above.

It should be noted that Companies House in Malawi does not provide such information to the public and even if it did so there would be problems with getting an accurate list of firms. Many entrepreneurs in Malawi own multiple businesses under one registered entity with many businesses being unregistered and informal. This is done for a variety of reasons which will emerge in later analysis. In the literature review the author highlights how many studies on large-scale entrepreneurship in Africa, suffer for precisely this reason: in not getting accurate or in many cases any data of this sort at all. Thus, from this standpoint the only viable and accurate obtaining of this data is from the entrepreneur.

This information on turnover and employee numbers is highly relevant to this discourse. First it substantiates one of the major contentions of this thesis that portfolio (or successful entrepreneurs) are having a significant impact on economic growth and welfare creation in countries such as Malawi. Secondly, with the help of longitudinal data it shows that these portfolios of businesses can indeed be classified as growing businesses and it shows the scale of these businesses.

A spreadsheet of the 122 separate firms, the entrepreneurs and the turnover and was then compiled and categorised according to two criteria: Firm start-up reasons and the U.N.'s ISIC¹⁴ classification of all economic activities.

The first criteria classified the firms created by the reason they were started. The framework used for this classification was the framework used in Rosa's (1998) seminal work on creation and diversification of business groups. Rosa (1998) Rosa and Scott (1999 a) essentially points out why portfolio entrepreneurs come to own multiple firms and classifying (identifying) the processes through which this is achieved. The specifics of the Rosa (1998), Rosa Scott (1999 a) papers are available in the literature review (section 2.7). The firms were thus classified according to Rosa's classifications and in cases where they did not fit any classification a new classification was defined by the researcher. This very important firm analysis is not only used in this section but also provide firm-level substantiation for many of the theoretical contributions of this work, identified in the later pages of this chapter. The table of this analysis (table 5.7) and discussion follows in section 5.3.3.

The U.N.'s ISIC classifications for all economic activities is used to define the industries in which firms operate and these classifications are used by a number of statisticians when looking at firm-level data. There are 24 classifications total within this framework: Agriculture, Forestry and Fishing, Mining and Quarrying; Manufacturing, Electricity, Gas, Steam and Air Conditioning Supply; Water Supply; Sewerage, Waste Management and Remediation Activities; Construction; Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles, Transportation and Storage, Accommodation and Food Service Activities; Information and Communication; Financial and Insurance Activities; Real Estate Activities; Professional, Scientific and Technical Activities; Administrative and Support Service Activities; Public Administration and Defence; Compulsory Social Security; Education; Human Health and Social Work Activities; Arts, Entertainment and Recreation; Other Service Activities; Activities of Households as Employers; Undifferentiated goods- and Services-Producing Activities of Households for own use; Activities of Extraterritorial Organisations and Bodies.

¹⁴ International Standard Industrial Classification

The description of the types of activities that fall under each code are far too numerous to mention here but can be found at <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27>. Every single one of the 122 firms was classified according to this framework and the definitions it provides. The reasons why this was undertaken were: 1.) To provide an account of the firm-level operations of the portfolio entrepreneurs (not enlightened in other studies) 2.) To contrast the make-up of the firm composition with the entire economy, and firm start-up reasons. 3.) To contrast and compare with other sources of data on entrepreneurs/ private industry. 4.) To show the impact that this small group of entrepreneurs is having within the country. 5.) To back-up the individual-level information gathered by this thesis (ensuring triangulation). 6.) To provide firm-level substantiation for the three themes of this research (risk, the environment and growth).

This section now follows by first looking at the scale of the portfolio entrepreneurs' operations and following by looking at the outcomes of the two processes outlined above. First the section will reveal at some select turnover and employee statistics of the portfolio entrepreneurs firms, then looking at the firm breakdown by the UNs ISIC classification and finally the firm start-up classification, providing comment and further analysis where necessary. Finally the section will follow by looking at the composition of the longitudinal firm sample.

(5.3.1) Firm-level demographics and classifications

Table 5.5: Firm turnover, employees and current investment into new businesses.

Entrepreneur	Firms	Turnover Mill\$	Employees	Investment in new businesses
<i>B. A</i>	2	0.5	20	
<i>G. C</i>	11	15	800	
<i>Z. C</i>	3	1.3	26	
<i>R.F</i>	3	1	35	
<i>F. J</i>	4	1.5	50	
<i>W. K</i>	16	50+ Estimate	2500 + Est.	
<i>C. LP</i>	2	40	500 + Est.	
<i>D. L</i>	4	5 + Estimate	300 + Est.	
<i>G. P</i>	4	5	200	
<i>J. S</i>	2	0.5	63	
<i>M.S</i>	2	0.5	20	
<i>L. S</i>	4	7	150	
<i>M. T</i>	5	3 + Estimate	200 + Est.	
<i>G.T</i>	3	2 + Estimate	100 + Est.	
<i>J.V</i>	3	0.6	10	
<i>L.W</i>	3	2	110	6.6
<i>H. Z</i>	5	1	52	
<i>R. B</i>	2	11	550	3.1
<i>H. D</i>	9	20 + Estimate	500 + Est.	
<i>L. S</i>	3	1	210	
<i>G. N</i>	4	0.2	16	
<i>J. P</i>	3	10	128	
<i>M. K</i>	17	40	1508	
<i>R. MC</i>	8	10	86	
TOTALS	T: 122	T (with estimates) = 228.1 Million T (without estimates) = 148.1	T (with estimates) = 8134 T without estimates = 4034	Total: 9.7 New businesses with projected turnovers of over 20 million dollars by 2016

Table 5.5 highlights turnover, number of employees and investment in any new businesses not yet fully operational. As you can see it was not possible to gain turnover and employee information from five entrepreneurs, which employ a combined estimated 3,100+ people and have turnover in excess of 80 million dollars. The largest entrepreneur in terms of scale is included in this group. The estimate on his family's turnover is conservative and confirmed by many entrepreneurs within the sample. As mentioned, while these estimates of course are not entirely accurate a good estimate of their turnovers and employee numbers can be made by looking at the businesses within the portfolio and comparing them to businesses of similar size owned by other portfolio entrepreneurs. As many of these entrepreneurs are well known within the community in Lilongwe, one can make an estimate with a degree of confidence.

What is clear from this sample is that the entrepreneurs operate at different scales but none at the micro or small scale prevalent in many African studies on entrepreneurship (see table 2.4, section 2.8). The sample is a heterogeneous sample of portfolio entrepreneurs at different stages of their careers and at different operational scales. In addition, as you will see in the tables that follow the firms that they own represent all most all sectors of the economy.

The reader should also be aware that these businesses might not appear to be large at European or international classifications but it is a matter of scale. If one considers that the GDP per capita in Malawi is less than 500 dollars per person, these entrepreneurial businesses can all be considered large- scale. In fact, the European and global standards for measuring small, medium and large-scale businesses are entirely inappropriate for research in African contexts such as Malawi.

The first criticism is that in Africa and in other parts of the world where labour is cheap businesses that are labour intensive may be considered large-scale when they are not. Businesses that are highly sophisticated may be considered small when in reality they are big (having large turnovers). In a way this discrepancy or unsuitability of Western measurement standards for businesses is reflected in the multitude of entrepreneurship research in Africa undertaken on SME's which in terms of turnover and operation are actually micro-businesses but are considered to be small businesses due to having more than four employees and less than 50. Thus, as shown in the analysis of African entrepreneurship studies these small business surveys are in fact micro-business surveys. Additionally this could also account for the research on these micro-businesses showing that the majority do not grow. Equally this could also account for the lack of research within African entrepreneurship that identifies growing high-impact entrepreneurship. The author's thesis is that this is precisely why portfolio entrepreneurs should be studied and why they have been neglected by scholars researching African entrepreneurship (to be elaborated upon later).

(5.3.2) Firm ISIC¹⁵ economic activities classification

Table 5.6: Firms by ISIC classifications

ISIC Classification	No of Firms	% sample (rounded)	Rank
Accommodation food services activities	10	8	6
Agriculture, forestry & fishing	11	9	4
Administration & support service activities	17	14	2
Activities of extraterritorial or & bodies	1	1	13
Construction	10	8	6
Education	1	1	13
Electricity gas, steam, air-con	1	1	13
Financial & insurance activities	7	6	8
Information and communication	2	2	10
Manufacturing	11	9	4
Mining & quarrying	2	2	10
Professional, scientific & technical activities	1	1	13
Real estate activities	14	11	3
Transportation & Storage	4	3	9
Wholesale and retail, trading	28	23	1
Water supply; sewerage, waste man. & remediation act.	2	3	10
TOTALS	122		

The table above represents the outcome of classifying the 122 individual firms by the ISIC types of economic activity classification codes. A major finding of this work that is a sample of the companies owned by only 24 portfolio entrepreneurs contains firms within 16 of the 22 categories of the ISIC classification or 73% of the categories. This shows the sheer diversity of the operations of these portfolio entrepreneurs. This evidence supports contentions that portfolio entrepreneurs contribute to economic growth within African economies (Balunywa 2009), however, different to Balunywa thesis it shows this contribution by the distribution of the types of firms.

Furthermore this quantitative analysis is an argument for how qualitative sample can be representative of a population as a whole. Indeed when one considers the breakdown of the Malawian GDP 2010 by composition: 36.5% of it is agriculture, 19.9% of it is Industry and 35.5% of it is services (see Tembo 2010). The data here are similar comprising (13% agriculture, 19% Industry, 68% services). While there is a discrepancy on the agricultural measure this is likely a consequence of these entrepreneurs

¹⁵ International Standard Industrial Classification of all Economic Activities

being based in Lilongwe a city with the majority of agricultural taking part in rural areas. In addition the GDP composition by sector of agriculture represents many large multinational companies.

The lack of agriculturally based companies in the sample when compared to the composition of the economy is balanced out by more service firms (68% of the sample when you add up certain categories). This is not surprising as one would think that entrepreneurs should be the contributing factor in services contributions to GDP and that this type of entrepreneurship should be the most common in a landlocked economy with a trade deficit. The remaining firms in the sample (construction, mining and manufacturing) make up 19% of the firm sample and incidentally 19.9% of the GDP of Malawi comes from this sector.

While it is unclear how the GDP composition by sector statistics were reached (there is nowhere where the author can find this information) and what the categories consist of what is apparent is that this group of 24 portfolio entrepreneurs are closely matched to the sectors of the economy contributing to GDP with the divergences in agriculture and services to be expected considering the nature of entrepreneurship and the nature of agricultural contribution to GDP.

The results thus show, for the first time in Malawi and in Africa that the firms produced from a small number of portfolio entrepreneurs may be representative of an economy as a whole when you take in sector characteristics. Furthermore, the firm-level detail of this analysis and the analysis that follows highlight the firm-level analysis lacking in portfolio entrepreneurship research (see Rosa 1998, Carter and Ram 2003, Ucsbasaran et al. 2008).

(5.3.3) Firm start-up reasons classifications

The table 5.7 on the following page is the result of classifying the firms according to a set of categories or codes that describe why the individual businesses were started by the portfolio entrepreneur. These start-up reasons and rationales for diversification in many cases are then contrasted with the pioneering work of (Rosa 1998, Rosa and Scott 1999 a) which did the same thing for a sample of Scottish portfolio entrepreneurs. This analysis was undertaken to first contrast the start-up reasons rationales as identified with the literature and empirical studies undertaken in the developed nations, showing the relevance of these Western studies to different contexts and contributing to new categories not identified by previous research.

Furthermore, the analysis also elucidates a number of factors affecting the creation, growth, non-growth or contraction of firms within a business group. From this contribution patterns may arise that better understand the process of portfolio diversification/ growth. These factors are then contrasted with individual-level analysis thereby increasing the validity of the findings and proposed theoretical insights.

From table 5.7 (on the next page) it is clear that the research on creation and diversification of business groups confirms research undertaken in the West (all the categories of Rosa 1998, Rosa and Scott 1999 a have been identified within this Malawian firm sample). The definitions for the classifications are provided on table 5.7. The following, table 5.8, ranks the categories in order to get an idea for why the majority of firms were created. This firm start-up analysis is used throughout the results section of the work to contrast and inform the theoretical arguments on the three themes of this research: risk, growth and the environment by providing crucial firm-level validation to individual-level analysis.

Table 5.7: Firm start-up classifications

Codes (firm Start-up reasons)	Description	Percentage of firms	Rosa (1998), Rosa Scott (1999) a. corresponding code
Fundamental changes in economic, political and legislative conditions (CEPC)	Companies started due to new economic policies (privatisation liberalisation etc), laws	8/122 7%	<i>Dimension 3: Strategies 'Serendipity' Rosa (1998)</i>
Loss of job (LOJ)	Companies started out of necessity for survival. Entrepreneur having lost their job	5/122 4%	Not established/ encountered, not segregated at least.
Dormant companies (DC)	Companies existing but not functioning for a variety of reasons (see main text)	4/122 3%	<i>'Phantom businesses' - Non-trading about to start and other reasons. Rosa (1998)</i>
Opportunity and market conditions (OBT) and property (P)	Opportunities arising from the particular developing nature of the Malawian economy i.e. lack of competition	Property: 14/122 11% Other: 30/122 25% Total 44/122 36%	Rosa, Scott (1999) a. <i>has a whole set of specific reasons attributed to growth, new markets. Focused on firm as opposed to market</i>
Related diversification (RD)	Companies being started that were related in some way to the core business	26/122 22%	<i>'Related diversification' Rosa (1998) found this to be most common form in his research</i>
Core family businesses inherited (CFBI)	Companies inherited in family business model from which other diversifications result	3/122 2%	<i>'Multiple venture founders from non corporate backgrounds (mostly associated with family business). Rosa (1998)</i>
Business started through partners Idea (PI)	Companies started on the intention of a partner	6/122 5%	<i>'Non- entrepreneurial habitual founders' people attaching themselves to successful partners. Rosa (1998)</i>
Holding companies (HC)	Companies started for tax purposes holding of assets and other companies	8/122 7%	<i>'Holding companies' Rosa (1998)</i>
Going concerns (GC)	Companies already existing bought by portfolio entrepreneurs	10/122 8%	<i>'Buyouts, mergers and acquisitions' Rosa (1998)</i>
Family conditions (FC)	Firms started at the behest of other members in family (crucially these are not family firms)	5/122 4%	<i>'To assist a friend or relative', Rosa Scott (1999) a.</i>
Managerial buy-outs (MBO's)	Owners managing companies and ending up owning them through share options	1/122 1%	<i>'Buyouts, mergers and acquisitions' Rosa (1998)</i>
Process/administration companies (PAC)	Companies started with the purpose to process/administer functions of other companies in the group	2/122 1%	<i>Not established</i>

The table 5.8 on the next page ranks these start-up classifications by percentage of firms in the sample and then compares this to the literature on portfolio diversification identifying how this Malawian sample differs or confirms current empirical research.

Table 5.8: Firm start-up category rankings

Firm start -up codes/categorisations	No firms	Percentage	Rank
(CEPC) Fundamental changes in economic, political and legislative conditions	8	7	5
(LOJ) Loss of job	5	4	8
(DC) Dormant companies	4	3	10
(OBT) Opportunity property companies	14	11	3
(OBTO) Opportunity and market conditions	30	24	1
(RD) Related diversification	26	21	2
(CFBI) Core family businesses inherited	3	2	11
(PI) Business started through partners idea	6	4	7
(HC) Holding companies	8	7	5
(GC) Going concerns	10	8	4
(FC) Family conditions	5	4	8
(MSO) Managerial share options	1	1	13
(PAC) Process/administration companies	2	2	12
TOTAL	122		12

From the table 5.8 (above) one can view the highest ranking firms i.e. those categories that consist of the highest percentages of the overall firm sample (in bold script). From this it is clear Opportunity and Market Conditions have been the primary drivers for firm creation by the portfolio entrepreneurs. This is not surprising considering the opportunity rich nature of developing economies where a lack of sophistication and competition gives experienced portfolio entrepreneurs a competitive edge. (This will be looked at in greater detail in the section concerning the environment)

The second highest category is related diversification. This category refers to businesses that are started that are related to the core businesses within a portfolio group. Rosa (1998) identified this form of diversification as being the most prominent in his sample of portfolio entrepreneurs in Scotland and thus this research confirms his findings in the importance of related diversification in the process of portfolio creation. Core businesses are generally the largest business within a portfolio group and often are the impetus for the creation of subsequent firms (Rosa 1998, Rosa and Scott 1999 a, b, Iacobucci 2002).

The third highest category is: opportunity: property based companies. The reasons for this focus in property is partly a consequence of the growth within the Malawian economy over the past decade. However, in reality property has been a very safe bet in Malawi over the past ten years or so. First, as Lilongwe is the capital most government, foreign donors and NGOs are based within the city and thus

the requirements for residential and commercial property is high. Furthermore, with many donors paying in foreign currency for residential property, property has become a safe bet in a volatile economic climate, where the local currency is not stable.

In addition certain regulatory inefficiencies allow for property to be even more profitable for those that get involved in it. First, government tax collection systems on rental properties is poor and thus tax is generally not collected. Second the zoning of new commercial and residential land is a protracted process. What this means that titled land (i.e. land with a deed) goes at a premium and is consequently in short supply. This short supply of titled land consequently ensures that rents are high and property investment profitable. One of the portfolio entrepreneurs went so far as to say that initially property was so profitable within the city that one could get a return on investment in five years about a third to a sixth of the time in Europe. The investment into property also allows for a consistent cash-flow that may help with the other business operations of the portfolio entrepreneurs.

The 4th and 5th highest categories are holding companies and fundamental changes in economic, political and legislative conditions. Holding companies refer to legal entities in which groups of companies are held for tax and other purposes. Holding companies present a high proportion of the firm sample as in the case of larger business groups (five companies or more) often need a holding company to organise their companies for legal purposes. Rosa (1998), Rosa and Scott (1999) also found evidence of holding companies in their Scottish sample but interestingly Rosa (1998) commented on the low numbers of holding companies in his research (only three) and how generally only portfolio entrepreneurs with corporate backgrounds had this organisational form with their groups.

Fundamental changes in economic and political and legislative conditions refers to specific instances where changes either economic political or legislative allows for the creation of certain businesses to take advantage of these specific opportunities that may only exist for a certain period of time. An example of this is the number of forex bureaux that were started by portfolio entrepreneurs in Malawi after liberalisation of foreign exchange markets and the floating of the currency post democracy in 1994.

These forex bureaus were at first highly profitable. However, when a new government won election (with different economic policies and a return to the pre independence fixed exchange rate regime) so the country started experiencing forex shortages and so the forex bureaus became less profitable. As forex shortages became worse so the government began to blame private forex bureaus for their problems. As a consequence the private forex bureaus were forced to team up with local banks or close in 2008. Many consequently shut as there was no incentive for the local banks to partner with forex bureaus as they already had foreign exchange operations.

This sample of portfolio entrepreneurs in Malawi is especially adept at taking advantage of opportunities such as the one described for relatively short periods of time and then re-adjusting shutting shop or opening new businesses in areas where 'fundamental changes in economic, political and legislative conditions' have created new profitable opportunities.

The firm start-up classifications also reveal two classifications not identified by (Rosa 1998, Rosa and Scott 1999 a). These two classifications are: 1.) Firms created due to the loss of a job 2.) Process administration companies. Firms created due to the loss of a job are firms started by portfolio entrepreneurs out of necessity when losing their jobs, process administration companies refer to companies created to administer certain processes within a portfolio group. This may be for example a company that arranges finances for the group, paying clients or employees.

The next section follows by looking at the longitudinal sample of the firms looking at select data.

(5.3.4) The longitudinal sample: select firm variables

Table 5.9: Longitudinal sample: employees, turnover, initial investment

Portfolio entrepreneur	Firms	Employees	Turnover (Mill. \$)	Total investment if a new company is in the start up phase
Fe	4	50	1.5	
Ha	5	52	1.0	
Joh	3	10	0.6	
Jo	2	63	0.5	
La	3	110	2	6.6 (+7.5 projected turnover in 2015)
Mi	2	20	0.5	
Gi	11	800	15	
Ru	3	35	1.0	
Zu	3	26	1.3	
Ri	2	550	11	3.1 (+ 7 projected turnover in 2013)
TOTALS:10	38	1716	34.4	9.7 14.5 projected turnover increase
TOTALS: 22 General Sample	T: 122	T (with estimates) = 8134 T without estimates = 4034	T (with estimates) = 228.1 Million T (without estimates) = 148.1	Total: 9.7 New businesses with projected turnovers of over 20 million dollars by 2016

From the table 5.9 (above) a comparison can be made with the general sample in terms of turnover and employees. From this table one can see that a major difference between the longitudinal sample and the general sample is that all turnover and employee statistics are from the entrepreneur. This was possible due to the nature of meeting each portfolio entrepreneur within the longitudinal sample of multiple occasions throughout the longitudinal period. In the case of the general sample some entrepreneurs could not be contacted after the only interview with them or did not provide the information.

The longitudinal sample roughly represents 20% of the total number of employees (with estimated figures) and 15% of the total turnover (with estimated figures). This slight discrepancy accounting for the fact that many of the largest portfolio entrepreneurs were difficult to contact after the initial interview and thus did not form part of the longitudinal sample, therefore as a consequence with the general sample the longitudinal sample contains on average smaller businesses. However, as mentioned within the methodology the longitudinal sample was purposively selected to contrast different portfolio entrepreneurs at different stages of their careers to understand the process of growth in a more holistic sense.

(5.4) Results: the growth process

(5.4.1) Section outline

This section contains the findings of this thesis that pertain to the theme growth. There are three research questions concerning growth. The first questions ask how and why do portfolio entrepreneurs decide to growth their firms into multiple firms. The second questions asks whether portfolio entrepreneurs can be considered to continue to grow when venture creation rates are contrasted over time and the last question asks what factors affect the growth, non-growth or contraction of a business group over time.

The section subsequently follows by first looking at how these portfolio entrepreneurs came to grow a single company into a group of companies. A process that they all had to go through in order to become portfolio entrepreneurs. The section identifies the reasons creation of firms or diversification took place. The aim of this is to contrast this with the current literature on portfolio growth/diversification seeing where there are points of convergence and divergence. It is also important to understand this retrospective process of diversification before actually looking at how portfolio entrepreneurs have achieved growth, non-growth and contraction (in the longitudinal sample). This comparison is essential as no studies on portfolio entrepreneurship have tested this empirical evidence in the literature longitudinally. All of the literature on growth has been conducted retrospectively (see literature review).

The second section is split into three parts: growth, non-growth and contraction and basically enlightens the results of the longitudinal study where ten entrepreneurs were re-interview three times over a periods between two and five years. The section identifies the reasons and causes for growth, non-growth and contraction, thereby contributing to a sparse literature on the subject.

The point of this subsection is ultimately to show the process through which portfolio entrepreneurs' portfolios grow or not. The ultimate aim of this is to provide support for the testing of the argument as to whether portfolio entrepreneurs' firms can be considered to grow longitudinally., a question that has so far, not been adequately answered within the habitual entrepreneurship literature.

(5.4.2) The process of initial diversification (growth)

Table 5.10: Initial diversification of the portfolios

Initial diversification reasons (codes)	Initial diversification sub-codes	Identified in the literature
Core business	Specialisation, support of core business	Rosa (1998)
Opportunities	Proactive search and exploitation, changes in the market, market demand	Rosa (1998)
Hobbies	Hobby turning into business	Rosa (1998)
Business partner/ friend	Friends idea, partners idea	Rosa (1998)
Risk-spreading	Risk of failure	Rosa (1998), Westhead and Wright 1998
Family	Restructuring. within the family business, to involve a spouse	Rosa (1998), Rosa et al. (2005)
Necessity	Loss of job/ to provide for family	Not identified in the literature

Initial diversification refers to how the portfolio entrepreneurs built up their portfolios of multiple businesses. At the time of the first interview, each of the 24 entrepreneurs already managed a business group. As these businesses had all grown from one business to a business group it was important to identify and understand how and why this had come about and by what process. Thus, the general semi-structured interviews took a historical approach to this diversification/growth activity in order to ascertain how the entrepreneur had built each individual firm and merged them into the broader portfolio. Once these rationales became evident they were coded (see table above), sub-coded (in a process of data reduction) and compared to the literature).

The results of this process, is contained in table 5.10. It is evident from the table that the majority of the codes above have been highlighted as rationales for diversification within the literature (Rosa 1998, Rosa and 1999 a b) and thus will not be explained here. However, the author adds a new category to the business group diversification literature, ‘necessity’, while drawing scholars’ attention to the importance of the family business model in predicating and predicting portfolio entrepreneurship.

Necessity refers to instances where the portfolio entrepreneur’s rationale for diversification has been to increase income in order to provide for the needs of one’s family. A recent conference paper by Malfense Fierro and Kiviluoto (2010) pointed out the importance of social elements in the intentions

of portfolio entrepreneurs to starting and growing business groups. An example of this within the sample is Ru, who admits that his desire for diversification coincided with his daughters' educational requirements (university overseas) and as such he needed to find a way to supplement his income:

'I'm retiring. I'm very content where I am. I'm currently scaling down, it's difficult though. I have projects keeping me busy which is important. I'm not going to start any new businesses, only if it were to support my daughter if say she wants to open a B and B, for example. The whole reason I diversified was to improve my income so that I could support my family' (Ru first repeat interview).

Another entrepreneur Gi commented, *'I became an entrepreneur for the survival of my family and had to grow, to suffice the needs of my family and my own well being'.*

In one of the longitudinal sample interviews Zu summed up this notion quite clearly when speaking about his plans for the future:

'I have to diversify further as I can't rely on my core business alone. My family's needs are growing. My motivation for all this growth and diversification is the growing needs of my family. I have two kids who are growing up fast and one has started private school. Fees are high so this drives me to continue growing and looking for further opportunities. So my next steps are my projects. My residential property is on hold at the moment. Let's see what happens once I finish these projects. Should I invest in other countries, what should I do? You know what I'm saying. This is the way forward'.

Necessity as an additional factor for the growth and diversification of a business group contradicts notions in the literature on African entrepreneurship specifically that necessity is limited to small scale, rural businesses (see GEM conceptualisation). In addition this highlights differences between this sample of African portfolio entrepreneurs and portfolio entrepreneurs in the West who are argued to diversify and grow in order to seek wealth (Westhead and Wright 1998).

The role of family is also important in the diversification of portfolio groups as highlighted in studies by (Rosa 1998, Rosa et al. 2005). In six of the cases, these entrepreneurs initially became involved in entrepreneurship through their involvement in family businesses; i.e., when the family head has

passed away, assets are split between siblings, or family members leave the country. Table 5.2, section 5.2 also reveals that close to 50% of the sample is either a family business or what the author terms a 'nascent family business'. Six entrepreneurs are categorised as being at a nascent level of family entrepreneurship (table 5.2 section 5.2). This meaning that a spouse is involved in the portfolio group already and that there may be intention to involve offspring in the businesses at a later stage. The family is consequently identified as a driver for diversification (therefore growth) from both the necessity perspective and through the involvement of other family members in new businesses.

The sub code 'spouse' refers to instances where the entrepreneurs in the sample acknowledged that the rational for diversification or growth was to accommodate their wife or husband in a new venture. As one can evidence, a high proportion of the portfolio entrepreneurs involve their spouses in some of their businesses (38%: table 5.2, section 5.2). Consequently it is not unusual that in some instances spouses have been the driving force behind diversification and growth. Spouse as a sub-code therefore refers to the intention to grow via diversification i.e. to add a new business to the business group, coming via the suggestion of an individual's spouse. A case of this in the sample was that of Joh. Joh's now former wife had two ideas to start businesses when they got married. As she was from China she saw an opportunity to source cheap goods from China to sell to the bottom of the pyramid. She approached her husband with the idea and began a thriving retail enterprise. Joh's other business a Chinese restaurant was born in a similar fashion.

The outcomes of this particular finding on the importance of the role of family confirm studies by Rosa (1998) and Rosa et al. (2005) while highlighting specific factors causing growth through family within the sample. In addition family businesses are shown to be a good predictor and cause of portfolio entrepreneurship through the initial involvement of spouses in the business groups and the future intentions of the entrepreneurs to involve their children in the businesses.

The following section serves as a contrast for these findings on initial diversification. It elaborates on the findings of the longitudinal sample that tracked ten entrepreneurs over varying periods of time between two and five years (see Chapter 4, table 4.3 for full details). During these periods businesses new were created (causing growth), businesses closed (causing contraction) and some business groups stayed the same (non-growth).

The inclusion of this longitudinal research was to further elaborate on the process of development (growth, contraction non-growth) identifying the causal factors to each. The aim of this was to provide a contrast and comparison with the diversification/growth literature that is all retrospective (see literature review), while also studying further complexities in this process that are not part of these diversification/growth studies enlightening the process of portfolio entrepreneurship. This contextualisation has been argued to be crucial to growth and entrepreneurship research (Low and MacMillan 1988, Rosa 1998, Zahra 2007; McKelvie, Wiklund, 2010, Welter 2011).

(5.4.3) Longitudinal results: growth, contraction and non-growth

Table 5.11: Portfolio development over time

P(E)	No. firms 1 st I ¹⁶	No. firms 1 st R I	Change from previous interview	No. firms 2 nd RI ¹⁷	Change from previous interview	No. firms 3 rd RI	Change from previous interview	Change from 1 st Interview	RESULT
Fe	4	5	+1	6	+1	6	0	+2	Growth
Ha	5	5	0	4	-1	4	0	-1	Contraction
Joh	3	1	-2	1	0	1	0	-2	Contraction
Jo	2	1	-1	1	0	1	0	-1	Contraction
La	3	3	0	3	0	4	+1	+1	Growth
Mi	2	1	-1	1	0	0 Left	-1	0 Sold	Exit- left country
Gi	11	14	+3	13	-1	16	+3	+5	Growth
Ri	2	4	+2	3	-1	n/a	n/a	+1	Growth
Ru	3	3	0	4	+1	4	0	+1	Growth
Zu	3	3	0	3	0	4	+1	+1	Growth
R	38	40	+2	39	-1	43	+4	+5	Growth 6/10 Contraction 3/10 Exit 1/10

The table above displays the longitudinal results of the research. The research is qualitative and focused on the process of business group diversification. The research therefore, considers growth to be adding a firm/s to the business group. This conceptualisation of growth is taken due to the lack of accurate specific data on each firm within a portfolio such as sales, turnover and profits. While data

¹⁶ Interview

¹⁷ Repeat Interview

has been collected on overall group turnover and employees for the longitudinal data, it was not possible to do this by firm nor was it within the scope of this research.

Growth refers to instances where new firms have been created and added to the business group. Non-growth refers to instances where the business group has not grown in number of firms but remained the same. It could be that there has been growth in these instances, but the author has no reliable way of measuring this. Contraction refers to instances where the business group has reduced in number, where a firm has been shut down or sold.

Table 5.13 (next page) contrasts the growth of the longitudinal sample with the time-periods in which the interviews were taken (defined in Chapter 3). The dates of the first interviews with the entrepreneurs are also included to give the reader an understanding of the entire longitudinal period. The three subsequent longitudinal interview rounds are also included. Average monetary statistics are included over the specified time periods. The table thereafter (table 5.13) takes this analysis a step further showing how many firms were created at each time period and how many firms were closed, contrasting this with select economic data.

The results indicate that while the number of firms decreased after the first repeat interview period, the overall number increased during the longitudinal period. This variation is what is referred to in the literature as 'churn' (see Reynolds and Maki 1990) – the continual flux of portfolio entrepreneurs closing and adding businesses. If one then breaks down the sample into instances of growth one finds that six groups have grown by the end of the longitudinal periods. One group by five firms another by two and four groups by one firm (table 5.11).

If one then contrast these longitudinal periods with the corresponding phase of Malawi's economic development one can see that in all periods, bar one, more firms have been created than closed (13 vs. 8, table 5.13). The one period where more firms were closed than created, the three firms that were shut were not shut due to failure but rather as a consequence of very poorly crafted government policy that necessitated closure (this will be elaborated upon in further sections). Interestingly, the period right before the pinnacle of the Malawian economic miracle in 2009 represents the period with greatest growth followed closely by the period of decline.

What this tentatively suggests is that in the years preceding a boom portfolio entrepreneurs may expand aggressively in creating new firms and that during tough times they may expand into other markets as a safety mechanism. The specific reasons are elaborated upon later on in section 5.5.

Table 5.12: Interview schedule and time periods

Year	Historical Period	INTERVIEWS UNDERTAKEN	STATISTICS (Ave)
2004	CONSOLIDATION OF POWER, POLICY CHANGE		GROWTH: 2.3% INFLATION: 13.6% DEPRECIATION: 12.16% ¹⁸
2005			
2006		6 General sample Interviews	
2007	Start of the: MALAWIAN ECONOMIC MIRACLE		GROWTH: 8.4% INFLATION: 9.1% DEPRECIATION: 1.87%
2008		11 General Sample Interviews and repeat interviews (round 1) from 2006	
2009		3 General Sample Interviews Repeat Interviews (round 1) from 2008.	
2010	Start of: DECLINE ALMOST COLLAPSE	2 General Sample interviews, Repeat interviews round 2	GROWTH: 7 % (2yrs 10/11) INFLATION: 7.6% (2yrs 10/11) DEPRECIATION: 7% (2yrs 1011)
2011		2 General sample interviews Repeat 2 (Jan) Repeat Interviews round 3 (Dec)	
2012		Repeat Interviews round 3 (Jan)	

Table 5.13: Time periods, firm creation and closure

Year	Historical period	Key economic stats. (Ave)	Growth
2004	CONSOLIDATION OF POWER, POLICY CHANGE	GROWTH: 2.3%	N/A no longitudinal interviews taken
2005		INFLATION: 13.6%	
2006		DEPRECIATION: 12.16%	
2007	Start of the: MALAWIAN ECONOMIC MIRACLE	GROWTH: 8.4% INFLATION: 9.1% DEPRECIATION: 1.87%	
2008			6 firms created & 4 firms shut
2009			
2010	Start of: DECLINE ALMOST COLLAPSE	GROWTH: 8.4% (2yrs 10/11)	2 firm created
		INFLATION: 9.1% (2yrs 10/11)	3 firms shut
2011		DEPRECIATION: 1.87% (2yrs)	5 firms created
2012			1 firm shut

Looking at contraction reveals that three groups have contracted and one has exited (table 5.11). However, if one looks at the reasons why these individuals business group have contracted or exited it becomes clear that failure is not the main reason why these groups have experienced contraction. Of the three groups contracting, Mi has left the country, with his remaining business being sold (this is

¹⁸ All stats taken from table 3.1 Chapter 3.

not a failure per say). Joh's group on the other hand has contracted due to disputes with his partner (taking one firm) and the closing of one of his businesses, not due to failure or un-profitability but a lack of time to manage the firm. Jo has also closed one firm due to a lack of time or extra money to keep running it. Ha's group has reduced by one due to changes in government regulations that necessitated the closure of his forex bureau.

There are no cases of non-growth at the end of the longitudinal process, which is surprising but perhaps a consequence of a rather small longitudinal sample. Examination of the different interval periods indicates more cases of non-growth where entrepreneurs may be focusing on their core businesses or consolidating in tough times (more to be explained later) However, these fluctuations, do highlight the nature of churn and point to growth and contraction being more prevalent forms of development in this case.

Thus, looking more closely at this data it is clear that firm failure is extremely rare and that the majority of portfolios have grown (two thirds). This is rather surprising considering the uncertainty present within the Malawian economy during the period of research (see Chapter 3, for details). This finding adds weight to the notion of these portfolio entrepreneurs being high-growth and high-impact.

There exists no definition of a high-growth portfolio, but the two commonly used definitions for single-firm growth are: 20% consecutive sales growth for five consecutive years (Fischer and Reuben, 2003), or the OECD definition that requires a 20% sales growth for three years, starting with a minimum of 10 employees. A recent study on micro firms in Africa defines a high-growth firm in the African context as having a 10% annualised growth rate over three years with a minimum of 5 employees (Goedhuys and Sleuwaegan 2010). While the yearly financial situations of all of these firms is not known, it is likely that at an aggregate level the portfolios meet these criteria as the 10 entrepreneurs have created a total of 13 firms with only 8 being shut during the time period. However, this does not qualify the entrepreneurs as high-growth but does show that they do continue to grow longitudinally. Of those eight being ceased, three have been closed due to poor government policy, two have been closed due to a lack of cash or time to run them, one has been transferred to a partner due to disputes and one when a partner left the country.

The following section delves into greater detail as to why firms have grown, not grown or contracted. One might be surprised that the author is containing instances of non-growth as at the end of the longitudinal process (see table 5.11) there were no firms that had had non-growth or stayed the same. However, the section above only explains the outcome at the end of the respective longitudinal periods and not at the two stages before it. All of the entrepreneurs bar one were repeatedly interviewed three times after their first general interview. Thus, as you can see from table 5.11 depending on repeat interview the compositions of growth, non-growth and contraction change.

(5.5) Analysis of the longitudinal growth data

The following analysis is the analysis of the entire longitudinal sample at each interview period identifying the causes at each interview period resulting in growth, non-growth or contraction. The entrepreneurs were asked a number of questions in the repeat interview as to whether they had created or closed any businesses. Once they answered they were further questioned on why they had gone into a new venture, how they had done so (finance, partners etc).

These answers to all these questions were first uploaded to Nvivo 9 and the content then analysed through a process of categorising and coding breaking down the data into component elements (as highlighted in the following tables). The first categories were instances of growth, instances of non-growth and instances of contraction. All responses to these categories were then coded under these categories.

Once these codes or reasons had been categorised the content of the categories was sub-coded. This meaning that the data within categories was further coded identifying a number of further categories and consequent codes. Through this process the data was reduced, highlighting the particular components/causes of each developmental state. The tables included in the next sections identify the categories (codes) and sub categories (sub-codes).

This data were then contrasted to political and macro economic data (from Chapter 3) in order to get a better understanding of the reasons identified and as presented in tables twenty three and twenty four. Once this had been completed further comparisons were made in case and between cases seeing if

there were any specific trends to the data or causal factors i.e. one entrepreneur perhaps creating companies all in one industry or favouring a certain type of new firm or ownership structure.

(5.5.1) Reasons for growth, contraction and non-growth

Table 5.14: Instances of growth

Codes	Core business rationales	Market opportunities	Complementary skills and experience	To hedge against political uncertainty
Sub-codes	1.) Core business performing badly, 2.) Related diversification borne out of the needs of the core business. (to support functions)	1.) Demand borne out of a growing population/ environmental dynamics 2.) Economic policy ineffectiveness/inefficiency/ subsidies 3.) First mover advantages (underdeveloped nature of economy)	1.) Businesses started that are complementary in fitting the entrepreneurs skill set and experience.	1.) companies started in other countries in case country collapses, to switch resources etc.

In instances where groups had grown over the longitudinal period, entrepreneurs were asked why they had decided to create new firms. Many of the firms started were created to assist the core business or use its resources for further value creation. The need to start a new firm was often precipitated by the core business within the group performing badly. This was in the case for Gi who started two new firms due to the lack of growth/performance within his core business. La on the other hand started a new firm to provide a mechanism through which to get inputs for his core business.

Another example of growth is Ri, who created two new firms during the period of longitudinal research. He initially responded to market opportunity in adding his first new firm (a large forestry concession which involves his managing part of a forest and selling the timber). He also felt that he had the necessary experience and skill set to facilitate this. The second venture was also created in response to market opportunity but also to serve as a feeder business to what he considers his core business (Lechner and Leyronas, 2009).

Fe on the other hand started his first new business due to a market opportunity created out of economic policy ineffectiveness/ inefficiency (Ghamawat and Khanna 1998), essentially the creation

of a subsidy for government purchased seed to be sold to small holder farmers ensured that a large demand from seed would result in the forthcoming years (as government would be purchasing large quantities to sell at subsidised prices to smallholder farmers). Fe identified this opportunity and the guaranteed demand deciding to enter early and get into the seed game by starting to pack and sell his own seed. At the same time the rationale for this growth was that it was in a complementary sector to the majority of his groups (which is linked to agriculture). He has considerable developed skill set and experience in agriculture, hence this growth rationale also falling under the category complementary skills and experience. Incidentally Fe's first firm growth venture was in the agricultural sector, thus representing a trend for related diversification from his core agricultural business (Rosa 1998, Rosa and Scott 1999 a b, Iacobucci, 2002).

An interesting category not identified by the literature was the case of an entrepreneur creating a new company 'to hedge against political uncertainty'. This referred to a few entrepreneurs that created companies outside of the country in case the state failed, so that they could continue operating their businesses elsewhere. Incidentally Malawi during the period of the last repeat interview was close to collapse (see Chapter 3, section 3.4) and it is not surprising that a few businesses that contributed to growth within the portfolio were created at this time. Thus, this represent an additional rational for growth and diversification of portfolio groups.

Table 5.15: Instances of contraction

Codes	Business partner reasons	Time reasons	Financial reasons	Core business reasons	Economic reasons
Sub-codes	1.)separation of one of the partners in an enterprise 2.)disagreements over strategy of business	1.) personal time limits. a.) management b.) trust	1.)not enough spare cash to keep business afloat	Focus on core business/ core business performing badly	1.) lack of skilled human resources in environment/corruption by employees/business partners 2.) poorly crafted government policy/regulation

In instances of contraction businesses had been closed down or sold for five primary reasons: business partner, time, financial, core business and economic (reasons).

'Business partner reasons', was broken down into two sub codes 1.) Separation of one of the partners in an enterprise and 2.) Disagreements over strategy of an enterprise. In the case of Joh, he lost one of his businesses after he divorced from his wife (she was his business partner). She then took the business and started operating it on her own.

Joh's second business failure since the time of first interview saw him having to hire a manager (that he gave shares to) in a bar that he owned. The manager subsequently used his position to commit fraud and the business went bust. Interestingly, the lack of suitably qualified and trustworthy staff is a commonly cited problem in the sample, and is described under the code economic reasons. As a consequence, entrepreneurs are heavily involved in their individual businesses or involve family members to mitigate this risk (see forthcoming environment and risk sections).

In Mi's case one of the firms in the portfolio was shut when his father (business partner) moved overseas and he followed suit, selling his remaining business to go live and start a new business in Europe during 2009.

In Jo's case the cessation of the family's transport business was a combination of a number of causal codes. He did not have the time to focus on the business. He was focusing on the core business (a school), but did not have the extra cash from the core business to keep his transport business afloat via making the necessary required investments.

In the case of two of the portfolio entrepreneurs two businesses had to be closed due to a poorly crafted policy by government that forced forex bureaus to shut by forcing bureaus to partner with commercial banks (who had no interest in doing so) or lose their licences. As Ha summated:

'Well, we have shut the forex bureau. The government blamed private forex bureaus for the shortages in foreign currency. Which is a load of hogwash. So now in Malawi banks pretty much have a monopoly on sales of foreign currency and own all the forex bureaus. We offered to go into partnership with a bank but for obvious reasons they weren't interested. I mean why would they be, if they are already running forex operations? Why would they want to share the profit?'

Consequently two businesses were shut because of this policy. Another instance of a poorly crafted government policy affecting an entrepreneur was Ri, who had to shut down a car hire company after a tax exempt status for vehicles used by NGOs was suddenly cancelled by government without warning or reason.

In some cases entrepreneurs had to shut down businesses to focus on their core business (such as Jo) or because their core business was performing badly. Rosa and Scott (1999 b) refers to this as pulling in the horns when discussing the flux in business group growth and contraction.

Table 5.16: Reasons for non-growth

Codes	Trust reasons	Time reasons	Economic conditions	Focus on core Business	Finance Issues
Sub-codes	n/a	1.) Personally manage/ supervise 2.) Lack of time due to other job.	1.) Chinese competition 2.) Effects of credit crunch 3.) Corruption 4.) Artificial macro conditions: i.) forex ii.) fuel iii.) electricity 5.) Lack of regulation/poor govt. policy 6.) Lack of suitable market	1.) Growth needs 2.) Consolidation/ troubles with core business	1.) lack of cash

Referring to table 5.11 (section 5.4.3) it is clear that after the first repeat interview four business groups had not grown, by the second 4 had not grown and by the third none had not grown. When analysing reasons for non-growth the researcher took into account the reasons entrepreneurs had cited both during the first repeat interview and the second repeat interview. When entrepreneurs were asked why they had not expanded their businesses, six themes or categories became apparent: trust reasons, time reasons, economic reasons, focus on growing the core business and financial issues.

‘Trust reasons’, refers to instances where the entrepreneurs cited that they had not expanded due to problems with trusting other individuals to run other businesses in the portfolio. For example, Zu commented on how trust and time both impacted on him not having expanded:

'I could essentially open branches everywhere (of core car services business), however, I am reluctant to do so as there exists an issue of trust i.e. with regards to finding the right people to manage new operations. Bigger isn't necessarily better as I have less control, management becomes difficult as there is a lack of competent managers in the country and any successful business in this part of the world is built up on competency'.

He added further,

'I have been offered many diversification opportunities (since the last interview) through friends and business associates, however, I don't have the time to implement any of these possible money making opportunities as I have to personally manage my portfolio or at least put a family member in charge'. (He then pointed to the underlining issue of trust within a developing African economy and that the fact is it is hard to trust people in a very cutthroat, corrupt environment.

Both of these reasons are also found by Wiklund et al. (2006). In their research the authors find that, among others, growth intentions are affected by the fear of losing control, the expected increasing workload and risk of losing independence.

'Economic conditions' refers to instances where entrepreneurs cited particular market conditions as to why they had not grown their business groups. As a category this offered the most relevance to the research question. Entrepreneurs often cited multiple economic conditions for their different firms not growing. These conditions were broken down into six categories for further elucidation. Many of the sub-codes overlapped the economic coding of instances where business groups had contracted. These categories were: Chinese Competition (recent opening of the Malawian economy to Chinese aid and firms), Effects of Credit Crunch (knock on effects to availability of finance due to donor aid budgets being reduced), corruption (entrepreneurs, employees, bureaucracy), Artificial Macro Conditions (changes in policies/ poor monetary and fiscal policy making operation of certain businesses difficult/impossible), Lack of Regulation (not protecting the law abiding entrepreneur), Lack of Suitable Market (markets being too small with low growth possibility) are largely self explanatory and are delved into in greater detail by a forthcoming section on the environment.

The next category or code 'focusing on the core business' refers to entrepreneurs responding that they had not grown the number of firms in their group because they were focusing on their core business, as highlighted by Rosa and Scott (1999 b). Two entrepreneurs responded with this rationale: The first (La) that had at the time of first interview just started a large Bio-fuels operation that at the time of second interview and third interview still had huge growth potential. The business required a lot of work until eventual launch (implementing of required distribution channels for successful operation). So La essentially did not have the time to open a new business as he was focusing on his core (this incidentally also fits in time reasons elucidated earlier). The second, Gi, was experiencing difficulties in his core business so he had to consolidate and unlike Rosa and Scott (1999a) rational, that portfolio entrepreneurs generally diversify out of trouble as a survivalist mechanism, the opposite seems to be the case here. This issue of time, as a resource is pointed out by Iacobucci (2009) as a reason why entrepreneurs involve entrepreneurial teams in the running of new businesses.

'Financial issues' refers to the entrepreneurs not having the spare cash in hand to invest in a new business, with available monies tied up in the business group. This code also reflects an interesting finding of this research that of this sample of 24 entrepreneurs owning 122 firms in Lilongwe, Malawi, only one or two had use institutional finance to start the businesses in their groups, instead facilitating investment through the use of business partners in new ventures (see section 5.2). This also ties into the notion that the risk of institutional finance is too high for entrepreneurs in Malawi (Malfense Fierro and Rosa 2010) so they seek risk-mitigating activities such as the formation of an entrepreneurial team (Malfense Fierro and Rosa 2010, Iacobucci and Rosa 2010).

(5.5.2) Summation

This sub-section of the results chapter on growth has shown how portfolio entrepreneurs grow and diversify their group of firms using the retrospective information gathered from the general interviews. This information is then contrasted with the longitudinal sample that identifies the processes of portfolio development (growth, contraction , non-growth) identifying the reasons why these groups of firms have either grown by number reduced by number or not grown at all.

These development processes have been contrasted with the literature on portfolio diversification and growth highlighting where this research in an African context substantiates the empirical evidence and where it contributes to new knowledge. Crucially this research has confirmed this data longitudinally, with greater detail and in a context where no research of this kind has been undertaken.

Many of these causal factors identified in the process of portfolio development make up the focus of the next section of this results chapter (on the next page): the role of the environment in enabling or hindering venture creation. In the following section a framework is developed and tested longitudinally that identifies these enabling, hindering factors of the environment to venture creation and operation.

(5.6) Results: The environment for venture creation and operation

(5.6.1) Section outline

This section outlines the findings concerning the theme of the environment within the research. The research questions revolved around first identifying the environmental conditions (economic social and political) that affected the operations of the businesses owned by the portfolio entrepreneurs. The following questions, were aimed at discovering the specific conditions present within the environment that were a.) Enabling venture creation and growth by the portfolio entrepreneurs and b.) Hindering venture creation and growth by the portfolio entrepreneurs.

This section starts off by first looking at the analytical framework that arose from the data that allowed these questions to be answered. The subsequent and additional refinement of the analysis is also explained showing how an understanding of the answers to these questions was achieved.

The section then moves into explaining and detailing the each finding of the research and how it relates to the general sample of portfolio entrepreneurs and whether it hinders, enables or both hinders and enables venture creation and operation. This is achieved by looking at the specific conditions that enable venture creation/operation by the portfolio entrepreneurs explaining how and why this comes about and conversely, explaining the conditions that hinder venture creation how and why they do so.

The section concludes by looking at the longitudinal sample that were repeatedly interviewed during three distinct periods during the last five years. This section outlines the environmental conditions that were affecting the longitudinal sample throughout the three intervals of repeat interviews. After the environmental elements have been identified they are then contrasted to the analysis undertaken on the Malawian context in Chapter 3.

The chapter concludes by looking at how the different levels of the analysis contribute to an understanding of the phenomena while also contextualising the environment with references to the preceding and following chapters.

(5.6.2) How the environment data were analysed

The answers to the interview questions concerning specific environmental hindering and enabling conditions and general environmental questions were uploaded, collated and analysed using QRS Nvivo 9 (applying the process of coding and categorising as described by Miles and Huberman 1994). This process involved coding all mentions of the environment within the transcribed interview transcripts by categorising them (see third paragraph for specifics). Once the codes had been categorised, the categories were then analysed, refined and sub-coded. The sub-codes identified further descriptive elements of the broad categories. Through this process of data reduction, an analysis of the environment was achieved identifying all the environmental facets that affected the operations of portfolio entrepreneurs.

This analytical process was applied to the entire interview thus the entire interview was scanned for other mentions of environment facets contained within the non-environment questions in the semi-structured interview. For example an entrepreneur when recounting the process through which he created a business in the past, might mention that it had been difficult due to problems getting the necessary permits to start operating. Instances such as this provided further necessary insights on the effect of the environment in enabling and hindering venture creation.

Once all these accounts of the environment had been identified the process of coding began. Codes initially fell under three broad environmental categories: political, economic and social conditions. Further sub-coding subsequently broke down these first level codes into further sub-categories identifying how these codes either enabled or hindered firm creation. Further sub-coding then broke down these hindering and enabling categories into further codes. After this was achieved the most pertinent of these multiple codes were identified which outlined which environmental facets (codes) were most representative of the sample of entrepreneurs. This was done by adding the scores for the number of times a certain entrepreneur mentioned a certain code (references) and the number of entrepreneurs (sources) who had mentioned that code in their interviews. Through this process an overall score was given to each first level code which separated the most relevant codes from the rest (the highest score being most relevant), thereby allowing the researcher to identify which

environmental conditions were the most relevant when it came to hindering and enabling venture creation/success and which to focus on when doing further analysis (see table 5.18).

The highest ranked eleven codes by references and sources were then identified, defined and the description are presented in table 5.17 on the next page.

Table 5.17: Environmental analysis: coding descriptions

Regulation	Instances where the entrepreneurs mentioned that government regulations such as import tariffs, export permits had either an enabling or hindering effect in venture creation and operation.
Competition	Instances where entrepreneurs mentioned that either lack of competition, excess competition or unfair competition had either an enabling or hindering effect in venture creation and operation.
Political corruption	Instances where entrepreneurs mentioned that corruption with government and the civil service had either an enabling or hindering effect in venture creation and operation.
Societal corruption	Instances where entrepreneurs mentioned that corruption from employees (theft, collusion, fraud) and other entrepreneurs (corruption) had either an enabling or hindering effect in venture creation and operation.
Lack of skills	Instances where entrepreneurs mentioned that lack of skills amongst employees or other entrepreneurs had either an enabling or hindering effect in venture creation and operation.
High growth characteristics of the economy	Instances where entrepreneurs mentioned that the high growth characteristic of the Malawian economy (7% average growth in the last five years) had either an enabling or hindering effect in venture creation and operation.
Cultural particularities	Instances where entrepreneurs mentioned that certain cultural particularities within the population had either an enabling or hindering effect in venture creation and operation.
Trust	Instances where entrepreneurs mentioned that a lack of trust within the population had either an enabling or hindering effect in venture creation and operation.
Underdeveloped nature of economy and opportunity	Instances where the entrepreneurs mentioned that the underdeveloped nature of the economy and associated opportunity had either had either an enabling or hindering effect in venture creation and operation.
Artificial macro conditions	Instances where certain artificial macro conditions in the economy caused by government policy
Credit	Instances where availability of credit had either had either an enabling or hindering effect in venture creation and operation.

The eleven coding categories that had the highest combined score of number of entrepreneur sources and number of references within the interview transcripts, are included in table 5.18 (next page).

Table 5.18: Environmental analysis: coding ranks

Codes	Category	Sources	Ref	Score & Rank
Regulation	Economic	23	53	76 (1)
Competition	Economic	21	43	64 (2)
Political corruption	Political	15	24	39 (3)
Societal corruption	Societal	12	23	35 (4)
Lack of skills/HR	Economic	11	18	29 (5)
High growth characteristics of the economy	Economic	10	17	27 (6)
Cultural particularities	Social	11	15	26 (7)
Trust	Social	11	13	24 (8)
Underdeveloped nature of economy and opportunity	Economic	9	15	24 (8)
Artificial macro conditions	Economic	8	14	22 (9)
Credit	Economic	8	10	18 (10)

Looking at the codes in table 5.17 on the previous page it is clear that there is some overlap with certain coding categories being variants or outcomes of others. As a consequence a further analysis was undertaken grouping some of these codes together (some overlapped and were closely related). The outcome of this second data reduction process was three combined categories that consisted of the eleven different codes identified above. These three categories are included in the table below.

Table 5.19: Combined environmental codes and ranks

Combined codes	Codes and scores	Combined score	Rank
Regulations and policy outcomes	Regulations (76) High growth characteristics of economy (27) Artificial macro conditions (22) Credit (18)	143	1
Cultural and social elements including corruption	Political corruption (39) Societal corruption (35) Cultural particularities (26) Trust (24)	124	2
Competition/ Lack of it (outcomes)	Competition (64) Lack of skills HR (29)	73	3

The following sections discuss each code: regulations and policy outcomes; cultural and social elements, including corruption, and competition/lack of it (outcomes).The rationale behind the combination of the particular codes is discussed and, the factors comprising each are identified and how these factors either enable or hinder venture creation and success (or ensure both) is outlined.

(5.6.3) Regulations and policy outcomes

Regulations referred to the many instances where entrepreneurs spoke about how regulation such as import tariffs, export licences and general business regulation either enabled or hindered venture creation and success. This is confirmed within the literature on environment that shows that government has an important role in rates of venture creation (Bruno and Tyebjee 1982, Dubini 1989 Gnyawali, Fogel 1994, Begley et al. 2005). The majority of entrepreneurs thought that regulations generally hindered their venture activity. The main complaints in order of gravity were: taxes and duties, currency controls, difficulties in obtaining permits and a lack of incentives for enterprise. One female portfolio entrepreneur (who owns a large nursery business) explained the difficulties with high duties for imports:

'We can't get a consistent supply of what we need, we are importing a lot of things that used to be produced here- hose pipes, bags (the company here closed down). The price is double with the duties we have to pay. It's prohibitive'.

Another entrepreneur gave an example at how some of these regulations affected his plans for a sustainable forestry initiative:

'There is a 100% duty on the export of timber. The government normally levies an extraction tax of about 5 Dollars per cubic meter. They recently put this up to 60 dollars. People in the industry complained and they then dropped it to 15 but this is still a massive increase and has hits margins. You can understand that government need revenues, but this is excessive'.

Another main problem encountered by the entrepreneurs was the lack of foreign currency availability. As Malawi is a landlocked country with a very small manufacturing base, most entrepreneurs have to import their inputs and problems in supply of foreign currency, caused in part due to a fixed exchange rate regime by government (the currency being kept artificially strong) and a large trade deficit. Many entrepreneurs consequently spoke about the difficulties in doing business and admitted that they had to purchase foreign currency at 40% premiums on the black market in order to continue operating. One can imagine the effect of this burden to entrepreneurs, coupled with high import duties in almost doubling the cost of an input or good to be sold, before margin.

One entrepreneur explained how the combination of duties and black market foreign exchange affected his business,

'Before VAT was introduced we used to have so many commuter buses come in. Used to sell a lot of tyres to them. As VAT was introduced they gradually stopped coming in as they just started buying on the black-market. There is an uneven playing field as we are direct importers above board. There is a 25% duty on car parts. I feel it's pretty high. Rate of exchange you can also put on top of that. You can imagine we pay for our equipment in [South African] Rands but can't find the Rands so have to pay a 40% black market premium. The currency has also dropped 10% so even if you are doing things above board you lose. So you are looking at a price almost double before we have even put on our profit margin'.

What about the export businesses one would ask? Surely export businesses are not encountering foreign currency problems? True to an extent but another problem faced by the entrepreneurs was the difficulty in obtaining export permits, other permits and the corruption that surrounds the process. Obviously, an export permit in a country where foreign currency is in short supply is valuable. Valuable in the sense that foreign currency is brought into the country through an export business but at the same time that foreign currency can be sold on the black market at a 40% premium and then re-invested into the exporting business or alternatively into property. This process developed to a point and level of sophistication, that certain entrepreneurs may use their export businesses as covers for far more profitable black-market currency dealing.

However, what was surprising was that some of the entrepreneurs also saw the lack of supportive regulation thought to hinder venture creation (Begley et al. 2005), as an enabler to venture creation and success in this context. Many thought taxes were reasonable and that government did not really interfere in general business activity, that it was easy to get certain permits (to start a business for example) and that certain regulations were not strictly enforced. One entrepreneur commented,

'Regulatory and legislative controls are not as stringent as elsewhere in the world. Easier access, less fuss more about the ability to 'pay' licensing fees than the adherence to regulation and the law'.

Another with considerable sales experience in most of Southern and Eastern Africa owning a global business group, commented,

'It's [Malawi] a soft country, very liberal and relaxed, you see when I started things get done very quick and start moving. You see corruption is less than the rest of Africa. You see I am doing business in Mozambique and if you want to get anything done you have to pay. Nothing works there. That's the kind of country they are. I think the entrepreneurial community is good, government supports business in the sense that they don't make things difficult for you. However, payment is a difficult issue from government. You see if you go ask for help there's never a problem here, so a lot of co-operation from government'.

The combined codes falling under 'policy outcomes': high-growth characteristics of the economy, artificial macro conditions and credit refer to outcomes from certain regulations and policies from government. Artificial macro-conditions refers to instances the entrepreneurs pointed to the fixed exchange rate regime, minimum pricing controls and bans on certain imports creating artificial market conditions such as the overvalued currency and corresponding black market; uncompetitive produce and protection of certain industries from competition.

High-growth characteristics, refers to entrepreneurs saying that the high-growth nature of the economy impacted and enabled their venture creation and success through the opportunities manifested (see Begley et al. 2005). Many attributed this to certain economic conditions experienced by the country and improved fiscal policy from government. Credit refers to the difficulties in getting credit from banks the high rates of interest created in part due to government regulation on the supply of local and foreign currency. One entrepreneur commenting about the lack of credit,

'Cash is still difficult to procure (large sums). Have many great ideas but you have to generate the capital yourself. It's virtually impossible, so people that are liquid have a massive advantage. Banks generally not willing to lend even with a solid business plan'.

The importance of credit and financial institutions is widely acknowledged in the institutional finance literature (Beck et al 1999, 2001a, b, 2003a, b, Beck and Levine 2004, Levine 1998, 1999, 2002,

2003a, b Levine et al 2000) and entrepreneurship literature (Bruno, Tyebjee 1982, Begley and Boyd 2005, Gnyawali and Fogel 1994).

(5.6.4) Cultural and social elements including corruption

This combined code brought together environmental elements that could be considered cultural and social phenomena, both highlighted as important facets to productive entrepreneurial environments (Bruno and Tyebjee 1982, Dubini 1989, Gnyawali and Fogel 1994). Corruption was included in this category and consisted of responses by the entrepreneurs of how different types of corruption affected their business operations. Corruption was conceptualised and defined as any activity whereby individuals could undertake, 1.) Dishonest and illegal behaviour or 2.) The action of corrupting someone else (Oxford Dictionary 2001). The initial corruption code was separated into two types political and societal. Political being references to corruption amongst government and civil servants and social referring to corruption within the workforce (including theft and fraud) and corruption amongst other entrepreneurs (illegal black market activities and bribe paying).

Cultural particularities, refers to entrepreneurs identifying certain facets within the indigenous population's culture being counter-productive to entrepreneurship, venture creation and success. Trust refers to a general attitude evidenced amongst the sample of general mistrust of others. This could be argued to be a consequence of the levels of corruption at both the political and societal level.

Corruption is the most mentioned element of the social environment by the entrepreneurs. The general impression is that it was endemic at all levels of society from the very top to the labourer in a business, affecting entrepreneurs through impeding their ability to compete fairly (both at the firm-level and on an individual-level) and operate efficiently. One entrepreneur summed it up, '*Corruption is everywhere. It's not corruption it is a part of business, a way of doing business. I help you, you help me*'. Another entrepreneur saw it in a different light, '*there is a disease in Africa it's called corruption it will always be here*'.

Corruption in many of the instances is being facilitated by the burdensome regulatory controls instituted by government. For example, high duties create a black market through which other corrupt

entrepreneurs buy goods without paying duty under-cutting the competition. One entrepreneur admitted:

'Importing and trading is a big risk: you have corruption from competition, it's continual process of being undercut by the supplier. This totally ties into the considerable black market that exists in Malawi'.

This is in addition to a considerable black market for foreign currency and subsidised goods such as fuel and fertilizer that are being accessed by neighbouring countries (entrepreneurs within Malawi buying at subsidised prices and selling illegally at a profit over borders).

An entrepreneur acknowledged how not being corrupt hindered his ability to create ventures and succeed and as a consequence he had to develop alternative strategies to survive:

'Being corruption free and honest has been a problem. Generally it ensures a lack of access to institutionalized corruption and this refusal to practice such corruption has made things difficult for me, as the market expects underhand payments etc. and people that go straight are left to the way side. So competition is largely weighted in favour of the corrupt. The only way to compete is through investment in 'know how' in order to remain abreast by being exclusive with regards to know-how and having [competencies/resources] that others don't have. In a sense surviving by offering a unique product or one that can't be easily reproduced. However, the high cost of this results in diminished returns'.

Another entrepreneur acknowledged this problem but with another outlook:

'It's very aggressive here, a do or die business climate, it's eat or be eaten. You have to be corrupt to survive and do business. I'm ruthless I will take down anybody in my way'.

Many of the entrepreneurs cited how they could not find trustworthy managers/employees and as a consequence and distrusted managers subsequently recruiting from their own family's friendship networks, or undertaking all management responsibilities themselves. This problem was highlighted by the code, societal corruption with many entrepreneurs speaking about how corruption amongst the

labour force (theft and fraud) had made it very difficult for them to operate and hindered new venture activity.

Some of the indigenous entrepreneurs spoke of how a cultural level of mistrust and jealousy between Malawians existed that hindered co-operation between individuals for financing of new and existing ventures.

'Malawians are not entrepreneurial. We trained for white-collar jobs to be employed in the remnants of control economy. Thus, people from Burundi and Nigeria are doing a lot of business here. There is a culture of mistrust- 'Malawian to Malawian' jealousy of success seen as a threat. Bank managers can be anti-Malawian due to dishonesty amongst certain Malawians: people not paying back money lent- So if you are competent and well trained (track record good relationships) you will succeed' (Indigenous Malawian entrepreneur).

These cultural issues affecting entrepreneurship in Africa have been commented on by scholars (see Acs and Virgill 2010).

(5.6.5) Competition (lack of it)

The last combined category 'Competition/lack of it', consists of two codes, competition and lack of skills/human resources. Competition refers to the entrepreneurs recognising that in the majority of cases the lack of entrepreneurial competition and general competition in the economy had allowed them to enable venture creation, with a greater likelihood for success for new ventures and existing ventures. They also highlighted hindering aspects to venture creation and success which included foreign competition (from China) and unfair competition existing due to corruption (see section above). The code lack of skills/HR, refers to a lack of skilled, competent managers and employees as identified by the entrepreneurs.

Entrepreneurs spoke about how it was very difficult to find skilled labourers (especially managers) and that they were a rarity and, thus, an organisation had to try and hold on to its best human resources. An entrepreneur spoke about how they had to offer an employee a stake in a new business

they created in order to ensure his employment, *'We just couldn't lose him he was too good [he had experience and qualifications] and people that are brilliant are hard to come by here'*.

Another entrepreneur owning a private school opined of the situation:

'Skills are an issue. Finding competent people is difficult. The quality of graduates is poor. I'm concerned that in the next ten years the problem gets even worse. Pass rates have dropped and the national curriculum is in shambles. There is overcrowding in schools and a lack of English proficiency- even the guys we interview. This will be more of a problem in the future as country develops. This is a big issue for the future. I would say the workforce is the biggest issue- competent workforce is what we need'.

The problems of a lack of skills within developing economies environments contributing to problems in entrepreneurial environment and the effect on venture creation has been identified in a number of studies (Bruno and Tyebjee 1982, Vesper 1990, Gnyawali 1991, Gnyawali and Fogel 1994, Begley and Boyd 2005). Iacobucci and Rosa (2010), in a paper on entrepreneurial teams show how many teams were formed through the needs of accommodating employees who would otherwise leave the firm causing problems with finding a suitable replacement. So perhaps the issue of skills for growth entrepreneurship is not only of concern to entrepreneurs in developing economies.

Interestingly, one of the hindering conditions to venture creation and success was cited as an enabling condition to venture creation and success by decreasing the amount of entrepreneurial competition (i.e. entrepreneurs competing with each to better exploit opportunities) and was, therefore, included as part of the combined category as a cause. This is the code 'lack of skills/ human resources'. Entrepreneurs often spoke about how the lack of competence (education, experience, skills, and attitudes) amongst their fellow entrepreneurs ensured that their chances of success were greatly increased:

'If you have the necessary skills and knowledge of the market (i.e. being a local and knowing the game) you can make a killing. There are very few people that have both. There is also a general lack of skills within the economy so if you have both you have hit the jackpot' (female portfolio entrepreneur).

The implications of this are counter-intuitive as the assumption is that a lack of skills contributes to a lack of entrepreneurship, however, in this case of experienced entrepreneurs it seems that it enables venture creation and success which has obvious ramifications for theory.

Having looked at the individual elements of the framework developed in the previous three sections the next section follows by identifying the peculiar finding that of these environmental factors identified as enablers to venture creation or hinders to venture creation some, act as both.

(5.6.6) Enablers and hinderers to venture creation/operation

Table 5.20 summarises the eleven separate codes found to be the most pertinent environmental factors to venture creation and success. It identifies which factors act as enablers to venture creation, which act as hinderers to venture creation and which are both enablers and hinderers to venture creation and success. (Codes highlighted in bold are both enablers and hinderers)

Table 5.20: Environmental codes (factors) that hinder and enable entrepreneurship and factors that do both

Environmental enabling and hindering conditions to venture creation and operation.	Enabling conditions	Hindering conditions
Regulation 1.) Artificial macro conditions (Poor policy) Lack of credit Competition Lack of competition Unfair competition Corruption (political and societal: employees and other entrepreneurs) Lack of skills/HR High-growth nature of economy cultural issues 1.) Mistrust 2.) Jealousy	Lack of regulation 1.) Artificial macro conditions (poor policy) Lack of competition/ Competent competition/ Corruption Lack of skills High-growth nature of the economy	Over regulation, artificial macro conditions (Poor policy) Lack of credit Unfair competition Corruption (political and societal: other entrepreneurs government, employees) Lack of HR with skills Cultural issues 1.) Mistrust 2.) Jealousy

Evaluating the importance of the different codes, interesting observations are made. Firstly the most important hindering factor to entrepreneurs within the context is the role of government in providing regulation (or not), creating artificial macro-conditions (that help some but not others) and not

creating conditions conducive for entrepreneurship. This is seen to be more important for this group of entrepreneurs than financing (which is of concern but ranked tenth out of all the codes see: table 5.18, section 5.6.2). This could reflect the fact that these are experienced entrepreneurs who already have businesses and are growing groups of businesses, whereas the institutional literature points to the importance of financial institutions in providing the finance for business start-up as most of these studies are based on novice entrepreneurs (all GEM studies, all PSED studies).

The second most important grouping of codes is cultural and societal elements most prominent of which is corruption. Corruption acts as both an enabler to those that partake in it and those that are forced to partake in it, in order to get around regulation such as high tariffs on imported goods in order to compete with those that use black market channels. However, the role of corruption within society seems to be a more serious hindrance for these entrepreneurs, highlighted by the fact that a large majority of the entrepreneurs do not trust outside management or new employees. Advocates of the institutional perspective would argue that this societal corruption is a likely consequence of a weak punitive and legal system (see Stephen et al. 2005 for a review), however, not one entrepreneur mentioned problems with the legal process in Malawi nor the efficiency of the courts.

With the predominance of foreign government and NGO programmes focused on improving legal structures in Africa to increase entrepreneurship and development, this finding is startling. Perhaps a more effective intervention would be a combination of legal structure improvements and wide ranging programmes instilling a culture of business ethics and social responsibility amongst employees, and managers.

The next grouping of codes competition and lack of skills/HR highlight a common facet required for successful entrepreneurship and subsequent venturing: a highly skilled workforce. However, the code 'competition' highlights that although the literature points to a lack of skills- contributing to low levels of entrepreneurship/ weak entrepreneurial environments, it actually acts as an enabler for experienced entrepreneurs such as this sample of portfolio entrepreneurs in Malawi. The lack of skills amongst the entrepreneurial population increases the chances of success of these portfolio entrepreneurs (who have high human capital profiles). This has not been highlighted in the literature and it has implications for current interventions from the skills perspective.

Thus improving business skills and education levels amongst the workforce and general population (at the macro level) the author would argue is more important than focusing on providing entrepreneurs, especially micro-financed entrepreneurs with business skills training. This is in contrast to the wide literature on improving business skills amongst entrepreneurs, through consultancy and training programmes (see Bruno and Tyebjee 1982, Dubini 1989, Gnyawali 1991 and the World Bank's BUGS programmes) and the current focus on providing skills training to the swathes of inefficient businesses being kept alive on 'life-support' through microfinance (see section 2.8, literature review chapter).

This section now follows by looking at the responses obtained from the longitudinal sample to contrast this with the contextual analysis in Chapter 3.

(5.7) Longitudinal Results

The longitudinal sample interviewed ten entrepreneurs repeatedly over periods of between two to five years. In Chapter 3, the author defined the three distinct periods in which this research was undertaken. These periods were, consolidation of power/policy change; The Malawian economic miracle and finally: decline and almost collapse. Table 5.21 shows when the repeat interview rounds were undertaken during these periods including some relevant economic statistics:

Table 5.21: Longitudinal sample interviews, time period and select statistics

Year	Historical Period	INTERVIEWS UNDERTAKEN	STATISTICS (Ave)
2004	CONSOLIDATION OF POWER, POLICY CHANGE		GROWTH: 2.3% INFLATION: 13.6% DEPRECIATION: 12.16% ¹⁹
2005			
2006		6 General sample interviews	
2007	Start of the: MALAWIAN ECONOMIC MIRACLE		GROWTH: 8.4% INFLATION: 9.1% DEPRECIATION: 1.87%
2008		11 General sample interviews and repeat interviews (round 1) from 2006	
2009		3 General sample interviews, repeat interviews (round 1) from 2008.	
2010	Start of: DECLINE ALMOST COLLAPSE	2 General Sample interviews, repeat interviews round 2	GROWTH: 7 % (2yrs 10/11) INFLATION: 7.6% (2yrs 10/11) DEPRECIATION: 7% (2yrs 1011)
2011		2 General sample interviews repeat 2 (Jan), repeat interviews round 3 (Dec)	
2012		Repeat interviews round 3 (Jan)	

¹⁹ All stats taken from table 3.1, Chapter 3.

From table 5.21 one can see that these repeat interviews took place in very different economic circumstances. As the general sample interviews were asked at the time of those interviews and also about events before those interviews it is important to validate the environmental conditions that were identified from that sample (present in the analysis in section 5.6.) with the longitudinal sample who were re-interviewed during the distinct time periods listed in table 5.21 (previous). Moreover it is of interest to see whether the environmental conditions enabling and hindering venture creation and operation identified by the portfolio entrepreneurs corresponds to the macro analysis in Chapter 3. This is essential to see whether the environmental conditions identified in Chapter 3 correspond and relate to the problems identified by entrepreneurs during the period. Further, it is also highly enlightening as to problems that entrepreneurs might identify, that are not been identified within the literature. Finally it also offers an insight into the strategies that these portfolio entrepreneurs may undertake to overcome these problems.

This section subsequently follows by looking at the results of the analysis from the three rounds of repeat interviews undertaken during the research (see table 5.21). These repeat interviews are: repeat interview round 1: December 2008 and July, December 2009; repeat interview round 2: December 2010 and January 2011 and repeat interview round 3: October 2011 and January 2012. These sub-sections will look at the enabling and hindering conditions that entrepreneurs identify during the period and relating that to the analysis undertaken in section 5.6 and that of Chapter 3.

(5.7.1) Repeat interview round 1: December 2008, July and December 2009

The first repeat interview period represents a very interesting time during the Malawian economic miracle. The interviews essentially took place at the pinnacle of the Mutharika government's first term. From table 5.21 it is clear that on all measures the economy was doing well from a macro perspective. Growth, inflation and depreciation were at historically high and low-levels conversely. Western governments were praising Mutharika for his turn-around of the country but portfolio entrepreneurs were not as swayed by the impressive statistics as business was just as difficult as it had been prior to Mutharika's government.

(5.7.1.1) Environmental conditions identified as hindering venture creation and operation

From the analysis of the first round of longitudinal interviews is apparent that many of the entrepreneurs highlight the global financial crisis of 2008/2009 starting to have an effect in Malawi in reducing overall liquidity foreign government expenditure and thereby decreasing demand in some sectors. As one entrepreneur explained,

'Even though Malawi isn't directly affected [credit crisis], NGOs and foreign governments have decreased their budgets by 20- 30%. This is having a knock on effect in an economy that is reliant on aid.'

Another entrepreneur explained in a little more detail how the credit crunch directly affected his business operations:

'I am failing to complete as the credit crunch is affecting my potential customers the NGOs that buy the milling product. The NGOs are also not buying my cows and essentially my cows provide the finance for further diversification'.

The entrepreneurs identified other conditions as having an effect on the entrepreneurs venture creation and operations: corruption, forex problems, inflation lack of skilled labor, unfair black market trading and the affects of Chinese competition. These problems are all highlighted in the framework presented in section 5.6.2.

From the perspectives of corruption many of the entrepreneurs thought it was getting worse and having an increasing effect on their abilities to compete fairly. Incidentally foreign governments at this time were praising the country for the creation of an anti-corruption bureau (which in reality was used as a political tool of influence).

One entrepreneur explained how corruption specifically had had a real effect on his core business in the last year, first explaining how corruption worked in his industry:

'The market is affected by corruption. Clientilism- client does the business with who they decide and often bribes are part of this process. Thus, people that pay bribes are favoured.'

Therefore, there exists a bias in the market that is created through corrupt practices. So the client is in control and does the business- the client impose their will, there is bribery collusion to an extent’.

He went on further explaining the effect it was having on his businesses:

‘There is a loss in confidence. I can’t compete in fair terms. Competence or ability doesn’t even factor just how deep you are willing to fill other people’s pockets. The market is flattered and skewed by this optimism of the grand returns that corruption creates. A lot of uncertainty for honest operators. So my current focus is to consolidate and get through these times’.

Of the other environmental facets identified the effect of Chinese competition did stand out. Malawi had begun diplomatic relations with China in 2008 expelling the Taiwanese in the process and local entrepreneurs began to feel the full force of this competition, many not viewing Chinese competition in a positive light. One entrepreneur complained,

‘On the import export side of my businesses there is increasing competition. The black-market is rife and the Chinese have become a force in Malawi. They are new form of competition that is totally unscrupulous they believe they are above the law and also have considerable benefits when trading with China. They will also do anything to make a buck. The growing nature of China makes things all the more difficult as this Chinese speak the language and know how to do business in China’.

Another entrepreneur echoed some of his sentiments,

‘The Chinese have come into Malawi and just seem to be trading not making any real investments. So many of them have set up already’.

Another interesting trend in the first round of interviews was the mentioning of government subsidies and duties contributing to the entrepreneurs not being able to compete effectively, increasing the scale, scope and effect of the black market and reducing competitiveness. This was highlighted and of particular concern, to one of the entrepreneurs involved in agriculture. He spoke about how the

internationally lauded agricultural subsidies were having a dire effect on entrepreneurs and competitiveness:

'Malawi's budget is 256 Billion Kwacha (about 1 billion pounds), of that 40 Billion roughly is spent on fertilizer. Sixteen percent of forex reserves are spent to buy the fertilizer. The government then sells the fertilizer at a loss to poor farmers that are unproductive and produce merely for themselves. The country is only exporting tobacco as a consequence [not other lucrative cash crops] and the subsidy on fertilizer causes a huge hole in finances and there's no way of seeing it back, as those farmers don't contribute to the economy by being productive. Commercial farmers should be helped more (they are in most cases providing for whole villages) and the subsidy also limits forex as it's all used for fertilizer. Even the coupon system under which it is facilitated is totally inefficient and open to massive corruption'.

From a different perspective one entrepreneur explained how the forex (foreign currency) problem (as mentioned by every single entrepreneur) was creating problems for his business.

'Well everybody is increasing their prices to combat the foreign exchange risks by 30-40% (incidentally this is the black market arbitrage on currency at the moment). This makes everything 40% more expensive). This is what the car dealers have been doing. Especially Nissan pickups have gone up in price from 4.1 million to 7.3 million in a matter of months. All of this represents the margin on the black market that people are having to use to purchase foreign currency'.

A further facet that was mentioned (also highlighted in the environmental framework) by many of the entrepreneurs was the lack of skills and suitable human resources for their businesses and the problems it caused.

An entrepreneur commented on some of the problems:

'There is a general lack of services I recently advertised for a technical position within the company and I got 20 applications and of those 20, there was one person, I would employ. I

also advertised for a clerical position and received six times the number of applications and most were not suitable for the job’.

Another entrepreneur explained his take on the problem:

‘Human resource problems abound. It is what is killing Malawian business and what will eventually kill it. It is getting worse as education is getting worse. With this, less competence and anybody that manages to get educated leaves, thus you have associated problems of brain drain’.

Considering all of the factors that were highlighted by the entrepreneurs during the first repeat interview it is clear that many of the environmental conditions that hinder venture creation as identified from the general sample and in the framework earlier on in this chapter are identified again giving a sense of temporality to these conditions while also identifying period specific problems. Referring specifically to that framework, regulation and the outcomes of poor regulation seems to be the most prevalent of environmental conditions hindering venture creation and operation.

Of these period specific problems the affect of Chinese competition is evident as is the entrepreneurs’ contrary take on the effect of the lauded subsidy programmes by government. This is highly relevant as it shows the macro conditions of the economy during this period of Malawi’s economic miracle were perhaps misleading when it comes to understanding successful, high-impact entrepreneurship in the country. Of most interest is the contributing nature of these regulations and policies in creating and expanding black market activity in-turn affecting ‘honest’ entrepreneurial competition negatively.

The next section looks at the conditions that the entrepreneurs identified as enabling venture creation and operation providing a contrast to this section.

(5.7.1.2) Environmental conditions identified as enabling venture creation and operation

The most telling trend of the conditions that the entrepreneurs identified as enabling venture creation (at the time of the first repeat interview) and operation was the opportunities rich nature of the

Malawian economy itself caused by a variety of factors including: the rise of the middle class, population growth and improvements in infrastructure. However, the entrepreneurs while acknowledging this positive aspect did generally stress that although there were many opportunities accessing and exploiting these opportunities was difficult. As explained in the previous section there were many problems in the Malawian economy at this time that was hindering venture creation and operation by the entrepreneurs.

Of particular importance, the entrepreneurs identified that the levels of competition were not that high due to the lack of skills by other entrepreneurs and thus the advantages that were accrued to educated and highly experienced entrepreneurs (such as themselves), allowed them to access opportunities with more success than others.

As the entrepreneurs put it:

'This place is full of opportunity. In the services sector there is huge potential. People are just not competent or aware of customer service. Malawi is a service backward country if you can offer it in this environment people will pay and you will make a mark in the market' (a services entrepreneur).

'There's opportunity, people are always starting businesses just look at this new security company, they are starting up due to the lack of decent competition. This is a huge consumer economy there is a market for all types of services and products the population is growing and with that comes needs and wants and opportunity for entrepreneurs. You just look at the number of Japanese cars coming into the economy to give you a sense of the demand. However, people are extremely price sensitive they buy as cheap as they can and with this we have seen increasing levels of counterfeit products and fraud' (a retail entrepreneur).

'There are increasing opportunities, responding to positive economic conditions. Cost of living is up so have to adjust. The middleclass is increasing with this a new market' (an agricultural commodities entrepreneur).

These particular findings are validated within the firm sample showing the enabling and hindering nature, of the lack of skills within the economy on venture creation and success. Crucially, however, a

temporality of this data is achieved with the comparison of the longitudinal sample data to that of the general sample data.

(5.7.2) Repeat interview round 2: December 2010 and January 2011

The second repeat interviews were taken amidst the Malawian economic miracle beginning to turn sour. Growth started declining from a peak in 2009 (see Chapter 3). The government in Malawi started finding it increasingly difficult to maintain some of their much vaunted policies that had brought the president much praise from the international community. It was becoming harder to artificially peg the Kwacha to the Dollar and foreign currency earnings from tobacco declined year on year. As a consequence there was a revenue crisis and shortages in foreign currency, fuel and power started to become more frequent and acute.

This, coupled by increased intolerance of criticism (free press) and political opposition by the President saw discontent begin to grow.

(5.7.2.1) Environmental conditions identified as hindering venture creation and operation

The analysis of the responses by the entrepreneurs interviewed in the second round of interviews reveals that foreign currency corruption, duties/taxes, lack of fuel, lack of liquidity were all affecting venture creation and operation. These hindering causes are both apparent from the environmental framework and the first round of longitudinal interviews. Thus this section will not go into that much detail for the sake of repetition, however, some interesting insights will be revealed.

Entrepreneurs during the second round of interviews did elaborate a little bit more on certain aspects affecting their operations. One entrepreneur explained how the black-market, fuel shortages and ineffectiveness in tax collection were having an effect on his business:

'Tax avoidance is a problem. You see we are our customers are having problems with paying the VAT that we pay to the government. They don't understand why they should have to pay it as other people don't charge customers VAT. We import direct so have to pay VAT and

duties upfront- so we have to charge our customers VAT. (VAT 16.5%). You see others don't pay so it can be a problem'.

He then clarified the effect the worsening fuel crisis had had on his business:

'The fuel situation was pretty bad. It really affected our business. It went down by half as people were hunting for fuel. Lasted for a month. Everything slowed down'.

(5.7.2.2) Environmental conditions identified as enabling venture creation and operation

The entrepreneurs from the second round of repeat interviews still spoke about the opportunities present within the Malawian economy, the lack of competition but elaborated a little bit more on how they were taking advantage of these opportunities and interestingly some were less positive than before begin to talk about the difficulties in doing business in the country. Thus this following section will not repeat what has been said before but rather elaborate on some of the opportunities that the entrepreneurs identified and the strategies that they used to take advantage of these opportunities.

One entrepreneur spoke about how competition had increased, environmental conditions were tough and how he was responding:

'The advantage of being here is that there is so much opportunity but you have to start something new trading is highly competitive here and competition has increased. So you have to do something different. Something new, that isn't necessarily risky. Your returns won't come quickly it will be long term. The time of making very quick short-term returns in Malawi is over. You see nothing is happening so if you do something it will pay long term. Big shops have come in from South Africa and they are going to gradually squeeze out the small scale entrepreneur. Exactly what happened in the UK with corner shops is going to happen here. So you have to do something different'.

He then explained how he was responding to the problems and uncertainty in the economy:

'I don't have the same drive as I used to as I'm slowing down. But it all depends on the economy. My days of starting businesses are not over if the economy starts booming I will get involved but right now I am content to sit back and watch. I'm cautious. Things have to be stable in my portfolio so that's the aim. Things are not moving'.

A different entrepreneur elaborated on the opportunities he saw in the country:

'I look at it from a different point of view you see I was involved in fast moving consumer goods. So I saw the growth of the middle class. So people are more wealthy than the previous generations and that's why businesses have moved in. So I would say go for the people that have money in their pockets the mass and you are onto a winner. I think farmers are not much more wealthy than they have been but they have money and they understand value. You sell individual little things that you add value too and then you sell that at economies of scale and it also cuts your distribution costs. It's all about what the mass can afford'.

A further entrepreneur explained the strategy that he employed to take advantage of opportunities and poor policy by government:

'The poor policy is creating a huge market of opportunities. You see the [talks of one of his businesses] is unsustainable as it is another subsidy but at the same time it is creating a huge market for the demand for [the businesses product] and I am going to take advantage of that. So you can piggy back on the poor policy you see finding opportunities within its inefficiency'.

(5.7.3) Repeat interview round 3: October 2011 and January 2012

By the time of the third interviews circumstances in Malawi had taken a turn for the worse. Foreign currency and fuel shortages were worse than never before, as were power cuts. Foreign donor nations had cancelled budgetary support and non-essential aid. After the expelling of the British high-commissioner and the death of 20 anti-government protestors in July of 2011 (For more details on this

period see Chapter 3). Consequently entrepreneurs were not very positive about the economic outlook as problems to venture creation and operation seemed to be getting worse.

(5.7.3.1) Environmental conditions identified as hindering venture creation and operation.

The conditions identified as affecting venture creation and operation were once again similar to those identified in the first two rounds of interviews and in from the framework from the general sample. These hindering conditions were: Foreign currency shortages, fuel shortages, devaluation, aid reductions, increased duties and taxes, liquidity problems.

Particularly prominent was the overall negative views aired by the entrepreneurs. One entrepreneur spoke about the problems in the economy and the effect of the reduction in aid this caused for his property companies:

'No nothing – I don't even think about it [creating new businesses] the way the economy is. You can lose out. There's no demand for nothing and I'm not taking any chances. What are you going to do?

It's going down. A lot of reasons- Government policy is very vital. You see this political spat has affected the NGO's. You see the contribution from donors has decreased and this is having a heavy knock on effect on the economy and especially my residential and commercial property. Ten months ago you couldn't find commercial property, not a warehouse, no showrooms nothing. Right now demand has totally dropped. In addition the government is trying to cut down on costs and as a consequence they are no-longer leasing property from the private market (change in policy). So this has had a huge impact'.

Others entrepreneurs spoke about how the worsening conditions had made business practices even more difficult than usual and how the problems were affecting their businesses:

'Well there is no liquidity – the operational costs have gone up tremendously. No more 30 day credit terms for buying fuel. So having to move everything to a cash business, which puts strain on the cash flow. You see this is the challenge we have. Things are becoming expensive

due to inflation and the devaluation and this did ensure that people had less money to spend on the retail side, so sales have dropped' (an entrepreneur with retail business in his portfolio).

'Just look around. We battle to buy drinks There's no fuel. Power goes off all the time. I mean you switch to the generator and then you think, but what happens when I run out of the diesel and how much it's costing me? You can't find diesel. It seems to be going one way, down. You go around the shop and there is a lot of spaces on the shelves- people can't bring goods in there's shortages. Even with meat. People are pulling out. A big South African multinational (Woolworths) pulled out of moving there shop here' (an entrepreneur involved in services).

'Businesses are closing, people have no money, I have even had a few people in the last week talk to me about selling me there businesses. I will give you an example to illustrate my point. I went to pay city rates which are payable twice a year in 2010 I went to pay and the queue was fifty people deep I went this year (2011) and even took somebody with me to wait in the queue for me and there was nobody. You see people don't have money. The emerging middle class has been hit hard- money is worth less in reality and takings are down. This combined with people spending over their means and salary's staying stagnate creates a liquidity problem (an education entrepreneur).

'Last year was my best year. Highest turnover ever things were looking positive but we have since moved into an economic crisis. This has affected sales by 30-40%. A lot of debtors couldn't pay and I had to borrow from the banks to solve this liquidity problem. The whole cycle stopped suppliers sales clients etc. This was compounded further by the fuel shortages March April and May of this year which further slowed things down. Decreased spending from government also hit me quite hard as the government are one of our biggest clients, if not biggest. Government is trapped for cash so they have issued directives to only buy from government suppliers.

Corruption is a problem too as I had an incident where I put in a tender for some government work and the tender went to a competitor totally incapable of carrying out the work and not even having the necessary resources to conduct the work- I had all the stock!. The tender was diverted to somebody without stocks- it was very obvious. There was definitely foul play, definitely. Things are negative at the moment- nobody knows what is going to happen in the next three months. Things could get even worse so one has to be cautious. I'm lucky because there will always be a demand for my service but obviously this fluctuates in times of uncertainty' (another services entrepreneur).

(5.7.3.2) Environmental conditions identified as enabling venture creation and operation

Even though the country was on the verge of collapse and entrepreneurs were having an incredibly difficult time operating and running their businesses there was still cause for optimism with many confirming the opportunity rich nature of the environment as evidenced from all the interview data sources concerning the environment.

One entrepreneur seemed less fazed about the woes of the country, explaining why he did not see the problems as particularly worrisome:

[on the advantages of being an entrepreneur in Malawi] 'Essentially it boils down to one thing; a young population that is growing and that has incredible needs both now and in the future. These needs create necessity, and with necessity comes commerce.

When the necessity becomes too great, the competition isn't better able. People are running away from this country and others because they can't compete. They are ill-prepared to work in a hostile environment. They are like inexperienced children trying to fight in an environment in which they don't understand. They have weak social, political and economic ties and understanding which highlights their inability to compete effectively. Worst of all they have no sense of belonging to Africa and that is a problem in Africa today'.

Another commenting:

'I still say Malawi is the land of opportunity (that won't change) but what changes is the politics. Politics is messing it up. Right now we are at the bottom of the pit and we might be there for the next two years till the next election'.

(5.7.4) Section summation: longitudinal sample

From the evidence and comment from the sections concerning the longitudinal sample it is clear that there is a good fit between the framework developed from the general sample of 24 entrepreneurs and between the longitudinal sample of entrepreneurs interviewed on three subsequent occasions.

The longitudinal section on the environment provides further contextualisation from the perspective of how macro-economic conditions have affected the portfolio entrepreneurs in their venture creation and operation activities. The findings elucidate that the many effects that the policies highlighted in the Chapter 3 have had on the entrepreneurs crucially enlightening some of the strategies the entrepreneurs have undertaken to overcome these problems and access the considerable entrepreneurial opportunities present within Malawi.

The findings show the opportunities these entrepreneurs identify in Malawi and how irrespective of economic and political conditions the entrepreneur's willingness to adapt and to still try and take advantages of these opportunities. This highlights the crucial characteristics and processes, becoming of these entrepreneurs in this volatile context.

(5.7.5) Relevance to the next section

The results chapter so far, has shown the large amount of data that this research project has collected. It shows the analysis undertaken at both levels of analysis (firm and individual) paying particular attention to how these groups of firms owned by the portfolio entrepreneurs develop (grow, do not grow or contract). The environmental section preceding this commentary has followed up on the growth themes showing the specific environmental conditions that affect the venture creation and operations of the portfolio entrepreneurs. A framework has been developed to characterise the

entrepreneurial environment of these portfolio entrepreneurs and has been tested against a longitudinal sample that has provided even more contextualisation while showing the pertinence of this framework to analysing entrepreneurial environments, specifically the Malawian environment.

As a result the author has shown how these entrepreneurs develop their portfolios and the processes that surround this process growth, non-growth and contraction. The author has then shown how the particular environment or context affects the venture creation activity and operation of the firms owned by the portfolio entrepreneurs. This analysis has contributed to a framework that assesses the environmental specificities that are of most concern to either enabling or hindering venture creation and operation. During this process enabling and hindering conditions have been highlighted as well as environmental conditions that act both as enablers and hinderers to venture creation and success.

The final section of this chapter looks at a possible thesis, as to how these portfolio entrepreneurs grow in their environment showing how risk and their attitudes to risk allow them to develop the strategies both at the firm and individual-level that allow them to take advantage of the undeniable entrepreneurial opportunities and create business groups in this most risky and volatile of contexts.

(5.8) Results: risk allowing entrepreneurs to overcome the environment and grow

(5.8.1) Section outline

The following section outlines the results obtained from the theme risk and the questions around the concept from both the general interviews and the longitudinal component.

The section starts by looking at a number of variables concerning the risk attitudes of the portfolio entrepreneurs from the general sample of 24 entrepreneurs. First is a table 5.22 highlighting the attitudes to risk of the general sample, and whether they believe their attitude to risk has contributed to their entrepreneurial success or failure. The section continues with table 5.23 and following discussion that highlights the risk assessment/ risk management processes undertaken by the portfolio entrepreneurs. Section 5.8.3 also includes whether or not the entrepreneurs' attitudes to risk have changed over time (with portfolio growth) and at different times of economic development.

Section 5.8.4 then moves on to the results obtained from the longitudinal sample of ten entrepreneurs who were interviewed repeatedly over periods of between two and five years. This section tests the observations from the general sample actually seeing whether the entrepreneur's attitudes to risk have changed during the course of the longitudinal research.

Section 5.8.5 contains an analysis from the firm-analysis section of this chapter showing how portfolio structure, or the composition of the types of firms within a group relates to risk. This section shows how the grouping of firms within a portfolio group reduce overall risk for a portfolio entrepreneur.

The final section, section 5.8.6 identifies the actual strategies that portfolio entrepreneurs use to reduce risk in their business operations. These strategies are a result of all of the data analysis, including that of the growth and environment section.

(5.8.2) Attitudes to risk and role of risk in success and failure

The table 5.22 below looks at the entrepreneurs' attitudes to risk, their beliefs as to whether their attitude to risk was/is crucial to their success and whether they believe that their attitude to risk had contributed to failure. The data in this section are collated from the responses by the sample of 24 entrepreneurs from the general interviews. Consequently the data were measured according to the entrepreneur's response to whether they believed they were risk-seeking or risk-averse. Further questions asking the entrepreneurs to highlight examples of their risk nature ensured that the responses were consistent. Further 'in text analyses for mentions of the word risk also revealed that entrepreneur's responses were consistent with behaviours.

Table 5.22: Non-longitudinal sample: risk variables 1

Entrepreneur	Attitude to risk	Contribution of ATR (Attitude to risk) to success	Contribution of ATR to failure
B. A	Risk-Averse	Yes- Focus keeping things small	No
G. C	Risk-Averse	Yes	No
Z. C	Risk-Averse	Yes- property especially	No
R.F	Risk-Averse	Yes- construction	No
F. J	Risk-Averse	Yes	No
W. K	Risk-Seeking	Yes	No
C. L	Risk-Seeking	Yes- no failures	No
D. L	Risk-Seeking	Yes	No
G. P	Risk-Averse	Yes- no debts	No
J. S	Risk-Averse	Yes- to an extent	n/a
M.S	Risk-Seeking	Yes	n/a
L. S	Risk-Seeking	Yes- would not have started otherwise	No
M. T	Risk-Averse	Yes	Yes
G.T	Risk-Seeking	Yes- initially	No
J.V	Risk-Averse	Yes	No
L.W	Risk-Averse	Yes- decisions	No
H. Z	Risk-Averse	Yes	No
R. B	Risk-Averse	Yes	No
H. D	Risk-Averse	Yes	No
L. S	Risk-Seeking	Yes	No
G. N	Risk-Seeking	Yes	No
J. P	Risk-Averse	Yes	No
M. K	Risk-Averse	No	n/a
R. M	Risk-Averse	No	n/a
RESULTS	Risk-Averse: 16/24 67% Risk-Seeking 8/24 33%	Yes: 22/24 92% No: 2/24 8%	Yes: 1/24 3% No: 19/24 79% n/a: 4/24 17%

Sixteen of the 24 entrepreneurs (67%) considered themselves to be risk-averse i.e. they were continually reducing and taking as little risk as possible (table5.22). The remainder of the sample considered themselves to be risk-takers. The vast majority of the entrepreneurs acknowledged that their attitude to risk had been essential in their success (92%: 22 of the 24 entrepreneurs), with only three admitting that it had contributed to failure at times. This is interesting as it shows that these highly experienced entrepreneurs understand risk to be a crucial element in their entrepreneurial behaviour.

Considering the high levels of risk and uncertainty present within the context of a developing nation such as Malawi, it is clear that entrepreneurs adapt to these levels of risk, in this case through risk aversion in order to increase their likelihood of success. Many of the entrepreneurs acknowledged that their risk-averse attitude is a consequence of the particular environment. *'I'm risk-averse due to my experiences in and having learnt from this environment. In the past I took stupid risks and paid for it'* (female portfolio entrepreneur). Another acknowledged, *'I'm risk-averse to control outcomes by reducing the risk of failure. I look at risk because of this high-risk environment'*. These results show the applicability of cultural theory to explaining the entrepreneur's perception/attitude of risk. Furthermore, the author shows that Gartner's (1985) contention that attitudes to risk may be different for different types of entrepreneurs, holds true in the case of portfolio entrepreneurs.

(5.8.3) Risk assessment processes, change of attitude to risk with growth and economic conditions.

Table 5.23: Non-longitudinal sample: risk variables 2

Ent	Formal or informal risk assessment processes	Change of ATR with portfolio growth?	Current economic conditions effect on ATR
<i>B. A</i>	Formal: accountant	No	No
<i>G. C</i>	Formal: accounting and informal	No	More risk-averse
<i>Z. C</i>	Formal and informal	Yes: more risk-averse	No risk consistent
<i>R.F</i>	Informal: gut-feeling (experience)	No: risk-averse always	Maybe more risk-seeking with boom.
<i>F. J</i>	Formal: accounting controls Informal: gut-feel	Yes more risk-averse (retirement)	Yes very calculated with opportunities
<i>W. K</i>	Formal: accountants Informal: gut-feel	No less greedy though	No always looking for opportunities
<i>C. L</i>	Formal: decision making processes	No still taking risks	No industry promising
<i>D. L</i>	Formal and informal: gut-feel important	No	Yes economy booming more risk-seeking
<i>G. P</i>	Formal: tools Informal: experience	No	Yes risks increased more risk-averse
<i>J. S</i>	Formal/informal	n/a no growth	Yes risk-seeking
<i>M.S</i>	Formal/informal	n/a no growth	Yes risk-averse
<i>L. S</i>	Formal: personnel management and systems	No however content with (p) size	No content stage of life and focusing on core business.
<i>M. T</i>	Formal and informal: gut-feel	Yes more risk-averse too much to lose	No not really stage of life
<i>G.T</i>	Informal: gut-feel	Yes more risk-averse	n/a
<i>J.V</i>	Informal: gut-feel	n/a no portfolio growth	n/a
<i>L.W</i>	Formal and informal	Yes more risk-averse (learnt from mistakes)	No
<i>H. Z</i>	Formal	Yes more risk-averse	No
<i>R. B</i>	Formal/informal	Yes more risk-averse	Yes more
<i>H. D</i>	Informal	Yes more risk-averse	No
<i>L. S</i>	Formal	Yes more risk-seeking	n/a
<i>G. N</i>	Informal	Yes more risk-averse	n/a
<i>J. P</i>	Formal	No	Yes more
<i>M. K</i>	Informal: gut-feel	No the same	n/a
<i>R. M</i>	Informal: gut-feel	No	No
	<u>Formal: 6/24 25%</u> <u>Informal (gut-feel) 7/24 29%</u> <u>Formal & Informal 11/24 46%</u>	<u>Change: 10/24</u> 1. More risk-averse 9/10 90% 2. Risk-averse to risk-seeking: 0/10 3. More risk-seeking: 1/10 10% 4. Risk-seeking to risk-averse: 1/10 10% <u>No change: 11/24</u> <u>Inapplicable no growth: 3/24</u>	<u>Yes 9/24 38%</u> 1. More risk-seeking 4/9 44% 2. More risk-averse 5/9 56% <u>No 11/24 46%</u> <u>Inapplicable 4/24</u>

Table 5.23 presents the responses to questions the portfolio entrepreneurs were asked about how they managed risk, whether their attitude to risk changed with growth in their portfolio and whether the state of the economy had an effect on their attitudes to risk.

The entrepreneurs were asked how they managed risk and whether their risk management processes were formal or informal. These questions attempted to discover whether the entrepreneurs' behaviours were consistent with their acknowledged attitude to risk, while also identifying how portfolio entrepreneurs in this context manage risk.

Results show that almost half of the sample (46%) utilise both informal and formal risk management processes. The other entrepreneurs either utilising only formal risk assessment processes (25%) or informal processes (29%).

The formal risk management process identified were a number of accounting, finance and strategy measures such as: profit loss accounts, scenario building, feasibility studies, structured appraisals and swot analysis. The entrepreneurs identified informal risk management processes being around their 'gut-feel'. The entrepreneurs defined gut-feel as being a consequence of their experiences, skills, networks and entrepreneurial instincts. The results are interesting, showing that a large number of these portfolio entrepreneurs make decisions regarding risk according to their gut-feel which they identify as a consequence of their collective experiences, networks and skills. Furthermore this increased ability to assess risk through their gut-feel or experience may give portfolio entrepreneurs in a high-risk context an advantage over nascent entrepreneurs.

The entrepreneurs were asked whether their attitudes to risk had changed with portfolio growth and over time. Ten of the entrepreneurs admitted that their attitudes to risk had changed over their entrepreneurial career. Of the ten, nine admitted that they had become more risk-averse as they became more experienced (having created new and multiple companies). Only one entrepreneur acknowledged that they had become even more risk-seeking. These results show the importance of risk-aversion to success of multiple entrepreneurs within this sample and validate the findings that the majority of the sample is risk-averse. The results suggest counter-intuitively, that the more experienced and successful entrepreneurs are in high-risk environments, the more risk-averse they

become. This is in contrast to what one would assume that as entrepreneurs experience success that they become more risk-seeking. Subsequently, it appears formatively that the key driver to success in this high-risk context is adapting to high-risk in the environment by forming risk-averse attitudes and behaviours (these risk-averse behaviours will be elucidated further on in this section).

These findings confirm Acedo and Florin's (2007) work showing that perceptions of risk are influenced by the individuals past experiences related to opportunity. Furthermore, highlighting how there appears to be an allusion of greater risk-taking by entrepreneurs Palich and Bagby (1995) but that this is mitigated by specialised knowledge (Janney and Dess 2006). In addition it appears that portfolio entrepreneurs within Das and Teng's (1998) typology may be viewed as opportunistic entrepreneurs characterised by long-term risk behaviours, having risk-averse properties, however, not characterised by a focus on missing-the-boat risk.

The last question that was asked of the portfolio entrepreneurs was whether current economic conditions had an effect on their attitudes to risk. Nine responded that it had (38%) and amongst those slight more that said they were more risk-averse (56%) than those that said they were more risk-seeking (44%). This result provides a contrast to the other question asked about whether attitude to risk changed and the results indicate that there is still a preference towards risk-aversion and that most of these portfolio entrepreneurs do not change their attitudes to risk. This follows the same trend as in the other questions thereby validating the initial observations.

The next section tests the findings of these questions that were asked to the general sample (interviewed only once), ascertaining whether over a longitudinal period attitudes to risk changed. This longitudinal element is important to validate the findings from general sample and also to look at risk from a longitudinal perspective where conditions change from year to year, seeing whether trends evidenced from the general sample are consistent when applied longitudinally.

(5.8.4) Longitudinal study: do attitudes to risk really change over time?

Table 5.24: Changes of attitude to risk: longitudinal sample

Entrep. ATR 1 st Interview	ATR 1 st repeat Interview	ATR 2 nd repeat Interview	ATR 3rd repeat Interview	Change to ATR
Fe Risk-Averse	Does take risk but always mitigating it. Less risk-taking with experience	More risk-averse. Has become more cautious, as experienced failures. Takes risks but not stupid risks.	I'm still risk-averse. There is a lot of uncertainty	Consistent but acknowledgement of taking risks, but becoming more risk-averse
Ha Risk-Averse	Risk-averse. Belief of continuing what he knows.	Believes there is no risk as the economy is not moving/ he is not making investments.	Totally risk-averse. You take the forex, fuel shortages. Crisis	No but once again risk tied to the nature of the opportunity and environment.
Joh Risk – Averse	Risk-averse as a response to conditions in the economy.	Risk-averse but does not think there is risk with his new business as he knows the potential risks. Cautious risk-taking always seeking to reduce risk.	Look I'm cautious.	Consistent but once again perception that new business created are not risky.
Jo Risk-Averse	Risk-seeking, more willing to invest due to positive performance of the economy.	Risk-averse- more controlled and thought out (experience). Lack of money, so is worried about losing it so long-term low-risk projects with little upfront costs.	Still risk-averse Look I'm even less willing to take on risks because of the situation	Yes risk-averse to risk-seeking back to risk-averse
La Risk-Averse	Still risk-averse.	Is a risk-taker with his current business, but constantly reduces that risk. Takes calculated risks.	Risk –averse	Acknowledgement of risk but behaviour still consistent
Mi Risk-Seeking	More risk-averse.	Even more risk-averse, learnt from previous mistakes	Sold company	Risk-seeking to increasingly risk-averse
Gi Risk-Averse	Still risk-averse.	Risk-averse- does not consider it a problem. Reduces it by taking an educated calculated guess. Risk circumstantial to the type of opportunity and the environment.	I still don't consider it. It doesn't factor. I don't see my core function as a risk	No- but a trend to not seeing risk at all.
Ru Risk-Averse	Doesn't take risks.	More risk-averse- reducing it even more. Environment not conducive plus has learnt from experience	Still cautious risk-averse- the same as I've always been. I don't see the new business as risky at all.	Consistent degree of risk aversion has changed
Zu Risk-Averse	Is risk-averse: sticks to what he knows so minimises the risk. Even if the environment is conducive to risk-taking.	Still risk-averse and cautious. Perception that what he does do is not risky.	I'm risk-averse and cautious. I take very little risk but prefer none at all.	Consistent- once again notion that there is no risks/ it is reduced in actual business activity.
Ri Risk-Averse	Risk-averse- trying to reduce risk. There is a lot of risk in current business.	Have become wiser not as risk-taking. Confidence in his ability.	Risk-neutral. I take risk but the risk reward has to be good - have to balance this. I'm not more risk-averse after the set-back.	No change but realises high-risk in activities and tries to reduce risk.

Ten entrepreneurs made up the longitudinal sample (see section 4.5.2, Chapter 4 for details). Of these ten entrepreneurs nine answered they were risk-averse at first interview, with one entrepreneur being risk-seeking. The risk-averse entrepreneurs remained risk-averse with the sole risk-seeking entrepreneur becoming risk-averse. Another entrepreneur who had been risk-averse acknowledged becoming risk-seeking after the first repeat interview then subsequently becoming risk-averse after the third interview. The trend shows that risk-aversion is in the ascendance with a low likelihood of the entrepreneurs becoming risk-seeking from being risk-averse.

The results confirm the findings from the larger sample that these entrepreneurs are more likely to have risk-averse attitudes over time that do not change but become more entrenched. The longitudinal results also show that it is unlikely for an entrepreneur to become risk-seeking from initially being risk-averse, that it is more likely for a risk-seeking entrepreneur to become risk-averse. It is noted that this is an extremely small sample of entrepreneurs with a bias towards risk-averse entrepreneurs in this instance and therefore, might not be representative of a larger population of entrepreneurs. Nonetheless, the results are consistent between the two methods, single semi-structured life history interviews and a longitudinal case study group re-interviewed over time; thereby, increasing the validity of the results.

Results from the longitudinal component shed further light on the role of risk attitudes in portfolio entrepreneurship when one looks at the reasons why the entrepreneurs consider themselves to be risk-averse. It is clear from table 5.24, that many of entrepreneurs while being risk-averse do not consider their business operations to be risky, that they mediate the risk of their enterprises through their experiences and risk-mitigating activities. It is also clear that they acknowledge high-risk in their endeavours but that there is a trend to reduce that risk through their capabilities and experience. Thus, as the literature points out (Palich and Bagby 1995, Acedo and Florin 2007) these portfolio entrepreneurs may perceive risks differently and that the risks in their activities is mediated by the effect of their skills and experience (Janney and Dess 2006).

(5.8.5) Firm-level analysis: the role of the portfolio composition in reducing risk

Part of the firm analysis, in section 5.3, broke down the 122 firms owned by the 24 entrepreneurs by the rationales as to why they had diversified/ created the individual firms in the first place (see section 5.3.3, table 5.7). This following on from the Rosa (1998) and Rosa and Scott (1999 a) work, highlighting which of these rationales are consistent between their sample and this sample. This section details a further firm-level analysis which has been undertaken on the type of firm (the rationale for its creation) and whether these firms can be considered to be risk-mitigating or not. This was undertaken to show how the portfolio group, its structure and different combination of different firms reduces risk at the firm-level.

The firm analysis table (see 5.3.3, table 5.7) indicates that 22% of the total number of firms created, were cases of related diversification by the portfolio entrepreneurs. A further 11% percent of firms were created to take advantage of the property market in Malawi. 8% of the firms were bought (they were 'going concerns' and not created) 3% of the firms were family businesses. In addition, 5% of the firms have been created as a consequence of a business partner's idea. The combination of these codes accounts for 49% of the entire firm sample of 122 firms owned by the portfolio entrepreneurs. All of these firm start-up reasons and types reduce overall portfolio risk, thus almost one in two of the businesses created by this sample of portfolio entrepreneurs reduces risk due to being less risky than alternative types of firms. This argument will be elaborated upon in the following paragraphs.

Rosa (1999), Rosa and Scott (1999 a) and Iacobucci (2002) identify related diversification as the primary type of rationale for creation of new firms in a business group. Starting a business that is related to another has been shown to be less risky than starting a wholly new, unrelated business (Bettis and Hall 1982, Michel and Shaked 1984, Bettis and Mahajan 1985). In the Malawian context, these related diversification firms often allow the core businesses within a group to maintain and secure consistent supplies and reduces the costs of inputs. Malawi is a land-locked country where costs of importing is high and the delivery of goods uncertain (see Lea and Hanmer 2009). Due to this particular nature of the Malawian economy the risk of importing is subsequently high as a.) your imports are expensive and b.) there is no guarantee they will be delivered on time. Further

complicating matters is that suppliers often do not provide credit to Malawian importers due to the shortages of foreign currency in the country that have recently worsened (see Chapter 3).

The problem and risk of importing is especially prevalent within those portfolios in the sample, where a construction firm is the core business. In these instances other related diversification firms support the core business. For example, portfolio entrepreneurs in this sample have bought quarries to supply a cheap and consistent source of stone for road projects of the core business. Further related businesses involved the setting up trading companies set up to secure and import supplies from South Africa or Dubai thereby cutting out the middleman, reducing costs and risks of delayed supply. Other related firms encountered were steel processing operations, forestry concessions and subsequent wood processing companies, all used to ensure inputs for construction projects.

Property companies, represent the entrepreneurs' investments into property through either formal or informal companies focusing on either residential, commercial (or both) property. Property is seen as a low-risk, hedging proposition for entrepreneurs in Malawi due to specific market conditions ensuring a very quick return on property investments. This in addition to lax tax collection and high rental income makes the investments into property an even lower risk proposition for entrepreneurs. Property investments also hedge against inflation (see Ibbotson and Siegel 1984). This situation is caused primarily through a lack of supply of suitably titled/zoned residential and commercial land in Lilongwe (this is due in part to an inefficient land register), as such titled/zoned land goes at a premium. This shortage in supply coupled with high demand creates conditions where property investments ensure quick returns on capital, increasing cash-flow to be used in other businesses within the portfolio. One entrepreneur acknowledged,

'The rate of return on initial investment into property is 7 years, It is about half the time taken in Europe'.

Tax collection on property rental income is poor (as mentioned), underdeveloped, further increasing profits and returns.

Family firms (3%) and firms that are bought (going concerns 8%) are acknowledged to be less risky than starting a new company. Changanti and Schmeer (1994) show that owner start ups perform better in terms of return on assets than buy outs (going concerns) and family run firms. They suggest that the superior profits are a consequence of greater risk-taking (liability of newness) than firms that have been bought or family firms that have been inherited. Thus, going concerns and family firms are inherently less risky than starting up your own business hence accounting for their position within the total firm sample.

These arguments coupled with the number of firms started through a partners idea (5%) shows that portfolio entrepreneurs also reduce the risks of failure by involving other entrepreneurs in their business activities who have specific skills and human capital that the entrepreneurs do not possess, thereby reducing the probability of loss or failure (see Malfense Fierro and Rosa 2010, Iacobucci and Rosa 2010).

Thus from this evidence portfolio entrepreneurs, in addition to being risk-averse and being more likely to become even more risk-averse over time irrespective of growth or economic performance, also display risk-reducing or risk-averse properties in the types of firms that they create invest in and that comprise of their business groups. Consequently the role of risk-aversion within portfolio entrepreneurs within this context is especially important and validated by both the general sample, longitudinal sample and from the firm-level analysis undertaken.

Section 5.8.3, table 5.23, identified how portfolio entrepreneurs managed risk within their businesses showing that they used a combination of gut-feel and management techniques to do so. The other sections in this chapter showed the majority of entrepreneurs were risk-averse, unlikely to change their risk attitude with it becoming more entrenched if they considered themselves risk-averse. The analysis also showed how important the entrepreneurs view risk in their ultimate success. The final section of this chapter takes this analysis a step further, identifying the specific strategies that these portfolio entrepreneurs undertake in Malawi to reduce risk in addition to the individual and firm-level evidence.

(5.8.6) Strategies that the portfolio entrepreneurs use to reduce risk

Risk-mitigating strategies undertaken by the entrepreneurs, evidenced through the formation of a business group of companies are identified as:

- 1.) Cloning of successful businesses and business models undertaken by other entrepreneurs and freezing (cessation/ slowing down of activities) of businesses in portfolio, that become high-risk.
- 2.) A large degree of investment into property and property companies (see section 5.3.3, table 5.7)
- 3.) Cautious, slow and low investments in new businesses undertaking organic growth strategies.
- 4.) Learning from collective venture creating/operating experience and screening future business opportunities.
- 5.) Not taking bank finance.
- 6.) Adapting to corruption in the environment and developing strategies to avoid it.
- 7.) Diversifying into new businesses where the entrepreneurs have knowledge or experience of the industry, or that their partners do.
- 8.) High use of business partners (entrepreneurial team) in new ventures to mitigate risks of failure and ensure non-bank financing.
- 9.) Holding a job in addition to business interests to hedge against periods of uncertainty and high-risk by providing cash flow.

The strategies identified above manifested from the observed and recorded activities and behaviours of the portfolio entrepreneurs in creating new ventures and their rationales for starting these new ventures. The finding that these entrepreneurs mitigate risk through the involvement of partners (i.e. the entrepreneurial team) confirms research by Malfense Fierro and Rosa (2010) and Iacobucci and Rosa (2010).

However, the surprising fact that these entrepreneurs also utilise business partners to overcome the high-risk of borrowing money from banks, shows that bank lending for these entrepreneurs is too expensive, not worth the risk and consequently they have developed alternative mechanism to overcome these shortcomings. This is highlighted by the fact that only two entrepreneurs acknowledge ever borrowing money from the bank to start an enterprise, subsequently revealing that they would never do so again. Many of the entrepreneurs further acknowledge that one of the key elements to their success had been their refusal to ever borrow money from banks. This is an interesting finding considering that bank interest rates have been falling in Malawi, as a result of government policy (at the urging of donor nation and international finance organisations) aimed at improving the institutional environment for entrepreneurship.

The other strategies identified do not need further explanation but generally show how risk is mitigated by the activities of the portfolio entrepreneur. These strategies highlight and confirm the role of risk-aversion amongst this sample of entrepreneurs, showing that the entrepreneurs' behaviours are consistent with the high number of entrepreneurs acknowledging that they were risk-averse.

(5.8.7) Chapter summation

This chapter has shown the role that risk plays within this sample of portfolio entrepreneurs in Malawi. Risk-aversion is identified as being crucial to the success of the entrepreneurs. Moreover, risk-aversion is argued to exist at the firm-level in the grouping of the different types of firms within a group. Crucially this analysis shows how and why portfolio entrepreneurs spread and reduce risk unlike the literature (Rosa 1998, Westhead and Wright 1998 a, Ucsbasaran et al. 2008).

When viewing risk in comparison to the other themes of this research, growth and the environment risk is found to be the crucial attribute that allows these portfolio entrepreneurs to pursue growth and venture creation by overcoming the considerable uncertainty of the environment. Most importantly this conceptualisation of the role of risk in the portfolio entrepreneurship phenomena contradicts the conceptualisation of the entrepreneur as risk-taker.

The preceding three sections showed how risk-aversion both at the individual, firm and strategic levels increase the likelihood of firm growth/diversification in a complex and uncertain environment. This chapter has highlighted these facets of the process of portfolio entrepreneurship. Risk, growth and the environment are argued to be crucial elements in understanding how portfolio entrepreneurs in this African context survive and thrive. The author argues that future studies of entrepreneurship in Africa should consider the phenomenon from these three related facets showing how risk the environment and the process of growth interact.

The final chapter presents an overview of this work's findings showing how the three themes are related and how the research questions have been answered while also enlightening the practical and theoretical applications of this work. A number of models are proposed assessing the phenomenon from these perspectives and recommendations are made for future work and for policy makers.

(6.0) CONCLUSIONS AND RECOMMENDATIONS

‘Humiliating to human pride as it may be, we must recognize that the advance and even the preservation of civilization are dependent upon a maximum of opportunity for accidents to happen. These accidents occur in combination of knowledge and attitudes, skill and habits, acquired by individual men and also when qualified men are confronted with the particular circumstances which they are equipped to deal with. Our necessary ignorance of so much means that we have to deal largely with probabilities and chances²⁰,

(6.1) Chapter outline

The first section (section 6.2) summarises the results of this research with the specific research questions and research objectives. This is necessary to link the empirical findings from the results chapter to the relevant research question and objective (as this is not undertaken in the results chapter). The section comprises of four sub-sections: the demographic findings from the sample of entrepreneurs, the findings concerning the risk research questions, the environment research questions and the growth research questions.

The following section (section 6.3) is entitled, ‘portfolio entrepreneurs within Malawi their contributions to theory and practice’. The section is split into three sub-sections. The first part identifies the contributions of the research to risk, diversification (growth theory) and the environment. The second section includes the contributions of the work to entrepreneurship theory (risk, business group diversification and the environment). Finally, the third section brings together the three themes of analysis identifying the models or frameworks explaining each themes role within portfolio entrepreneurship in Malawi. This final section continues by developing two models that integrate the three separate themes of the research into an holistic understanding or paradigm of the

²⁰ Frederick von Hayek, ‘*The Constitution of Liberty*’.

portfolio entrepreneurship phenomenon in Malawi. These models are essentially the outcome of the theoretical framework outlined in the methodology chapter.

The final sub-section 6.5 of the chapter is entitled, portfolio entrepreneurs recommendations to policy makers and practioners. This section includes four sub-sections which outline recommendations to policy makers, recommendations to practioners (entrepreneurs) and recommendations to scholars (suggested future work).

(6.2) Research questions and findings

This section proceeds by answering the research questions as outlined in the introduction and methodology chapters and addressing whether the consequent research objectives have been realised. The section is structured by first identifying the research question germane to each theme and subsequently showing the main conclusions of the research with respect to each research question, then following on by looking at the corresponding research objectives.

(6.2.1)The sample of entrepreneurs

The sample of portfolio entrepreneurs in this study is characteristic of the portfolio entrepreneurs in other empirical research, undertaken in other contexts. The first confirmatory point is that the Malawian sample of entrepreneurs is highly educated, and experienced, as the case with samples of portfolio entrepreneurs elsewhere in the world (Kolvereid and Bullvag 1993, Westhead and Wright 1998 a, c). There were few female portfolio entrepreneurs in the sample as highlighted in the literature (Kolvereid and Bullvag 1993, Rosa and Hamilton 1994, Westhead and Wright 1998 c, Westhead et al. 2003 b).

One interesting finding was the involvement of a significant proportion of the sample in jobs in addition to their business activities and the income from these jobs allowing the entrepreneurs to create and grow their existing firms. This has not been pointed out in the literature (Rosa 1998, Westhead and Wright 1998 a, b, c, Rosa and Scott 1999 a, b, Carter 1999). This finding may be due

to the advantages of having additional sources of income when at a formative level of portfolio entrepreneurship and when at a smaller scale of operation. Having a job in addition to a portfolio may ensure that in tough or lean times the portfolio entrepreneur has a source cash-flow to ride through periods of uncertainty and high-risk. Consequently this particular characteristic of these entrepreneurs could be indicative of further risk-aversion tendencies contributing to a central claim of this thesis, which places risk-aversion at the centre of understanding portfolio entrepreneurship.

Another interesting observation is the relative lack of indigenous Malawian portfolio entrepreneurs (roughly 25% of the sample) when compared to portfolio entrepreneurs of Asian/ Middle Eastern or European backgrounds who comprise less than 1% of the population but 75% of this sample. Thus, the research confirms studies that have shown a lack of indigenous African entrepreneurship at a larger scale of operations in Africa (see Ramachdaran and Shah 1998, Acs and Virgill 2010). The reasons of this were not investigated thoroughly in this study, but from some of the discussions with indigenous entrepreneurs, cultural habits, mistrust and particular economic and social history of Malawi were identified as possible causal factors as to the lack of large-scale indigenous entrepreneurship. These elements, however, were captured in the environmental section of this thesis which identified cultural and social elements that hinder venture creation and operation by portfolio entrepreneurs.

(6.2.2) Risk research questions and findings

There were three research questions concerning risk. The following sections outline these questions and show how each have been answered in the undertaking of this research.

RQ1) *What attitudes do portfolio entrepreneurs have towards risk and do these attitudes change over time and with success?*

The research found that the portfolio entrepreneurs in this Malawian context were largely risk-averse with two thirds of the sample identifying themselves as being risk-averse (see table 5.22, section 5.8.2). Additionally, risk-averse attitudes were unlikely to change over time and with success becoming more entrenched over time. It was unlikely for the entrepreneurs to change their attitudes to

risk from risk-seeking to risk-averse and vice versa. Specifically the entrepreneurs were unlikely to change their attitudes to risk with portfolio growth and of the percentage that had changed their attitudes (only 42% - see table 5.23, section 5.8.3), the large majority of those had become more risk-averse.

With respect to whether the entrepreneurs changed their attitudes to risk with reference to current economic conditions (see table 5.23, section 5.8.3) roughly the same proportion identified that they would or already had done (38%) with 44% of the 38%, admitting that they had become more risk-seeking and 56% more risk-averse. What these results point towards is that economic and other environmental conditions such as political stability have a role to play in a portfolio entrepreneur's attitude to risk within a high-risk environment such as Malawi. The increased tendency for risk-aversion in this case is expected due to the considerable uncertainty of the Malawian economy and the high-risk associated with this uncertainty (this factor is discussed further in section 6.3).

When these results were contrasted with the longitudinal sample that were re-interviewed three times over a period of between two to five years, the results were consistent. First, the majority of the longitudinal sample did not change their attitudes to risk and the one entrepreneur that did, changed from being risk-seeking to being risk-averse.

However, in the majority of cases if there was a change in attitude to risk the entrepreneurs either became risk-averse or even more risk-averse. These longitudinal interviews did reveal an interesting trend with many of the entrepreneurs revealing that they did not consider certain activities to be risky as they had run these businesses for years and understood the complexities inside out.

Ultimately the answering of research question one highlighted the role of risk-aversion for portfolio entrepreneurs within Malawi showing at both levels of analysis, general sample and longitudinal sample that results were consistent. The implications of these findings for theory are identified in section 6.3.1.

RQ2) *How do portfolio entrepreneurs manage risk?*

Portfolio entrepreneurs manage risk through a variety of formal and informal mechanisms. Most entrepreneurs within the sample use a combination of both formal and informal processes when

managing risk. Of the entrepreneurs that utilise either formal or informal processes to manage risk, surprisingly most (29%) used only informal processes, with (25%) using only formal processes.

The formal risk management processes identified were a number of accounting and financial measures used to reduce risk. Of the informal processes gut-feel was identified as the most important informal process. Gut-feel refers to the feeling that entrepreneurs get about a risk from their collective experiences as entrepreneurs. Some of the entrepreneurs used other peoples' insights to manage risk, asking partners and confidants of their opinions on the risk of an activity.

The importance of gut-feel was surprising especially when quite a number of entrepreneurs admitted that they solely based decisions on gut-feel when it came to managing risk. This might be reflective of the entrepreneur's background, the management team at the entrepreneur's disposal and a consequence of the specific environment. This discussion will be further elaborated in the theoretical section of this chapter.

RQ3) How is risk reduced/spread within the business group and does it contribute to success? (at the firm and individual-level)

In the firm analysis of the firms owned by the portfolio entrepreneurs (table 5.7, section 5.3.3) close to half of the entire firm sample (49%) of the firms were firms were low-risk and existed to reduce risk in the overall business group. Six categories or types of firms were identified as performing a risk-reducing function of a business group: related diversification firms; property firms, bought firms (or going-concerns), firms primarily involving input from a partner and family business firms.

The conclusion from this finding is that portfolio entrepreneurs, in addition to managing and reducing risk through risk-averse attitudes, also reduce risk at the firm-level by the composition of the types of firms that are included within their portfolio of firms. This shows how they have managed to be successful by utilising a business group structure by being risk-averse and continually reducing risk through their strategic behaviour.

In addition to this finding from the firm analysis, nine strategies were identified that portfolio entrepreneurs utilise in order to avoid the risk of failure and loss within their business groups. These strategies are identified as:

- 1.) Cloning of successful businesses and business models undertaken by other entrepreneurs and freezing (cessation/ slowing down of activities) of businesses in portfolio, that become high-risk.
- 2.) A large degree of investment into property and property companies (see table 5.7, section 5.3.3)
- 3.) Cautious, slow and low investments in new businesses undertaking organic growth strategies.
- 4.) Learning from collective venture creating/operating experience and screening future business opportunities.
- 5.) Not taking bank finance.
- 6.) Adapting to corruption in the environment and developing strategies to avoid it.
- 7.) Diversifying into new businesses where the entrepreneurs have knowledge or experience of the industry, or that their partners do.
- 8.) High use of business partners (entrepreneurial team) in new ventures to mitigate risks of failure and ensure non-bank financing.
- 9.) Holding a job in addition to business interests to hedge against periods of uncertainty and high-risk by providing cash-flow.

In combination, the composition of the different firms within a business group and the strategies employed to reduce risk of failure or loss, allow portfolio entrepreneurs to successfully grow existing businesses and create new businesses. Moreover, the individual-level strategies undertaken by the portfolio entrepreneurs are reflected in the business groups they own, by the types of firms these business groups comprise. Consequently, at both the individual-level and firm-level the role of risk-aversion is of crucial importance to the successful functioning of the portfolio entrepreneur.

The research objectives of the risk research questions were the following:

RO1.) To identify what attitudes portfolio entrepreneurs have towards risk and whether they are similar to theoretical notions of the risk-seeking entrepreneur and whether they are born out of the particular environment.

The research shows that portfolio entrepreneurs in Malawi are largely risk-averse and that this is contrary to the majority of the literature on entrepreneurs (Kihlstrom and Laffont 1979, Rees and Shah 1986, Muller 1999, Stewart et al. 1999, Wagner 2003, Ekelund et al. 2005). The attitudes and behaviours, whereby portfolio entrepreneurs continually reduce risk (the strategies they undertake and the creation of a business group) ensure that they adapt to high levels of risk and uncertainty within the environment which increases their chances of success. This shows that in this case portfolio entrepreneurs are especially adept at adapting to the environment and that the environment is a likely reason as to their risk-averse attitudes and behaviours. The research also highlights that the risk-seeking nature of many explanatory models of entrepreneurship is not always applicable to different high-risk and uncertain contexts.

RO2.) To Identify how PEs manage risk. What processes both informal and formal do PEs use to manage risk?

The research shows that the portfolio entrepreneurs manage risk using a variety of formal (accounting financial measures) and informal measures (gut-feel). Most use a combination of the two measures using both formal and informal risk management process. Additionally, roughly the same number of entrepreneurs use exclusively either formal processes or informal processes (gut-feel). Thus the objectives are met by identifying the processes by which portfolio entrepreneurs on this context reduce risk.

RO3.) To identify what strategies portfolio entrepreneurs employ to reduce risk (at the individual-level) and the firms and types of companies, that reduce risk within a portfolio group. While also identifying whether these behaviours increases the likelihood of success or are identified by the entrepreneurs as being crucial to their success.

The research identifies the nine strategies the portfolio entrepreneurs undertake to reduce risk in their business groups (see results section and RQ 3.) above. The findings also show that the business group

when contrasted by types of firms within the group, also reduces risk by the inclusion of different types of firm that reduce risk. It is consequently argued that these strategies and that the composition of the group increases the likelihood of entrepreneurial success by reducing the overall risk for portfolio entrepreneurs.

(6.2.3) Environment research questions and findings

The questions on assessing the effect of the environment on portfolio entrepreneurs comprised on three different questions. The first question aimed at ascertaining the environmental conditions (political, social and economic) that affect the operations of portfolio entrepreneurs in Malawi. The second and third question were aimed at splitting these conditions into those that enable venture creation and operation and those that hinder venture creation and operation. Through this process some environmental conditions were highlighted as both enabling and hindering venture creation and operation.

RQ1.) What environmental conditions: political, social and economic affect the operations of portfolio entrepreneurs in Malawi?

Eleven different affects or conditions were identified to be of most prominence in affecting the venture creation and existing operations of the portfolio entrepreneurs within the context. These eleven conditions were (in order of magnitude/importance): regulation, competition, political corruption, social corruption, lack of skills, high-growth characteristics of the economy, cultural particularities, trust, underdeveloped nature of the economy (and opportunity), artificial macro conditions and lack of credit.

Table 5.17 and 5.18 in section 5.6.2 define and highlight these rankings. Once these most pertinent factors had been identified, they were grouped into three main categories to further explain the role of the environment in creating the conditions for venture creation and operation (table 5.19, section 5.6.2). These categories were 1.) Regulations and policy outcomes 2.) Cultural and societal elements including corruption and 3.) Competition/lack of it outcomes.

Regulations and policy outcomes combined four different codes identified: regulations, high-growth characteristics of the economy, artificial macro conditions and credit. The logic behind this code was that regulations and artificial macro policy contribute to the high-growth nature of the economy and consequently the supply of credit. This category was identified as being the most important environmental facet affecting the operations of portfolio entrepreneurs in Malawi.

The second combined category, 'cultural and social elements including corruption', combined four different factors affecting operations of portfolio entrepreneurs. These four conditions were: political corruption, societal corruption, cultural particularities and trust. These four conditions can all be argued to be part of and a consequence of cultural and social environmental conditions within the country. As a combined category these four conditions came a close second in terms of their effect on portfolio entrepreneurs operations.

The third combined category, 'competition/ lack of it (outcomes) referred to the final combined category that consisted of two of the environmental conditions identified; competition and lack of skills HR (human resources). The logic behind this final combined category was that competition as identified by the portfolio entrepreneur referred to other entrepreneurial competition within the country and that this competition was a consequence of another problem that they identified as having an effect on their venture operations: lack of skills/ HR. Lack of skills/ HR (human resources) refers to the shortage of supply of competent and skilled human resources. This shortage incidentally, also contributing to a lack of competition for the entrepreneurs from other less skilled/ competent entrepreneurs.

RQ2.) *What are the conditions present within the environment that enable venture creation by portfolio entrepreneurs?*

Six of the eleven factors identified from the first question on the environment for venture creation and operation were identified as enabling venture creation and operation for the portfolio entrepreneurs. These conditions were: regulation (the lack of it), artificial macro conditions (poor policies creating lucrative entrepreneurial opportunities), competition (the lack of competent entrepreneurial

competition), corruption (enabling corrupt entrepreneurs to successfully venture), lack of skills (enabling skilled entrepreneurs to be more successful) and the high-growth nature of the economy.

Of these six environmental conditions five were identified as also hindering venture creation and operation. These conditions were: lack of regulations, artificial macro conditions, competition, corruption and lack of skills (HR). These conditions are explained further in the next question.

RQ3.) What are the conditions present within the environment that hinder venture creation and success by portfolio entrepreneurs?

Five of the eleven most pertinent environmental conditions were identified as creating conditions that hindered venture creation and operation. These conditions were: regulation (over regulation), artificial macro policies (poor policies helping some but not others), lack of credit, competition (unfair competition from competitors), corruption (political societal: employees and other entrepreneurs), lack of skills HR and cultural issues (mistrust, jealousy).

Five of these conditions were identified as also enabling venture creation: regulations (regulations that helped some but not others), artificial macro conditions (that affected some entrepreneurs but not others, Corruption (that benefited corrupt entrepreneurs) and the lack of skills HR (which enabled entrepreneurs to better compete by reducing competent entrepreneurial competition).

RO1.) What are the environmental conditions present within the context (political, social and economic) that affect the operation of business groups by portfolio entrepreneurs?

Eleven prominent environmental factors consisting of (political, economic and social elements) were identified that affect the business operations of portfolio entrepreneurs (see sections above and results chapter).

RO2.) What are the enabling conditions to venture creation and success by portfolio entrepreneurs? (How can government and other entrepreneurs improve and take advantage of these conditions).

The enabling conditions to venture creation and operation were identified. Crucially, however, some of these conditions were shown to also act as hindering conditions. This meaning that creation enabling conditions such as the lack of skills within the economy also hindered venture creation and

growth by ensuring that entrepreneurs could not find suitable qualified staff to run new businesses or help grow existing businesses. The implications of these findings to government and entrepreneurs are contained in the later sections of this chapter.

RO3.) What hinders venture creation and success by portfolio entrepreneurs (How can government and entrepreneurs overcome these hindrances to improve success?)

The hindering conditions to venture creation and operations were identified in section above. As with the enabling conditions some hindering conditions were also identified as enabling venture creation and operation by the portfolio entrepreneurs. One of these hindering conditions corruption was identified as enabling venture creation and operations. This meaning that corrupt entrepreneurs were enabled with venture creation and operation by being able to better compete against un-corrupt entrepreneurs.

(6.2.4) Growth research questions and findings

This thesis answers three research questions about growth and portfolio entrepreneurs in Malawi and whether the consequent objectives have been achieved. The first question asks why and how do portfolio entrepreneurs diversify and grow their business groups? The second questions ask whether portfolio entrepreneurs' group of firms can be considered to continue to grow when their venture creation rates are contrasted over time? The third question asks what factors affect the three outcomes of portfolio creation: growth, non-growth and contraction?

RQ1.) Why and how do portfolio entrepreneurs diversify and grow their business groups?

Portfolio entrepreneurs within the context initially diversify their business groups due to seven reasons. These reasons are: core business reasons, opportunity reasons, hobby reasons, business partner/ friend reasons, risk-spreading, family and necessity (for further elaboration on these reasons see section table 5.10, section 5.4.2). All of these reasons with the exception of necessity are identified within the literature on portfolio group diversification and thus the research confirms that portfolio

entrepreneurs in Malawi largely diversify for the same reasons as the reasons highlighted by portfolio entrepreneurs in the West (Rosa 1998, Rosa and Scott 1999 a, b).

Necessity refers to instances where a portfolio entrepreneur has diversified due to losing a job or because of the needs of their family. This reason has not been identified in the portfolio entrepreneurship literature and is specific to portfolio entrepreneurs within this context. A further discussion on the theoretical implications for this are contained in the sections that follow.

RQ2.) Can the number of firms owned by portfolio entrepreneurs be considered to continue to grow when venture creation rates are contrasted over time?

If one considers that every portfolio entrepreneur at one time started with one business they can all retrospectively be seen to be high-growth entrepreneurs, however, the literature has not successfully answered this question or shown it to hold true longitudinally. Thus, a key element of this research was to show whether a longitudinal sample of portfolio entrepreneurs did see continued growth in their portfolios.

The outcome of the longitudinal sample results show that portfolio entrepreneurs in the majority do grow their portfolios when venture creation rates are contrasted over time. Of the longitudinal sample (consisting of ten entrepreneurs re-interviewed three times over a period between two to five years) the total firm sample has grown by five businesses from the first interviews. During the period six of the ten entrepreneurs have grown their business groups; three of the ten entrepreneurs' business groups have contracted and one of the entrepreneurs has exited (selling his business and leaving the country).

During the period a total of 13 new firms have been created by the portfolio entrepreneurs with eight firms being closed during that time. However, when one looks as to the reasons why firms have closed or ceased to exist none of the eight businesses have closed due to a failure to make profit or have become bankrupt. The reasons for these closures are elaborated upon in the answering of RQ 3.). Thus, portfolio entrepreneurs from the longitudinal sample can be considered to continue to grow. This is shown by the longitudinal data by the fact that they create many new firms (13), that the majority of portfolio groups do grow and in the case of groups that contract, these are not necessarily

a consequence of failure, but rather other causal factors arising from the environment (thus 'failure' *per se* might be misleading).

RQ3.) *What are the factors that affect the development: growth, non-growth or contraction of business groups owned by a portfolio entrepreneurs over time?*

Factors that contribute to growth of the portfolio entrepreneurs business groups are identified as; core business rationales, market opportunities, complementary skills and experience and to hedge against political uncertainty. Core business reasons are comprised of: the core business performing badly and related diversification undertaken to support the core business. Three different rationales for taking advantage of opportunities are identified as contributing to growth: demand borne out of the growing population, economic policy ineffectiveness, inefficiencies and subsidies. The factor complementary skills and experience refers to companies started that are complementary to the entrepreneur's skills and experience. The final factor to hedge against political uncertainty refers to entrepreneurs growing their business group by creating a firm in another country, in case the country/economy collapses, to switch resources/continue the business elsewhere.

Factors that contribute to cases of contraction in the longitudinal group are: business partner reasons, time reasons, financial reasons, core business reasons and economic reasons. Business partner reasons arise due to two possible causes, the loss of a firm due to the separation of one of the partners from the enterprise or a partner selling his equity stake in a business due to a disagreement over strategy. Time, refers to entrepreneurs shutting a business due to not having enough time to keep running it, not having the resources to manage it or not being able to trust others to manage it. Financial reasons refer to a business being closed because the entrepreneur does not have enough money to make the necessary investments or improvements to keep one of their firms operational. Core business refers to cases where entrepreneurs might close a firm to focus on their core business, or that their need to focus on their core business because it is performing badly. Economic reasons refer to entrepreneurs having to close a business due to the lack of skilled human resources in the economy, corruption by employees and business partners. A second component of economic reasons refers to instances where a business is closed due to poorly crafted government policy.

The reasons for non-growth are identified as: trust reasons, time reasons, economic conditions, core business reasons and finance reasons. Trust, reasons refer to the entrepreneur not wanting to grow due to not being able to trust anybody to run a new business. 'Time reasons' refer to the entrepreneur not having the time to personally manage or as a consequence of holding a job in addition to their other business interests. The economic conditions identified as reasons for non-growth are; Chinese competition, effects of the credit crunch, corruption, artificial macro conditions: forex, fuel and electricity shortages, lack of regulations/poor government policy and the lack of a suitable market for new businesses. Core business reasons, refers to instances when an entrepreneur does not add a firm to their portfolio group due to focusing on the growth needs of the core business or that they need to consolidate the core business due to sluggish performance or problems with the business. 'Finance reasons' refers to the entrepreneur not having the spare cash in hand to start a new business and thus not growing.

The consequent research objectives concerning growth were:

RO1.) To identify why and how portfolio entrepreneurs grow (diversify) their businesses groups in the context, what are the rationales behind this and whether these rationales are consistent with research undertaken in Western contexts.

The rationales or processes through which portfolio entrepreneurs diversify/grow their portfolio groups in the first place have been identified. These rationales largely confirm and are consistent work undertaken in Western contexts by (Rosa 1998, Rosa and Scott 1999 a b). However, a new rationale necessity is included to explain why portfolio entrepreneurs diversify and end up owning more than one firm in Africa. Necessity, refers to the finding that many of the portfolio entrepreneurs within this context end up owning multiple firms due to the need and necessity to provide for their families. The implications for this will be explained in more detail in the following sections.

RO2.) To assess whether portfolio entrepreneurs' number of firms continue to grow longitudinally. (In an attempt to answer the question as to whether portfolio entrepreneurs' number of firms can be considered to continue to grow longitudinally and whether they could be a focus for government economic policy, within the context)

From a retrospective perspective the portfolio entrepreneurs are all high-growth. This conclusion is arrived at by the simple logic that at one time every single one of the portfolio entrepreneurs owned only one business and in the process of owning more than one firm they have undeniably grown. However, there is a flaw in such thinking in that it does not reveal whether portfolio entrepreneurs continue to grow. Consequently a crucial argument as to whether they can be considered to continue to grow is missing. This research by being the first to include a longitudinal element, shows that they do indeed continue growing by adding new firms to their portfolio groups over time (see results chapter and summary above). Thus, portfolio entrepreneurs from this empirical study can be considered to continue to grow and as such could be a focus for policy makers trying to stimulate entrepreneurship in developing economies.

RO3.) To identify the factors that affect portfolio entrepreneurs' business groups growth, contraction and stagnation. (Allowing entrepreneurs to identify what strategies are best for growth and what problems they are likely to face. While allowing policy makers to identify policy that retards growth and success of successful portfolio entrepreneurs).

The factors that allow portfolio entrepreneurs business groups to undertake growth, non-growth and contraction have been identified in the results chapter and above. Through this a number of strategies and policies have been identified for policy makers and entrepreneurs. A number of recommendations for policy makers and entrepreneurs have subsequently arisen from this analysis, which are included in the proceeding sections of this chapter.

(6.3) Portfolio entrepreneurs in Malawi: their contributions to theory

The sections that follows highlight how the results of this work in the three related themes risk, growth and the environment contribute to and develop new theory. In section 6.2 the results were summarised in relation to the research questions and objectives. This section follows on from that showing the implications of the findings from the research questions.

This sub-section composes of four different sections. The first section outlines the contribution to habitual entrepreneurship theory of the three themes risk, business group diversification and the

environment. The second section outlines how these contributions can be viewed from the general perspectives of entrepreneurship theory and more specifically to African entrepreneurship theory.

The last section brings together the theoretical contributions of risk, growth and the environment into a conceptual model of the phenomenon within Malawi. This conceptual framework essentially is an answer to the theoretical framework from which the research questions arose (see Chapter 4).

(6.3.1) Contributions to theory: risk

Two thirds of the entrepreneurs consider themselves to being risk-averse. This is in contrast to Kihlstrom and Laffont's (1979) assumptions that entrepreneurs are risk-seekers and a host of other work (Rees and Shah 1986, Muller 1999, Stewart et al. 1999, Wagner 2003, Ekelund et al. 2005) showing that entrepreneurs are risk-takers. Thus, portfolio entrepreneurs may be added as a category of entrepreneurs to work showing that nascent entrepreneurs are no different in risk-taking propensity than non-entrepreneurs (Brockhaus 1980). These portfolio entrepreneurs' attitudes to risk generally do not change over time, rather attitudes to risk become more entrenched as the entrepreneurs experience increases. In the few instances where there has been a change in attitude over time it is more likely for entrepreneurs within this sample to become risk-averse, from an initial risk-seeking attitudes. It seems that this sample of entrepreneurs respond to high levels of risk in the environment through risk-aversion and subsequent risk-mitigating behaviour, which could be interpreted as including the creation of a portfolio/ group of companies.

The longitudinal sample was consistent with these findings revealing that portfolio entrepreneurs are unlikely to change their attitudes to risk over time (see table 5.2.4, section 5.8.4). Attitudes to risk become more consistent, however, on subsequent investigation it seems that there is a trend for this longitudinal sample to perceive less risk or no risk in their current operations (see table 5.2.4, section 5.8.4). This confirms current 'theoretical research' on risk perception by entrepreneurs (Palich and Bagby 1995, Janney and Dess 2006) showing this empirically. Furthermore, the entrepreneurs are highly cognisant of different types of risk being attached to different opportunities and within their different businesses. Many of the entrepreneurs acknowledge that in the case of no new investments

into new companies they consider their experience, skills and other businesses to mitigate the risk inherent in their existing businesses. One trend is very clear, that entrepreneurs in this context are consistently looking at ways to reduce risk in their businesses.

These findings empirically confirm Janney and Dess (2006), theoretical work that entrepreneurs are perceived as taking greater risks but that these risks are reduced and mitigated through their specialised knowledge. Crucially, this sample is drastically different from the focus of their theory on high-technology start-up entrepreneurs. This research shows that their findings can be applied empirically to a different category of entrepreneurs and in a high-risk context. Using Das and Teng's (1998) typology, portfolio entrepreneurs may consequently be seen as opportunistic entrepreneurs characterised by long-term risk behaviour, having risk-averse propensities. However, they appear less worried about missing-the-boat risk than sinking-the-boat risk (see Dickinson and Giglierano 1986).

The findings have implications for the theories of risk propensity and perception. First, in contrast to Palich and Bagby's (1995) findings these entrepreneurs are not more optimistic about the strengths and weaknesses of opportunities, but rather they are more aware of the risks present within the high-risk, uncertain business environment within Malawi. The portfolio entrepreneurs, in this context, employ a number of strategies at both the firm and individual-level to mitigate, or reduce this risk. The findings show that risk propensity does affect entrepreneurs and the opportunities they exploit. This is highlighted by the propensity for risk-aversion within the sample and the outcome of the creation of a portfolio group that by its nature reduces risk. This is in contrast to theoretical contributions that maintain that there is no link between risk propensity and opportunity (Palich and Bagby 1995, Forlani and Mullins 2000, Keh et al 2002, Acedo and Florin 2007).

The second implication for the theory surrounding risk perception is that while the research acknowledges that these entrepreneurs might perceive less risk than non-entrepreneurs (Palich and Bagby 1995), there is a crucial tendency that places reducing risk as foremost in the entrepreneur's behaviour, as opposed to bearing that risk. Janney and Dess (2006) argue that entrepreneurs reduce risk by their specialised knowledge and thus appear to take more risk, however, this research shows that specialised knowledge (or experience) reduces the risk of failure, but crucially that this reduction in risk highlights the role of increased risk-aversion in exploiting opportunities in high-risk contexts.

This theoretical relationship is reinforced by, firstly, the empirical results of the longitudinal sample that show that there is an increased tendency for risk-aversion over time and additionally from the general sample, that shows that the majority of entrepreneurs consider themselves to be risk-averse.

These portfolio entrepreneurs manage risk through a combination of formal and informal measures and processes. Most of the entrepreneurs use a combination of formal (accounting, finance and strategy measures) and informal (gut feel, collective experiences). The remainder of the sample are slightly split in favour of those only utilising a sense of gut-feel (developed through experience) to measure risks inherent in new activities and those that only use formal risk management processes.

The results indicate that risk management processes and measures are utilised by these experienced portfolio entrepreneurs. This is the first study to highlight risk management amongst portfolio or habitual entrepreneurs. This is in contrast to literature commenting on the lack of formalised business skills and knowledge amongst entrepreneurs in Africa (see World Bank). This has implications for consultancy-focused business support programmes targeting experienced entrepreneurs, as a mechanism to increase performance of entrepreneurial businesses in the developing world.

However, this is contrasted to the finding that almost a third of the sample do not use any formal risk management measures or processes at all. These entrepreneurs purely rely on their experience, social and human capital to assess and mitigate business risks (gut-feel). These findings shed light on the role of business experience in risk perception for the portfolio entrepreneur, highlighting how these portfolio entrepreneurs from a developing world high-risk environment manage and perceive risk.

Risk management is consequently highlighted as a crucial factor within the human capital approach to habitual entrepreneurship. The human capital approach postulates that experienced entrepreneurs are better able to create successful ventures than novice entrepreneurs due to the advantages they have in terms of increased human capital profiles (see Ucsbasaran et al. 2008). More specifically, the author would argue that the ability to manage and mitigate risk successfully contributes to 'entrepreneurship-specific human capital' (Stuart and Abetti 1990, Gimeno et al. 1997, Chandler and Hanks 1998). The addition of the management or mitigation of risk as a form of specific human capital has not been highlighted within studies of entrepreneur specific human capital (see Ucsbasaran et al 2008).

Moreover the finding that many of the portfolio entrepreneurs use 'gut-feel' when assessing and mediating the risk of a new venture shows how superior experience increases the likelihood of success through a strategy of risk mitigation which reduces the risk of failure. However, this view of superior experience increasing the likelihood of success is in contrast to current human capital explanations which see risk-seeking as the crucial quality developed by experience. By identifying risk-aversion as opposed to risk-seeking as the crucial factor in accessing entrepreneurial opportunities in high-risk environments, such as Malawi, a new interpretation is offered to explain the role of experience in business group portfolio development.

Another area in which the ability of portfolio entrepreneurs to manage and mitigate risk contributes to specific entrepreneurial human capital is in the involvement of the entrepreneurial team in realising new opportunities. The involvement of an entrepreneurial team reduces the risk of failure, but also acts to increase the likelihood of success of a new venture. This is achieved in two ways. First the entrepreneurial team, where it comprises an alliance of entrepreneurs, reduces the need and risk of institutional finance (in a context where that finance is expensive and high-risk), thereby reducing the risk of failure of a new venture. Second, the involvement of other portfolio entrepreneurs in the entrepreneurial team also reduces the risk of failure in a new enterprise by utilising the specific human capital of team members to increase the likelihood of success and decrease the risk of failure. This is achieved through a pooling effect where the different human capital profiles of team members act to reduce the risk of failure by the sheer diversity of specific human capital amongst the team.

In addition, the specific finding of this research which shows the involvement of other portfolio entrepreneurs with the entrepreneurial team acts as a measure that further reduces the risks of failure. The involvement of other portfolio entrepreneurs acts to reduce the risk of finding suitable management talent to manage the different companies within a business group (Dickinson and Giglierano 1986). This is achieved by utilising other portfolio entrepreneurs with multiple business experience to overcome the problem of finding suitable management with multiple business operating experience in an environment in which there is a lack of managerial talent (see 6.3.2).

The overall result of this synthesis of the empirical results as they relate to theory is that the entrepreneurial team acts to reduce the risk of failure. This contribution extends the findings of

Iacobucci and Rosa (2010) who highlight the role of the entrepreneurial team as a resource to keep and access managerial talent within business groups and to reduce the risk of that talent leaving the firm. The thesis shows how the entrepreneurial team acts to compensate for an entrepreneur's personal human capital deficiencies by attracting other individuals with more diverse human to join the entrepreneurial ownership team (Ucsbasaran et al 2003 a) but additionally, that this behaviour also acts as a risk-reducing mechanism to reduce the risk of failure by (as stated) reducing the risk of loan capital, finding suitable managers and the risks of inexperience in new venture activities.

In addition to the evidence of formal and informal risk management measures and processes, portfolio entrepreneurs also undertake risk-reducing strategies at the firm-level. These strategies (see section 6.2.2) reduce overall risk of their business groups and reduced the risk for new companies created and those already existing. These strategies contribute to the first empirical evidence that identifies how portfolio entrepreneurs actually reduce risk.

The nine strategies identified illuminate the process of risk reduction or spreading, by the actions of portfolio entrepreneurs. These strategies contribute to the literature on habitual entrepreneurship by showing exactly how portfolio entrepreneurs reduce and mitigate risk in their portfolio groups, identifying what strategies they undertake to achieve this. This contributes and empirically extends the findings of Westhead and Wright (1998) and Rosa (1998) on the risk-reducing/spreading rationale to the formation of portfolio groups. In addition, this contrasts with arguments by Forlani and Mullins (2000), Keh et al. (2002) and Acedo and Florin (2007) that whether an individual is more or less risk-seeking has no influence on the perception or risk of a new venture. Rather, this research shows that portfolio entrepreneurs' attitudes to risk have an influence on the risk they perceive in their ventures (existing and new) and in their subsequent risk-mitigating behaviour.

The analysis of the rationales behind the creation and strategies behind certain types of firms within the business groups reveal that almost half the firms (49%) of the entire firm sample (122) exist as risk-reducing businesses. The findings show how related diversification businesses, property businesses, purchased going-concerns, businesses started on a partner's idea and family businesses all represent reduce overall business risk and risk of failure for the portfolio entrepreneurs. These firms hedge against the more risky other types of businesses contained within business groups. These

findings empirically confirms research by Westhead and Wright (1998) and Rosa (1998), however, it goes a step further by identifying how risk is spread within a portfolio group through the types of firms contained within it. This represents a major theoretical contribution to the literature on habitual entrepreneurship, more specifically portfolio entrepreneurship (see Ucsbasaran et al. 2008).

The role of risk-aversion evidenced by the involvement of entrepreneurial teams, strategies of risk reduction and the risk-reducing nature of the types of firms within a business group, show how these 'opportunity-seeking' portfolio entrepreneurs (Rosa 1998) in this high-risk context develop risk-averse tendencies. These risk-averse tendencies of portfolio entrepreneurs within the context are linked to the identification and exploitation of opportunity, as opposed to current conceptualisations that link risk-seeking with opportunity exploitation.

The research shows how a longitudinal sample of ten entrepreneurs (nine of which consider themselves to be risk-averse) with a trend for increasing risk-aversion over time, continue to be highly opportunity-seeking in exploiting new business opportunities. This is evidenced by the fact that of the nine entrepreneurs left in the longitudinal sample the majority (six of nine) have still managed to grow their portfolios in an extremely high-risk and uncertain time period, despite acknowledged tendencies for risk-aversion and mitigation. Additionally, the general sample of portfolio entrepreneurs confirm opportunistic tendencies retrospectively in the creation of a group of more than one company (Rosa 1998).

This shows tentatively while the decision to pursue an opportunity in a high-risk context is in itself risk-seeking, the exploitation of the opportunity is pursued through risk-averse behaviours and hence it is risk-aversion as opposed to risk-seeking that characterises the exploitation of opportunity in high-risk contexts.

The author hypothesises that portfolio entrepreneurs may in other high-risk contexts be better able at exploiting opportunity, precisely because of the risk-averse nature of their behaviours, both at the firm and individual-level. Novice entrepreneurs, on the other hand, may, not benefit from the advantages in 'risk-averse human capital', consequently exploiting opportunities in a risk-bearing/taking manner without having the necessary human capital to reduce the risk of those opportunities and hence

increase their likely risk of failure. Subsequently, these differences between portfolio entrepreneurs and novice entrepreneurs in this (and similar) contexts might also explain why portfolio entrepreneurs own more than one firm. It might also explain why many highly successful entrepreneurs within such developing and emerging contexts own more than one firm and why they continue to have low rates of failure. This is evidenced by the longitudinal data from this thesis that shows high rates of new firm creation with low rates of real firm failure.

In conclusion the risk-spreading nature of a portfolio group is given meaning by the findings of this research. The author shows how risk is actually reduced at the individual-level of analysis (highlighting nine strategies portfolio entrepreneurs undertake to reduce risk and at the firm-level by showing how the types of firms within a portfolio group reduce risk). This is the first time such an analysis has been undertaken. From a methodological standpoint the interaction between the two levels of entrepreneurship analysis: the individual and the firm with respect to risk are shown to be closely related to each other. This means that in the case of risk, the entrepreneur's attitude to risk is closely related to the organisation of a group of firms (that reduces risk by its nature) and to the strategies that reduce risk, both for the entrepreneur and the firm. This contributes to a literature of risk and entrepreneurship that considers the firm and individual-level separately (Miller 2007), by showing that it should consider both levels of analysis. This finding further highlights that entrepreneurship should be considered as an inter-related phenomenon consisting of both the entrepreneurs and the firms that the entrepreneurs own and that either level of analysis may explain the occurrence of the entrepreneurship phenomenon, but crucially that they may both be linked. This is in contrast to theoretical positions that pick one or the other (see Scott and Rosa 1996). However, this research does not pick one or the other, but rather it shows how both should and could be considered when understanding entrepreneurial process and behaviours.

(6.3.2) Contributions to theory: The environment

The analysis of the environmental factors that both hinder and enable entrepreneurship shows that the environmental determinism perspective can be applied to understanding entrepreneurial environments (Aldrich 1979, Aldrich and Pfeffer 1976, Hannan and Freeman 1977). The theory of environmental

determinism argues that the environment is a set of outside conditions to which the organisation (or actors within these organisations) must adapt (see Castriogiovanni 1991).

The analysis of the environmental factors that either enable or hinder entrepreneurship in the context show how these portfolio entrepreneurs adapt to environmental conditions, First, the research shows how entrepreneurs create businesses when policy/regulations are changed and how those businesses are shut when that very policy/regulation is ceased. This is highlighted by the specific incidence of the creation of forex bureaus by portfolio entrepreneurs (highlighted by the analysis of the longitudinal sample in section 5.5.1) and the number of businesses that were started to take advantage of 'fundamental changes in economic, political and legislative conditions' (see table 5.7, section 5.33). This shows the adaptive relationship between the environment and the entrepreneurs.

Second, the analysis of the environment in this thesis shows how entrepreneurs have adapted to corruption by either becoming corrupt or attempting to minimise it through non-government contracting, lack of trust of outsiders, the involvement of the entrepreneurial team and family, and by the non-use of expensive bank finance through the alternative involvement of an entrepreneurial team to raise finance for new ventures. Consequently, environmental determinism is a relevant theoretical lens through which to consider the role of and interaction between the environment and portfolio entrepreneurship. To the author's knowledge this is one of the first attempts to explore systematically the relationship between environment and portfolio entrepreneurship, a major research gap identified by Ucsbasaran et al (2008).

The most important hindering factor to entrepreneurs within the context is the role of government in providing regulation (or not), creating artificial macro-conditions (that help some but not others) and not creating conditions conducive for entrepreneurship. The detrimental effects of regulation/government policy to entrepreneurship have been highlighted by a number of studies/ reviews focused on developing countries in the 1980s to 1990s (Baer 1972, Baumol 1980, Krueger 1983, Bruton 1988, Krugman 1995, Acs and Virgill 2010).

The positive or negative impact of regulation and government policy is seen to be more important for this group of entrepreneurs than financing (which is of concern but ranked tenth out of all the codes

(see table 5.18, section 5.6.2). This could reflect the fact that these are experienced entrepreneurs who already have businesses and are growing groups of businesses, whereas the institutional literature points to the importance of financial institutions in providing the finance for business start-up for novice entrepreneurs (All World Bank, GEM, PSED studies).

The second most important grouping of codes is ‘cultural and societal elements’, most prominent of which is corruption. Corruption acts as both an enabler to those that partake in it and those that are forced to partake in it due to get around regulation such as high tariffs on imported goods in order to compete with those that use black market channels. However, the role of corruption within society seems to be a more serious hindrance for these entrepreneurs, highlighted by the fact that a large majority of which do not trust outside management or new employees.

This finding is contrary to the modelling of trust in development economics and studies conducted on trust in the developing world from the entrepreneurial viewpoint. These studies characterise lack of trust as referring to a lack of inclusiveness of society (Fukuyama 2000) that is characterised by a lack of trust of outsiders, that in turn limits the growth of firms/entrepreneurship (Elkan 1988). A number of studies have looked at the role of culture in fostering entrepreneurship in the developing world. In these studies this lack of trust of outsiders has been argued to contribute to the lack of entrepreneurship in these countries (Leibenstein 1968, Elkan 1988).

However, this study shows that the lack of trust by entrepreneurs (of others), may be seen as a consequence of the risk in the environment and that entrepreneurs develop such attitudes and pursue strategies to overcome this problem of trust, to minimise their chances of failure (see figure 6.3, section 6.4). Thus, contrary to a wide literature that received prominence in development economics, this study shows that perceived barriers to entrepreneurship such as certain cultural norms (such as a lack of trust) actually increase the likelihood of successful entrepreneurship. Of particular relevance, portfolio entrepreneurs in the Malawian context utilise entrepreneurial teams of other portfolio entrepreneurs to overcome these problems of trust and increase the likelihood of success. These team also reduce risk of failure (see previous section 6.3.1). Moreover, the use of family members and the tendency for family involvement in the management of a portfolio group is a further mechanism by

which portfolio entrepreneurs (in this context and perhaps others) overcome problems of trust in creating successful entrepreneurial ventures.

Tentatively, this might suggest why there are high-levels of family business in many emerging and developing countries in the world, i.e. that family business helps to overcome some of the problems of trust within commercial relationships. Retrospectively, this argument might also account for the high levels of family business within the developed world. More research is needed to develop fully this theory of the role of trust, risk and family business creation.

Advocates of the institutional perspective would likely argue that this societal corruption and lack of trust within society is a likely consequence of weak punitive and legal systems (Woodruff 2002, Aidis 2005, Acs and Virgill 2010), however, not one entrepreneur mentioned problems with the legal process in Malawi, nor the efficiency of the courts. The research highlights that corruption should not always be seen as arising from the political establishment or as a consequence of weak institutions, but rather it is a problem in society that may stem from government and its institutions, but that corruption policies should also tackle a culture of corruption outside of government.

With the predominance of foreign government and NGO programmes focused on improving legal structures in Africa to increase entrepreneurship and development the finding that the functioning of the legal system is not a hindrance to business creation and operation for these portfolio entrepreneurs is startling, but not surprising. Perhaps a more effective intervention would be a combination of further legal structure improvement and wide ranging programmes from all education institutions instilling a culture of business ethics and social responsibility amongst future employees, and managers.

The next grouping of codes competition and lack of skills/HR highlight a common facet required for successful entrepreneurship and subsequent venturing: a highly skilled entrepreneurs and workers (Elkan 1988, Dubini 1989, Gynwali and Fogel 1994, Fehr 1995, Mambula 2002). However, the code 'competition' highlights that although the literature points to a lack of skills, contributing to low levels of entrepreneurship/ weak entrepreneurial environments (Dubini 1989, Vesper 1990, Gynwali and Fogel, 1994), it actually acts as an enabler for experienced entrepreneurs such as this sample of

experienced portfolio entrepreneurs in Malawi. The lack of skills amongst the entrepreneurial population increases the chances of success of these portfolio entrepreneurs (who have high human capital profiles). This has not been highlighted in the literature and it has implications for current interventions from the skills perspective. This finding may also explain the high levels of portfolio entrepreneurs in the developing world.

The thesis hypothesises that it is precisely the lack of general human capital within the populations of the developing world that creates the competitive advantages that portfolio entrepreneurs have, when compared to the rest of the entrepreneurial population in these environments. These human capital advantages may also explain the cause, creation and scale of the portfolio entrepreneurship phenomenon and its ability to continue to grow in the economies of the emerging and developing world. The hypothesis is that in countries where there is a large variation of human capital within society, portfolio entrepreneurship will be more prevalent and impactful on the economy due to the increased advantages of the human capital endowments of portfolio entrepreneurs within these countries. This hypothesis is supported by the empirical evidence from the sample within Malawi that reveals the importance of competition as an environmental factor affecting successful venturing (see Chapter 5, section 5.6.5 for further details), however, this is a tentative theoretical offering that requires further empirical study in other contexts.

Thus, from a practical standpoint, improving business skills and education levels amongst the workforce and general population (at the macro level) the author would argue is more important than focusing on providing entrepreneurs, especially micro-financed entrepreneurs with business skills training. This is in contrast to the wide literature on improving business skills amongst entrepreneurs, through consultancy and training programmes (see Bruno and Tyebjee 1982, Dubini 1989, Hoy et al. 1991, Gnyawali 1991, Phillips 1993 and various programmes of the World Bank and numerous NGOs). In addition, this points to some of the shortcomings of the current focus on providing skills training to owners of micro financed businesses.

This study identifies that there are growing, high-impact entrepreneurs in Africa, contrary to Western perceptions and theoretical outlooks that hypothesises that Africa's lack of development is a consequence of a lack of high-impact, growing entrepreneurial firms and growth-orientated

entrepreneurs (see Acs and Virgill 2010, GEM Studies). These perceptions of the lack of growing high- impact entrepreneurship in Africa, coupled with current policy agendas focusing on improving numbers of nascent entrepreneurs, while not assisting experienced entrepreneurs, is counter-productive (see Shane 2009). The portfolio entrepreneurs in this Malawian sample are highly experienced, adapt easily to local environments, own multiple, successful and often growing businesses but need a highly skilled workforce in order to further expand. Why are governments and scholars still focusing on nascent entrepreneurs owning/creating inefficient businesses most of which do not grow and not asking, what about the experienced entrepreneurs?

Dubini (1989) recommends that in 'sparse' environments, such as Malawi's that is indicative of many developing nations in Africa, where [there is a lack of entrepreneurial culture and values, networks, special organisations or activities aimed at new companies, lack of a tradition of entrepreneurship and family business in the area, absence of innovative industries; weak infrastructures, capital markets, few (ineffective) government incentives to start a business], that the most effective government policy should aim at improving the infrastructure of the entrepreneurial environment (training programmes, incubators, consultancy services).

The author partly agrees with this recommendation for sparse entrepreneurial environments in developed nations, however, this research shows that regulation and conditions caused by government policy and action is of most concern and has the most impact on experienced entrepreneurs when starting a new venture or operating an existing one. As such the primary focus in Malawi should be on removing these regulatory impediments, empirically confirming Acs and Virgill's (2010) observation that new strategies of export openness in the developing world has failed to dismantle the institutional remnants of the import-substituting policies of the past. Furthermore, in addition to the multitude of interventions currently happening around Africa on improving legal structures, programmes should also be implemented that seek to inspire and institutionalise a culture of business ethics and responsibility amongst employees and managers.

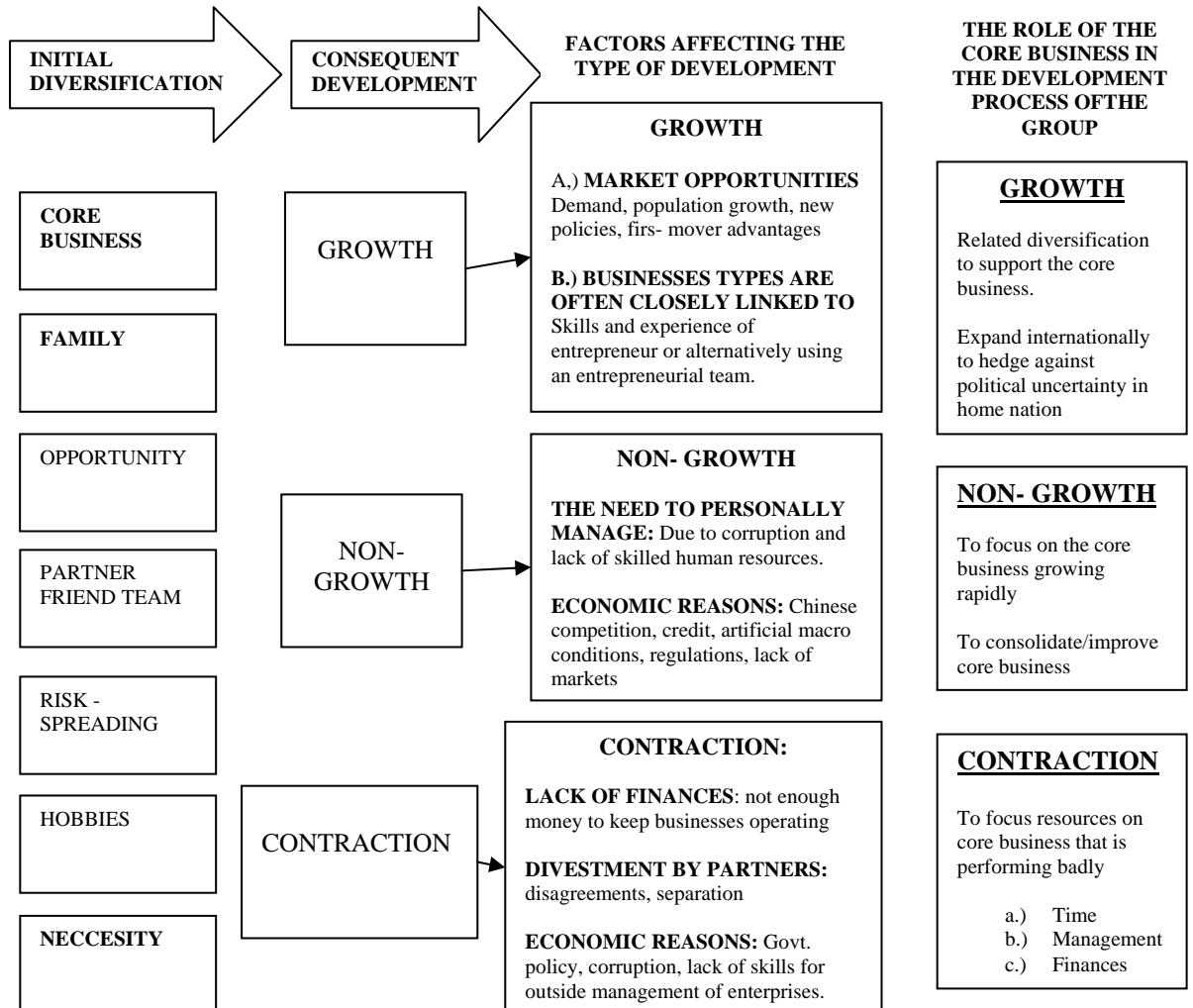
Lastly, from the skills perspective, this research shows that focusing skills training on micro-financed entrepreneurs and other entrepreneurs might be premature when there still is a lack of skills provision

and skilled individuals within the wider macro context. This has a far more serious impact on entrepreneurs' venturing and their subsequent impact on the economy and welfare.

(6.3.3) Contributions to theory: growth

The figure below outlines the findings of this research when it comes to the process of development or how the portfolio come to grow and what factors affect this process.

Figure 6.1: The process of portfolio development (model 1)



The rectangular figures under the first arrow identify the primary reasons for diversification by the entrepreneurs. The rectangular figures with text highlighted in bold are the most prominent factors in the initial diversification of the sample of portfolio entrepreneurs. All of these reasons for diversification, bar one, are identified by the three specific academic papers on the subject (Rosa 1998, Rosa and Scott 1999 a b). Thus, this work confirms in an African context, work undertaken in Scotland. However, three of these reasons (highlighted) for initial diversification are identified as

being especially important within the context, one of which, necessity, is a new contribution to the literature on habitual entrepreneurship.

Rosa et al. (2006) comment on the problems of the distinction of entrepreneurship in developing countries as being necessity-driven. In their sample of low income entrepreneurs in Sri Lanka and Uganda they find little support for necessity entrepreneurship being the dominant form of entrepreneurship in developing regions of the world, such as Africa. They argue that entrepreneurs at the smaller informal scale who start businesses are opportunity and resource-driven.

The major issue it seems in the Rosa et al. (2006) paper is that the GEM conception of entrepreneurship assumes that necessity means 'poor and small scale' and is, therefore, used as a rationale to explain the higher rates of entrepreneurship in some countries in Africa than in the West (i.e. the Uganda GEM report). While this research finds support for both contentions, opportunity and necessity in this sample of larger scale portfolio entrepreneurs. The author finds the term necessity and the arguments around it to really be about semantics and over-complications on the direction of causality. Alternatively, this research shows that necessity does not necessarily mean 'poor or small scale' but rather that it is a driver of entrepreneurship in the developing countries at both the informal and formal level and more crucially not only at the small micro inefficient scale of entrepreneurship but at the growing, high-impact level of entrepreneurship.

From a theoretical viewpoint 'necessity' may be viewed as an additional form of 'push diversification' with respect to portfolio entrepreneurs. This means that necessity can be a driver of entrepreneurial diversification and growth (see Rosa 1998). However, an important point is that this driver is not seen as a firm-level driver of growth and diversification (contrary to Rosa 1998) but, rather an individual-level form of push diversification. This finding has implications for the theory of push and pull diversification in portfolio entrepreneurship (Rosa 1998). The theory of push and pull diversification assumes that the 'push or pull' drivers exist at the firm-level, i.e. that it is either the resource needs or requirements of the firm that drives diversification 'push', or the 'pull' of market opportunity driving diversification (Robson et al 1993). Rosa (1998) conceptualise this push and pull diversification as arising from the firm-level.

Additionally, and in further contrast to Rosa and Scott's work (1999 a b), the longitudinal sample showed that over time portfolio entrepreneurs did not 'pull diversify' or opportunistically seek new businesses to get out of trouble, but rather focused on the core business within the portfolio group. Additionally, further individual-level factors were shown to constrain business growth or diversification. The lack of trust (see table 5.16) amongst members of society ensured that many entrepreneurs could not expand or create new businesses due to the problems of finding suitable and trustworthy managers to run those businesses.

This research shows in contrast to Rosa and Scott (1998, 1999 a b), that neither pull nor push (at the firm-level) diversification may be applicable when understanding the drivers of growth in portfolio entrepreneurship and that the driver of 'push' diversification can exist at the individual-level. This has obvious implications for the future understanding of diversification within the context of portfolio entrepreneurship.

The role of the family is also highly relevant in being both a driver and cause of diversification/growth amongst portfolio entrepreneurs in this developing context. The results from the longitudinal sample show emerging family business forms, not yet considered family businesses, but highly likely to become family businesses in the future. Rosa et al. (2005) studied portfolio entrepreneurship from a family perspective showing through their case studies that succession in the family firm often leads to the starting of new ventures in a business group. They argue that this form of development is more effective than seeking to focus on the growth of a single business. Their study makes the initial link between portfolio creation and family business. This research subsequently confirms the importance of the family in the development process of a portfolio of firms through initial diversification, also showing longitudinally that businesses of portfolio entrepreneurs are likely to morph into family businesses. This represents a major theoretical contribution in showing that portfolio entrepreneurship is likely a driver for the creation of family businesses in high-risk contexts such as Malawi. If we then consider that the risk analysis identified family firms as reducing risk within a business group, this makes sense as a strategic rationale and response to high-risk and uncertainty in the environment. Thus, family business in this context may represent a final risk-averse outcome from the risk-reducing

nature of portfolio entrepreneurship. Additionally, portfolio entrepreneurship may explain the high levels of family business in developing and emerging regions of the world.

The importance of the core business in creating the rationales for initial diversification, growth, non-growth and contraction (Rosa 1998, Scott and Rosa 1999 a, b, Iacobucci 2002, Iacobucci and Rosa 2005) is confirmed within this developing context, however, this thesis is the first that confirms this longitudinally and in a developing context. Consequently the concept of churn in the growth literature as first conceptualised by Reynolds and Maki (1990) and latterly used to describe the process of portfolio development Rosa (1998), Scott and Rosa (1999 a, b) is of critical importance to the portfolio development process. In addition, the development process over time whether it is growth, non-growth or contraction is largely influenced by the needs and resource requirements of the core business within the group. In so doing, the research shows that the initial findings of Rosa (1998), Rosa and Scott (1999 a b) and Iacobucci (2002) can be applied longitudinally and in a developing context. Figure 6.1 goes a step further with the including of a longitudinal component that identifies the role that the core business plays in all three developmental outcomes. The figure shows that business groups may grow through related diversification from the core business or that they can contract due to the needs and requirements of the core business, consolidation in times of poor performance/environmental uncertainty and financial constraints. In cases of non-growth the entrepreneur may focus on growing or improving the core business.

The results also show that the particular opportunity- rich, high- risk and uncertain environment of this developing context also play a significant role in the growth and development of portfolio groups. Further, the research reveals that business groups are a result of portfolio entrepreneurs adapting to uncertainty, high-risk and the complexity of the environment. Crucially, the researcher also identifies a new category for why portfolio entrepreneurs may expand a business group: to hedge against political uncertainty in the group's home nation by expanding internationally. This finding is particularly germane to the period of the research as at one point in April 2012 it looked as if Malawi was heading towards becoming a failed state.

Figure 6.1 represents for the first time an holistic view of the portfolio entrepreneurship growth process that incorporates a longitudinal element to test against retrospective accounts and to contribute

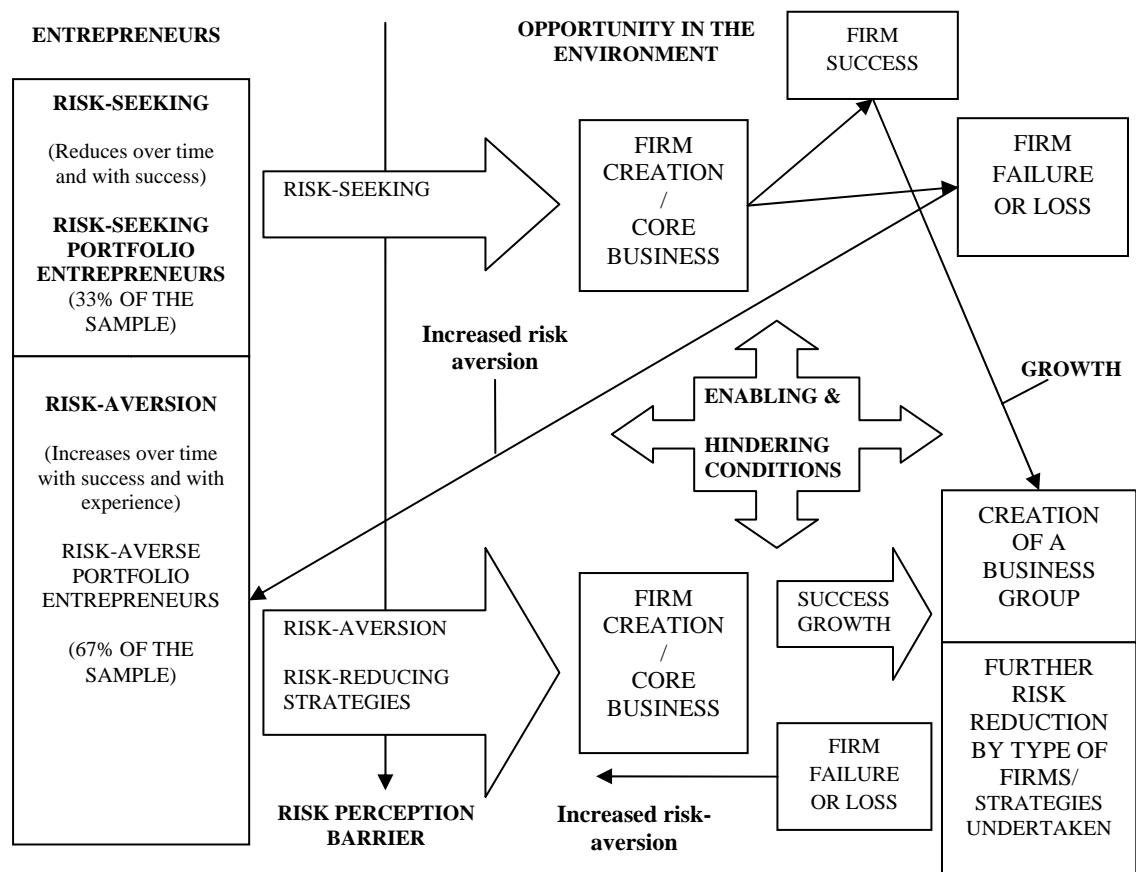
to new understanding of why a business group may or may not grow. This model subsequently identifies and confirms retrospective research undertaken on the phenomena (Rosa 1998, Rosa and Scott 1999 a b, Iacobucci 2002, Iacobucci 2009, Lechner and Leyronas 2009) while also identifying particular outcomes of growth, non-growth and contraction and why these outcomes may occur. Portfolio entrepreneurs continue to grow their business groups over time within the context. Results show that over a two to five year period of longitudinal research that the total sample size has grown, that the majority of business groups have grown. The results show that of those businesses that have failed, many have not resulted from an inability to make profit and to survive but rather from reasons outside of the control of the entrepreneur (that the research identifies).

(6.4) The role of risk, the environment and growth (process) in understanding the portfolio entrepreneurship phenomenon

This section identifies explanatory models that have arisen from the results and focus that engendered from the theoretical framework within the methodology. These models show how the research has contributed to an understanding of the phenomenon that incorporates the three thematic focuses of the research.

The figure below describes how the three themes of the research: risk, the environment and growth interact to explain the portfolio entrepreneurship phenomenon in Malawi.

Figure 6.2: Risk the environment and growth in portfolio entrepreneurship (model 2)



The figure above 6.2 shows the interactive role that risk, the environment and the processes of development play in the portfolio entrepreneurship in Malawi. First you can see that the entrepreneurs are separated from their firms which reside in an area classified as, 'opportunity in the environment',

by what the author terms the 'risk perception barrier'. The area opportunity in the environment is characteristic of high-risk and uncertainty. This has been shown through the environmental analysis that identified the enabling and hindering conditions in the environment and the contextual period of the research. Within this area of environmental opportunity firm creation success and growth reside alongside the formation of multiple companies or a business group. All of these factors of the phenomenon are affected by the enabling and hindering conditions within the environment (that this research has identified and showed the effects of these conditions to venture creation and operation). These enabling and hindering conditions are represented in the model by the four arrow figure within the environmental opportunity space.

The 'risk perception barrier' consequently refers to the perception of risk in starting a business and how it may stop people from accessing opportunities in the environment through creating a new firm. Individuals might perceive that the venture creation opportunity is too high-risk or not realise it in the first place. The outcome being, that the risk perception barrier acts to stop individuals from accessing opportunities that arise in high-risk and uncertain environments.

However, in this model unlike most theories/models on risk and entrepreneurship the author does not see risk-seeking behaviour as the predominant behaviour that allows the entrepreneur to overcome this perceptual barrier of risk, rather the author acknowledges that two attitudes and behaviours towards risk: risk-seeking and risk-averse may both allow entrepreneurs to overcome this perceptual barrier in creating a firm. For obvious reasons the author classifies these two approaches according to the entrepreneur's attitude to risk and hence the table to the left of the risk perception barrier, is segregated by entrepreneurs who are risk-seekers and those that are risk-averse (incidentally by the actual proportion of the sample).

In this box on the left hand side of figure 6.2, risk-averse entrepreneurs are characterised (in high-risk and uncertain environments) as becoming more risk-averse over time and that their attitudes become increasingly entrenched (as shown by this research). This reflects the findings of the longitudinal sample where risk-averse entrepreneurs became more risk-averse over time. Hypothetically, this increased risk-aversion could also be a consequence of the entrepreneurs having more to lose as they become more successful.

For the risk-seeking entrepreneurs, they are modelled as becoming less and less risk-seeking over time and with success. This is hypothesised as being due to the fact that they may have more to lose and that the research revealed that the entrepreneurs generally do not change their attitudes to risk but that it was more likely for a risk-seeking entrepreneur to become risk-averse after experiencing loss or failure than it was for risk-averse individuals to become risk-seeking. In addition risk-seeking entrepreneurs might not take as many high-risk venture propositions as in their early years, due to having more to lose or being content with what they have, having perhaps taken big risks early on in their careers (learning from mistakes over time).

From the figure both attitudes can lead to the creation of a firm or a core business within a business group. The author includes core business as the first or subsequent firms of a portfolio entrepreneur as it may turn out to be a core business of a portfolio group. In some cases the first firm a portfolio entrepreneur creates might become the core business from which the other firms grow or alternatively the portfolio entrepreneurs may create a second or third business that becomes bigger and drives future growth replacing the first firm as the core business.

The figure identifies two outcomes after the creation of a new firm or a first core business: success or failure. In the case of failure for a risk-seeking entrepreneur, this research shows that that the entrepreneur is likely to become more risk-averse (hence the arrow) pointing down to risk-aversion. This refers to how the entrepreneurs in the sample cited that they had become risk-averse over time after experiencing failure and loss. This was confirmed when they revealed how in subsequent ventures they had tried to reduce the risks of failure (hence the text risk-reducing strategies under the risk-aversion sample). Conversely, if a risk-averse entrepreneur should fail or experience loss, so risk-aversion increases (arrow pointing back towards risk-aversion). The model, thus, incorporates a crucial contention of this thesis, that risk-aversion is the most likely outcome and driving creative force of successful entrepreneurship in high-risk environments.

In the case of success of a created firm, growth is seen as a process that engenders the creation of a business group and that often this diversification is linked to the core business that may have been created either as the first firm of a group, or as a subsequent firm as growth was achieved. The core business was identified as a core component of the three possible outcomes of portfolio creation:

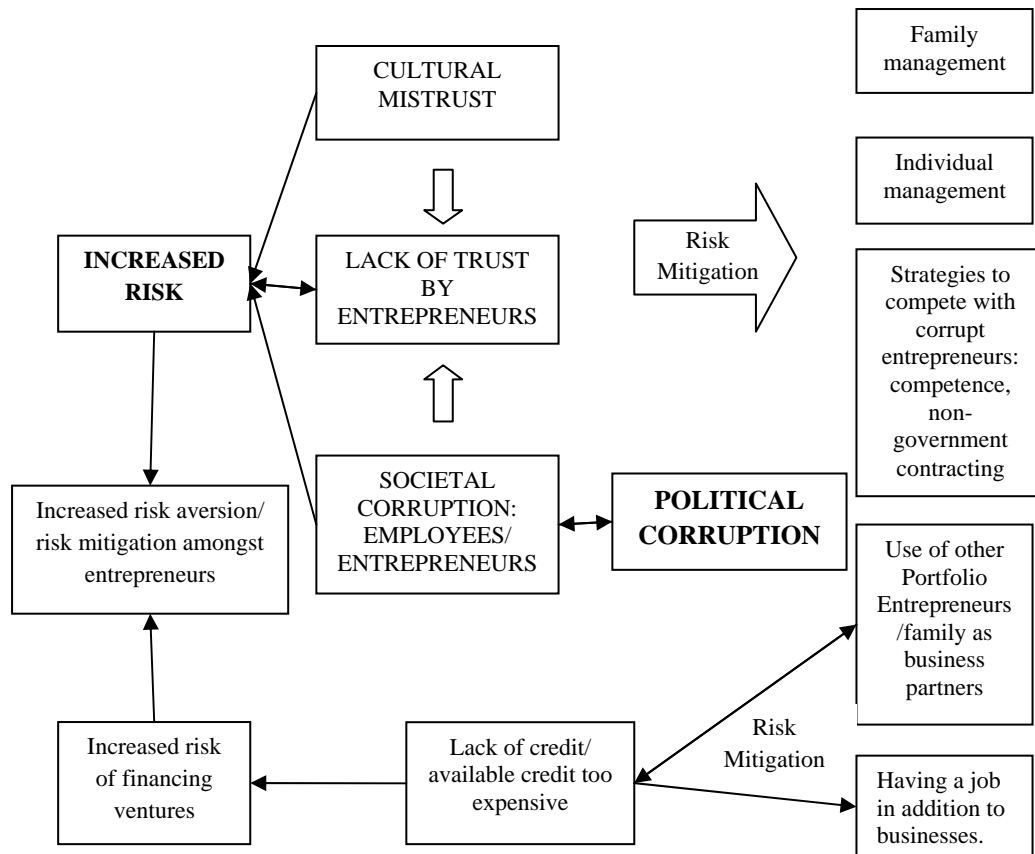
growth, contraction and non-growth (see figure 6.1). This confirms findings on the diversification of groups of companies owned by portfolio entrepreneurs (Rosa 1998, Rosa and Scott 1999 a, b, Iacobucci 2002, Iacobucci 2009).

Once the business group has been created, the business group in itself is seen as a risk-reducing mechanism to combat the high-risk and uncertainty within the environment and to maintain what has already been achieved. Thus, even for a risk-seeking entrepreneur the growth process by which a business group is formed shows a strategic process by which risk is continually reduced.

The author's argument consequently follows that portfolio entrepreneurship is an outcome of successful entrepreneurship precisely because in such high-risk uncertain environment with many hindering conditions to firm operation and creation the business group (even for entrepreneurs that take risk) acts as a risk-reducing mechanism. This risk-reducing nature of the business group protects and puts up a protective shield for the entire group from changes in the environment (such as detrimental government policy). At the same time the business group can respond and adapt to environmental opportunities that are created by changing environmental conditions and policies. In this case the resources of the business group may be used to create a new firm or the new firm may arise as a consequence of the needs of the core business within the group.

In addition, to the combined role of risk, growth and the environment, risk and the environment can interact in other ways. Figure 6.3 shows how portfolio entrepreneurs have adapted to environmental conditions identified in the environmental analysis and how that adaptation is reflected in the strategies and organisational form their groups comprise of.

Figure 6.3: The interplay between risk and the environment (model 3)



The figure above shows how certain components of the environmental analysis contribute to high levels of risk within the environment of the sample of portfolio entrepreneurs. It shows how cultural and social elements including monetary conditions contribute to the strategies undertaken by the entrepreneurs.

Cultural mistrust of other indigenous entrepreneurs or between entrepreneurs, in combination with the effects of societal corruption (where there are high-rates of staff theft, fraud and embezzlement), and corruption from some entrepreneurs, contribute to increased risk for entrepreneurs operating in Malawi. Societal corruption (other entrepreneurs, employees) is itself a consequence of political corruption and in some cases may drive political corruption. Without political/institutional corruption there is no need, or a pay-off for societal corruption. If politicians or civil servants could not be bribed there would not be corrupt entrepreneurs adversely affecting competition for non-corrupt entrepreneurs. Consequently, entrepreneurs display risk-averse and risk-mitigating tendencies. One of these

tendencies is a lack of trust by the entrepreneurs of employees and persons that are not established business partners. Thus, the entrepreneurs in this sample have developed strategies to mitigate some of this risk. These three strategies involve the use of family in running the business and providing human resources for management and a high-level of personal involvement by the portfolio entrepreneur in each of their businesses (not allowing a potential corrupt manager to run a business).

The final strategy involves not competing with corrupt entrepreneurs by avoiding contracts and tendering where there is likely to be corruption and building up core competencies that corrupt competitors do not have, thereby ensuring that there is a competitive advantage for the non-corrupt entrepreneur. One of the effects of this high managerial involvement, was reflected in the findings concerning growth and the environment where the entrepreneurs identified that personal time was an issue and could be a cause of non-growth in a portfolio (i.e. that the entrepreneurs did not have enough time to create or run a new business). Iacobucci (2009) showed the opposite: that the constraints on an entrepreneur's time (in his sample of Italian manufacturing firms) often led to the creation of an entrepreneurial team to run a new business. Thus, time is a crucial element in understanding the development of groups of companies owned by portfolio entrepreneurs. Moreover, this research in this developing context unlike that in the developed world shows how, 'the lack of skills within the population', identified in the environmental analysis, ensures that portfolio entrepreneurs struggle to find competent and trustworthy staff, thus have to do a lot of the management themselves and could consequently explain the lack of portfolio development at times.

Another environmental factor closely tied to risk is the lack of credit and the consequent surprising finding that only two of the portfolio entrepreneurs used bank finance for venture creation. The lack of the use of finance is largely because interest rates from commercial bank are high (reflecting risk) and consequently the risk of using such finance is high, which in turn contributes to greater risk for entrepreneurs in the economy when creating or operating ventures. Entrepreneurs have therefore adapted to this environmental risk by using two risk-reducing strategies. One strategy is the use of other portfolio entrepreneurs as equity partners for new ventures. This involvement of an entrepreneurial team reduces risk further by involving entrepreneurs to share the investment risk of a new venture. In addition, a diverse entrepreneurial team with different skills, competencies and

experiences reduces risk further for entrepreneurs that may not have that much experience in the new venture. The combination of these skills competencies and experiences therefore reduces the risk of failure by limiting mistakes and increasing positive strategic response to high-risk and uncertainty. Additionally, the use of other portfolio entrepreneurs in new businesses overcomes the problems and risks of finding suitably qualified managers. Iacobucci (2009) showed in his sample in Italy how employees may be incentivised to run a new firm within a group through an equity stake. This research shows that while this is sometimes the case in this Malawian sample, the predominant use of business partners (other portfolio entrepreneurs) in the entrepreneurial team is due to the lack of suitably qualified and trustworthy managers.

The second strategy involves the entrepreneurs holding onto jobs in addition to their business interests (this was a specific finding when analysing the characteristics of the portfolio entrepreneurs). The income and stability of these jobs allow the entrepreneurs to hedge against having to take bank finance by using the income from their jobs as a source of finance. This source of finance also acts as a buffer to the businesses when there is high-risk or uncertainty in the economy. This strategy was particularly prevalent for entrepreneurs at the smaller scale of portfolio operations. The hypothesis is that the relatively smaller portfolio, has less resources that an entrepreneur might leverage to start additional businesses or to support other businesses within a group. As a result smaller scale entrepreneurs often have to have a job in addition to their business operations to supplement for this relative lack in group resources.

This model further confirms the hypothesis of the centrality of risk-aversion as a strategy to combat high-risk within an environmental setting. It shows how high-risk is a consequence of certain environmental hindering conditions and how high-risk may contribute to these hindering conditions. It also shows how entrepreneurs adapt and create risk specific strategies to overcome these risks through growing or creating new businesses.

This coupled with figure 6.2 shows the relevance of risk as a central and explanatory theme in combination with the other two themes of the work in explaining portfolio entrepreneurship in high-risk uncertain contexts. This has considerable implications for the fledgling entrepreneurship

paradigm showing that the assumption of risk-seeking that is attached to entrepreneurs does not consider that entrepreneurship is contextually embedded and different across environments.

Furthermore, these models are the first attempt at developing an alternative explanatory framework (apart from the human capital and opportunity views of habitual entrepreneurship) for an understanding of the portfolio entrepreneurship phenomenon that is empirically grounded and not a theoretical hypothesis that assumes risk-taking without even establishing the true nature of risk and entrepreneurship.

Thus, this research argues that risk and particularly risk-aversion is the central variant of understanding when trying to analyse indeed explain both firm and individual behaviour of portfolio entrepreneurs in high-risk uncertain environments.

(6.5) Recommendations for policy makers, entrepreneurs and scholars: future research

This section outlines the particular policy recommendations for the three groups of individuals to whom this work is of relevance.

The first sub-section highlights how the research is of importance to policy makers charged with increasing levels of successful and high-impact entrepreneurship. This sub-section comprises of a number of practical recommendations of how portfolio entrepreneurs may be utilised in Malawi and elsewhere in Africa to achieve economic growth and prosperity.

The second sub-section looks at the works relevance to entrepreneurs and how it may help entrepreneurs that operating in high-risk environments. This section identifies strategies entrepreneurs may take to reduce risk and increase their likelihood of success while identify possible problems and causes that they might face when trying to grow.

The final sub-section identifies the recommendations for scholars studying portfolio entrepreneurship and where future research may be undertaken on portfolio entrepreneurship and specifically with reference to the three themes of this thesis: risk, growth and the environment.

(6.5.1) The importance of portfolio entrepreneurs in Malawi and their applicability to the wider African context

The 24 portfolio entrepreneurs that have been studied in Malawi have been shown to own many businesses in almost all sectors of the Malawian economy. Their business groups turn over hundreds of millions of dollars and employ thousands of people. They have been shown to continue to grow over time and consequently are high-impact entrepreneurs in nature, creating many new firms with extremely low rates of failure. These findings complement the findings of the Balunywa (2009) study in Uganda that highlighted the specific contributions of portfolio entrepreneurs to that country's economy.

From a strategic and individual-level these entrepreneurs are highly educated, successful with most being risk-averse. Furthermore, almost the entire sample, are extremely cognisant of the risks in the local contexts and all display risk-reducing tendencies at the firm-level. As the author has shown in the literature review, studies on the entrepreneurship in Africa are not numerous. Of those studies that are published in reputable journals the majority focus on very small businesses with little economic impact and little possibility to grow. This study of portfolio entrepreneurs breaks that trend by contributing to a sparse literature of growth-orientated, high-impact entrepreneurship.

These high-impact, large-scale and growth-orientated entrepreneurs are going to become increasingly important as Africa continues to develop. If one looks at the current development surge in a large number of African countries today, interest and research into growing, high-impact portfolio entrepreneurs should be more important than ever.

However, the questions that remain are why has so little research been conducted on these portfolio entrepreneurs in Africa and why are they not a subject of policy focus? The answer to this question is multifarious. First survey techniques in Africa that apply standardised Western formats are unlikely to include entrepreneurs of a larger scale and furthermore these surveys generally preclude entrepreneurial firms that employ more than 50 people. The second point is that European and global standards for classifications of firms according to employees and turnover might not be applicable to African contexts where firms are generally smaller and may be more labour intensive than elsewhere. In addition, due to the incredible interest and investment in micro-finance throughout Africa, larger

entrepreneurial firms may not be studied as they are not currently of policy interest to NGOs and governments. African entrepreneurship studies are stuck in a theoretical impasse that continues to assume that entrepreneurship in Africa has to be at the small (micro) scale and that these entrepreneurs are fundamental to Africa's future prosperity.

In contrast, this thesis identifies portfolio entrepreneurs as being the first 'port of call' for government policy and research in Malawi (with applicability to Africa) that wishes to identify growing firms within developing countries as a means to create conditions for economic prosperity and welfare. This is in sharp contrast to a conventional wisdom that argues that new firms that grow, created by novice entrepreneurs create the majority of jobs within an economy (Birch 1987, Storey 1994). The author would argue the opposite, that in a country like Malawi with an undiversified and unsophisticated economy it is the large corporate and the large-scale entrepreneurs who create the impetus for growth. Moreover, that it is the large-scale entrepreneurs (of whom portfolio entrepreneurs are a part) who create a large proportion of the successful and high-growth firms of the future that will employ the youth of the tomorrow. This top-down as opposed to bottom-up approach to entrepreneurship may consequently be more relevant to intrinsically African solutions to the stimulation of entrepreneurship within the economy.

(6.5.1.1) Government interventions into the business environment

Being of the Austrian school of market economics the author does not believe that African states should assist these larger scale entrepreneurs through subsidies of any kind nor the provision of any special loans. The problems of moral hazard with the propping up of banks throughout the United States and Europe has shown what a disastrous policy risk-free money is, as a solution to the economic crisis. The author will not be an advocate of such tools being used for portfolio entrepreneurs who in the author's opinion represent a competitive and admirable outcome of risk-aversion.

This thesis, however, has shown how adept some successful entrepreneurs are at taking advantage of government subsidies and poorly crafted economic legislation. Thus, any form of assistance in this

sense would be akin to further subsidies creating more inefficiencies in the market. There is no doubt that these risk-averse portfolio entrepreneurs need finance and are not getting it, but this is more a question and opportunity for the banking sector within the country, and not government. Thus, the policy changes that the author proposes are more about improving the enabling environment to entrepreneurship in Malawi that has been identified in the environmental chapter of this work.

The first and most important thing is that Malawi tackles the considerable black market that has arisen due to regulations making provision for high import duties (on goods of all kinds), subsidies of all kinds and state involvement in procurement. These regulatory remnants of the import substitution policies of yesteryear (pushed by the international finance institutions) are present throughout Africa (see Acs and Virgill 2010).

While better enforcement has been argued to be the best mechanism to combat the black market, the author would argue the opposite. The fundamental reason why the black market exists in Malawi is due to the numerous subsidies and import-duties that allow unscrupulous entrepreneurs to make arbitrage opportunities through smuggling/ not paying duties or selling subsidised products (at market cost) over borders.

The only intervention that, the author sees as having any impact on this problem is reducing the duties on imports, the subsidies on agriculture and allowing the market mechanism to function. This would reduce the possible arbitrage for illegal activity while increasing competition and reducing the reward for corruption. This policy would obviously have an effect on the generation of public revenue, however, it is precisely the wrong intervention to tax the most productive resources of the economy that contribute to growth. The continuing improvement of tax-collection in Africa is a far more relevant mechanism to raise public revenues, than taxing trade and the successful.

This proposed action would have more of an effect on portfolio entrepreneurs than any other action that may involve subsidised loans or investment breaks while allowing more entrepreneurs to compete on an even footing. Such policy might also contribute to reducing levels of corruption especially in government procurement by reducing the need for agency agreements and allowing entrepreneurs to compete fairly for government procurement contracts. (The author would have also mentioned

devaluing the currency and stopping the fixed exchange rate regime in this section, but in the process of writing this chapter the new government in Malawi has just devalued its currency by almost 50%).

The second policy recommendation is that continued efforts be made at improving the supply of skilled labour. Aid funded projects that identify consultancy training as a viable mechanism to improve entrepreneurship are perhaps premature. This entrepreneurial training is misdirected and aimed at a business environment in which consultancy is unnecessary and expensive. Entrepreneurs in an environment like Malawi have to learn fast, either sinking or swimming. Applying a standardised management practice from developed economies (the provision of consultancy services) to reduce the risk and accountability of senior managers is not relevant to firms run by entrepreneurs where budgets are tight and consultancy offers not added value. Furthermore, microfinance projects that purport to help their clients with business skills training should be called what they are: a veiled mechanism to improve rates of recovery on their loans and subsequent profiteering.

Thus the first problem that should be addressed before thinking about new entrepreneurs creating risky first businesses (that have a tendency not to survive see Storey 1994, Shane 2009), is thinking about the people that will need to work for the growing business of the already successful entrepreneur and businesses in Malawi. If you cannot supply the growing businesses with the human resources they require you might as well decrease the incentives for growth and entrepreneurship. Time after time the entrepreneurs making up this research have spoken of the problems they have with finding appropriate skilled labour in the country and the effect that it is having on their growth aspirations.

Closely linked to this issue of skilled labour are the instances of corruption both within the labour force and amongst certain entrepreneurs. In addition to legal system improvements (incidentally the functioning of the Malawian legal system was not identified as being a hindrance to venture operation) a culture of business ethics and good faith should be inculcated in society. This should start at a formative level progressing to the technicons, business colleges and universities of the country. Such intervention would, however small in scope or effect is necessary in combating the pervasive culture of corruption.

Further efforts at promoting anti-corruption within institutions including the political and bureaucratic classes should continue. It is the corruption that extends from the public sector that drives the corruption by entrepreneurs and other individuals (including employees and managers). In addition poor regulations impeding entrepreneurs have increased the pay-offs and rewards for entrepreneur led corruption. Tackling this corruption from both sides in addition to inculcating a culture business ethics would tackle the negative effects that this corruption has on entrepreneurial efficiency and competitiveness by allowing the best portfolio entrepreneurs to compete fairly. The outcome of such a situation would also ensure in some cases (especially with the tendering and provision of government services and infrastructure) that better value for public money would be achieved in the provision of infrastructure and services for the benefit of the people of Malawi. As mentioned earlier, the cessation of commercially prohibitive duties and tariffs on imported products would go a long way in reducing the pay-offs for corruption.

(6.5.1.2) Involving portfolio entrepreneurs in economic development.

Local and national government could also create portfolio entrepreneurs policy groups that involve prominent portfolio entrepreneurs in the consultancy of the implementation of policies aimed at stimulating the business environment and to gauge the affects of new and existing government policies. A caveat, however, these policy groups should by no means be funded or assisted by government, nor should any privilege be ascribed to members of these groups in the present nor in the future. They should exist independently of both government and any other governing body. The author finds it incredible that he is (to his knowledge) the first to use portfolio entrepreneurs as an insight into the policies of government and as a real measure for the entrepreneurial environment outside of the pervasive doing business study of the World Bank and the few GEM studies in Africa.

Further involvement of portfolio entrepreneurs in the wider economy could extend to mentorship and internship programmes, where prospective or early stage entrepreneurs may team up with a local experienced portfolio entrepreneur either through involvement in their businesses or through mentoring provided by the portfolio entrepreneur during the start-up phase of the mentee's own firm. Such programmes should once again be free of government funding or influence. Portfolio

entrepreneurs could also be further encouraged to finance these ventures through forming syndicates of either angel or venture capital. Such behaviour could offer an alternative market based solution to the funding gaps for smaller entrepreneur led firms and other portfolio entrepreneurs, requiring growth capital.

The sort of encouragement government should give to portfolio entrepreneurs should not be subsidies of any kind (paid by the populace in the long run) but rather improving the legal structures around such investments and perhaps reducing corporate tax on angel and venture capital.

Portfolio entrepreneurs could also team up with other portfolio entrepreneurs in other African countries forming mutually beneficial partnerships or associations that could be focused in assisting the international expansion of portfolio groups outside of Malawi and assisting investments from other portfolio entrepreneurs into Malawi. Government could assist in this networking by leveraging its own diplomatic resources with other countries in Africa to further this end. As Milton Friedman (1962) famously put it, government should create the conditions (rules of the game) for the free market to function and as Hayek argued in the 'Constitution of Liberty', any involvement by government over that 'setting of the rules' is akin to taking away the liberty of individuals.

Government could involve portfolio entrepreneurs in the provision of services that government currently struggle to provide and the author is not talking about private finance initiatives (another form of subsidy). This involvement by portfolio entrepreneurs, for example, could extend to looking into the involvement of large-scale portfolio entrepreneurs in setting up training colleges for management professional and technical training schools. Crucially, however this should not be promoted through subsidies or monetary incentives but rather through mutual economic benefit and the pursuit of profit. Government intervention in this sense should be limited to merely easing bureaucratic hurdles that may arise i.e. permits, licences and land.

This being said, there is nothing stopping portfolio entrepreneurs from setting up (either individually or in partnership) their own training/ education structures to overcome the lack of skills and education within the population. While this takes a leap of faith and requires a long term outlook this has not

stopped portfolio entrepreneurs in the past in Malawi from making a success in this high-risk uncertain environment.

(6.5.1.3) Private sector opportunities

In addition to the opportunities for interaction between portfolio entrepreneurs and government there are a number of areas in which the private sector may do the same. First, as already mentioned, there is a clear gap for the banking sector in providing finance to these entrepreneurs for expansion. Banks should look at the possibilities in providing loan products to portfolio entrepreneurs in addition to the lucrative business banking services they already supply. Furthermore, the possibility of developing alternative quantitative (and qualitative) credit ratings based on the portfolio of firms as a risk mitigation measure may be looked into.

The opportunities for investments into portfolios or nascent stage business groups is also possible. Portfolio entrepreneurs often start and grow some of the most interesting companies in developing economies such as Malawi where the stock market is at a nascent stage and where there is no form of alternative venture financing (such as angel investing or venture capital). As such there is much potential for these forms of financing for portfolio entrepreneurs. Much like serial-entrepreneurs, portfolio entrepreneurs offer alternative if not greater experience and should be looked into as possible sources of future investments.

Portfolio entrepreneurs and their business groups also represent a viable option for joint ventures and partnerships for investors looking to mitigate some of the risk in investing in economies which they do not know and have little or no experience of: where uncertainty and risk is high, where the provision of business relevant information is scarce. Partnerships with portfolio entrepreneurs may therefore offer an attractive risk mitigation/management solution.

At the larger scale of the 50 million dollar plus business groups, private equity funds may consider investments into the business groups of portfolio entrepreneurs as a form of specific private equity in African markets where stock exchanges are nascent and dominated by large multinational firms. The next developmental stage for the larger business groups is listing on their countries respective stock exchanges. In poor but fast growing developing countries like Malawi where this has not yet started,

early stage private equity investments may represent viable long term strategic investment, and offer the added opportunity to garner first-mover advantage in a market that will undoubtedly expand as Africa develops. These smaller investments into portfolio entrepreneurs and their business groups may also offer a differentiation strategy for portfolio investments that may reduce risk.

(6.5.2) Recommendations for entrepreneurs

Portfolio entrepreneurs in Malawi have been identified as being largely successful in their pursuit of opportunities, their creation of new firms and in growing their business groups. Thus, they offer other entrepreneurs who may be thinking of starting a business, starting their first business or growing their first business a possible example from which to follow. The research has revealed that risk the environment and the process through which growth is achieved is of outmost relevance when trying to understand successful entrepreneurship in an economy such as Malawis.

Risk is a crucial element that all entrepreneurs should identify before starting a business and running a business. These portfolio entrepreneurs are extremely aware of risk and mitigate it through a number of strategies that have been identified in this work:

- 1.) Cloning of successful businesses and business models undertaken by other entrepreneurs and freezing (cessation/ slowing down of activities) of businesses in portfolio, that become high-risk.
- 2.) A large degree of investment into property and property companies (see section 5.3.3, table 5.7)
- 3.) Cautious, slow and low investments in new businesses undertaking organic growth strategies.
- 4.) Learning from collective venture creating/operating experience and screening future business opportunities.
- 5.) Not taking bank finance.
- 6.) Adapting to corruption in the environment and developing strategies to avoid it.

- 7.) Diversifying into new businesses where the entrepreneurs have knowledge or experience of the industry, or that their partners do.
- 8.) High use of business partners (entrepreneurial team) in new ventures to mitigate risks of failure and ensure non-bank financing.
- 9.) Holding a job in addition to business interests to hedge against periods of uncertainty and high-risk by providing cash flow.

These strategies are directly relevant to existing entrepreneurs looking to grow or maintain their positions and people thinking about an entry into entrepreneurship.

The research also identifies some of the problems that entrepreneurs may face when trying to run create or grow a business in Malawi (or other high-risk contexts), while identifying environmental factors that may have an impact on venturing. Entrepreneurs should consequently take heed of the factors identified, applying them to their own local contexts and proactively thinking about strategies to overcome such problem and the risks inherent in their environments. This being said there is no guarantee that these strategies might work in all contexts but that entrepreneurs have to be aware of the complex interplay between risk in the economy, the specifics of the business environment and the possible outcomes of their plans for growth. Nonetheless, the research identifies a framework through which entrepreneurs can assess entrepreneurial opportunities through a key understanding of the roles of risk, the environment and the process of growth/development.

The first most obvious lesson from the portfolio entrepreneurs of this sample for other entrepreneurs or would be entrepreneurs is focusing and building up a competency in a niche area or industry and then leveraging that experience when creating a business group. The second lesson is the proactive search for opportunities and the formation of entrepreneurial teams and networks of individuals to access information necessary for successful venturing, while reducing the risks of failure or loss. The third lesson is that in underdeveloped economies human capital including business experience is especially important in creating competitive leverage against other entrepreneurs. While this is no guarantee to success, potential entrepreneurs can considerably improve their chances of success by bearing this finding in mind.

Cautious and risk weary approaches are advised and the benefits of a business group structure to respond to uncertainty and risk within the market is clear. For entrepreneurs engaged in portfolio entrepreneurship or seeking to diversify their enterprise/enterprises in developing contexts the research shows some of the likely limits and problems faced with diversification/growth. The most notable problems being: the effects on their time, needs of the core business and difficulties and risks of finding suitable trustworthy management. The research recommend a business group structure to overcome environmental uncertainty/complexity and as a mechanism to maximise opportunity exploitation whilst increasing value creation in small fragmented markets.

Portfolio entrepreneurs may also decide to leverage their business experience in Malawi or other high-risk environments by offering angel and venture capital to start-ups and smaller scale entrepreneur-led businesses needing growth capital (as mentioned previously). Portfolio entrepreneurs may undertake such activities through syndication with other portfolio entrepreneurs or their business partners (many of whom are already portfolio entrepreneurs). This might at this early stage in Malawi's development prove to be lucrative long-term considering the shortage of credit from financial institutions. As mentioned, utilising portfolio entrepreneurs to fill funding gaps may offer government a market based solution to the problems of financing potential high-growth firms.

(6.5.3) Recommendations for scholars: future research

This research has made an initial step into understanding the complex role of risk and the environment by understanding and highlighting the behaviours and strategies that portfolio entrepreneurs undertake when creating and diversifying (growing) a business group. It has aimed at understanding these three thematic concepts [risk the environment and growth (development)] from both levels of analysis using largely qualitative data.

The first and most obvious point is that research should be undertaken that tries to replicate this work by looking at other contexts within Africa and the wider developing world in which there are a sizeable numbers of portfolio entrepreneurs. This future research should test whether the findings concerning these elements, are relevant and consistent in other high-risk, developing/growing

contexts. Additionally, the relationship between risk the environment and the process of growth may be different in other contexts and thus work will be required that identifies how these relationships might differ.

There is much opportunity to undertake mix-methods research that combines both quantitative analysis and qualitative analysis. The benefits of mix-methods research may reveal some of the pieces of the puzzle to an holistic understanding of the portfolio entrepreneurship phenomena, indeed help to clarify and refine further explanatory paradigms. In addition, future studies should follow this study's lead in undertaking a dual mode of analysis that considers both the portfolio entrepreneur and the firms that the portfolio entrepreneurs own.

There is also the opportunity to differentiate between types of portfolio entrepreneurs as they are not all homogenous. This work might identify a typology that segregates portfolio entrepreneurs by experience, the size of the group and industry specifics and may test whether the behaviours between these types of entrepreneurs is consistent. Performance between these different types of entrepreneurs may also be contrasted in an attempt to see whether different diversification strategies are undertaken at different performance levels. Such research could focus on (for example), whether entrepreneurs take different strategies at different stages of development, or scales of operation. Crucially, however, such studies should aim at gathering both qualitative and quantitative data from both levels of analysis. The quantitative data should aim at gathering specific information by firm as opposed to by group.

While this study has attempted to gather as much information as possible on the business groups (and the individual firms comprising them), owned by portfolio entrepreneurs, there is still much scope for future work that manages to obtain the data that this study did not. First researchers should always try obtaining statistics concerning employment, turnovers, and other financial and accounting measures and where possible always include longitudinal, contextualised studies.

Information of this nature should not only be seen as providing an opportunity to undertake statistical analysis but further as an opportunity to understand and differentiate between types of entrepreneurs studied. In African contexts where business information is generally scarce this type of data is

essential in attempting to clarify the importance and role of entrepreneurs in development. Studies that do not mention such data are highly impractical and miss an important element of the practical value of entrepreneurship research. Entrepreneurship research is not only about convoluted discussions of theories (that many entrepreneurs will never look at or discuss), but it also serves to offer a practical solutions for those habitual entrepreneurs looking to grow existing firms or create a new firm to be part of a group, or nascent entrepreneurs looking to create their first business.

By not contextualising and categorising studies on entrepreneurship in Africa there is no objective process through which to make comparisons or discern differences in samples and subsequent research outputs/findings. If scholars are, therefore, to understand how entrepreneurship might be different in Africa it is crucial that scholars can distinguish between types of entrepreneurship within the continent. Furthermore, in this case the assumptions that outsiders (i.e. non-management scholar or persons without experience in African contexts) develop of African entrepreneurship, might be assuaged. For example, if one was one of these 'outsiders' and one picked up some journals on entrepreneurship to understand more about African entrepreneurship. One might at the end of the process form a view that entrepreneurship in Africa is about micro-firms and vague theoretical concepts, the entire while being misled into forming an opinion that small, rural, necessity entrepreneurship is what characterises the phenomena in Africa. This is obviously an onerous perception but a perception nonetheless, that the author shows every single entrepreneurship journal promotes.

This type of statistical information could in future studies be obtained for each individual firm within the group and preferably over a period of time. This data could then be contrasted and analysed using a number of statistical techniques to be compared to other forms of qualitative data that should **always** complement such analyses. This may indeed contribute to new understanding of portfolio entrepreneurship and the composition of the firms within the group being engendered. This sort of numerical data could also be applied to all facets of this work risk, the environment and growth.

Furthermore, such data may allow the performance debate (performance of habitual entrepreneurs vs. nascent entrepreneurs) to be put to bed, by showing that portfolio entrepreneurs do indeed out-perform their novice and serial counterparts when the entire group of firms and each performance is taken

account, and not only the most recent firm, (as has been the case in portfolio entrepreneurship and performance research (see Ucsbasaran et al. 2008).

(6.5.3.1) Future research in risk and portfolio entrepreneurship

Future research on risk and portfolio entrepreneurship indeed entrepreneurship could evaluate whether the main contention of this thesis risk-aversion should be placed as central to the entrepreneurship phenomenon in high-risk and uncertain contexts. This research could evaluate how risk-aversion may apply to other types of entrepreneurs in different and varying contexts of high-risk and uncertainty. Comparisons could also be made between entrepreneurs in high and low-risk environments looking at risk behaviours and risk-reducing strategies. These future studies could attempt at distinguishing further why these attitudes and behaviours may be different according to the levels of risk and uncertainty within a context.

The author must emphasise that future studies on risk and entrepreneurship should consider alternative measures of risk other than the use of hypothetical risk situations, that have little bearing to reality, or real situations entrepreneurs have faced, or are going to face (see literature review). The study of risk and entrepreneurship should place the entrepreneurs as crucial and critical to understanding this relationship and not any other abstract understanding. To understand risk and entrepreneurs one must understand how entrepreneurs react to the real situations they face and the situations they may have faced and are going to face. Crucially this research should attempt at understanding these questions **from the entrepreneur** as prerequisite to understand the complex relationships.

The risk-mitigation strategies of this study could be added to by future work and crucially looked at in more depth. Future work could test whether these strategies are undertaken by other portfolio entrepreneurs in high-risk contexts in the developing world and whether portfolio entrepreneurs in low-risk contexts undertake the same or alternative strategies.

Further work could also further define and clarify the risk faced by entrepreneurs in a variety of different risk contexts. The linkages of these risks to these environmental contexts could also be further evaluated. This future work aiming to come to an even more refined understanding of the genesis of some of the risks identified in this thesis.

Finally, future research could combine different theoretical outlooks to risk from different fields to understand risk for entrepreneurs. For example this research could contrast the quantitative outlook of risk from risk management studies, to the qualitative outlook of risk of this study. This work would aim at understanding the complex interplay between formalised quantitative risk management and informal qualitative risk management.

The understanding that may arise from such work may help banks and other financial institutions assess qualitative measures of risk in environments where risk cannot be assessed due to the lack of quantitative risk measures. Such research could allow banks to assess the risk of lending to entrepreneurs from a qualitative perspective and may in turn help the provision of loans to entrepreneurs in countries where there are no formalised credit rating bureaus/systems.

(6.5.3.2) Future research in the environment and portfolio entrepreneurship

Future research into the environment for venture creation and operation for portfolio entrepreneurs could be undertaken in other contexts to test the validity of the explanatory framework that identifies enabling and hindering conditions within an economy. This research could test whether the components of the framework correspond both in gravity and by classification with other contexts. This research could also extend to seeing whether the conditions identified as both enabling and hindering entrepreneurship in Malawi are characteristic of other contexts.

This future research could focus on one two or all of the elements and in the case of focusing on a single element, identify and refine the affects and outcomes of such environmental conditions. The underlining reasons and causality of such phenomena may then be revealed through a process of confirmation. For example, specific regulatory or policy condition could be identified that hinder portfolio entrepreneurs' activities. Once this was achieved these specific hindering conditions could be understood in greater clarity as too could be the reasons and possible solutions to their hindering effects on entrepreneurship.

Future research could also look at a greater detail as to why levels of indigenous entrepreneurship are relatively low amongst portfolio entrepreneurs within the context and could see whether this particular nature is characteristic of other African economies.

Future research could combine and test this explanatory framework with other measures of the environment such as the World Bank's Doing Business Survey or the Global Entrepreneurship Monitor (GEM) studies. This research provides an alternative measure for the entrepreneurial environment for a specific group of growing, high-impact portfolio (or habitual) entrepreneurs, which highlights the shortcomings of existing measures.

The existing measures as discussed in the literature review, focus on nascent entrepreneurs and as such might not identify the most pertinent of environmental factors to sustaining and increasing levels of successful high-impact, high-growth entrepreneurship. Thus, through testing environmental frameworks such as this one might reveal areas of policy focus within individual nations that have been neglected largely as a result of too much emphasis being placed on nascent entrepreneurs and entrepreneurs financed through micro-finance.

(6.5.3.3) Future research in growth and portfolio entrepreneurship

Future research concerning growth and portfolio entrepreneurship can continue on the lines of this research by identifying more causal factors to processes of growth, non-growth and contraction. These causal factors or effects may be tested amongst different types of entrepreneurs (nascent and serial) and with other portfolio entrepreneurs in different contexts. It is crucial that research in the future on growth and entrepreneurship continue by undertaking longitudinal studies and analysis such in this study.

Moreover, it is crucial that these studies combine both qualitative and quantitative measures of growth to gain a better understanding of what really affects portfolio entrepreneurs or other entrepreneurs when trying to grow their companies. This research also reveals that in circumstances where it is difficult to get employment figures of the individual businesses year by year growth can be measured

by the creation of firms and statistics can aim at taking employment/turnover figures for the entire business group.

Of particular interest might be studies that combine longitudinal elements but like this study follow entrepreneurs at different stages and scales of the portfolio process. With a larger sample and at a greater scale further research may lead to specific growth characteristics being identified according to the stage or scale of development of the portfolio entrepreneur. Such insights might help entrepreneurs to plan long-term growth from a strategic perspective at their varying operational scales and scopes, while also identifying likely problems to be faced in the future.

A limitation of this work was the inability to gather complete financial information on these firms. Future studies should try and get as much growth data as possible particularly with turnover/ revenues and employment. However, scholars should be cognisant that purely quantitative studies that focus only on data from annual reports might be misleading with respect to growth due to accounting measures not always accurately quantifying whether a firm has grown or not. For example if one measures growth purely by employees this might not take into account that one firm of a portfolio groups might be downsizing when another firm is aggressively expanding. Furthermore, especially in Africa accounting measures might be inaccurate, or specifically designed to show as little growth as possible in order to limit tax liabilities. Even in the United Kingdom and elsewhere companies have been shown to understate their profits and revenues through complex tax arrangements to limit their tax liabilities. Taking growth data from entrepreneur led companies that do this might consequently be misleading.

Thus, it is crucial that future researchers focusing on growth and entrepreneurship use qualitative and secondary data sources to really validate and understand whether a firm is really growing. The qualitative sources such as those arising from the entrepreneur might be of the most value to this end. It is also important that growth is contextualised according to the specific environment in which the research is undertaken as shown by the analysis in this research

An understanding of the context and environment might enlighten the reasons why growth, non-growth and contraction are occurring while also validating the strategies undertaken by the portfolio

entrepreneurs. Most importantly future research should be undertaken, aiming to confirm and further validate the arguments of this thesis that portfolio entrepreneurs can be considered to continue to grow their businesses and are high-impact. This research could be conducted showing the number of firms created longitudinally when compared with other entrepreneurs while also highlighting size differences between the firms created.

Again, the author would stress that this data should strive to use multi-methods including qualitative analysis due to quantitative data perhaps being misleading when gathering accurate or relevant information from large surveys. Failure rates between portfolio entrepreneurs/ habitual entrepreneurs and novices should also be contrasted when taking into account growth. This research has shown through the use of a qualitative longitudinal sample how many firms portfolio entrepreneurs create in a period of between two to five years. At the same time failure amongst these portfolio entrepreneurs has been tracked showing how most firms (that might have been measured failures in a quantitative study) on deeper qualitative inspection are not, due to a myriad of other factors such as partner disagreement and legislations that force closure of successful, profitable companies.

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APPENDIX 1

Questionnaire template: 1st interviews with respondents

Discussion on ethical considerations- privacy/name changing use/purpose of research

1.) Entrepreneur background:

Name:

Age:

Qualifications:

Email/Contact details:

Date of Interview:

Entrepreneurial history:

2.) Ask questions on general business history since creation of first business: stressing 'why' decisions were taken. E.g.: why, the enterprises were started, prevailing business climate at the time (economic conditions- family entrepreneurship evidence). Partnerships in companies. Equity arrangements, organisational structure (holding companies etc.), turnover employment rates, performance.

Entrepreneurial Motivations:

3.) What were your initial motivations with regards to starting your first business?

4.) Have these motivations changed over time or with subsequent portfolio expansion?

5.) What have been your main motivations strategic or otherwise for diversification /portfolio expansion?

Malawian economy:

6.) How would you characterize the current economic climate in Malawi (Is it more conducive to economic growth, entrepreneurial growth?)

7.) What are the advantages of the economic climate in Malawi to business formation?

8.) What are the disadvantages to business growth and operation of the Malawian Economic climate?

9.) How would you characterize the developments in the Malawian economy since the seventies? (if entrepreneur had been in operation that long).

10.) Have business opportunities arisen out of changing economic conditions during this period (1970's- present) i.e. liberalization of the economy growth, recession changing political structures restructuring changing market conditions, structural adjustment. Could you elaborate?

Process questions

Risk

11.) What is your general attitude to risk? Are you risk-averse, risk-seeking or risk-neutral?

12.) Do you feel that this attitude has contributed to your success i.e. has allowed you to take up opportunities viewed as being un-profitable/ infeasible or proved to be a hindrance?

13.) Do you have any formal/ informal processes through which you assess the risk of a new opportunity? Could you elaborate?

14.) Have your attitudes to risk changed with subsequent business formation?

15.) Has your attitude to risk changed with economic boom periods or economic downturns. Does this even factor?

Evaluation processes for new business start-up

16.) How do you evaluate new business opportunities?

17.) How do you go about realizing these new business opportunities i.e. how do your ideas transform into an enterprise?

18.) Do you have a process which you have developed/amended through your experience as an entrepreneur to better realize business opportunities get them running with the right amount of investment and expertise?

Entrepreneurial success/failure

19.) What do you attribute as the key factors to your entrepreneurial success?

20.) Vice versa what do you attribute as the key factors to your business failures or shortcomings?

APPENDIX 2

Questionnaire template: repeat interviews with longitudinal sample respondents

Discussion on ethical considerations- privacy/name changing use/purpose of research

1.) Entrepreneur background:

Name:

Age:

Previous and current Portfolio size:

Date of interview:

Growth

2.) Has your portfolio of businesses expanded or contracted since the last interview x years ago.

3.) If it has expanded or contracted, how so?

4.) Why have you added businesses to your portfolio or removed/closed them?

5.) How would you say your core business is performing- has it grown is your turnover and profit up. Any large investments in capital / HR to speak of?

Attitudes to risk

6.) What is your current attitude towards risk?

7.) Has this changed from the last interview?

8.) If so why?

Malawian economy

9.) How would you say the Malawian economy is going at the current time?

10.) What effect has this had on your business and the idea's/opportunities you have had for further expansion/diversification?

11.) What would you say are the current advantages for entrepreneurship in Malawi?

12.) Conversely what are the current disadvantages?

Entrepreneurial plans for the future:

13.) What are your goals/ambitions for the future with regards to your portfolio? (Do you have plans to diversify into other enterprises or focus on growing your core business or neither- why?)