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Broadening the Entrepreneurial Perspective

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Abstract

In this paper entrepreneurial literature is combined with industrial district literature to try and explain regional success in an Irish industrial sector. A new approach called interpreneurship is introduced as an explanatory concept for regional success in an Irish case study. A number of conclusions are drawn regarding the extent to which the interpreneurship approach is valid and the authors recommend that this is an important concept for further research.

Keywords: Interpreneurship, entrepreneurship theory, industrial districts, Monaghan, furniture industry, Ireland

Introduction

There is a belief that ‘different countries in Europe have significantly differing degrees and patterns of encouragement of entrepreneurship from the social and institutional environment’ (Reynolds et al, 1994: 454). Explaining these differing patterns of entrepreneurial success in particular regions and industries, is a pressing concern of academics in many disciplines and all take different approaches. These include the management and other social studies theorists who accredit the success to entrepreneurial skills, and economists who look to both the macro-economy and more recently regional characteristics as important factors.

The main aim of this paper is to explain regional success in one particular Irish manufacturing sector. Entrepreneurship theory is combined with industrial district theory leading us to develop a concept called interpreneurship to explain the success of an Irish region. The idea behind this concept is that both individual firm success, and regional success can be explained by the environment in which firms are located. It is local factors, which are external to the firm but internal to the district or area, that facilitate both the emergence of new firms and the development of existing firms. This approach challenges us to think outside the ‘black box’ of the firm and to recognise that explanatory factors are often external to firm boundaries. When added to the conceptual framework of entrepreneurship, the introduction of this concept broadens the analysis from entrepreneurship, which is driven by the individual; and intrapreneurship, which occurs within the firm; to include what we call interpreneurship, which is entrepreneurialism within a district or region.

The wooden furniture industry in Co. Monaghan, which is home to some of the most successful furniture firms in Ireland, is examined using this approach. Monaghan is located in the north east of Ireland and is the fifth smallest county in Ireland. It has a population of 53,500 and covers an area of 1295 square kilometres. The case study
presented is based upon empirical research in the field. TOOK OUT SOME HERE changed this paragraph

Entrepreneurship theories

The literature on Entrepreneurship can be divided into a number of different disciplines including economics, psychology, sociology and management. Writings on the theory of economic entrepreneurship began as far back as the 18th century with the work of Richard Cantillon (Hisrich and Peters, 2002). The focus of the work in this literature is on the ability of the entrepreneur to react to the market and make profits.

*Psychological* theorists postulate that what determines the success or otherwise of entrepreneurs is their individual personality traits. Traits such as the need for achievement (McClelland 1961), desire for autonomy (Caird, 1991), risk-taking (Busenitz, 1999), innovation (Utsch and Rauch, 2000) locus of control (Rotter, 1966) and intuition (Allinson et al, 2000) all set the entrepreneur apart from other members of society.

The *sociological* school is heavily involved in the nature vs. nurture debate and ultimately stresses the importance of environmental influences for entrepreneurs. Theories in this area revolve around the belief that behaviour can be shaped by learning from the surrounding environment (Atkinson et al, 1983). A positive environmental ethos is known as ‘high legitimacy’ for entrepreneurship, and entrepreneurship is more likely to be successful where legitimacy is high (O’Farrell, 1986).

Finally the *management* theorists view entrepreneurship skills as those required to manage a business on a daily basis after the set-up has been completed. Authors in this field emphasise the importance of training in the different organisational aspects of a firm such as marketing, finance and operations management (De Carlo and Lyons, 1979, Cooper, 1980, Swayne and Tucker, 1983).

What each of these theories has in common is a focus on the individual entrepreneur, or the lone firm, or the isolated product. If the economists’ approach is followed, a successful entrepreneur is highly innovative and the focus is on the growth of individual firms. However, in practice, many firms in successful local industries are not particularly innovative, and rather than individual firms getting bigger, more small firms appear to join the industry as the market grows. This is exemplified by Cawthorne’s study (1995). Thus the economists’ entrepreneurial approach is not particularly useful in these cases. Similarly, the owners and managers of many small firms do not have high levels of training in management; instead these skills have often been attained as they have worked in the industry. Thus management theories can be discounted in terms of explaining the success of such firms.

The psychologists’ and social scientists’ approaches are more helpful in analysing a small industry situation. These identify personality traits that identify entrepreneurs as well as the kind of environmental ethos that can provide legitimacy for entrepreneurship. It is the
latter situation in terms of the creation of a positive environment in which the industrial district literature has much to contribute.

**Industrial district theories**

Research in the area of industrial districts dates back to the late nineteenth century with the work of Marshall (1920: 347-350). The principles and ideas developed by Marshall remain the basis of the literature on this topic more than a century later. In the late 1970s a number of researchers began to question why some regions of northern Italy were growing faster than the rest of the country and surviving recessions more successfully. These areas became collectively known as the ‘third Italy’ and during the 1980s and early 1990s there was much written about industrial districts in this region and worldwide.¹

Industrial districts can be defined as areas dominated by small firms that are geographically concentrated and exhibit strong inter-firm relations and a social milieu. Their success rests primarily on the fact that they are small, inter-dependent firms that are located close together. They are also embedded in the local community and co-operate as well as compete.

**Inter-firm relations**

The relationship between firms in industrial districts is perhaps the most important explanatory factor in the success of industrial districts. Murray (1990) shows how encouraging firms to develop a realm of relations rather than simply being competitive can significantly improve profits level by reducing costs. These more complex bonds include competition, co-operation, social ties and interdependence. The interdependence stems from the fact that few if any of the firms can produce the final product alone. An environment where inter-firm relations prevails results in a higher level of innovation, a more coherent production process within the district and often a greater ability to collectively identify and then react to changes in the market place. The success of one firm has an impact across the district. Suppliers are called upon for more inputs, and in some cases competitors are even affected, for example in West Jutland, Denmark ‘a winning firm often has to use as subcontractors, some of the firms which competed with it for the customer in order to be able to deliver the promised goods’ (Kristensen 1990: 151).

**Social milieu and embeddedness**

The ideas of social milieu and embeddedness are also important factors in industrial districts and explaining regional success. Embeddedness and a social milieu mean that

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¹ (Brusco, 1982; Brusco and Sabel, 1981; Goodman, 1989; Becattini, 1990; Trigilia, 1990; Pyke, Becattini and Sengenberger, 1992; Piore and Sabel, 1984; Pyke and Sengenberger, 1990). The observatory of European SMEs (European Commission 2002) outlines the extent of research in clusters and industrial districts in the EU and industrial districts have also been identified in the US (Saxenian, 1995, 1994), South America (Schnitz, 1993; Rabellotti, 1994, 1995), Africa (Sverisson, 1992, Dawson 1992), Asia (Nadvi, 1992; Cho, 1994; Lee, 1995) and India (Knorringa, 1994; Cawthorne 1995).
there is a close link between society and firms; the relationships between the actors in the economy are not purely economic. In summary, what this comprises is a strong community of individuals, families and firms which is bound together by a ‘socio-cultural identity and trust’ (Schmitz 1993: 26). The entrepreneur in a start-up situation can also use a personal network in order to bring together resources and firm contacts to set up a business (Johannisson 1986, 1988). In this way the entrepreneur utilises personalised contacts within a community environment, bringing together industrial districts and personal network models (Pihkala et al. 1999). In the industrial district literature this is called a professional milieu.

Spin-off firms

One of the effects of a social or professional milieu and strong inter-firm relations is the emergence of spin-off firms. Within industrial districts much of the growth in the number of firms is assisted, encouraged and often financed by existing firms. Family members and former employees often establish firms in the same business or a spin-off business and this adds another element to business relationships within the district. An example of this is the development of the Apple personal computer by two school drop-outs in their early twenties, working out of their garage in Menlo Park in the summer of 1976. They were only able to start the company because a former Intel executive came into the project as a third partner lending them $91,000. ‘It is this high risk funding by individuals who were knowledgeable about the trade, and who shared and understood the culture of their innovators, that made possible the endless birth of new firms in Silicon Valley’ (Castells and Hall, 1994, pp.19-20).

In South Korea, the ‘Little Owner System’ shows similar tendencies. In this case, former technicians with 20-30 years of experience weaving or former supervisors of production lines are encouraged to purchase weaving facilities and run them under their own control. Parent firms offer financial aid, constant supply contracts and even administrative services (Cho, 1994). Clearly in such a situation, the owners of the firms in the district have particularly close ties comprising social as well as business elements.

Overall the kinds of relationships that can occur between firms serve to show that the industrial district environment can be likened to an inter-organizational network comprised of a number of independent individual organisations (Franke 1999). Note the change in emphasis here from looking within firms to identify entrepreneurial characteristics, to focussing on the group of firms as a whole and the relationship between the individual units. Within this type of environment we are calling this kind of collective entrepreneurship phenomenon, interpreneurship. The process of entrepreneurship in these types of regions is created by the environment, which exists; the positive attitude towards entrepreneurship, the desire by many to continue to work in the local area and the personal connections between owners of firms who have grown up together or have worked beside each other.

What results from all this is a local industry that thrives via the emergence of new firms, the identification of new by-products or related products, the interdependence of firms
and an ethos of entrepreneurship. Such an approach is necessary, especially in analysing small firms that may not be solely profit motivated and also may not be particularly innovative. Research has identified firms where owners do not particularly aspire to growing their firms and just want to make a living (e.g. Cawthorne, 1995; Shaw and Williams, 2004; Ateljevic and Doorne, 2001; Mottiar, 1998). This was also the case for many industrial districts identified in the early literature where for example people were involved in small farm entrepreneurship (Capecchi, 1989) and in the case of Carpi’s knitwear industry in the 1950s and 1960s people homeworked in the industry in the winter and then laboured, fruit picked during the summer to supplement their income (Solinas, 1982) In terms of innovation Brusco (1986: 195) remarked that in the ‘third Italy’ some industrial districts are ‘more developed and capable of innovations, others are more backward, with low wages, without steady relations with foreign market and exposed to the competition of the newly industrialized countries’. It is the whole, rather than the individual, which is successful. This approach will now be utilized to analyze and explain the success of the wooden furniture industry in Co. Monaghan, Ireland.

**Case study: the wooden furniture industry in Co. Monaghan, Ireland**

The success of the wooden furniture industry in Monaghan can be described in two main ways. First, it is a significant centre of wooden furniture manufacture in Ireland. In spite of Co. Monaghan’s relatively small size (it is ranked 21st in terms of population), it is ranked third after Dublin and Cork in terms of the number of furniture firms in the county. Second, the firms in this area are the ‘largest in Ireland and they dominate the national industry’s exports’ (Mottiar and Jacobson, 2002). Monaghan’s location next to the Irish border provides the companies with easy access to the Northern Ireland market as well as that of the Republic, and its nearness to the port of Larne provides access to Northern Britain (Mottiar, and Jacobson, 2002). Furthermore the use of external advice and expertise, as well as the prevailing work ethic and business ethos, has meant that these firms re-invest a large proportion of their profits back into the business.

The Monaghan industry can be traced back to 1801 when it was reported that about a hundred carpenters using the local supply of wood were ‘constantly employed in furnishing the neighbouring fairs and markets with several articles of country work and furniture’ (Cooote, 1801: 154). The industry today is considerably different from that of the early 19th century, there are some 32 firms, the wood is purchased outside Monaghan (and often internationally), and the markets which are supplied are in most cases far from local (Mottiar, 1998). These firms produce a wide variety of wooden domestic furniture and some are involved in the production of components for the industry. Many of them have been established by people who worked for other firms in the area before setting up alone. The main markets for these firms are Dublin and Belfast but some of the larger firms have also successfully broken into the northern UK markets.

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2 It is noted that Jacobson and Mottiar (1999) and Heanue (2003) discuss the fact that the sector may be facing challenging times in terms of the reduction in numbers of start up firms, and the volatility of the sector as a whole.
Methodology
A survey method of data collection was used and all wooden furniture firms in Co. Monaghan were approached to be included in the sample. A semi-structured questionnaire was utilised with the aim of gathering both quantitative and qualitative data. The questionnaire contained a mixture of both open and closed questions. Stage one of the research process involved the posting of the questionnaire to the full sample, 32 firms. This elicited 11 responses. In stage two, the researcher then organised interviews, using the semi-structured questionnaire and this resulted in an additional 14 completed questionnaires. The overall response rate was 78 percent.

The empirical results show the firms are mainly small, 81% of firms surveyed employ up to 30 people. In industrial districts firms are usually micro-enterprises employing up to nine people and in the case of the wooden furniture industry in Monaghan 48 percent of the sample could be classified in this way. In addition, almost 70% of them are family firms in that at least one family member is an employee. In one firm the three people who work there comprise three generations of the same family: the father, son and grandson. In another the owner employs only three people, all three his brothers-in-law.

Application of theory to case study
This local industry can be classified as successful as it has a very high concentration of wooden furniture firms in a small area, the largest wooden furniture firms in Ireland are located in Monaghan and these firms are among the largest exporters nationally. This is despite the fact that Monaghan is the fifth smallest county in Ireland, it does not have a particularly favourable location being distant from the main cities, and would be classified among the less developed areas of the country. In attempting to explain the success of this district using the concept of interpreneurship we first focus on why the traditional entrepreneurial theories are not appropriate in this context. The growth of the sector in terms of inter-firm relations, the development of spin-off firms and social milieu and embeddedness are then discussed. It should be stated at the outset that we deem this district to be a success due to its

An entrepreneurial approach from any of the schools of thought described earlier in the paper focuses primarily on: innovative firms that are motivated by profits, and owners who have particular personality traits or managerial skills which make them successful. The firms in the wooden furniture industry in Monaghan cannot be described like this. Many owners, especially among the small firms, made comments that indicated that they were not profit driven or motivated and instead just wished to remain viable. Some of the owners of firms interviewed stated that they simply wish to ‘make enough money to have a comfortable life’. They are not entrepreneurs who aim to increase output and profits consistently and grow into a large employer or exporter, rather they are individuals who ‘want to take home the money at the end of the week and know that [they] have a job to come to next week’. In terms of innovativeness their products are for the most part reproductions and technical innovations are bought in ready made (Mottiar, 1998).
This type of attitude was representative of the small firms, the larger more export oriented enterprises were more target oriented and ambitious. In terms of products however, none of them are innovative. They mainly manufacture re-production furniture and some are even only involved in the assembly of imported flat pack furniture. In terms of skills these are not formally qualified owners – most began in the industry as an apprentice in another firm and worked their way up to where they are now.

**Using the interpreneurship approach to explain regional success**

**Inter-firm relations**

The group of firms in this study has a myriad of relationship types including interdependence, co-operation and competition as well as social links. Many of them reported varying levels of co-operation, both formal and informal. Almost 50% of respondents often or occasionally lend machinery (mainly hand tools). Although a number of firms reported in the survey that they did not co-operate, interviews led to anecdotal evidence that this was occurring. For example if a new customer approaches one of the fireside chair manufacturers, he rings his competitor to check that he is not a bad debtor who is switching suppliers to avoid payment. Such forms of co-operation ensure the continued success of all of the firms and the local industry as a whole.

The type of cooperation outlined is also linked with the interdependence of the firms. Many firms can only survive as long as other firms in the industry continue to produce. It facilitates the development of firms in one stage of production that would otherwise not be viable. One example of this is the kitchen door manufacturer who does not have any transport, so the kitchen manufacturer who lives nearby calls to collect the doors. Another example is the factory owner who just makes rope edging for occasional tables. His previous employer delivers the unfinished tables and the final product is collected when complete.

**Social milieu and embeddedness**

In the third Italy the existence of a social milieu was seen to be an extremely important factor in explaining success and many pointed to political issues as the source of social cohesion. In Monaghan, a border county with Northern Ireland where religion is an important factor, it was hypothesised that religion may be the source of a social milieu in this area. However the research found that there were indications of a professional milieu encouraging the proliferation of spin-off firms (discussed next). As Figure 1 shows, respondents stated that to have worked in another firm in the area and to be from Monaghan were the most useful factors in succeeding as an entrepreneur in the local industry.

*Insert figure 1 about here*
This allows them to become part of the social network, they can gain external economies of scale, thus gaining from the growth of the industry as a whole and participate and gain advantage from the interpreneurial environment. Many of the owners of the furniture firms in this area know each other and many have worked with each other at some point. This has encouraged good face to face contact and may explain some of the types of cooperation that have been outlined above. It is notable that 76% of respondents reported that they would occasionally exchange ideas or discusses problems or strategies with other local furniture producers and 52% said that they would occasionally visit production sites of other local furniture firms. The professional milieu that has evolved has created a business environment where it is relatively easy to subcontract to local firms and for firms to work together in some activities. This aids the flexibility of firms and allows relatively small firms to be competitive.

*Spin-off firms*

As already indicated the emergence of spin-off firms has perpetuated this local industry. In fact genealogical analysis of the Monaghan case shows that almost 65% of the furniture firms that responded to the questionnaire are either directly or indirectly related to Coyles. This, the largest firm in the study was established in 1936, when its founder, originally an upholsterer from Armagh decided to move to the area. This firm has had a driving force in the local industry, being one of the first to export and also creating a pool of former apprentices who have set up their own firms.

**Insert Figure 2 about here**

The owners of eight firms did their apprenticeship in Coyles before establishing their own firms and a further seven firms are indirectly related in that their founders worked in firms owned by those who had originally done their apprenticeship in Coyles (see Figure 2). This leads to a particular type of relationship between the owners, not only are they often neighbours but they may also have worked together for many years. Another example of this is one owner of a firm who said that when he worked for his previous employer there were 16 employees in total, now 14 of them had their own businesses in the area. A social network of owners of furniture firms was thus created that promotes and encourages strong inter-firm relations and the development of new products which has been extremely valuable for the local industry.³

**CONCLUSION**

For a number of reasons we believe we can conclude that the success of the industrial district presented in this paper can be best explained using the *interpreneurship* concept developed earlier. First, the relationship between the firms and the environment that

³ The case study that is described in this paper also mirrors other furniture industrial districts such as Friuli – Venezia Givlia in North East Italy (Tamisar, 2000) and West Jutland, Denmark (Kristensen, 1990).
exists has resulted in a group of entrepreneurial entities. As discussed, the traditional entrepreneurial approach generally focuses on the largest firms and declares their success as the overall cause of the region’s success. This approach however misses the full story. The firms in this district represent a family tree where the existence of one firm is often related to another, and furthermore their continual success and the success of the local economy is dependent upon the local industry as a whole, rather than single firms, products or entrepreneurs.

Second, rather than success being explained by individual firms that are entrepreneurial, the local industry displays interpreneurship in the form of a professional milieu, strong inter-firm relations and the development of spin-off firms. These factors have facilitated the continuing growth of the industry and allowed small firms to remain competitive and able to predict and react quickly to market changes. All these factors are of course created and sustained by the geographical concentration of the firms.

Third, as initially outlined in the introduction, this case enables us to look outside of the firm for answers to success. We do acknowledge the importance of internal factors for success, but the synergy and inter-firm linkages that have occurred in this sector force us to look at growth and development from another perspective. This view is not just that of an individual entrepreneur or firm, but from a vista of mutually supportive interaction and a culture and environment where the growth of one firm results from a regional spirit of growth generally.

Ultimately the type of entrepreneurship that has made this district a success is not concentrated within firm boundaries. Instead it is as Marshall describes, ‘in the air’. This is similar to what Belussi and Gottardi (2000) call ‘floating knowledge’, and is what we have called interpreneurship. Overall, when added to a theoretical entrepreneurship framework, the introduction of this new concept widens the analysis from entrepreneurship, which is driven by the individual, and intrapreneurship, which occurs within the firm, to include interpreneurship, which is within a district or region.

If accepted by other academics in the field, we believe that the idea of interpreneurship could be a valuable addition to the current literature and our understanding of entrepreneurship, as well as helping to explain certain regional economic successes. Further related research in this area will help to confirm and promote the interpreneurship concept and the authors hope that other researchers will take up this challenge.

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Figure 1: In order to succeed as an entrepreneur in the local industry is it important or helpful/useful to:

- be related to other entrepreneurs
- be a GAA member
- belong to any other local sporting group
- be Catholic
- be from Monaghan
- be Protestant
- have worked in another firm in the area
- belong to any other local sporting group

[Bar chart showing percentages of respondents who find each factor useful or important]
Figure 2: Relationships of furniture firms to Coyles