The article identifies three perspectives on entrepreneurship development—community psyche, formal-institutional and environmental—and examines their empirical validity in the context of Filipino and Chinese entrepreneurs. Only the third perspective is seen to be appropriate to the study. Filipinos and ethnic Chinese entrepreneurs do not vary in terms of their community solidarity, business psyche, management style and performance. Formal institutions do not figure importantly to their success. Rather, entrepreneurial performance is determined by such environmental factors as intersectoral competition and economic policies of the government. The article, therefore, suggests that apart from their emphasis on management and motivation training, research institutes should concentrate on identifying and solving environmental problems of entrepreneurial growth.

The economic growth of the Philippines has been attributed by some writers to the differential characteristics between the Filipinos and the ethnic Chinese. Whereas the Filipinos are said to have attributes of sluggishness, non-creativity, non-calculativeness and non-cooperation at the community level, the Chinese are known for their innovativeness, calculativeness, high ambition and community solidarity. Differential patterns of business orientation and business styles of these two groups may thus partly explain their relative contribution to the economic development of the Philippines. But an exclusive resort to such an explanation is unbalanced and is a result of an ambitious but conjectural academic pursuit which emanates from a specific frame of reference, i.e., the community psyche perspective expressed in the writings of Weber (1930), Hagen (1962) and McClelland (1961). Two alternative perspectives, the formal-institutional and the intersectoral-environmental, have recently been put forth to analyze entrepreneurship behavior (Sharma 1984).

This article analyzes the entrepreneurial responses of Filipino and ethnic Chinese in terms of these two perspectives. It is divided into three sections. The first presents a theoretical discussion of the perspectives on entrepreneurship. The discussion is an analytical review of available literature. Assumptions underlying the major approaches to entrepreneurship are identified. The second seeks an empirical validation of these assumptions. The findings are based on the analysis of primary data. Variables like community solidarity, community support, formal institutional support, achievement motivation, entrepreneurial performance and business style are operationalized. (Paucity of space does not permit the presentation of the procedure of operationalization and of numerous statistical tables). Finally, the third summarizes the discussion and brings into focus an appropriate perspective on entrepreneurship.

Perspectives on Entrepreneurship

The community psyche perspective is expressed in the writings of Weber, Hagen, McClelland and many of their supporters. Despite many divergences, they converge on three assumptions: 1) for incumbence of an entrepreneurship role or for taking to any economic
venture, people require a psyche, for example, creativity, innovativeness, calculativeness, achievement motivation, and the like; 2) such a psyche is determined by elements of community structure, ethical values, socialization practices, minority character, status deprivation, and so on; and 3) that certain communities, which generate proper psyche and supply businessmen and entrepreneurs, also actively support their people to assume entrepreneurship role and perform it successfully. Studies of the Marwaris (Timberg 1978) and the Parsis (Guha 1970) in India and the Chinese (Ang 1976) in the Philippines, for instance, employ this third assumption. These assumptions have far-reaching implications. One implication is that only those communities which had generated a psyche in the past will continue to generate the same, to supply entrepreneurs and to support them. The entrepreneurs will then become more successful than the entrepreneurs coming from the communities which neither generated entrepreneurial psyche nor supported the entrepreneurs deliberately in the past. Another implication is that to raise successful entrepreneurs from non-business strata, the strata’s community structure needs to be transformed, in order to create the requisite psyche and help their people take to entrepreneurship.

It has been demonstrated elsewhere (Sharma 1980) that any change in the given elements of the community structure is possible only through reforms — religious, political and social — which is a long process; and we are never sure of their initiation, success and consequences. In the absence of such changes, the community psyche perspective does not provide us with an optimism with regard to minimizing the imbalances in the economy through entrepreneurship. Consequently, the old trends of entrepreneurship continue. Greater support to the large sector, dominance of commerce over industry and concentration of economic power in a few hands and regions, as in the case of the Chinese in Manila continue to persist. Some sections are more affluent than others. The inter-sectoral and inter-regional imbalances are highly unmanageable. Unemployment is increasing and local human and natural resources remain untapped. Such problems are faced by almost all developing countries.

The urgency to tackle these economic challenges through entrepreneurship development in small sectors and the ineffectiveness of the community psyche perspective to break away from traditional trends, gave rise to the formal-institutional support system perspective. This perspective found expression in the writings of McClelland and Winter (1969) and their supporters, particularly management scholars. Their primary assumption is that the entrepreneurial psyche can be generated through formal training programmes and for that, perhaps, the community structure need not be changed. The entrepreneurial pre-requisites which were arranged through family and community, such as land, capital, technical know-how, ideas to set up a unit, consultancy for marketing, could be made available through formal agencies which ensure the supply of entrepreneurs from diverse strata and save the units from sickness and mortality.

The environment perspective received attention in recent studies conducted to evaluate the performance of entrepreneurship development programs. It was systematically established by Sharma (1978) and Sharma and Singh (1980) in a contingent model of entrepreneurship, that family background, not community, is helpful for the supply of entrepreneurs and that formal support systems are almost completely ineffective in this regard. The success of entrepreneurs is largely dependent upon the environment generated through interactions of various sectors like public and private, large and small, agricultural and industrial. Since these sectors all bank upon the same environment and have significant interdependence, their interactions with it make it disturbed, reactive and turbulent (Emery and Trist 1965) and thus cannot be controlled by individual units. The networks
of associations of various sectors could solve this problem. But since they are not in a federal structure and there is scarcity of resources, they generate turbulence instead of consensus. Hence, there are high rates of sickness and mortality in manufacturing sectors (Sharma 1981a). The supply of entrepreneurs also largely depends upon social, political and infrastructural factors. For instance, Protestants, Marwaris, Parsis and Gujaratis became entrepreneurs only in selected areas where there also emerged many leading entrepreneurs from communities which were orthodox and tradition-bound, e.g., the Brahmins (Sharma 1975).

The community psyche model assumes inter-community variations in terms of group solidarity, group support, entrepreneurial supply, aptitude and performance, and business style. Traditional business communities have greater solidarity, extend more help to their people, supply more entrepreneurs, have higher achievement motivation, are more successful and practice more effective business style than the new entrepreneurial communities which have had no business exposure, and which by implication had a structure not conducive to generating entrepreneurial motivation in the past. For instance, the Chinese in the Philippines were supposed to have more solidarity, to be more entrepreneurial and to have practiced a more effective (family-corporate) business style than the local Filipinos. Similar expectations were projected about the Chinese and the Marwaris in comparison to communities like the Ramgarhias, who did not have a business background traditionally. Also early entry in trade and late entry in industries of both the Chinese and the Marwaris were attributed to their business aptitude determined by their communities. In the next section an effort is made to test the validity of these assumptions.

Empirical Validation of the Perspectives

A review of research on the Chinese entrepreneurs in the Philippines reveals that like the Marwaris, the Chinese had a high degree of community solidarity and extended help to their people in assuming, and in successfully executing, the entrepreneurship role. But the solidarity was not uniform throughout the years. During the American era, they had a lot of intracommunity competition and conflict. At present, like all other communities, the Chinese have community solidarity at group level, but lack mutual assistance at business interactional level. The reasons for this, however, differ between the established and non-established communities. The established communities, because of their affluence, do not need this kind of mutual help. The non-established communities need it, but owing to intracommunity competition — they are mostly in the same business and operate in local markets — fail to develop cooperation at the interactional level.

The Chinese had shown community solidarity at business interactional level until the 1920's and this is attributed to certain objective conditions. They had kinship migration from one or two regions of China which became a basis for community integration. The possibilities of their return to China were restricted by communist policies prohibiting private business. They were a small minority at one place, Manila, and were seen by the local Filipinos with suspicion. The Marwaris in Calcutta were in similar conditions with only one difference: the Chinese had migrated to another country while the Marwaris to another region of their own country. The non-conduciveness of infrastructure to business in Marwar limited the possibility of the Marwaris' return to their community of origin. The Chinese still have a number of family associations, but these have nothing to do with business activities. Today their solidarity is minimized owing to increased affluence of a few and intracommunity competition. Thus, there was nothing unique about the community to generate group identity and solidarity. It was a set of objective conditions which caused solidarity in their ranks. In a nutshell, these conditions were population composition, competition
FILIPINOS AND ETHNIC CHINESE ON ENTREPRENEURSHIP

with local people, intracommunity competition, level of affluence, and limited possibility of return to the community of origin.

Since they constitute an immigrant ethnic group, the Chinese should have indicated a higher degree of cohesion. But it seems the affluent Chinese have dissociated themselves in some ways from their less wealthy fellowmen. The Caloocan City Chamber of Commerce requires P10,000 as subscription for one-year membership. The petty manufacturers are unable to afford it. Among themselves they have business competition. The only unity they have at the interactional level is through family associations which are not necessarily concerned with economic activities. Solidarity at the level of community is ensured through big chambers of commerce where only affluent entrepreneurs seek membership. The Filipinos, in turn, depict less unity because they do not constitute a compact ethnic group and have intensive economic competition. The Chinese middlemen who, for instance, control about 96 percent of shoemaking firms in the Philippines, sabotaged the efforts of the Filipinos towards business unity. The establishment of Marikina Shoe Export Association and a leather tannery, and the importations of raw materials on a cooperative basis by the Filipinos failed for this reason.

Political participation of the communities is not very high. Relatively established communities seek political mobilization more often than the non-established ones. This contradicts the earlier notion that the Chinese sought status mobility in the economic sphere while the locals sought it in the political sphere. The Chinese, though small in number, matter in the democratic process of legitimizing the political power of the ruling elite. They are a strong group which lends support to, or withdraw support from, a political party. Hence, there is political mobilization of the community.

The validity of the community psyche perspective in explaining the supply of entrepreneurs can be ascertained by taking the proportion of entrepreneurs to total active population in the community. But such figures were unavailable. Another way of testing this perspective was to examine the assumption that communities, having generated high motivation (as the ethnic-Chinese), will continue to dominate the entrepreneurial scene. This assumption is rejected by the evidence. Local Filipinos now have a complete hold on the business. In 1968, domestic investments constituted 65.4 percent of total investment of a sample of 88 corporations (Yoshihara 1971). In the years 1946 and 1966, the Filipinos' share in the total number of firms and capital investments was 92 and 96 percent, respectively, as against 3.7 and 6.2 percent of the Chinese (Palanca 1977). In manufacturing, the Filipinos' share was 73.6 percent in 1956, 75.6 percent in 1965, 85 percent in 1972 and 96 percent in 1977 (Philippine Yearbook 1981:506). These numbers show increased contribution of Filipinos to the economy. The performance of the ethnic Chinese is appreciable from the point of view that they constitute only two percent of the total population and yet pay 10.5 percent of total individual income tax. But the notion of their stronghold on the economy is not well-founded.

Achievement motivation is high among both the Filipinos and the ethnic Chinese. There is no significant intercommunity variation in this regard. The performance of entrepreneurs from both communities was not satisfactory. They operated in local markets but a few of them also exported their goods. Expansion in the size of the unit in terms of investments and number of workers was marginal. There was also no intercommunity variation in this respect. They did not differ in business style. Neither familism nor professionalization of management was appreciated. Interestingly, the Chinese, who were known for family-corporate-group orientatedness, now employed personnel from outside the community. They did not adopt scientific techniques of marketing; rather, they preferred
lowering the prices of goods for extension of markets. Diversification and advertising were not popular at all. Since all the factories employed few workers, industrial relations were cordial. Dehumanizing elements were not observed. Industrial relations were characterized by frequent personal contacts with, and seeking suggestions from, employees.

Thus the community helps neither in inducting people into the entrepreneurship role nor in the proper execution of the role. It does not make a difference in achievement motivation and hardly affects business style and community solidarity. Family and relatives certainly help in many ways, as in the arrangement of capital or as consultants in matters of importance. There is high uniformity among entrepreneurs of both communities with regard to all these variables. This present evidence thus points to the insignificance of the community psyche model. Exposure to mass media, frequent intercommunity interaction, and exposure to entrepreneurship through new jobs may be some of the causes for conformity.

In order to ascertain the validity of the formal-institutional perspective, entrepreneurs were asked to indicate their sources of entrepreneurial prerequisites at the initial stage and at present. They were also asked to indicate the extent of their awareness about various programs and agencies. It was noted that the role of formal agencies has been mainly in the development of infrastructure. Their contribution to inducting the people into entrepreneurship was negligible. Evidence shows that hardly any entrepreneur received help in establishing the factories. At subsequent stages, they got loans from the banks. Formal agencies, mainly banks, helped in the expansion of business. Except for a few training programs, entrepreneurs were not even aware of formal agencies. They were self-reliant about entrepreneurial prerequisites. They consulted family members, friends and relatives as needed. The formal agencies have been making progress in terms of increased number of beneficiaries over the years but this progress satisfies only the organizers of agencies and not necessarily the clients.

The environmental perspective is crucial in the solution of the problems of sickness and mortality in the manufacturing sector. But more facilities for transportation, electrification and communication alone do not help constitute a viable environment. There is a need for intersectoral coordination characterized by healthy competition and absence of turbulence and exploitation to which the small sector units fall prey. Management scholars do not attach due importance to this kind of external environment. Their emphasis on management of the internal environment is a result of their preoccupation with the American approach of the closed-system analysis. This approach was rooted in an affluent American society of the pre-1960's when it had abundance of resources, consensus in planning and growth of organizations (Sharma 1983b). But Third World countries have experienced throughout the problem of scarcity, conflict, and decay in economic ventures. Even America is now experiencing the same problem. Scholars like Emery and Trist (1965) talk about the disturbed reactive and turbulent environment which can be controlled not by internal management but by a network of pressure groups of entrepreneurs.

To examine the validity of the environmental perspective, the entrepreneurs were asked to indicate the reasons for their slow growth and sickness. The role of middlemen and intermediary agencies in the supply of raw materials and the marketing of goods has been too exploitative to allow the small units to grow fast. The exploitative role of the large sector in the supply of raw materials and its sabotaging efforts in the way of cooperative measures to be adopted by small units to procure raw materials has discouraged the growth of the small sector. The ban on the import and export of certain raw materials at the expense of the small units and the slow growth of the agricultural sector which weakens the purchasing power of the
rural masses—the market of the small sector—are some of the important dimensions of intersectoral environmental problems.

Development schemes have certainly raised income levels. The average family income increased from ₱1,471 in 1956 to ₱5,840 in 1975, the average annual increase being 8.4 percent. For urban families, this increase was 8.4 percent and for rural families, 11 percent. This change points to policies that tend to favor the rural sector. But such a trend is not an indicator of a significant reduction of income inequalities between the rural and the urban sectors. In 1975, the top 20 percent of income recipients from urban areas accounted for 53.3 percent of the total income (ISSI 1979:10). In the same year, there was a striking gap in the average income of families in the rural and urban areas. It was ₱8,329 for urban families and ₱4,745 for rural families. The Metro Manila households had a median income of ₱10,469. More than 51 percent of households in Metro Manila had an annual income of more than ₱5,000, while only 13 percent of rural households had this income.

The lower income of rural areas may be attributed to the non-commercialization of the farm economy and the greater concentration of industrial and trade sectors in the urban area, particularly Metro Manila. Development of the agricultural sector has been negligible. This is evident from the increased gross national product (GNP) of 170 percent during the 1974-81 period, while the increase in the GNP of the agricultural sector was only 112.6 percent. Looking at it from another angle, the share of the farm sector in the GNP decreased from 29.4 percent in 1974 to 23.2 percent in 1980. The agricultural establishments constituted only 1.3 percent of the total number of establishments in 1978 (Pocket Book of Philippine Statistics 1981:8-9, 30, 74).

There was also a greater concentration of units in the Metro Manila area which had, according to 1967 figures, 46.7 percent of large units, while areas outside Metro Manila had 41.7 percent of small units. In 1972 Rizal had 41 percent of large and 3.8 percent of small units. None of the other cities or towns had more than 4 percent of the units. The majority of them had less than 1 percent of the unit (1972 Census of Establishments). Manila's share of total industrial output in 1975 was 44.7 percent (ISSI 1980:12). During 1974-76, 27.6 percent of financed projects were located in Manila. The area also obtained 43.5 percent of the total loans advanced for industrial development by International Guarantee and Loan Fund and by the Industrial Development Bank of the Philippines (ISSI 1979:61).

Conclusion

The above discussion shows the irrelevance of the community psyche perspective of entrepreneurship development. At present the communities of local Filipinos and ethnic Chinese do not vary significantly in terms of achievement motivation, business style, and performance. Also, the communities do not provide any support to their people in assuming the entrepreneurship role and in executing it successfully. The community of ethnic Chinese, which was known for its solidarity and for its contribution to entrepreneurship development in the past, is almost dormant now. There is no intracommunity business interactional unity owing to intracommunity business competition in local markets. Whatever social solidarity the Chinese manifest is based on their kinship associations indicating ethnic identity. Indeed the ethnic Chinese as a community are no longer in a privileged position. The solidarity of the Chinese in business in the past was the result of historical conditions. The changing political structure has resulted in the Filipinos' gradual dominance in the economy. However, the relative affluence of the Chinese cannot be denied.

The formal-institutional perspective also does not show much relevance. The formal agencies have failed to generate achievement
motivation, to provide capital and technical know-how and to offer consultancy services to the small entrepreneurs. Most of the entrepreneurs are not even aware of these agencies.

The sickness and mortality of small units is wrongly attributed to mismanagement and lack of motivation. The high mortality of small units in a particular industry, for example, the metal products in 1976, only signified the impact of environmental problems which are beyond the control of individual entrepreneurs in the small sector. These problems relate to the inadequate supply of raw materials and improper marketing of goods, which result from the competition of small units with the large ones, and the exploitative role of middle men, traders and large scale manufacturers who supply raw materials to, and market the goods of, small entrepreneurs. The low purchasing power of rural masses owing to non-commercialization of the farm economy and the discriminatory government favors to the large sector in terms of various subsidies and exemptions are added disadvantages of the small business.

Thus, the environmental perspective gains greater relevance as compared to the community-psyche and formal-institutional perspectives. What this means is that the development of entrepreneurship in the small sector can be facilitated by intersectoral coordination, i.e., a balance in the growth of various sectors, namely, industry and agriculture, large and small, trade and industry. Such a growth pattern will minimize the tendencies of intersectoral exploitation and unhealthy competition. Also, the policies which discriminate against small business need reorientation. Under these circumstances, the research institutes should give priority to identification and analysis of environmental coordination problems and suggest remedial measures to avoid and solve them. However, this is not to deny the relevance of management and technical training programs. It is merely a matter of priorities in a given situation.

Notes

1 This analysis is part of a comparative study of nine entrepreneurial communities in India and the Philippines. The total sample of nine communities consisted of 252 small entrepreneurs. Of these, 50 were from the Philippines: 31 Filipinos and 19 ethnic Chinese. The Filipinos made shoes in the Marikina Shoe Village (Metro Manila) and the Chinese manufactured metal goods in Metro Manila. This article focuses on the sample of 50 entrepreneurs from the Philippines. The author personally interviewed the entrepreneurs in the months of February and March 1982. He consulted literature on the cultural background and economic activities of the ethnic Chinese and the Filipinos. He also had informal discussions with scholars actively engaged in this area of research. Thus, the analysis presented here is based on primary and secondary data and discussions with members of the academic community.

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