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Family and cultural factors impacting entrepreneurship in war time Lebanon

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Abstract: This study profiles the characteristics, attributes and growth orientations of Lebanese entrepreneurs including the relationships, roles and contributions that family and culture play in the development of private SMEs. Drawing on a sample of 112 entrepreneurs’ psychographic motives, demographic attributes and business activities are revealed. Family and enterprise relationships related to employment, investment and active family participation and growth orientations are empirically tested. The findings suggest that entrepreneurs are motivated by the need for independence and flexibility. Entrepreneurs were found to rely heavily on family member participation to establish, develop and grow their enterprises.
Keywords: Lebanon; entrepreneurship; growth; family; culture; family business; development of private SMEs; family participation; family employment; innovation management.


Biographical notes: Josiane Fahed-Sreih, PhD, is an Associate Professor of Management in the Department of Economics and Management in the School of Business at the Lebanese American University. She is the Founder and currently the Director of the Institute of Family and Entrepreneurial Business at the Lebanese American University. She is the 2007 winner of the International Award on Family Business bestowed by the Family Firm Institute in the US.

David Pistrui, PhD, is the Director of Entrepreneurship at Illinois Institute of Technology (IIT), Chicago, IL. He holds the Coleman Foundation Chair in Entrepreneurship and is an Industry Professor of Business in the Stuart School of Business at IIT. With over 25 years of business experience, he also serves as the Managing Director of Acumen Dynamics, LLC, a strategy-based education, training and research firms that focuses on practical knowledge and skills that help organisations align vision and strategy with execution and performance. He is the author of over 40 publications, spanning from scholarly journals to the popular press.

Wilfred Vincent Huang received his MS and PhD in Industrial Engineering from State University of New York at Buffalo and BS from Purdue University. He has been a Faculty of Alfred University since 1983. He is the George G. Raymond Chair in Family Business and a Professor of Management Information Systems at Alfred University. Additionally, he is the Technical Director of Cisco Academy Training Center and the Coordinator of SAP Program. He is also a Certified Quality Engineer (CQE) of American Society of Quality and Cisco Certified Academy Instructor (CCAI). His research interests include e-business, entrepreneurship and data analysis.

Harold P. Welsch has been active in entrepreneurship development for over 25 years in his role as an Educator, a Consultant, a Researcher, an Entrepreneur, an Author and an Editor. He is well-known for his expertise in privatisation of centrally-planned economies, entrepreneurship career paths, formal and informal strategic planning, information seeking and decision behaviour, ethnic entrepreneurship and small business problems. His work has appeared in many journals and he is an author of several books on Entrepreneurship. His recent books include Strategic Entrepreneurial Growth (2nd ed.) by Thomson/South Western, Entrepreneurship: The Way Ahead by Routledge and The Strategy of Entrepreneurship (in Chinese) by Thomson.

1 Executive summary

Lebanon provides a unique laboratory to explore entrepreneurship, family business, and SME development. Focusing on a very entrepreneurial culture, this paper identifies, probes, and analyses the characteristics of Lebanese entrepreneurs, their enterprises, and the impact of family and cultural nuances associated with the conditions of war and
Family and cultural factors impacting entrepreneurship in war time Lebanon

Family and cultural factors impactin
ging entrepreneurship in war time Lebanon. Drawing from a sample of 112 enterprises, the findings suggest that Lebanese entrepreneurs are motivated by the need for achievement, flexibility in their lives, and the desire for family security. Almost 60% of the firms were corporations or limited liability companies (LLCs). Only 50% of the entrepreneurs indicated they had originated their enterprises, while approximately one-third inherited their business. Family participation was found to be critical and supports the growth and development of entrepreneurial led SMEs. The family provides primary sources of start-up capital. Over 50% of the businesses had more than one family investor; 70% had a family member employed full time.

Three valuable streams of knowledge can be gleaned by business practitioners including:

1. advancing the understanding of how conditions of war and social turmoil influence entrepreneurship and family business development
2. providing practical insights and examples of how the Lebanese family business network functions and shapes entrepreneurial led family businesses
3. offering insights into the role of family participation and its influence on business growth.

This paper makes significant contributions to scholarship and practice by addressing three important aspects associated with entrepreneurship and family businesses:

1. profiling the ‘entrepreneurial mindset’ of successful Lebanese entrepreneurs
2. identifying specific examples of ‘opportunity recognition’ being realised by Lebanese entrepreneurs and their families
3. operationalising the levels and specific types of ‘growth orientations’ driving the development of Lebanese SMEs.

The aforementioned aspects provide knowledge that can be applied and implemented by practitioners and policy makers to develop successful private and public sector economic collaborations with Lebanese entrepreneurs.

2 Introduction and overview

Family businesses are the engine that drives socioeconomic development and wealth creation around the world and entrepreneurship is a key driver of family businesses. The ability to create and foster an entrepreneurial mindset across generations is a major element of family business continuity and longevity and is instrumental in effective strategic execution, innovation and growth. Entrepreneurial family businesses are a primary source of job creation (Shanker and Astrachan, 1996) in market economies where resources are allocated via supply and demand. In Lebanon, family businesses constitute 85% of the private sector, accounting for 1.05 million of 1.24 million jobs (Fahed-Sreih, 2006). In war torn transition economies, such as those in Lebanon that are struggling to rebound following civil war, the family unit is often the only intact socioeconomic institution capable of supporting entrepreneurial activities.
3 Research question and direction of study

The Lebanese Republic provides a unique living laboratory in which to explore entrepreneurship, family business and SME development. Although there is an emerging body of knowledge about entrepreneurship and private-enterprise development, there are few in-depth empirical investigations. Firms in Lebanon have gone through harsh years of war and survived, despite the heavy shelling and uncertainties facing their businesses and the country at large. Given the turbulence in the country in recent decades, it comes as no surprise that Lebanon has low scores when it comes to economic performance. Consequently, researchers have a unique opportunity to identify, probe and analyse the characteristics of new Lebanese entrepreneurs, the enterprises they are developing and family network involvement.

The general research question posed is, ‘What are the characteristics, attributes and growth orientations of Lebanese entrepreneurs and what relationships, roles and contributions do family and culture play in the development of private SMEs?’

This study explores four dimensions shaping entrepreneurial characteristics and orientations:

a. the psychographic motives and demographic attributes of the entrepreneur
b. the types of businesses being started, as well as their ownership structure and method of establishment
c. family and enterprise relationships related to participation and influence including employment, investment and advice
d. how family participation (FP) shapes and influences the growth intentions and expansion plans of Lebanese entrepreneurs.

By probing the individual and social forces shaping entrepreneurial motives, we hope to gain a sense of how culture influences the decision to start a private enterprise. This study explores demographic attributes associated with education, age and experience. Such exploration provides insights into the types of personal resources from which entrepreneurs are drawing as they start new businesses. The study also probes entrepreneurial spirit as it relates to business idea conception and actual business start-up.

3.1 Entrepreneurship in a post-war economy

Lebanon has been considered a vibrant market economy since ancient times, when the Lebanese, then called the Phoenicians, were the first to start commercial transactions. The country is well-known for its marketing prowess and its educated and talented population. Before the 1970s, Lebanon’s per capita income was similar to that of Southern Europe (Plamodon, 2004) and the country was a commercial centre for the entire Middle East. This created a sophisticated consumer base, particularly in and around Beirut, Lebanon’s capital.

Recent events, however, have undermined Lebanon’s historically healthy economy. A 20-year civil war seriously damaged Lebanon’s infrastructure and cut its GNP output by almost half. After the war ended in 1991, Lebanon’s main growth sectors were tourism and banking. After the 11 September 2001 attacks, Lebanon was considered by
the Arab world to be a safe place for deposits, as it practices banking secrecy and was no
longer at war. Unfortunately, the assassination of Prime Minister Rafic Hariri in February
2005 and subsequent bombings caused significant setbacks. Given its security crisis, Lebanon’s GDP growth in the first quarter of 2005 was zero (The Daily Star, 2005).

Israeli occupation from 1978 to 2000 and Syrian occupation from 1978 to Spring
2005 have left Lebanon with massive political and financial problems to solve, including
physical and social infrastructural reconstruction. The unanticipated 34 days
Israel-Hizbullah war in July 2006 further devastated the Lebanese economy.

In an October 2006 interview with the BBC, one local Lebanese entrepreneur said
that ‘people don’t want to spend money because there is no work and lots of foreigners
have left’ [Klaushofer, (2006), p.2]. The 34 days of fighting killed 1,200 Lebanese,
destroyed 15,000 homes and cost the economy approximately 12 billion dollars (The
Economist, 2006). The Israeli-Hizbullah conflict caused an estimated $3.6 billion in
infrastructural damage during July and August 2006 and internal Lebanese political
tensions continue to hamper economic activity (CIA, 2007). It is within this unstable
framework wherein this study was undertaken.

3.2 The family and the entrepreneurial socioeconomic process

The family plays an important stabilising role in social and economic value creation and
transgenerational wealth perpetuation processes (Habbershon and Pistrui, 2002). Families
serve a number of important roles, providing seed capital, employees, managers and
advisors during start-up and business development. This research explores two general
areas:

1. What is the direct role of family in the new venture development process (e.g.,
participation and involvement in the business)?
2. What is the direct role and influence of FP on growth intentions and expansion
plans?

Traditionally, the family serves three primary functions within its social system. First, the
family plays an economic role. Steier (2003) pointed out the substantial role that familial
ties play in the entrepreneurial process, as the family represents a valuable repository of
socioeconomic resources. Entrepreneurs rely on and draw from these resources as they
create new businesses outside of the household or family unit. The family represents the
unit of learning economic activity, teaching and passing on skills, which encourage
economic development. Secondly, the family establishes a moral system, which helps
guide the conduct of the unit. Finally, the family unit creates its own culture. Within this
cultural setting, the family creates a motivating force, which is central to private
enterprise formation and enterprise preservation across successive generations.

3.3 Growth orientation, entrepreneurship and FP

Dunkelberg and Cooper (1982) argue that growth orientation in and of itself represent an
important entrepreneurial characteristic. Carland et al. (1984) suggest that planned
growth is an important method of differentiating entrepreneurs from small business
owners. This research intends to build on the work of Pistrui et al. (1997b), Gundry and
Welsch (2001) and Pistrui (2002) by advancing the understanding of how FP and involvement affect growth orientations and expansion plans of Lebanese entrepreneurially led enterprises.

3.4 Lebanese culture, family dynamics and business development

It is believed in Lebanon and the Arab world, more than anywhere in the world, that family businesses, rather than being a money-generating activity or a market-driven pursuit, are a way to enhance a family’s social standing [Fahed-Sreih, (2006), p.206]. This special way of managing a business in Arab countries relates to the socioeconomic and cultural backgrounds of these families (Ali, 1993).

Succession issues are traditionally not openly discussed, as senior generation leaders tend to stay in office as long as possible. Many senior leaders linger and resist turning over the management of the firm. For the same reason, family firms in Lebanon exhibit characteristics that bode well not only for their longevity and growth but also for the prosperity and stability of the country and the region. Lebanese family firms tend to exhibit perseverance, follow a path of self reliance and, despite the turmoil of war and destruction, express optimism (Fahed-Sreih, 2006).

4 Research methodology and setting of the study

Researchers usually face a number of challenges when it comes to collecting data in developing countries with transitional economies. These well-documented challenges include low response rates and low percentages of usable questionnaires.

Businesses in Lebanon are unique, having struggled through the harsh years of war, foreign occupation and ongoing uncertainty. They are reluctant to respond to random surveys received by mail, telephone, fax or electronic methods. Furthermore, most enterprises, especially privately controlled businesses, are hesitant to share the details of their company. To overcome these obstacles, a focused method of investigation employing personal interviews was required.

Drawing from the database of registered and active Lebanese entrepreneurially led enterprises on file with the Lebanese American University’s Institute for Family and Entrepreneurial Business, a series of 112 in-depth personal interviews was conducted over a 12 month period between May 2006–2007. The interviews took place at the business premises with the founder, president or CEO. Interviewees were assured of complete confidentiality.

5 Survey instrument and data collection – the entrepreneurial profile questionnaire

The entrepreneurial profile questionnaire (EPQ) was utilised as a data collection instrument. The EPQ was designed to survey the effect of individual, societal and environmental factors on entrepreneurship and family business development by collecting a combination of demographic information and extensive detail related to
characteristics and orientations. The EPQ was successfully piloted and validated through a series of studies in Romania (Pistrui, 2002; Pistrui et al., 1997b), Germany (Pistrui et al., 2003; Wintermantel, 1999), Venezuela (Pistrui and DeLucia, 1999), South Africa (Welsch and Pistrui, 1996), the USA (Gundry and Welsch, 2001) and China (Pistrui et al., 2006). The EPQ has been independently validated as a valuable data collection tool in transition economies such as post-communist Eastern and Central Europe.

5.1 Lebanese entrepreneurial motives

In Table 1, the mean ratings of the top ten motive-based attributes were arranged in descending order, including the standard deviations. The results suggest that Lebanese entrepreneurs are motivated by the need for independence and personal flexibility, family well-being and the desire for high income levels. Family security and family life also appear to be central motivating forces.

Table 1 Top ten reasons and motives for entrepreneurship

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To be my own boss, to work for myself.</td>
<td>3.93 (0.95)***</td>
</tr>
<tr>
<td>2. To make better use of my training or skills.</td>
<td>3.89 (0.90)***</td>
</tr>
<tr>
<td>3. To give myself, my husband/wife and children security.</td>
<td>3.87 (0.97)***</td>
</tr>
<tr>
<td>4. Desire to have high earnings.</td>
<td>3.87 (0.89)***</td>
</tr>
<tr>
<td>5. To have greater flexibility in my personal and family life.</td>
<td>3.87 (0.94)***</td>
</tr>
<tr>
<td>6. To achieve something and get recognition for it.</td>
<td>3.86 (0.89)***</td>
</tr>
<tr>
<td>7. To make a direct contribution to the success of a company.</td>
<td>3.86 (1.04)***</td>
</tr>
<tr>
<td>8. To be able to develop an idea for a product or a business.</td>
<td>3.85 (0.85)***</td>
</tr>
<tr>
<td>9. To control my own time.</td>
<td>3.85 (0.86)***</td>
</tr>
<tr>
<td>10. To have the opportunity to lead, rather than be led by others.</td>
<td>3.84 (0.92)***</td>
</tr>
</tbody>
</table>

Notes: N = 112, range: 1–5, ***α = 0.001, **α = 0.01, *α = 0.05

Lebanese entrepreneurs are motivated to provide security and to generate the income necessary to create and protect a strong family life. This finding is consistent with the works of Melikian and Diab (1959, 1974), Barakat (1977), Diab (1980), Faour (1998) and Fahed-Sreih (2006), which document the family as the most important social entity among all social institutions in Lebanon. Lebanese entrepreneurs clearly have a unique set of motivational attributes when compared to other transition economies that have suffered socioeconomic turmoil. For example, in a study conducted in West Germany in the late '90s, the top five motives for entrepreneurship were to have fun, to be my own boss and work for myself, to have means to express myself, to have considerable freedom to adopt own approach to my work and to have an opportunity to lead, rather than be led by others (Pistrui et al., 2003). Further, a study conducted in China also showed somewhat different motives. The top five motives were to have high earning, to have fun, to achieve a personal sense of accomplishment, to make a contribution to the success of a company and to give my husband/wife, children and myself security (Pistrui et al., 2001).
5.2 Demographic profile and business and work experience

Table 2 indicates the profile of our sample. The average age of our sample of Lebanese entrepreneurs is approximately 41 years old. Survey results suggest that entrepreneurship is not an exclusively male activity in Lebanon. Over 15% (16.82%) of the entrepreneurs surveyed were women, which is similar to the findings in China (Pistrui et al., 2005, 2006), Romania (Pistrui et al., 1997a) and Hungary (Hisrich and Fulop, 1997). Furthermore, Fahed-Sreih (2006) points out that although Lebanese culture has historically been dominated by men, women are entering the workforce and starting businesses.

Table 2 Demographic profile and business and work experience

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Male</th>
<th>(SD)</th>
<th>Female</th>
<th>(SD)</th>
<th>Sign. diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of education</td>
<td>16.09</td>
<td>15.05</td>
<td>(3.56)</td>
<td>17.38</td>
<td>(1.82)</td>
<td>0.0264*</td>
</tr>
<tr>
<td>Years of business experience</td>
<td>15.51</td>
<td>17.17</td>
<td>(14.79)</td>
<td>5.80</td>
<td>(5.36)</td>
<td>0.0000***</td>
</tr>
<tr>
<td>Years of work experience</td>
<td>17.22</td>
<td>19.31</td>
<td>(15.04)</td>
<td>5.88</td>
<td>(5.99)</td>
<td>0.0000***</td>
</tr>
<tr>
<td>Age</td>
<td>41.41</td>
<td>43.29</td>
<td>(14.74)</td>
<td>31.19</td>
<td>(8.83)</td>
<td>0.0000***</td>
</tr>
<tr>
<td>Total</td>
<td>112</td>
<td>93</td>
<td></td>
<td>19</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: N = 112, ***α = 0.001, ** α = 0.01, * α = 0.05.

Overall, Lebanese entrepreneurs have a high level of education. The vast majority have a college education, with women having about two years more education than men do. It is clear that Lebanese culture places great value on education and learning.

Lebanese entrepreneurs have an average of 17 years of work experience. As Table 2 shows, Lebanese entrepreneurs were found to have close to 16 years of business experience (15.51 years on average). Male entrepreneurs have over 11 years more business experience than females. This reflects the fact that it is only within the last decade that Lebanese women have emerged as an active entrepreneurial group. These findings suggest that Lebanon has a deep rooted entrepreneurial class and an emerging new group of dynamic female entrepreneurs.

5.3 Family and enterprise relationships

The family is at the heart of the Lebanese society. Per Table 3, the family plays an important role in enterprise formation and development. These findings support the studies of Fahed-Sreih (2004), Wellman (2001), Sik and Wellman (1999), Poutziouris et al. (1997), Pistrui (2002) and Pistrui et al. (1997b, 2006), which show that the family plays a central role in venture development in transitional economies that have experienced severe socioeconomic turmoil.

80% of the firms interviewed have one or more family members investing in the business. Further indication of the importance of family involvement in funding start-ups is the fact that 50% of the firms surveyed have more than one family investor
and 15% have over four. Family employees are also active in enterprise creation, development and operation. 70% of the companies surveyed employ at least one member of the family on a full-time basis. Approximately 35% employ two or more family members on a full-time basis. In contrast, the majority of Lebanese enterprises did not employ family members on a part-time basis.

**Table 3**  Family and enterprise relationships – investment and employment

<table>
<thead>
<tr>
<th>Question</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4+</th>
<th>Mean</th>
<th>(SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question 1</td>
<td>20%</td>
<td>30%</td>
<td>19%</td>
<td>9%</td>
<td>7%</td>
<td>1.80</td>
<td>(1.60)</td>
</tr>
<tr>
<td>Question 2</td>
<td>30%</td>
<td>19%</td>
<td>25%</td>
<td>8%</td>
<td>2%</td>
<td>3.40</td>
<td>(14.30)</td>
</tr>
<tr>
<td>Question 3</td>
<td>53%</td>
<td>11%</td>
<td>18%</td>
<td>5%</td>
<td>3%</td>
<td>0.94</td>
<td>(1.25)</td>
</tr>
</tbody>
</table>

Most likely, entrepreneurs perceive employment as part of the family’s obligation, reflecting the traditional Lebanese cultural customs. Fahed-Sreih (2006) reported that there was a strong relationship between Lebanese families and their enterprises. Businesses are viewed as an extension of the family.

**5.4 Type of business organisation**

The most common type of business organisation was sole proprietorships (41%). Another 37% were found to be corporations, with 20% forming limited liability companies (see Table 4). These findings indicate that most entrepreneurially led SMEs are closely held private enterprises built on family and extended family financial support.

**5.5 Method of establishment**

Slightly, over half (52.34%) of the entrepreneurs surveyed originated their enterprises. As Table 4 shows, almost one third of these entrepreneurs (28.04%) inherited their business. This illustrates the strength of family within the entrepreneurial development of SMEs in Lebanon. Approximately 20% of respondents indicated that they purchased their enterprise. It would be interesting to know if they were purchased outright or from family members as part of a succession process.

The findings of this study suggest that Lebanese entrepreneurs are either creating new family enterprises or carrying on the family business as part of a succession process. The results of this study suggest that over 80% of the entrepreneurs surveyed are leading family businesses. It is evident that there will be an emerging need for succession and continuity assistance as these businesses mature and integrate additional family members into their operations.
Table 4  Business organisation and activities of Lebanese entrepreneurs

<table>
<thead>
<tr>
<th>Type of business organisation</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered as</td>
<td></td>
</tr>
<tr>
<td>Sole proprietorship</td>
<td>41.00</td>
</tr>
<tr>
<td>Corporation</td>
<td>37.10</td>
</tr>
<tr>
<td>LLC</td>
<td>20.00</td>
</tr>
<tr>
<td>Partnership</td>
<td>1.90</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Method of establishment</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technique</td>
<td></td>
</tr>
<tr>
<td>Originate</td>
<td>52.34</td>
</tr>
<tr>
<td>Inherit</td>
<td>28.04</td>
</tr>
<tr>
<td>Purchase</td>
<td>19.62</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business activities of Lebanese entrepreneurs</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business activities</td>
<td></td>
</tr>
<tr>
<td>1 Construction</td>
<td>24.30</td>
</tr>
<tr>
<td>2 Retail</td>
<td>17.76</td>
</tr>
<tr>
<td>3 Professional services</td>
<td>15.89</td>
</tr>
<tr>
<td>4 Computer/technology</td>
<td>14.02</td>
</tr>
<tr>
<td>5 Financial/insurance</td>
<td>11.21</td>
</tr>
<tr>
<td>6 Service organisation</td>
<td>7.48</td>
</tr>
<tr>
<td>7 Transportation</td>
<td>5.61</td>
</tr>
<tr>
<td>8 Distribution</td>
<td>2.80</td>
</tr>
<tr>
<td>9 Manufacturer</td>
<td>0.93</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Note: N = 112

5.6  Business activities of Lebanese entrepreneurs

Lebanese entrepreneurs are leading the rebuilding and development process in the post-war economy. They are filling voids, meeting the demands of the marketplace and disrupting the geo-political grip imposed by Syrian and Israeli occupation. Three types of business activity, construction (24.30%), retail (17.76%) and professional services (15.89%) were found to dominate the sample (see Table 4). These three indexes represented well over half (57.95%) of those enterprises surveyed.

6  FP, growth intentions and expansion plans

The study now focuses on this question: ‘How does FP, in the form of active employment and financial investment, shape and influence entrepreneurial growth intentions and expansion plans of Lebanese entrepreneurs?’
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Pistrui (2002) and Pistrui et al. (1997a, 2006) developed, tested and confirmed the validity of a growth model based on entrepreneurs’ intentions to implement specific attributes associated with market expansion, technological upgrades and operation/production expansion. Based on this research, we hypothesise that FP in the business has a positive impact and encourages entrepreneurial growth intentions and expansion plans. Growth intentions and expansion plans were measured along 18 items as presented in Table 5.

Table 5  Growth intentions and expansion plans

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean (SD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Adding operating space.</td>
<td>3.88 (1.07)*****</td>
</tr>
<tr>
<td>2 Acquiring new equipment.</td>
<td>3.72 (1.01)*****</td>
</tr>
<tr>
<td>3 Selling to a new market.</td>
<td>3.71 (1.21)*****</td>
</tr>
<tr>
<td>4 Expand current facilities.</td>
<td>3.68 (1.12)*****</td>
</tr>
<tr>
<td>5 Expanding distribution channels.</td>
<td>3.65 (1.17)*****</td>
</tr>
<tr>
<td>6 Adding specialised employees.</td>
<td>3.64 (1.16)*****</td>
</tr>
<tr>
<td>7 Expanding advertising and promotion.</td>
<td>3.61 (1.04)*****</td>
</tr>
<tr>
<td>8 Researching new markets.</td>
<td>3.53 (1.05)*****</td>
</tr>
<tr>
<td>9 Redesigning layout.</td>
<td>3.52 (1.07)*****</td>
</tr>
<tr>
<td>10 Upgrading computer systems.</td>
<td>3.50 (1.05)*****</td>
</tr>
<tr>
<td>11 Adding a new product or service.</td>
<td>3.49 (1.23)*****</td>
</tr>
<tr>
<td>12 Replace present equipment.</td>
<td>3.47 (1.11)*****</td>
</tr>
<tr>
<td>13 Computerising current operations.</td>
<td>3.47 (1.06)*****</td>
</tr>
<tr>
<td>14 Expanding scope of operating activities.</td>
<td>3.41 (1.13)*****</td>
</tr>
<tr>
<td>15 Redesigning operating methods.</td>
<td>3.30 (1.14)*****</td>
</tr>
<tr>
<td>16 Off-site training for employees.</td>
<td>3.28 (1.20)*****</td>
</tr>
<tr>
<td>17 Seeking additional financing.</td>
<td>3.18 (1.22)*****</td>
</tr>
<tr>
<td>18 Seeking professional advice.</td>
<td>3.16 (1.18)*****</td>
</tr>
</tbody>
</table>

Notes: ***α 0.001, **α 0.01, *α 0.05, N = 112, range 1–5

7 Structural equation modelling

The research model was tested using covariance-based structural equation modelling (SEM). The evaluation on the measurement model includes an exploratory factor analysis to identify the constructs and examine the convergent and discriminant validity of the research instrument. The evaluation on the structural model consists of estimation of path coefficients and their associated significance p-value. Squared multiple correlations (SMC) are calculated to know the proportion of explained variance in the each construct. Finally, the evaluation of the overall model is on the overall goodness-of-fit for SEM.

SEM is a powerful multivariate technique that facilitates the testing of psychometric properties of the scales used to measure unobserved variables (constructs) as well as estimate the parameters of a structural model, which is the magnitude and direction of the
relationship among the model variables (Bollen, 1989; Gefen et al., 2000; Hair et al., 1998). SEM embodies two interrelated models. The measurement model represents the relationships between the observed items and their constructs measured by these items, while the structural model represents the paths among a set of dependent and independent variables.

7.1 Assessment of the structural model

The structural model shown in Figure 1 provides the hypothesised relationships between FP and the growth constructs. As previously discussed, we hypothesised that Lebanese cultural traditions encourage FP. This, in turn, has a positive impact on entrepreneurial growth intentions and expansion plans. Thus, we will further define and dissect the specific types of growth constructs and how FP affects these subsets. The hypotheses were tested by SEM, using the input model in analysis for moments structures (AMOS), as shown in Figure 2. The maximum likelihood function was used to estimate the model parameters.

Figure 1 Research model
Family and cultural factors impacting entrepreneurship in war time Lebanon

Figure 2  Input model
7.2 The impact of FP, growth intentions and expansion plans

The hypothesis that FP in the business has a positive impact and encourages entrepreneurial growth intentions and expansion plans was confirmed. FP, in the form of employment and investment, was found to have a positive impact on entrepreneurial growth intentions and expansion plans. These findings suggest that newly emerging Lebanese family businesses intend to expand and grow. These enterprising families are at the forefront of the transition from war and foreign occupation to an open market economy.

Six specific growth constructs have been identified and validated in these entrepreneurially-led family enterprises. Using AMOS 5.0.1, we obtained the results presented in Table 6. For example, the SMC of 0.526 in H1 reveals that FP explains 52.6% of variance in EU. The path coefficient in H1 is 0.756. All paths are statistically significant at the 0.001 level.

Table 6 Summary of the parameters for the research model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Testing the relationship between</th>
<th>SMC</th>
<th>Standardised regression coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>FP has a positive impact on EquipUpg</td>
<td>0.526</td>
<td>0.725</td>
<td>***</td>
</tr>
<tr>
<td>H2</td>
<td>FP has a positive impact on BusDev</td>
<td>0.761</td>
<td>0.872</td>
<td>***</td>
</tr>
<tr>
<td>H3</td>
<td>FP has a positive impact on OpExp</td>
<td>0.484</td>
<td>0.695</td>
<td>***</td>
</tr>
<tr>
<td>H4</td>
<td>FP has a positive impact on ITUpg</td>
<td>0.408</td>
<td>0.639</td>
<td>***</td>
</tr>
<tr>
<td>H5</td>
<td>FP has a positive impact on MktExp</td>
<td>0.508</td>
<td>0.713</td>
<td>***</td>
</tr>
<tr>
<td>H6</td>
<td>FP has a positive impact on MktDev</td>
<td>0.662</td>
<td>0.814</td>
<td>***</td>
</tr>
</tbody>
</table>

Note: *** denotes p < 0.001.

7.3 So what – practical implications for entrepreneurs and policy makers

This research provides a number of valuable insights that have practical applications for entrepreneurs, consultants, policy makers and businesses in general. From a business stand-point, Lebanon represents both unique opportunities and challenges to enterprises large and small. There are many emerging opportunities to work with Lebanese entrepreneurs both at home and abroad. This paper provides some valuable insights that can be used by entrepreneurs to improve their knowledge and enhance their chances of successful business transactions with Lebanese enterprises (see Table 7).

This study also provides some valuable insights that policy makers can use to formulate strategies to both understand the challenges and to support entrepreneurship and free enterprise development during post-war reconstruction.
Table 7  Summary of the practical implications

| Profile of the central attributes and characteristics associated with the entrepreneurial mindset of successful Lebanese enterprises and how the family supports entrepreneurship. |
| Increased knowledge and understanding of the leadership and cultural forces in a post-war socio-economic environment. |
| Examples of opportunity recognition related to how entrepreneurs are identifying market opportunities and creating and developing businesses within the context of Lebanese culture and the transition economy. |
| Actual insights into how successful entrepreneurs spot market opportunities and the types of businesses they start to address these opportunities. |
| Identifying the levels and types of growth intentions and expansion plans Lebanese entrepreneurs are pursuing as well as how family participation supports enterprise development. |
| Competitive profiling of where Lebanese entrepreneurs intend to take their businesses in the future and how family and culture impact business growth. |

7 Conclusions

From a policy standpoint, this study highlights the urgent need for the Lebanese government to channel financial resources, offer services and create innovative programs to support entrepreneurial family-centred business development. This is critical for the growth of new businesses, as well as the continuity and succession of larger, more established companies.

One notable caveat in this study relates to our sample, which is based on entrepreneurs in a traumatic post-war economy. Although the sample size is relatively small, it reflects a notable accomplishment in that there is a general suspicion and distrust permeating Lebanese society. The insights provided in this research mark a rare and in-depth examination into the engine driving the reconstruction of the post-war economy, with FP serving as a strong component.

References

Barakat, H. (1977) Lebanon in Strife: Student Prelude to the Civil War, University of Texas Press, Austin.


Family and cultural factors impacting entrepreneurship in war time Lebanon


