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The Socioeconomic Conditions for Growth and Development of Maori Family Businesses

Alina M. Zapalska, Dallas Brozik

Abstract

This study examines the environment for development and growth of Maori family firms in New Zealand, and firms are evaluated relative to selected external environmental factors related to entrepreneurial operations. The environmental conditions are grouped into five external environmental factors: government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, financial support to businesses, and non-financial support to businesses. Policy implications are made for assisting Maori firms' development in the rural areas of New Zealand.

Introduction

Entrepreneurship is universally acknowledged to play a leading role in economic growth. Successful businesses can enhance rural and small community development through activities such as manufacturing, finance, transportation, construction, and the distribution of agriculture and consumer goods and services. When small community businesses successfully meet consumers' needs, local spending increases the community's tax base, which provides a higher quality of life for rural residents. Ultimately, positive community development attracts new businesses and residents. This paper examines factors that have enabled Maori to own, run, and operate small family business, the problems they encounter getting started, and the changes that occur, as Maori family firms grow bigger.

Surveys and interviews were conducted with Maori entrepreneurs to evaluate and compare their firms' development relative to selected external environmental factors. The environmental conditions were grouped into five dimensions: government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, financial support to businesses, and non-financial support to businesses. The requirements for a successful Maori entrepreneurial business in New Zealand are identified, and insights are provided into the way government agencies can tailor their assistance to promote Maori entrepreneurship.

Literature Review

The study of entrepreneurship is multi-dimensional. An approach now gaining support explains entrepreneurship as a combination of personal, economic, and sociological variables. The behavior of individual entrepreneurs and the socio-economic and political infrastructure promotes or hampers the creation and development of entrepreneurship (Sexton and Smilor, 1989). This perspective holds that entrepreneurial activity results from the interaction of individual characteristics, traits, background and cultural factors, and exposure to examples of success. The product of entrepreneurship is an organization that uses resources and supplies goods and services that others want to consume. Management decisions made by the entrepreneur and/or his team are critical to the organization's survival, development, and growth (Zapalska and Fogel, 1998).

Many scholars have attempted to bring order to the literature using this approach. They have suggested numerous factors that promote or hinder the emergence of entrepreneurship (Schumpeter, 1934; Sexton and Smilor, 1989). Factors studied include the age and size of business ventures (Evans, 1987; Hall, 1987), planning practices used by entrepreneurial firms (Shuman et al., 1985; Ackelsberg and Arlow, 1983), regional location (Hitchens and O'Farrel, 1988), economic conditions (Tamari, 1984), leadership styles (Taylor et al., 1990), types of assistance (Gibb and Scott, 1985), and personality traits/behavior of small business owners and operators (Begley and Boyd, 1986).

Existing theories demonstrate the inseparability of the external environment from the entrepreneurial process. The importance of the external environment in models and theories of entrepreneurship is evident in the studies of Cooper (1986), and Bygrave (1989). The concept of external environment is intended to include those forces and elements external to the organization's boundaries that affect and are affected by an organization's actions as well as more general economic, socio-cultural, political-legal, and technological influences that provide the broader context for the entrepreneurial growth and development (Bruno and Tyebjee, 1982).

The environmental conditions can be grouped into five dimensions: government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, financial support to businesses, and non-financial support to businesses (Gnyawali and Fogel, 1994). For example, governments can influence the market mechanisms and make them function efficiently by removing conditions that create market imperfections and administrative rigidities and create an "enterprise culture" that enables firms to take reasonable risks and seek profits.

Socioeconomic factors may be as important as the availability of loans, technical assistance, physical facilities, and information. Entrepreneurship may not prosper if most members of the society view it with suspicion. The presence of experienced and successful entrepreneurial role models in a community conveys a message to the potential entrepreneurs that business is an attractive career option (Zapalska, 1999). Successful entrepreneurs can be developed through educational and short-term training programs especially when market imperfections exist, large industries dominate the industrial sector, government policies do not support small businesses, and several bureaucratic hurdles have to be overcome to get permission to start a business (Vesper, 1990).

Assistance programs and networks to developing entrepreneurship are useful mechanisms to enhance business capability of entrepreneurs, provide support, motivation, examples and role models, provide expert opinion and counseling and access to opportunities, information, and resources (Zapalska and Zapalska, 1999). The existence of various environmental conditions increases the chances of emergence and growth of businesses in a country. Though a single factor may have less impact, the interaction of various factors may considerably increase the impact on entrepreneurial development and growth. A key role of the entrepreneurial environment is to help entrepreneurs to develop and grow entrepreneurial firms that will meet consumers' demands and have a positive effect on the economy through increasing number of jobs available and improving the standard of living.

There is a comprehensive body of literature examining the effects of strategic management on the performance of small firms. Some of the research on small business success has suggested that the development of management strategies contributed to firm continuance and growth (Gaskill et al., 1994). Other authors report that the effects of strategic management on firm's performance have also mixed results (Besser, 1999; Ackelsberg and Arlow, 1985). Key components of strategic management as applied to the small business remain difficult to identify.

Getz and Sturdivant (1989) observe that there are several approaches that can be taken in planning effective strategies, but practitioners suggest a comprehensive approach that deals with cost, industry structure, market preferences, and internal capabilities. Internal capabilities involve aspects of the management process such as the organizational configuration and environment and managerial characteristics. Merz and Sauber (1995) suggest that there has been a tendency to limit the study of business management to the broad functions of planning, organizing, staffing, and controlling, but there is also a need to study managerial functions under specific situations such as the dynamics of smaller-sized family businesses operating in the small community environment. Determining the degree to which these functions are performed by small businesses that consider themselves successful can offer information for counseling and assistance.

The majority of family business research has not been conducted from the strategic management viewpoint (Sharma et al., 1997). Family business research has frequently taken the approach of focusing on improving the effectiveness of family relations rather than on business performance (Harris et al., 1994) to provide a framework for examining strategies employed by family-owned businesses, identifying the characteristics of the family and the business manager that can affect strategy formation, and suggesting a variety of areas that need further research.

This study extends some of these concepts by examining the personal attributes of owner/managers, the characteristics of their businesses, and family business strategy practices in the Maori community environment in New Zealand. Differences between managerial strategies involving the functions of planning, organizing, leading, and controlling as defined by Higgins (1994) are examined. Questions are formulated to focus on the issue of management strategies in small family businesses.

Conceptual Framework

It is generally accepted that a family's involvement in the business makes family business unique, but the literature continues to have difficulty defining "family business". A theoretical definition identifies behavior as the essence of a family business. A more formal definition of family business is: "...The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families..." (Chua et al., 1999).

Figure 1 represents a business run by an owner-manager. The lack of overlap of the family and business sectors signifies that family members are not involved directly in the business to any material extent. Sector A represents the owner-manager's relationship to his/her family, and sector B relates to his/her relationship to the business.

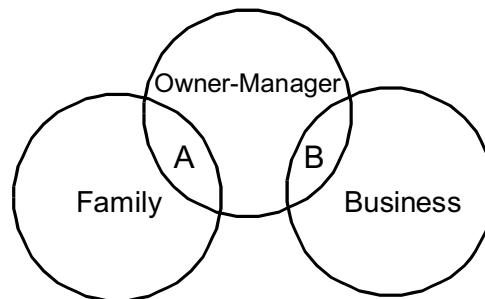


Fig. 1. Business run by an owner-manager

Figure 2 depicts the interaction of the family, the owner, and the business in a "family business" (Chua et al., 1999). Sectors A and B are the same as before, but two new areas of family/business interaction come into existence. Sector C depicts the family members who are involved in the business without great deal of interaction with the owner-manager. Sector D represents the involvement of family and the owner-manager in the operation, control, and direction of the enterprise.

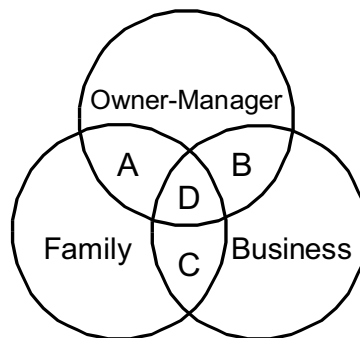


Fig. 2. Interaction of the family, the owner and the business in a "family business"

Family members involved in a business differ from non-family employees or managers because there are emotional relationships that have been formed outside the business. These family members have roles in and obligations to both the business and the family. Relationships in one area influence relationships in the other. These role interrelationships are what make the family business unique. They begin when a family member enters the business and end when either the family member departs or succeeds the owner-manager in control of the family business.

The model developed by Gnyawali and Fogel (1994) creates an integrated framework that includes five external variables of new venture creation (Table 1). The model is dynamic and multi-faceted but is limited in its scope since it examines only the perception of external and socio-economic variables of the entrepreneurial firm development. The theoretical framework can be used, however, to examine the process of entrepreneurial development and progress of the Maori.

Table 1

A Framework for Analyzing an Entrepreneurial Environment

1. Financial Support to Small Businesses
 - Venture capital
 - Alternative sources of financing
 - Low cost loans
 - Willingness of financial institutions to finance small entrepreneurs
 - Credit guarantee program for start-up enterprises
 - Competition among financial institutions
2. Non-Financial Support to Small Businesses
 - Counselling and support services
 - Entrepreneurial networks
 - Incubator facilities
 - Government Procurement programs for small businesses
 - Government Support for research and development
 - Tax incentives and exemptions
 - Local and international information networks
 - Modern transport and communication facilities
3. Socioeconomic Conditions
 - Public attitude toward entrepreneurship
 - Presence of experienced entrepreneurs
 - Presence of role models
 - Existence of persons with entrepreneurial characteristics
 - Recognition of exemplary entrepreneurial performance
 - Proportion of small firms in the population of firms
 - Diversity of economic activities
 - Extent of economic growth
4. Entrepreneurial and Business Skills
 - Technical and vocational training
 - Technical and vocational education
 - Business education
 - Entrepreneurial training programs
 - Availability of information
5. Policies and procedures for Entrepreneurial Activities
 - Restrictions on imports and exports
 - Provision of bankruptcy laws
 - Entry barriers
 - Procedural requirements for registration and licensing
 - Number of institutions for entrepreneurs to report to
 - Rules and regulations governing entrepreneurial activities
 - Laws to protect propriety rights

To examine the management strategies used by Maori family businesses in New Zealand two hypotheses are used: (1) Maori family businesses can be grouped on the basis of management strategy levels; and (2) there are significant differences among firm's level of risk and innovation. This results in the four-cell matrix presented in Table 2.

Table 2

The Entrepreneurial Strategy Matrix: Appropriate Strategies

| | |
|---|---|
| <p>High innovation and low risk</p> <ul style="list-style-type: none"> • Move quickly • Protect innovation • Lock in investment and operating costs via control systems, contracts, etc. | <p>High innovation and high risk</p> <ul style="list-style-type: none"> • Reduce risk by lowering investment and operation costs • Maintain innovation • Outsource high investment operations • Joint venture operation |
| <p>Low innovation and low risk</p> <ul style="list-style-type: none"> • Defend present position • Accept limited payback • Accept limited growth potential | <p>Low innovation and high risk</p> <ul style="list-style-type: none"> • Increase innovation, develop a competitive advantage • Use business plan objectives • Reduce risk • Minimize investment • Reduce financing costs • Franchise option • Abandon venture |

The Socio-economic and Political Background of the New Zealand Economy

During early colonial period, New Zealand businesses operated on a *laissez-faire* basis. The government gradually began to play a greater role in the economic and business activities of the country. Laws, regulations, centralized compulsory market authorities, monetary policy and fiscal policies, and a large number of state-owned industry and state-dominated corporations meant that New Zealand slowly moved away from a position of a free enterprise system.

The means of developing the infrastructure and services required that New Zealand stimulate its agricultural and other enterprises, and government involvement became a factor in the New Zealand business environment. The Depression of 1930-36 forced many small firms out of business. The Labor Government turned many activities into large state-owned enterprises, and the public sector grew very rapidly. During World War II, production planning was centralized, production was licensed, and the large firms benefited.

Government policies of the 1950s and 1960s reinforced this growth. The "think big" solution to economic development with the major projects of the late 1970s and early 1980s also favored larger enterprises. The rates of business start-ups in New Zealand in the 1970s and 1980s were not particularly high when compared to more dynamic economies such as the United States and Australia. New Zealand's slower rates of business start-ups were partly a reflection of the slow economy, the regulation of new entry, and the consequences of past lack of attention to entrepreneurs. By the end of the 1970s people were starting to realize the difficulties that big business and little competition could bring to the economy, a lack of product choice, poor service, and high prices (Bollard et al., 1987).

After a period of very slow growth in the 1970s, and early 1980s, the New Zealand economy began a major restructuring. Since 1984 there has been a major shift by government to move out of the business arena and concentrate on policy development (Dwyer et al., 1985). The government chose to deregulate, reduce entry restrictions, and lower border protection in order to improve efficiency. This eroded the advantages that many larger-scale firms had and improved opportunities for new firms. New Zealand has embraced a *laissez faire* economic policy that shifts from public ownership to a transitional corporatization or complete private ownership. There is also a deregulation of New Zealand's markets. The implications for the work environment and the consequences for Maori at work are significant although little specific empirical data on Maori in

small family businesses has been collected describing and evaluating these changes. Today New Zealand is a modern mixed economy with government still playing a predominant role in many areas of business policy and business. Many of these changes have affected the basic position of small businesses (Garnier, 1998).

There are four main consequences of these changes. They represent a resurgence of competition in the New Zealand economy resulting from deregulation in many industries, a new competition policy, and an opening up of trade with the international economy. There has been new thinking on international management, on company structures and on ways of organizing inputs and outputs. The growing sophistication of consumers and the growth of new products and services are evidence of more mature markets. New technologies have been available, with market effects on production processes. Taken together, these pressures are changing what small firms New Zealand can do. An increasing numbers of enterprises are being established in New Zealand, and 90-95 percent of them are small businesses.

Basic Characteristics of Maori Businesses

Entrepreneurship and innovations are important cornerstones of competitive advantage. Economists have long felt that the entrepreneur, a person who takes risks to exploit new commercial opportunities, has a special place in the economic system. Schumpeter (1934) suggested that the innovator was the engine of growth in the economy, using technological advances to increase productivity and encourage efficiency in other sectors. The entrepreneur is the person associated with new opportunities and is prepared to take the risks of investing in uncertain ventures. This keeps competitive pressure on existing firms and provides new directions for an economy.

The picture of the Kiwi entrepreneur as the key to this dynamic theory of growth contrasted rather sharply with the above view for several years. Most small businesses in New Zealand could not be called entrepreneurial ventures. The Maori shopkeeper, the Maori taxi driver, the Maori franchise holder, and the Maori farmer have not been generally considered small entrepreneurial businesses. In contrast, the inventor of the new product, the shop handling novel items, the printer offering a new service, the horticulturist with a new fruit, all sorts of business behavior where there is uncertainty involved, are categorized as real entrepreneurs.

Maori family owned and operated business lie somewhere between the American and European models of entrepreneurial firms. Although there are large enterprises in New Zealand, the majority of Maori businesses are small. The lure of self-organization, power, initiative, and risk-taking is not popular among Maori small business owners. Many Maori business owners are prepared to try out risky new enterprises, but there is still a strong adherence to the security of wage or salary employment. The Maori try to avoid unemployment or its threat. The fear of being unemployed is a strong motive for Maori to work hard and succeed in small businesses. High unemployment rates hit New Zealand in the 1980s, and this became an incentive for small business start-up. There are other reasons, however, why the Maori engage in entrepreneurship. One motivation for Maori business founders besides the security of wage creating is to create wealth for the founders. Maori businesses want to make the most of commercial opportunities and enjoy independence.

It is not difficult to judge how important Maori small family businesses are in small Maori communities. They serve an economic, service, and social role in these communities. In recent years, small businesses have made substantial contribution to the local Maori communities measured in terms of employment, value-added production and earnings, and social integration. The provision of jobs is one of the major functions of the Maori small business sector (Bollard et al., 1987; Gold and Webster, 1990). Some small Maori businesses that service local consumers who require specialization or low demand products or services have improved the quality of life within those communities. Speciality stores and services are increasing in number with food, clothing, and home furnishings leading a move away from mass-produced standardized products

Large non-Maori enterprises that operate both in urban and non-urban areas and the private and public sector rely on small Maori businesses to provide components, specialized services, and maintenance support. These organizations find it more economical to subcontract to smaller specialized enterprises some of the production and services required. Similarly, large producers

rely on smaller wholesalers and retailers to distribute their products to the ultimate Maori consumers. Food processors rely on supermarkets and dairies, car assembly plants rely on franchise dealers, and newspapers and publishers rely on bookshops (Garnier, 1998).

Ethnic Background on Maori Businesses

Information available on the ethnic make-up of entrepreneurs in New Zealand is limited, but some data suggest that Continental European and Asian immigrants from regions with many small businesses tend to rely on small businesses as a way to improve their position in a new country. Census data show that immigrants from Continental Europe, excluding Britain, and from Asia are far more likely to start businesses in New Zealand than are other ethnic groups. Maori and Polynesian people are more likely to be found working as employees or helping out relatives in business, but the number of Maori running small European-type businesses is increasing. Most of those businesses have stayed small and lagged behind non-Maori businesses, but some have proven to be very successful within their own communities.

Some data suggest that most Maori enterprises are directed through communal ventures that fit better with Maori culture and tradition. Examples are forestry, agriculture, work cooperatives, and young work groups. There are a number of legal structures specifically available for Maori ventures such as the trusts under Section 483 of the Maori Affairs Act and the Maori incorporation under the Maori Affairs Amendment Act.

There are a number of different "iwi" groups with tribal affiliations. Maori businesses that are concentrated around their iwi areas are traditionally small businesses in the farming sector. The majority of Maori farms are regarded as small businesses, usually with a relatively high capital investment, and operated by the owner with few, if any, employees. The contribution of these farm-based enterprises in New Zealand has been well recognized for several years.

The number of Maori enrolled in formal education programs has increased 114.9% between 1991 and 1998 (Data Source: Ministry of Education, 1999). The self-employed tend to have relatively less formal education when compared to wage and salary earners. This reflects the fact that many Maori farmers, shopkeepers, and service people have no formal training, although that does not prevent them from being very good at their jobs.

The Census Office uses self-employment as a measure of the entrepreneurial business activity. According to a Census Office and the Ministry of Maori Development study, between 1981 and 1996 the proportion of employed Maori who owned and operated a small business on a full time basis nearly doubled, from 5.4% to 9.5%. In 1996, there were 16,692 self-employed Maori. Seventy percent of these businesses were run by male business owners age 30 to 49, earning less than NZ\$40,000 per year. The disparities in income distribution between Maori and non-Maori are largest in the highest income band. In 1997, about 25% of Maori households and about 20% of non-Maori households earned between NZ\$19,900 and NZ\$31,399. In 1998, 45.2% of Maori households earned less than NZ\$31,400 compared to 39.4% of non-Maori households.

New Zealand does not have major regional concentrations of small firms, but there are some local groupings, for example, boat builders in Auckland, heavy engineering firms in Christchurch, small exporters around Auckland, textile firms in Otago, wine-makers around Auckland, fishing processors in Nelson, car component firms around Wellington, cheese makers in Taranaki and on the Hauraki Plains, fruit processing in Hawke's Bay and the Bay of Plenty, and tourist services in Queenstown. In contrast, a concentration of Maori businesses can easily be found. The Maori population experienced rapid urbanization after World War II as Maori migrated into the cities to take up new employment opportunities, particularly in manufacturing and industrial sectors. However, they all like to be located within their local communities. Table 3 presents location demographics for the Maori population.

According to the 1996 Census, the total of 523,400 Maori people lived in the North Island. Of this Maori group, over half lived in areas of Auckland, Waikato or the Bay of Plenty Regional Council districts. In 1996, 83.1% of Maori were urban dwellers. Patterns for location of business places for business people reflect densities of the general population and the Maori population, and also reflect the attraction of major commercial centres for business activity.

Table 3

Where Maori Live

| Region | Percent | Region | Percent |
|----------------------|---------|--------------------|---------|
| Auckland | 25 | Hawkes Bay | 6 |
| Waikato/King Country | 14 | Gisborne | 4 |
| Bay of Plenty | 12 | Taranaki | 3 |
| Wellington | 9 | Otago | 2 |
| Northland | 8 | Southland | 2 |
| Manawatu/Wanganui | 7 | Nelson/Marlborough | 1.5 |
| Canterbury | 6 | West Coast | 0.5 |

1996 Census Data, Statistics New Zealand

The contribution to New Zealand's economy from Maori entrepreneurs is becoming increasingly important and recognized. Owning a business has not only been the means of providing a greater level of employment for Maori but also the means of independence, flexibility, and maintaining cultural integrity.

Types of Maori Family Businesses

Family businesses that are owned and operated by the Maori cover a broad spectrum of industries: agriculture, farming, manufacturing, wholesale and retail, transport, services, and business. These results reflect the extent to which the Maori have been able to use their education to create small family ventures. The occupational profile of Maori small businesses relative to non-Maori business is presented in Table 4.

Table 4

Occupational Profile of Self-employed Maori and non-Maori

| Occupation | Percent of Self-employed Persons | |
|--|----------------------------------|-------|
| | Non-Maori | Maori |
| Clerks | 4 | 3 |
| Professionals | 6.5 | 5 |
| Service and sales workers | 5 | 7 |
| Elementary occupation | 3 | 6 |
| Technicians and associate professionals | 12 | 11 |
| Plant and machine operators and assemblers | 6 | 12 |
| Trades workers | 15.5 | 17 |
| Agriculture and fishery workers | 22 | 28 |
| lators, administrators and managers | 25 | 11 |

1996 Census Data, Statistics New Zealand

The most important industries for Maori businesses are in the areas of agriculture and horticulture due to their interest in the land and natural resources. From the total group of Maori involved in agriculture and horticulture, about 11.8% of Maori entrepreneurs are in horticulture and fruit growing, 7% in grain, sheep and cattle farming, 6.6% in diary cattle farming, 9.2% in other farming. Services to agriculture constitute about 9.4% of the total population. Business participation and occupation in agriculture are closely linked reflecting the self-employed nature of farming and related occupations.

Forestry is the second key economic sector for Maori iwi. In 1996 the forestry industry provided employment for almost 33,400 people. Maori represent about 22.6% of a total number of forest industry workers. The employment breakdown for this industry is shown in Table 5

Table 5

Maori Employed in Forestry

| Job Category | Maori | Total | Maori Employed (%) |
|-------------------------------------|-------|--------|--------------------|
| Forestry & logging | 2,892 | 9,456 | 30,6 |
| Log sawmilling & timber dressing | 1,553 | 7,374 | 26.5 |
| Other wood product manufacturing | 1,137 | 9,159 | 12.4 |
| Paper & paper product manufacturing | 1,563 | 7,425 | 21.0 |
| Total | 7,545 | 33,414 | 22.6 |

1996 Census Data, Statistics New Zealand

Maori are the largest players in the New Zealand fishing industry. Fishing consisted of around 8% of the total businesses owned and operated by Maori entrepreneurs. Maori control over 55% of the assets of the total industry, and their participation in fishery industry has been growing since 1990 due to two major settlements of Treaty of Waitangi grievances, the Maori Fisheries Act 1989 and the Fisheries Settlement Act 1992.

Maori family businesses also generate an important portion of tourist industry revenue in New Zealand economy. In particular, Maori culture provides New Zealand with a competitive edge in international markets. The primary focus of Maori tourism businesses is performing arts and crafts as well as adventure activities. The Ministry of Maori Development (MMD) encourages more Maori to develop tourism businesses. According to the MMD, there is a great need for capital for Maori investment in the tourism industry to address the lack of business skills and to develop training resources for prospective operators. There is limited protection for intellectual property and a need to develop a mark of authenticity for Maori tourism products and services.

Empirical Findings

In order to analyze an entrepreneurial environment for Maori groups of New Zealand, data were collected by mail surveys, telephone interviews, and on-site questionnaires in 2003. The sample consisted of 100 Maori entrepreneurial businesses that were randomly selected from a list of Maori entrepreneurial firms provided by the New Zealand Trade Council. The response rate was 56%. The survey elicited information about the size and nature of operations, business objectives, educational background, level of employment, financial assistance received and desired, non-financial support, business training needs, difficulties encountered in running the business, and satisfaction with environmental conditions for entrepreneurs including taxation, incentives, credit financing, regulations, and preferences for Maori entrepreneurial firms. The nature and profile of Maori small businesses are presented in Table 6.

Table 6

Nature and Profile of Self-employed Maori

| Type of Business | Percent |
|----------------------------------|---------|
| Sales/wholesales/retailing | 27 |
| Distribution | 15 |
| Manufacturing | 12 |
| Custom products | 10 |
| Fishing | 8 |
| Design/art/architecture | 6 |
| Construction | 5 |
| Personnel & business services | 4 |
| Consulting | 4 |
| Standardized products or service | 4 |
| Finance | 3 |
| Research and Development | 2 |

The most important industries for Maori businesses are in areas of sales, wholesaling, and retailing (27%), manufacturing (12%), distribution (15%), custom products (10%), fishing (8%), design and art (6%), and personnel and business services (4%). There are few Maori information technology businesses operating successfully. In 1996 a total of 10,314 people were employed in technology businesses, of which 5.6% were Maori. Maori involvement in the provision of professional services has increased in response to the expanded number of Maori law and commerce graduates over the past decade.

Other Characteristics of Maori Entrepreneurial Businesses

The majority of Maori entrepreneurs have started their own businesses; they did not inherit their businesses. Maori entrepreneurs are more likely to buy existing businesses, are less likely to start a business themselves or with someone else, and have not had the benefit of inheriting a business as their non-Maori counterparts.

There are workshops organized by the Maori Development Corporation, Mana Organization for Maori, and Biz Contracts for small businesses. Those Maori who successfully finish a course can apply for funding from the Maori Economic Development Scheme. The support of Maori by the Maori Development Corporation entrepreneurship has been very strong over the recent years.

The most common sources of finance used by Maori are personal savings (42.5%), family and friends' savings (35%), bank loans (20%), and Small Business Investment Companies (15%). The other sources are presented in Table 7. The government provides some assistance to Maori entrepreneurs by financing through institutions such as the Maori Development Corporation, Mana Enterprises, Maori Women's Development Fund, and Job Opportunity Scheme, Department of Maori Affairs, SCOPE, and CEIS.

Table 7

Sources of Financing

| Sources of Financing | Percent |
|--|---------|
| Personal savings | 42.5 |
| Personal sources, friends, and relatives | 35 |
| Banks | 20 |
| Small Business Investment Companies | 15 |
| Private venture capital firms | 7.5 |
| Private foundations | 5 |
| Insurance companies | 2.5 |

In many instances, the personal savings of Maori entrepreneurs are not sufficient to start their businesses. Most of them need to supplement their savings with bank loans or other forms of finance. Maori lending institutions have been criticized for the long time it takes for a loan application to be approved (4-6 months). Obtaining the necessary financing can be the most difficult aspect of starting the business. While Maori freehold landholding comprises 5.6% of freehold land in New Zealand and the Maori asset base is estimated at \$3.2 billion the complex legal and governance systems faced by Maori wishing to develop businesses are not always supported by sufficiently flexible decision-making and management processes.

Gathering the necessary confidence has also been a common difficulty faced by the Maori entrepreneurs. There is a lack of appropriate training and little attempt to coordinate management or business training for potential entrepreneurs. Few training opportunities were available in the rural areas, and if any courses were found they were often a one-time experiences with little or no follow-up. The lack of management skills and ignorance about applying management techniques threatened many Maori businesses. Training is a cost-effective way of passing on skills. Maori entrepreneurs complained that existing courses were too academic, not rooted in practicalities, and

relied too much on didactic teaching methods. Maori entrepreneurs asked for a more participative and action-oriented approach with the use of practical examples and training designed around the participants' experience and business plans.

Maori entrepreneurs expressed that there were some other concerns while running their business. A list of most frequently mentioned concerns is presented in Table 8.

Table 8

Major Concerns while Running a Maori Family Business

| The Most Important Concerns You Have While Running Your Business (%) | |
|--|----|
| Availability of short-term capital | 56 |
| Availability of long-term capital | 46 |
| Lack of experience in financial planning | 41 |
| Growth of the economy | 34 |
| Wage costs & another outlays | 37 |
| Raw materials costs | 36 |
| Quality of labor/untrained labor | 36 |
| Domestic competition | 35 |
| High interest rates | 33 |
| Foreign competition | 26 |
| Lack of guidance and counselling | 23 |
| Lack of management expertise | 20 |
| Low demand for your product/service | 20 |
| Weak collateral position | 20 |
| Energy costs | 17 |
| Lack of quality control | 13 |

Culture is a very important element in Maori businesses. The Maori culture is the collection of beliefs, expectations and value shares by all Maori business members. The culture conveys a sense of their identity for employees, generates commitment of employees to their iwi, and adds the stability of their business organization and to their social system. The culture serves as a frame of reference for employees to make sense out of their organizational activities and to use as a guide. Maori have instilled into their workers that they are a very important part of Maori businesses, and they take pride in this fact.

Some Maori small entrepreneurial businesses relate their business culture to corporate culture while giving their businesses strong local identities. They often consider their businesses a small family community that also acts as an influence on the culture of their businesses. Maori business owners are proud of what they do, and this has enhanced the working environment. Maori entrepreneurship has a high degree of employee involvement in business decision making which increases employee self-esteem and morale. The Maori corporate structure tends to follow a simple pattern; there is one level of management hierarchy. This simple structure allows for maintenance of control, making it easier to make decisions by consensus.

Maori firms face barriers that may prevent them from competing on equal terms with large and non-Maori firms. Larger firms are able to cross-subsidize, enabling them to establish a market presence. If markets are contestable, however, the larger firm's ability to cross-subsidize is limited. Since Maori firms are usually smaller, the cost of compliance with tax regulations is higher. Small Maori firms have more difficulty in raising money and less access to continuing specialist advice, so expansion can be more problematic. Despite all disadvantages the Maori small firm sector has shown growth in the last several years.

How well businesses do depends partly on how the economy is doing, partly on good management, and partly on unexplained factors. Everyone who runs a business knows the difficulty of managing in the face of changing and often adverse economic circumstances. Knowl-

edge of economics can give the entrepreneur the ability to analyze what these changes might mean for the future, predict what other factors might affect the firm, and decide how best to take advantage of these changes. In today's economy, many entrepreneurial opportunities have been missed because the Kiwis and particularly the Maoris have become unnecessarily pessimistic about economic conditions.

A majority of the respondents stated that their level of innovation has been low. When classified according to the characteristics presented in Table 2, almost 68% of the respondents were low innovative, and 59% were high in risk. These results are presented in Table 9.

Table 9

The Entrepreneurial Strategy Matrix

| Type of Strategy | Percentage |
|-------------------------------|------------|
| High innovation and high risk | 15 |
| High innovation and low risk | 17 |
| Low innovation and low risk | 24 |
| Low innovation and high risk | 44 |

The firms analyzed in this study cannot be identified as either purely and exclusively managerial or entrepreneurial; they represent a continuum with these types at each extreme. This reflects the diversity and dynamism of heterogeneous grouping of Maori business' interests and objectives. This is presented in Table 10.

Table 10

Types of Maori Business Firms

| |
|--|
| <p><u>Knowledge and Learning:</u> A learning organization is committed to the acquisition of knowledge and expertise of both market and management information in order to maximize the firm's potential and to excel within a given activity.</p> |
| <p><u>Innovation /Opportunities:</u> An innovative organization identifies new opportunities to be pursued to satisfy its local markets and is aware that opportunities have a limited life. Thus it is important to act quickly.</p> |
| <p><u>Risk and Uncertainty:</u> Risk-taking organizations evaluate the risks and uncertainty with projects but have the confidence to assume a certain degree of risk and are willing to learn from mistakes.</p> |
| <p><u>Vision and strategy:</u> Strategic organizations have the power to discern future prospects of success and the ambition and strategies to progress achieving them.</p> |

Maori firms see the future as an extension of the past and develop strategies based on myths, rituals, legends, and traditions. They invent their own future with only a genetic reference to past. Their culture is based on the value and identity of the individual, vision and direction, and values the spirit of family firm. The Maori firm is not obsessed with goals but with direction. It is not the destination that is important but the journey. Maori firms glorify independence, creativity, improvisation, and opportunism. All of these factors reflect the dynamism of entrepreneurship.

Different environmental factors that affected Maori entrepreneurial growth and development are presented in Table 11. There have grouped into five types of environmental factors.

Environmental Factors Affecting Entrepreneurial Activities

| Analysis of Environmental Factors | Positive Effect (%) | Negative Effect (%) |
|--|---------------------|---------------------|
| Financial Support to Small Businesses | | |
| Venture capital | 25 | 36 |
| Alternative sources of financing | 25 | 25 |
| Low cost loans | 33 | 18 |
| Willingness of financial institutions to finance | 30 | 20 |
| Credit guarantee program for start-up enterprises | 15 | 15 |
| Competition among financial institutions | 18 | 12 |
| Non-Financial Assistance to Small- and Medium-Size Entrepreneurs | | |
| Counselling and support services | 18 | 12 |
| Entrepreneurial networks | 15 | 8 |
| Incubator facilities | 18 | 66 |
| Procurement programs for small businesses | 10 | 5 |
| Government support for research and development | 10 | 10 |
| Tax incentives and exemptions | 12 | 17 |
| Local and international information networks | 38 | 26 |
| Modern transport and communication facilities | 46 | 26 |
| Entrepreneurial and Business Skills | | |
| Technical and vocational training | 27 | 19 |
| Technical and vocational education | 53 | 3 |
| Business education | 28 | 22 |
| Entrepreneurial training programs | 28 | 19 |
| Availability of information | 61 | 8 |
| Socio-Economic Conditions for Entrepreneurship | | |
| Public attitude toward entrepreneurship | 36 | 18 |
| Presence of experienced entrepreneurs | 36 | 3 |
| Presence of role models | 59 | 18 |
| Existence of persons with entrepreneurial characteristics | 56 | 25 |
| Recognition of exemplary entrepreneurial performance | 41 | 18 |
| Proportion of small firms in the population of firms | 15 | 21 |
| Diversity of economic activities | 46 | 22 |
| Extent of economic growth | 36 | 23 |
| Policies and Procedures for Entrepreneurial Activities | | |
| Restrictions on imports and exports | | |
| Provision of bankruptcy laws | | |
| Entry barriers | | |
| Procedural requirements for registration and licensing | | |
| Rules and regulations governing entrepreneurial activities | | |
| Laws to protect propriety rights | | |

As might be expected, each environmental factor could affect an entrepreneurial business in different ways, but there are some general observations that can be made. There needs to be increased financial support for small firms, and the government could foster development by providing support networks and infrastructure. Training and educational programs would likewise be welcomed. Expanded entrepreneurial opportunities that lead to successful businesses are likely to result in further entrepreneurial activity. Rules and regulations concerning taxes and barriers to entry need to be revised to stimulate entrepreneurial growth. These factors may seem self-evident, but the experience of entrepreneurs shows that they have a practical impact on economic activity.

Conclusions

Small businesses have been a major contributor to the growth of New Zealand economy. They have provided the opportunity for entrepreneurs to gain independence and develop his or her own ideas. The last decade witnessed a startling growth in self-employed and small family businesses of many types among Maori population. Long-term factors such as technological changes, structural changes in the New Zealand economy, and the increased competition are important reasons for starting small family businesses. Maori firms have played an important role in employment creation over the last decade.

The range of opportunities inherent in the traditional Maori iwi has allowed individuals to develop their talents and find their identity through custom and tradition. The family has become an important source of labor, investment, and finance as well as advice. Successful Maori family businesses have learned how to balance business commitments with traditional demands. They have demonstrated some management, marketing, and financial skills, but a requisite for continued Maori success is their continued respect for the obligations and communal commitments inherent in the local culture. Conflict may occur between traditional values and business efficacy, but the test of any entrepreneur is his or her ability to resolve those conflicts. Successful Maori entrepreneurs have learned to accommodate values with contemporary business practices. The aim of many Maori entrepreneurial firms has been "survival plus a fair return." A large proportion of Maori small businesses in areas of new technology and construction want their businesses to grow. The majority of Maori firms are not technologically innovative.

Despite their conservative view on a firm's growth, Maori small businesses have recognized several basic impediments to that growth. The main problems were those arising from (1) lack of management experience and limited business skills; (2) the failure to control or exploit community relationships; (3) lack of sufficient financial resources, and (4) limited marketing skills. Such problems can be addressed by government programs designed to:

1. Create a cohesive, integrated policy to coordinate all aspects of support for the Maori small business sector and to ensure the availability of sufficient resources.
2. Evaluate the effectiveness of business training programs and the role of extension services to and with Maori entrepreneurs.
3. Make resources available to select and support potential entrepreneurs.
4. Encourage local entrepreneurs to demonstrate greater originality in their business activities and offer innovative schemes to promote indigenous business.
5. Develop culturally acceptable mechanisms so that traditional obligations do not drain business resources.

Government policy should be focused on the delivery of programs that will provide business information, improve business capability and management skills, and encourage growth in innovation and technological development. More financial support and capital assistance is needed for the existing Maori businesses to expand and grow. There is also the need to assist Maori businesses to enter new markets and increase their businesses within existing markets. Government assistance aimed at encouraging the productive use of Maori land, supporting their current businesses, and stimulating new Maori businesses should have a positive impact on the New Zealand economy.

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