

Entrepreneurship, Poverty Reduction, and Peace: Exploring transformative entrepreneurship in conflict zones

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Entrepreneurship is increasingly being used as a poverty-reducing mechanism that can bring stability to conflict zones (Kolk & Lenfant, 2016; Tobias et al., 2013). Development programs are often targeted at the most vulnerable within conflict settings, who are more exposed to the effects of war, and more likely to revert to violent conflict (Choi & Luo, 2013; Krueger & Malečková, 2003; Piazza, 2011). Increasingly, UN Agencies and international NGOs (INGOs) are utilizing entrepreneurial development programs as a mechanism for fostering peace and stability among the vulnerable, however programs are often failing to meet expectations (Bhatt & Tang, 2001; Gueyie et al., 2013; Hartarska et al., 2013; Morduch, 2000). This is due to the fact that most small businesses in the developing world do not grow, employ staff and create societal impact, instead they focus only on providing basic income for owners and their families, subsequently failing to achieve the championed peacebuilding and poverty-reducing benefits of entrepreneurship.

Schoar (2010) argued that there is a distinction between two types of entrepreneurs in the developing world. There are those who become entrepreneurs as a means of providing subsistence income for their families; termed subsistence, survivalist (Viswanathan et al. 2012) or necessity entrepreneurs (Acs, 2006). These businesses are the dominant trend in developing countries, which

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offer basic livelihoods for individuals and families, however fail to generate a positive effect on the surrounding society and wider economy (Lerner & Schoar, 2010; Schoar, 2010). In contrast, transformational entrepreneurs engage in business growth, employment, and community contributions, which in conflict settings foster poverty reduction and peacebuilding (Bozzoli et al., 2013; Strong, 2009; Tobias et al., 2013), holding the capacity to benefit the most vulnerable at the bottom of the pyramid (Narayan et al., 2009; United Nations Development Programme, 2008). Despite the potential benefits, little is known at a firm or individual-level concerning the phenomenon (Aldairany et al., 2018; Brück et al., 2013).

Studies of transformative businesses among the vulnerable in conflict zones are limited (Kolk & Lenfant, 2016; Tobias et al., 2013). It was found that creating peace and prosperity within conflict zones involves businesses generated both economic and social value, that benefits the business owner directly, but also contributes to community building and recovery (Kolk & Lenfant, 2016). Economic value is linked to factors pertaining to personal wealth and quality of life, while social factors are linked to social trust, and reduction of outgroup prejudice (Tobias et al., 2013). The dual social and economic value required for poverty reduction and peacebuilding is used as the framework for exploring transformative growth within conflict settings.

When examining transformative entrepreneurship, several factors could drive business growth. At a societal level, prior research demonstrates that environmental triggers such as dissuasion or support from family could drive growth (Sridharan et al., 2014), in addition to access issues (resources, labour, capital, supplies, market) (Kneller & McGowan, 2011; Reiss, 2010; Wehinger, 2014). Concerning the enterprise itself, issues such as firm age can have either a positive or negative effect on performance (Henderson, 1999; Naldi & Davidsson, 2014), and overall competitiveness of the business model within the market is also important (Gunasekaran

et al., 2011; Sridharan et al., 2014). Potentially more important are the characteristics of the entrepreneur; which could extend across personal experience factors such as related experience in the industry (Bullough et al., 2013; Glaub & Frese, 2011), personal circumstance concerning financial need (Hessels et al., 2008), family business experience (Davidsson, 1995), and having a role model (Liñán & Fayolle, 2015). Finally, key entrepreneurial traits should be considered; including entrepreneurial intentions (Gundry & Welsch, 2001), risk attitudes (Lerner & Schoar, 2010), social competencies (Viswanathan et al., 2014) and agency (Carter et al., 2003; Gelderen & Jansen, 2006). These factors formed the basis for exploring transformative entrepreneurship among the vulnerable.

The following research questions are subsequently posed to guide the study: Can evidence of transformative entrepreneurship be found among the vulnerable within conflict-affected zones? If so, what are the economic, and social benefits created by such businesses? And, what factors promote and deter transformative business within this setting?

Methodology

To address the research questions and explore the research phenomena, the study assessed businesses involved in a recent asset replacement program run by the United Nations Industrial Development Organisation (UNIDO) in Kirkuk, Iraq. The program involved replacing assets for 39 businesses in Kirkuk who had equipment lost or damaged because of war. During the period of research, Kirkuk experienced ongoing attacks from ISIS cells that reside south and south-east of the city, while also being the epicentre of civil conflict between Kurdish Peshmerga and the Iraqi army following Kurdistan's September 2017 independence referendum.

The exploratory case study approach used involved firstly analysing all 39 businesses for evidence of both social and economic value creation both before, and following UNIDO's program.

Economic value creation considered net profit growth and employment growth, while social value creation included a range of factors, namely: increased donations, helping others to set up businesses, voluntarily training interns and lending money to others. Of the businesses that remained, six were found to have none of the following: post-primary education, entrepreneurial training, technical training, prior family experience in business, or direct support from family or the wider community. These businesses were selected for case study research due to their vulnerability status. Data collection involved a 43 item phone interview (45 minutes to 1 hour), and onsite observations which involved exploring societal, enterprise and entrepreneurial characteristics concerning the business (30 minutes to 1 hour). Interview transcripts underwent content and thematic analysis, which were combined with observations to form the research findings.

Findings

The findings demonstrated evidence of transformative entrepreneurship in conflict settings. The six case studies fitting this description exhibited economic growth through net profit increases, opening new branches, and employment growth, while also demonstrating social value creation through supporting refugees, donations, voluntarily training interns, and helping others to start businesses. This was achieved despite business owners 'vulnerable' status, subsequently, this group were coined "vulnerable transformers" (Table 1). Findings indicated that the vulnerable transformers held several essential entrepreneurial traits, including growth intentions, resilience and entrepreneurial spirit; while the entrepreneurs received their training through informal apprenticeships, undertaken after leaving primary school. Each business owner claimed to be differentiated from the competition based on price positioning, or product differentiation based on quality. Security within the local economy (city-based, not national) and access to local business

resources were shown to be essential for growth.

Implications for Theory and Practice

Firstly, the study offers an initial theoretical positioning for vulnerable transformers (Figure 1) whom generate the social and economic value associated with peacebuilding and poverty reduction (Kolk & Lenfant, 2016; Tobias et al., 2013). This contribution furthers the work of Tobias et al. 2013 by offering firm and individual level interpretations of transformative entrepreneurship for conflict zones. Additionally, the findings offer several unique insights on entrepreneurial theory:

- Informal development channels substitute formal ones for upskilling entrepreneurs;
- Risk orientation is often associated with business growth (Schoar, 2010), however risk intensions are unexpectedly subdued in conflict zones due to an environment of uncertainty;
- Social capital is often linked to growth in developing settings (Viswanathan et al., 2014), however there was little evidence of this among the vulnerable.

By defining the vulnerable transformer demographic, the study helps INGOs recognize the difference between subsistence and transformational patterns among their recipients, indicating that programs focusing on transformative patterns will generate high economic and social value. Secondly, with lack of education and financial resources linked with violent conflict and terrorism (Choi & Luo, 2013; Krueger & Malečková, 2003; Piazza, 2011), focusing on the vulnerable transformers who can generate business growth, employment and social benefits among those most likely to revert to conflict, goes directly to the heart of the peacebuilding and stability goals of INGO activity. The research findings offer an exploratory framework for identifying vulnerable transformers (Table 1), contributing directly to program utilization, and furthering peacebuilding and stability in the region.

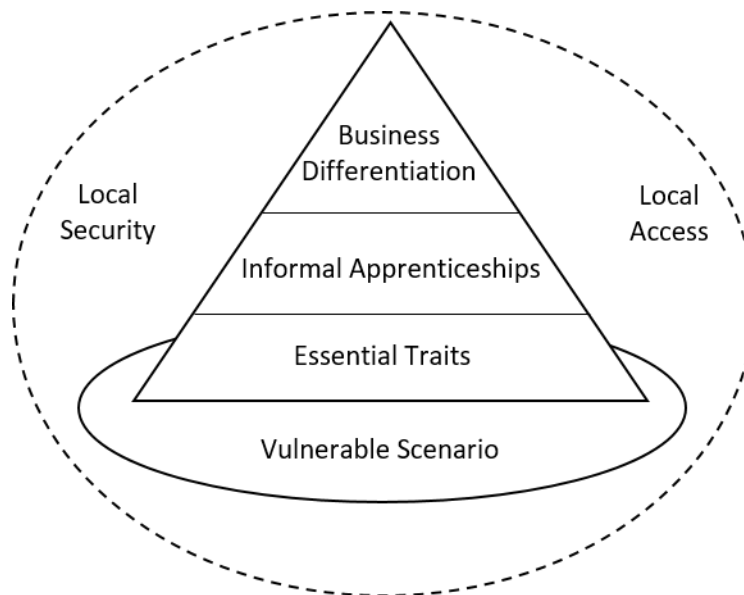
Tables

Table 1 – Characteristics of Vulnerable Transformers

Environmental Level	
Security	Ensure moderate to strong security scenario for business within their local market
Access to markets	Ensure all businesses have clear access to local markets
Enterprise model	
Organisational experience	Businesses had at least 3 year experience
Organisational performance	All businesses demonstrated previous evidence of prior business growth
Competitiveness	Validate the competitiveness (preference for quality-based differentiation) of business in the market
Entrepreneur	
Personal experience	On the job training received (at least 3 years)
Necessity orientation	Owner is directly supporting their family and/or direct family through the business
Entrepreneurial intentions	Clear growth intentions for the business
Innovative behaviours	Clear evidence of prior innovation (e.g. product improvement, or development)
Entrepreneurial spirit	Has identified opportunities within the local market
Personal passion	Strong personal passion for the work
Agency, autonomy	High levels of personal agency, and desire for autonomy

Figures

Figure 1 – Vulnerable Transformers



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