

**UNDERSTANDING THE GEOGRAPHICAL IMPORTANCE TO THE
ENTREPRENEURIAL PROFILE: A STUDY ON ENTREPRENEURS IN
CHENNAI AND ITS SURROUNDINGS, TAMIL NADU, INDIA**

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ABSTRACT

This study explores the importance of geography for the entrepreneurial profile in the urban and rural areas. The entrepreneurial dynamics in the rural and urban areas are quite different because of agglomeration effects and the profile of the residents. Geographical spillover has determined the entrepreneur's knowledge, identity and network. This study implicit entrepreneur's knowledge, identity and networks are similar in the urban and rural areas and the same time it has great influence by the geographical lineaments. Therefore the study suggests policy makers and the government to design a exclusive plans for the entrepreneurs those who are in urban and rural areas.

KEYWORDS – Entrepreneurs, Geography, Knowledge, Identity, Network, Urban, Rural,

INTRODUCTION

Entrepreneurship has been recognized as fundamental to regional economic development of any nation. Every nation believed that new firms can create jobs, productivity, and competitive advantage. Geography or a place where firm is located determines the success of the entrepreneurs and all geography has its own competitive advantage. Krugman ([1991] 2000) argues that an understanding of geography and its conglomeration is essential to a well developed economic perspective. So it is a duty of any nation to understand the entrepreneurs thoroughly to develop the new and existing entrepreneurial venture. In this study we investigate the differences between the urban and rural entrepreneurs. Taking geographical characteristics into considerations, it is important for improving entrepreneurship policy and entrepreneurship research. In order to understand entrepreneurial dynamics, it is, first, crucial to know if there is a real difference between the people in these regions, and, second, to know in what ways their entrepreneurship profiles are different.

In this study we used the three categories of means terminology introduced by Sarasvathy (2008) with the geography. The identity indicators used in this study encompass personal traits often associated with entrepreneurs (e.g. Risk taking ability, tolerance of ambiguity, creativity/innovativeness, feelings about locus of control, need for achievement, and desire for autonomy). Knowledge indicators are intrinsic (related to their work task) and extrinsic work values are related to convenience, financial, co-worker, and career dimensions. Network indicators encompass the use of strong ties, weak ties, and professionals that including contact frequency and contact willingness, to weak ties and knowledge of (former) entrepreneurs among strong and weak ties.

URBAN AND RURAL AREAS

The first task is to define urban, once this is done everything else is rural. However, the concept of urban can be quite complex. "It is a function of (1) population size, (2) space (land area), (3) the ratio of population to space (density of concentration), and (4) economic and social organisation." (Weeks, 2008, p.354). In research studies, places with a population of 2,000, 5,000, 10,000 or more have been considered urban. Concerning entrepreneurial studies, the already mentioned Babb and Babb (1992), use "more urban and more rural" countries. Westhead et al., have used the threshold of 10,000 inhabitants in the United States (Westhead and Wright, 1998; Westhead et al., 2004). The United Nations recognises that there are different measures for each country, for what constitutes rural and urban areas, depending on their circumstances.

REVIEW OF LITERATURE

GEOGRAPHY

As introduced above, geography plays a significant role in explaining entrepreneurship. However, the location per se (e.g. Choosing to be in an economic hub), can hardly be disentangled from people's presence. Today, empirical evidence suggests that even though such places have higher competition (Sorenson and Audia, 2000), human proximity (i.e. Population density, population growth, and population size) increases entrepreneurship rates (Reynolds et al., 1994; Shane, 2003; Sternberg, 2009). Many studies attempt to explain why the entrepreneurship environment differs in urban and rural areas.

Sternberg (2009) argues that entrepreneurship is benefited from geographical proximate to universities or research centres. The main reason for this has to do with an easier exchange of knowledge, since spatial proximity is extremely important for accessing knowledge spillovers (Jaffe, 1986). Additionally, another strand of thought trying to explain the differences between the urban and rural areas has paid more particular attention to transportation costs and economies of scale (Krugman, 1991). Finally another strand suggests the agglomeration of service providers in central cities are an effective way of reaching customers in some type of "central places" and "surrounding areas" (Christaller, 1966). From an entrepreneurship policy perspective, many national and regional governments already have different policies for urban and rural areas. In the case of Europe there is a tendency to have more integrated policies, while in the U.S. there is a tendency to have more of a "laissez faire" policy (Acs and Malecki, 2003). Nevertheless, there are different policy programs for urban and rural areas in different countries, such as UK (O'Sullivan et al., 2009), USA

IDENTITY

Several personality traits have been associated with entrepreneurs within the psychology literature but some of them often mentioned traits used to differentiate entrepreneurs from non-entrepreneurs (or successful entrepreneurs from the unsuccessful entrepreneurs) are (Hisrich et al., 2005; Parker, 2004; Kirby, 2003; Cromie, 2000): Risk willingness, tolerance of ambiguity, feelings about locus of control, creativity or innovativeness, need for achievement, and desire for autonomy. These are also the traits included in this paper and the operationalisation of these traits can be seen in the appendix. The operationalisation is especially important given the discussions within the literature about problems of categorisation and distinction of these traits (Cromie, 2000; Gartner, 1988). A further theoretical

discussion of the above traits can be found in Nielsen (2009) and Dahl et al. (2009). However, the empirical studies trying to verify that (successful) entrepreneurs possess certain traits are ambiguous; only Caird (1991) and Cromie and O'Donoghue (1992) finds that entrepreneurs are different than other groups regarding all the traits.

KNOWLEDGE

The higher education of entrepreneurs and their employees is a reason for higher urban entrepreneurial performance (Shane, 2003). Large universities and other government organization in cities providing not only formal education but creating knowledge spillovers that entrepreneur can benefit from (Saxenian, 1994; Cooke and Schienstock, 2000). It will avail continuous learning to the entrepreneurs. The process of spillovers could also be linked to the necessity of face-to-face contact in certain kinds of activities (Jaffe, 1986). Innovation scholars also point out the importance of proximity in entrepreneurial dynamics due to the mode of innovation based on 'doing, using and interacting with different types of sources' (Jensen et al., 2007).

Kalleberg divides work values (and work characteristics) into six dimensions: Intrinsic, convenience, financial, relations with co-workers, career opportunities, and resource adequacy. The intrinsic dimension covers work values associated with the work tasks, while the following dimensions (except resource adequacy) represent an extrinsic dimension where the work values are not related to the work tasks. Finally, work values under resource adequacy covers the access to different resources with influence on the extent to which the person can do his/her work satisfying;

NETWORK

The success of the entrepreneurs is decided by their network and the network also played a motivational factor to the entrepreneurs. "Persons do not make decisions in a vacuum but rather consult and are subtly influenced by significant others in their environments: family, friends, co-workers, employers, casual acquaintances, and so on." (Aldrich and Zimmer, 1986,p.6) The advantages the entrepreneurs can benefit from through the social network are in the literature often related to motivation and access to valuable resources like information, customers and suppliers, capital and labour (Parker, 2004; Brüderl and Preisendörfer, 1998; Aldrich and Zimmer, 1986).

Ego-centric social network studies often divides the network ties into strong ties and weak ties, dependent on the degree of trust between these two persons (Dubini and Aldrich, 1991). Strong ties

are often assumed to be spouse, parents, other relatives, and close friends while weak ties are business partners, (former) employers and co-workers, and other acquaintances (Brüderl and Preisendörfer,1998). Despite the high degree of trust to strong ties, a social network mainly consisting of strong ties is not necessary optimal given the assumed low diversity and high density; i.e. The people share the same characteristics and contacts outside of the network. In addition to the nature of network ties, the size of the social network is the most common measure for the entrepreneur's potential opportunities (Burt, 2000).

RESEARCH METHODOLOGY

OBJECTIVES

1. To find out the geographical importance for the entrepreneurial profile in urban and rural areas (Chennai and its surroundings).
2. To find out the differences between the urban and rural entrepreneurs.
3. To ascertain the urban and rural entrepreneur's entrepreneurial traits and their work values.
4. To find out the utilisation of networks ties by the urban and rural entrepreneurs.

HYPOTHESES

Hypothesis 1: Entrepreneurs in urban areas are better characterised by the entrepreneurial traits than rural entrepreneurs.

Hypothesis 2: Entrepreneurs in urban areas value the intrinsic dimension of work values higher than rural entrepreneurs.

Hypothesis 3: Entrepreneurs in urban areas utilize strong ties (weak ties) to a lesser (greater) extent than rural entrepreneurs.

Hypothesis 4: Entrepreneurs in urban areas are more willing to contact weak ties and professionals for work-related help than rural entrepreneurs.

SAMPLING

With the view to find out the geography influence such as urban and rural. A sample of entrepreneurs chosen from 10 entrepreneurs club and 57 industrial associations located in Chennai. The two primer association has membership from both urban and rural. For data we have approached 789 entrepreneurs with the structured mailed questionnaire. From that 800 entrepreneurs had been approached and 691 filled questionnaires were retrieved (Urban 354, Rural 337). The simple random techniques used in this study.

RESULTS

TABLE 1 DESCRIPTIVE STATISTICS OF THE URBAN AND RURAL ENTREPRENEURS

	ENTREPRENEURS			
	URBAN		RURAL	
	Frq.	Pct.	Frq.	Pct.
Gender				
Male	263	74.10%	251	74.50%
Female	91	25.70%	86	24.50%
Age				
Below 30	58	16.40%	58	17.20%
31-40	124	35.00%	134	39.80%
41-50	113	31.90%	95	28.20%
51 and above	59	16.70%	50	14.80%
Origin				
Tamil Nadu (Chennai)	330	93.20%	326	96.70%
Others	24	6.80%	11	3.30%
Marriage status				
Not Married	147	41.50%	116	34.40%
Married	207	58.55%	221	65.60%
Education				
No vocational	58	16.40%	76	22.60%
Vocational	110	31.10%	174	51.60%
Short/ medium	109	30.80%	79	23.40%
Long	77	21.80%	8	2.40%
Ownership style				

Personal	251	70.90%	261	77.40%
Other	103	29.10%	76	22.60%

- **Gender:** In and around Chennai male entrepreneurs are equally dominant in rural and urban areas. That is approximately, only one out of four entrepreneurs is a woman, in both areas.
- **Age:** The entrepreneurs in rural areas tend to be slightly younger. In the rural there are more entrepreneurs in the segments of 30 years old and 30-40 years old, and in the urban areas there are older in the segments over 40 years old.
- **Origin:** People from other parts of India in rural areas are more likely to be entrepreneurs than the ones in urban areas. This is taking into consideration the never entrepreneurs, however, the number of this sample is only two in rural areas.
- **Marital Status:** Entrepreneurs in rural areas are more likely to be married than the urban. This is noteworthy as entrepreneurs in rural areas are slightly younger.
- **Education:** Entrepreneurs in urban areas are more likely to have higher education. Also more than half of the entrepreneurs in rural areas have an education from vocational/technical schools.
- **Ownership style:** Most of the companies are personally owned in both areas. The rates are similar in both geographical areas.

Table 2 LOGISTIC REGRESSION FOR ENTREPRENEUR’S IDENTITY BETWEEN URBAN AND RURAL

	URBAN AREAS		RURAL AREAS	
	Coeff.	Std. Err	Coeff.	Std. Err
Entrepreneurial traits score	1.767**	-0.269	1.955**	-0.306
Risk seeking score	0.939*	-0.400	1.310*	-0.534
Tolerance of ambiguity	1.483**	-0.240	1.422**	-0.308
Need for achievement	0.273	-0.203	0.483*	-0.308
Locus of control	-0.033	-0.203	0.483*	-0.223
Desire of independence	0.584*	-0.231	0.843**	-0.301
Optimism	0.36	-0.192	0.475*	-0.209

Creativity	0.770**	-0.198	-0.03	-0.209
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Note: **, *, and + is significant at the 1%, 5%, and 10% level, respectively.

Table 2 contains the regression results estimating the entrepreneur’s identity such as risk seeking, tolerance of ambiguity and others. Generally it is noticed from the table that the indicators only shows a few differences between urban and rural entrepreneurs and only one significant difference between urban and rural entrepreneurs that is creativity. Entrepreneurs in urban areas express high creativity with 0.770** with compared to -0.03 rural entrepreneurs. In both areas entrepreneurs express a higher tolerance of ambiguity, a higher desire for independence, and a higher degree of optimism when looking at the six personal traits, individually. Furthermore, it can be seen that entrepreneurs in rural areas also have a high need for achievement and high feeling of internal locus of control.

TABLE 3 LOGISTIC REGRESSION FOR KNOWLEDGE BETWEEN URBAN AND RURAL ENTREPRENEURS

	URBAN AREAS		RURAL AREAS	
	Coeff.	Std. Err.	Coeff.	Std. Err.
Intrinsic values score	0.845**	-0.027	1.295**	-0.305
Extrinsic values score	-1.614**	-0.343	-0.990**	-0.307
Convenience	-0.815**	-0.202	-0.550**	-0.211
Financial	-0.766**	-0.23	-0.659**	-0.219
Co-workers	-0.682**	-0.21	-0.359	-0.229
Career	0.026	-0.217	-0.159	-0.272

Note: **, *, and + is significant at the 1%, 5%, and 10% level, respectively.

The intrinsic dimension covers work values associated with the work task, on the other hand extrinsic values dealt with things are not related to their work task. Table 3 exhibits rural entrepreneurs is

higher than the urban entrepreneurs in the work values. Like wise rural entrepreneurs had higher scores in the extrinsic values too. In the knowledge rural entrepreneurs are dominant than the urban entrepreneurs excluding career. Urban entrepreneurs are more specific on choosing their careers and where they are moving ahead. Co workers of the urban entrepreneurs are more supportive compared to the rural entrepreneur's fellow worker. Altogether, rural entrepreneurs are having higher work value scores compared to the urban entrepreneurs.

TABLE 4 LOGISTIC REGRESSION FOR NETWORK UTILIZATION BETWEEN URBAN AND RURAL ENTREPRENEURS

	URBAN AREAS		RURAL AREAS	
	Coeff.	Std. Err.	Coeff.	Std. Err.
Contact frequency with present colleagues	0.599**	0.197	0.896**	0.217
Contact frequency with former colleagues	0.573*	0.262	1.203**	0.277
Contact frequency with school / college mates	-0.185	0.272	-0.297	0.36
Contact frequency with fellow club members	-0.506	0.201	-0.002	0.209
Contact willingness with present colleagues	0.484*	0.2	0.475*	0.209
Contact willingness with former colleagues	0.816**	0.208	0.740**	0.239
Contact willingness with school / college mates	0.515*	0.237	-0.015	0.325
Contact willingness with fellow club members	0.547*	0.234	0.981**	0.293
Use of strong ties	0.047	0.195	-0.125	0.21
Use of weak ties	-0.513*	0.24	-0.01	0.31
Use of professionals	0.851**	0.23	0.18	0.258
Social network size	-0.087**	0.03	-0.012	0.03
Social network density size	0.494*	0.198	0.507*	0.213
Entrepreneurs family	0.790**	0.222	0.907**	0.254
Entrepreneurs colleagues (present/former)	1.315**	0.204	1.163**	0.221
Entrepreneurs other friends	0.774**	0.206	0.479*	0.219
Influence family entrepreneurs	0.598+	0.315	2.795**	0.384
Influence colleagues entrepreneurs	0.311	0.471	0.904	0.559
Influence other friends entrepreneurs	0.933**	0.245	1.534**	0.3

Note: **, *, and + is significant at the 1%, 5%, and 10% level, respectively.

Table 4 results hold for both entrepreneur's network utilisation in urban and rural areas. Rural entrepreneurs have a higher contact frequency to present (outside work) and former colleagues and are more willing to contact these persons, and fellow club members, regarding work-related help compared to urban entrepreneurs. Furthermore, entrepreneurs are more likely to know other entrepreneurs or former entrepreneurs within family, present/former colleagues or other friends and to be more influenced by these entrepreneurs among family and other friends. Finally, entrepreneurs are more likely to have a high density network; i.e. The people in the social network know each other. Furthermore, entrepreneurs in urban areas less likely to use weak ties and more likely to use professionals concerning considerations of a career change which they would talk to less people about compared to rural entrepreneurs.

DISCUSSION

In this study we have found only a few indicators that showed a significant difference (at a 1%, 5%, and 10% level) between the entrepreneurs in urban and rural settings. In the identity, our research partially agrees with popular economic geographers such as Richard Florida who suggest that entrepreneurs in urban areas are more creative (Florida, 2008). We find that the Chennai urban entrepreneurs are 1) more creative (e.g. More likely to answer "I often think of new ideas and ways to solve tasks" and "I often pursue the attractive but uncertain opportunities"), 2) less motivated by the financial side of work (e.g. Less likely to answer "Work gives you a high income"), 3) more motivated by the career side of work (more likely to answer "Work is a stepping stone for the advancement of my career") and, 4) more likely to start up a completely new business than the rural entrepreneurs.

In the knowledge, it is very interestingly rural entrepreneurs are having higher work values and the same time rural entrepreneurs have maintain good relations with their co workers and counter part entrepreneurs. It shows that rural entrepreneurs are following their cultural values in the business too. They worship their business because they believe it can solve all their problems.

Furthermore, there seems not to be a difference in the start-up motivation for urban and rural entrepreneurs, but this could be because of the somewhat weak indicators for start-up motivation. Out of the 12 defined start-up motivations, urban entrepreneurs are less likely to start a business to make their hobby their career while they are more likely to start a business because of disagreements with

colleagues or management. The role of government bodies and the education background played limited motivational factors for start up in both urban and rural.

Urban entrepreneurs are found to be more contact willing in their networking behaviour which could be ascribed to the agglomeration effect. These findings are based on 1) they have less frequent contact with former colleagues (but are not less willing to contact these persons) 2) are more willing to contact both present colleagues (outside of work) and former schoolmates for work-related help, and 3) are more likely to use professionals. Finally, urban entrepreneurs are more likely to have other entrepreneurs as friends (not characterised as present or former colleagues).

CONCLUSION

This study explores how so far the entrepreneur's lineaments are different in the urban and rural areas. Even though the rural entrepreneurs having higher work values and knowledge, they have not get equal opportunities what urban entrepreneurs can get. Like a creamy layer, urban entrepreneurs have some competitive edge such as transportation, communication, information technology, and banking. It is not in the rural entrepreneurs and their business environments are completely differed from the urban agglomeration. The spillover of the urban and rural has determined the characteristics of the entrepreneurs. In this study we have found that urban and rural entrepreneurs are doing business in a quite different condition. And they have great influence by the geography. By this we study strongly recommend the policy makers, researchers and government to frame entrepreneurial policies based on geographical areas such as rural and urban.

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