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**“Nga Kai Arahi Tuitui Maori”**

**Maori Entrepreneurship:  
The articulation of leadership and the  
dual constituency arrangements associated with  
Maori enterprise in a capitalist economy.**

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## *Abstract*

Entrepreneurial leadership is today developing as a significant factor in efforts among tribal Maori to maximise and consolidate their resources assets. Maori have come to recognise that to attain economic viability and take advantage of marketplace opportunities requires calculated risk-taking. Individuals who can assess, manage and contain risk and have the capacity and audacity, it would seem, to turn ideas into real, tangible commercial success. The current groundswell of tribal entrepreneurship has been spurred on by the increasing number of successful localised Maori businesses; changes in government economic policy; a predominant increase in the numbers of Maori members of parliament and a review of significant legislation that has historically impeded Maori economic self-determination. As Treaty of Waitangi settlements and fisheries entitlements claims have in one sense compelled the long standing Maori Trust Boards to reconstitute themselves to provide mechanisms of controlling, managing and investing its capital, it has also necessitated the need to adapt western styles of financial and managerial accountability. This study aims to examine the significance of entrepreneurship as a level of leadership required to assist Maori, in particular tribal iwi, to move into what is widely described as the era of "neo-tribal" post-modernism. The 'tribal entrepreneurs', as distinct from those 'Maori' who happen to be entrepreneurs, are by definition individuals who simultaneously walk two distinct, complex and yet significantly complementary cultural/economic pathways. What ultimately sets such leaders apart is their distinct bicultural position, the manner in which they attempt to negotiate their 'identities' and realities and meaning and significance of a set of unique ethical considerations. Within this study the notions of network systems, stakeholders and dual constituency arrangements are addressed. The importance of these is seen in the fact that entrepreneurs work between a complex set of arrangements and engage primarily in problem-solving, identifying gaps, managing change and weighing up options. This study also takes the view that the positivist and non-positivist arguments concerning research and theory validate each other as they both require explanations and justifications of the other. It follows that even for entrepreneurs, there is reason to accept and adopt a rational positivist framework and integrate this into 'human factors' that revolve around their intuition, feelings, hunches and emotions. Entrepreneurs are seen as risk takers in an intellectual, financial and interpersonal sense who pursue opportunities when all else seems uncertain. Their very livelihoods depend on their abilities to respond quickly and positively to market gaps and to market opportunities and as such they are architects and controllers of their destinies. This study aims to capture the tensions, relationships and commercial realities of Maori entrepreneurs as they go about their activities. They, it is argued, provide the necessary tier of business leadership, complementary to that of tribal political leadership required to make economic development and commercial investments viable options.

## *Preface*

The proclivity doing this study was inspired by an interest I have in history, in change, in the vitality of indigenous traditions and in the study of social economics. While attending the 1992 inaugural *Healing Our Spirit Worldwide* Indigenous Conference in Alberta, Canada, I became acutely and consciously aware of the profound commonality indigenous cultures shared about their own unique 'colonial' economic experience. The social transformations and political upheavals and the redefinition and redistribution of wealth precipitated by colonial quests for dominance were systematic, often ruthless and pervasive. It was during the closing session I began to critically reflect on how well we as Maori were doing. What did we mean by Maori-driven development and whether or not we had the strategic leadership required to move us from paternal Crown dependency to a true and authentic state of economic self-sufficiency? I looked critically at whether we had the capabilities to stand culturally confident and remain largely economically destitute. I began also to question my accountability as a scholar, a researcher and a practitioner.

While in this reflective state, Phil Diaz, a first nations US House of Senate representative, gave much substance to my thought. He spoke sagaciously of the need for indigenous peoples to *"get real, to forget about blaming, to accept what has happened and move on"*. His speech invigorated me spiritually, much like a god-send. He provided the insight I was looking to embark on a study in the area of indigenous leadership. From his remarks, I noted four key related themes that took into account the need to be business of indigenous people reclaiming their dignity. These have served me in my understanding of sense and purpose and provided the important guideposts for this study. First, was the understanding *"that all indigenous development; physical, spiritual and economic comes from within"* which I took to mean, we as Maori, have to move out of grievance into settlement and reconciliation. The central requirement Diaz highlighted, was the need for forgiveness. The consequences of which would be to create a psychological liberation from the baggage of the past, and a refocus on instilling in our young people instructions towards economic prosperity. This requires strategic leadership and support, two commodities Maori could use a great deal of.

The second theme, I took measure of was that of acknowledging *"without vision, there can be no development"*. That for us, vision ultimately determined destiny and if our leaders and elders had no vision of any possibility beyond now, our families and hapu would ultimately suffer. There would be little chance of developing the kinds of *"get real"* strategies needed to achieve improvements in our health and economic track records. For indigenous peoples to hold fast to their life-enhancing

traditions, culture had to reaffirm its self as *"the mother of vision"* and it was when Diaz said this, that I understood the need to (re)discover the life-preserving values left by my tipuna. Every culture contains pathways and new visions of possibility and these new visions have to be cultivated both by leaders and the "cultural" entrepreneurs and it is within this context that I aim to link vision to spiritual as well as academic and intellectual insight.

The third theme I took from Diaz' closing remarks was that *"the development of people and the development of their communities need to go hand in hand."* That the strength of 'the individual', and the strength of families and communities are in proportion and directly contribute to the healing of each other: that as people become stronger, so too do their communities.

The fourth theme, I took was that *"life-long learning is a fundamental dynamic upon which we all must develop"*, and this was the basis of human enterprise endeavours and entrepreneurship. As we learn to live and accommodate through life-enhancing, life-preserving traditions we develop confidence. Not only do we learn to become confident, but we begin to trust in ourselves and develop the success habits necessary to survive the modern world.

My interest in Maori leadership and in indigenous development manifested as much from this experience as it did from my previous research work. Central to the M.Phil thesis I completed in 1988<sup>1</sup>, was the notion of diminishing Maori leadership and the changing nature of traditional values. As I grew up in Ruatoria, returning home as the researcher then, had its difficulties, its precious moments, its emotion and its rewards. But above all else, it provided me with the grounding I needed to constantly push the boundaries.

The early years of my life were not that untypical of the small boy, from a small rural town big thinking. Though I was not endowed with a large rugby physique of my cousins, I knew my will to survive, win and persist far exceeded my stature and place on the rugby team. I played hard and worked hard especially when competing with two brothers and five sisters for attention and whatever luxuries our parents could afford us. I grew up intensely proud of my Ngatiporou and Kahungunu heritage and often looked in awe at the sacred maunga, Hikurangi, which stood towering over the town I grew up in. Its magnificence overshadowed any inadequacies I as a young boy felt.

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<sup>1</sup> M.Phil (sociology) thesis entitled 'An ethnographic study of alcohol consumption and drinking patterns on marae in and around Ruatoria. P.J. Mataira. Massey University. 1988.

During the early 1970s, my father took a bold and rather unusual step, perhaps out of his own frustration, or perhaps it was because he always knew he would set up his own business. He ventured out into running a mobile mechanic's workshop, servicing the local rural farmers and County Council to compete against his former employer. They were stressful times for the family as I recall, but the tough years taught us the value of being in business and in controlling our future. My father went on later to set up a trucking enterprise alongside his other business operations but this was to become threatened by the privatisation road works in the area and outside competition. It was all at a time when forestry growth, particularly during the late 1980s stalled impacting on the entire East Coast community. Today he owns and manages his waste management company and during the summer months supplies water to local residents. My mother also owns her own business - the local "KaiKart" takeaway. She has run it for 27 years and still thrives as one of the oldest family businesses in Ruatoria.

It was during the mid-1970s, that forestry was hailed as being the economic saviour of the Coast already depressed and suffering from the gradual loss of young people to the cities. It was going to be the new lifeblood, the industrial godsend that would transform lives and bring people back to the Coast. It moved farmers away from farming and land use was to change forever. The dream however, turned for the worst following the 1984 Labour government deregulation policies. Competition increased, markets strained up and on top of that, the bottom dropped out of the timber market. When the stock market crashed it effectively shut down planting, forced many onto the dole and precipitated the closure of many local businesses.

I, like others, became critical of this and economic modernisation of rural New Zealand given the negative impact this was having on Maori. Questions were raised as to whose economic modernisation were we talking about? At what price? And how must this be addressed long-term? These are questions I still continue to ask and remain passionate about as a focus for my research.

This study of Maori entrepreneurs grew as much in response to my interest in Maori economic development as it did from my views about modernisation. Maori have much to lose if their response to economic change remains passive and if its leadership is unable to meet the challenges of a modern business. Maori entrepreneurs are the leaders and managers of the future. They are those with the practical "know how" to get things done. They are the modern day "bicultural navigators" the indigenous capitalists who hone, craft and test their skills against all the odds. They constantly walk precariously between two worlds to show that they can make a difference. This study is thus dedicated to those who dare to be different.

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## *Glossary of Terms*

ahua	shape form
ao	world
Ariki	chief
aroha	love, respect, affection
Atua	god
awhi	to help
hakahaki	scabies, sores
hiko	walk
hinengaro	emotional intellect
hue	'the gourd' used as a carrying utensil
hui	ceremonial, formal meeting
iwi	tribe
kaiawhina	helper
kaitiaki	a guide
kanohi kitea	a known or familiar face
karakia	prayer/chant
karanga	a call of welcome
katoa	all present
kaumatua/koroua	male elder
kaumatua/kuia	female elder
kaupapa	topic, agenda
kawa	protocol
kete wananga	baskets of knowledge brought to earth by Tane
koha	a reciprocated gift
kohanga reo	pre-school 'language nest'
kore	unorganised potential, nothingness
korero	to speak, talk
koretake	useless
koru	spiral design
kura	school
kura kaupapa	primary school with total immersion Maori language
kura wananga	tradition house of learning, university
mamae	sadness/pain
mana Atua	the power of the gods
mana tangata	the power given to people through god
mana whenua	a link to the land based on whakapapa
marae	traditional, ceremonial meeting place
matauranga	secular knowledge
mata waka	Maori who live in one area but whakapapa to another
mate	illness, death, the dead
maunga	mountain
mauri	the life force
mihi	formal introduction of oneself
mokopuna	grandchild
ngaro	lost
noa	free of tapu, a state of normality
Pakeha	New Zealanders of European, Caucasian descent
pakeke	adult person
panui	notice
Papatuanuku	Mother Earth

pohara	stupid
poroporoaki	farewell speech
potiki	youngest child
poutama	stairway towards enlightenment
rangatira	chief
rangatiratanga	chiefly control, sovereignty
Ranginui	Sky Father
ropu	group
runanga	tribal council
Taiopuru	highest ranking of all chief titles
take	issue, topic for discussion
tane	male, man
tangata whenua	indigenous people, 'people of the land'
tangi	to cry
tangihana	funeral
taonga tuku iho	gifts passed down to the present generation from the ancestors
taonga	gifts including land, language, natural resources, technology
tapu	sacred, to be treated with respect
tatai	to layer
tauwi	foreigner
tautoko	to support, encourage
teina/taina	younger siblings
Te reo	Maori language
tiaki	to watch over, look after
tika	correct, right actions
tikanga	truth, correct principles
tinana	body, physical dimension
tipuna/tupuna	ancestor
titiro	look
tohunga	expert
tono	to guide
tuakana	older sibling
tukutuku	carved panels
uri	descendant
urupa	cemetery
wahine	woman
waiata	song, to sing
wairua	spiritual dimension
waka	canoe
wehi	awe, respect
whakakotahitanga	unification, to make as one
whakama	shyness, ashamed
whakapapa	genealogy
whakarongo	to listen
whakatauaki	proverb
whakatinanatia	to "make things happen"
whakawatea	to bless
whakawhanaungatanga	establishing and acknowledging relationships
whanau	family
whare/nui	ancestral meeting house
whariki	woven mat

*List of Abbreviations*

CCCBU	Centre for Cultural Studies Birmingham University
DNA	Deoxyribonucleic Acid
GM	General Motors
ICPE	International Centre for Public Enterprises in Developing Countries
ILO	International Labour Office
MMP	Mixed-member Proportional representation
NBR	National Business Review
NPM	New Public Management
NZBRT	New Zealand Business Roundtable
OECD	Organisation for Economic Co-operation and Development
OPTIMA	Optimal Performance through Internal Management Action
SOE	State Owned Enterprise
TNC	Trans National Corporations
TPK	Te Puni Kokiri
UNDP	United Nations Development Programme
US	United States

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## SECTION ONE: DEVELOPING THE FRAMEWORK

### CHAPTER ONE: Introduction: The theoretical orientations, conceptual framework and method of investigation

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A cloud masses, the sky darkens, leaves twist upwards and we know that it will rain. We also know that after the storm, the runoff will feed into groundwater miles away, and the sky will grow clear by tomorrow.

All these events are different in time and space, yet they are all connected within the same "pattern". Each has an influence on the rest, an influence that is usually hidden from view. You can only understand the system of the rainstorm by contemplating the whole, not any individual part of the pattern.

Business and other human endeavours are also systems. They too are bound by invisible fabrics of interrelated actions, which often take years to fully play out their effects on each other. Since we are part of that lacework ourselves, it is doubly hard to see the whole pattern of change. Instead we tend to focus on snapshots of isolated parts of the system, and wonder why our deepest problems never seem to get solved

- Peter Senge (1990)

#### *Introduction*

This thesis set out to examine the emergence of Maori entrepreneurship in an environment where tribal iwi are becoming significant players as financial investors in commerce, industry and information technology. It examines the developments of Maori enterprise given their affluence, their political influence in parliament and the changing role of the State. This chapter examines the theoretical and conceptual frameworks used to discuss and construct a worldview of entrepreneurship that is essentially systems based. A number of central propositions are made here about Maori tribal organisations and about mainstream Maori business leaders and 'captains of industry'. Given the increasing accumulation of wealth generated by tribes there is a need for a reconfiguration of tribal leadership structures, management systems and fiduciary function. In practice, however, the management and control of tribal resources has led to increasing disquiet and frustration among Maori. In particular, vocal frustrations concerning who, what and how assets should be redistributed and for whom shall the benefits be reserved. It is here that Maori-driven qualitative and quantitative research is beginning to develop processes and protocols as the 'critical mass' of cultural knowledge is accorded an economic value.

The main proposition this study makes is that entrepreneurial practice is an inherently transmissible and common practice within Maori society and necessary to a continued vibrant culture. It is a practice embedded within customary ways and lifestyle. What this thesis aims to present is an understanding that western systems approaches are complementary to those of Maori processes.

What is necessary to explore are tikanga and ethical principles of tribal wealth creation and variances that might exist in western business practice. I see tribal groups, including my own, as thus far only now realising and reconstituting potential to create prosperity and produce benefits back to beneficiaries and what are now known as tribal stakeholders. As much as my analysis is flavoured in critical thought, I believe traditional management styles and the articulation of leadership practices among the many small-scale to large-scale Maori entrepreneurial businesses provide important examples of better utilisation of strategic resources. The themes addressed by the thesis are thus centred on skill and attributes associated with managing risk, decision-making, leading change and maintaining sustainable sensible business practice. It is in effect about Maori patronage into modern business. As a means of addressing the first part of the research question, the thesis sets out to examine extensively the theoretical and conceptual frameworks underpinning Maori advancement, social constructs and literature related to modern economics. It is necessary to consider the literature given the pervasive influence mainstream classical economics, the capitalist doctrine and modernisation has had on whanau, hapu and iwi relations. Questions are asked on how efficiently do Maori entrepreneurial 'captains of industry' manage their constituencies? How do they balance stakeholder interests? What do they see as essential in start-up companies and what is important to running a successful business? Questions are also focused on what leadership means to them? The significance of whanau support and what does the future hold for Maori?

While theoretical and conceptual frameworks of mainstream business and classical economics are important, the other component of my research question examines the vitality of traditional ways and developmental aspects of Maori social and economic constructs. It is critical from the point of view of this thesis to examine the historical and political formation of Maori commercial structures and entrepreneurial enterprise (Merrill, 1954). My interest is in the rationale for the establishing tribal trust boards, land incorporations, runanga and post-Treaty settlement institutions including the Maori fisheries commission. Effectively, they are beneficiary holding entities created by the State to serve the wider mainstream capitalist interest under a pretext of accommodating "the best interest of Maori". They were, and are still seen as, Crown instituted and conferred entities that administers, the powers and processes of tribal decision-making as determined by impartial government officials. Other organisations will be addressed in the thesis along with the debates surrounding the relevance and functional rationale of continued State intervention.

The focus of the investigation is the nature of Maori entrepreneurship and the articulation of leadership attributes in the course of how Maori do business. My contention is that there exists plausible tension between what is essentially Maori fiduciary responsibility of tribal leaders to protect the interests of its tribal members and the capitalist driven profit motive.

It is Maori focused research study and therefore grounded in the lives and experiences of Maori entrepreneurs. As such it requires the application of, what I believed to be, certain protocols and understandings deemed necessary to working effectively and respectfully with Maori in what can be described as a Maori way. I was conscious of ensuring the study maintained academic integrity as a scholarly work whilst acknowledging the need to remain grounded and aware of the sensitivities of Maori research practice. Though much has been written concerning Maori research methodologies issues continue to be debated about appropriate methods and ethical considerations, I am persuaded to believe that Maori need to take more cognisance of the “message” and not single out the “messenger”. And that careful consideration of the political and ethical arrangements required to disseminate research findings be seen as a priority issue for Maori researcher. This study therefore requires critiquing along these lines.

This research developed from a premise that Maori hapu and iwi, collectively have the intellectual resource, social capital and entrepreneurial capacity to adequately respond to change. There is mounting empirical and anecdotal evidence indicating social movements and cultural systems often provide the very solutions to social problems without outside intervention. It is not my intention to undervalue theoretical explanations that underpin methodological research, rather, I give credence and weighting to the process of deconstructing theoretically complex arguments. As such, my aim is to layer theoretical and conceptual constructs upon entrepreneurial business practice and how these influence post-Treaty Maori economic development.

I discuss the theoretical and epistemological debates surrounding Maori research as a means of authenticating a valid process of conduct. Such debates also determine how past understandings differentiate and justify the prevalent value positions of the researcher. It is necessary to continue such debates as a process of articulating ‘western’ theoretical paradigms and constructs within Maori epistemological and pedagogical frameworks. Given that the analyses of theoretical assumptions necessitates the consideration of how data is to be collected, it has to be recognised that the link between theory and research is a mutual process: that theory guides research by providing a guideline and hypothesis, and, research provides a pathway and mechanism by which the researcher works towards establishing, formulating, strengthening, revising and even refuting the theory itself. Here, Barnes (1977) offers a concise definition of research methods as a “process whereby models of reality embodying potentially falsifiable hypotheses are continually matched against objective empirical evidence and are tentatively retained only until they can be replaced by better approximations to reality” (p: 61).

As research requires researchers to make judgements about the method of inquiry to be considered, decisions formulated on the basis of what is assumed about the subject matter itself is invariably the fundamental starting point. Social science research consists of two broad-based methods and both serve as the basis for this study. They are the positivist and empirical approaches that I will discuss in the following sections.

### *Science and social activity*

Theoretical explanations that derive from observations of the natural world assumes that plants, animals and minerals are neither conscious of their existence nor of the causation of their property behaviours. These are outside their realm of understanding or control. It is conceivable then, on this basis, to suggest that animal and plant life cannot choose how to behave as they might do. This recognises the laws governing the actions of the natural world, and that development of a rational method of analysis would, with certainty, assist in uncovering such laws. As this study concerns itself with the principles and practice associated with entrepreneurial leadership it is by definition about how people to manage change and problem solve. On this basis, Schumpeter (1954) surmises that economics is premised on nothing less than a false sense of hope. He states "without the possibility of proving the existence of uniquely determined [economic] equilibrium...at however a high level of abstraction, a field of phenomena is really a chaos that is not under analytical control" (cited in Arthur, 1990). This thesis thus addresses the actions entrepreneurs take in their attempts to secure control over circumstances and events beyond their control. It is contended that within the cultural context of Maori are understandings predicated on tikanga, kaupapa Maori and mauri that support innovation and entrepreneurship. The question however, is whether Maori can identify and utilise such understandings in meaningful and proper ways. To make some sense of this, I consider the need to develop a Maori entrepreneurship research framework that is academically rigorous so as to hold up to scientific scrutiny and that can contend with the sorts of complexities, uncertainties and ambiguities that arise in practical life.

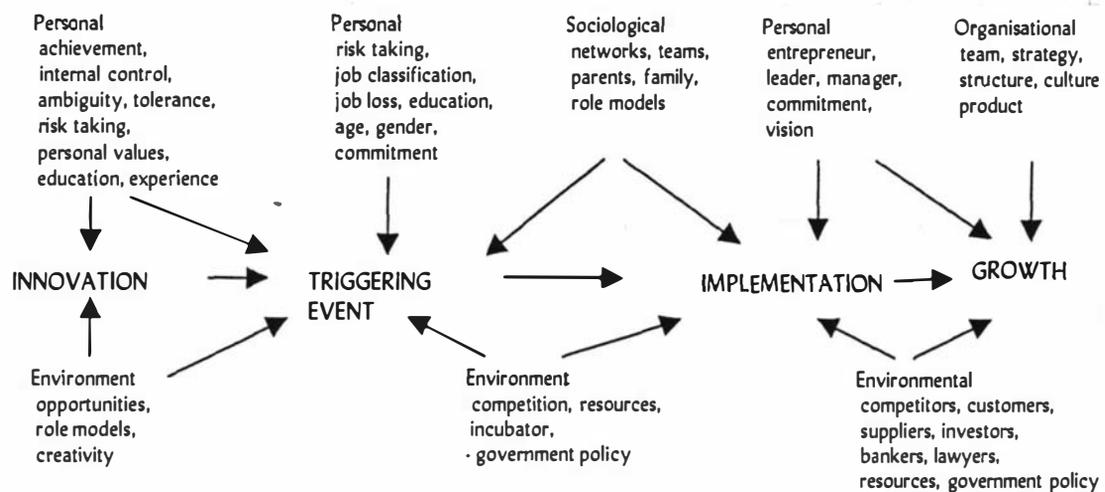
Empirical explanations of entrepreneurship require a degree of verifiability and coherence about how relationships are formed: That methods of investigation identify underlying principles that (i) explain and predict those entrepreneurial behaviours and activities which characterise conditions leading to new profit opportunities and new enterprises, and that they (ii) provide normative guidelines prescribing appropriate actions under certain conditions. Over recent years, studies have moved away from entrepreneurship as the act of an individual, and have focused on entrepreneurship as a process and as an event (Bygrave and Hofer, 1989; Schumpeter, 1994; Knight, 1964). This shift became the trend in modern management theory from the 1980s with its

moving away from functional role practices, to strategic processes and systems based management. Bygrave and Hofer (1991) identify as a strategic 'entrepreneurial process' the constituting of functions and activities associated with recognising opportunities and creating new organisational arrangements (the entrepreneurial firm) that serve the purpose of achieving business objectives. They go on to describe an 'entrepreneurial event' creating new structures that facilitate the search for further opportunities. Entrepreneurship, thus, as a means creative and sustainable change, comprises a process by which individuals act upon opportunities and establish arrangements to pursue opportunities as efficiently and effectively as they can. Bygrave and Hofer's (1991) definition of an entrepreneurial event is that it is:

- *initiated* by an act of *human volition*
- aimed at the *level of the individual firm*
- a *change of state*
- a *discontinuity*
- a *(w)holistic process*
- a *dynamic process*
- involves *numerous antecedent variables*
- *sensitive to initial conditions*, and
- *unique*

These features are important criteria used in this study as they provide essentially the building blocks and the understanding that offers explanations and that unlocks the mystery that surrounds entrepreneurship. Below I outline Bygrave's (1989) model of entrepreneurship as a central feature of my framework. The diagram indicates entrepreneurship not as a series of isolated activities but as a process by which entrepreneurs plan, implement and control activities. Bygrave's model mixes theoretical concepts of sociology with practical concepts of applied science. Illustrated below are four distinct events, 'Innovation', 'Triggering Events', 'Implementation' and 'Growth', alongside a number of different elements affecting each event in the process.

Figure 1.1 Entrepreneurial events formation process



Source: William D. Bygrave. *The Entrepreneurial Paradigm: A philosophical look at its research methodologies*. In *Entrepreneurship: Theory and Practice*. 1989:9.

### *The research method and theoretical underpinnings*

In this section I examine the theoretical and contextual environment in which Maori entrepreneurs operate as within a dual constituency paradigm: the paradigm of rational rectitude, the positivist business approach, dominated by results-driven corpus of knowledge; and the paradigm of subjective thought and interpretation. Lather (1991) reveals that weaving together theory and practice is central to the concerns of praxis-orientated researchers who seek emancipating knowledge. One implausible denial of western science its creditable claim to predicting with some degree of certainty future outcomes. Karl Popper however, argues that it is in the scientist's best interest to gauge and then assert approximations of the truth, which they call "scientific fact". To weave and encapsulate arguments of this research undertaking I have chosen to use a multifarious approach pleating together the literature and empirical evidence relevant to the dynamics of Maori traditional practices and to entrepreneurial behaviour. Today, Maori academics are raising questions about appropriate methods of Maori research (Smith, L 1999; Smith, G 1992; Bishop, 1996), in particular, they share similar critical viewpoints about the extent to which western research paradigms and practices pervade and dominate the domain of indigenous Maori research. This is a point of contentious debate I wish to address also.

The use of theory serves as critical guide to helping understand the scientific process and the wisdom of rationally conceptualised understandings of empirical phenomena. This thought implies a working relationship between methods of investigation and the phenomenon under study. In the case of Maori entrepreneurs, theory sets out the research problem while staking out the objectives of examination. Empirical inquiry of methods, in a reciprocal sense, helps set out the conquering

boundaries for theory whilst inviting them to refine themselves. Theory thus is a conceptualisation of activity interwoven in contextual and conceptual processes which, if done with utmost consideration, should guide research investigation and simultaneously allow the research itself to guide the theory. Or, at least this supposed to occur.

With this in mind I take a critical yet sensitive view to the current debates about "being the researcher". I consider the works of academics, notably network theorists, who make significant contributions to the study of change and to patterns of interpersonal relationships. I examine Tarrow's analysis of power movements as entrepreneurs move between cycles of protest and reform. I also consider the work of Glansdorff and Prigogine, whose studies on dissipative structures and the reconstitution of systems necessitates entrepreneurial activity. The theoretical contribution of Mitroff, whose stakeholder analysis provides an understanding of Jung's archetypes and constituent forces are also discussed. Schumpeter's theory of entrepreneurial alertness among others is discussed along with his critique of capitalism. I take a considered approach to these theories in relation to Maori research methods.

McNeill (1992) argues the point that the natural world has an independent existence of its own, in spite of who might wish to study it. To discover the laws of nature would only be possible by using rational methods of investigation. The data collected from using such methods could then be treated as objective and factual, and consequently justifiable as a 'scientific' explanation. This positivist slant has validity, but as mentioned in my introductory chapter is strengthened by qualitative analysis. Empirical researchers contend that qualitative and quantitative methods should be used to develop, verify, and test propositions about the nature of social life (Cressey, 1953; Katz 1983; Robinson 1951; Turner 1953; Znaiecki 1934) and by nature methods of analytic induction have been, in principle, the means by which researchers test propositions. What is perhaps more apparent and ironic, is the value qualitative methods place on quantitative techniques to prove the latter's assertions.

Although, I question whether qualitative methods lend themselves totally to the verification and the testing of theory, there is some justification for their use in both grounded theory and the analytic induction of data. Grounded theory, principally developed by Glaser and Strauss (1967) provides a method of bringing together theories and propositions from data rather than from other *priori* assumptions from existing theoretical frameworks and thus see the importance of generating data driven sociological theory. In consideration of this, I view an essentially qualitative line of inquiry as a 'subjective human experience' valued over and above, the clinical tendencies associated with positivistic, quantitative research. Qualitative methodology accepts both the phenomenological and

subjectivist nature of social science, and embraces the interpretation of experience as a gauge to how people think and relate to *their* world. This study favours such an approach, and is sensitive to, and acknowledging of 'meaning' as defined by research subjects. Lather (1991) suggests theory building needs to be flexible and "grounded in a body of empirical work ceaselessly confronted with and respectful of the experiences of people in their daily lives" (p: 60). This implies theoretical considerations on their own are inadequate and that relationships between theory and experience needs to be grounded within cultural context.

### *Locating subjects for the study: the selection process*

Given the nature of this examination I considered it important early on in fieldwork preparation phase that the selection process should account for a wider perception of views about what, and who, constituted leaders and business entrepreneurs. The process of selection had to satisfy two important criteria, first, that the perceptions of 'others' could be tested, and second that the integrity of this investigative inquiry would be maintained. I was aware that my own selection would at best be biased and at worst, sanitised because of whom I would deem appropriate. From a list of some 100 names, of business leaders, owners, company executives, public servants, community leaders, artists, academics and professionals written down following consultative discussions with colleagues and associates and by searching publications and newspaper articles, these were matched against two other lists.

The matching process involved seeking the names of profiled 'prominent leaders' by students enrolled in the management paper at the Auckland College of Education's social work programme. It was necessary to establish to what extent names listed recognised key Maori entrepreneurs. During the 1997 and 1998 academic years, seventy-one students were invited to list down as many Maori people they considered as leaders and business entrepreneurs. Of these, 55% identified themselves as Maori; 30% as Pacific Island (Samoan, Tongan and Nuiean) and 15% tauiwi/pakeha (Asian and European). From the respective classes, a total of 109 names were collated. This was later refined down to 70 as some names listed were invalid due to their non-Maori status (e.g. Nelson Mandela, Mother Teresa, Martin Luther King). Others, were of Maori descent from earlier periods now deceased (e.g. Te Puea Herangi, Apirana Ngata and Te Kooti). As well as gathering potential subjects by this means, I sent letters to ten colleagues around the country to ask for their suggestions. Seven returned their suggested lists and a total of 10 new names were added to the completed list.

Of the 80 final and eligible names, these were then cross-referenced against a list I had compiled from various sources. I decided to take the names that appeared on both lists and develop a master list from which the final selection of 15 subjects was drawn. This did not preclude the addition of other names that might come later. I was mindful at this stage of selection that those on the list “wore many prominent hats” and for that reason the criteria for final selection needed to be broader than a limited focus on business entrepreneurship.

It was decided to develop a selection criteria once the names of as many potential subjects had been established and this was deliberate in that I maintained a ‘loose process’ that would assist in shaping the nature, scope and impetus of the study. It seemed appropriate that the “many hats” worn would allow for some wider interpretation and expression of meaning that acknowledged contributions from wider social, political and cultural experiences.

The criteria developed are deliberately all-encompassing which serves the purposes of meeting both tribal and mainstream Maori broad line expectations of “what it means to be Maori”. The following criteria were identified as such:

- That respondents identified themselves as Maori, and as such, had knowledge and ties to their respective tribal areas.
- That respondents recognised their tribal histories and own individual, whanau and hapu whakapapa.
- That respondents were recognised among their tribal people and peers as independent business owners, company directors or business leaders with noted entrepreneurial and leadership skills.
- and that respondents had an identified profile known to the business community, their respective industry sector, to the media and the wider community.

These criteria include key leadership attributes. These were compiled from the mail outs, classroom lists and the relevant literature. These qualities include the subjects:

- ability to simplify
- confidence to experiment and try new things
- ability to maintain a detached evaluation of encountering risk
- practice of delegating and managing
- ability to communicate effectively, and
- acknowledgement of their tribal/hapu strengths and capacity to enhance the well-being of Maori

During the final phase of the selection process, a total of 22 subjects were identified and placed on the contact list. Initial telephone calls to 18 potential candidates were made with 10 agreeing in principle to take part. Letters were sent along with an information sheet (see appendix one) and consent form (see appendix two). A further 10 were contacted in the second round of telephone calls. Two more were added to the list of those who agreed. Due to a number of issues, six keen to

participant, however were unavailable to take part. One subject declined on the basis of commercial company policy and others were involved in new venture activities precluding their involvement.

### *Maori based methods of research*

In acknowledging tikanga processes and in keeping with culturally sensitive processes, a non-schedule interview approach was considered as the best strategy of interviewing chosen subjects. Becker et al, (Becker, Geer, Hughes and Strauss 1961:29) describe the use of such a method as exploratory and designed to get information on particular points for systematic analysis, adding:

We used an interview guide...but [we] left room for the free expression of all kinds of ideas and not force the student to stick to the original list of questions or to answer in predetermined categories.

Bishop (1996) regards researching in a Maori context as not simply a matter of listening, recording or re-telling stories of the researched, but of adequately and accurately responding to what the stories mean for them. In quoting Connelly and Clandernin (1990), Bishop points out that it is impossible for "us researchers" to theorise "their voices" (Bishop, 1996:23-24) because both researcher and respondent constantly reflect and seek answers for their own experiences as well as those of others. He adds

Simply telling stories as subjective voices is not adequate (either) because it ignores the impact that the stories of the other research participants have on our stories. Instead [as researchers] we need to acknowledge our participatory connectedness with the other research participants and promote a means of knowing in a way that denies distance and separation and promotes commitment and engagement. Narrative inquiry is an approach that addresses Maori people's concerns about research into their lives.

Reid (1978:26) regards this as an important consideration for practitioner engaged in the professional human services. Stating:

Almost everyone would agree that a person who acknowledges a problem is dissatisfied: with his [sic] own feelings or behaviour, with the behaviour of others, with his life situation, and so on. But dissatisfaction can be experienced only if one has some sense that things can be different. A person who is dissatisfied, then, wants something that he is not getting. Therefore, an unsatisfied want is a necessary condition for an acknowledged problem. If there is no want, there is no problem.

He adds also that:

A practitioner is "genuine" if he [sic] is "nonphony, nondefensive and realistic" in his encounter with the client. (p:88)

Graham Smith (1992) prescribes a Kaupapa Maori research framework that challenges research practice to move beyond western epistemological understanding. He outlines key conduct considerations for Maori researchers as being:

1. *Aroha ki te tangata* (a respect for people).
2. *Kanohi kitea* (the seen face, that is, present yourself to people face to face).
3. *Titiro, whakarongo...korero* (look, listen and speak).
4. *Manaaki ki te tangata* (share and host people, be generous)
5. *Kia tupato* (be cautious).
6. *Kaua e takahia te mana o te tangata* (do not trample on the *mana* of people).
7. *Kaua e mahaki* (don't flaunt your knowledge).<sup>1</sup>

For Maori researchers working with and among Maori, these conduct/ethical considerations are seen as standard rules as set out in accordance with universal tikanga principles.

Using a non-standardised method implies researchers have a commitment to recognising respondents have unique and different ways of defining their worlds, and that this is best captured by allowing them to construct their reality. My reason for using this method centres on what is meaningful of entrepreneurs: that a, 'no-fixed' sequence of questioning allows for free flowing dialogue. Richardson et al (1965) contend that the "most effective sequence for any respondent is determined by his [sic] readiness and willingness to take up a topic as it comes up" (p: 51). Indeed it is important as a researcher to apply an approach that 'interprets things as they come'. They also acknowledge that "through some careful profiling of respondents, necessary skills can be gained that could tailor questions and their sequence so as to give some semblance of equivalence of meaning" (Richardson et al, *ibid*: 51).

I used a semi-structured questionnaire guide to gather information from entrepreneurs where a set of broad ranged questions were initially drafted and pre-tested to assist in refining these (see appendix three). Foddy (1993:14) confirms this by saying that it is important to have a "prolonged, intimate immersion in the social interaction in question, and to use [of] non-directive, open questions that respondents answer in their own words rather than in terms of pre-set response categories". Singleton et al (1988:11) supports this view adding "field research is essentially a matter of immersing oneself in a naturally occurring...set of events in order to gain first hand knowledge of the situation".

This approach reflects the extent to which research focuses on observations and events in the context of how such events are interpreted given the context of how the question is being asked. It

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<sup>1</sup> See Linda Smith (1999: 120)

is conceivable then to assume that a particular response to a selected question will differ to those responses given by the same respondents under different circumstances. In taking note of this, I take the axiomatic view that behaviour in given social contexts will depend on the way respondents define that particular situation. For this study, all interviews were pre-arranged to accommodate the busy and often unscheduled lifestyles of respondents. These were planned in advance and conducted with appreciation of time. Most were conducted at their place of work, or in their homes (which were extensions of their offices).

Whilst I had to make firm decisions to narrow down the scope of the questions and how I would interpret the context in which all respondents narratives and words were set, they essentially spoke for themselves. Each was sent a full unedited copy of their interview transcript for comment, correction and acceptance. As these were returned subsequent changes requested were made. Those respondents who chose to have their interviews conducted in Maori were asked to correct any phrases or names I may have transcribed incorrectly. These were checked and amendments also made. I took considerable effort to ensure good lines of communication with respondents were established and they were given every opportunity to contact me throughout the write-up stage to discuss any matters of concern. I took the view that since no one made formal contact to be a positive sign that they had approved thus far in the research. Their acceptance and the ethical assurances I outlined were affirmed in the research information sheet they were provided, however, it was important to ensure each respondent felt they could access me at any time.

### *Data sources: triangulation*

In establishing research viability it is necessary to maintain relevant and reliable information sources. The triangulation research method provides data that *ought* to complement each source. For this study the primary source of data was gathered from respondents. As well data was sourced from “the experts” conversant in fields of economics, business, law and management with knowledge of economic, social, public and legal policy issues. My thesis supervisors, Dr Michael Belgrave and Dr Grant Duncan also provided invaluable insight in this regard. Relevant information was obtained from written material; articles, journals, newspapers, texts, theoretical discourses and conference papers. I also took the opportunity to attend conferences and workshops related to business development, indigenous right and kaupapa Maori. One personally important source of information was attendance at kura wananga which provided greater insight into understanding tikanga and whakapapa. These wananga were invaluable also as a spiritual strengthening forum.

Effective triangulation is important, and as Epstein et al (1991:91) state, “rests on the premise that the weaknesses in each single method will be compensated by the counter-balancing strengths of the other”. Denzin (1989) points out however, a cautionary reminder, that a danger exists when researchers attempt to validate their qualitative methods: that is, where data collected from individual sources produces pseudo-scientific applications which inadvertently undermine the very characteristics each data source makes in its investigative intent.

In terms of developing Kaupapa Maori research approach Smith (1999) makes the point that:

Reconciling market-driven, competitive and entrepreneurial research, which positions New Zealand internationally, with the need for Maori to carry out research which recovers histories, reclaims lands and resources and restores justice, hardly seems possible. This is precisely why the debates around self-determination and the Treaty of Waitangi have been significant. The attempt by Maori to engage in the activities of the state through the mechanism of the Treaty of Waitangi has won some space in which Maori can argue for different sorts of research priorities (p: 189).

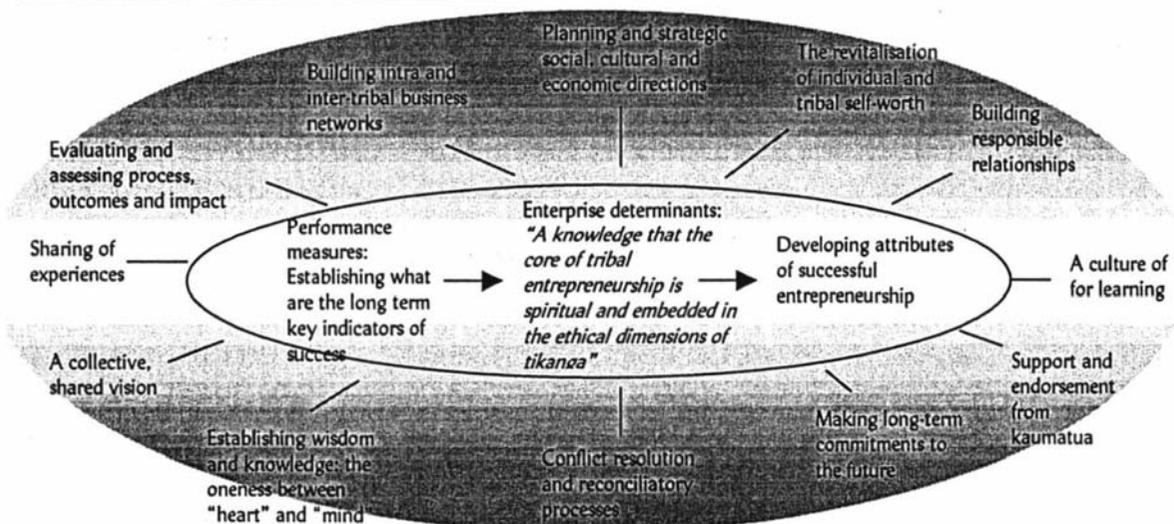
It is important that the debates Smith refers to continue and that the boundaries of indigenous research be further explored and extended. Critical to this process is reflexive dialogue and agreement to disagree, particularly among Maori researchers on issues of research, methods, self-determination and Treaty concerns. It is a healthy process and critical to the development of new knowledge. Smith adds further:

the competitive environment created by economic restructuring makes Kaupapa Maori research a competitor for resources with positivistic research. The problem is not just that positivist science is well established institutionally and theoretically, but that it has a connectedness at a common sense level with the rest of society who, generally speaking, take for granted the hegemony of its methods and leadership in the search for knowledge (p: 189).

Though Kaupapa Maori research is strongly anti-positivist it acknowledges that strands of Maori research in the medical and business sciences (with are positivistic by nature) require more emphasis on culturally sensitive approaches to research. I question the extent however, to which Kaupapa Maori research, within the context of this study, accepts positivism as not integral to qualitative research particularly in the field of business research. There exists currently a well developed body of ‘stand alone’ theory centred around organisational economics and the ‘disequilibria’ of economic theory, however, the main body of theoretical data concerning entrepreneurship has for sometime been subsumed under traditional Neo-Austrian economics. As such, it fails in its understanding of the account and variation of changes in social, political and global conditions. There does however, appear to be a departure and, perhaps reluctantly, a greater sense of appreciation to reconsider contextual and broader explanations of entrepreneurship. In part, entrepreneurship within ‘non-

conventional' western context spurns the development of a more generic framework and scope of understanding. I have outlined the framework for this study in chapter three. With the thought in mind that frameworks for analysing forces (unseen and uncertain) that act upon a business's performance are neither adequately defined or perfectly developed, the approach I use sets out variables related to Maori-driven entrepreneurial research. These are outlined in the schematic diagram presented. Identified are (i) the planning, goal setting and decision-making as the step-by-step pathway to change (ii) the necessity for personal revitalisation as a key to growth and means to maintaining "passion" commitment and enthusiasm (iii) the need to strengthen responsible communities and accountable organisations that serve the needs of those who live and work in communities themselves (iv) the need to appreciate learning as necessity to remaining at the cutting edge of innovation (v) the need for advisors as sounding boards who have access to up-to-date information (vi) the ability to take action – good intention has little meaning without decisive action (vii) the need to address conflict and tension within a positive frame of mind and manage change effectively (viii) the building of unity between the heart and mind (between intelligence and emotion) as the key to entrepreneurial wisdom (ix) creating a collective vision for a desired future for self, family and community (x) a collective shared experience and leadership (xi) knowing processes of evaluation as actions require an understanding of what, where and how developments are going (xii) the ability to network and form alliances as good networks help improve performance, develop opportunities and provide support. All have influence on the performance of Maori entrepreneurs and the establishing of entrepreneurial firms. Considering this framework, I am mindful of the extent to which variables influence Maori entrepreneurs. The following outlines the theoretical threads of each part of the framework.

Figure 1.2 Schematic view of core determinants of Maori tribal entrepreneurship



### *The research frame of reference*

This schematic framework acknowledges that literature in the fields of population ecology links characteristics of entrepreneurial firms and highlights issues of newness, smallness, and a generalist view vis-a-vis the specialist strategic dominance of the environment in determining those entrepreneurial companies that survive and those that do not (Adrich, 1979; Astley and Van de Ven, 1983; Hannan and Freeman, 1984). Research undertaken in organisational theory and strategic management provides invaluable insight into the environmental characteristics and the nature of entrepreneurial ventures: that is, the extent to which growth can be attributed to initial market forces and to the personality characteristics of the entrepreneur (Eisenhardt and Schoonhoven, 1990). As well, these provide an understanding of meaning associated with 'archetypes' of new firm strategies and environmental characteristics (McDougall and Robinson, 1990).

Over recent years research into entrepreneurship has begun to emphasise more the characteristics of culture, ethnicity, gender and the desire to consider educational and management experiences. These require acknowledging certain attributes that may lead to success. Important studies have focused on founding processes, such as planing, risk management, information use, networking, team formation and financing. Here the relationship occurring between ventures, performance and initial entrepreneurial characteristics are understood alongside any prior organisational experience of entrepreneurs (Freaser and Willard, 1988).

The important point here is that the central themes covered in much of the established research over the past 15 years has related to economic performance factors of profitability, market leadership and price competition. This thesis is essentially exploratory as it aims to identify social-cultural patterns from which theory can be generated. This contrasts with the deductive method, which uses theory to generate hypothesis, which, in turn, can be tested empirically (Babbie, 1990).

The empirical data contained in the thesis is 'soft' as it is gathered from respondents who have expressed 'perceptions' about what they understand about their own lives; about the decisions they make, the challenges they endure and the things they value. As such this is about symbolic interactions between respondents and their wider relationships including how they inter-relate to stakeholders, their families, customers, competitors and tribal members. My interest in the nature of relationships includes understanding the difficult ambiguous nature of business transactions that

involve assumptions and determining actions. I use the inductive, qualitative non-experimental approach, on the basis that this study is Maori-driven which requires emphasis on context, culture, frameworks and consent. The considerations are by and large about how I, as a Maori researcher, locate and establish my distinctive connection with respondents. In saying this I take Bishop's point that distance between the researcher and the researched is a construct created by researchers themselves. As he puts it researchers "constitute discursive practices to account and deal with distance, whether it be in terms of objectivity or subjectivity" (1996:27). I also note the distinction between Maori-driven research and Maori-based research: that the former calls into account whakapapa and whanaungatanga connections. As Bevan-Brown (1998) points out Maori research has its own set of unique criteria and "this would mean it must stem from a Maori worldview, be based on Maori epistemology and incorporate Maori concepts, knowledge, skills, experiences, attitudes, processes, customs, reo, values and beliefs" (p: 231). I hasten to add that this is based on birthright and experience which cannot be taught in a research methods class.

An inductive approach does not begin from a value free position. My approach to Maori tribal business, leadership and entrepreneurship contextualises what these mean to respondents. I have found action learning works in explaining these constructs and why it is that research on Maori entrepreneurs does not fit the cultural essentialist view. Indeed, my analysis is guided by the kind of information gathered and questions asked. As Henare (1999) contends, there are dangers and problems inherent in iwi fundamentalism and the essentialist Maori worldviews. A number of theories and conceptualisations have developed over recent years on 'western' leadership and business management practices and are useful to the central themes of this thesis, including that of action learning. My interest in action learning as a research understanding underscores the implicit assumption that activity is at the core of all social life: that action is how individuals give meaning to their lives. By doing, entrepreneurs reveal themselves to others in peculiar ways and it is through this process that they create structures that preserve order necessary to managing their activities (see also Arent, 1958, 1963).

For some decades, researchers have shown interest in producing knowledge that is applicable to daily life. Campbell and Stanley (1963) see the need to create applicable understanding as a means of gaining external validity. Argyris (1993) points out that though it is necessary to have external validation it is not a sufficient condition to produce the kind of knowledge used in every day life. His focus on actions is about executing and implementing tasks to produce intended consequences. Behaviour is imbued with all sorts of meaning as individuals try to make sense of the world. Action, is therefore not only about discovering new ways and new means but gives an assurance of maintaining effectiveness and control.

Recognising this highlights the important hermeneutic processes of text interpretation as a central cornerstone of research. The interpretation of speech and text is in keeping with the authenticity of respondent's viewpoints.<sup>2</sup>

The effectiveness of control is as an important component of Maori research (Smith, 1999) and in keeping with tikanga and kaupapa processes emphasis is on acknowledging the mana of respondents throughout the data collection, analysis and interpretation stages. This is done by several means, including allowing respondents to control records of the interview; allowing them greater responsibility and flexibility in setting the agenda; not limiting correspondence to what entrepreneurship might mean and leaving the options open for them in Te Reo Maori.

Symbolic interactionism is important to discuss here because of its focus on meaning and proposition.<sup>3</sup> Its key arguments are best summarised by Blumer (1969). He states:

Any human event can be understood as the result of the people involved (keeping in mind that that might be a very large number) continually adjusting what they do in the light of what others do, so that each individual's line of action 'fits' into what others do. That can only happen if human beings typically act in a non-automatic fashion, and instead construct a line of action by taking account of the meaning of what others do in response to their earlier actions. Human beings can incorporate the responses of others into their own act and thus anticipate what will probably happen, in this process creating a "self" in the Meadian sense (this emphasis on the way people construct meaning of others' acts is where the "symbolic" in symbolic interaction comes from). If everyone can and does do that, complex joint acts can occur. (Blumer, 1969. See also Becker 1988)

The critical test of theory therefore is whether it makes sense of particular situations through observational study – that is, 'seeing-for-oneself,-theory-in-action' test. Symbolic interaction takes the concrete, empirical world of *lived* experience and treats theory as an assertion that must be brought into line with that of the empirical world (Blumer, 1969). It is here that a number of philosophical viewpoints are insightful and importantly are about acknowledging that keeping things simple is not about simplicity itself, but about reaching some general conclusions.

Related to this, Popper (1968) and Lakatos and Musgrave (1970) have argued that theory neither verifies nor establishes truth, in light of observational evidence. Theory can only be falsified: that is,

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<sup>2</sup> I see significant to this study, phenomenology, as developed by Husserl in maintaining an imperative understanding that everyday life can be made through the unravelling of the many 'taken-for-granted' assumptions of social activity. See also Bishop, Chapter One (1996).

<sup>3</sup> As an empirical research tradition symbolic interactionism has as one of its strength a mass of literature and research material. It traces its lineage to the pragmatists, John Dewey and George Herbert Mead and to the sociologists of the Chicago School, namely Robert Parks, Herbert Blumer and Everett C. Hughes.

empirical observation, at best, can fail in its attempt to confirm a theory's prediction. Popper offers his falsification approach as a corrective measure to what is essentially naïve inductionism - the logical-positivist view of science and their verification processes. Good theories, as Popper maintains are falsifiable because they make definitive claims that can, and ought to be refuted. Thomas Kuhn's (1977) assertion raised debate with Popper's view, as he believed science grew and developed, not necessarily because a theory could be falsified.

For Kuhn, paradigms and interests change and this had little to do with falsification. He takes issue with Popper on the point that it is difficult to quantify what is false because scientists socially construct scientific findings (Becker, 1986:2). Here, Chalmers (1982:61) makes the assertion that "conclusive falsification of theories are not achievable" and though a fallible observation can be unanimously rejected, fallible theory underpinning observations could still be accepted.

In terms of entrepreneurial theory, it maintains its 'classical' economic determinist stance as it assumes a predictive quality to influence the nature of specific individual firms rather than of the general population of entrepreneurial firms. It then needs to be said, that entrepreneurial theory attempts to forecast outcomes not obvious to those less informed, indeed, it becomes preferable that any predictions it makes should transcend existing practice and that it should not be tailored to fit facts, which arguably are the most common defect of empirical models that use regression analysis techniques. The pool of successful entrepreneurs is small which in a sense make them a vulnerable commodity to research. Given this, the literature remains predominately retrospective and what research discovers appears to remain "behind the eight ball". It is clear, researchers should remain suspicious of the models that account for all facts and that when studying and writing about entrepreneurs and their successes, entrepreneurs themselves are compelled, in a sense, to shift position and tact. Good models need to account for predictions about facts, but above all, should be grounded across social sciences fields, particularly those of psychology, sociology, economics and politics.

Gluckman's (1962) interest in structuralism recognises the role of conflict and power in transforming and integrating social systems and emphasises bargaining and coercion as part and parcel of forms of social, political or economic integration. His earlier works actively encouraged students to pursue these themes. Adelson (1990) picked up on Gluckman's work and suggests philosophers ought to be sociologists given interactional analysis emphasises processes of solving traditional philosophical problems, in particular those of law and morality. Adelson, in commenting on Blumer's work said "it is the social processes in group life that create and uphold the rules, not the rules that create and uphold group life". She adds that if this is true, then

processes, not rules, need to be understood and conceptually analysed to be able to answer questions about morality. For this, it becomes important to distinguish between what is meaning and what are processes.

Meaning is constructed in the *processes of interaction*, in which there exists no neutrality, but rather a vacuum of social forces that in themselves form social organisations and social forces (Blumer, 1969). Society therefore, is a process of symbolic interaction and taking this on board allows us to steer between the middle road of the structuralists on one side and the ideologists on the other.

Processes are sequential steps that assume one thing happens, then another and so on, until new conditions are created by which others become involved in progression. This understanding makes way for theoretical contingencies (Turner, 1986) within which, cultural studies become valid in their assumption that nothing has to happen: that nothing can be fully determined and that at any given time in the unfolding of events, something else *might* happen. To have certainty of this possibility, the balancing of constraints and opportunities leads individuals to do similar things. Here, contingency recognises that individuals behave in unanticipated, sometimes unconventional ways which arguably is the nature of entrepreneurial activity itself. Symbolic interactions therefore stand as corrective measures that explain how culture and social structures determine what it is people do.

### *The researcher's position*

The position I hold is one of contrast. It is partly because I contest being labelled the authoritative voice (the so-called "scientific expert") and partly because I have little favour for the self-indulged "scientific" style of presentation, I write, paradoxically, in a manner that crosses both thresholds. My aim is to be reflective in my examination of social realities and in particular my examination of the Maori experience. Whilst this might be a postmodernist stance which in its realm rejects the core values of Enlightenment's faith in reason, rationality and progress, Richardson (1990) offers a view that sets comfortably with me. He describes postmodernism as an oxymoron as it is a non-resolute attempt to challenge the authority of science. The argument being that the ideological framework of science is somehow flawed. The label 'post' itself is contestable as no one knows for sure of its inception other than it occurring sometime after the philosophical era of the 1980s modernism.

As a critical position, postmodernism takes its lead from the field of literary studies and contemporary philosophy, notably the works of Foucault (1980) and Bourdieu (1980). It asks, should textual studies be read in terms of conventional literal qualities of plot, drama, exposition and literacy technique, or should they be interpreted in terms of the social position and subaltern ideologies of the authors? The popular rise of the postmodernist and poststructuralist movements coincided with an emerging interest in critical ethnography (Denzin and Lincoln 1994; Thomas 1993) and as such, attention turns from critiquing methods to questioning issues surrounding a researcher's race, gender, class, social position in their production of ethnographic 'text'. Furthermore, some postmodernists, make little distinction between what is fiction and what is non-fiction as Atkinson (1992) and Denzin (1996) argue both are conceived as narratives of literary devices, of metaphor and of synecdoches (see also Richardson 1990).

As a researcher, it is necessary to acknowledge my own set of values in order to maintain genuineness and focus. Important to maintaining this is the awareness of my own subjective and academically privileged position. I acknowledge this entwines issues of power, class, cultural beliefs and my connection with respondents and my experiences of the world. I also acknowledge that I am an organic intellectual whose subject matter are the lives and experiences of organic leaders. Smith (1999) stresses that for Maori researchers research should remain a humbling vocation. I acknowledge here that my own tribal affiliations, my age and gender shapes and influences the scope of this study. Though Smith acknowledges there might be some distance between the Maori researcher and Maori communities, they remain essentially members of their *iwi* having close family and community ties (p: 72). Stokes makes a relevant point here that "a researcher who is not only comfortable in both cultures but can stand back and put both sets of cultural values (and the real and potential conflicts) in perspective, will come closest to evaluating Maori research needs" (1985:10).

Te Awekotuku (1991) argues where researchers in the past were deemed accountable unto themselves in today's Maori context, this is definitely untenable. Her report to the Ministry of Maori Affairs was a committed attempt by Maori subalterns to provide a broad set of ethical considerations for significant policy research undertakings by Maori policy research to be more accountable. Her considerations were essential in recognising individual rights and the collective interests of Maori. Bevan-Brown (1998) adds:

Researchers should undertake a project only after a thorough consideration of their own ability to fulfil the project's requirements; factors to consider could include tribal background, gender, language fluency, age and qualifications (cited in Bevan-Brown, op cit. p 234)

Bevan-Brown's view is more acceptable than Collin's (1983) rather ethno-centric statement that:

The method is the same as is used by members absorbing a new system of categories, or language, or new way of seeing. This method consists of interacting with the native member as much as possible, until their way of life has been absorbed. Competence is indicated when the new member can act in new situations with confidence and without making mistakes (p: 71)

Smith (1999) sees this as an impossibility and refute Collin's insinuating tone claiming non-Maori are less likely to appreciate the complexities of Maori life. What is required is a more purposeful approach.

In terms of working with data Glaser and Strauss (1967) discuss the aims of theoretical study should be to *develop* or *verify* social theory or both (Emerson 1983; Katz 1983; Strauss and Corbin 1990). They maintain qualitative study should direct itself towards developing, or generating social theory and concepts (see also Glaser 1978). Their grounded theory approach was designed to enable researchers to do just this.

### *Cultural studies influence*

What might appear contrary to the postmodernists, yet complementary from my perspective is the post-Marxist contemporary school of cultural studies. It is classically humanistic and centres on fostering openness and theoretical versatility. Developed out of the University of Birmingham in the late 1970s, it sees symbolic interactionism as reflexive, self-conscious and avoiding theoretical orthodoxy (Hall, 1980) and methodological codification (Johnson, 1986). Yet as Popper argues it reserves the right to be falsified (Popper, 1962).

The Birmingham Centre for Cultural Studies Centre, though, initially accused of being too theoretical, maintained its stand as being empirical since its inception and that it "had no alternative but to undertake a labour of theoretical definitions and clarification at the same time as [it] attempted to do concrete work in the field" (Hall, 1980:25). This position confirms a realisation for me that a commitment to developing an analytical framework requires a focussed undertaking of theoretical discourse which in itself shifts in and out of the reflective, passive mode.

Willis (1980) considers this through questioning what happens in situations of methodological possibility: that is, of the "*oops!*" experiences that occur in fieldwork; *being surprised* by the unanticipated knowledge not prefigured in the starting paradigm. He maintains there could be, on

this basis, no truly *un*-theoretical way in which to see or examine objects: that “remove[s] the hidden tendency towards positivism” (p:90). This requires a theoretical basis from the starting position. To contend with this, he suggests researchers need to “add to the received notion of the *quality* of the data, an ability to watch for inconsistencies, contradictions and misunderstandings” and thus, to “make theoretical interpretations of them”, and recognise their “reflexive relationship to their subjects” (ibid: 90-92).

To make links and to further shape the central process Moreno’s social network analysis provides an explanation of what logic or reasoning lies behind particular arguments: that opinions are important and require an understanding of relevance and meaning. By applying social network analysis, he suggests researchers gain useful insight into patterns of kinship/family structure, communities, organisations, interlocking directorships, transactions, alliances and stakeholders.

Generally speaking, social science data are fundamentally rooted in cultural values and symbols constituted through individual meaning interpreted through motivation, definition and typification, that involve processes of interpretation. As such, distinctive *types* of data that entail certain methods of analysis can be formulated. Principally data gathered is either ‘attributive’ or ‘relational’. Attributive data relates to attitudes, views and behaviours expressed by respondents, in so far as they represent the properties, qualities and characteristics that belong to them which can be quantified and analysed using statistical procedures. Relational data, on the other hand, concerns contacts, ties, connections and attachments which relate one to another and by definition, cannot be reduced to constituent properties. Relations are therefore not the properties of respondents but of the systems from which relations connect to all other subjects in the larger relational system. Here, the appropriate method of investigation<sup>4</sup> is associated with network analysis as relations or expressions of linkages running between subjects themselves (Wasserman and Faust, 1995).

### *The cultural essentialist argument: the inside outsider and outside insider*

Whether the researcher operates as an ‘insider’ or as an ‘outsider’ it is fundamentally a question of whakapapa and accessibility to knowledge. For Maori, whakapapa is a birthright that entails rights

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<sup>4</sup> Social network analysis is discussed further in the following chapter. It is a method of examination that looks non-standard analytical problems substantively different from those encountered in the social and behavioural sciences. I examine its use in more detail in the following chapter. Within its tradition, it assumes a set of measurements of independent units give rise to a ‘familiar case by variables’. The assumption is that the sampling independence of observations allows for the complex devices of statistical analysis can be applied to a range of research questions. Though I do not intend to take this path, I am interested in networks and their ‘relationships’ with other social units, in other words, how and on what basis entrepreneurs pursue goals. Network theory is distinguishable by its propositions that units do not act independently, but rather are influenced by each other.

and obligations that solidify relationships. As an insider researcher I understand that this position is volatile and political as it requires consideration on my part of possibly offending my own people. It requires also reflexivity<sup>5</sup>: The two-way feedback mechanisms and processes that link thinking and reality. Smith (1999) suggests for Maori this means a deeper sense of critical thought about processes since often Maori researchers have live with the consequences of the processes they use.

It is an on-going area of debate in critical academic discourse as to whether or not a cultural essentialist view purported by Maori has substantive merit in the undertaking of entrepreneurial research. Though it has relevance in the terms of establishing conceptual frameworks and investigative methodologies of Maori-driven research, it can be accused of leaning towards a self-absorbed, walling-up of Maori experiences. Maori entrepreneurs are by virtue of their distinct position in two equally distinct worlds.

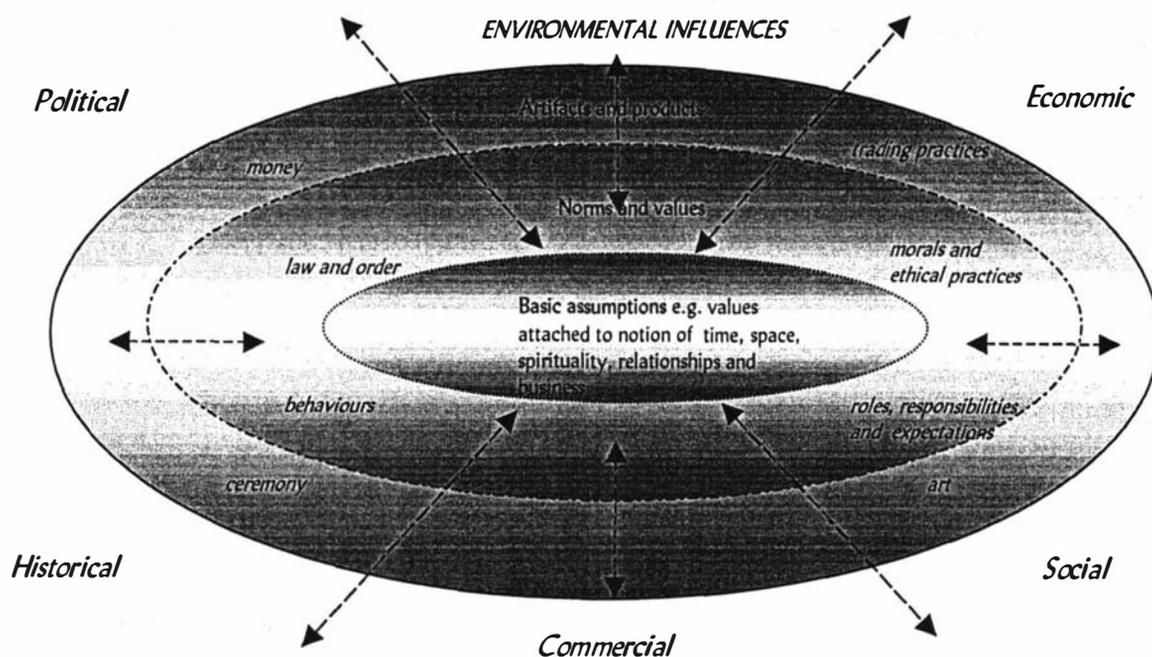
Graham and Linda Smith, Monty Soutar, Mason Durie, Mereana Taki, Leland Ruwhiu and Ngahua Te Awekotutku all address the issue of Maori inductionist research. I extend the positions they take by deliberately moving outside the essentialist paradigm. I take the view that Maori essentialism is in effect an extension of a postmodernist critique of the enlightenment literature concerning self, identity and change. As Maori intellectual and scientific discourse is more than just a well-developed set of complex arguments, they have to extend to the practical end of how this discourse is grounded into 'doing' research work. It is ironic, in this sense, that the Maori cultural essentialist viewpoint is politely dismissive of its own borrowings of western thought.

In terms of a relativist viewpoint, I consider the possibilities of permeable layers of cultural transference (see Diagram 1:1). Culture is explained in many ways and in terms of this study I present below a diagram as an important framework. It represents what are broad understandings of explicit constructs that define culture. The three layers represent boundaries beginning with the outer layer of artifacts and products. The next permeable layer is that which contains norms and values. The core layer contains assumptions around what people do and say

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<sup>5</sup> Reflexivity is a concept borrowed from the Newtonian law of physics concerning states of equilibrium and used in social science.

Figure 1.3 Cultural layers and systemic interactions of Maori tribal entrepreneurship.<sup>6</sup>



*The outer layer: observations of cultural artifacts and products*

A researcher's encounter with a new culture is often less esoteric and insightful than it is a naïve and fashionable experience. The experience tends to reflect unfamiliarity and ignorance. This is based on a lack of knowledge and understanding of what is going on, and researchers formulate views based on the food, language, housing, markets, fashions and artwork they see. This layer is what "outside" researcher's experience. Seldom are their judgements accurate simply because they lack insight and knowledge. To ask Maori people why they take so long at hui in making decisions reflects a lack of insight into Maori processes and may provoke a response allows the researcher to enter into the next layer.

*The middle layer: perceptions of norms and values*

Norms are considered a collective understanding people hold about what they consider "right" and "wrong". Values determine what constitutes "good" and "bad". For there to be stability social norms are required to reflect the social values people hold. When this is not the case, conflicts and tensions arise. While norms generate a cognisance of how people *should* behave, values tell them how they indeed should *aspire* to behave. Values therefore, serve as a basis for choices. Maori

<sup>6</sup> see Thompson (1997). This diagram is based on Thompson's framework associated with anti-discriminatory practice. I have adapted his systems analysis to describing the nature of cultural interaction and outsider encounters as represented by the arrows connecting personal,

people believe in working hard and hold that it is important for a prosperous culture, however the behavioural norms of some Maori today might well view this differently: that they should not work harder than anyone else because they might be expected to do more.

For Maori the notion of time is an important part of the hui process and this might be construed as a waste of time. Time, however, is cyclic for Maori and there is an understanding that decisions require much contemplation and consideration from every angle. Researchers unfamiliar to Maori processes might comprehend this as unproductive, however further explanation and clarification would reveal this as an expressed social norm.

### *The inner core: knowledge of assumptions and meanings*

Understanding values requires a probing of the core assumptions of how Maori people see their worlds. As researchers by nature classify their own observations into some form of comprehensible of social and political arrangement, they construct a means of problem-solving. For the people being researched they too construct a means of problem-solving and thus formulate a set of assumptions around how they attempt to define and resolve them. At the heart of Maori culture are assumptions about life, whanau, social arrangements and the Universe.

This chapter has drawn from bodies of literature that explain the theoretical position taken by the study. It has explored the complexities of undertaking indigenous research within the positivistic field of economics and entrepreneurial activity. I have attempted to reconcile some of the issues and differences of engaging in Maori research around factors that make this not only a difficult ideological discourse of contention, but a political debate as well. My aim has been to lay out the research methods, theoretical debates and processes undertaken. The following chapters will provide the theoretical and conceptual grounding as they draw from relevant literature that serve to further unravel the issues surrounding Maori entrepreneurship and its contextual definition. It is necessary to discuss these given the need to contextualise leadership and entrepreneurship in a modern Maori world. The aim is to discuss systems literature and whakapapa as a Maori systems worldview.

### *Structure of the thesis*

Given the broad scope of the thesis there is a need to establish a position and understanding of the nature of economics and entrepreneurship and their importance to Maori development, I have thus taken an orthodox approach, choosing to develop a central body of theoretical and conceptual literature which is presented in relevant chapters. The aim is to retain integrity of each chapter and to thread ideas throughout the thesis. I provide a theoretical and conceptual section to support this with the justification being that it provides the reader with grounding and insight into the nature and complexity of Maori entrepreneurship and conventional business norms. Justification for this approach is premised also on the understanding that the triangulated research approach used demands all parts of the data to be able to 'talk' to each other and the literature is an important part of this process. My aim is to present the abstract and concrete threads of the thesis in a lucid and comprehensible manner that enhances the integrity of the data and allow for a better flow of the thesis.

I acknowledge the dearth of literature specifically related to Maori business practices and entrepreneurial leadership in Aotearoa New Zealand, and my approach is evidence that further work needs to be established across respective academic disciplines that ensures Maori-based research retains its sense of wholistic grounding. I accept that my attempts to integrate theoretical literature might in parts be considered superfluous and perhaps superficial. However, I maintain there is a need for Maori-based research to accept a universality of knowledge bases and the idea that much of Maori wisdom itself is embedded in epistemological paradigms of other people's worlds. This thesis could be considered in itself, entrepreneurial as it attempts to link ideas and theoretical concepts together, and as it attempts to build learning bridges where none might have existed before. I have divided this thesis into nine chapters.

Chapter One outlines the key research questions examined by the thesis and defines the scope of the inquiry including an outline of the research methods. Also discussed are the Maori-based research principles upon which this thesis is premised and correspondingly sanctioned. It describes the genesis of my topic, the selection process and discusses the issues the process raised. Chapter Two provides the backdrop for this investigation. The nature of organic relationships, Maori systems theory and western functionalist theory are discussed here including an examination of social, economic and political stakeholders as archetypal constructs. Chapter Three discusses enterprise in action, in particular entrepreneurship and the theoretical and conceptual literature that has gone to inform this study's position. Chapter Four provides a discussion on emergent leadership as a central role of the entrepreneurial function. Here a historical account of leadership theory and models are discussed along with trust and social-political legitimacy as leadership requirements in venture enterprise and company management styles. Chapter Five extends on from this leadership

section and focuses on the debates surrounding organisational management, organisational paradox and the environment in which the marketplace and the State operates. Chapter Six explores the State powers and provides a critique of capitalism given the advent of increased Maori participation in creating wealth for the nation. Chapter Seven explores the network of political and commercial relationships and in particular the leadership challenges associated with economic development evidenced within Maoridom today. I offer here some historical insights and raise concerns related to fiduciary and shareholder accountability given the significant role of traditional leaders in the economic and commercial decision-making for iwi groups today. Chapter Eight provides the discussion from the fieldwork investigation and draws out the key responses from those Maori entrepreneurs who took part in this study. Chapter Nine summarises this study and draws together the key finding elicited from this study.

### *Conclusion*

This thesis offers a challenge to the ideological and philosophical perspectives adopted by statutory and non-statutory Maori organisations and tribal-owned business. It explores the ability and capacity of Maori tribal leaders and tribal structures to develop effective business enterprises and account for their use of “other peoples money” that belongs to past, current, and future tribal beneficiaries. By examining the contributions and experiences of entrepreneurs and their guiding principles much can be learnt about the layer of risk-taking leadership needed to advance Maori into the future. As a starting point, the following chapter discusses the methodology and theoretical framework of the thesis and the methods used to gather the voices and stories of Maori entrepreneurs.

## CHAPTER TWO: Towards an integrated theory of entrepreneurship: An organic view of relationships, stakeholders and Maori social systems

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The scientific certainties of our own culture may have had some validity in anchoring society throughout the upheavals of the 18<sup>th</sup> and 19<sup>th</sup> centuries, but the biggest oversight was a refusal to recognise the diversity of our cultural and social mechanisms....one irony of our society is that in our search for certainty we've cut ourselves loose from the natural order. So for all our laws we're rootless - rudderless even. In traditional societies the sense of interconnectedness is engrained through initiation rites and other key rituals that imbue a sense of certainty and a sense of responsibility to the self and to others. We talk about responsible citizenship: they live it.

-Anita Roddick

### *Introduction*

This chapter focuses on the array of factors affecting systems and the nature of systemic relationships in relation to entrepreneurial activity. In particular, what will be explored here are the social interactions between entrepreneurs and their environment. My attempt is to make the parallels between the body of systems literature and research and that of whakapapa/whanaungatanga knowledge as a model of Maori systems thinking. The essentialist view is considered and iwi fundamentalist understanding of whakapapa/whanaungatanga as criteria for tribal identity taken account of, however as some academics (see Levine and Henare, 1994) argue, it is dangerous to views these in isolation to other important variables. Indeed, to do so would be a veritable error in judgment. Although whakapapa and whanaungatanga determine on one level the patterns, behaviours and parameters of social relationships and fosters an exegesis of interactions, it also provides political constraints. This means without the acknowledgement of relative interactions any attempt to posit it in its totality leads invariably to contradiction. Whakapapa therefore cannot be explained without individuals making reference to non-connected events. For example, whakapapa cannot be completely explained without reference to land and therefore its relationship to utility and economic value. This Hegelian view suggests whakapapa represents absolute truth insofar as it constitutes a single whole reality. Maori maintain therefore without this acknowledgement there is no substance to the world. In exploring the links between whakapapa and western interpretations of systems the questions this dialectic raises suggest these are

parallel, interconnected worldviews. The argument this chapter follows is to make apparent the links between tribal entrepreneurship and systems theory. It is informed by my understanding of western and Maori social and community work theory, practice and ecological frameworks. My interest in studying entrepreneurs is by nature an investigation of relationships and the nature of interactions, transactions and exchange. As these are important considerations in decision-making and entrepreneurial activity, the extent to which systems reciprocate is what attracts me to this approach. Business transactions combine an array of interrelated, personal and non-personal compensating processes, in which, for example, incentives might flow one direction and political support the other. The idea is to give people a 'sense of place' (Kellehear, 1993) by bringing together the literature that informs the body of this inquiry. Understandings of what constitutes systems and how they respond to change will lead to a more informed interpretation of what entrepreneurs do. It is my aim to draw together the relevant theoretical threads, to use the literature and identify commonalities and patterns of behaviour.

Merrill (1954) analysis has shown us how Maori were able to historically organise and co-ordinate activities of extended families in the purchase and use of capital equipment to carry out new hapu economic activities. He points to how economic decisions were made by the hapu and carried out by members working together in a context where leadership was a feature of change. According to Merrill many features of Maori society enabled extensive economic changes, this, he says, despite a strong group ethos where both kinship and individuality was encouraged and supported. He admits to thinking initially that Maori had institutions that actually would inhibit strong economic growth. He points out however, towards both an individual and group entrepreneurial spirit.

### *Maori systems: Whakapapa and whanaungatanga worldviews*

For Maori, much of what is important to making sense of the world ties into the interactions of whakapapa as a system of preserving knowledge, values and connections to the past. 'Whaka' literally means to 'make' or 'create', as in procreation and the making of families and extended families. 'Papa' refers to Papatuanuku or mother earth from who all living things are formed. Whakapapa then, refers to ancestral connections and links by association to our past, present and futures. Barlow (1991:173) refers to it as the "laying of one thing upon another" and uses it with the term tatau, which means to place "order and structure" (ibid). Whakapapa therefore is the basis of organising knowledge and a powerful means of transferring knowledge through generations.

Important to this notion of whakapapa are Te Kore, mauri and customary lores of mana and tapu. Te Kore translates as meaning the void, which is perceived as the source of all things. The state of Te Kore, describes chaos and unlimited potential from which all creation is possible. Io te Matua is accorded with creating all things – animate and inanimate – beginning with the first generation of order, Te Kore. Io te Matua shaped all living things from the elements according to their pre-determined pattern. Light and dark were separated through the application of mauri and from this separation came the earthly parents, Ranginui and Papatuanuku. From Ranginui and Papatuanuku came deities and mankind as the their younger sibling. Through the actions of deities all things were given opposition and the ability to procreate – life was subject to the dichotomy of opposing forces: good and evil, pleasure and pain, happiness and sorrow, sickness and health, life and death. According to Maori tradition, if it were not for opposing forces ‘Man’ would not have free agency (choice), salvation and the ability to return to the presence of Io te Matua. We could translate this into how Maori view the nature of relationships and in particular the system of interactions that take place in life.

### *The continuance premise*

It is sacrosanct view held that traditional Maori leaders maintain what is essentially important to tribal security and to its continued survival. It is the task of leaders to ensure the maintenance of political stability, the continuance of tribal adherences to cultural and spiritual sanctions, the continuation of traditional healing ways, conservation, values and environmental protection. This notion of a leader’s sense of continuity embodies a traditional understanding of spiritual connectedness with the ancestral world, today’s modern world and the future. The sacred knowledge past from generation to generation is a key factor to this and how and to whom it is transferred to ensures that knowledge, and its application is a central leadership criterion. Chapter’s Two and Twenty Two from *Proverbs* in the Old Testament, are often quoted among older Maori today as it reinforces the sacred principle that it is the wise person who ensures there be an inheritance for future generations. This adds another dimension to the Hobbesian understanding that society is composed of a ‘social contract’. Here however, it is not just among the living, but extends beyond, to the dead and future generation. This is understood by Maori in terms of the significance and meaning of mana whenua, mana tangata and mana atua. It is significance and application of mana and tapu that hold mankind to its spiritual realm (Henare, 1988; Barlow, 1991; Marsden, 1992; Pere, 1994) and is evidenced within the whanau dynamic, particularly in the bond that is represented by matua tipuna and their mokopuna. They sustain the essential connections between children, who have recently come from the spiritworld, and those who will soon

depart to the spirit world. For Maori, faith in the future is such that it is predicated on the level of faith or conversely, level of faithlessness, that abounds in the world, and in whanau today. In other words, the values of charity, protection and love gauges the degree of cohesion, trust, wellness and wellbeing inherent within whanau and hapu. It is whakapono, or faith in the future that allows a whanau make sense of their place. Thus whanau leadership is an unequivocal exercise of transferring and honoring this faith.

Maori business requires a broader cohesive vision and a discipline to pursue not just economic objectives but the goals of ethical social responsibility. In moving forward there is an inherent logic that life exist outside a vacuum. As a cohesive, collective vision is based fundamentally on conviction, it is the lore of tapu that provides the disciplinary principle which holds together tribal commitment and determination to make sacrifice. The notion of time-space is important to this sense of understanding as for Maori, leadership is centrifugal and operates around creative and strategic energies and movement in a time-space dimension that cannot be controlled. Here Hampden-Turner (1994) contend that westernised thinking typically views time as a sequential, lineal process. Durie (1984) on the other hand, argues Maori see time as a circular loop. While in the west, time-space equates to a linear progression philosophy typified as the 'running reaper' view. It is seen as bounded and therefore subject to control. Maori see the time-space dimension as a cyclic and never-ending sequence, where the past, present and future are inseparable and intrinsically bound. Thus to look back is to look into the window of the future.

This cyclic understanding of time has developed in the west and has become particularly evident within the global heritage movement with its goals of retaining historic buildings, historic places and natural environmental sanctuaries throughout the developed world. Large cities with old inner suburb buildings are no longer destroyed but are renovated and refurbished into up-market restaurants, shopping malls, office blocks and inner city apartments. Environmental campaigns are further examples of this change as New Age "ageism" latches onto the ancient Eastern notion of *gaiā*, which sees the Earth as a self-renewing system. This is notion of self-renewal is understood by many indigenous peoples, including Maori. Carl Hahn, the recently retired chairperson of Volkswagen Corporation, and vigilant advocate of multi-nation corporation's responsibility to sustainable global economic development suggests a central obligation companies and communities have to future generations will come about only when a natural cyclical approach to doing business is achieved (Handy, 1994). To this end, the demographics and population trends show that people in developed countries are now living longer as compared to

100 years ago. This means a continuity of families in its nuclear extended states are becoming major factors in determining how the world governments and particular global business values the individual and society. One poignant fact is that parents of the 1980s are now the new generation of grandparents who are contemplating their stake in their grandchildren's future.

Whakapapa, as mentioned before, is the genealogical descent described by Maori, of all things, animate and inanimate, from the Gods to the present. As Barlow (1991) states, whakapapa are layered one upon another. The Maori proverb, "he aha te mea nui, maku e ki ana,, he tangata, he tangata, he tangata" "if I ask you, what is the greatest thing of all, it is people, it is people, it is people" encapsulates an important principle underpinning Maori understanding of business: that Maori business leaders and entrepreneurs seldom stand alone in their efforts and that perhaps the most important lesson is to understand the need to belong. The point is, if tribal Maori entrepreneurs have a sense of not belonging to anything of substance, beyond rationalist business objectives, beyond positive cash-flows or maximised profit, then there would appear to be little reason to sacrifice anything for iwi or whakapapa continuance. In today's business environment, conditioned by competition and specialisation, companies tend to look sideways at each other, rarely acknowledging acts of 'loyalty' and 'duty'. Acts, which for Maori are both sacred and life long. It is no longer clear as to where workers, for example, (let alone the companies) connect or belong.

### *Direction and connection*

Reflected in the patterns of the tukutuku on the inside panels of the whareniui are the poutama. These patterns represent the pathway ascended by mankind towards enlightenment and the heavens (Pere, 1994). Much of this knowledge is based on spiritual wisdom and the inter-connectedness this has to physical and emotional well-being. Maslow (1970) revealed much when he theorised the basic hierarchy of human needs: that when people are sufficiently replenished with material needs like food, clothing and shelter, they then move towards attaining and satisfying greater needs of prestige and recognition. The goal is ultimately towards that of self-actualisation. This highlights the human desire to progress towards a cause worth pursuing as a matter of necessity to make sense of the world. In Maori terms this is expressed in terms of tikanga.

Fukuyama (1992) commented on the end of history as being a sad time where the struggle for recognition and the willingness to risk life for purely abstract goals will be replaced by economic

calculation and an endless solving of technological problems. He suggests there will be neither art nor philosophy only a perpetual care-taking of history.

Traditionally, Maori believe there is little meaning in the search for truth, if whakapono is compromised by the advancements of modern medical, genetic or industrial advancements that disrupt whakapapa and its order or tatai. Indeed, though some Maori argue science liberates and increases understanding, they remain cautious, as in the case of kaumatua who express concern not so much in the great leaps made in scientific discovery, but in whether or not scientists can restore whakapapa. Fukuyama's point is that tolerance within liberal democratic societies, coupled with increasing affluence has desensitised people, removing their *will* to fight for and pursue greater cause of compassion and love for others. Maori, as indeed most New Zealanders have become as intolerant of the needs of 'others' as they have become tolerant of mindless social changes. Reactive politics has played its part as it fails to prescribe how its citizens should live which is a feature necessary for stable traditional Maori society. It is therefore no accident that Maori today are preoccupied with the spoils of capitalism; of material wealth, power and money. Nietzsche (1844-1890) deplored such attitudes, remarking:

One no longer becomes rich or poor: both require too much exertion...Everyone wants the same, everybody is the same: whoever feels different goes voluntarily into a madhouse...

Though whakapapa centres the individual as the link between their past and future it is not about positioning oneself to gain personal benefit, but rather to obtain benefits for all. For Fukuyama self-interest and individualism are essential components of modern business. He warned that individualism would have a corrosive effect on the social values necessary to sustain strong communities and thereby the ability for society to be self-sustaining. On this point, Hegel (1770-1831) wrote some 300 years earlier "we stand at the gates of an important epoch, a time of ferment...when a new phase of the spirit is preparing itself". Perhaps Maslow's (1970) hierarchy did not go far enough beyond self-actualisation to consider the pursuit of spiritual cause. This adds a dimension that would, in one sense redeem the self-centred tone of Maslow's thesis, and second, exemplify the need for the continuance of faith and charity work in the executive boardrooms and corporate offices of Maori business leaders.

The search for identity and authenticity among young Maori is growing. Tolstoy believes people live because there is something they believe in, and because they are not *ex machina* as they need direction and guidance. The key to guidance is faith and continual quest for enlightenment. This search is beyond the purpose of self-fulfillment. As St Augustine argues the greatest sin an ordinary person commits is to

turn 'unto' themselves – to become vain and selfish. The proverb “Ko te koau anake e whakahua ana, i tana ingoa: ko au, ko au, ko au!” “It is only the Shag that cries its own name: It is I, it is I, it is I” sums up this understanding and is used to humble those who act in vain. Jung (1939) argues that people's desire for immortality requires recognition that this can only be achieved through others. For Maori this constitutes the role of whanau, hapu and iwi.

### *The Functionalist view: towards tribal stability*

The dominance of Parson's functionalist view provides an important understanding embedded into the work of critical theory. Whereas classical sociologists prior to the 1950s emphasised actions as being understood in terms of 'structure' and 'social relations', Parsons (1951a; 1951b) saw actions as explained in expressions of 'internalised value orientations': that is, the mental-emotional state where choice is possible and leads to people accepting certain social values. The work of Manchester University anthropologists, with their emphasis on structures and 'networks of relations', combined formal techniques of network analysis with concepts of change. This mixture brought with it an examination of the emerging frameworks of 'conflict theory'. However, because its emphasis was on interpersonal relations, it did not constitute what Parsonian logic saw as a full-blown alternative. It is nevertheless an important point and one that needs consideration as networks offer a critical departure to conventional sociological thought. My premise is that Maori entrepreneurship is as much about strengthening systems and networks as it is about creating new ones.<sup>1</sup> This provides some interesting insights into how Maori perceive of systems.

Social network analysis developed in a relatively non-technical way and centred on the structural concerns of anthropologist Radcliffe-Brown. It was during the 1930s that social anthropologists and sociologists alike began to build on Radcliffe-Brown's (1940) notion of 'social structures'. In so doing, they began to take more seriously his metaphorical constructs of 'web' and 'fabric'. From such, an understanding of the 'interweaving' and 'interlocking' processes through which social actions became organised.

Manchester-based university researchers paid less attention to the formally institutionalised norms of organisation and paid more heed to the configurations of relations arising from conflict and power. In

developing their theoretical ideas from kinship-based interactions they were better able to explain social change in relation to systems notions of 'webs' and 'networks' to which Radcliffe-Brown pointed in his earlier work.

Initially, the Manchester researchers used social networks more in a metaphorical sense and it was not until Barnes, during the early 1950s, applied a more rigorous and analytical approach that this approach began to influence others. The work of Bott (1955, 1971), Nadel (1957) and Mitchell (1969) are worth specific mention. Bott was principally concerned with networking as an analytical device for studying kinship relations, while Nadel laid the foundation for a systematic framework of social network analysis. Mitchell translated graph theory and sociometrics into a sociological framework that led to investigations of interpersonal relationships. Much of this was built around the earlier work done by Mayo, Warner and Hormans.

Nadel saw structures as articulating parts of the whole, and considered that by separating the structural *form* from the structural *concern* general features could be described and investigated through comparative methods. Nadel proposed a mathematical approach to determining the nature of structures. He set out to conceptualise social structures as an "overall system, network or pattern of relations" (1957:12) which could then be abstracted from concretely observable actions.

'Networks' were an "interlocking of relationships whereby the interactions implicit in one [relationship] determine those occurring in others" (Nadel, 1957:16). Of particular interest is Nadel's assertion that 'social roles' are central considerations to sociological investigation and that social structures, and their variables, could be definable through their interdependent activities.

Among those to agree with this were Lorrain and White (1971:49) who described social networks as social roles requiring formal and positional analysis and examination that allows researchers to:

understand the interrelations among relations within concrete social groups...by understanding, this means [one can] distill simpler patterns at a higher level of abstraction - simpler not only in having fewer constituents but also in exhibiting interrelations which are more regular or transparent.

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<sup>1</sup> Refer also to the thesis methods chapter where social networks are discussed as a useful tool in examining the extent to which relationships are integral to research. I consider the ideas of systems theory in more detail as they pertain to my argument that they underpin Maori entrepreneurship.

Mitchell (1969) whose work was inspired by Nadel, concerned himself with codifications of 'personal order'. He maintained that patterns of "personal links [which] individuals had with a set of people, and the links these people have in turn among themselves" (Mitchell, 1969:10) constituted an important area of analysis. Interpersonal networks could be understood from the point of view of 'communication' and 'instrumentality' - communication involving transferring information between individuals including the establishment of social norms and consensus. Instrumentality (purposive) action involved transferring material commodities (goods and services) between these individuals (Mitchell, 1969:36-39). All actions combine elements of both types, therefore 'social networks' embody both the flow of information and transfer of goods and services necessary for markets to function. For entrepreneurs communication and instrumentality are necessary to remain at the cutting edge. They embed these into their perception and sense of alertness to take an advantage of opportunities.

Mitchell went further to conceptualise "the total network" with its "general ever-ramifying, ever-reticulating set of linkages that stretches within and beyond the confines of any community or organisation" (1969:12). This understanding becomes necessary in selecting out specific aspects for particular attention which can be viewed as 'partial networks' under investigation. There are two bases on which such an abstraction then proceeds - the ego-centric networks and the global, political networks. Although Mitchell concentrated his attention almost exclusively on the abstractions that are 'anchored' specifically around the individual and the 'ego-centred' network of social relations, his second abstraction concerning the overall, 'global' activity of political ties, kinship obligations, friendships and work relations among others was important to the overall systems approach. I develop these further in my discussion of stakeholders.

Mitchell and his cohorts in Manchester focused much of their research around 'partial networks' and their work was invaluable in establishing ego-centred systems analysis. Mitchell reconsidered the importance of the second mode of abstraction (defining partial networks by 'content' and 'meaning') arguing that this needed to be anchored around particular individuals, notably leaders.

Partial network studies by anthropologists and sociologists alike were arguably ego-centred with their focus on social relationships. Networks, as Mitchell argues, are multi-stranded and complex with a combination of distinct meaningful relations. Interpersonal networks, for example, are analysed through describing the 'quality' of relationships. Here, Mitchell sees qualities as consisting of 'reciprocity',

'durability' and 'intensity' (Mitchell, 1969:24-29) which echoed Hormans's schema between 'direction', 'frequency' and 'intensity.'<sup>2</sup>

Analysing underlying relations and obligations (Mitchell, refer to Katz, 1966) is an issue if trust, purpose and goal are not established. Where there is a constant need for interaction relationships are highly durable (those that persist). Those that are short-term are highly transient. Kinship obligations, for example, are durable in that they tend to last a lifetime; those that arise for a limited purpose, like projects or contract work are more likely to be transient. Mitchell's use of the term, 'intensity' refers to the strength of obligations involved in a relationship and reflects the strength, commitment and obligations individuals show to the relationship. Multi-stranded relationships are more intense because they are more diffuse in character. He adds two other concepts important to this study which translate from graph theory into sociological text: 'density' and 'reachability'. These that determine the extent and degree to which people are able to contact each other.<sup>3</sup> One example being the relative ease at which 'company secrets' are often disseminated through the company's networks.

### *Western functionalists: Influence of the Harvard positivists*

The confluence of these strands led to the significant work conducted at Harvard University's Research Centre. A group of established Harvard researchers developed a more intricate mathematical focus on structural analysis and the modeling of social structures. Though they offered no single theoretical focus to their work, they were keenly interested in social network analysis as a method. The publication of Granovetter's work in 1973, though admittedly highly technical, popularised social network analysis as being an integral influence on western sociological thought. Many researchers have since applied network analysis methods to other social phenomenon, including business and corporate interlocks, strategic alliances and group behaviour.

Granovetter's publication, *Getting a Job* in 1974, comments from a critical position of provoking labour economists to explain how it was people went about finding work. He explored the practical steps by which *information* about job opportunities was acquired, particularly information gained

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<sup>2</sup> See Hormans (1961). Here he provides an interesting synthesis of sociometrics and Warner's anthropological stance which later became the basis for his own framework of 'exchange theory'.

through informal contacts. His focus was in establishing the links involved in the transmission of information and in the strengths and weaknesses of a system in assessing how best such links could be maintained over time. His results were significant in that they showed informal personal contacts were the primary channels through which job opportunities were found.

Granovetter, therefore, considers the prospect that 'rational' choice has little relevance. Participants did not compare rewards attached to information as there was little evidence to suggest active job 'searches' took place. Rather, most information was acquired by accident when others volunteered it. The most significant contacts were from work where the probability that a person would make a job change would be dependent on the proportion of work contacts the worker had in different occupations.

To explain these findings, Granovetter drew from the diffusionist's view of information gathering that information concerning job opportunities would pass from one person to the next within their immediate contacts. They, in turn would pass this on to their contacts and so on. It was assumed that information attenuates as it moves through this chain and as such could be tracked back to help calculate the numbers of people that might, in theory, acquire this same information. The acquisition of information depends largely on individual motivation and the 'strategic' locations of contacts within the information flowchart. Granovetter's most noted revelation was the idea of a network's integrity, of the 'strength of its weak ties'.

He theorised that there is a tendency for close contacts to have similar knowledge about job opportunities and are therefore less likely to be of great value. Information can be prone to 'staleness' and that while relatively weak ties to more distant parts might seem tenuous, these often produce new, different and potentially rewarding information. In conclusion, Granovetter suggested work acquaintances are more likely to pass job information than one's close friends or family (Granovetter, 1974:54).

This is an important concern for entrepreneurs as they require knowledge, and more significantly, timely access to such knowledge to be able maximise opportunities. Establishing processes of identifying

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<sup>3</sup> It was at this juncture that Barnes (1969) and Bott (1955, 1971) combined their efforts in developing the useful ideas 'mesh' and 'connection' elements. To these concepts, Barnes usage of 'cliques' and 'clusters' which were excluded in the empirical studies collected by Mitchell

strong and weak links is useful as personal networks become significant in influencing the basis upon which decisions. (Burt 1992).

### *Networks and systems analyses*

Prior to the work of the theorists during the 1950s empirical investigations of social networks took shape with the pioneering work of Moreno and Jennings and they marked this with the inaugural publication of their *Sociometry* journal in 1930. Moreno (1953) described his methodological technique as one of 'invention' as a means to understanding social and psychological behaviour. He postulated a standardised means of determining interpersonal structures and group dynamics that he described as 'sociogramics'. Sociograms are in essence quantifiable tools - diagrammatic illustrations - representing points, in a two-dimensional space, lines drawn between linked points and corresponding vectors representative of relationships. Moreno (1953) stated that "before the advent of sociometry no one knew what the interpersonal structure of a group 'precisely' looked like" (p: 1 vi). It was his work that established the need to model important social phenomenon as a visual display of group structure (organisational charts) and a probabilistic model of structural outcomes (business plans).

### *Understanding interactions: social configurations and cliques*

Within the sociometric traditions effort were made to uncover the ways in which networks continually reconfigure themselves into constituent groups. These were features of the research work carried out at Harvard University, principally by Elton Mayo and his key collaborator W. Lloyd Warner. They examined structural concerns studied by Radcliffe-Brown. However, Mayo's own philosophical views were greatly influenced by the work of biologist, L. J. Henderson, who saw biology as the only basis for any truly scientific study of sociology. Mayo contended that it was the only viable political bastion against prevailing Marxist dogma. His fixation with motivation complemented a growing interest in studies by other noted researchers, including Pareto, who argued that motivation was a 'non-rational' component of human action. From Mayo's viewpoint, economic action was neither pure, nor rational as a form of action, but was, structured on non-rational sentiments. Pareto, himself a proponent of 'elite' theory set about to study the ubiquitous nature of relationships as a means of controlling behaviour. Warner's analysis of 'actual' patterns of behaviour, brought to Mayo's theoretical and applied position the empirical dimension it lacked. Thus, Mayo and Warner's contributions to social and

management science brought a profound break-through evident in their hallmark Hawthorne experiment.<sup>4</sup> It remains one of the most significant social psychological studies of the last 100 years.

Warner's work drew upon the methods and ideas of both Durkheim and Radcliffe-Brown and his collaboration with Mayo was formulated on the basis of applying anthropological methods to the study of industrial urban communities. This drew together a richness of theoretical influences.

While Radcliffe-Brown's work was uppermost, Warner used Henderson's 'organismic' model which inevitably lead him to emphasise the importance of 'stability', 'cohesion' and 'integration' in the study of group relationships. He also drew upon Simmel's work, especially his notion of 'reciprocity' and 'group size' as influences on group activity and behaviour. It was Simmel who in 1908 developed the analytical tools of dyadic and triadic relations as building blocks of relationships. Warner himself referred to these configurations as social organisations: webs of relations through which individuals interact with one another.<sup>5</sup>

To continue on with the sociometric theme, I turn to exploring the idea of graph theory as put forward by Cartwright and Harary (1956, 1979). Their mathematical formalisation built upon Heider's work centralises the character and nature of 'balanced networks' which in turn raises the question of tension and group conflict. On this point, Cartwright and Harary's work is of particular interest as the central nature of entrepreneurship is, by and large, to create tension. The balanced systems view is always vexed by tensions among subsets and the focus here is innovation and entrepreneurship as factors of economic 'disequilibria'. In the course of their activities entrepreneurs impact upon political and economic institutions and thus create tensions between systems that in turn create incompatibility. This is an integral entrepreneurial role and function.<sup>6</sup> It is indeed the incompatible elements that determine strength and functionality in terms of systems' survival. The common site of tension and consequently,

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<sup>4</sup> A useful discussion is provided by Rose 1975. The principle findings of the Hawthorne study showed how useful sociograms were at looking at group behaviour. It was the first major piece of investigative research that used sociograms to describe relationships observed organisational settings.

<sup>5</sup> Warner developed the 'clique' sub-group; the informal associations of people where there would exist feelings, intimacy and group norm. The clique is described later by Warner and Lunt (1941) as an "intimate non-kin group membership in which may vary in numbers from two to thirty or more people" (p 110).

<sup>6</sup> Though roles are seen to be prescribed by social norms that apply to a range of situations they interpretative. It is here that difference may inherently occur between entrepreneurs and their obligations to social stability. Such tensions could provide probable cause for change, hence reason to suggest why some people and social institutions are more likely to produce social change than others. This, however, does not fully explain why change occurs. The role of the entrepreneur is flexible and, thus, would allow for variations of conduct without necessarily changing systems.

opportunity, lies somewhere between the expectations encroached on them by social institutions and the need to maintain individuality.

Though, arguably, individuals are not subsumed by social norms, entrepreneurs sustain their livelihood by taking advantage of situations. Should, however, socialisation becomes too rigid, entrepreneurs are incapacitated and 'stalled' in their will to innovate and create ideas and as a result may not be able function to capitalise on opportunities. On the other hand, should socialisation be too flexible, it may become unmanageable if there are no winners. Socialisation, by its very nature creates potential for conflict and antagonism that allows for change and a reconstituting of balance. Reflecting on this ability, Lipparini and Sobero (1994:136) comment:

In a competitive environment where the actors are not atomistic but exist within a system of actors the relational capability could represent for entrepreneurial firms the way to gain a sustainable competitive advantage. The notion of an entrepreneur who focuses on a specific business idea as an expert in a limited area of activity is obsolete. Rather, we found entrepreneurs seek new combinations among various inter-firm ties, relying on such linkages as a vehicle for transferring and combining their organisationally embedded learning capabilities. Recognising the entrepreneur's ability to generate new knowledge by combining internal and external learning could be a critical variable in understanding [SME's] innovative capabilities.

As personal networks have such an important influence on social and political structures it is necessary to understand the effects of social change on entrepreneurship.

### *Social movements and cycles of social change: the birth of a new paradigm*

Tarrow points out that social movements are 'collective' actions by which people who hold common purpose and solidarity in 'sustained interactions' operate (1994:3-4). Here shifts in political views, in culture understandings or policy directions occur in two ways: 'cycles of protest' and 'cycles of reform'. Cycles of protest according to Tarrow, are characterised by increased in levels of activism by one or more people focusing on issues. These cycles embody shifts in the ideational realms where past assumptions are challenged. A different perception of a situation is formed and as such exhorts previously unacceptable viewpoints (p:39). This view is important in terms of how entrepreneurs challenge assumptions, defy the status quo and exploit situations as protest measures.

Tarrow's logic suggests cycles of protest, as a natural course of events, are followed by cycles of reform. He concedes here that his own analysis fails to account more closely for these. Reforms develop as

'clusters of initiatives' or 'reform waves' (p: 44) that include changes in policy, direction, action and legislation which may at some later stage be reversed. Although Tarrow argues that the two cycles need to be treated independently, he values their inter-relatedness given that policy reforms (which are usually undertaken during cycles of protest) are more likely to be institutionalised than policies initiated during periods of little or no protest. He posited that agendas emerge on the crest of protest waves and profit more from a general atmosphere of discontent. It then follows that protests occurring during reform cycles are more likely to be greeted with clearer policy responses.

What is especially important about his analysis is his notion of "spread": that protests involving elite groups promote a 'set of elite' claims (e.g. demands made by manufacturing associations, producer boards, unions and environmental lobby groups) spread during protest cycles to other interest groups not originally mobilised for collective action (e.g. farmers, office workers, women, tribal authorities). It is this spread, as such, across political divides and social sectors that produces cycles and, by extension, the same applies to "reform spreads" in which policy change results in transformations of other policy areas not originally targeted (Tarrow, 1994). This is the case for public policy and its impact on entrepreneurship and enterprise.

As Maori entrepreneurs work to increase their competitive advantage, they deal with 'stakeholders' who control knowledge, capital and political power namely, universities, banks, legislators and government, along side creditors, suppliers and customers. They, then have to appreciate how to absorb transaction costs that help improve advantage. Some transaction costs, like the costs of regulation, for example, might never be absorbed, however, entrepreneurs utilise processes of internalisation: that is, they recognise contractual arrangements that minimise costs of exchange.<sup>7</sup>

Malintegration theory is plausibly akin to "group conflict theory" which sees all change as being a series of adjustments between different parts of a system. The concern here is why are parts of a system incompatible in the first place? Answers may lie in the understanding that systems tolerate non-compatibility, and, if it is in their survival interest they have the capacity to accommodate necessary

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<sup>7</sup> One result of this would allow production costs of large-scale industrial units, where size and structure are determined by criteria over assets, to increase. The alternative, given that not many entrepreneurial firms could afford to internalise their minimal asset pool (because of the cost of borrowing capital) is to build on already existing cultural understandings and social networks. What Hardin (1982) has termed 'contract by convention'.

changes. Systems survive by their ability to coexist and function compatibility, which is the nature of a dynamic, interdependent system of entrepreneurial relationships.

Functioning systems also learn to adapt and modify in order to survive, in part, or as a whole, where adaptive features are sufficient so they can connect to adaptive processes of other functional systems. An analysis of adaptive processes examines interrelatedness and connections to the extent to which they support survival: that is, their ability to adapt is determined by changing environmental circumstances.

The theoretical position for this, is that differentiation and specialisation are understood by studying boundaries; the point of separation between a system's internal and external environments. Tension Management maintains social change theories *per se* should aim to locate points of greatest tension as the site requiring change. The assumption is that social systems work most effectively to reduce stress and this has to be considered as a factor of change. This is built on the 'gestalt' tradition and Kohler's (1925) view of stress as it affects an individual's organised patterns of thoughts and perceptions. Kohler saw organised patterns as 'wholes' (the system) containing properties, as distinct from its 'parts' which were deterministic. His account of the way people perceive objects (based on preconceptions and conceptual schemes) was built on social determinism that influences groups, and social climate as an influence on individual perception.

Gestalt theorist such as, Lewin, focused attention on social perceptions and group structures (Lewin, 1939). Others, notably, Moreno, explored the possibilities of psychotherapy as means of helping uncover the structures of friendship and choices. Here, he explored the means by which group relations serve as both a limitation to, and opportunity for, actions, and, therefore, for personal psychological development.<sup>8</sup>

Moreno's work is rooted in the therapeutic tradition of interpersonal relations which reflects his earlier medical and psychiatric training. His investigations into psychological well-being and structural features focused on social configurations of concrete patterns of interpersonal choice: that is, of attraction and repulsion in which 'social aggregates' such as the economy are able to reproduce itself over time.

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<sup>8</sup> Cartwright and Harary (1956) underscore Moreno's work by using graph theory to analyse group membership through points connected by lines. The sociogram is therefore a representation of the network of 'actual' interpersonal relations. Too this, Wheatley (1994), using Lewin's 'field' describes the unseen forces that affect behaviour. She also drew upon the work of Sheldrake and Bohm's (1982), 'morphogenic fields' which govern behaviour and Zukav's, (1979) *The Dancing Wu Li Masters* revealing how sub-atomic physics are connect all things.

For Moreno, configurations are discernible structures that allow for the mapping out of sociogramic form giving researchers a visual channel through which they can observe information flows. He concludes that sociograms enable researchers to identify potential leaders, in that they could classify and isolate out particular individuals; uncover asymmetrical and reciprocal relationships and map out specific chains of command. Moreno's principal concept is the "sociometric star" involving recipients (key actors) who would hold the star position of popularity and leadership.

Lewin's work outlines similar claims concerning group behaviour and 'fields' of social forces. Fields are comprised of groups and their surrounding environment. The environment, he acknowledges, is neither purely external to, nor independent from the group, but consists of that which is *perceived* by members. This perception of what the environment is, is what symbolic interactionists describe as the 'definition of the situation', where social meaning is actively constructed by members on the basis of perceptions and experience of the context in which they act. This has relevance to entrepreneurs in terms of their construction of meaning in what they do and how they do it.

Field theory analyses, mathematically, the interdependence between groups and their environment and topologically, comprises of 'points' connected by 'pathways'. Plotted points along each pathway represent individuals, their goals, aspirations and actions and the path itself represents the interactional or causal sequences that connect them. This model attempts to describe causal and interactional interdependencies in social configurations in which the paths that run between points tie them together, and the patterns of each path divides fields into discrete 'regions'. As such each region is then separated from others by the *absence* of paths between them, that is, by paths running within but not between them. Here opportunities individuals have to move around in their social world are accordingly determined by the boundaries between the different regions of the field in which they are located. Constraints imposed by these boundaries are 'forces' that determine group behaviour and it is the total social field as a field of forces acting on group members that shapes actions and experiences. This is an important assertion given entrepreneurs are opportunists and operate as change agents outside conventional boundaries.

A strand of cognitive psychology which has made a major contribution to the development of theories of group dynamics was developed by Heider (1946). His work on attitudes and perceptions is especially relevant in terms of how attitudes are brought into a 'balanced' state, that is, where attitudes do not

produce any noticeable form of psychological tension. Heider believes that in their simplest form attitudes are positive or negative. Balance is constituted only when signs are similar, that is, all positive (+) or all negative (-). Heider deduces groups could be structurally balanced, when and if, individual actors like each other, as, for example, if *Aroha* likes *Tamati*, and *Tamati* likes *Hinemoa*, balance exists if *Aroha* likes *Hinemoa*. In this scenario attitudes are positive (+). Heider, however maintains that this could only be true from the standpoint of the central character, in this case *Aroha*. What is important about Heider's work is the manner in which he adopts an explicitly phenomenological stance to examining perceptions. At issue is not the actual relationships existing between two actors but the perception (accurate or otherwise) of the central actor, and of this relationship. 'Balance' therefore relates to both psychological and phenomenological states and not to the actual relationship. (Wasserman and Faust 1995: 220-223).

The lines on a graph are assigned a given symbol (+) or (-) to indicate whether they refer to 'positive' or 'negative' relations and are given arrow heads to indicate the predominant 'direction' of each relationship. Direction provides the way of distinguishing, for example, *Aroha's* orientation toward *Tamati*, as from *Tamati's* orientation to *Aroha*. This construction ('signed' and 'directed' graphs) allows Cartwright and Harary to analyse group structure from the standpoint of a particular focused individual. This became a major step in the development<sup>9</sup> of sociological thought

The most significant finding in this regard is that no matter how large or complex a system is, it can always be determined by sub-groups with differing propositions; that relationships *within* sub-groups can be positive, while those *between* sub-groups remain negative. A balanced social network can therefore be distinguished by the degree of solidarity between cohesive sub-groupings in which there exists conflict and antagonism.

Understanding dissipative structures as a systems approach and its application to economic systems is important in determining the nature of entrepreneurship and business enterprise. Though it is holds that the laws of quantum physics govern what occurs in chemistry, and chemistry in turn governs what happens in biology, the emphasis in this chapter is not on constructing a "soft" scientific model with "hard" core scientific theory, but rather, to provide an understanding of change under certain conditions.

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<sup>9</sup> In the context of this study I define development to mean a process of outgrowing one system of meaning through integration (as a subsystem) of new systems of meaning where what constitutes "the whole" now becomes 'part' of a new whole.

Prigogine's work in 1945 examining entropy in non-equilibrium thermodynamics revealed that systems near to equilibrium, that is, at its thermodynamic potential, equals the rate at which entropy is produced by the system itself. He called this "dissipation": the theorem of minimum entropy production, that predicts systems evolve to a steady state towards minimising dissipation.

With Glansdorff, Prigogine explored how systems maintain themselves the further they distance themselves from equilibrium (low flux break down) to see whether it is possible to extend his theorem to non-linear far-from-equilibrium situations.<sup>10</sup>

This Glansdorff-Prigogine (1971) investigation made a general statement about the stability of far-from-equilibrium states, stating: "that they may become unstable as they are driven further from equilibrium: there may arise a crisis, or bifurcation point, at which the system prefers to leave the steady state, evolving instead into some other stable state" (p: 207). That this new possibility beyond the first crisis point is a highly organised state shows how destruction creates order. They concluded that:

...entropy turns out to be a property of unstable dynamical systems, for which the cherished notion of determinism is overturned and replaced by probabilities and the game of chance. It seems that reversibility and irreversibility are opposite sides of the same coin (p:212).

Within the literature of thermodynamics the stability criterion, as might be expected, exists near equilibrium. There is reason therefore to suggest why non-trivial stability problems cannot be approached using (linear thermodynamics) irreversible processes as a starting point. The possibility of new types of organisations past instability point under the influence of non-equilibrium conditions occurs only when systems are sufficiently far from equilibrium states. The study of these new organisations - dissipated structures - arising from the exchange of matter and energy appears as an interesting subject of macroscopic physics (Glansdorff and Prigogine, 1971:73) and business management theory (Wheatley, 1994).

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<sup>10</sup> The breakdown of structures occurs as an integral part of thermodynamic equilibrium and the creation of structures occurs with specific non-linear kinetic laws beyond the stability limits of the thermodynamic branch. This may well justify Herbert Spencer's point (1882) that evolution is the integration of matter and the concomitant dissipation of motion. Spencer argued also that the development of differentiated systems requires a more complex system of arrangements to operate competitively.

Although elements of the natural world are arguably stable, more recent theorists are challenging this view.<sup>11</sup> Prigogine's (1981) discovery of elementary particles as most unstable is one of the most extraordinary discoveries of the century. As stated:

In thermodynamics, the second law is formulated as the Carnot-Clausius principle. It appears essentially as the evolution law of continuous disorganisation, that is, of disappearance of structure, introduced by initial conditions. In biology or in sociology, the idea of association with an increase of organisation giving rise to the creation of more and more complex structures (p 287).

Stanley Davis (1996) in *Future Perfect*, argues that science today gives us greater clues to how organisations operate suggesting a connection between the cosmos and the atomic and understanding that organisations (natural and social) in rapidly changing environments have properties that allow them to adapt through autonomous action.

This moves us definitively away from the Newtonian view of 'cause-and-effect' and the reductionist thinking which predicates organisational, management and leadership theories. Davis notes that the outcome of such a dramatic shift is culminated in the sub-atomic theoretical view that all matter is connected.

As Spears (1995:246) notes:

Perhaps the essence of human experience is to discover connections. In that the leaders' role is to help others discover the paradox: That they must take their journey and that they are not alone.

Understood in terms of the law of thermodynamics, economic production is the transformation of matter and energy, a process in which an input is transformed into a needed consumer output. As economic systems concern a 'throughput' this is external to the grid of gross national product, whose effect extends beyond the spatial dimensions of its economic agents. These agents, the capitalists and entrepreneurs are not, as a matter of course concerned with transforming matter or energy as they are largely indifferent to the physical dimensions of such transformations so long as their enterprise remains

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<sup>11</sup> At the turn of last century chemistry theorists generally assumed that evolutionary developments violating the second law of thermodynamics required non-physical, teleological explanations. Today this seems to have been solved by theories about non-equilibrated thermal processes. With respect to teleological explanations, one has to accept the dictum of Warren McCulloch that "the circuit must be closed to be purposive".

viable. That is, they are satisfied so long as capital surplus is achieved which permits a further cycle of the transformation processes that produces a net surplus.

*The constituent milieu: entrepreneurs, stakeholders and environmental influences*

Here I examine the importance of those influences that inform internal and external constituents. I use the term constituents to represent 'stakeholders', in entrepreneurial decision-making. They include the discretely inconspicuous groups and individuals who have little say and those at the core of the decision-making process itself. The intention here is to analyse the extent to which stakeholders participate in decision-making. I expand upon the notion that Maori stakeholders have become more attuned to the world of finance, market forces, investment strategies and mentoring. With Tainui Trust Board's recent asset write down and estimated losses of \$40 million (New Zealand Herald 8/2/2000; Tainui financial report, 1999) questions are asked about who makes decisions and on whose behalf. Settlement monies are tribally owned and in Tainui's case, mismanagement has resulted in a string of ill-conceived investments. Tainui's mandate to protect its constituent's resources are questioned. I examine the imperatives of ensuring Maori business entities maintain and manage their risk exposure.

The discussion that follows is relevant to this thesis in terms of examining the contextual processes and constituency arrangements, particularly as these processes heavily influence how decisions are made, what decisions are made and who makes the decisions. As Maori executives and managers go about their business, they must survey and monitor the nature of relationships to determine players, what opportunities existed and potential traps. That is, to assess, from the information they receive, where support may lie. A much wider analysis of stakeholders is important as decisions involve complex transactions that have to be broadened.

Biggs and Smith (1995:239) express this understanding:

[Our] interest in stakeholder analysis stems from the concern that many policies and projects in the past have not met the stated objectives because the consequences of the policy are perceived to be adverse by one or more stakeholder groups. (It) therefore leads to non-cooperation or even open opposition by those stakeholders.

By analysing relationships it is conceivable for entrepreneurs to develop collaborative strategies such as joint ventures, partnerships and alliances as formalised contractual arrangements. Harrison and St John (1996) see this as an effective means of "identifying and prioritizing key stakeholders, assessing their

needs, collecting ideas from them and integrating this knowledge into strategic management processes" (p: 14). To manage and lead relationships effectively requires skill in negotiating and contracting and an ability to motivate others to adopt behavioural patterns beneficial to both the company and all constituents. Analysing these patterns is a fundamental advantage for entrepreneurs as they gauge opportunities and adapt to changing social, political and economic environments. It is here that leadership and management roles overlap as the need to create order in uncertain times has to be considerate of time. From this approach we can assess, with more clarity, how decisions and company policy affect profitability and productivity.

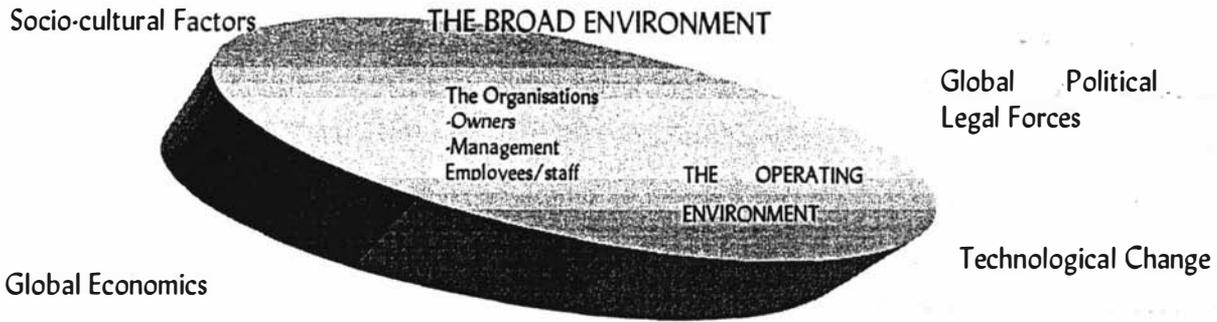
Understanding who constituents are, and how they behave is the primary tool of analysis for entrepreneurs, particularly as they look at extending operations within their business environment. Here a distinction can be made between operational, internal stakeholders and non-operational, external stakeholders. Operational stakeholders are the 'insiders' whose resources and processes are required in a company's performance and productivity. These typically include competitors, customers, suppliers, financial intermediaries, local communities, unions, activists groups and relevant government agencies. Non-operational stakeholders are 'outside' constituents operating within the socio-cultural and global economic forces, technological change and political, legal restraints (Freeman, 1984). Here Moss Kanter et al (1992) speak of organisational success as dependent on a two-fold relationship: their relationship to the markets(external)and their relationship to what activities are required to bring about productive, profitable results (internal):

External success goals suggest environmental interventions, which aim to modify the organisation's relations to its supply or demand markets and, therefore, to change the organisation's identity. This includes new products or services, sales or distribution channels, alliances and ventures, mergers and acquisitions, recapitalisation or LBO/MBO's, the organisation's relationships or position to competitors, and its access to new or greater resources (p: 491).

Internal success goals suggest operational intervention, which aim to modify the organisation's internal structures, processes, and systems, and its use of available resources and opportunities, and, therefore, to change the organisation's coordination and culture. This includes programmes aimed at quality and productivity, workforce surveys, motivation and commitment, training and education, career paths and development, organisational design and development, information systems and facilities redesign or 're-engineering' reward and recognition systems, and restructuring in general (pp: 491-492).

The argument is that motives and interests of stakeholders be examined closely is a critical business decision. Figure Two shows this in diagrammatic form:

Figure 2:1 The company and its primary stakeholders



Source: Adapted from Freeman, R. G. Strategic Management: A stakeholder analysis. Pitman, Boston (1984).

When generalising stakeholder's roles, designing techniques for controlling and managing relationships is important. The following figure shows typical stakeholder demarcations:

Figure 2:2 Typical stakeholder roles and influences

STAKE	Regulatory Formal/Contractual	Economic	Political
Ownership	<ul style="list-style-type: none"> <li>-managers -owners of company stock.</li> <li>-directors who own stock</li> <li>-all stockholders</li> <li>-sole Proprietors</li> </ul>	<ul style="list-style-type: none"> <li>-other companies that own stock in the organisation</li> </ul>	
Economic dependence	<ul style="list-style-type: none"> <li>-paid managers and directors of for-profit and not-for-profit companies</li> <li>-joint venture partners</li> <li>-Inland Revenue Dept.</li> </ul>	<ul style="list-style-type: none"> <li>-employees</li> <li>-customers</li> <li>-suppliers</li> <li>-competitors</li> </ul>	<ul style="list-style-type: none"> <li>-competitors</li> <li>-overseas governments</li> <li>-local community</li> </ul>
Social	<ul style="list-style-type: none"> <li>-regulatory agencies e.g. Occupational Health and Safety</li> <li>-unpaid Trustees or managers</li> </ul>	<ul style="list-style-type: none"> <li>-financial community at large</li> <li>-brokerage houses</li> <li>-fund managers</li> <li>-financial analysts</li> </ul>	<ul style="list-style-type: none"> <li>-activist groups</li> <li>-government leaders</li> </ul>

← POWER →

Source: Adapted from Freeman (1984) ibid.

As is shown, stakeholders are classified according to the level of interest they have in a company's activities. This is represented on the vertical axis as groups and individuals with either an ownership stake, an economic stake and/or a social stake. Ownership stake concerns a company's value relative to individual gain, personal wealth and decision-making autonomy. The economic stake, refers to those who are dependent on a company without necessarily having ownership rights. They are, employees in receipt of a wage or salary, debt holders, government in the form of tax revenue, customers who depend on purchases to produce their own products and suppliers who receive payments for

goods/services rendered. The social stakeholder group represents organisations not directly linked to a company or its core business, but which have a vested interest in ensuring that the company behaves in a manner that is socially and ethically acceptable. They are the watchdog groups, the environmentalists, the commerce commission, consumer affairs, regulatory bodies, the Ombudsman.

Along the horizontal axis is the degree of influence each stakeholder holds which is represented in the form of formal power, economic power and political power. Formal power relates to control held by those stakeholders having legal or contractual rights to influence the decision-making process. Economic power concerns the ability of certain stakeholders to withhold goods, services, capital, revenue or transactions that a company values in conducting business. Political power resides with those stakeholders who attempt to influence legislative councils, regulatory bodies and the public concerning the conduct and behaviour of a company. In view of this diagram, it is clear that the demarcations of influence mean that more than one stakeholder can control more than one source of power. Creditors can have economic and formal power through formal contractual arrangements and through having a seat on the Board of Directors.

Corporate management, particularly in the United States, Britain and New Zealand, heavily weighs executive performance on how well companies function and manage 'internal' stakeholder relationships. It is management's undertaking to function within its designated operational boundaries, the assumption being that this is where all important business decision-making happens. However, it may be more insidiously driven in that individuals may be incapable of or unwilling to manage 'external' stakeholder relationships (Harrison and St John, 1996). This could create a hazing effect of the dynamics that go on between internal and external stakeholders, which in itself is an interesting area of research investigation, though not within the scope of this study.

There appears an inevitable weakening of the once resilient traditional management style of hierarchical domain/ethical lines of power and authority. Bureaucratic structures are flattening out and companies appear to be warming to the human relationship approaches to managing change and managing processes. In part this is about human resource manipulation, and about rationalisation, efficiency and productivity. This weakening was observed by Miles and Snow (1986), noting that middle management was diminishing as its designated functions were being devolved downwards to work teams, operating level supervisors and to employees. Pastin and Harrison (1987) described this trend as a "hollowing out" of the corporation where increasingly also, there has been a marked shift towards sub-contracting,

as a means to cut costs, the once traditional in-house work functions. This shift, or hollowing out, requires companies to have a sound infrastructure in place providing effective lines of communication and technological transfer. Fewer managers and executives, in this regard, need to be multi-skilled and are required to have essential people skills as they seek to determine how best sub-contracted parties fit into their company's goals and objectives and organisational culture. The consequence of all this is that more and more companies, in both public and private sectors, are attracted to this sort of model.

### *Strengthening the nature of stakeholder relationships*

The 1994 Fortune magazine's cover story described many companies as being in a state of organisational flux as they attempted to grapple with the shift into a globalised, post-modernist world. The article read it was "moving to organise itself into virtual corporations; fungible modules built around information networks, flexible work forces, outsourcing and webs of strategic partnerships" (Huey, 1993). Prominent management writers including Tom Peters, Rosebeth Moss Kanter, Frans Trombenaars and Charles Handy contend also that the writing is on the wall for traditional business rules. The major shift towards strategic alliances, joint ventures and subcontracting is not only a logical progression but a rational and economically viable one also. With central business functions like negotiating and contracting declining amidst the fast, tangled web of nano-second technology, the internet, interlocking corporates and contractual relationships, traditional practice is seemingly doomed. Drucker (1997) has fired several warning shots to business about the need to change. maintains in the modern world:

Cities [CBDs] will die...[and] as information is mobile the kind of work that organisations do that doesn't involve customers or contact with other professionals won't have to be done downtown (p:35)<sup>12</sup>.

He was asked by the interviewer what role government should have in society, to which he replied that it has a critical policy function in terms of changing the business environment.

I've been telling people for the past 30 years material change is almost irrelevant. The important changes are demographic, in health care and education. The demographic revolution over the past 40 years is unprecedented (ibid).

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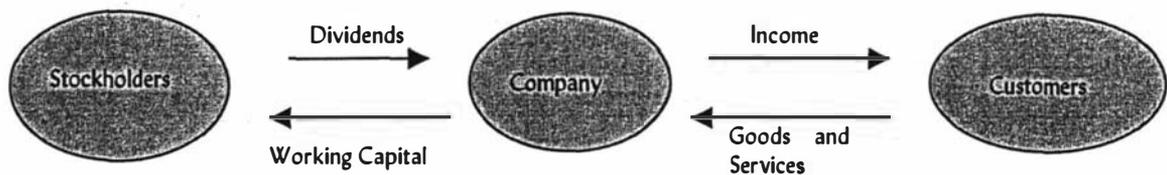
<sup>12</sup> See Harvard Business Review No. 27 1998 for extracts of Drucker's views taken from, *Managing in Times of Great Change*. (1997).

To effectively oversee the complex web of interrelationships and effective and elaborate systems of communication, problem-solving and coordination rely on a strong sense of mutual trust and unilateral commitment towards objectives (Mohr and Spekman 1994). Understanding the intricacies of how systems work enables managers and controllers of assets to develop checklists of stakeholder expectations of outcomes and encounters. For example, if tribal beneficiaries object to a tribal decision to pay outgoing directors substantial fees what is ultimately at stake is the tribe's professional integrity and reputation.

Being mindful of the significant contentions each stakeholder has in the scheme of running a business requires an understanding that moral and ethical dimensions in business provide the backbone to achieving success and public tolerance. Decisions are connected to the way in which companies interact with their various constituencies and business ethics, in this manner, relate to the values companies adopt to help them distinguish what is right from wrong. Values are what a company believes are its moral and social obligations as an active contributing member of society.

Stakeholders, as mentioned earlier, are interest groups who have varying degree of ability to affect the direction, activities, behaviour and policies of a company. They are a significantly larger group of interest parties than the smaller group of company stockholders. Though stockholder are acknowledged as important part owners, identifying and maintaining effective relationships with all other stakeholders is necessary for a company's survive. The notion of stakeholders grew out of the fundamental constitution and operations of complex social systems.

Figure 2:3 A traditional stakeholder constituent map



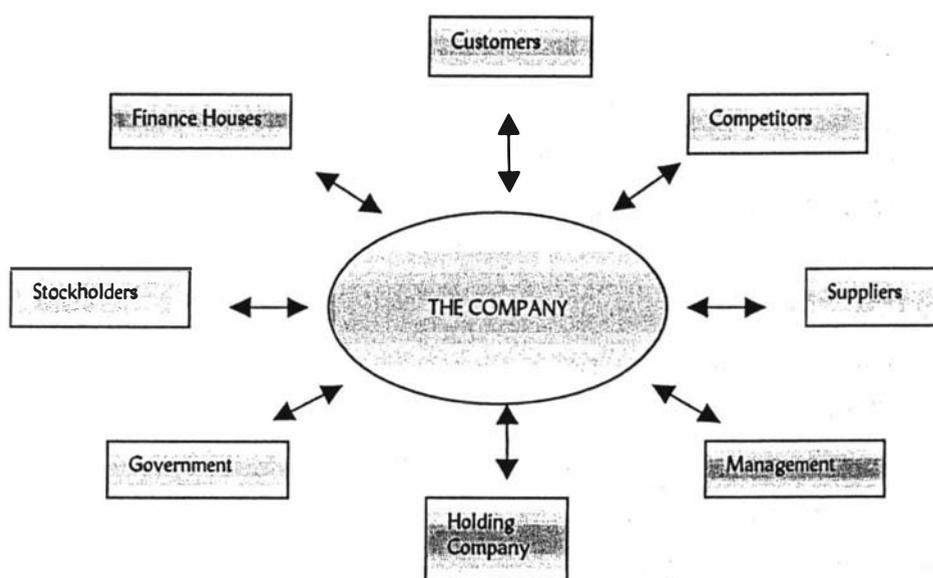
Source: Freeman (1984) op cit.

As this diagram depicts there are essentially three key players in business - stockholders, the company/firm and customers. The model identifies only those key, if not sole, lines of responsibility a company has in terms of financial returns to stockholders who in turn provide the initial working capital to keep the business operational. Stockholders expect to receive back profits in the form of dividends.

Customers are at the other end of the spectrum, and in receiving goods and services, in turn, they provide income to the company in the form of sales. The company sits in the middle position as it were.

Stakeholder or strategic constituency analysis challenges the sole profit motive of business firms and the importance of just stockholders and customers. Whether a public or privately owned company, they are affected by wider forces beyond the three stakeholder model of stockholders, company and customers. The diagram below depicts more accurately the range of various constituencies (stakeholder) both internal and external the influence a company's decisions and ultimately their success.

Figure 2:4 An expanded view of stakeholders and constituents



Source: Adapted from Schermerhorn (1989) p.145.

This diagram outlines numbers of, though not inclusive of all, broader stakeholder constituent groups connected to a company. They comprise individuals, organised groups, professional and institutions and parties and internal management having a bearing on company behaviour typically monitored by its policies and commitment to action. The double arrowed lines show influence extends from each stakeholder to the company and back again. Over time these relationships change and ultimately affect how the company views its operations and its decision-making processes.

As a further comment, we could read into the diagram the influence of competitive market forces and how these forces have relevance in assessing a company's present performance and future stake. Their sales force, for example, become important stakeholders should they reduce sales commissions and the

motivation to sell is compromised. Architects and engineers, on building sites are obviously important project management stakeholders though they are not financiers with direct contact with potential buyers (customers). They command a high degree of influence and power and their behaviour is important in determining customer behaviour.

Government and its representative agencies, as stakeholders, serve two important roles. First, as policy and legal regulating authorities ensuring various compliance codes are maintained and that sales and purchasing agreements are conducted within the law, and second, that they have obligations as trade ministries to advocate the best interests of New Zealand companies whilst negotiating often tenuous trade international agreements.

A holding company as a stakeholder is seen as the parent, or larger company, which may own the company itself or be its major stockholder. As a parent company it has a stake in whatever its subsidiary decides to do.

### *Understanding underlying assumptions*

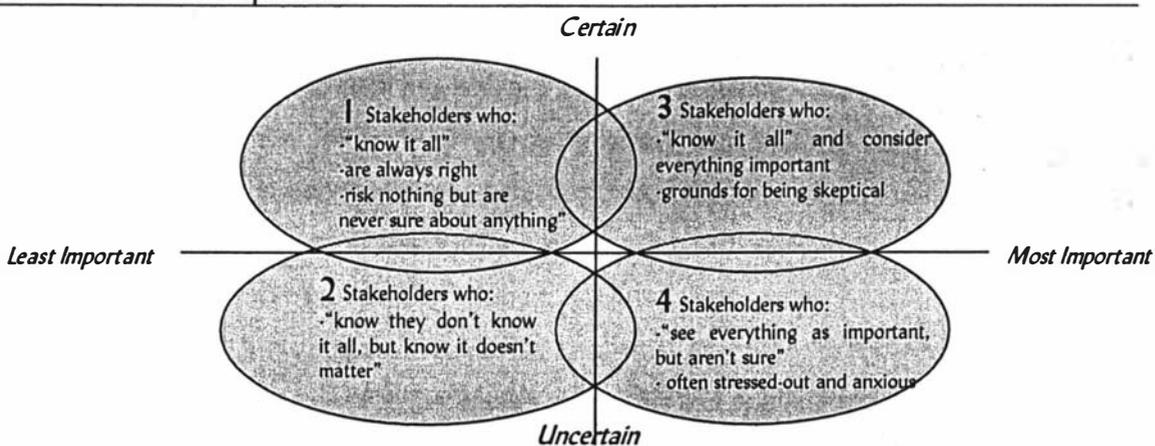
Assumptions are the key to business leaders and entrepreneurs making some initial assessment about situations involving stakeholders. Making assumptions gives an indication, at least, of how some stakeholders perceive a company's performance. Where there might exist disagreement – for example, between company management, regional councils and environmental lobby groups opposed to land-fills - what is at issue is influence. Submissions made, for or against such a proposal, reflect in the main, each stakeholder positing their differing assumptions about the behaviour and intentions of any opposing stakeholder. No stakeholder has however, definitive knowledge or factual information about what disagreeing, or for that matter agreeing, stakeholders are like or how they behave when challenged. All they can do is make assumptions about their behaviour patterns. What is perhaps the only certainty is that, when it comes to stakeholder views nothing is for certain. That when working towards resolving matters of interest, seldom is there ever any clear statement made about what the problem actually is. Rather statements are issued as time progresses and it is only then, as a direct result of working on the problem that it becomes clear. This has important implications for a company, as problem solving and decision-making are intensely creations of human encounters tied to the question of risk.

As stakeholders become more identifiable and their assumptions are ascertained, some, it will be more obvious, are more critical than others. Likewise, in the decision-making process some stakeholders would become more confident about the certainty of their assumptions than others. In some situations, as in the case of new home buyers they are the most uncertain of all stakeholders, whereas property developers hold the highest degree of uncertainty and risk because of house prices. Whatever the decision reached however, all stakeholders make assumptions about the nature of a company and the quality of its decisions. In this regard, assumptions help formulate a game plan based around the central question, "what can be considered true about a given stakeholder?"

It was by way of the theoretical understanding of Mitroff's (1989) stakeholder assumption analysis that company owners and entrepreneurs began to look at more effective ways of working through complex organisational and managerial problems. He viewed this type of analysis as a behavioural process that allowed individuals to select out and identify who the stakeholders were in terms of their importance, relevance and involvement. His theory allowed for the naming of assumptions and being speculative about what presumably each stakeholder would be like. The important aim was to construct a profile and map out assumptions in terms of what was relevant and known.

In undertaking his research, Mitroff appreciated social systems and emphasised the need for a systematic analysis in the monitoring of stakeholders and their associated properties (assumptions). He identified four assumption-based pathologies that tended to affect decisions. This is shown in the four quadrant diagram below (1989:29):

Figure 2:5 The stakeholder quadrants



Source: Adapted from Mitroff, 1989.

- 1) 'All Assumptions are Unimportant, Certain Quadrant': Here stakeholders "know it all"; that all is certain. However, nothing would matter in this quadrant as it is all relatively unimportant. They believe they are right more often than not and tend to remain in denial. They do nothing to avoid risk-taking which moves them into the Uncertain quadrant. By doing nothing new, they seem completely sure about anything.
- 2) 'All Assumptions are Unimportant, Uncertain Quadrant': Here stakeholders have an attitude that nothing is really known for certain (that all is uncertain) and if they did know, it is not important anyway. Here they "know that they don't know, but believe it doesn't matter". This quadrant reveals for Mitroff the defensive position taken to avoid being responsible.
- 3) 'All Assumptions are Important, Certain Quadrant': This indicates stakeholders who believe they know it all and what they say they know is important. It might be true or arrogant. When assumptions fall into this cell there are grounds for skepticism.
- 4) 'All Assumptions are Important, Uncertain Quadrant': Stakeholders believe everything is important but nothing is known for certain. Here, they are orientated towards self-interest with a tendency to becoming overwhelmed by the world.

Whatever the orientation, whether extreme or otherwise, there is possible to consolidate the efforts near the point where it gathers most resistance. Here, Mitroff, advocates the importance of enhancing opposing perspectives to provide the necessary scope to effect a resolution.

### *Internal stakeholders and archetypal systems*

Mitroff devised six useful techniques that enable stakeholders to generate influence and change at a wider social, political and organisational level. He referred to the *imperative* approach, identifying those with firm views about policies, rules and regulations. They take note of company imperatives; identify the source of problems and engage all potential stakeholders in the matter. The deficiency in this process is that the smaller often, inconspicuous stakeholders are disregarded. The *positional* approach, identifies stakeholders in formal positions within a company including chief executives, directors and shareholders. They are either internally or externally located in relation to the company and utilise organisational charts and legal documents as important information sources. Its deficiency however, lies in the fact that it ignores those not apart of the company's formal policy and decision-making body. The *reputational* approach is a sociometric method that seeks 'expert' advice about who the important stakeholders are. It has a major deficiency in that it is elitist, disenfranchising those with little or no power. The *social-participation* approach identifies individuals and organisational stakeholders who are engaged in developing and setting company policy. They include those with membership on committees, governance and management boards. The deficiency of this approach is that many talented, non-participatory individuals and groups are often overlooked. The *opinion-leadership*

approach sees the primary reason for identifying stakeholders as ascertaining their leverage and influence capabilities. It might be adequate to identify only those who shape opinion, like editors of influential newspapers and magazines. The advantage of this approach is that it identifies those who are not part of any formal structure and do not have the same status as those in positions of power. Its disadvantage is that it is less precise and requires a more selective judgement. The *demographic* approach identifies stakeholders on the basis of attributes including age, sex, race, occupation, religion or abilities. As company policy impacts on demographic groupings its aim is to take stock of the wider range of stakeholder interests. The demographic approach selects focal companies and identifies relationship it has with other stakeholders including supplies, employees, customers, clients and competition. Its advantage is that it identifies potential stakeholders who may have been previously discounted. Its deficiency however, is its lack of comprehensiveness as well as its assumption that homogeneity exists within groups.

There is potential for stakeholders and constituents to be ignored or disregarded through oversight, yet there is little doubt that the influence from outside plays an internal part in a company's operations. It would be fair to surmise that stakeholder properties – that is, its intrinsic and extrinsic properties - emanate out of interactions and relationships with others. Having knowledge of this becomes especially important when entrepreneurs and business owners search for capital and resources. Given that companies aim to manage and balance out all of their constituent parts (internal and external stakeholders) they have to make certain assumptions about stakeholders. Such assumptions are speculative, but provide some semblance of who and what is important. Ackoff and Emery (1974) suggest that understanding behaviour requires a deeper look into what process is involved in purposeful decision-making. They state it is based on knowledge of a company's objectives, goals and purpose; what motivates it; and the values and beliefs it ascribes to. They also believe a company requires a sound knowledge of the resources they command, including material resources; symbolic resources, that include political office; physical resources including industrial sites and office space; positional resources such as privileged access to network; informational resources which is access to informational networks; and skill knowledge and cultural resources which includes access to knowledge. Ackoff and Emery also believe companies require access to specialised knowledge and need to comprehend their working relationships by determining where power differentials exist; lines of authority and control; and who is responsible and accountable.

Stakeholders ascribe to different properties that fit situations, however there is much in the way of uncertainty as to how such networks of interdependent relationships are formed. There is also some resistance and skepticism about this. However, in order to develop new business strategies, or to re-modify old ways, change is fundamental in the nature of relationships. Here, Mitroff (1989) anticipates this and refers to change as occurring by means of:

- a) conversion, that is by:
  - having command of power and authority
  - persuading and appealing to reason
  - bargaining through economic exchange
  - negotiating through compromise
  - problem-solving through shared understanding and 'mutual' tolerance
- b) confronting and usurping political power, by:
  - securing and marshalling company resources
  - forming coalitions with other stakeholder, or
  - acts of hostility and the closing out other stakeholders
- c) absorption, that is, where stakeholder demands are incorporated by way of co-opting.
- d) coalesce with other stakeholders and the formulating of coalitions with other decision-making partners
- e) avoidance or ignoring other stakeholders
- f) appeasement or submitting to at least some of their demands
- g) capitulation to greater pressures
- h) forming special bonds: A "love" strategy
- i) transforming the company through mergers or modeling

These strategies presuppose the existence of sufficient resources and that the stakeholder (e.g. employees) have the ability to exploit these to bring about change. The company itself exists because of the nature of interactions with all its stakeholders and this, in many ways constitutes 'organisational culture'.

In all of this, the strategies implemented must at some point consider the inherent properties and behaviours of all its stakeholders; the networks that bind them together and its power to effect change in their relationships. It is essential, according to Mitroff, that these remain delineated from all other facets of business as they bring to bear important questions about systems, relationships and decision-making.

In terms of systems, Ackoff (1974), Churchman (1961) and Singer (1979) in their respective works outlined a number of the important functional conditions required to sustain a company. Among them, are the four 'dimensions' necessary to survival.

These are:

1. A company's ability to change purpose (its ends) and to create new ones. This is the *Aesthetic Dimension*, by aesthetic, is meant the tendency to be creative, flexible and changeable. It is what the company believes and values and sees as worth pursuing. As important to effecting aesthetic change are:
  - a) leadership: Where company leaders are transformational, inspiring and innovative. They have the ability to reassess and reassert a company's mission statement, purpose and know how to conceptualise new purposes: (the key terms here are leadership, goal-setting, management by objectives, entrepreneurship).
  - b) management: Where company managers translate new concepts and ideas into concrete actions (the key terms here are innovation, change management, invention, patents, flexibility, entrepreneurship).
  - c) networks: Where a company has the spirit, dedication and commitment required to secure new purposes: (the key terms here are motivation, satisfaction personal values, burnout, catharsis, drive, energy).
  
2. The ability of a company to acquire and mobilise adequate resources (means). This is the *Political/Economic Dimension* wherein they use its means effectively and efficiently. Its prerequisite conditions are:
  - a) its sum total of resources required to accomplish purpose (the key terms here are capital availability, recruitment capital budgets, finance, acquisitions, working capital, cash flow, dividend policy).
  - b) its team approach to the relocation of resources from one group to another so each has sufficient means to carry out its designated tasks at the right time and place (the key terms here are budgeting, resource allocation, decision-making).
  - c) it's ability to ensure resources are used effectively and efficiently to maximum output and outcomes (the key terms here are productivity, organisational structure, job design).
  - d) its management tasks of distributing outputs effectively to all relevant stakeholders (the key terms here are marketing, sales, distribution, training, customer service).
  
3. The company's ability to develop its resources and to allocate these appropriately, in the right amounts, to the right areas at the right time. This translates as ensuring a means to an end. It warrants the proper use of knowledge and refers to the *Informational/Communication Dimension* of a system, of which its prerequisite are that:
  - a) in a company have the ability to produce basic information - scientific, industrial and/or operational - relevant to understanding technology, its markets, its product, finances and customers (the key terms here are research and development, accounting, management, information systems, market research, planning).
  - b) its management ability to ensuring that the right information is communicated to the right people at the right time (the key terms here are communication, reporting, education, public affairs, auditing, telecommunications, the internet).
  - c) key stakeholder are able to use this information to make the best decisions (the key terms here are managing systems, policy making, applied research, board of directors, accountability, decision-making).
  
4. The company's ability to maintain its cooperative ideals to reduce conflict among stakeholders. This is the *Ethical, Moral, Cooperative Dimension* of a system and its requirements are that:
  - a) its stakeholders feel secure and assured (the key terms here are mid-life crisis, human potential movement, health and safety, psychic energy, stress, fringe benefits).

- b) there exists little internal conflict between managers and staff, departments and sections in the company (the key terms here are conflict resolution, role clarification, leadership).
- c) there is little conflict between the company and its external stakeholders; between union and management, government and competitors. (the key terms here are public relations, labour and government relations, ethics, morality, product safety, social responsibility).

The goals of social systems are to function effectively. This is discussed by Diesing, in *Reason in Society*, (1964) which discerns from systems analysis four important considerations. These he calls the economic, political, legal and social rationalities. He sees these as interconnected parts necessary to maintain order. Economic rationality affirms that there is an economic order of things and that this order has meaning when there is a recognised form of economic measurement (for instance, money and interest rates) such that commodities can be compared in terms of a value based on a standard unit of measure. It follows therefore, that there has to be some form of social rationality, or sense of solidarity, that allows people to accept such a standard as valid. The implications here concerning stakeholder interests are that they are neither completely autonomous nor completely dependent.

As Mitroff (1989) contends, the assumptions made about the behaviour as a function of the assumptions made about other stakeholder. Thus the intrinsic properties of stakeholders are influenced by extrinsic properties of other stakeholders. This establishes the important understanding: since some assumptions are more significant than others, stakeholders may make similar decision-making at the same time. It is perceived only as an "either/or" which on the surface appears discrepant, the point being asserted however is that they (stakeholders) are defined not by what they think, but by how others see them. It is this distinction that matters and what becomes apparent is that they cannot be both at the same time. That is, what they assume and others assume, they things to be. The point here is that disputes or disagreements require detachment. What then passes as subjective, in theory, would adhere to the premises of rationality. That:

If stakeholder  $X$  has properties  $p$ ,  $q$  and so on, then  $X$  can cause stakeholder  $Y$  to behave in much the same way. This "if-then" relationship is the overriding aim of contemporary social science, which emulates the physical sciences.

This raises questions wherein rationalist might argue there is nothing flawed in this logical deduction. The problem however occurs when we take this argument outside the confines of its own meaning. It gives a distorted picture of the complexities of human interactions and the range of human emotions. Analysing stakeholder properties can only hold true if properties are deemed rational and calculable. This is not the case particularly as stakeholders have complex, emotional constituencies to which

entertaining any form of emotionality or penetrating the realms of subjective realities are near impractical and impossible.

Mitroff (1989) considers the more in-depth sophisticated attributes as a way of explaining the need to undertake a deeper analysis of the human spirit. He in fact argued that there has to be a discerning set of properties that influence decision-making. These are invisible or often over-looked properties<sup>13</sup>. Max (1990) makes a similar point, suggesting that decision-makers cannot leave to chance the consequences of their decisions on the voiceless stakeholders:

I have a strong conviction that it is our business, that a society that can care about the Southland beech forest, the Kokako and Mururoa Atoll - a society that professes to be struggling for equity and justice for all - must care about the most vulnerable members, its smallest members, its wordless members, and about those who have the power of life and death, joy and misery over them (Max, 1990:3).

Jung (1939) considered archetypes as the most powerful symbolic, images of character type. Mitroff extended Jung's ideas to support his interest in the 'intrinsic' stakeholders that guide basic life decisions. For Mitroff, the mind was not a complex set of cause and effect reactions; a mechanistic array of stimulus-response conditionings or goal-directed behaviourism, rather it was a tool which people used to deal with the past, the present and future realities. The tenets of these are well characterised in Charles Dickens's *A Christmas Carol*. Ebenezer Scrooge, the ill-tempered sinner, heir to, and the business partner of Jacob Marley, the prominent well-to-do stockbroker was the central character. Bob Cratchitt, Scrooge's office clerk, was a kind and patient man who worked diligently in spite of his boss's rude petulance. On Christmas eve Ebenezer was visited by three ghostly images: The ghost of Christmas Past, who reminded him of the young girl whose love he had forsaken for wealth power: The ghost of Christmas Present, who showed him Bob Cratchitt's poor but happy, loving family: And the ghost of Christmas Future, who revealed to him the vision of his own untimely death - a victim of Irish harpies. Such a frightening encounter with ghostly archetypes caused him to re-think his life's journey and

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<sup>13</sup> Mitroff uses the documented case of the Canadian *snaildarter*, the small fresh water fish as an example of these hidden properties. The snaildarter is a real account of how an insignificant stakeholder disrupted multi-million dollar plans to construct a large hazardous hydro-electric power station. A costly court case between developers and environmentalist (who acted on behalf of the fish) ensued through the Canadian courts for many years as contract developers and the Canadian government were keen to commence construction. However they were conspicuously caught off guide. With all manners of technological sophistication, money and political will there was no account of the impact on the river's indigenous inhabitant. The legal requirements to protect all species of animal were overlooked. As important stakeholders, the snaildarter were represented by the powerful environmental lobbyists. In the end developers were forced to concede as provide unequivocal assurance that the fish and its habitat would be protected. The moral is not to overlook the little things. That beneath the surface of the best laid-out plans resides the inconspicuous, often overlooked detail that profoundly influences decisions. Here, entrepreneurs can learn important lessons in heeding the small seemingly inconsequential elements that may make the difference to winning and losing.

attitude towards others. He became a changed man, more loving and appreciative of others which, in turn, meant people became more loving and kind towards him.

This transformation was precipitated by visitations of the archetypes hidden deep within the psyche of the human mind in as much as Scrooge was transformed. Mitroff argues decision-makers are influenced by archetypal aberrations of their own past, present and future thoughts. He maintains that decisions require extending beyond one's current points of reference. The quest, Mitroff argues, helps company owners, entrepreneurs and executives to identify, name and address their realities. This is in much the same way as Lewin's "life-space" identifies goals people strive for. Lewin's focus is the negative states that people attempt to avoid and he looks at the barriers that restrict goal achievement. For Mitroff, the notions of Lewin's model are centred around 'ego-states' (Mitroff, 1989).

Churchman's (1979) systems theory developed from the intellectual roots of William James and Edward A. Singer's pragmatist approach that provides the essential philosophical underpinnings of Mitroff's work. In systems terminology, stakeholders are in effect the teleological components of a teleological system. They have a will of their own and accordingly pursue their own self-interest while giving whatever support is necessary to maintaining cohesion (so long as it does not compromise their own interests). This teleological explanation implies that the human conscience composes a collection of entities that act in cooperation with, and in competition to, personality.

On further examination of Jung's archetypal work, Mitroff comes to the conclusion that what lies behind the variance in stakeholder viewpoints and decisions is personality type. Personalities are, he maintains, the core factors by which leaders and managers construct questions, analyse them and decide upon answers. Whether a problem is simple or complex, decisions are seldom, if ever, about one right or one wrong answer. Making choices involves personality and disposition and therefore, what matters is the composition of the company and the manner in which company members construct, enhance and validate their position.

In terms of this thesis on Maori entrepreneurs and business leaders, I consider Jung's personality frameworks as serving two fundamental purposes. First, in clarifying managerial and organisational styles of leadership and decision making, and hence the development and classification of important skills for the entrepreneur. And second, as a framework for allowing adaptation and integration and therefore not prescribing some personality types as superior to others. Of particular interest is the

means by which entrepreneurs process information from the outside world (their input-data dimension) and the way they make decisions based on information they receive (their decision-making dimension).

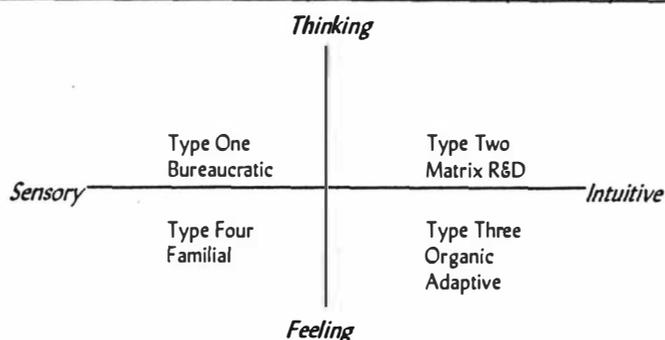
Information received is processed sensorially or intuitively. Typically, entrepreneurs, like most, use predominately one kind of data-input process. The “sensing type” individual processes information via the senses - what they see, feel, smell, hear, touch and taste. They focus on detail and on the specifics of a given situation. Typically they process information deductively, breaking down complex ideas and collecting quantifiable data prior to making a decision. By comparison, the intuitive individual takes in information by analysing the whole picture. They concentrate efforts on looking at hypothetical possibilities rather than looking at the constraints imposed by detail and factual data. They tend to focus on quality of outcomes, albeit grounded on solid information.

As entrepreneurs, managers and business leaders process information through reasoning, Jung argues, in general, people develop habitual ways of perceiving situations and resolving problems. He points out that it is impossible to apply both a deductive and inductive style simultaneously. To appreciate this, personality types not only take into account the different kinds of information gathered, but also the different types of data collected as valid information. Data is processed through what Jung calls one's ‘internal filters of legitimacy’ (Jung, 1939).

He posits two ways decisions are made. Individuals either *think* or *feel* their way through the process. Jung sees ‘thinking’ type personalities as basically involving individuals who respond by using logical modes of reasoning, that is, rational data and analytical formulae. They work to de-personalise issues and concentrate on facts. ‘Feeling’ types, are individuals who make decisions by way of personal consideration. They ask, how do decisions affect peoples lives and morale? Data is processed intuitively and decisions are reached either through an analytical process - “thinking it through” or a subjective process - “feeling through it”. These data-input modes (intuitive and sensory) combination with decision-making modes (thinking and feeling) allows us the scope to consider Jung’s personality types in looking at entrepreneurial and leadership styles. Jung’s work is diagrammed below:

- Sensing – thinking types (ST's)
- Sensing – feeling types (SF's)
- Intuition – thinking types (NT's)
- Intuition – feeling types (NF's)

Figure 2:6 Organisational ideal types and the Jungian dimensions of personality



Source: Jung, C. (1939).

A key task of business leaders is to defend the integrity of their companies (Barnard and Selznick, 1957; Zeleznik, 1989). This lies at the heart of the Kuhnian puzzle concerning business survival. The question is how can they ensure indefinite continuation of the company? Vested bodies often hold the key as they provide an important framework necessary to analyse the puzzle. Minor stakeholders might have little to say, however, their collective voices could prove the inevitable fate. Though often it is the major stakeholders - management, stockholders, employees, customers, suppliers and the government who have the power to determine the life or death of a company, Mitroff believes the invisible stakeholders hold the answers.

### *Developing stakeholder confidence*

As a summary, some of the key understandings on how managers manage relationships, are discussed by MacMillan and Jones (1987) who argue strategic alliances are critical to this task. For alliances to work entrepreneurs and managers have to:

- consider demands made by internal stakeholders
- know the political behaviours and processes by which coalitions are formed
- discern that employees and management strive for conditions that allows them to pursue goals that better enhance their interests
- recognise that these same individuals can and do, use manipulative techniques to get what they want and that bargaining and coalition are necessary to achieve specific goals
- ensure coalitions are built around specific issues not people
- understand that control of a coalition is achieved by making issues visible
- understand that gaining commitments require good strategists who anticipate and manage the behaviour of the coalition
- weigh up degrees of importance of proposed strategies against investment costs spent on pending restructuring

- realise that unilateral commitments involve finding out what is right, not necessarily about winning, where issues at hand are critical to success

The success rule of a strategic alliances comes down to two fundamental variables: How well do company owners and entrepreneurs understand and interpret the behaviours of others, and second, how well do they handle coalitions to ensure joint relationships are given a fair chance. MacMillan and Jones (1987) argue the success of alliances is governed by the active involvement of all parties engaged, and how well the key technical players act in the formal negotiation process. It is a test of their skills in communication, bargaining, reconciliation and closure, along with their sensibility, risk acceptance, repair and patience skills (see Lewis 1990).

Lorange and Roos (1997) broadly define a 'resource' as strategic only when it is freely transferred from one application to another, and when it can be divested and diverted from one successful strategy to another emerging one. Strategic alliances are thus constructed upon a premise of exchange, that is, adaptation/modification processes of resources (Hakansson, 1982). 'Exchanges' are usually of a social and/or business nature developing around the transference of knowledge. They are therefore dependent upon a large degree of willingness to share quality information. 'Adaptation/modification' processes, are concerned with financial issues, with managerial functions and manufacturing/production techniques implicated in any alliance strategy. Its concerns are in developing lucid strategies for adapting to partnering agreements and modifications while not wanting to lose independence or autonomy. Lorange and Roos (1997) sees strategic alliances as a means to an end, in that groups tend to evolve towards something else, making important issues that impact the evolution of a strategic alliance such as control processes and human resource considerations.

The idea of an ad hoc alliance strategy applies usually when resources are limited, involving one party, the larger more established entity, agreeing to a casual arrangement with a smaller, often vibrant entrepreneurial firm. In such an arrangement resources and profits generated are expected to flow to the parent company as a first priority. It is a business relationship fraught with matching difficulties. A consortium type alliance is established usually when resources are not as sparse, therefore there is room for some flexibility. This leeway provides for the opportunity to adapt and modify processes. Resources and profits generated from this consortia arrangement are expected to flow back equally to each company. The project-based joint alliance is geared around resource allocation to a particular venture. Resources and profits generated are retained within the joint venture arrangements. Here, each party has motives to seek measures to overcome their fears of financial risk and exposure and is perhaps

reluctant to reveal its key strengths. Parties are however, usually in favour of supporting other's attempts to rectify gaps and problems. Hesitancy is a major factor in the reconsideration of more resources. As such project-based ventures work around an 'as needs be' set of circumstances until trust and credibility can be established. A full-blown joint venture alliance is usually established when resources are in sufficient supply and allow for greater efficiencies to be established. This gives opportunity to adapt to new eventualities and impending challenges. Trust is usually established early on and resources and profits generated from this arrangement are shared equally.

### *Conclusion*

Two views of changing systems have developed over the past 100 years: one out of the school of determinism, the other from the school of probability. Though they seem incompatible, as the determinists argue, the future is determined by the past but has a need for probability and the probablists argue future depends in a random way on the past and but cannot be determined from it. To this end, the theory of disorder developed out of the work of Pierre Simon de Laplace. This was so, paradoxically, because of his thorough knowledge and acceptance of the Newtonian view of the universe (Coveney, 1990). Non-linear systems, such as might be expected, in the realm of entrepreneurship, are fraught with potential problems if one allows oneself to make predictions of future behaviour. Perhaps May's (1976) plea that "intuition may be enhanced by seeing the wild things that simple non-linear equations can do" has the inherent answer. Such a view may provide a useful counterpoise to linear, incremental, reductionist thinking permeating the fields of management and economic science.

Baumol and Quandt (1985) remind us that "chaos is defined as a fully deterministic behaviour pattern which is, in at least some respects, indistinguishable from random process, or rather, process perturbed by substantial random effects" (p:3). Stewart, also affirms this as quoted by Gleick (1987:306) who remarked that chaos pertains to "apparently random behaviour in a simple deterministic (clockwork-like) system." Hubbard addressed the nomenclature issue specifically by arguing chaos is a poor name for his work, because it implied randomness. Its overriding essence was to reveal that simple processes in nature could produce magnificent edifices of complexity without randomness" (Gleick, 1987:306). Trompenaars (1997:preface) added "the essence of what I do is the transformation of fairly complex models into an appealing, practical settings. There is now a tendency to be too theoretical. It is the transformation into what managers can use that is important."

The following chapter examines the literature related specifically to entrepreneurship with a focus on the macro and micro issues affecting the role of entrepreneurship, in particular how they impact on Maori entrepreneurship. Discussed will also be references to entrepreneurship in relation to the nature of capitalism and the role of the State.

## SECTION TWO: CONSTRUCTING THE FRAMEWORK

### CHAPTER THREE: Enterprise in action: The historic and social construction of entrepreneurship

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Celebrated for his knowledge and wisdom the old Saskatchewan farmer was asked by his young apprentice, how come he was so wise? The old man looked pensively and replied:  
 "Young man wisdom is all about good judgement"  
 "And good judgement comes from experience."  
 "And experience", he exclaimed!  
 "Experience, that comes from bad judgement!"

*· The parable of the old farmer*

#### *Introduction*

This chapter examines the central properties and themes associated with entrepreneurship and theories of entrepreneurial activity and links to the issues and debates raised in chapter two. I discuss the current literature important and relevant to organisational, political and economic advancements taking place in New Zealand society. The concerns I write about here centre on business activity and the role entrepreneurs play in reshaping and reconstituting the ways in which we think about ourselves and the society in which we live. I am particularly interested in entrepreneurship as a function of change and discuss this in some detail. Entrepreneurial and economic concepts concerning profit motive and market forces are addressed along with the psychological make up of entrepreneurs. As entrepreneurship engages in manipulating market activities, it is a both process and an event necessary to enhance economic growth. This chapter explores the means by which entrepreneurs recognise opportunity, exploit market gaps and put into place organisational processes to take advantage of market situations. These processes are dynamic and involve elements of risk, and, I argue, it is because of risk, that entrepreneurs play a calculated and strategic game plan<sup>1</sup>. It is not my intention here to provide validation for a verifiable theoretical framework of entrepreneurship based on rationalist economics, indeed, I purport a view that underlying any theory that attempts to anticipate market behaviour and how people think is anything but sensible. Conditions that precede new opportunities, shaping business operations and establishing normative guidelines prescribing 'right' actions and 'right' choices are not

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<sup>1</sup> Entrepreneurs are not high stake gamblers, they are, all but speculators. They are smart players who comprehend risk. Like good chess players they think beyond the game itself. They anticipate their opponents next move and counter it by taking advantage of their superior strategic positioning. Entrepreneurs improve the odds by acquiring 'superior' knowledge, by knowing the weakness of opponents and knowing when to strike.

the nature of Pacific entrepreneurship. He also identified problems of individual businesses and helped clarify the attitudes of individual entrepreneurs towards policy initiatives designed to stimulate and promote indigenous Pacific development. Hailey's study serves as a usual backdrop to this section and the overall thesis.<sup>2</sup>

### *Historical background*

The term entrepreneurship first appeared in the writings of Richard Cantillon in 1755 in which he describes the entrepreneur as "someone who exercises business judgement in the face of uncertainty." Cantillon defines three groups of economic agents of which the latter are the entrepreneurs. These categories were the landowners (they being those financially independent economic agents) the hirelings or wage earners who depend on landowners; and those agents who engage in market exchange for profit at their own risk (Herbert and Link, 1989). Modern day nuances of the meaning of entrepreneurship were greatly influenced by the writings of J. B. Say (1767-1832); J. H. von Thunen (1785-1868); Leon Walras (1834-1910); Alfred Marshall (1842-1924); Frank Knight (1885-1972); Joseph Schumpeter (1883-1950); Ludwig von Mises (1881-1972); Kirzner and Leibenstein. These theorists will be referred to in this chapter.

With the emergence of 'neoclassical economics' during the late nineteenth century, the notion of entrepreneurship no longer became a central focus of the economist's attention. As this school of thought expanded its horizons, resource appropriation and concentration became the driving force of its theoretical discourse. This included the arguments offered by Keynesians, the Freidmanites and Marxists. Schumpeter however, was perhaps the only prominent economist of the time to depart from this view by focusing his analysis on the dynamics of economic life: That is, the dynamics of disequilibrium as opposed to comparative analysis of static equilibrium. Schumpeter places entrepreneurs clearly at the centre of his analysis of the mechanisms of economic change.

Schumpeter's work on dynamic disequilibrium, argues growth is created by innovative leaders who introduce new combinations of production. He stresses that entrepreneurs are leaders not managers who supervise production processes, nor do they carry out routine activities. Rather, they create 'new

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<sup>2</sup> Hailey, John M. (1987) *Entrepreneurs and Indigenous Business in the Pacific*. Pacific Islands Development Program, East West Centre. University of Hawaii. Hailey's surveyed the Pacific Island nations, including the Cook Islands, Marshall Islands, Papua New Guinea, Fiji and Western Samoa.

combinations' and therefore destabilise through processes of 'creative destruction' which he sees as the essence of economic development. This process accounts for the economic strength of capitalism whereby the producers of goods and services are constantly forced by competition to "incessantly revolutionise" (1950:83). For Schumpeter, technology is the driving force behind cycles of economic boom and bust.

Schumpeter's work has clearly had a major impact on recent writings on innovation and entrepreneurship. His contemporaries, however, examine the role of entrepreneurs from a much broader perspective. Kirzner (1973) for example, defines the essence of entrepreneurship as being about alertness to potential profit-making opportunities. Schultz (1990) defines entrepreneurship as an ability to deal with disequilibrium rather than an ability to address uncertainty. Hayek views entrepreneurship in much the same light as Kirzner, as a stabilising force that bring markets closer to equilibrium making them more effective (Herbert and Link, 1989). For Von Mises, risk bearing is the essence of understanding entrepreneurship, while Herbert and Link (1989), incorporate the historical theses of risk, uncertainty, innovation, perception and change into their understanding. They define entrepreneurs thus as individuals who specialise in taking responsibility for "making judgement decisions that affect the location, form and their use of goods, resources or institutions" (p:47).

It has only been in the last three decades that business management and leadership theorists have taken a more serious interest in the role of the entrepreneur. Drucker (1985) views entrepreneurship as a perception towards change among business leaders who search for it, respond to it, and exploit it as an opportunity (p: 28). He sees management as having to be receptive to innovation; being prepared to perceive change as opportunity rather than threat, and implement policy that accommodates entrepreneurial culture. Drucker also argues it is a learning mechanism with in-built measurements and appraisal systems to monitor its levels of efficiency (p: 138).

Stevenson et al (1985) in a similar vein sees entrepreneurship as a process of "creating value by pulling together a unique package of resources to exploit an opportunity" (p:16) while Vesper (1983) sees it as a process that "introduces new independent competitors to establish companies, both large and small." In light of this competition, opportunity and risk increases and in so doing "exploits niches where there are unsatisfied needs in the marketplace, [they] transfer technology, create new ideas, induce investment [and with it] new jobs" (p:1).

Pinchot (1985) adds that the role of entrepreneurs is to create disorder in much the same way as Schumpeter describes in his 'creative destruction' view. However Pinchot's contribution is more in distinguishing entrepreneurship *within* the organisation: what he terms "intrapreneurship". This role takes a clear "hands-on" responsibility for creating innovation in an organisation. He maintains "the intrapreneur may be a creator or inventor, but is always the dreamer who figures out how to turn an idea into a profitable reality" (p: ix). Intrapreneurs are therefore key player in competitiveness, as internal transforming agents which interact in voluntary patterns too complex and synergistic" (p: 11) to be dealt with by a complex organisational hierarchy. They however require sanctioning from senior management who control those resources designated for entrepreneurial development and research.

### *Some determinants of the entrepreneurial 'character'*

Early attempts to develop theoretical explanations of entrepreneurship focused on psychological attributes to determine key personality traits of past successful entrepreneurs. Thus early theoretical orientation brought together experimental studies on trait leadership and the literature on management. Four themes emerged as inventory traits of what constituted entrepreneurship, these were (i) a desire to achieve (ii) a high internal locus of control (iii) a propensity to risk, and (iv) a tolerance of ambiguity and change. Much of the business literature today continues to carry over the innate awkwardness of trying to establish the difference between entrepreneurship and that of small business ownership. The focus has been on identifying behavioural characteristics germane to profit making opportunities and, to this extent, the alertness, rationality and decision-making processes to "make things happen". What is clear is that the many characteristics required to make things happen vary across cultural divides. In the past, behavioural researchers have attempted to develop predictive analytical archetypes that help give better guides to defining performance in venture situations, today contingency theorists look towards situational aspects and stakeholders, including what Mitroff calls the archetypal stakeholder.

Entrepreneurs engage in activities that more often than not reflect to kind of society in which we live. Peters (1992:preface) expresses this in the sense that, "crazy times call for crazy organisations". A world in which entrepreneurs are susceptible to the vicissitudes of leadership; where success and failure are more than just opposite sides of the coin.

Kets de Vries (1995) suggests successful entrepreneurs are enduring individuals who encounter hardships and who appear to exhibit seemingly irrational impulsive behaviour. Their patterns of

behaviour show resilience to set-backs and that they hold a high level of internal loci of concern. Schumpeter describes them as 'creative destructors'; highly complex individuals tormented by self-doubt, confused by inconsistencies and pressured by time. Schumpeter (1962, 1994) sees entrepreneurs as *Ideas People* who cannot accept boundaries. As change catalysts they carry out 'new combinations' being instrumental in discovering new opportunities. What is perhaps less dramatic but as critically, is the entrepreneurial functions of *managing-coordinating*. It is here that a distinction is made between entrepreneurs and company executives. The terms 'manager' and 'entrepreneur' may seem mutually exclusive, yet a question is raised as to what point in an organisation's development do bureaucratic managers take a lead role in risk-taking. Knight's (1936, 1964) understanding of entrepreneurs as takers of unqualified risk is somewhat compromised because the division of ownership and management and the use of resources other than that of an entrepreneur's own personal capital is considered to be more about creating risk rather than taking it. It is the capitalist who is prepared to back a venture that is exposed to financial risk. More at risk for entrepreneurs is exposure, in terms of character, prestige, mana and integrity which are on the line if a venture fails. On this Kets de Vries (1995) states:

The purgatory of entrepreneurship, that is, the period preceding public recognition of one's entrepreneurship abilities, can be a time of extreme hardship during which considerable socio-psychological sacrifices have to be made. Naturally, a certain tolerance for economic risk is necessary but a tolerance for socio-psychological risks might be more important (p: 110)

The point being mainstream beliefs and value systems contribute to the development of unconventional patterns of behaviour (Kets de Vries, 1995: 112). Some 30 years earlier, Hagen (1962) considered that a society characterised by traditional values tended towards a deterioration of status among different groups causing psychosocial upheavals and disequilibrium. The impact of which causes distrust, anxiety and potential withdrawal. This creates instability which triggers transformation and the convergence of creative, innovative entrepreneurial activities. Here four types of events produces what Hagan calls withdrawal status:

1. a displacement by force (that is, by political upheaval or war)
2. a denigration of valued symbols (religion, morality)
3. inconsistencies in status symbols involving changes in the distribution of economic power
4. a non-acceptance of the expected status of immigrant and other minority groups

The assertion made here is that roles and values are stimulated by a deprivation necessity which in turn provides the vacuum for entrepreneurial opportunity. Hagan's hypothesis provides a rationale, though this is somewhat reliant on reactive modes of behaviour.

Kets de Vries refers to this reactive mode as a common behaviour pattern particularly among 'male' entrepreneurs:

For the entrepreneur the initial impression, 'the hunch', often becomes the final conclusion without further serious search and deliberation process. There seems to be an absence of concentration, of logical objectivity, judgement, and reflectiveness as if the process of cognition is impaired and does not fulfil its integrative function. A lack of analytical thinking, an absence of active search procedures and self-critical reflections, becomes a predominant mode. (Kets de Vries, 1995:119)

Brockhaus's (1982)<sup>3</sup> review of the literature found entrepreneurs had a general propensity to risk approbation and goal achievement. Kent's focus on life and educational experiences of entrepreneurs was seen as the important factors decision-making. Kirzner (1983b) stated "some are quick to spot as yet unnoticed opportunities, others notice only the opportunities revealed by the discoveries of others. In some societies, in some climates, among some groups, it appears that entrepreneurial alertness is keener than in others" (p:67). In light of these remarks psychological determinants were followed as the important lines of research although Kets de Vries (1977) noted that empirical studies failed to give any degree of conceptual clarity to this.

### *Entrepreneurship in the marketplace: Kirzner's models*

For Kirzner (1973), entrepreneurship is defined in terms of the market for a single good within a single period. This, he sees as arbitrage (Kirzner made no distinction between arbitrage, that is sales purchases from one market to another and entrepreneurship) where in this single period market to "discovers incomplete mutual adjustments between transactions in different parts of today's market" (p:154). These adjustments would manifest in a difference in prices for the same good. Market participants who then sell for low prices would find it difficult to coordinate their plans with those who buy the same goods for higher prices.

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<sup>3</sup> In Kent, Sexton, van Auken and Young (1982).

Entrepreneurs therefore discover what the *interlocal* price differences (or price-cost differences) are for the same commodity in the same market (that is, where buyers pay too much and sellers receive too little). The price discrepancy represents an opportunity for pure entrepreneurial profit where entrepreneurs know what to do. They bridge the gap by offering to buy for a little more, and sell for a little less (Kirzner, 1973:41). As a keen student of von Mises, Kirzner maintained the primary role of economic theory is to explain behaviour in terms of purposeful human actions and to give form to the extent to which such actions interact to produce unexpected outcomes. Price movements arising from entrepreneurial activity tend to generate accurate information that moves through to market participants. Kirzner points out that the process of capturing entrepreneurial profits is, simultaneously, a process of correcting what he sees as market ignorance.

Kirzner's analysis also extends to include arbitrage opportunities arising from imperfect co-ordinations between transactions in resource markets and the product market. He maintains these imperfections express themselves in divergences between the price of inputs in markets and the price of outputs. That is, deviations are representative of differences "between the sum of prices on resource markets of a bundle of factors that are able to produce a product and the price of that output on the product market (Kirzner, 1973:44). Entrepreneurship therefore means being 'alert' to such price differences in both factor and product markets for what is essentially the same good. The crucial juncture where entrepreneurial alertness is important is the interface between markets where unnoticed opportunities are about improving coordination between transactions. This, according to Kirzner (1973) is the locus of entrepreneurial activity: that is, the link between external factors and product markets.

Yet Kirzner's single-period arbitrage theory is limited by what is seen as its instantaneous exploitation of *interlocal* price differences. To counter this, Kirzner used single-period alertness as the analogy for speculative entrepreneurship in multi-period contexts, explaining that the "theory of discovery and exploitation of inter-temporal (rather than interlocal) price differences in the same commodity market or between factor and product markets the coordination of markets across space (i.e. arbitrage) is essentially the same as the coordination of markets across time (i.e. speculation)". The function of entrepreneurship here is not expected to change either in single or multi-period cases. As Kirzner (1982c) continues "it is still the case that the entrepreneurial function is that of bringing about a tendency for transaction in different parts of the market (conceived broadly as including transactions entered into at different times), to be made in greater mutual consistency" (p: 154).

In single-period cases, entrepreneurs equilibrate the market by bringing about convergence towards uniformed market prices. Correspondingly, in multi-period cases, entrepreneurs coordinate present transactions with future transactions in mind (High, 1982:164).

Kirzner (1973) describes entrepreneurial activity as generally about observance of the imperfect coordination between transactions in different parts of the market and this imperfection derives from ignorance. Ignorance in terms of failure to realise what resources are at hand, and failure to perceive and take advantage of opportunities.

He states:

We notice immediately that where the conditions for exchange in fact exist but are not exploited owing to ignorance there now exists scope for profitable entrepreneurship (Kirzner 1973:216)

In situations where there exists perfect knowledge and no ignorance, Kirzner refers to this as Jevon's 'Law of Indifference' or the 'Law of One Price' (1979:131).

Conditions of zero-transaction costs occurs when entrepreneurs acquire information needed to identify potential trading partners to draw up contracts, and monitor and enforce transactions for little cost. Free access, however, does not usually correspond to the instantaneous perception of useful information. It may follow that individuals with zero-transaction costs have at their disposal all information, but still fail to perceive opportunities for mutual benefits presented by the information. In order to exploit opportunities Kirzner says, one first needs to perceive them (see Kirzner, 1973:227).

Entrepreneurial alertness is not simply a representation of the possession of superior knowledge. It is importantly "knowledge of where to obtain information and how to deploy it" (Kirzner, 1979:8). Here Kirzner identifies it as knowing where to find data rather than substantive knowledge of markets. Entrepreneurs do not have superior knowledge but know where to get it:

The alertness of the entrepreneur is the abstract, very general and rarefied kind of knowledge which we must ultimately credit with discovery and exploiting the opportunities specifically unearthed by those whom [the entrepreneur] has been wise enough to hire directly or indirectly (Kirzner, 1973:69).

Entrepreneurial alertness is itself of conventional knowledge different to that of technological knowledge which is non-deployable and tacit. Alertness cannot be considered as a resource acquired deliberately like other aspects of human capital. Bottom line, Kirzner maintains, is that opportunities are either perceived or they are not. The tacit nature of entrepreneurial knowledge is that rather than people being aware of hunches they reflect on them but are seldom able to articulate them (Kirzner, 1973:169).

Because markets and entrepreneurs are usually unaware of the need for alertness for particular opportunities, there exists no real market for the hiring of entrepreneurial skill. The market tends not to identify or recognise individuals or groups who have alertness and talent. It is difficult to treat entrepreneurship purely along economic supply and demand curves. The markets does not demand services of the entrepreneur, and as Kirzner (1983) states “for any instance of imperfect plan coordination about which market participants are supposed to be ignorant, it is not possible for these same market participants then to demand a service that is supposed to discover that very maladjustment” (Kirzner, 1983). He states also that “to hire an entrepreneur is to be an entrepreneur.” (ibid :69).

For Kirzner, (1979:129-131) knowledge carries a zero cost in that there is no deliberate search undertaken to acquire it. Demsetz (1983) however, disagrees as he regards time and mental effort as important costs to maintaining alertness as attention is diverted from doing other tasks. Demsetz concedes however, that these costs are not significant.

Kirzner (1983) believes that entrepreneurial alertness is *embedded* into individuals, where potential is not accurately measured. It is not be possible to derive, therefore a quantitative relationship between entrepreneurship and economic growth, although it would be possible to inquire analytically into how institutional frameworks affect alertness and decision-making. Effectively, entrepreneurship cannot be treated as an available ‘quantity’ resource to be used by economic systems.

Schultz (1990) see entrepreneurial activity clearly as a practical obligation to undertake mundane economic tasks. Within this paradigm entrepreneurs are not just artistic, scientific or intellectual people, but analytical. Schultz believes it is profoundly misleading to glamorize entrepreneurs as a creative breed endowed with originality, new ideas, and innovation, claiming, “to assert without evidence that entrepreneurs are more alert and endowed with better vision about future economic possibilities, and

that they generate more luck for themselves than other human agents who are not entrepreneurs, is to romanticize" (p:20). Entrepreneurs are indeed practical people "whose acts are grist for economic analysis." To glamorize them with creativity and other noble talents, is interesting and appealing, but tends to complicate conventional analysis with ambiguities. Schultz (1990:6) adds:

Like intelligence, entrepreneurial ability is one of the general attributes of human beings. Observable behaviour in response to changes in economic conditions indicates that most able-bodied adults do what is here deemed to be entrepreneurship. They break their routine and proceed to reallocate their own time and their other resources when they perceive that it is worthwhile to do so.... The innate and acquired abilities of people be they individuals or families in charge of firms or households or self-employed, are important in restoring equilibrium.

The earliest known contributions to the psychology of leaders and entrepreneurs came from McClelland (1961, 1965). His studies focused on whether or not entrepreneurs possessed a particular set of characteristics that connoted their level of achievement or *n Ach*. McClelland posited that individuals with high *n Ach* were leaders willing to accept responsibility for solving problems and setting goals. Others including Rotter (1966) were concerned with locus of control and linked this to Kirzner's alertness. They argued that an individual's internal locus of control was more fundamental to entrepreneurial personality than that of a propensity to achieve or take risks. The locus of control theory maintains that outcomes are within or beyond personal control and that people with a strong belief in internal control perceive events as "contingent upon his [sic] own behaviour or his own relatively permanent characteristics" (Rotter, 1966:1). Individuals with a strong belief in external control perceive events as "following some action of his [sic] own but not...entirely contingent upon his actions" (ibid). McClelland's work though consistent with this proposition believed however, that entrepreneurs were more internal in their locus of control. This was supported by Brockhaus's (1982) and Shapero's (1975) works.

In terms of this study, the advantage of Rotter's work is that it not only links in well with Kirzner's alertness but provides us with a understanding of the psychosocial context of entrepreneurial activity. I have sketched below a causation chain in which an internal locus of control gives rise to acute alertness necessary for incidental learning. It is this learning that recognises profit opportunities which in turn results in behaviour principles of entrepreneurial success.

Figure 3.1 The causal link between LOC beliefs and entrepreneurship

$E = f(C, T)$  where  $E =$  (successful) entrepreneurial activity  
 $C =$  incidental learning (i.e. noticing opportunities when they exist)  
 $T =$  intentional learning (substantiating one's knowledge about these opportunities through deliberate search for more information)

$T = g(C)$

$C = h(A)$  where  $A =$  entrepreneurial alertness

$A = j(L)$  where  $L =$  (subjectively believed) locus of control

Therefore, (successful) entrepreneurial activity is also a function of locus of control:

$E = f(L)$

The first derivatives of all the above functions are assumed to be positive.

To this schema we can also add:

$L = k(I, P, M, D, S, B)$

Where  $I =$

the institutional framework, including the type of political and economic system (especially the degree of decentralisation in economic decision-making and the system of property rights) which determines the "objective" locus of control (the objective distribution of power over outcomes in the environment [Gilad, 1986:210];

$P =$  economic policy, especially: the stability and neutrality of fiscal and monetary policy; the nature and magnitude of taxes on business and individuals; and (changes in) the character of regulatory constraints upon the behaviour of firms and individuals (which change the distribution of power between the decision-maker and outside powers) [cf Baumol, 1983];

$M =$  the availability of role models during the developmental phase of the creative individual's life (especially as internal LOC expectancy appears to be passed on from entrepreneurial parents to their children (Gilad, 1982: 153-154)

$D =$  other characteristics of the familial and educational environment during the development phase in an individual's life;

$S =$  cultural and social attitudes and norms (e.g. fatalistic attitudes embodied in Latin American social values conducive to external locus of control beliefs);

$B =$  the individual's socio-economic background and status (external LOC being associated with lower socio-economic status because people with a poorer socio-economic background perceive the opportunity structure open to them to be narrower (Gilad 1982: 154)

Therefore, entrepreneurial activity will depend upon these factors:

$E = k(I, P, M, D, S, B)$

Source: Harper, (1992)

### *Entrepreneurs and access to venture capital*

As entrepreneurs tend over time to become more familiar with how to 'conduct their own businesses', while engaging in the difficult task of establishing a track record, they become familiar with their own strengths and weaknesses Aldrich and Zimmer (1986) maintain entrepreneurs are constrained by limited ties and linkages to resources and as a consequence, the success or failure of ventures are not just an entrepreneur's concern, but transcend among, the array of business and finance houses,

government agencies and research institutions<sup>4</sup>. The insights they gain however, are at best, only partial predictors of their abilities to develop successful entrepreneurial businesses. Since the fifteenth century feudal ventures of Europe and latterly, industrial ventures of the nineteenth century tended to be initiated by the so-called 'new men', pioneers of sorts; 'colonisers' who brought to bear their investment energy, their intelligence, their cunning and daring (Pirenne, 1939:516). Andreski (1965) considered them as entrepreneurs dissatisfied with current affairs, capable of managing change and aware of the new status success will create:

In the West new forms of economic activity were being created by 'new men', men who gained wealth and rose in status in virtue of their pioneering efforts...Although...great vertical mobility is not sufficient for technical progress, certain forms of it seem to be a necessary accompaniment. Technical progress involves not only the invention but also the organisation of new units of production able to apply new methods. The motives of inventors are complex: it is quite probable that disinterested curiosity is more important than any thought of material reward. But in the case of businessmen, it is fairly obvious that they are motivated by the quest for wealth and power. The attainment of these involves climbing the social ladder. New methods of production will therefore be introduced only if innovating activity is rewarded by a rise in status (p: 242-243).

In terms of Maori-driven entrepreneurial initiatives today, it is necessary to locate the nature of the State's involvement in Maori development. I discuss this in the following chapters.

On this point, taking quite a functionalist appreciation of entrepreneurial activity is perhaps an important political and community level requirement that allows policy-makers and leaders to better understand the dynamics of economic and market forces and how these impact on people's lives. It is pertinent here for decision makers to at least account for any adjustments to, and/or the elimination of disequilibrium occurring within the economy. For example, high levels of unemployment experienced among Maori gives some rationale for the entrepreneurial argument that new ventures create new job opportunities.

### *Change and contradiction: a dual concentric worldview*

The Maori systems worldview is perhaps the most compelling aspect of entrepreneurial roles as they relate to the ambiguous nature of business in that it recognises the range of differences that exist. It is

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<sup>4</sup> The lack of a track record associated with entrepreneurship is perhaps a particular reasons why venture capitalists keen to reduce any type of risk ignore their role. Conventionally, business decision-making requires detail, facts, plans, projections, analysis and credible references before investments in innovation are made.

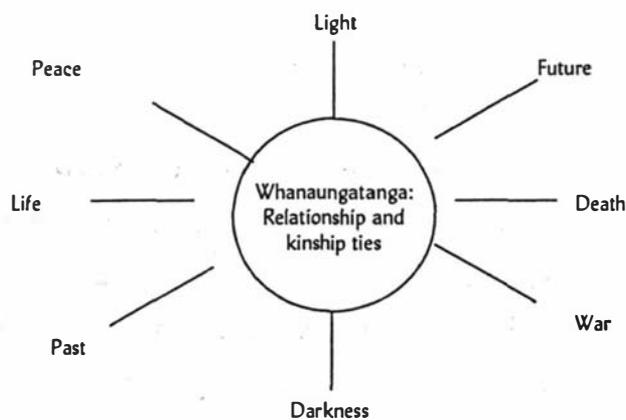
necessary to appreciate the dynamism and unpredictable nature of entrepreneurial processes as well as what energy is required to move ventures along a new venture continuum. Kawharu's (1980) understanding of the Maori worldview suggests it is an inseparable 'concentric dualism'. That Maori viewed life as a connected process of opposite forces. Managing paradox then becomes an interesting domain for Maori entrepreneurs and change agents wherein order co-exists alongside chaos. This is depicted below:

Figure 3.2 Examples of situational paradox

<i>Order</i>	<i>Chaos</i>
Letting Go	Holding On
Long-term vision	Short-term action
Competition	Collaboration
Commitment	Flexibility (de-commit)
Seek Opportunity	Say No
Sweat Details	Conceptualise
Patience	Urgency
Life	Death
Light	Darkness

We can perhaps view this in terms of Kawharu's concentric worldview of whanaungatanga:

Figure 3:3 The whanaungatanga concentric dualism model



Source: Kawharu I. (1980)

This notion of paradox relates closely to the Maori understanding of concentric dualism (Kawharu, 1980) and the connections of seemingly polar dichotomic concepts.

In business, private investors and venture capitalists look for reputable, high yields investments. The novice investor might have little in the way of a comprehensively knowledge of what produces

profitable or alternatively disastrous financial results. The same I believe could be said for the expert. And this is true for government policies aimed at promoting some measured outcome of sustained economic improvement. Schultz (1990) said: "the entrepreneur does not appear as an explicit economic agent. In the part of [economic] theory that deals with pure profits, the entrepreneur is indentured to true uncertainty" (p:32). Smilor and Feeser (1991) and Stevenson and Harmeling (1990) saw the resultant effect of entrepreneurial activity as the invention of new products and the launching of new industries.

Building companies are a critical part of an entrepreneur's growth strategy. In establishing corporate entities they select, identify and recruit key people as part of their core management team. To do this it takes vision, patience, trust and timing. Vision is important as it the energy that charges enthusiasm, fuels direction and activates change. It is the fabric of a business that sustains its central values.

Wheatley (1994) relates this to the notion of fields. In terms of organisational leadership Wheatley acknowledges these invisible fields as playing a significant part in establishing direction, stating, "I have come to understand organisational vision as a field - a force of unseen connections that influence employee behaviour - rather than as an evocative message about some future state" (p:13) She also states: "fields encourage us to think of a universe that more closely resembles an ocean, filled with interpenetrating influences and invisible structures that connect" (p: 51).

To achieve results, entrepreneurs typically demonstrate a willingness to maximise all available resources, and, if need be, venture outside traditional means of finance houses to access capital (Stevenson and Gumpert 1985). Resource utilisation is a legitimate pursuit for entrepreneurs and this has been significant in terms of implications it has for financial management. Entrepreneurs seek first effectiveness followed by efficiency as they keep options open (Eggers and Leahy 1992). Assessing how resources are to be used is important in terms of prioritisation and cost effectiveness.

The more complex, the network of relationships, the more likelihood there is of entrepreneurs gaining access to resources. It is therefore in the interest of entrepreneurs to establishing joint ventures as an imperative (Botkin and Matthews, 1992).

The bottom line understanding for entrepreneurs is knowledge of their marketplace and deftness in on-selling ideas (commodified into goods and services) in a distinctly entrepreneurial way. Though

susceptible, like all business movers, to the 'whims' of customer choice they endure the task of matching commodities to customer's needs. They look for innovation: engage in experimentation, observe, evaluate, sense, interact with, respond to and anticipate what is in the customer's mind. In this respect, they seek to control the marketplace by educating it. In this way, informing the marketplace becomes inseparable to entrepreneurship itself as it actively reinforces, and challenges current thinking. In particular, it does this by developing dialogue around economic theory and the realities of practice (Smilor, 1989).

Entrepreneurs therefore grapple with notions of theoretical fact and practical choice where information (quantitative and qualitative) becomes crucial to decision-making. Data of a numerical imputation and calculation kind is weighed up against experience and opinion and this sometimes causes anxious uncertainty which entrepreneurs know so well: that creating new market opportunities requires judgement, playing with ideas, testing designs and ultimately failure.

Eggers and Leahy's (1992) identify five areas; financial management, communication, motivation, visioning, and self-motivating as necessary to sustaining entrepreneurship in business. Financial management is necessary for two reasons, first, in acquiring sufficient capital to commence operations and second, to maintaining working capital/positive cash-flow to ensure ventures continue. Entrepreneurs also need to be self-confident to foster working relationships with a range of different stakeholders. Essentially, Eggers and Leahy maintain entrepreneurs need to be professional and articulate in their dealings, in being able to grasp complex ideas, critique them and then voice them in an unambiguous manner to groups and in one-on-one situations.

Entrepreneurs need to motivate others and this is accomplished by setting up work teams that understand and support the firm's vision. With this is the need to develop urgency and enthusiasm to make things happen and it is here that they need to develop a sense of loyalty and trust. Vision is the ability needed to create and communicate direction, anticipate opportunities and act before others.

The difference between achievement and non-achievement is the ability to remain consistent and this requires energy, discipline, resilience and a strong work ethic. Eggers and Healy conclude that these attributes are not conclusive but represent key skill area important across all growth stages of a firm.

### *Entrepreneurship and western economic systems*

Kerlinger (1973) defines theory as “a set of interrelated constructs (concepts), definitions and propositions that present a systematic view of phenomena by specifying relations among variables, with the purpose of explaining and predicting the phenomena” (p:9). Loasby (1982) adds that because entrepreneurship is connected to change, and given there are many kinds of change, understandably there would be many definitions of the entrepreneurial function.

It is widely acknowledged that standard economic theory has ignored the role of the entrepreneur primarily because economic theory itself has historically ignored the central concerns of entrepreneurs, which focus around the unexpected; around change and volatility in the market place. The concerns of economic theory have been largely been pointed towards examining the equilibrium status of economic affairs and thus regards all decisions and transactions as immune from the hazards of error, in other words, the perfect market can and does everything. In part, this assumptions is due to the fact that little in the way of uniform treatment has been undertaken in examining the role of entrepreneurs.

The Keynesian model is based on aggregate demand (total spending) of consumption spending by households, investment spending by businesses, government spending and net spending in the foreign sector (difference between exports and imports). Keynes major contribution was realising however, that aggregate demand could be insufficient to produce full employment of all resources. His analysis provides no reason to expect, as earlier economists had predicted, that automatic forces operating in the economy would ensure full employment following a period of adjustment.

A key deficiency in Keynes's analysis is his assumption that if aggregate demand is high enough, sufficient incentives would be present to bring forth a supply of entrepreneurs to produce levels of investment great enough to ensure economic growth and a steady flow of innovation. On this point, Rostow (1956) adds:

...we can say as a first approximation that some group must successfully emerge which behaves as if it were moved by the profit motive, in a dynamic economy with changing production functions; although risk being the slippery variable, it is under such assumptions Keynes' dictum should be borne in mind: “If human nature felt no temptation to take a chance, no satisfaction (profit apart) in constructing a factory, a railway, a mine or a farm, there might not be much investment merely as a result of cold calculation” (p: 42)

Keynes sees private investment as insufficient to ensuring full employment and that government spending is necessary if jobs are to be created. This is the basis of the demand-side entrepreneurial economies wherein entrepreneurship prospers so long as total spending is maintained and sufficient levels in either the private and public sectors produce full employment. Both supply-side and demand side explanations are, however, not sufficient in explaining levels of entrepreneurial activity at any given time. The entrepreneurial environment according to Bink and Coyne (1983) needs to be understood:

It is evident the entrepreneurial skills may be more widely distributed in any given population that is immediately apparent, but it requires a sympathetic economic environment to nurture and harness those skills in the creation of enterprises (p:75).

Keyne's *General Theory* appears to undervalue the role of entrepreneurs, despite Keynes's belief that these to be at the heart of all investment decisions. He downplays expectations among business leaders because they yield much to the influence of government policy direction. Keynes seeks to come to grips with this and focuses on positive actions policy makers could make to stimulate investment. He did so by focusing on interest rates which he admitted later were far less influential than expected, but, were far more dependable and amenable to government direction (Baumol 1993) than anything else going at the time.

Shumpeter, without doubt wielded the intellect and mastery over social and economic analysis: in particular, his major contributions to analysing the social and economic mutuality from historical, analytical and philosophic viewpoints. His *Theory of Economic Development* published in 1912, discussed the development processes within economic frameworks and concerned, in the main, functions of innovation through what he described as 'a combination of resources'. The core of his thesis stated five propositions which can be interpreted as such:

- (1) the production of new goods or the quality of goods not known to consumers previously (e.g. mobile phones, laptop computers, water purification systems).
- (2) The introduction of new methods of production as yet unknown to a particular industry (these methods could be based on scientific discoveries and/or novel ways of marketing products and services e.g. computerisation and information technology).
- (3) The opening up of new markets in which an industry has not been established before, whether or not the market existed before (e.g. e-commerce, the Internet service providers, the electricity supply market).
- (4) The capturing of new sources of supply of raw materials or intermediate products regardless of whether such sources existed before (e.g. natural gas and oil supply, *paua* and crayfish farming).
- (5) The establishment of new organisations as a creation of a monopoly position (e.g. pooling) or alternatively the breaking up of a monopoly (Tainui and Ngai Tahu corporates, mergers with the car and telecommunications industries).

It is Schumpeter's central theme that the carrying-through of new combinations (innovation vis-a-vis invention) characterises economic development. It is the manner in which new combinations are brought about that, he argues, transformed economic order. The central character in all this is the entrepreneur.

Schumpeter is critical of Keynes' *General Theory of Economics*, arguing its theoretical assertions are unsound (Schnieder 1975). His own review of Keynes's life-work is summed up in the following:

And even those who found their bearings before, and on whom the General Theory, did not impinge in their formative years, experienced the salutary effects of a fresh breeze. As a prominent American economist put it in a letter to me: "It (the General Theory) did, and does, have something which supplements what our thinking and methods of analysis would otherwise have lacked. It does not make us Keynesians, it makes us better economists."<sup>5</sup>

Schumpeter concedes that the Keynesian contribution to the overall discourse and practice of economics is valuable, however, he disputes its emphasis as he did Adam Smith's, *Wealth of Nations* (which he saw as influential to Keynesian view) as it contains little analytical data new to 1776. Though this might well be petty griping, Smith's contribution, as noted by Schumpeter (1949), was his systematic synthesis of the enormously large volumes of literature on economics, politics and philosophy. Schumpeter's own influences (Weber's rationalist views and theory of capitalism) helped develop his attempts to construct a new understanding of broad inter-disciplinary fields of economics - what later became known as 'social economics'. Schumpeter used Smith and Weber's work to mediate the ensuing 'battle of methods' between German-speaking 'academics' and 'economists'. The debate sparked the polarisation of economics into its theoretical and historical parts and for Weber, economics was split into two evolving sciences - one, overly abstract and non-historical, the other, overly historical and non-theoretical (Weber, 1949). A more formally constructed view is presented. The relationship between the relevant variables are specified as follows:

Entrepreneurs are innovators, initiators of discontinuous change (Say, Schumpeter). They are also decision-makers, organisers and coordinators of economic resources (Schultz 1975; Leibenstein 1968a,b; Marshall, 1981).

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<sup>5</sup> This critique was presented in a paper presented by Schumpeter in 1946 at the Keynesian Symposium. 'Keynes and Statistics', The review of Economic Statistics. Vol. 28 .

Leibenstein's X-efficient theory suggests company inefficiencies are measured by the extent to which a company neglects its productive potential. His thesis being companies use resources in largely wasteful ways. Most significantly Leibenstein offers a new dimension to economic theory in contrast to the neoclassical worldview. Where economists traditionally argue rationalist problem-solving techniques using quantitative analysis, X-efficiency theory suggests there to be psychological costs associated with such rational thought.

Here entrepreneurs trade off 'constraint concerns' against pressure: that is, they exhibit different degrees of constraint concern and different degrees of neoclassic irrationality. Leibenstein sees entrepreneurship as the creative response to X-efficiency where entrepreneurs themselves pose the competitive threat to inefficiencies. Here Leibenstein identifies two key roles of entrepreneurs. First as, 'input completion' where they make available inputs that in turn improve efficiency of existing production methods or assist in facilitating new ones (essentially they improve information flows to the marketplace) and as 'gap-fillers', where they serve as go-between, between the market and technology. This links to Kirzner's arbitrage function, and here Leibenstein considers entrepreneurs to stimulate economic growth. He used the analogy of the economy as representing a fishing net made of nodes and pathways. He states "there are holes and tears in the net [and] obstructions (knots) along the pathway" (Leibenstein, 1968:45).

Though questions are raised about Leibenstein's conclusions as being rather simplistic, his method of analysis is compelling. He argues that 'psychologism' is to be incompatible with the neoclassical view of the 'rational economic man'. With the main thrust of neoclassical rationality to be to rule out imperfections it also ruled out the inconsistent behaviours people are subjected to. In the real world Leibenstein believes people behave rationally, as and when opportunity costs commanded it. In an operational sense, behaviour is undistinguishable from how so-called rational individuals cope with constraints imposed because of having limited information.

Entrepreneur are brokers of the factors of production; as contractors and arbitrageurs located between different markets, who buy resources cheaply and sell their output more expensively (Kirzner 1962, 1973, 1982a, 1982b, 1984). They are also specialists who make judgement decisions about how to allocate scarce resources (Cassons 1982) and industrial leaders (Baumol 1968) and bearers of risk (Knight 1964). They are persons who supply financial capital (Mill, 1959), are owners, managers and supervisors of enterprises (Marshall 1842-1924).

Harper (1992) takes a largely integrative role identifying three key areas entrepreneurs work in terms of economic development. These were arbitrage, speculation and innovation roles. Arbitrage involved simultaneous coordination of transactions in different parts of the market within a single time period. No uncertainty is implied by arbitrage. The arbitrageur role captures profits arising from existing inter-local price differences.

Speculation is the ability to exploit perceived opportunities created by different market transactions entered into at different times. Speculators plan to make gains from inter-temporal price differences, however they have no real control over shifts and changes in demand or in exogenous supply shocks.

Innovation concerns the introduction of new goods and services, new methods of production, new ways of organising transactions and/or new forms of organisation. These are, of course, functions performed by Schumpeter's notion of the entrepreneur as an innovator. Here entrepreneurs aim to capture profits from the introduction of new products (or processes) and profits made only if they are able to sell their product over a future time period at a price configuration (based on quantity) which brings revenue greater than the sum of production and transaction costs incurred. Innovation thus entails making gains from inter-temporal revenue-cost differences but, unlike speculation, implies bringing about revenue-cost differentials by means of their own actions (Kirzner 1984a). Schumpeter is careful here to differentiate entrepreneurs from inventors and capitalist, stating:

Economic leadership in particular must hence be distinguished from "invention". As long as they are not carried into practice, inventions are economically irrelevant. And to carry any improvement into effect is a task entirely different from the inventing of it, and a task, moreover, requiring entirely different kinds of aptitudes. Although entrepreneurs of course *may* be inventors, just as they may be capitalists, they are inventors not by nature of their function but by coincidence and vice versa. Besides, the innovations which it is the function of entrepreneurs to carry out need not necessarily be any inventions at all. It is, therefore, not advisable, and it may be misleading, to stress the element of invention as much as many writers do (1936, pp: 88-89)

He is perhaps the most noted economist who advocates the entrepreneur as the creative persona with a 'pioneering spirit'. He adds that entrepreneurial activities are not limited to individuals alone, but to groups and collectives as well, stating "every social environment has its own ways of filling the entrepreneurial function" (Schumpeter [1949] 1965:51). He accepted that both privately owned business or large public corporations could perform entrepreneurial functions, noting that "with the development of the large-scale corporation...aptitudes that no single individual combines can thus be built into a corporate personality" (p:53). The idea being entrepreneurial functions occur between

professional management and the research technicians. Schumpeter acknowledges that there is no longer any one agent in the economy whose role corresponds specifically to that of the entrepreneur: That the real world entrepreneur is a composite of personalities; the manager, the leader, the capitalist, the coordinator and the organiser.

Although their functions might be practically indistinguishable, they are specific activities which are invariably intertwined. It is often because of transaction cost factors, that entrepreneurs perform the necessary managerial and leadership functions to facilitate the realisation of their ideas (see Schumpeter [1949] 1965; Kirzner 1973). It is transaction costs that invariably inhibit the transfer of knowledge and blocks the formation of external markets that entrepreneurs sell their ideas to.

Schumpeter's analysis is restricted to just one type of entrepreneur - those who carry out new combinations of the means of production (see also Schultz 1990:52-53). They are the captains of industry; the economic innovators, who account for Schumpeter's economic development. The limitations of his analysis is worth noting here:

1. Most changes in economic conditions that enhance productivity originating from within the economy, are not accounted for in Schumpeter's work. Therefore, he does not consider, basic and applied research, as an integral sub-sector of the economy that entails large expenditure. Yet it may be a major source of cost-reductions of new production techniques. Technological advances thus, are pervasive in the modernising of the economy. Though some large companies engage in intense research and development, so do many of small businesses. It is rare, however, for the small self-employed entrepreneurs, who include farmers, to engage in either basic and/or applied research and development.
2. Schumpeter deals with new organisational ideas and the application of these ideas as *innovations*. Yet, these ideas tend not to be based on the findings of their company's own research and development, nor on basic and applied research contributions from sub-sectors of the economy committed to undertaking research. Schumpeter's innovating entrepreneurs, therefore, do not create new production opportunities that originate from basic and applied research. It is both the small and large-scale entrepreneurs who take advantage of such opportunities.
3. Investment in human capital is often made by families and individuals assisted by public expenditure; in large measure these investments are not in the domain of the "captains of industry", although these investments tend to result in favourable changes in economic conditions.
4. Increases in production occurring from advances in the divisions of labour and in specialisation are made possible by extensions of the market over time important to economic modernisation.
5. Economic disequilibria occur often as a consequence of political actions including war (the destruction of facilities and equipment, casualties and reparations) some, although relatively few economic disequilibria originate from the vicissitudes of nature. Schumpeter's analysis of economic development has excluded these and other 'external' changes in economic conditions<sup>6</sup>

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<sup>6</sup> This has been adapted from Schultz's (1990) critique of Schumpeter's theory of entrepreneurship.

The ownership of previous resources is not a pre-requisite to entrepreneurship as Kirzner (1973: 46,50, 66; 1979:97) argues. However, given that entrepreneurs often encounter high production and capital costs, they need access to capital resources. As a primary function is to reallocate resources, entrepreneurs exploit opportunities to increase capital assets over a period of time. The idea is to sell ideas for higher prices at a later period. At issue is whether they have sufficient capital to undertake production, consequently, whether in fact entrepreneurship is given enough credence as a factor of production.

### *Entrepreneurial transactions and marketplace fluctuations*

When market disequilibrium occurs it is treated by means of special assumptions. The standard economic treatment is to rely on the *tendency assumption*, which is based on the proposition that there is a tendency towards equilibrium throughout the economy and whether these tendencies exist is inconsequential. If there is a strong tendency there is merit in the rule to simplify analytical tasks. If there is a weak tendency the assumption rule is troubled. To transform disequilibrium into a hypothetical *equilibrium* state various concepts of transaction costs, information, subjective risk and expectation are used. This would then avoid the issue of restoring equilibrium.

Schumpeter argues here changes in economic conditions are the major sources of disequilibria, and these are either forced from within or from outside the economy. Mother nature tends to play her small part in change, however, human agents account for most, if not, all change. Baumol (1993) agrees with this view, noting the "entrepreneur's role is that of disturber of the economy; it prevents the economy from falling into a rut and precludes those who constitute the economy from falling into lethargy" (p:11). Schumpeter stresses that an entrepreneur's propensity to destroy anything that resembles a state of stationary equilibrium is what matters. Kirzner (1973) considers entrepreneurs as equally enemies of disequilibria by virtue of unrealised profit opportunities. Entrepreneurial alertness, for Schumpeter would restore equilibrium by taking advantage of opportunities to sufficiently draw off all of the profits it initially offered. This is what constitutes arbitrage among currency exchange rates in disequilibrium. Schultz (1990) argues restoring equilibrium entails macro and microeconomic analysis. At the micro level, when individuals perceive they are no longer allocatively efficient they act to bring their domain into equilibrium. Thus, motives of the entrepreneur at this level are not to restore general economic equilibrium, but personal economic equilibrium level. Schultz argues "it may not be possible to have economic modernisation with no disequilibria" (1990:12) but the economics of restoring

equilibrium has not however been favourable because of over-reliance on the assumption that a tendency towards equilibrium exists. On this point, Knight (1936) says "there can be no question of a real tendency towards equilibrium in detailed relationships or even apparently in the system as a whole." To which Boulding (1948) adds "the compass in all our travels has been the concept of equilibrium...The 'equilibrium' position of any price, wage, firm, industry or system is the position towards which it is tending. Hicks (1965) later added:

Something has to be specified about reactions to disequilibrium before the existence of a tendency to equilibrium can be asserted...Even if the equilibrium exists, and the tendency to equilibrium exists, we may still have insufficient ground to justify the equilibrium assumption if the convergence to equilibrium is very slow (pp 18-19)

Schultz (1990) surmises this further:

If there were competition and if the economy had arrived at an equilibrium, and if there were no changes that would disturb that equilibrium, entrepreneurial ability would have no economic value (p: 32)

Schultz suggests that Knight's uncertainty curtails the views of many economists to supporting the economic value of entrepreneurship:

The particular technical contribution to the theory of free enterprise, which this essay purports to make is a fuller and more careful examination of the role of the entrepreneur or enterprises, the recognised 'central figure' of the system and of the forces which fix the remuneration of his [sic] special function (ibid).

Knight considers the contributions made by entrepreneurs in dynamic economies in which his concern is with risk and uncertainty problems inherent in nature. This includes problems concerning natural resources, technological change, and the instability of commodity prices. Regarding the role of entrepreneurs in the equilibrium process, Knight states that:

There can be no question of a real tendency towards equilibrium in detailed relationships, or even apparently in the system as a whole...The forces and resistance relations in the movement towards equilibrium are...mental, affecting the learning process (elimination of 'errors') in the minds of consumers, managers and owners of productive resources (Knight 1936, preface).

For Knight, *true uncertainty* is not a true form of risk. It is so to speak, immeasurable and "its results in choice cannot be treated as if it were a gamble on a knowable mathematical distribution."

Entrepreneurs are therefore converters of ideas into marketable commodities, hence they utilise invention to gain market share. This is a volatile process that leads not just to economic movements but to the redistribution of resources. Kirzner (1973) captures this central theme of alertness as principally that of being alert to profit opportunities. Whether inventions are successful or not, the role of the entrepreneur is important to economic activity. Preparedness, desire and capacity to grow are critical functions and these entail risk. Very much like the transformational leader, entrepreneurs skate the proverbial visionary edge (Kimbrow 1996:5).

Today, theorists in the field of economic management are challenged by existing definitions of entrepreneurship. Many are at odds over what are effectively working definitions. Bygrave (1989) suggests this is because of a lack of robust models. Bull (1991) calls this a 'profusious' nature of definitions declaring that a "search for a definition need not impede the search for a theory of entrepreneurship".

Indeed it is Schumpeter (1994) who argues cogently that innovations are strategic factors in economic development and central factors in the trade cycle. His conclusions lead us away from the random, haphazard notions of innovation towards the micro-economic territory focusing on (i) the effects innovation on profits (ii) the role of imitators in cycles of innovative behaviour, and (iii) the nature of profit rewards to innovative entrepreneurs.

Schumpeter's (1942) seminal ideas about entrepreneurship remain significant today in assessing models of contemporary entrepreneurial scholarship. He sees entrepreneurship as the engine for his discourse on economic development, and the entrepreneurs as its driver. Schumpeter constructs his ideal-type theoretical premise of entrepreneurship in which he considered the entrepreneur as possessing creative labour, vision for business ideas, antagonism towards non-innovative administration, skills in luring capitalists and risk-taking capacity to advance into the unknown (Hagedoorn, 1989:31).

Economists have largely ignored the supply and demand needs of entrepreneurial-based service economies. On this point, Kilby noted in his *Hunting the Heffalump* that "the economist who operates in the mainstream of his [sic] discipline assumes that the supply of entrepreneurial services is highly elastic and the failures in entrepreneurship are attributed to maladjustments in the external environment" (p:3). Kilby's point highlights the ignorance of mainstream economists primarily because of a

preoccupation with Keynesian 'supply and demand macroeconomics'. Since World War II so-called free world market economists have become more concerned with aggregate demand (Pilzer, 1994).

### *The challenges of collaborative entrepreneurship*

The notion of working together in a collective sense suggests that entrepreneurship should be developed in group efforts. This could best be served through the provision of appropriate support and mentoring which give people willing to establish innovative pursuits, access to expertise, information and knowledge to enable entry into market orientated ventures. There is a body of empirical research and specific case studies throughout the world that support collaborative entrepreneurship as a means of developing vibrant economies: the Mondragon cooperatives in Spain; worker-owned enterprises prevalent in Hungary's industrial region; the Deeder cooperatives of Bangladesh; communal family enterprises in China; enterprises in the socialist Republic of Slovenia and extended whanau trusts and Iwi corporates in New Zealand.

Rostow (1956) considered the "take off" period, in which a country's economic growth becomes more or less automatic in developed economies throughout the world,. Such a state requires what he sees as groups in society that accept borrowers' risk and accept innovation. He stated:

Under some human motivation or other, a group must come to perceive it to be both possible and good to undertake acts of capital investment; and, for their efforts to be tolerably successful, they must act with approximate rationality in selecting the directions toward which their enterprise is directed (p: 41).

In Eastern Europe and in particular, Hungary and Russia, entrepreneurship developed in both individual and collective forms as part of their centralised economies which are in the main dominated by public enterprise. The oldest forms of entrepreneurial activity however, were private enterprises (artisans) and cooperatives. Most recently, entrepreneurship has been practiced in these countries through systems under which State lands, factories and retailers have been leased by employees and managers. While intrapreneurship has taken the form of some employee-management buy-outs, a number of public enterprises have also attempted to stimulate such entrepreneurial behaviour by issuing shares and introducing bonuses to managers who achieve profitability. Here performance and production target incentives are incentives for employees. Russian private enterprise is today gaining major importance in both the agricultural and service industries (not to mention the "black market" trade in drugs weapons

and prostitution): family businesses with holdings of at least 100 head of livestock; crop growers producing grain on over 50-100 hectares of State land leased, and farming with modern day machinery is common (Roucek, 1988:54).

A combination of private work undertaken on premises belonging to the State is found in the production of consumer goods and ancillary products. Here, links between the private sector on the basis of contractual production arrangements and the State and its collective farms and industrial assets, have allowed for an increasing proportion of the responsibilities for production to be vested in the hands of the private sector. This model seems viable among tribal Maori groups and to some extent is occurring.

In Hungary, for example, economic reforms during the late 1970s took an unprecedented shift. In 1978 its 'new guard' government introduced enterprises alongside the traditional State-run companies and cooperatives. Small firms as such, were enterprises of working partnerships which had as their base the organisation of employees to produce commodities and services in short supply, in their own time, using surplus capacities to provide what customers wanted. They were specialised groups formed into non-agricultural cooperatives; business partnerships of private entrepreneurs; civil law partnerships engaged in trading activities and petty traders. They were part and parcel of moves by the Hungarian government to stimulate entrepreneurial activity and to encourage the disaggregation of large public enterprises seen as important to making existing public enterprises flexible and more innovative.

Entrepreneurship can be placed into two broad categories: first, as the practice of creating new goods and services within an existing market, and second, as the practice of creating new, significantly different products, technologies and markets. Prokopenko (1989) and Juneja (1990) first made this distinction identifying five types. They identified these as: *Administrative entrepreneurship* consisting of new products, processes and techniques of improvements. Administrative entrepreneurs create joint ventures between scientific-technical personnel and managers, where management itself is geared towards securing resources and technical staff are rewarded for innovation. The culture of the firm values innovation ahead of bureaucratic processes and this means administration supports its entrepreneurs. *Opportunistic entrepreneurship* emphasises the scanning and surveillance of both its internal and external innovative technological developments. Its involvement in "product champions" is indicative of opportunistic approaches to entrepreneurship. *Acquisitive entrepreneurship* is where entrepreneurs exercise the acquisition of technical capabilities from other companies through

collaborative efforts, contracts and consultancy work to gain access to innovative technology. *Incubative entrepreneurship* requires the creation of semi-autonomous groups within existing enterprises to think up, initiate and nurture new ventures. As incubators for innovation these groups strengthen internal entrepreneurship, and *initiative entrepreneurship*, where innovation is limited to imitation and modifications of packaging and design where no change takes place to products themselves (for example, the use of plastic and cardboard containers where once glass was used).

### ***Entrepreneurship and public sector management: The changing politics of the State***

The ability for Maori to access State venture capital to undertake entrepreneurial initiatives has been difficult due to the developing business interests taking place among Maori and the changing nature of the public sector. The development of public sector entrepreneurship has taken shape in two predominant forms; the establishment of new enterprises, and intrapreneurship. New enterprises have been the major source of innovation for both the private and public sectors, moreover, they increase competition, increase technological transfer, induce investment and generally create greater employment opportunities. This has positive spin-offs within the public sector where competition in the service market, for example, expects to create efficiencies. However, with capital and labour markets often adversely affected questions are asked about whether these, in fact create a vibrant environment supported by fair government policy. What does this say about entrepreneurship in the public sector?

Intrapreneurship becomes necessary as a means of transforming existing public sector enterprises into market players. Yet it is questionable whether new ventures by old bureaucrats having to learn new entrepreneurial managerial techniques are always possible. Intrapreneurial and entrepreneurial management is by nature about the systematic explorations of new production opportunities, and innovations in technology, organisational or markets. These are financed in the main by public monies led often by under-employed professionals with limited entrepreneurial knowledge. New ventures within the public sector could conceivably then lead to poorer performance and wastage of public money, given it competes with the lean private sector entrepreneur. Leadership and integrity become major factors and this is evident among Maori-based organisations that struggle with tribal obligations and commercial realities and government devolution of its public sector responsibilities to iwi groups.

In view of the somewhat limited entrepreneurial scope within the public sector, efforts to promote flexibility and innovation as a government priority are difficult. Drucker sees this as possible only

through conscious action where entrepreneurship is stimulated through supportive institutions and, above all else, charging managers with responsibilities to enhance intrapreneurial and entrepreneurial activities. These are impeded in the public sector because of politics because government controls the public sector; sets budgetary constraints, observe its negative performance loops and deals with its own loathsome bureaucratic structures. Therefore imbedding entrepreneurial practice proves in all cases difficult.

But perhaps the major impediment centres around political climate: That favourable conditions for entrepreneurial growth are not what public sector organisations generally consider important enough to spend money on. They view themselves more as instruments of commercial and noncommercial objectives however, executive chairperson of the Roundtable, Roger Kerr, in a recent statement appeared adamant that within a liberal capitalist economy such as New Zealand, that wider social objectives were not good for any private sector organisation. Many capitalist countries, including, Germany and Japan, who which would in the past have agreed with Kerr, now agree the 'inventor/engineer' paradigm and 'innovator/entrepreneur' combined with capital and human resources (see Petrin, 1989) is necessary for a nation's economic growth.

Given the degree and intensity within the public sector, it is wise and feasible for government to reconsider its position on collaborative enterprises as a means of stimulating entrepreneurship and in restructuring its already burdened public sector.

As a requisite for this to occur, policy makers need to explicitly identify entrepreneurship as a vital necessity for economic development. There needs to be also a distinction between small business operations and entrepreneurship (given that entrepreneurship is not the same as running a small business). It is about creating new business ventures as Vesper (1983:1) states: "entrepreneurship introduces new independent competitors to established companies, both small and large, and that is an important difference."

Entrepreneurship is fundamentally reliant also on strategic government economic policy; on efficient industrial organisations and flexible industrial policy that enhances macroeconomic and legal frameworks for development. Economic policy must then ensure budgetary constraints are controlled through positive real interest rates and equilibrium exchange rates. This would then allow for efficiency in operations of the market that would indeed stimulate entrepreneurial development.

Industrial policy should then shape markets according to principles of organisational efficiencies and competitive production. This would require active pro-competition policies, including taxation legislation and incentives for facilitating resilient inter-firm networks that promote sound cooperation. By undertaking such steps, pressure would then be placed on the public sector enterprises to take stock of themselves and put in place restructuring measures to keep accountable to the public at large. For Maoridom, it would require a need to redefine what it means by tribal assets and a diversification of its resource base that would stimulate economic activity.

As a discrete group entrepreneurs are not in a legal position to claim autonomy. Though there are groups that can claim exclusive rights to decision making: Trust Boards, management, Boards of Directors, administration, Treasury and unions, the law neither explicates nor expressively sanctions its intent to delimit operational activities of entrepreneurs. Legislation sets out broad structures yet does not define what the sorts of relationships between the management framework of public enterprise and government are. Clearly, some clarity is required in terms of setting out labour relations, industrial licensing and foreign collaboration regulations, and alongside this, social obligations and performance indicators. Here Vesper (1983:5) identifies some of the policy aims he sees imperative to creating a responsive and effective entrepreneurial environment. He argues governments have obligations to:

- provide seed financing and start-up targeted venture capital.
- engage in equity financing of new start-ups.
- revise tax rules to provide greater incentive to start-up investment.
- improve its patenting system.
- foster entrepreneurship in appropriate educational institutions (secondary and tertiary).
- develop entrepreneurship instruction at all levels within business and also provide incentives for the adoption of policies and programmes designed to foster more spin-offs from and business start-ups.
- develop agencies with explicit policies designed to encourage entrepreneurship and the start-up of new firms.
- gather data and undertake analyses to provide better information to ensure awareness of the distinction between start-ups and on-going firms, and
- acknowledge rewards for exemplary entrepreneurial performance at local, regional and national levels.

The development of public sector intrapreneurship would then become quintessential if public enterprises are to become more viable as service providers. Its bureaucrats would need to become entrepreneurs: That is the transformation of corporate managers into corporate entrepreneurs, and the development of organisational structures within the enterprise enabling workers to develop, exercise and maintain a commitment to innovation.

With the emergence of 'product/service-led' competition in the public sector however, bureaucrats with their traditional reliance on command and hierarchy and on detached quantitative data often negate the value of "hands-on" risk-taking activities (Porter et al., 1989). New competition however, creates opportunities for continuous change in ideas which calls for new leadership in the old public service. Leadership is driven by efficiency, performance and results. It means that converted bureaucrats (as the intrapreneur) need to learn the fundamental business management techniques of planning, controlling, communicating and decision-making. It also means that they adopt an entrepreneurial style of leadership that transforms the organisation into an innovative, modern entity not afraid to take risks and encourage innovation among workers (Prokopenko, 1989:51).

The question remains does the State then hinder or enhance entrepreneurship. Friedman argues it in fact "deadens entrepreneurial spirit. If New Zealand's public sector, however, is intent on keeping its innovative thinkers it would need to allow for organisational changes that promote and sanction new ideas; engage in new enterprise development and foster new joint venture partnerships. This could largely be achieved by making organisational management structures flatter and less hierarchical; by allowing more staff cooperation in carrying out managerial roles; reducing middle management tiers and establishing small business units with control over their efforts and results.

This could be facilitated through new organisational structures including matrices, project and clothes-hanger organisational patterns, incubators<sup>7</sup>, new venture funds, venture organisations, networking and product/service centres.

The idea of developing networks could be an effective means of trimming out inefficiencies in public sector enterprises as it promotes a 'business within a business'. That is, an arrangement by which parent companies utilise entrepreneurial energy by spinning off professionals with certain capabilities (Prokopenko and Pavlin, 1991). As is often the case however, new entrepreneurs seldom have sufficient knowledge or capital to launch their ideas, let alone, their own companies. Networking can therefore become an efficient means by which a larger parent company can assist bright workers to establish and operate their own business.

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<sup>7</sup> Incubators support new business enterprise as they promote entrepreneurship by providing entrepreneurs with services to complement their activities. They give form and substance (structure and credibility) to start-up ventures. Within the public sector incubators as noted earlier require support services including secretarial, administrative, facility and expertise advice and on this basis, generate jobs for surplus labour through new enterprises (Kozmetsky, et al, 1987).

As a business concept, networking also has benefits because increases in entrepreneurial activity reduce parent company overheads and increase labour flexibility. This would then create more opportunity for a 'work from home' lifestyle. Such business to date are accounting for more and more of New Zealand small businesses.

Given that enthusiasm within the public sector is often suppressed, it is ironic that the most educated and skilled entrepreneurial talent lurk within the cabals of state institutions. There is untapped scope and opportunity for establishing networks by all public enterprises where these networks and business incubators can become important organisational priorities. However, autonomy does not, in itself, foster entrepreneurial activity if management remains overly formal and inflexible. To be effective 'red tape' (the bureaucratic obsession) has to be drastically changed; boundaries between departments broken down; thinking and doing stimulated at all levels and teamwork and cooperation fostered to enhance continuous change and counter old way predictability.

The process of transformation requires investment and this necessitates a compromise of the traditional preference of public sector focus towards large projects. In saying this, large public enterprises and local body governments can foster the development of community business incubators as a commitment to entrepreneurship and new job creation.

### *Reshaping business: ecological reconsiderations*

Stinchcombe (1965) identified four general liabilities associated with the newness of entrepreneurial firms. The lack of role models; the lack of standardised communications channels; the lack of trust and credibility in the business community; and the lack of an established clientele. Here, Carroll and Delacroix (1982) considered Stinchcombe's liability of newness, adding entrepreneurs face also a double liability stating their "predecessors are rare and role information is hard to come by" (p:173). This observation revealed why some entrepreneurs developed more successfully in response to favourable political and economic environments than others. They further stated that "while entrepreneurs...engage in analysis...prior to beginning their venture, the environmental opportunities may not provide sufficient information to support a full analysis...It is not surprising [therefore] that most new ventures fail quickly" (p:289).

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Having supportive entrepreneurial environment, as Tushman and Anderson (1986: p 442) argue is what they term conducive to growth in the economy because of 'technological discontinuity'. This technological discontinuity concerns two trends: 'competence enhancing technological developments' (CETD) and 'competency destroying technological development' (CDTD). Both gave rise to entrepreneurship, however CETD's in the main benefited existing firms as they focused on enhancing their own know-how. Copper and Kendall (1995) added however, that entrepreneurs who attempt to exploit CETDs often had more difficulty in capitalising on own labours.

Though entrepreneurs attempting to exploit both CETDs and CDTDs face their impending liabilities of newness as Stinchcombe has identified, the older more established business firms face equally difficult tasks associated with their liabilities of age and tradition.

Support, as I have argued, is a crucial part of the assiduous entrepreneurial process. Entrepreneurs as individuals are embedded into social context; a context that channels and facilitates (as well as constrains) their activities (Aldrich, 1989), and it is within this complex array of networks and relationships that they make the necessary and potentially beneficial linkages to resources and information.

The ecological approach to entrepreneurship has emerged as a useful conjoint to economic theory through the use of the demographic unit of analysis. The study of company birth and death rates as a function of evolutionary variations and selection mechanisms is very much tied to Stinchcombe's liabilities of newness. Hannan and Freeman (1984) propositioned that organisational death rates are, in theory at least, declining monotonically with age, because its learning increases. With streams of ecological research being carried out more interesting and compelling insights into time-dependent patterns of organisational demography developed. If we compare this to a simplistic micro-entrepreneur 'trait' approach, the ecological model's advantage would be that it stimulates indigenous scholars and academics to question the factors that influence 'rates' of organisational mortality and morbidity. As Aldrich (1990) had later pointed out, it is the ecological perspective that most descriptively emphasises new start-ups as dependent macro-processes.

Van de Ven and Garud's (1989) framework articulates more of a systems view of industrial infrastructures and entrepreneurial development. Their view is outlined below and shows inter organisational communities ('fields') as units of analysis. This focus is on core activities that facilitate the

development and commercialisation of technological innovation. Included here are private firms and Public sector actors' enterprises that perform critical functions of advancing new technologies.

Figure 3.4 Van den Ven and Garud's components of an industrial infrastructure for entrepreneurship

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*Institutional arrangements*

- legitimization (which creates trust)
- governance (that which includes rules, regulations, norms, laws)
- technology standards

*Resource endowments*

- scientific/ technological research
- financial/ insurance arrangements
- human competence pool (training/ accreditation)

*Proprietary functions*

- technological development functions: RED, testing, manufacturing, marketing
  - innovation network/ resource channels: appropriation of common goods (including science, financing, labour) vendor-supplier-distributor channels
  - market creation and consumer demand
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Adapted from Van de Ven A. and Garud, R. (1989) *A Framework for Understanding the Emergence of New Industries*. In Rosenbloom, R. and Burgelman, R (eds), *Research on Technological Innovation, Management and Policy*, Vol. 4. JAI Press, Greenwich. pp 195-255.

To the organisational theorist, social systems represent a creation of new environmental niches, however, these niches did not pre-exist, they are engineered and socially constructed through opportunism and collective spirit among interdependent actors.

Although as Glade (1967) points out there is a higher incidence of entrepreneurial activity amongst certain cultural groups, he believes these could be partially determined by loyalties and levels of support: That having access to information, network agents and other social mechanisms gives leeway to economic development. Van de Ven's (1993) social system macro-perspective of entrepreneurship, argues entrepreneurship is conceived of as essentially a collective effort. He sees environmental niches as created and constructed through collective efforts in pursuit of common technological innovations.

Van de Ven presents a perspective that focuses on events that provide infrastructural requirements for entrepreneurial enhancement. Within this, emergent industrial systems rely on institutional arrangements, on resource endowments and proprietary functions as shown in Diagram 3:4. Van de Ven's notion of entrepreneurship is somewhat limited to technological systems only and his proposition seem to impose a systems approach based upon the constructionist view of reality. He provides though, a hypothesis that links functions and entrepreneurial organisations. Here, he makes the distinction between cooperative and competitive elements within systemic relationships. Van de Ven's conclusion brought forward the broad view that entrepreneurship is more than just a rigid economic construct, and is rather a dynamic interaction occurring between system 'members' and system 'forces'. Van de Ven

would therefore argue that the entrepreneur's response to competitive market forces and to competitive equilibrium is essentially to use whatever resources are at their disposal.<sup>8</sup>

Population ecological theory is the basis for Stinchcombe's analysis which has developed into a framework capable of integrating other theoretical perspectives. Before its emergence however (during the 1970s) studies concerning entrepreneurship were confined more to the strategic adaptation perspective. This perspective focused primarily on decision-making made by individual entrepreneurs. The application of ecological thinking challenged this assertion by defining entrepreneurship as a process, however, its rather loose explanation about whether success is determined by environmental factors or by strategic operational decisions is at issue.

Kent (1984) wrote of a well-defined yet quiet revolution occurring in businesses centred around entrepreneurship as prime generators of economic progress. Interestingly, in entrepreneurship, both the political left and the political right had found common cause. According to the political right, which supported market determinism and neo-liberalist views about government and policy directions, entrepreneurship spearheaded economic growth and innovation. The political left sanctioned and supported entrepreneurship as it believed new ventures would create new jobs and lead to a reduction in the concentration of industrial political power. It was Schumpeter (1965) among others who made an important contribution to the distinction of entrepreneurs and capitalists. He believed it was the capitalist; the financier who supplied money and who took financial risk and this was not necessarily the entrepreneur. Say saw entrepreneurs as primarily those who brought together factors of production to bring about new wealth.

### *Development perspectives in promoting community entrepreneurship*

One interesting approach to the development of global entrepreneurship among third world countries has been the establishment of OPTIMA. OPTIMA is an acronym for "Optimal Performance Through

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<sup>8</sup> The theoretical premise behind 'competitive equilibrium' (and its derivative, the 'structure-conduct-performance paradigm') has been used historically to justify government policy of merger controls and the de-concentration of industry. It suggests that high industrial concentration facilitates, where there often exists collusion between firms, would inevitably lead to higher commodity prices and consequently higher profits for companies and lower outputs because of the 'concentration doctrine'. The theory of competitive market processes contains radically different implications for competitive policies. Some economists argue companies that grow fastest are those that discover and utilise profitable opportunities first, the consequence being, that as the industry becomes highly concentrated the wider the difference there is likely to be in alertness between companies. Variations in profit rates could therefore be explained by understanding differences in perceptions of, and the reaction to, changes taking place in market conditions. Competitive market processes, therefore rejects the 'concentration doctrine' theory (see Veinert, 1973; Harper 1992: 81-82) and sees skilled entrepreneurship as a necessary economic role.

Internal Management Action". It operates as an international action-based initiative promoting entrepreneurship in developing countries through the International Centre for Public Enterprise (ICPE). OPTIMA undertakes a diagnostic analysis of enterprises operating mostly in the Third World and establishes performance based assessments and recommendations. Its methods call for active collaboration by locally based research teams, advisors and government institutions who support remedial actions. Its programmes have shown success over the past decade in countries including Somalia, Bangladesh, Sri Lanka and Yugoslavia.

The objectives encourage small to medium size businesses and promote innovation. After an analysis of entrepreneurial potential pilot projects undertaken consultancy teams are used to lobby other institutions to support enterprises by providing new business incubators, consultancy services, information, financial advice and entrepreneurial leadership training.

Organisations such as the World Bank, The International Labour Organisation (ILO) and United Nations Development Programme (UNDP) are also involved in supporting countries in their efforts to transform non-market economies into sustainable markets through entrepreneurial programmes. The ILO's Management Development Programme, in particular has worked on programmes through its own research findings in providing education, vocational training, assistance in enterprise creation, assistance to women and minority groups, informal sector entrepreneurship and in promoting entrepreneurship that reflects the indigenous culture of the country and people it supports.

While UNDP involved itself in creating environments conducive to and supportive of small to medium size start-up industries, innovations and expansions they are keen also to develop regional networks promoting entrepreneurship through research, training, consultancy and information exchange. The World Bank assists through its financial arrangements as in credit schemes and in technical expertise. In all of this, the question that might well be asked is who benefits from such attempts at economic modernisation? Modernisation theory is essentially ethnocentric ("western centric") wherein indigenous peoples emulate western values and western practices. Moreover, it is claimed that modernisation has come to serve as "the ideological cover for capitalist imperialism (Etzioni-Halevy 1981:56).

In terms of economic development the question remains what role should government play in both policy direction and public sector support in promoting entrepreneurship as a means of enhancing

future Maori interests? This question has certainly perplexed successive political parties and will perhaps raise interesting debate given that historically:

- public enterprise tends to limit its involvement to 'mainstream' social and economic infrastructural reforms, that is providing efficiencies to the private sector particularly in the health, education, welfare, finance, transport and public utilities sectors. Deregulation over the past 15 years has however increased the stakes and the autonomy of the public sector with accountability to social and fiscal costs being a priority. Public enterprise has tended in the past to deliver services at minimal cost.
- though public sector enterprise engages in promoting entrepreneurial activities by offering consultancy, technical assistance, financial assistance and by sub-contracting to the private sector, they have been somewhat constrained by inflexible policies of 'old way' thinking.
- public sector enterprise has the potential to be converted into an entrepreneurial sector through intrapreneurship where the public sector assists in developing this. However, attitudes and traditional bureaucratic practices are difficult to change.
- public enterprises play an active role in market economies where skilled talent is located and underutilised. At the same time, budding entrepreneurs generally lack the necessary capital to establish their new ventures.
- the crucial question, is whether public sector restructuring is possible under existing institutional arrangements. The private sector is at the forefront of the entrepreneurial restructuring movement as such change, which derives higher returns, is in the private interest of the owners. Further to this, private owners have the autonomy and ability to direct management into action. In contrast, public sector organisations have difficulty in exercising this.

With the above points of concern to governments worldwide, it is not surprising that many countries recognise the days of the public sector enterprise firm are numbered. In Britain, for example, entrepreneurship has been noted in the form of employee buy-outs as a transformation of public enterprises through privatisation. Buy-outs prove that if certain and reasonable principles, such as maximum enterprise sale price, maximisation of domestic ownership and maximum spread of ownership of assets are applied and followed, then management-led employee buy-outs in part or whole of an enterprise may be a common solution. However, buy-out options do require a commitment to the entrepreneurial drive from both its managers and workers. In Algeria, as in other centrally planned economies, entrepreneurial talents have been incorporated in the form of cooperatives. Here, autonomous cooperative arrangements provide an entrepreneurial spirit through internal quasi-markets for products, labour and management.

The entrepreneurial potential of public/state sector enterprise needs to be considered in relation to the genesis of these enterprises. There are at least two important ways in which the State and its public enterprise has been established:

Takeover buy-outs and deliberate state intervention. In considering this, it is important to bear in mind that the objectives of publicly-owned enterprises focus around the following:

- it contributes to social and economic growth and development
- provides vital goods and services in which low profitability has traditionally not attracted private sector interest
- monitors capital-intensive investments
- generates resources for investment
- equitable distribution/redistribution of wealth
- contributes to local and regional development
- generates employment
- gives support to the development of small-scale and ancillary industries and businesses
- contributes to national security and self-reliance, and
- introduces import substitution

Historically, the performance of public enterprises has not fared well and ironically has been the bane of much public disquiet. A zealous bureaucratic functioning and a business-like conduct has met with intense criticism. Its focus on efficiencies and managerialism has meant a reliance on measuring performance by way of the balance sheet.

The position of public enterprises shows they are generally endowed with structural rigidities, as Ayub and Hegstad (1986) described “unsynchronised inferences of various state authorities in management and operational processes prevails over well-coordinated and professionalised control designed to achieve agreed results to pursue an agreed strategy” (p: 21-22). This situation holds true especially for the larger bureaucratised enterprise with its cumbersome frameworks. The central problem stems from the sequence of stages. First, a perceived lack of managerial authority leading onto a weakening of financial disciplines. This in turn, leads to poor investment choices, a lowering in productivity, excesses in leverage and financial losses which could be justified by its ‘social’ objectives. This leads to a deterioration in staff morale as further reductions and costs blow-outs means increased pressure on workloads and threats to job security. The resultant effect is financial crisis that leads to less managerial autonomy and the tightening of centralised control. This would then cause a tightening up of all accountabilities and make it less possible to facilitate change therefore making it less attractive for managers to take risks.

### *Entrepreneurial decision-making: transition from worker to managing entrepreneur*

Entrepreneurial decision-making involves resource utilisation and opportunity costs. Here, I consider the costs in which entrepreneurs economise. The processes involved in making decisions highlight three main stages important in entrepreneurship involving several actions. I present these below in the following diagram:

**Figure 3.5 Decision-making activities and the qualities required**

<i>Activities</i>	<i>Qualities</i>
<i>First Stage: Formulation of a decision problem</i>	
Specification of the objective	Self-knowledge (principle objectives)
Specification of the options	Imagination
Specification of the constraints	Practical knowledge
Derivation of the decision rule	Analytical ability
<i>Second Stage: Generating data</i>	
Data collection	Search skills
Data estimation	Foresight
<i>Third stage: The execution of the decision</i>	
Application of the data to the decision rule	Computational skill
Initiation of the implementation Process	Communication skill (in formulating instructions)

Source: Casson, M. C. 1982 *The Entrepreneur*. Martin Robertson & Co. Oxford. p 29.

These can be summed up as formulation, generating data and taking action. Formulation involves specifying objectives, sorting out options, identifying constraints and establishing decision rules. Here objectives are defined and a clear direction is set. Where multiple objectives are identified, trade offs are made. Options are strategies where each ascribes a particular value to variables under their control. As things go, one strategy may nullify others. The optimal strategy is usually the one that maximises the value of the objective.

The second level of entrepreneurial decision-making involves the generation of data. Information may or may not be readily accessible for entrepreneurs, however, what is important, is estimating correlations between known and unknown variables.

The last stage is the action level, execution of the decision. This involves applying the decision rule to the information and implementing the process. Entrepreneurship is based principally about processing information and about how this is initially collected, analysed, communicated and stored. Cassons (1982) avenues of entrepreneurial advancement are shown below.

Figure 3.6 Alternative forms of entrepreneurship

Type of Entrepreneur	Status	Scope of judgement	Subject of negotiation judgement involved	Control involved
Private entrepreneur - self-employed owner - salaried manager  - financial speculator	Principal	} }Partial }	} Opportunities for } making markets } buildings etc. } Valuation of	Yes Yes Yes
Establishment entrepreneur (‘pyramid climber’)	Delegate	Partial	} Resources } Means to achieve }	
Political entrepreneur	Representative	General*	} non-profit	} Some Yes
Revolutionary entrepreneur	Leader/Dictator	General	} objectives	}
Criminal entrepreneur	Principal	Partial		

Note: \* or the partial coordination involving public goods. In Casson, M. C. 1982 *The Entrepreneur*. Martin Robertson & Co. Oxford.

Entrepreneurship is largely determined by the degree to which voluntary exchanges of property rights occurs, (the degree to which such rights are manifested as ‘private entrepreneurship’). The alternative to private entrepreneurship is ‘establishment’ entrepreneurship which involves exercising a judgement over resources owned by public and non-profit organisations. The term ‘establishment’ as such, is used to indicate the position these organisations hold in terms of their social obligations, such as public sector services, the armed forces, universities and established churches, however, not all their decisions are based solely around making rational economic choices about the allocation of its resources, that is, in considering what narrow definition of resource is used.

Casson refers here to political entrepreneurs as being those who provide ideas, strategies and advice for advancement through elections to government office. Remunerations associated here with political posts are relatively low, however the power and status afforded by the office is often considered reward enough. They can however, influence pecuniary rewards through consulting fees and payments of non-executive directorships. or covertly, by way of bribes or non-disclosure gifts. Political entrepreneurs are required to exercise good judgement before and after achieving election to office. Promises exercised before election time are not dissimilar to judgements exercised by private entrepreneurs: where entrepreneurs identify gaps in the marketplace, political entrepreneurs identify gaps in political manifestos and exploit these by a range of policy-mixes. There are other differences between the aims and objectives of political and private entrepreneurs. Where political entrepreneurship entails packaging policies and marketing them as promises, success is based on a voting mechanism. For the private entrepreneur success is based on price mechanisms; political entrepreneurs exercise judgement in the

carrying out policies and as long as they remain loyal to these, success is assured, at least for a time. Politicians know 'products' (promises) cannot be delivered until their policies are implemented, and because they are elected for fixed terms of office, the voting public (constituents) cannot revise their purchasing arrangements as they might think. This, then affords considerable protection to political figures who cannot deliver promises or who prove themselves to be incompetent.

Casson's revolutionary and criminal forms of entrepreneurship are defined as illicit acts (though some forms of revolutionary entrepreneurship acquire retrospective legality – the overthrow of one political regime over another). Small time crime (petty theft and vandalism) requires little judgement skill but a willingness to contravene common law. Organised crime however, involves the planning, selecting and coordination of selected targets and this exemplifies the private interest of criminals'. Bank robberies and grand fraud for example, involve involuntary reallocation of capital and property; extortion involves payments for protection, and racketeering (as the most sophisticated form of entrepreneurial crime) involves organising illegal markets requiring skills in mediation and inventory management. It also demands higher returns to compensate for higher risks.

Amit et al (1990) were interested in interpreting what leading 20<sup>th</sup> century writers had to say about entrepreneurs and entrepreneurship. They followed on from Drucker's (1985) assertion that entrepreneurship was an act of "innovation" that endowed existing resources with new wealth-producing capacities. Twenty years earlier Leibenstein (1968) described entrepreneurs as those who marshaled resources to provide markets with goods and services. Schumpeter (1942) viewed entrepreneurs as leaders and contributors to the processes of creative destruction, while Kirzner (1985) considered entrepreneurs as individuals who perceive profit opportunities and initiated actions to fill unmet, unsatisfied needs. Bewley (1989) extended Knight's (1921) understanding of entrepreneurs as individuals with low levels of certainty aversion.

British theorists over the years have added a somewhat distorted view of entrepreneurship to their American counterparts. This is not surprising given Adam Smith's own treatment of entrepreneurship. While his ideas may have possessed the inventiveness aspects, in the main, he confused the roles of the entrepreneur with that of the capitalists. As a result mainstream Anglo-American economics largely ignored the importance and function of the entrepreneur (Bink and Coyne 1983:13).

It was Joseph Schumpeter who provided the clearest comprehension of entrepreneurship as a process and in terms of this thesis the clearest rationale for indigenous based entrepreneurship. Though he wrote during early part of the 20<sup>th</sup> century, his insights were somewhat prophetic and significant in terms of today's social, political and economic developments. Essentially, he saw entrepreneurs as individuals who:

- introduce new goods and services or new dimensions of quality to goods and services
- introduce new methods of production
- opened up new markets
- conquered new sources of supply for raw materials, and
- carried out new organisations of an industry

Kirzner built on Schumpeter's research, suggesting individuals perceive what others have not and then act upon their perceptions. The marketplace, for Kirzner, sent signals about equilibrium conditions, which in turn, when exploited resulted in profits and benefits to alert entrepreneurs.

For Maori as such, the development of entrepreneurship recognises the most effective way of affirming tribal economic interests. In spite of low rates of Maori business ownership, venture initiatives and poor cash flow (NZ Business) the future holds potential benefits and opportunities if entrepreneurship can be managed effectively.

A statement made by President Reagan in 1983 was an indication at least, that the Black American community were actively engaged in entrepreneurship as a means of social and economic mobility. He stated:

[T]he success of minority business enterprise demonstrates that hard work and individual determination can serve as a powerful engine for social mobility and economic progress. Our challenge today is to enhance the ability of minority Americans to participate more fully in the market economy and to achieve economic interdependence<sup>9</sup>.

The focus has caused mainstream neo-classical economics to sound a clear and less distorted image of competitive market processes<sup>10</sup> that discriminate different sectors in society. Assuming that a company,

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<sup>9</sup> President Reagan's opening address during the "Minority Enterprise Development Week", October 1983 This statement is equally applicability, in my view to Maori.

<sup>10</sup> Neo-Austrian economics examines principally the nature of competitive market processes, using knowledge about market processes. The significance of entrepreneurial discovery and comparative institutional frameworks for evoking entrepreneurship are important to market processes and neo-Austria economic theory. It was Kirzner's view that initially captured the theoretical core of entrepreneurship in his notion of "alertness" in which he defined entrepreneurship to mean alert to profit opportunities (Kirzner 1973).

for example, responds mechanistically and automatically to signals in the marketplace it has to match against its obligations to serve the wider community interests. The central theme of my thesis is to ascertain whether entrepreneurs act as barometers of social and economic conditions, or whether they stabilise/destabilise the economy to stimulate growth. Taylorian and Sloanian management excluded the important role of entrepreneurs in anticipating gaps in the market and taking the initiative (Debreu 1959; Arrow and Hahn 1971).

Both Kirzner and Schumpeter were convinced in their assertions that entrepreneurship did not include control, accumulation or provision of capital. As Schumpeter stated it is "essential to note that the entrepreneurial function, though facilitated by the ownership of means, is not identical with that of the capitalist" (Schumpeter, 1947: 151). This suggests that 'pure' entrepreneurship is not related to ownership of capital, rather, that economic institutions facilitated the separation of ownership and the control of capital gave rise to capitalists not in themselves entrepreneurs. Since, as he argued, pure entrepreneurship did not include the provision of capital, it followed that it did not include financial risk bearing either.

Schumpeter argued against risk-bearing as a function of entrepreneurship (Schumpeter, 1954:556) whereas Kirzner (1973, 1979) argued entrepreneurs presented risk to the extent to which they may have acted as their own backers using personal funds.

Inventors produce new scientific and technical ideas whereas the entrepreneurs perceive opportunities to apply new ideas in a commercial sense. Managers are agents whose roles are in the main to supervise on-going business efficiencies and production processes (Baumol, 1968). They assist in finding new ways of approaching a company's *production, productivity loci*, of increased efficiencies within the limits of current technology. In business however, there are entrepreneurs who undertake non-entrepreneurial managerial roles primarily as a way of reducing transaction costs but also because they know that efficiencies in organisational management is essential for success. Harper (1992) adds:

if entrepreneurial profit equals total revenue minus the sum of production and transaction costs, and if superior management is required to keep down costs, then whether an entrepreneurial venture makes a profit or a loss may depend upon his or her ability to manage the enterprise (p:10).

Conventionally, business managers are not necessarily entrepreneurial in that they venture their own capital or take personal financial risks. Directors and senior management may make decisions while the

ownership and risk-bearing responsibilities rest on the shareholders. Risk is thus, largely separate from executive control, even though there exists some degree of entrepreneurial function because of the pervasiveness of uncertainty. Uncertainty because risk involves allocating and coordinating resources required to produce goods and services. Seldon and Pennance (1976) acknowledge this suggesting that although the function of entrepreneurship is located in the board it revolves around essentially the same kinds of decisions. Though the board does not face risks identical to those of the “entrepreneur”, its future is intimately associated with the survival of the business as it is not entirely free from shareholders' pressure, or from the possibility of takeover.

Although the entrepreneurial *persona* could be debated, the activities of entrepreneurship are clearly about the exercise of initiatives and the taking of risks in pursuit of results. This legitimates the existence of entrepreneurship within the corporate/public sector framework.

It is important at this juncture to differentiate between entrepreneurship and rent-seeking. Though behaviourally they are similar, Murphy et al (Murphy, Shleifer and Vishny 1991) explains that “when they [entrepreneurs] start firms they innovate and foster growth, but when they become rent-seekers, they only redistribute wealth and reduce growth” (p: 503). Here efficient resource allocations are an implicit standard by which undesirable consequences of rent-seeking are evaluated. This benchmark is used to distinguish between what is profit-seeking entrepreneurship and what is rent-seeking profiteering. Adam Smith himself could not have anticipated such as vast specialisation developing since his theorem suggested “the division of labour is limited by the extent of the market.” Economists and social scientists studying specialisation and income distribution are more aware that Smith's premise helps to explain in large measure increases in specialisation.

The entrepreneurial/administrative balance is difficult particularly as the focus shifts from an innovative focus to administration in part due to the need to apply strategic orientation, a need to commit resources, control resources and develop a management structure. The following diagram provides a framework for comparison between entrepreneurial and administrative characteristics.

Figure 3:7 Entrepreneurial culture versus administrative culture

	Entrepreneurial Focus		Administrative Focus	
	Characteristics	Pressures	Characteristics	Pressures
Strategic Orientation	driven by perception of opportunity	-diminishing opportunities -rapidly changing technology, consumer economics, social values and political rules	driven by controlled resources	-social contracts -performance measurement criteria -planning systems and cycles
Commitment to Seize Opportunities	revolutionary with short duration	-action orientation -narrow decision-making window -acceptance of reasonable risk -few decision constituencies	evolutionary with long duration	-acknowledgement of multiple constituencies -negotiations about strategic course -risk reduction -co-ordination with existing resource base
Commitment to Resources	many stages with minimal exposure at each stage	-lack of predictable resource needs -lack of control over the environment -social demands for the appropriate use of resources -foreign competition -demands for more efficient use	A single stage with complete commitment out of decisions	-need to reduce risk -incentive compensation -turnover in managers -capital budgeting systems -formal planning systems
Control of Resources	episodic use or rent of required resources	-increased resource specialisation -long resource life compared with need -risk of obsolescence -risk inherent in the identified opportunity -inflexibility or permanent commitment to resources	Ownership or employment of required resource	-power, status and financial rewards -co-ordination of activity -efficiency measures -inertia and costs of change -industrial structure
Management Structure	Flat with multiple informal networks	-co-ordination of uncontrolled resources -challenge to hierarchy -employee's desire for independence	Hierarchy	-need for clearly defined authority and responsibility -organisational culture -reward systems -management theory

Source: Stevenson, Howard H. and Gumpert, David E "The Heart of Entrepreneurship. In Entrepreneurship" A contemporary approach. Kuratko, Donald F. and Hodgetts, Richard M. (4<sup>th</sup> ed) Dryden Press. p: 501. 1998.

During the early 1980s New Zealand business developed a degree of social responsibility, however this had little to do with the concerns of social and economic disparity and more to do with business sense, given the then Labour government's position concerning public spending. In 1984 the climate changed significantly, signaling a shift in both political ideals and business strategy. Where once the mission statements of companies read something to the effect of, "to endeavour to achieve harmony between workers, management and the community", it changed to statements of, "effective customer service", "efficient utilisation of resources" and "company excellence" (Singer, 1998). Such change in emphasis occurred, because of the economic ideology of hard core profit maximization.

This was a major step for government's economic advisory board, the Business Roundtable who supported such a hard line shift. Though critical of the motives of such advisory groups, Korten (1995) believes it would have been unrealistic to manage business affairs in a totally socially responsive way. Etzioni (1996) however, questions whether people can ever tolerate corporate policies that give free reign to economic interests. A cautionary note to New Zealand business on this point is given, that if companies direct attention to global markets then New Zealand is deliberately participating in grand 'Think Big' projects with little consideration to the public (Jesson, 1999). The best approach would be to take the synergetic view: it is less risky and based on the continual designing of strategies and solutions that best suit government, the business community and public at large.

### *Legal frameworks and tax disincentives*

The ability to buy and sell companies in New Zealand is regulated by the Commerce Act 1986, and its subsequent amendment Act of 1990. Under the Act, acquisition of assets or shares in a company is prohibited if the acquisition results in the creation, or strengthening, of a dominant position of the acquiring party in the market. Failure to advise the Commerce Commission of such information results in penalties. Such regulations are designed ostensibly to prevent dominance or monopoly in the market place.<sup>11</sup>

The Commerce Act, however, pales in comparison to the legal controls of other western developed countries as it has no expressed provisions against price discrimination, neither does it set out production limitation agreements, market sharing agreements, or exclusive dealings between manufacturers, suppliers and distributors. Essentially this leaves entrepreneurs carrying additional costs in order to satisfy the Commission that there is sufficient "public benefit" outweighing any anti-competitive or price-fixing collusion.

Inland Revenue New Zealand adopts a current system of taxing individual earners, companies and entities like partnerships, joint ventures and trusts where there is no capital gains tax, although certain capital gains are deemed 'income'. Pure entrepreneurial profit, is obtained from the purchasing and selling of real and/or personal property (including shares) acquired for the purpose of selling these at a profit. This becomes subject to income tax at normal taxable rates (where profits gained on the sale of

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<sup>11</sup> The recent approval by the Commerce Commission to allow the Dairy Board merger to form New Zealand's largest company was deemed legal and sanctioned by shareholder of the two proposed companies. Though the merger failed because of discrepancies in valuing assets it is likely to be reconsidered at some later time.

real property is taxable in other circumstances). The Commerce Act then becomes a disincentive in arbitrage and speculative entrepreneurial activities as entrepreneurs have little option but to turn away from developing opportunities that improve coordination between markets for real and/or personal property and from seeking out opportunities in other markets.

As such entrepreneurs are faced with high compliance costs imposed by tax laws. These raise opportunity costs and as a consequence decrease what profit returns are made. Kirzner (1985) sees orthodox economic theory of taxation as based dubiously on the assumption that tax can be introduced when and where opportunities are given and known to its economic agents. As a consequence policies fall short of accounting for the negative impacts they have on entrepreneurial innovation. It is conceivable that this leads to incorrect assumptions about the influences of taxation on individual choice. Kirzner argues taxation negates incentives and the abilities of entrepreneurs to discover their potential and to learn from their past errors (Kirzner, 1985:93-94; Harper, 1992:84-88).

Kirzner's insights are consistent with New Zealand's taxation policy in that pure entrepreneurial profits become "incentives of the second kind" as distinguishable from "incentives of the first kind" (1985, pp94ff). Incentives of the first kind (or type-I) relate to the provision of benefits for particular decisions given there might be an array of perceived alternatives. For example, the IRD might deem it an incentive to increase after-tax labour income to increase work incentives. Incentives of the second kind (or type-II) are pure entrepreneurial profits stimulating alertness and action, and hence the discovery of hitherto untapped opportunities (Kirzner, 1985). These type-II incentives encourage decision-makers to remain active and alert to new information and rather than altering actions. They also enhance what potential exists as a means of attracting greater attention to it. The incentive is what induces entrepreneurs to look at opportunities to gauge the attractiveness of such investments.

It is however a difficult task considering current taxation legislation attempts to come to terms with the impracticalities of measuring what is pure profit against resolving empirical debates about how finance and accounting practice is used. The obvious case in point is the taxation of individual assessable income. It includes investment income, dividends, salary and wages, bonuses and shares in partnership income. Any or all of these categories could include an entrepreneurial component and taxing them therefore, would discourage entrepreneurship.

Another issue impacting on the development of entrepreneurship is the role of education. That to improve the pool of entrepreneurs requires policies aimed at the education sector that would stimulate entrepreneurial activity and fosters new ventures and innovations. A concerted effort is required at tertiary and even at secondary school levels to enhance entrepreneurship at an early age.

*Promoting entrepreneurship: educational incentives*

Leibenstein (1968) states that "it may be difficult to train people to spot opportunities, but it is possible to train them to assess such opportunities once perceived" (p:83). In a similar way managerial skills can be also taught. Because of transaction costs however, assessing entrepreneurial opportunities and managerial functions becomes embodied as one, and as a consequence of management training courses, can contribute to exposing talented entrepreneurs. Good management training is, however, not a sufficient condition for successful entrepreneurship. Arguably education has an ambiguous role in articulating the attitude and behaviour of entrepreneurs: it facilitates analysis and an ability to construct argument and develop research skill (Schultz 1975) however, as a formalised process it can cause negative side-effects on the supply side of entrepreneurship: that is, higher formal education could raise the opportunity costs of becoming entrepreneurial and consequently a decrease in the supply of entrepreneurs (Leibenstein, 1968:82; Harper, 1992:90).

Education is a means by which the economic content of a culture is transmitted. Casson's framework suggests public policies contribute to effective decision making, ethics, achievement, performance and confidence and has a positive impact on economic exchange, stating:

Cultural change can also be engineered through education – including business education. In this context, the moral and religious content of education and range of fundamental scientific concepts covered is more important than the specific technical expertise it provides (Casson's 1990:89).

Policies directed at the education sector can help stimulate entrepreneurial activity by fostering the achievement-oriented thinking required in problem-solving activities against a backdrop of standards. Other relationships impacting on entrepreneurial initiative concern the provision of funding which can be used, to some extent, to manipulate and reinforce goals and expectations. The relationships between business entrepreneurs and local schools in terms of sponsoring sport or academic prizes, innovation

awards, visiting teaching roles or invitations to speak at prize givings, all have an influence on how the community responds to entrepreneurship and innovation.

The results of spontaneous 'learning-by-doing' is that entrepreneurs who perceive opportunities and exploit them successfully may in their quest discover further profitable opportunities. This is what Ronstadt (1988) calls the 'corridor principle' that "the mere act of starting a venture enables entrepreneurs to see other venture opportunities they could neither see nor take advantage of until they started their initial venture" (p:31). Baumol (1968) believes that the most important influences on entrepreneurship are "intractable determinants" of cultural background, religion, personality and temperament, stating:

The policy maker...is interested primarily in what determines the supply of entrepreneurship and in the means that can be used to expand it...But there is reason to suppose that these issues are to a very considerable extent matters of social psychology, of social arrangements, of cultural developments and the like (p: 69).

To this, processes of colonisation and assimilation are influential. These have been treated as exogenous variables in a traditional neo-classical economic sense. Casson (1990) points out that cultural determinants, including the integrationist view of assimilation, are not as inexplicable or intractable notions. Casson identifies culture as a potential source of long-term competitive economic advantage, purporting that there is a need to develop links between entrepreneurial culture and economic performance. His argument is that this would make commercial sense in terms of utilising resources where there might exist better profitable opportunities for trade and development. Historically, a picture has emerged of peoples of the Pacific Rim, including Maori being ambivalent yet excited about the presence and practices of the 'settler' entrepreneurs who, they saw as motivated by taking natural resources. Though little was understood then about motives to gain control and ownership of land and other resources it was clear that this had a major impact on traditional life and the development of Maori entrepreneurship (Te Awekotuku, 1998).

### *Conclusion*

The chapter has focused on defining the context of change. Essentially, I have used a systems framework to analyse economic transactions, the political forces that impact on entrepreneurial activities and the nature of the entrepreneurial role. The following chapter builds on these themes by addressing argument in leadership as a function of entrepreneurship. The discussion that follows views

entrepreneurial leaders as shapers and architects of innovation. Addressed are the attributes of what makes good leaders and the culture that inherently defines what ultimately constitutes the role of leaders.

## CHAPTER FOUR: Emergent leadership: The value shapers and architects of innovation and change

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"Does anyone know how to manage the human imagination?"

- Tom Peters, *Towards the curious society* (1993)

"*Ko te tumu herenga waka*" The stake that moors the waka  
(referring to the leadership status among Ngatiporou women)

- Pine Taiapa, Ngatiporou

### *Introduction*

The need for dynamic, accountable and results-based leadership is a requirement for any commercial business enterprise to succeed. This is so for developing entrepreneurial companies. Rotorua's Tamaki Tours; Whale Watch Kaikoura and technology company, Power Beat International are examples of innovative businesses operated and owned by Maori entrepreneurs who have engaged in commercial activities and set a course for new styles of leadership. The problems often associated with new entrepreneurial start up companies centres on managing levels of risk and means of gaining acceptance and legitimacy in the wider context. In particular, how the environment – the economy and the State - respond to new entrants in a prevailing competitive marketplace. An essential requirement is having systems in place to manage processes and identifying the people who will determine and lead the way. The question is who and what constitutes the type of leadership needed to legitimate such business interests? The public relations crafting of "manufactured leaders" singles-out individuals who are deemed to have visionary skill and charismatic presence required to be accepted as a leader. In all however, it must ask, would constructing such images adequately tell us about the kinds of expectations ordinary people would have of what leaders are suppose to do? This chapter examines relevant theories of leadership as they relate to entrepreneurship and innovation, to the tasks of risk-taking, management and decision-making. In the compelling arena of risk management and decision-making I take the view that leadership is as much about the processes of decisive action as it is about the actual or projected expected outcomes. I look to the influence of culture and how this contextualises the role of leadership in terms of Maori business activities. Therefore, much of the theory discussed in this section aims to inform the scope of this study's central focus around tribal entrepreneurship. Discussed here also are the universal decision traps encountered by business leaders, the network supports they establish and seeking social-political legitimacy. This chapter concludes with key pointers to the leadership/management debate. A debate that adds circumspection to further academic management discourse and strengthens the praxis of entrepreneurship.

### *Overview: A cultural contextualisation of leadership*

Drucker (1999) sees exceptional leadership practice as an important competitive advantage to business, but argues that it is, paradoxically, under-valued. There is merit to Drucker's argument in that the time, investment and the scarcity of effective leadership inevitably prohibits the better utilisation of resource at hand. This chapter singles out entrepreneurs and contends that they are the prime movers in shaping the world. I intend to review the growing interest in such leadership and focus on aspects of culture and its inherent values.

There is wide acknowledgement of a new breed of 'corporate warrior' manifesting in the hallways of corporate offices. They have risen against a backdrop of tribal corporate zeal and university based qualifications. They are the business and law graduates who have become the new 'super-hero' legends in quest for superiority. They are skilled articulators of modern day resources, who control vast sums of tribal assets; they are able to leap international frontiers and defy government paternalism. Not surprisingly some are driven by power and become delirious with delusions of grandiose. Yet it is understated that what lies ahead, particularly for a culture of people and tribal infrastructure whose experiences are unfamiliar with the modern world of high finance is anything but straightforward. In business it is unwise to make assumptions based simply on rational choice indicators. It is clear however, that Maori economic development is driven by the industries set up around Treaty of Waitangi settlements.

It is mindful to consider the significant returns for mediating and brokering Maori settlements to both the legal and accountancy fraternity given the potential for lucrative consultancy payments. There is a growing industry of professional advisory services specialising in brokering tribal commercial transactions. However, these firms recognise the standards expected by Maori for professional and moral accountability is high, it is demanding and inherently linked to tribal whakapapa and social obligations. While today's businesses per se requires confident, accountable leaders, the broader and more pertinent issue for Maori is the ability to manage dual constituencies.

### *Postmodernism: a new world order or not?*

To contend with the unpredictability of business and fluctuations inherent global economics, there is considerable debate surrounding the universality of leadership and what is required to transform

companies (Moss-Kanter, 1983; Walker, 1995). By virtue of their own auditing processes some companies beginning to question the assertions they were initially founded on, including their key principles of profit enshrined as part of the capitalist. Such fundamental shifts help underlie previously held assumptions that:

- throughout the modern world, the economy is the most dominant of all social institutions
- sustained economic growth is believed to be the primary source of prosperity
- technological advancements are essential to increasing productivity, for creating new products and for the enrichment of social life
- competition is the essential characteristic of an economic system (international competition, in particular, strengthens production and efficiency) as it provides consumers with greater choice at lower costs
- there is no compelling reason to question the present situation of who owns what
- the free market (unrestrained by government regulatory policies) results in efficient (and socially) optimal allocation of resources
- the pervasiveness of economic globalisation (achieved through the removal of tariff barriers to free-up the flow of goods and money) excites competition; increasing economic efficiency, creating new jobs and lower consumer prices

Dilemmas, according to Schumpeter (1965) which are not as a consequence of failure but a consequence of success<sup>1</sup>. These are under constant debate, fundamentally because they lie at the heart of the modern world's deepest dilemmas.

For New Zealand businesses, and in particular, for Maori tribal based businesses, the idea of establishing competitive strategic operations requires insightful, confident and experienced leadership capability. This can be gained by heeding the advice and examples exemplary leaders and entrepreneurs and how they do business. Among those who give out advice are Richard Branson, Virgin Airlines; Bill Gates, Microsoft; Lee Iacocca, Chrysler; Anita Roddick, The Body Shop and Faith Popcorn, BrainReserve. It is accepted among these men and women and among the many scholars and writers that good leaders are found everywhere, in all sectors of the community, from the professional, non-professional, trade to semi-skilled occupations. Conget (1989) alludes to appeal and 'attractability' of potential leaders even among those outside the business itself.

In one sense, good leadership is seen as being about creating harmony amongst disparate and often hostile groups competing with each other. That is, it is about establishing 'culture' rather than charismatic attributes (Heifetz, 1994; Trompenaars, 1997). Leadership could therefore be regarded as an expression of community, of generating of core values that stakeholders and people in general find acceptable.

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<sup>1</sup> A detailed account of Schumpeter's analysis and critique of capitalism is presented in chapter five.

Acceptability is an important pre-requisite of a leader's legitimacy as their exercise of collective values overrides collective, democratic processes. The question here, is how then is effective leadership determined, and by whom?

Perhaps a major reason as to why difficulty exists in determining this is that we ask the wrong questions concerning leadership. Greenleaf (1991) argues that it is not exceptional leadership that companies and communities lack, but rather, it is 'culture, or the organisational context making leadership possible. Leading people involves collaborative team building and strategic exercising of covert and overt types of power. This then is required to engender acceptance and a willingness on the part of followers to trust. Trust as a consequence, is layered and mutual that incorporates a sharing of vision, ideals and values (Trotter, 1998, Heifetz, 1994). To maintain coherence and control leaders place sentiments of mutual trust high on their performance where any thoughts of mistrust permeating an arrangement of relationships would damage morale and bring the leadership into question (Greenleaf 1991).

Today business is largely constrained by its definitions and meaning of ethical and moral codes of practice. These appear to lag behind a company's quests for increased profit and potential earning power. Such is the moral/profit "at any cost" imbalance that economic materialism given the impression personal liberty and individual choice derides any sense of communal goodwill and social obligation. There is, in response to this trend a growing social and political concern that unless business and politics itself does not reassert its ethical and moral responsibilities to society, they risk their own long term and short term survival.

On this basis, what is evident in the new leadership literature is the reassertion of ethics and common good practice. That effective leadership operates around facilitative insight and in shaping accountabilities that help sustain an integrated and positive perspective of community. Promoting an ethos of mutual interdependence in both business and politics is, in this sense, disseminating a vision that coalesces disparate worldviews into some form of meaningful transaction and social transformation (Senge, 1990; Heifetz, 1994; see also Drucker, 1997).

The culture an organisation expresses perhaps its most powerful dynamic in responding to change. The motivated entrepreneurial business with its intellectual, technological and social capacity can, if it successfully coalesces and integrates moral and social values into its cultural structures (Barker, 1992) achieve more than profit-driven expectations. Thus an organisation's cultural paradigm has

to revere the importance of community to all its stakeholders and affirm the individual's sense of family, of church and of work.

Social values in effect guide the actions of individual and in their discernment of what is good and right. Thus, values are foundations upon which business relationships should also be based. Values shape culture, and, it is culture that leaders ultimately shape. It is culture that determines largely what leaders do and how they do it. Much of Peters and Waterman's work *In Search of Excellence* (1984) concerns organisational culture and the leader's skill, knowledge and abilities. They view culture as a determinant of organisational practice and Wildavsky (1984) saw leadership as a consequence of organisational culture.

To undertake an analysis of present cultural forces it is important to consider both competing and complementary features of "old" and "new" forces, which, for a company, reside in its workforce and leadership as it does in standard practices. As leaders work to create new mindsets they do so under a guise of New Zealand business in a global context.

Perhaps the cultural relativists would argue this notion of internationalisation: that the global cultural dominance appears real and threatening (Moore, 1998). However, political as well as business leadership is an integrative role that involves the constant monitoring and adaptation of universal value systems. Cultural adaptation and the integration of values across cultural boundaries is an important trend that helps people gather to accomplish socially useful tasks. Business leaders act and make decisions in culturally diverse situations and endure the difficulties of having to maintain and comprehend diversity. They must understand their workers and articulate values and customs into new cultural forms; forms that require trust and cooperation that tie into their organisation's value system.

In this sense, organisational culture consists of the complex nature of values as systems and the rules which govern behaviour, define success and measure performance. Values consequently define how people must behave, the levels of trust which pervade the organisation and the degree to which workers are controlled and rewarded. Effectively they are the determinants of expectations, rites and rituals (Deal and Kennedy, 1983).

More importantly, values act as the control centre informing people what to expect from others and they define the levels of support and sanctions that are in place. Paradoxically, however, as Heifetz (1994) notes unconditional rules are not written but are obvious to everyone. For example, what is

considered culturally normative prescribes attitudes towards punctuality, dress code standards and attitudes towards rangatahi and women. They prescribe who gets information and who makes decisions; appropriate language standards, written communications and levels of formality and informality. These norms also define business relationships, including what are considered acceptable competitive practices and the manners in which management and workers act and behave towards each other. They define the conditions under which present leadership is preserved and endorsed which is, in essence, the maintenance system of political and individual interests. What becomes critical for Maori organisations here are two issues, first the mechanisms by which they actively and successfully remove the old guard of leadership and second, the recruitment and replacement processes of new leaders to take their place. Where democratic institutions provide the mechanisms by which this is done, the challenge remains for tribal organisations to contest their own ascribed and undemocratic processes of selecting leaders and adopt a more transparent form that reflects the diversities and challenges of running a business organisation.

Finding common values are a basis for interaction and this is the preeminent challenge for leaders.

As Trompenaars and Hampden-Turner (1997:1) note:

There is a theory that internationalisation will create, or at least lead to a common culture worldwide. This would make the life of international manager much simpler. People point to McDonald's or Coca-Cola as examples of tastes, markets and hence cultures becoming similar everywhere. There are, indeed, many products and services becoming common to world markets. What is important to consider, however, is not what they are and where they are found physically, but *what they mean to the people in each culture*...In the process of internationalisation the Japanese increasingly take the functioning of local society seriously.

Critical of the predominant assumptions about leadership and management theory, Trompenaars and Hampden-Turner (1997) challenge the influence of rationalist American literature, particularly the manner in which American theorists treat management as a profession that regards impartiality, objectivity and rationality as "scientifically substantive" (p: 4). Their argument centres on notions that technological rationality is in essence, a human attribute, and, granted statistical analysis is important, simply provides right answers to wrongly conceived questions. This leads to a belief system and a culture within the workplace that reinforces laws governed by physics and engineering. This ironically, is not scientifically substantiated, but premised on culture patterns. This logic, supports Schein's (1985) view that individuals make sense of the world through layers of values not consciously understood. The question then, is why are norms and values implicitly embedded? A possible explanation centers on the manner in which solutions to recurring issues, if

developed through some organised means over time, are inevitably incorporated in the thinking of peoples and thus become central assumptions which then define meaning and future action.

I consider it important to make some general comments about culture as it sets the context in which leadership and entrepreneurship are defined and will be discussed in this chapter. One way we can look at cultures and how they differ is to examine how they resolve problems. Here we consider three basis points of reference: problems arising from interpersonal relationships; problems that relate to past events; and, problems that relate to the environment. Trompenaars examined organisations using these questions.

### *Theories of leadership: what sets them apart*

And one should bear in mind that there is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer than to introduce a new order of things; for he who introduces it has all those who profit from the older order as his enemies and he has only lukewarm allies in all those who might profit from the new.

Niccolo Machiavelli - The Prince

When Machiavelli (1469-1527) impressed upon the Prince the need for caution, he was mindful that leadership and change come at a price, and he questioned the price of change. Machiavelli's advice to the Prince can be taken two ways: Either become amoral, manipulative and expedient without regard to ethical conduct, or become thinkers and processors of information being attuned to the distinctions of one situation from another. When he said to the Prince "learn how not to be good" it cannot be assumed that he was advocating immoral or unethical leadership practice. In any case, the definition of being good is often couched in the language of self-interest and conventional wisdom. If being good is limited to just acceptance, then there is no real reason or need for leadership in times of change. Machiavelli acknowledged that change encompassed risk and as respondents recognised, the key to risk minimisation was anticipation and awareness. Anticipating change assumed respondents possessed the inherent confidence to bet on themselves and cope with uncertainty. To fear any impending change and to reject change was in a sense an admission of indecisiveness. The critical ingredient of Machiavelli's prescription is discernment of the "necessity of the case". What complicates all this is that the case is not always isolated from the character and personality of the leader.

Following on from Machiavelli's political theory of what makes for Princely leadership were the theories of the "great man" and the influence *he* would have on the order of the day. It was Thomas

Carlyle who first crystallized his views on leadership in his 1841 volume, *On Heroes, Hero-Worship and the Heroic in History*. Although studies which followed discounted Carlyle's great man theory it was significant as a starting point in the development of discourse and today serves as an important function in assessing the qualities of others. Trait theory, as it later became popularly known as, hypothesised a set of generic attributes as a means of determining effectiveness and such traits would, it was assumed, determine who would possess good leader qualities. Trait theory, since Carlyle's time, has taken to examining personality characteristics of great leaders positing that their rise to power and status was rooted in the "heroic" attributes, talents, physical characteristics and aristocracy of lineage. These studies however, remained distorted and confused primarily because the frames of reference used shifted according to who was conducting the study and the subjects being studied.

Hobbes, himself, promoted a corporatist-like view arguing that individuals were prepared to forgo natural liberties and equality for the security of maintaining the State in such a manner: people collectively form corporations in the guise of the *Leviathan*, or, the "artificial man" whose primary function was to foster the security necessary to promote economic progress. Hobbes espoused that without a formal set of hierarchical controls "there is no place for industry because the fruit thereof is uncertain". In consideration of this, John Stuart Mill saw the force behind resistance to change as "the despotism of custom." In *On Liberty*, Mill argued individuality is the "affront to custom", the chief obstacle to progress was tradition in the form of social conformity as a convention that prohibited individual creativity. He stated: "...that the danger that threatens human nature is not the excess but the deficiency of personal impulses and preferences."

Here Mill's heroes were undoubtedly the non-conformists, the entrepreneurs who thought and acted outside the norm. He was inspired by the advocates of change and the outcast imagery society inflicted upon them:

The man, and still more the woman, who can be accused either of doing 'what nobody does', or of not doing 'what everybody does' is the subject of as much depreciatory remark as if he or she had committed some grave moral delinquency.

In many of his accounts, Mill acknowledged the necessity of tradition, however, he believed society errs too far to the 'right' of conformity, that "everyone lives under the eye of a hostile and dreaded censorship". For Mill, progress, innovation and creativity were vested in the entrepreneur. Democratic capitalism was based as much on individualism as on traditional collectivities, and hence how people responded to change was determined not just by who they were, but by personal

goals and values. Much was also predicated on 'pecking order': the class stratification and cultural prescriptions of complex social constructs that often became impossible to determine. To compound matters, change and patterns of resistance and reform were shaped by society itself.

Given this, the absence of a valid general theory of resistance or reform to change is not surprising: few aspects of human behaviour were scientifically explicable, and science could no more prove why it is that people resist change as why they pursued power. O'Toole suggested attempts to seek "a good enough understanding" of change allowed individuals to respond purposefully.

Typically those who held the reigns of power remained content to uphold the way things were. Crudely speaking they were "the Haves" and "the Have-Nots", where the "Haves" were divided into those who "have more" and those who "have less".

Figure 4: I *Dramatis Personae of Change*

The Players	Their Roles	Attitudes towards dominant Ideology
<b>THE HAVES</b>		
Have-mores	they lead resistance	subscribe and defend
Have-lesses	they support resistance	subscribe and defend
Progressives	they advocate reform	subscribe with reservation
<b>THE HAVE- NOTS</b>		
The Uninvolved	they resist passively	accept passively
Working Class	they support resistance	subscribe and defend
The Revolutionaries	they advocate a new system	reject entirely

Source: O'Toole (1995).

In O'Toole's diagram, the have-lesses often desired power and better living conditions and were therefore unlikely to question both the legitimacy and operating rules of the prevailing social system. As they actively partook in the system, they subscribed to the canons of dominant ideology.

Such definitional frames of reference therefore determine who should be studied. Though attempts have been made over the past five decades to develop some comprehensive analysis of the various traits, research studies prove conclusively that these have been compromised by the very fact that they focus on different variables.

Three seminal ideas have changed the way we think about leadership (Greenleaf 1995; Spears 1995):

- leadership as premised on mutual *respect*
- leadership shaped on an overarching culture of *trust*, and
- leadership as a managed process of power used in the *service* of stakeholders

These ideas have in a sense reconstituted popular thinking about the roles and purpose of modern leadership; the manner in which companies cope with change and the means by which leaders work with and between constituents. It has caused for a reconsideration of the Hobbesian notion of “social contract” in terms of the political and business theory leadership, and the relationships between the ruler and the ruled. Evidence (given the rising concerns of competing global markets and the specialised place of strategic planning in managing external and internal competition) is seen in the changing role of leaders as they attune their company’s multifarious, diverse value systems (Fairholm, 1994).

### *Psycho-social influences in the construction of leadership character*

The influence of psycho-social literature during the 1960s has had a significant bearing on the developing theories of leadership. McClelland examined the psychology of leaders and saw the traditional way of explaining the influence as not been entirely correct. He saw leaders influential by strengthening and inspiring follows: that they arouse confidence enable them to be able to accomplish whatever goals they set.

McClelland’s view did provide us with a mechanism, a means the psycho-charismatic attributes leaders have. In noting Burns’s description of the “leaders-follower symbiosis”, McClelland extracts two attributes; believability and enthusiasm. Believability is expressed in terms of the degree to which leaders know and understand their core business. Enthusiasm is expressed as the passion; the awe-inspiring, emotive drive that provides innovative energy that thwarts any doubt or hesitancy. McClelland acknowledges that even the most competent, extroverted accountant or lawyer does not necessarily possess the talents to be an effective.

Bennis and Nanus (1985) sees transformational leaders as “social architects”; those who have the skill and disposition to build and shape a company. The original work of Barnard and Selznick (1957) has been credited by Bennis and Burns as the inspiration for transformational theory. Barnard and Selznick’s long over-looked 1957 publication, *Leadership and Administration*,

provides the literature with the catalyst needed to examine the so-called “the invisible dimensions of influence”. They provided the first genuine appreciation of the “human spirit” and “creative thinking” processes as a leadership function:

The inbuilding[sic] of purpose is a challenge to creativity because it involves transforming men [sic] and groups from neutral, technical units into participants who have a particular stamp, sensitivity and commitment. This is ultimately an educational process. It has been well said that the effective leader must know the meaning and master the technique of the educator. The art of the creative leader is the art of institution building, the reworking of human and technological materials to fashion an organism that embodies new and enduring values. To institutionalise is to infuse with values beyond the technical requirements of the task at hand. The prizing of social machinery beyond its technical role is largely a reflection of the unique way it fulfills personal or group needs. Whenever individuals become attached to an organisation or a way of doing things as persons rather than as technicians, the result is a prizing of the device for its own sake. From the standpoint of the committed person, the organisation is changed from an expendable tool into a valued source of personal satisfaction. The institutional leader, then, is primarily an expert in the promotion and protection of values.

Friere (1985) believes leaders need to be more reflexive and dialectical. This view however, should not detract from arguing against both its simplicity and impracticality given there pervades many complexities and contradictions in life. In saying this, it is reasonable to argue that Maori leaders are caught effectively between a rock and a hard place: between acts of change and tribal expectations to contain and preserve traditional relationships. The significant question here, is the notional understanding that Maori need to manage and change their own destinies and at the same time preserve the conservative ethos of what makes them cultural unique, indigenous and connected to the land.

Consequently, the practice of leadership by and large is about maintaining the shifting value bases, as they move from constituent needs and wants to the needs to protect their leadership interests. Leadership is therefore, unquestionably a loaded job, with having to negotiate intrinsic cultural norms. For Heifetz (1994) there is no neutral ground from which a definitive theoretical position of leadership is possible because merely holding an office or having political influence reinforces an intrinsic value. Leadership therefore, expresses a normative position about the ways a leader acts and behaves. Heifetz refers here the notion of “social contract” (a term borrowed from Hobbes) from where people have certain expectations about what leaders do. He makes this point by highlighting two views on leadership: One, where the leader influences the company to follow his/her vision, and the other, the leader who influences the community to accept the need to face their own problems. The leaders in each case posit a different set of circumstances. In the first scenario, the mark of individual leadership is in the ability to convince people to accept how they

view the situation. The assumption being that the community will seek assistance in resolving their problems. In the second scenario, the measure of effective leadership is the ability of the leader to mobilise the community to face their problems. Here the leader challenges and empowers the community to act and take responsibility.

For Heifetz, leadership is about resolving conflicts between values people hold and the skill they need is in assisting to diminish the apparent gap between what people stand for and the realities they face. This he called adaptive work and required a change in people's values and their behaviours. Heifetz saw the exposure and orchestration of conflicts (internal contradictions) as providing the leverage necessary to mobilise new ways of learning.

Though the abilities to influence and the skills to act with authority are the primary factors used to do this sort of work, they do bring constraints. As tools for effective leading they are not ends in themselves. The task of tackling difficult situations – those problems that require the long evolution of values – means the effective end of the leadership speak and principally, getting the work done is the essence of action leadership.

Generally speaking, Maori enterprise, as with private and public sector enterprises suffers from a scarcity of sound business leadership. More to the point, there is a lack of clear definition as to what leadership actually means. Typically, management practice has confused the role and functioning of leadership (Drucker, 1985). Though this might have something to do with the fact that management is a relatively new phenomenon (whereas leadership is a practice as old as humanity itself: Kotter, 1990) there is a tendency particularly among New Zealand companies to adopt models of American styled management practice. This raises a dilemma not just in terms of how companies use this information, but in terms of how they comprehend the large body of conflicting literature espousing different models of practice.

Modern management techniques have developed in response to the emergence of the bureaucratic doctrines and management science of the 19<sup>th</sup> century industrial revolution. Much theoretical and philosophical debate contributes to the refinement of these central ideas. The literature concerning management functions of planning, budgeting, organising and decision-making views these functions as tools fundamentally designed to ensure the control, formality, consistency and order of complex systems of transactions. Kotter (1990) however, believes this is not what leadership is about. Its aim is to produce chaos and change. He provides a comparative examination of leadership and management functions concluding that where management is guided by timeframes

locked into risk minimisation, leadership is characterized by vision and extended timeframes calculated on risk. Though both functions are essential to organisational stability they are fundamentally different. Kotter notes that leadership by itself never keeps an operation on time or on budget, and that management by itself never creates significant or useful change - too strong a management force without leadership causes an organisation to become bureaucratic and stifling, and too strong a leadership focus without management causes an organisation to become messianic and cult-like producing.

Peters and Waterman (1984) see leadership as many things and note former US Secretary of State, Henry Kissinger's statement on the multiple functions of leadership:

[Leadership] is the purposeful seeding of cabals that one hopes will result in the appropriate ferment in the bowels of the organisation. It is meticulously shifting the attention of the institution through the mundane language of management systems. It is being visible when things are going awry, and invisible when things are working well. It's building a loyal team at the top that speaks more or less with one voice. It's listening carefully much of the time, frequently speaking with encouragement, and reinforcing words with believable action. Leadership is also about being tough when necessary. It is the occasional naked use of power or the suitable accumulation of nuances, a hundred things done a little better (p:82)

### *The situationalists*

In response to the Great Man theory, the *situationalists* argue that history is more than just the exploits of particular men. Though it was Herbert Spencer who in 1884 suggested that it was the times that produced great leaders and not leaders who produced events, it was not until the 1950s that the situationalists, began to question the leadership character. Political historians took interest in good leaders however, because they stood outside in the vortex of most great political and social upheavals, certain times called forth the assortment of individuals with various talents and styles.

### *The transactionalists*

The 1950s saw business academics begin to synthesise the trait approach with a situational view. Empirical studies conducted by Blake and Mouton, (1985) showed that no single constellation of traits were indicative of leadership success. Although the findings among the behaviourists did not negate the idea that people could "make history", it did suggest that different situations called for different behavioural actions on the part of leaders. Primary among the synthetic type approaches

established were contingency ideas positing that styles of leading needed to be contingent upon the requirement of a given situation.

This field of inquiry extended into the specific areas of what goes on between leaders and their followers – the *transactional* focus – by which leaders attempted to gain influence and sustain it over time. This was a process of reciprocity where a leader's influence, while being central, could be ascertained and judged only by adjustments to what followers expect. Transactional leadership effectively is a process of influence that describes the relational dynamics of influence, yet it does not attempt to evaluate the purpose for which influence is used or from where it derives (Tannenbaum and Schmidt, 1973). During the 1970s critics of the transactional approach questioned its rather authoritative premise. It is here that accounts of organisational leadership were critically debated.

MacGregor Burns (1978) describes transactional leadership as relationships focused. He later posited that leadership was more than just a series of transactional encounters, but was built upon an understanding of purpose and meaning which he calls “transformational leadership”. Transformational leadership emerged as a logical extension of the transactional approach and sees leaders as people concerned with detail, vision and long term focus. Conceivably businesses that have long since built a sound reputation of good standards and of meeting the needs of highly selective customers, in theory, could trace in their original purpose and drive to a transforming leader somewhere in their past. While many strong business leaders today hold to a robust culture of some kind they understand that the need for transforming leadership is continual. Peters and Waterman (1984) calls these leaders “the value shapers”; “exemplars”; and “makers of meaning”. They are difficult to measure, as veritable transformational success goes beyond the paradigm of “here and now”, and as pathfinders of organisational success and longevity they are existentialists who invest in the future.

MacGregor Burns wrote most convincingly concerning the obligations leaders had to provide the means by which followers could be permitted to transcend mundane life events and pursue new purposeful, meaningful directions. He criticises trait theorists for their narrow preoccupation with a leader's attributes in holding positions of power, suggesting that attention to these properties blinds them to the more important tasks of instilling purpose and belief. MacGregor Burns recognises leadership is an unadulterated exercise in change management and can only be exercised when one has specific motivational talents that can effectively mobilise the complex array of institutional, political and psychological interests:

[L]eaders induce followers to act for certain goals that represent the values and the motivations – the wants and needs, the aspirations and expectations – of both leaders and followers, and the genius of leadership lies in the manner, in which leaders see and act on their own and their followers' values and motivations (1978:19).

Burns's view reflects the importance of the political dimensions to the study of leadership. Though his work represents a major shift from the previous dominating paradigms of the behaviouralists and social psychologists towards contextual considerations of economic, historical and political factors, the impact of his research on organisational leadership meant, in essence, that the naked use of power and control was neither inseparable nor incompatible to the collective will to achieve common purpose.

MacGregor Burns thus set the stage for a concise definition of leadership that took into account both the personal and the political, stating:

[Transforming leadership] occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. Their purposes, which might have started out separate but related, in the case of transactional leadership becomes fused. Power bases are linked not as counterweights but as mutual support for common purpose. Various names are used for such leadership; elevating, mobilising, inspiring, exalting, uplifting, exhorting, evangelizing. The relationship can be moralistic, of course. But transforming leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both the leader and the led, and thus has a transforming effect on both...Transforming leadership is dynamic leadership in the sense that the leaders throw themselves into a relationship with followers who feel "elevated" by it and often become more active themselves, thereby creating new cadres of leaders (1978:ibid)

As a contingency transformational theorist, MacGregor Burns sees leaders as needing to appeal to the unconscious needs of individuals to make conscious what lies hidden and oblivious to them, thus he sees a leader's 'true genius' as in understanding the emotions of others. (cite Trotter's article). Zaleznik makes a similar point in his idea of differentiation suggesting that managers work *with people* while leaders *excite emotions* (Zaleznik, 1989).

MacGregor Burns, Kellerman (1984) provide a generalised approach in their pursuits to defining leadership objectively – that is, without consideration to value judgement. However, leadership is defined by context and arguably has a normative meaning that represents a set of orienting values and it is these values that help shed light on how people think and form opinions about what leadership is, or might be. While Trait theory informs us that individual personality makes all the difference - that no leader can operate without this acknowledgement. A decade of academic

scholarship since is devoted to sifting and analysing generic skills, providing us with a foundation from which goals can be defined: goals which then are structured into leadership education programmes. Situationalists direct us towards examining how the activities of leading can differ depending upon circumstances and context. With contingencies, contextual diagnoses become central to the understanding of leadership. Consequently, this provides an interesting acknowledgment of leadership style, and those variables apparent in a range of situations.

### *Servitude: effective compassionate leading*

Bordas (1995) sees minorities as having traditions of servant-leadership. It is rooted in many of the indigenous cultures that practice holistic, cooperative, communal customs. Greenleaf (1995) sees servitude as that encountered by Hesse in his *Journey to the East*, in which said “great leaders must first serve others”. Greenleaf’s own views suggest servitude to be the core of long-term human transformations. Here is used the Greek term “entheos” to speak of a leader’s sustaining power of enthusiasm. Some features of effective leading in regard to raising enthusiasm include:

Figure 4:2 Some leadership activities

planning	organising	managing
deciding	speaking	tribal lore
holders of wisdom	negotiating	motivating
creating	economizing	inspiring
disciplining	whakapapa	persuading
confronting	litigating	defending boundaries

Greenleaf, makes the important distinction between servant leadership and coercive leadership, stating:

In a complex institution-centred society...there will be large and small concentrations of power. Sometimes it will be a servant’s power of persuasion...sometimes it will be coercive power used to dominate and manipulate people. The difference is that, in the former, power is used to create opportunity and alternatives so that individuals may choose and build autonomy. In the latter, individuals are coerced into a predetermined path” (pp 41-42).

Leaders are also required to understand the best utilisation of resources. Moreover, they need to understand the nebulous resources of public opinion, legislative authority, specialist talents, geographic location and informal networks. With this in mind, leaders contend with complex, contradictory issues of maximising profits while attempting to improve training and support services for workers; protecting national security while maintaining environmental safety and dealing with customer dissatisfaction in light of better than expected after tax profits.

### *Vision: mapping reality's contours*

Vision is considered a central attribute of effective leadership. Vision is that part of leading that emphasises clarity and the articulation of values. Guiding values are an important 'gel' as they are interwoven into the context of problems thereby determining both definition and action. Collins and Porras (1991) argue vision consists of two components: *purpose*, which states 'values' and *mission* which clarifies 'goals'. For Heifetz they represent the contours that track reality and for Bennis and Nanus (1985) the capacity to create and communicate a compelling picture of a state of affairs. They state, "vision articulates a view of a realistic, credible, attractive future for the organisation [and] a condition that is better in some important ways than what now exists" (p: 89). To this, Mintzberg and Waters (1983) used the terms "strategy building" and "concept attainer" to describe processes of vision building. Quigley (1993) a decade later, wrote of vision, that it "must be communicated openly, clearly and repeatedly to all critical audiences, inside or outside the company" to do otherwise would be to compromise purpose and derail their mission which means "understanding and implementation will be severely impeded" (p: 129).

In a similar vein Beckhard and Pritchard (1992:34) see vision as means to managing management; of closing gaps between present and future. It encompasses a company's culture of change and adaptability, its structures, work routines, rewards systems, operations and its ability to provide workers with a sense of meaning.

### *Leadership and learning: adaptive situations and adaptive qualities*

Heifetz views leadership as fundamentally about undertaking "adaptive work" which has theoretical associations with the scientific investigations of biology and evolution. Proponents of this view argue a species adapts and modifies itself to changes in its environmental surrounds as a matter of genetic reprogramming. Culture, according to Heifetz, adapts and modifies because of new knowledge, learning and understanding (Argyris & Schon, 1978; Schein, 1985; Moss Kanter, 1983 and Kouzes & Posner, 1987). Heifetz challenges traditional leadership theories arguing this must be understood within the context culture and based on adaptive work. That is adapting to challenges where leaders go beyond the call of simply surviving the business world. Adaptive challenges are particular kinds of problems where gaps cannot be closed by the application of current technical know-how or by routine behaviour. To make progress, Heifetz suggests, not only

must invention and action change circumstances to align reality with values, but values also must change.

Adaptive work is a congruous means by which leaders assess social reality and the clarification of social values. On this point, Ryback (1998) considers the over-riding value of *relevance* to leadership. What is significant about Heifetz work is not his notion of establishing relevance, but his view that leadership is principally a value laden exercise: That when leaders assess situations compounded by complex anomalies, they are never in a position to guarantee complete objectivity. Though accepting science lends itself to providing some sense of rational explanation to what constitutes objectivity (often through anecdotal reality testing) it is not as reliable as scientists like to think. It is perhaps for two reasons this occurs, first, because scientific method is itself bound by an incapacity to accurately predict anything about the future, and second, and perhaps most pertinently, because people, as diagnostic animals, see and assess problems in light of their own value systems. Here, values are screening devices by which people filter out reality; by which they determine what is important and what is not; by how they select out information and how they create pictures of reality.

What makes social systems work are, ironically, the mix of contesting social values groups of interested stakeholders hold and the nature of this competitive mix. This partly explains why Heifetz's adaptive work model is important, as the engagement of conflict (where people with one set of values engage in discourse with those holding differing values) leads to a dislodging of conventional thinking. However, though Heifetz's explanation helps define disparities between value systems, he does not consider the central concerns associated with hegemonic ideology and prevalence of dominant value systems that often act against the most susceptible to social, economic and political marginalisation. It is here that leadership becomes central as it asks the difficult questions:

Leadership [will] consist[s] not of answers or assured visions but of taking action to clarify values. It asks questions like: What are we missing here? Are there values of competing groups that we suppress rather than apply to our understanding of the problem at hand? Are there shared values that might enable us to engage in competing views?

Heifetz adds further:

On-going adaptive capacity requires a rich and evolving mix of values to inform a society's process of reality testing. It requires leadership to fire and contain the forces of invention and change, and to extract the next step (p: 35)

Yet social systems, as with economic systems, when threatened and destabilised will attempt to restore a sense of balance and equilibrium.

### *Leadership and critical decision-making: decision rules and management traps*

In spite of Nickerson's claim that a more complex means of decision-making science is needed, evidence on how the human mind works suggests managers and leaders depend to some extent on the unconscious routines rooted deep in the cerebellum to deal with complex decision-making. These routines or *heuristics* help the decision-making process; for example, architects' judgement of height and distance engages the heuristics of equating clarity with proximity - that the clearer the object is in sight, the closer it is judged to be. Consequently the fuzzier it is the farther it is likely to be, provided their normal eyesight is not significantly impaired. Heuristics, however do not claim to be reliably fool proof. For leaders, managers and architects they may pose difficult problems. The best and most effective defense in the case of miscalculations is the intuitive alertness honed by way of hard-learned experience.

In terms of this study it is important to consider the heuristics and decision traps affecting entrepreneurial success. Hammond et al (1998) identify these as anchors, sunk-cost traps, confirming-evidence traps, framing traps and estimation/forecasting traps. These are intertwined into all facets of business activities.

### **Anchoring**

In decision-making it is not uncommon for entrepreneurs to give disproportionate weighting to the first bytes of information they receive. Initial impressions or first-hand information has the potential to anchor how they judge events. Anchors can take several forms. They can be as simple and innocuous as verbal comments and newspaper articles or as insidious as stereotypes about race, gender or class.

Common anchors usually develop around past or reoccurring events. In business, market forecasts are problematic in that they rely on past yearly trends in sales to determine future sales. As such, 'old numbers' are the main influencers in predicted sales. Though there is merit to using records to establish past movements what forecasters become guilty of is adjusting figures to reflect past events

not current activities. No company decision-maker is immune from anchoring mistakes, however Hammond et al (1998) suggest a number of strategies that may help. Viewing problems from different angles, thinking first, consulting with others, being open-minded and widening one's scope of information is important. They recommend applying the golden rule: "say as little as possible".

As Orasanu and Connolly (1993) and Nickerson (1992) have pointed out, decisions carry biases and these have the potential to anchor the company in a dysfunctional status quo. Breaking from this is what entrepreneurship is all about. It is not surprising that those managers with little reason to take responsibility look for justification in doing little by adopting a pathway of least resistance. Hence anchors can be determined by degree of risks: the risks associated with 'the sins of commission' against risks associated with 'the sins of omission'. Simply put, weighed up are the risks in taking responsibility which tend to be judged more harshly than doing as little as possible. This begs the question, how influential are heuristics in decision-making processes. Company mergers often fail because the acquisition company failures to undertake management changes preferring to wait until merger dust settles.

### **Sunk-Costs**

Managers and entrepreneurs make choices to consolidate past decisions even though their choices may have little or no present value. Investors decide against selling stock at a loss and thus forgo other investment opportunities; a company owner decides to spend time and money improving workforce performance with little noticeable improvements in productivity. These are decisions based on *sunk-costs*, where investments in time and money are irrecoverable. Sunk costs are visible yet hidden by an array of circumstances and not picked up until an inappropriate or ill-conceived decision is made. Sunk costs are perpetuated when pride creates an unwillingness to admit mistakes. Acknowledging that one makes bad decisions in private life is a private matter, in business, it is a different matter, bad decisions are of public concern: sacking poor performing staff could be construed as a public admission of poor judgement, yet to keep them on in the long run would compound the error.

In banking, sunk-cost can be potentially disastrous. If a borrower's company runs into hard times, the bank as the lender has to decide whether to advance additional capital and breathing space for recovery. If they consider the company to have a reasonable chance of turning around it is accepted as a high-risk, but manageable investment decision, if it fails it is a sunk cost, throwing good money after bad.

Entrepreneurs attempt to avoid creating corporate cultures that reinforce sunk-cost traps and it is this that creates doubt if motivated by fear. They appreciate that even in certain times good decisions lead to bad outcomes and it is important to cut losses early. To avoid this trap entrepreneurs need to seek out impartial advice and check processes they use for any signs of sunk-cost tendencies. They could even ensure they are not cultivators of a culture of fear-failure: that workers are remunerated not just for outcomes and performance, but for quality in their decision-making. It is imperative to establish a means of overcoming fear and accepting mistakes. Entrepreneurs reframe mistakes as learning experiences where even the best are prone to errors in judgement.

### Confirming-Evidence

It is necessary to search out information that supports initiatives and often less important to search out evidence that might contradict the course of action taken. A common form of confirming-evidence in business is to ask for advice from acquaintances who in the past were faced with similar decisions. Confirming-evidence generally determines where information is obtained and how it should be interpreted. This gives weight to evidence with little or no assessment of contrary arguments. Here, two forces are at play: the tendency for subconscious thoughts to influence what is to be decided before figuring out why, and, the inclination to engage in activities favoured rather than those disliked. Here evidence is selective and value based.

In considering Hammond et al's work, making decisions is not only about rejecting other options, but about making well-informed moves. To do this, evidence is rigorously scrutinised and counter-arguments dealt with honestly. In this regard, a devil's advocate position is useful in clarifying possible decision outcomes, while honest appraisals assist in avoiding traps.

### Framing

Important to the decision-making processes is knowing how particular questions are framed: that is, how they are defined. Frame traps take many forms including establishing an unworkable status quo, introducing anchors, highlighting sunk-costs or even lead forms of confirming evidence. Two types of frames distort business decisions. They are gains and losses and point of reference frames, and they suggest risk averse and risk-seeking tendencies are weighed up against perceived losses.

'Point of reference' traps are similar to gains and losses in that decisions are considered to be best determined by a particular reference. For example, in an investment choice, a frame having a reference point of zero, tends to emphasise incremental gains or losses (the thought of losing money often triggers a conservative response) whereas a second frame with its reference point of say, \$1000 would put the situation into a different perspective emphasising real financial gains or losses of making a decision.

Hammond et al (1998) suggests the best way around framing traps is to avoid accepting initial frames of reference. Poorly framed (constructed) problems distort even the most well researched decisions. The lesson is that problems require reframing and constant self-challenge.

### **Estimates and forecasts**

As business owners engage in making estimates about their business and about their markets there is often little clear or instant feedback about what might be going on. To make, for example, a judgement call, a probability that the price of a commodity might fall to less than half its value over the coming year, it becomes difficult for business owners to determine whether their estimates would come to fruition or not. It would mean keeping records of similar estimates to see if events predicted lead to the predicted outcome. This task is both exhaustive and difficult to do as it requires data that has to be precisely tracked over time.

### **Over-confidence**

Economists are, as cynics would believe, as incomprehensibly inept at making positive economic forecasts as they at predicting negative trends in the midst of economic downturn (Pilzer, 1994). However, they are not the only professional group accused of being over-confident about their forecasts. Over-confidence, for entrepreneurs can be fuelled by the fact they operate around a narrow set of circumstances and options. Where initiatives and investment opportunities hinge on making gross estimates, results can be disastrous. Those who under-estimate high end costs, or at the other end, over-estimate low-end costs, may well preclude making other profitable choices. These can be missed or worst, entrepreneurs may over expose themselves to greater than calculated risk parameters. Though company executives might have the means to concede and write-off large sums of money, entrepreneurs need to foresee possibilities of market failure.

## Perils of prudence

While over-confidence is an uncertainty trap, over-cautiousness is another. When faced with high stake decisions, entrepreneurs can unknowingly adjust estimates and forecasts to “keep things safe”. In industry, this has the potential to produce cost blow-outs. This can be highlighted if, in a hypothetical case, a marketing department takes it upon itself to determine production units and makes a request from other departments for their projected figures. This could inadvertently result in a chain of over-cautious estimates, and consequently an expensive surplus sell off.

Over-prudence is the occupational hazard of many economists insofar as they too factor into their decision-making a degree of over-cautiousness. They do this by anticipating what could be the worst possible case scenario as a principle means of determining outcomes.

## Recallability: Balancing options

Entrepreneurs who may not err towards over-confidence or towards prudence could fall into the recallability trap: that when assessing options they think about past impressionable events. When car drivers, for example, pass a car accident they might assume a higher probability to having an accident themselves. This is recallability and affects how we weigh up options and assess possible outcomes. Lawyers are guilty of this particularly when engaged in high profile liable cases. Decisions to settle damages claims, like in the case of business owners suing Mercury Energy over the 1998 central Auckland power relied heavily on legal assessments and the potential outcome. As the media and in particular Auckland tabloids sensationalised the case it over estimated the amounts of damages potentially awarded to plaintiffs and lawyers began to estimate their probabilities of lucrative legal fees.

Dealing with over-confidence can be as simple as looking outside the box in considering all extremes and all possibilities. Given that entrepreneurs have few margins for error they avoid such anchors by challenging estimates and calculating where figures might fall above or below figures. Awareness and alertness also keeps them wary of being overly confident along with keeping estimates honest and accurate.

Successful entrepreneurs are aware that their subconscious works either to hinder or serve their interests and develop means of countering these factors in decision-making. Decisions are by nature prone to varying degrees of distortion as they invariably involve assumptions. The higher the stakes

the higher the risks of being trapped by a number of anchors operating at the same time as the following example suggests:

In a new venture company first impressions have the potential to anchor their justifications. Much time, effort and expense will consequently be spent in gathering evidence that would confirm, justify and support its management inclinations and judgements. From this position, the company begins to make some hasty and perhaps somewhat unwise information that creates a new status quo. As more and more resources are tagged, sunk costs increase causing concern particularly as it becomes abundantly clear that nothing productive is produced. This results in psychological miscues as pressure mounts and it becomes more difficult to appropriate decisions.

Indicated throughout is the notion of entrepreneurial awareness as an effective course of action to see through the maze of decision traps: that being forewarned and forearmed is the secret to avoiding invisible traps. Though entrepreneurs will not eradicate distortions and biases, they at best need to establish rigor and discipline in establishing strategies that pick out errors in thinking before they become fatal errors in judgement. By having reconnaissance mechanism of this sort it could alleviate mistakes, increase confidence and produce results. This raises an important question in terms the 'rationalist business man/business woman' approach *vis-avis* the 'spontaneity and opportunistic tendencies of the entrepreneur'. The decision trap check-list offers a means by which to take account of the considered variables and not the unconsidered ones. Though it reinforces the rationalist argument, entrepreneurship is by nature a "dislocational element" that disturbs current economic equilibrium to bring about new arrangements for production (Schumpeter, 1949) and as such, there can be no discontinuity between emotion and rational choice. For entrepreneurs, success happens because things work out and failure results because of an unforeseen change in rules or in interest rates. The point being, retrospective rationality can be used to justify results.

While there are moderate signs of improving economic growth (National Business Review, January 2000), it is apparent that the corporate business sector itself is woefully unsupportive of unconventionality within the corporate status quo. This myopic stance is changing in part, because of the fluidity of a highly volatile, highly competitive marketplace and because of the changing nature of leadership. Though there is some residual fall-out among the echelons of corporate management to adopt an entrepreneurial approach to developing markets and opportunities there is some acceptance of the need to know how to manage risk and solve problems effectively.

Vroom and Jago (1988) took a somewhat wider appreciation of social and business life into account when they developed their analysis of leadership and decision-making. Vroom posited five "platforms" from which leaders launched into problem-solving activities. With information, timing

and risk assessed, Vroom maintained, contingency factors require leaders to adopt appropriate methodologies to decision-making. His theory espoused a rational approach hence enabling leaders to analyse performance and process. However, Vroom's theory was flawed in that leaders say what they intend to do, but in actuality do something completely different.

However, he identifies the five practical solutions that call for different approaches to be used:

1. *A*/type situations – where leaders resolve a problem or make a decision independently using information available at the time.
2. *A*// type situations – where leaders seek information and solutions from staff, then decide to solve problems on their own.
3. *C*/*I* type situation- where leaders share problems with key staff *individually*, to get ideas and then make decisions on their own.
4. *C*// type situations – where leaders share problems with staff *collectively* to get ideas, then, make their decision.
5. *G*// type situations – where leaders share problems with staff, collectively, then make a consensual group decision.

In practice, leadership is also more than the art of making good decisions, yet Vroom's work has enabled us to effectively determine situational requirements most appropriate to decision making type. He devised a response sheet with a set of seven questions used to construct a decision tree, which is outlined below:

1. "*Is one decision likely to be better than another?*" (If not, adopt an *A*/style approach).
2. "*Do I (as the leader) know enough about the situation to act on my own?*" (If not, avoid the *A*/style approach).
3. "*Is the problem clear and structured?*" (If not, adopt the *C*/*I* or the *G*// style approach).
4. "*Will staff have to accept the outcome of the decision?*" (If not, *A*/and *A*// are possible approaches).
5. "*Would staff accept my decision?*" (If not, *G*// is the preferable approach).
6. "*Do staff share my goals of the company?*" (If not, the *G*// would be too risky).
7. "*Are staff likely to not get on with each other?*" (If so, then a *C*// is the better approach).

Theories of choice generally assume that processes are best understood in terms of predictable and actual outcomes. That is, if a company manager enters into a prescribed problem-solving situation - having procedures and technical skills to affect a resolution in which there exists a propensity and range of inherent alternatives – fundamentally it is the result that counts. However, having a set of prescribed processes does not necessarily bear relevance to the decision-making outcome achieved (Mintzberg and Waters, 1973; Mintzberg and Quinn, 1998) because nothing is for certain. Mintzberg's (1993) critique of managerial responsibilities challenged the perceived view that managers had for themselves sufficient time dedicated to making decisions and problem-solving. His contention was acrimonious, but based on empirical evidence suggesting that time spent on decision-making was over-exaggerated. This reflects, in part, the values and beliefs of organisational

activity, but more potently, the extent to which decision-making was and invariably remains quite incidental.

March and Olsen (1976) make the claim that:

...[A]ctivities within a choice [decision-making] situation may be explicable only if we recognise the other major things that take place within the same arena at the same time. A choice [decision] process provides an occasion for a number of other things [to happen] (p: 11-12).

March and Olsen<sup>2</sup> identified situations in which opportunities for decision-making within organisations occur, including those of:

- (i) executing standards, operating procedures and fulfilling role expectations, duties and commitments made;
- (ii) defining virtue and truth where a company discovers and/or interprets its past, present and future and attempts to justify its continuance;
- (iii) apportioning praise or blame as a means of exercising, challenging and/or reaffirming relationships, antagonisms, power and status positions;
- (iv) expressing self-interest or collective interest,
- (v) celebrating efforts when successful decisions have been made.

These do not exist in a vacuum and may be happening at the same time. They represent some of the realities of decision-making and illustrate the drama that unfolds in making decisions. March and Olsen describe it as the “arena of symbolic action “and interpretation where ritual is infused into a company’s ethos. So-called rituals of choice are what gives meaning to a company and it is meaning that communicates its purpose. One can conclude from this therefore, that to understand how a company makes decisions is to acknowledge that particular decision outcomes are, in fact, less significant than the manner in which the process itself gives the company meaning.

Orasanu and Connolly (1993) were less concerned with organisational meaning as they were with personal meaning and experience. Their model of decision-making comprises a body of knowledge that examines how decision-makers utilise their experiences to make judgement and take action. Orasanu and Connolly considered experience more as a descriptive, instructional process rather than a prescribed occurrence. Adding weight to this Klien et al (1993) argue research studies on decision-making need to focus on processes used by expert decision makers.

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<sup>2</sup> March and Olsen termed these ‘choice situations’. I have taken liberty to rephrase them. Their original work was published in 1976.

This is consistent with Brehmer's (1990) view that tension in real-time reallocates critical thinking required for important decision tasks and therefore, the issue is one of action rather than choice. This view helps orientate us towards a prevalent understanding of decision-making not as a prescribed process but a practice of wisdom: that of looking at universal features of decision-making and applying these. Here Orasanu and Connolly identify situations in which practice wisdom works best:

- where problems are fundamentally ill-conceived
- in which the context in which decisions are made in are dynamic and uncertain
- where there exists a shifting of ill-defined competing goals
- where there exists multiple event feedback loops
- situations that identify time constraints as a major consideration
- in which gains and losses are high
- in which there are multiple stakeholder, and
- in which norms and goals are weighed heavily against the decision maker's own personal choices.

Not all these factors are however present in given situations. On this, Zsombok's study gives us good clues as to how in times of uncertainty, leaders assess problems, make decisions and take action.

### *The "fail" option: indifference or acceptance*

Among the common reasons for business leaders failing to make change in light of innovation and opportunity is distress caused by the decision-making process and the energy problem-solving demands (Mintzberg, 1993). Some might resist the discomfort and anxiety situations created while others fare less well by holding to the past, blaming, criticising and manufacturing excuses. This is distracting and arguably expends greater emotional energy than taking responsibility would.

The exercise of leadership is ultimately about going against the grain of conventional thought. Rather than protecting individuals from perceived threats, leaders turn up the heat in an effort to stimulate adaptive thinking; they disorientate workers in learning new roles and rather than dissolve conflict they actively create it.

In all of this however, leaders need to act appropriately, be effective monitors of systems, boundary merchants and change agents. As such it is difficult and precarious. They challenge those who go too slow and apply the brakes on those who go too fast. This creates reactive, sometimes impulsive responses and maintaining balance of this kind requires an understanding of the tools needed to

effect change. Leaders in effect, walk the razor edge accepting that agility and charisma do not suffice to protect them from public reaction and skepticism (Kimbrow 1996; Heifetz, 1994).

Leaders see past contradictions and adjust value systems to accommodate new realities. They make tactical decision between technical and adaptive modes of behaviour - what Heifetz sees as shifts in *direction, protection, role orientation, control and norm maintenance* (p: 126).

Several points can be made, in particular, Heifetz's five principles I consider pertinent to this study. Though they are presented below in my words, they are essentially what Heifetz sees as the key leadership rules in adaptive work:

1. *Identifying the type of challenge(s) at hand.* This involves projecting out and assessing situations, checking out what values are at stake and working through the issues surrounding these values.
2. *Keeping tensions within a tolerable range.* Heifetz refers here to the "pressure cooker" system involving keeping the heat up, lid on, pressure on and not blowing up the pot.
3. *Focusing on following through and on reducing stress.* This means identifying priorities and what requires complete unwavering attention. Working to counteract avoidance mechanisms including denial, scapegoating, externalising, pretending and personalising.
4. *Always giving work back at a rate people can handle.* This suggests a fundamental training and development focus in giving responsibility back on people by exhorting them to resolve difficulties for themselves.
5. *Protecting the voices of leaders officiated to act with authority.* Heifetz refers here to giving cover to those who raise the hard questions. About supporting those who put their necks out and take all risks. Essentially they are those who pin-point the contradictions, magnify the inconsistencies and are given the latitude to provoke rethinking.

The intention is to establish a participative *modus operandi* in shifting both responsibility and authority back to people. Decisions are difficult enough, however a significant anchor trap is associated with values and beliefs and old habits. Heifetz (1994) argues, problem-solving therefore has to take account both the "heart and minds of people" (p: 121) or the emotional and intellectual properties of thought and that the question in terms of complex decision-making, is if emotional and intellectual thought can work simultaneously, whether emotions compromise technical expertise or complement it.

Systems theory can be encompassed within the psychological constructs of leadership. It can be used to select out, analyse and mold cultural values to define organisational purpose. Leadership is a process of developing the culture which determines the "fit" between people and systems that support 'sense of purpose'. To guide this process, companies require leaders who integrate intellectual, theoretical and practical knowledge into an emotional zone (Ryback, 1998; Goleman 1998). Maccoby's (1976) earlier writings elaborated on leadership as a combined effort of both

intellect and character. Yet power straitjackets even the best of leaders as their promises of fulfilling other peoples' expectations pose difficulties (Heifetz, 1994:125).

### *Forming coalitions: seeking public legitimacy*

Wildavsky (1992) built upon earlier ideas of the coalition-building approach of leadership. Having acute awareness and emotional intelligence is for entrepreneurs not a matter of making people feel happy, but about how they see and define problems. Their research examined American Presidential leaders and discussed President George Bush's preferred style of coalition meetings to problem solve. He emphasised the need to involve all parties (stakeholders) particularly those in disagreement and recognised their inclusion provided a pressure cooker situation enabling new realities to shape conventional solutions to familiar problems. However, contrary to popular belief, Bush's politics of inclusion did not actually mean all parties got their own way. Covey (1992) on the other hand, viewed leadership and the nature of political leadership in terms of "natural laws and principles", in particular "the law of harvest" arguing character and integrity rather than skill and coalition strategies are what matters most.

Peter Senge (1990) sees systems thinking as a fundamental requirement for sound leadership given the complexity, anomie and change enveloping the modern business world. Systems thinking, according to Senge, is indispensable for companies. He points out that the gradual atrophic ability to maintain focus on solutions increases reliance on symptomatics rather than creative measures. The role of leaders is stewardship towards 'creative tension'.

Organisational systems are much like complex living organisms whose parts are in delicate balance with each other; they have a common purpose and identity; and operate in a changing, dynamic context. Strategic leaders learn to embrace the benefits of organic thinking and as Porter (1980) explained, organic thinking provided an important model for understanding corporate competition and critical factors affecting a company's profitability. Porter used Linnaeus's biological term, "speciation" to refer to a company having its own place among its species.

As an organism, Porter suggests a company's fortunes are guided by five key factors:

1. *Internal competition.* This refers to the intensity and variation of other companies involved in the same industry and includes the resources they bring to bear on industry markets and the levels of leadership competence. Here, internal competition is analogous to the Darwinian notion of intra-species competition and "survival of the fittest" (e.g. the demise of small, regional meat processing works).

2. *Potential threats of new entrants into the industry.* This refers to new populations of the same species invading an environmental niche. It is where new industries producing similar products provide greater choice to customers and correspondingly reduces potential market share (e.g. the proliferation of hardware retail outlets in suburban locations).
3. *The threat of substitute products.* This is where new companies with new technologies find new solutions to old problems. This has the potential to drive companies toward insolvency or, at best, a reduced profit margin (e.g. the car manufacturing industry and cheap Japanese imports).
4. *The bargaining power of customers in supply and demand markets.* This is expressed as the "power of the prey" or "the last act of defiance". If a species adapts to make a living from difficult prey, its survival chances are likely to be at risk. In business this means the same rule applies: "the customer is always right" (e.g. offering a 100% money back guarantee).
5. *The power of suppliers.* If suppliers have a monopoly, it stands to reason that customers would fair worse. This is a symbiotic response dependent very much on host companies (e.g. the electricity market and monopoly position of the power supply company, Contact Energy).

Gartner and Low (1990) argue that all corporate objectives are founded on trust underpinned by a mutual expectation that transactions will be beneficial to all. Here, the assumption is that at least one party believes the situation will work out in everyone's best interest. These suggest successful relationships are best determined by clear and unambiguous understandings. This is premised on trust building activities and links to the ecological and institutional notions of legitimacy where legitimacy is the critical factor of genesis of the organisation.

Three conditions, identified by Zucker (1986) are necessary for trust to develop to a degree of mutual acceptance by negotiating parties. First, is a belief in 'common need'; second, is an agreement to make reasonable efforts to meet these needs; and third, is establishing a competency to be able to carry these through (p 8-9), to complete tasks and meet objectives. Borrowing from Zucker's analysis, Gartner and Low develop a three-pronged approach to producing trust, what they describe as: *process-based* which ties into personalised experiences; *characteristic-based* which ties into shared normative attributes of trust, and; *institutional-based* which stems from external sources that guarantee trusting expectations are binding.

Gartner and Low's main interest was in determining the means by which businesses form collective alliances amongst themselves. It is here that they reinterpret Zucker's original work and examine what they term as, *categorical action*, or the type of trust produced by *similitude*, trust and shared nominal membership (e.g. ethnicity, gender or religion). They examine trust in terms of, *network action*, or, trust produced by social relationships in which all parties become implicated (e.g. friendships, work groups, action sets), and examine *institution-based trust*, which is external to the parties and acts as a neutral ground that ensures working relationships remain operative and fair (e.g. government, legislation, consumers' institute, commerce commission). Gartner and Low (1990) see trust relationships as links between "factors influencing organisation formation and the

individual level to factors influencing formation at the organisational and environmental levels""(p: 18). The argument being that the flux of interpersonal exchange helps shape those social processes by which legitimacy is built. This convergence of social-psychological position and the ecologist's social systems perspective has been a significant influential factor in the development of modern theories of leadership.

For entrepreneurial leaders the notion of legitimacy and trust are crucial in the establishment of a new business venture. It means facing a different set of circumstances to those of corporate executives who operate within the relative comfort and confines of an established company. They are culture 'reproducers' of old forms compared to 'innovators' of new form with little or no profile, trust or legitimacy. While company reproducers generally accrue significantly high levels of cognitive and socio-political acceptance and legitimacy, the entrepreneur conversely, lacks these and need enhancements in trust building.

Without the added advantage of existing systems or socio-political approval, entrepreneurs count on skill to gain public acceptance. To do this they learn the tasks of communicating confidence to often skeptical investors with stringent credit guidelines and a low tolerance to risk exposure. Entrepreneurs require practical 'know-how' in overcoming the low cognitive or low socio-political legitimacies they face. As such, they accept that their legitimacy in the eyes of the public at large, is about adhering to norms and expected behaviour. Such emergent rules come about through protracted processes of interaction of "give and take". In all of this, entrepreneurs maintain commitment to constructing, engendering and sustaining their sense of purpose and identity which in the long run stakeholders come to rely on trust (Axelrod, 1984).

If we consider for a moment two community scenarios in which a company operates: one, in which there exists a diffuse tie of mutual obligations, and the other, in which the community is predominately made up of strangers, where ties are more mechanical and instrumental. In the first scenario, the company might enjoy the benefits of a 'generalised' system of exchange where monetary rewards apply, but this may not necessarily require individuals to repay obligations. Instead, a *categorical* or network-based understanding as Gartner and Low state, of community and solidarity assumes obligations are more than business, but intrinsically tie into kinship and other cultural arrangements (Waldinger et al, 1990). The second scenario gives an appearance that there are few options. Individuals work, predominately, within a restricted exchange regime that accounts for all detailed transaction costs and arrangements. In this scenario of restricted exchange, the likelihood of exploitation increases and changing the situation at once would entail stringent

documentation of contractual arrangements, or on the other hand, force the company to forego external business contracts in favour of doing all its work 'in house' (Williamson, 1981). Gartner and Low (1990) introduce the concept of trust, and Axelrod's empirical work derives a set of rules for cooperative company behaviour as a plausible pathway to establishing legitimacy and integrity.

These are:

- never being the first to defect ("keep your word")
- that where others might defect, cheat, steal or fail to meet obligations, it is important to respond with immediate and redressive action. (although Axelrod, in his original work, gave 'no second chance', yet practice wisdom suggests this rule may be difficult to carry out) and,
- keeping strategies simple and direct.

Axelrod suggests that if entrepreneurs follow these rules other parties will not be misled. However, they could, if they wish, take advantage of some of the inherent ambiguities and difficulties of trying to interpret behaviour, and doing this (by either framing, reframing, editing or modeling) their own behaviour to 'suit those behaviours exhibited by others: That by stressing specific benefits, for example, return on investment, or being selective in what they say this could appeal to the 'track-record' weary concerns of investors or bankers. Here, entrepreneurs have to learn to combine their extra-curricula talents of artistic performance with charismatic appeal, plausibility and conviction, with that of being the calculated, though-it-be risky business operator. There is indeed a fine line and that if deception prevailed on a false or dishonest premise, there is every reason to argue legitimacy and trust will doubtfully manifest.

### *Social-political acceptance: overcoming public liability*

As entrepreneurs gain a leverage hold and establish themselves in the scheme of their business, they require an underpinning and the development of collective action. Once the entrepreneurial company establishes its collaborative networks it begins to sustain a greater substantial advantage in the marketplace. Effectively collaborative strategies begin by informal means, through networks of inter-firm relations which later develop into more formalised relationships of alliances, consortia and trade associations (Powell, 1990).

The processes by which such relationships are formalised are important because they set out what is effectively the mantra of acceptance and legitimacy – that which binds them to societal norms and laws – are necessary to socio-political activity. Gartner and Low (1990) saw entrepreneurs in this light as reluctance conformists.

### *What of the leadership/management debate?*

There is a great dilemma in business today surrounding the debate between effective leadership and management. Central to this concern is the notion of formal corporate training as the ability to address the human potential side of running a successful business. There pervades unquestionably a pensive lull in how skills in leading can be enhanced and this is reflected in the standardised short-term, 'fix-it' measures that mask often the curriculum of corporate training modules. Contextually, what is offered (in current leadership speak and 'jargon-hype') is managership (see Conget, 1989:161) designed simply to appease nagging doubts about effectiveness. Fundamentally however, these are nothing more than advanced administrative, decision-making and goal setting courses with exercises that reflect the role of operational management rather than the change agency role of leadership. It is widely assumed by corporate trainers that lessons can be drawn from modeling these techniques and transferred over to enhance a manager's strategic abilities: That action learning enables managers to develop and improve upon their perceived weakness (Conget 1989 see also Kouzes and Posner).

What is noticeably evident is a failure to connect the challenges of leadership with the routine operational difficulties of a running business, also significant is the growing rift between what businesses need and what the current educational system offers. Steve Maharey, Associate Minister of Education argues for a fairer, accountable tertiary system that reflects the need to build and train skilled New Zealanders to enter into the knowledge-based economy (Massey Alumni, April 2000).

According to overseas experiences, educational and business graduate programmes are part of the problem in that they fail to think long term. Business leaders and academics, notably Peter Drucker, Elizabeth Moss-Kanter and Charles Handy, all question the validity of executive MBA's. In one respect, they see such graduate programmes as failing to teach students fundamental subjects critical to business leadership. In effect, they exempt themselves and thus their students, from "having to think and behave in creative and innovative ways" (Drucker, 1999). Innovative and creative thinking are essential requirements that enable students to comprehend broader implications of what constitutes business success, market trends and customer perceptions. Within the rigid curriculum requirements of an executive MBA programme there is no enticement or allowance for scholarly "maverick-ism" for lateral thinking (de Bono, 1991) and learning and knowledge through the humanities and social sciences. Altemeyer (1966), Kiyosaki, (1993) maintain that traditional school type teaching through deductive learning and prescribed course

work produces unimaginative students. The issue is that business education and corporate training ought to, as de Bono (1991) suggests, act as promoters, not inhibitors of a balanced learning, lateral as well as vertical. The result of this may well reveal that certain leadership skills can in fact be taught at a mastery level (see also Friere 1985).

In terms of whether or not there lies a difference in definitions of leadership and management tasks, claims by Professor Zelznick, (reference footnote) suggest that both are temperamental subjects, hence, serve fundamentally different roles. Management, according to Zelznick, has extended itself to an all-encompassing modern science rendering leadership as a part and parcel of what management practice is. He argues management foremost concerns itself with establishing, maintaining and fostering organisational stability, while leadership attempts at the opposite side, to create disharmony and disorder to create the search for new opportunities. It is widely believed however, that the search for truth and meaning by means of comprehensive scientific and empirical definitive explanation is a long running and "endless quest for the Holy Grail" (Handy, 1994:93).

Zelznick's proposition is not however universally accepted, particularly by those with a vested interest holding executive positions who feel justified in arguing that the intermingled "mish-mash" of leading and managing is the reality. However, Peters and Waterman (1984); Kouzes and Posner (1987); Kotter (1995) support Zelznick's view. Peters and Austin, define management as controlling, demeaning and reductive, in contrast, leadership is liberating and growth enhancing. They maintain leadership as a practicing vocation can be learnt arguing that if excellence in leadership performance is to be sustained over time, then developing skills is essential. Kouzes and Posner (1997) acknowledge this and refer to the range of confusing literature. Their own study highlights that challenging process, inspiring vision, enabling others, modeling the way and encourage others are important to effective leadership.

### *Conclusion*

Leadership composes and integrates a range of skills. The role of leaders as has been shown in this chapter is about balancing conflict and tension at all levels. They aim to establish the means by which organisations deal with conflicting values manifested in commitments to quality, excellence, service and how they meet the aspirations of others. As stakeholders however, have different aspirations unity becomes problematic and the reconciling efforts of the leader are tested. Leadership is about self-belief; diligence; work and assessing and engaging in tasks of balancing demands over achieving results. It requires legitimacy and the creating of moral symmetry which

aims to find parity between competing values and brings order to difficult situations by creating transcendent values that encompass all aspirations.

The intention of this chapter has been to outline the different theories and their implications for entrepreneurial leadership in the business environment. Its scope has been necessarily wide to account for the culture and context of entrepreneurial leadership in action and its links to the literature. The chapter that follows examines considerations to the external management necessary for entrepreneurs to learn. This ties into the general theme of this thesis by acknowledging the organisational and administrative paradoxes and the abilities of entrepreneurs to manage change. It is seen as imperative for Maori entrepreneurs to appreciate managerial responsibilities as a complement to developing innovation.

## CHAPTER FIVE:           Managing paradox: tolerance and intolerance in managing organisational change

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### *Introduction*

This chapter examines the paradox of organisational culture as it relates to entrepreneurial practice. I set out to explore the tensions between the need for organisations to manage change and create innovation. Also examined are changes in business culture, in particular the developments occurring between entrepreneurial processes and the prescriptive, positivist processes of management theory. This discussion is set within the context of a myriad of organisational arrangements and political change in New Zealand. Marked by fundamental ideological shifts the 1984 fourth Labour Government heralded the end of the beginning of the old style managerialist traditions moving towards the deregulated market and privatisation of public assets. This ideological shift away from a regulated economy saw the public sector management revamped under the influences of public choice theory and the new pervasive theory of institutional economics. The resulting convergence of these intellectual, ideological themes established a New Public Management model (NPM) (Boston, 1991; Jesson, 1999). Central to its doctrine are principles of efficiency and resource rationalisation, the sum of which is described in the following:

- emphasises a clear managerialist structure to running a public sector organisation with little attention to its policy driven concerns. This approach requires the active 'head-hunting' of highly professional private sector managers overriding the need for technical, experienced long-service public servants
- is evidenced by a marked shift in preference from the standardised input control measures and bureaucratic processes of the past to a more hi-tech quantifiable measurement of outputs and performance related targets.
- requires the implementation of new reporting, monitoring, and accountability mechanisms in devolving its management controls.
- disaggregates larger bureaucratic structures into smaller manageable quasi-autonomous units. This separates out commercial activities from all non-commercial activities, and policy advisory functions from policy implementation.
- maintains a strong preference towards private ownership; the contracting out of services and the contestability of public service provisions.
- adopts private sector management styles such as short-term labour contracts, corporate planning, performance agreements, mission statements, performance-linked remuneration, sophisticated management information systems and a greater focus on the "corporate image".
- has a preference towards establishing monetary incentives over non-monetary incentives such as ethics, ethos and status.
- focuses on cost cutting, efficiency and cutback management.

The roots of these were linked back to Bentham and Chadwick's work of the late nineteenth century. What has been of concern is the speed at which these features are implemented into the

management of state run services (Boston, 1991:9). The conviction to develop this new corporate management style has not however been without its share of discontent and criticism within both the public and private sector, as it impacts on the nature of existing relationships.

Social relationships and corporate structures are by nature interlocking<sup>1</sup> and complex. More so the interactions among companies and managers that comprise convoluted disagreements and disputes among multi-faceted coalitions. They are fragile links, tense and sometimes tenuous, however, they provide the basis of policy direction and actions. Nickerson (1992) argues decision-making (as outlined in the previous chapter) is inherently synergistic, chaotic activity requiring understanding of human judgement and the processes by which judgement is shaped by stress factors. It is important here to develop knowledge about what processes assist people in assimilating and integrating information in times of high stake decision-making. Nickerson, himself cautious of simplistic solutions, identified the need to be guided by rigid, structured processes, stating:

We will need better techniques for identifying tradeoffs involved in important policy decisions and for predicting long-term consequences of actions aimed at correcting specific societal problems; more adequate models of complex systems of interacting variables that can be used to explore the implications of changes in one or more ways of these variables, and better ways of checking the validity of such models; more sensitive approaches for monitoring the consequences of policy decisions and evaluating outcomes relative to long-term objectives; more effective approaches to negotiations and tools that can be used to facilitate conflict resolution; better procedures for resource allocation and management; and fail-safe procedures for use in crisis situations in which errors of judgement can have disastrous effects (p: 343).

Bales's (1950,1953) 'Interaction Process Analysis' draws from "task" and "social-emotional" aspects of organisational behaviour theory focusing on how organisations move towards rational problem-solving measures. His thesis gathered interest when he hypothesised that when organisations move from task-centred orientation towards a more humanistic focus they tend to lose their sense of solidarity, most notably when they moved back to task-centred activities. Bales became increasingly interested in the works of Parson (1953) particularly his structural functionalist view<sup>2</sup> that as groups become more formalised they tended towards decreased solidarity. Bales argues:

There is a balance of conflicting tendencies, fluctuating according to more or less temporary changes in the relative urgency of functional problems of instrumentation,

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<sup>1</sup> Different approaches have been used to examine company structures. Burt (1980) focuses on his studies on interlocking directorate/corporate arrangements. Though it is unclear to how these interlocking relationships manipulate resources at hand, it is clear that they are expressions solidarity. For further reference see Ornstien (1984), Palmer (1983) and Stearns and Mizruchi (1986). The inconclusivity suggests interlocking relationships act as indicators of power (Roy et al 1994) that require resource and alliances. See Butler et al (1992) and Penning (1980).

<sup>2</sup> See chapter two for added discussion on the functionalist view.

adaptation, integration and emotional expression [which] probably shows a trend towards greater specificity of functional social roles, a greater differentiation of property rights, a greater formality of authority, a greater differentiation of strata and a lesser overall solidarity (1950, pp: 175-176).

This observation typifies organisational change, particularly as size, membership and composition change and both internal and external environments change and as the heterogeneity and complexity caused through synergy emerge. Organisations work towards quantifying and qualifying uncertainties by seeking to know best what it is they do. Bales (1953) considered that there is the tendency to oscillate back and forth between attempts to complete tasks and attempts to maintain solidarity. He concluded that was more about satisfying confidence and membership concern for *equilibrium*.

### *Making sense of the modern organisation*

Parsons's (1953) work was instrumental in guiding a comprehensive analysis of how groups behave. Parson's five relational orientations can be used as a starting point.

- i) *Universalism versus Particularism:*  
The universalist approach says, "what is good and right can be defined and always applied in given situations". The Particularist approach pays greater attention to obligations, relationships and to unique circumstances.
- ii) *Individualism versus Communitarianism*  
There is still much being questioned about whether people see themselves as individuals or as members of a group.
- iii) *Neutral versus Emotional:*  
The question should interactions be objective and detached or as expression of emotions acceptability? should be asked. Business relationships tend to be instrumental and focused on achieving objectives where emotions are checked to avoid any conflicting or confusing situations. The assumption is that people operate mechanically. In many cultures, business arrangements are human affairs where emotions are deemed appropriate and necessary.
- iv) *Specific versus Diffuse:*  
What is understood is that it is the 'Whole person' who engages in a business transaction which is real and personal, not specific and prescribed by contract.
- v) *Achievement versus Ascription:*  
Achievement is often judged by what individuals have accomplished and on their past record. Ascription is the status that has been attributed by birth, kinship, gender, age heredity.
- vi) *Attitude to Time:*  
Some cultures might view time as passing sequentially; being sign-posted by disparate events. Others see time cyclically as in the past, present and future being connected. This makes considerable differences to how planning, strategic management, investment and goal-setting are implemented.
- vii) *Attitude to the Environment:*  
Some cultures focus predominately on personal motivation and values of self-interest, while others focus more on social, collective interests and consensus.

In his own study, Mann (1967) expanded on Parson's ideas by developing four areas, he believes were prone to problematic organisational behaviours which systems invariably must resolve to

survive. He looked at patterns of latent pattern-maintenance and tension management (L), adaptation (A), integration (I) and goal-attainment (G).

In the contextual view, each area is connected to a primary institution. A latent pattern-maintenance and tension (L) problems could be connected to the family unit, the school and church. Adaptation (A) problems are those of being constrained by economic institutions that create society's material goods. Integration (I) problems are connected to legal frameworks that define accepted norms and behaviours of society and goal-attainment (G) problems are influenced by political institutions that assist in coordinating activities in pursuit of common goals.

Gummer (1986) points out that organisations often have little or no idea about what they do how they do what they do and, have little understanding of the factors that lead to certain outcomes. Here the socio-cultural context of organisational activity assumes that organisations in an organised way rationally and purposefully pursue common, selective goals. To assume this, is to make doubtful assumptions, however that systems are indeed rational by nature.

Mintzberg (1996) suggests management theory is significantly void of common sense. Critical of many of its erroneous assumptions in the literature, he identifies three managerial work roles which arouse his contempt. The first of these he calls "interpersonal" in which managers see themselves as figureheads, as fixtures; as leaders responsible for maintaining lateral organisational contacts. The second he terms the "innovator", in which managers see themselves as monitors and disseminators of information and the third role is that of the, "decision maker", where managers see themselves as entrepreneurs responsible for designing and initiating change<sup>3</sup>. Mintzberg criticises these assumptions claiming managers creates an illusion of wanting others to believe they toil at great length on strategy and other important matters of efficiency. In reality, however, Mintzberg accuses managers of being reactionary and slaves to all kinds of issues at the discretionary mercy of unfolding crisis. Merriden (1998) supports Mintzberg's criticisms stating managers are often driven by brevity, by fragmentation and superficiality and are unable to delegate because of the nature of the type of available information they have at hand. He believes it to be also driven by a focus on current and tangible work in spite of often complex and perplexing problems requiring organisations to be reflective and far-sighted.

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<sup>3</sup> Mintzberg raises this same argument in a previous article *Knocking the Theory*. Harvard Business Review (1996)

### *Strategic planning: maintaining control command*

Strategic planning is an attempt to reduce external uncertainty, however as Mintzberg (1998) pointed out, two other models are largely ignored at the expense of creating exciting, innovative change to improve productivity. These models are *visionary* and *learning* strategies. Vision planning, focuses on a singular type creative strategist, whereas the learning model focuses on a boarder range of actions, requiring experimentation and integration. For Mintzberg, the over-riding prevalence to adopt strategic plans and formalised procedures drives out inspiration and vision while devaluing the importance of perpetual learning. Consequently, with the lack of vision an organisation remains locked in the here and now with little understanding of its future direction. Similarly with disappearance of learning strategies, as in training and development, goes an integrated approach that reduces issues to a decomposition of a company's strategic position itself.

The advantage of the visionary approach is its effectiveness and flexibility in addressing uncertainties as it relies on broad sets of values, on sparse in details which then allow for specifics to emerge. Provided a business's vision is robust it can endure, learn and adapt to change. Mintzberg (1993:38) warns that if a company has no vision but only formal plans, then "every unpredicted change will make it vulnerable and pensive."

The inherent issue for a company in its efforts to set in place strategic plans, is the tendency for such plans to control all features of operational activity and attempt even, to predict market forces and market changes. Such control measures reflect in part the compulsive nature of managers to want to 'make the uncertain certain. Ironically organisational systems were initially set in place to resolve uncertainty (Kets de Vries and Miller 1984). Wildavsky reiterates this by suggesting that planning concerns the efforts of planners to make the future in their own image and that if they lose control, they lose control of their destinies. He also makes the point that managers who are obsessed with procedure suffer from a lack of articulation in responding to uncertainty. What needs to be said however, is that responses to change are in themselves problematic as predictions involve a great deal of "guess" work.

### *Paradox and ambiguity: A business reality and market necessity*

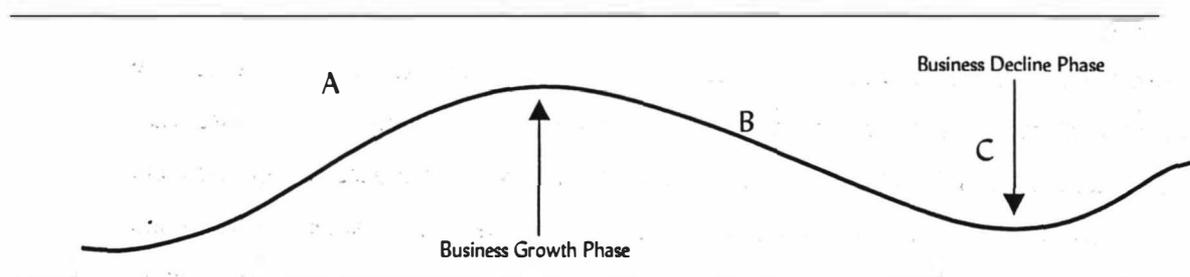
Self-confidence is as important in business as it is in religion, for if entrepreneurs have little reason to believe, they would have no reason to act. Handy (1994) suggests even the most conceited,

unapologetic person has a “soul”; a purpose, goals they aspire to and forces that motive them. They have a sense of continuity, of connectedness and of direction, that is, of continuing on with things they believe in; that parts of their life’s experiences are connected and that they are going somewhere, wherever that may be. Such senses are in Maori beliefs and understandings of cyclical timeframe and wholistic worldviews (Durie, 1984, Kawharu, 1981). These senses are continuity, connection and direction, which with little comprehension of, people become remain disorientated and hesitant in making important life decisions.

## The sigmoid curve

The use of the sigmoid curve has relevance to entrepreneurs as it gives an indication of how change could be perceived in terms of organisational paradox<sup>4</sup>. The curve suggests change often needs to be considered when organisations are working well. For entrepreneurs and intrapreneurs alike, the sigmoid curve offers a challenging early interventionist approach to commence a new direction, before the inevitable dip occurs

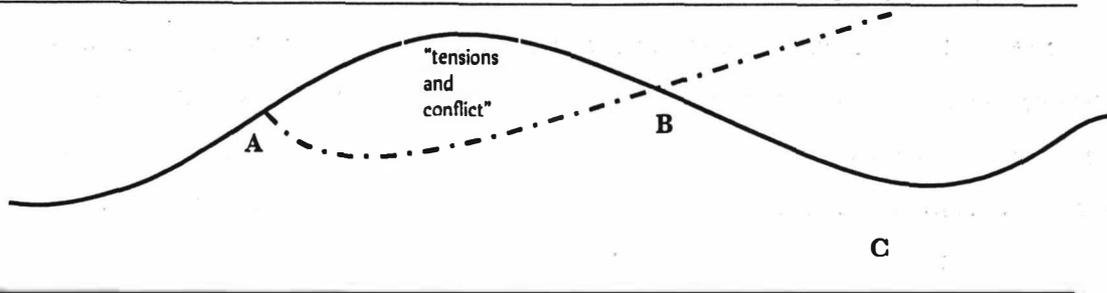
Figure 5.1 The sigmoid curve (business cycle)



At point ‘A’ (or anywhere along this upward growth trend) there is often the time, the capital resources and the willingness to grow the company by allocating time, money and energy to new ventures, research and innovation. This provides the opportunity for a second curve to commence and move through its initial exploration, establishment and adjustments costs before the first curve reaches its peak, dips and dies. It is probable that at point ‘A’, staff morale and remuneration packages for staff and management would be high, however, it is probable to expect also resistance from management and the workforce as this requires change when things are going well.

<sup>4</sup> Paradox is a contradiction that reveals validity and truth as part of a complex interpretation of reality. The need to make sense of our world, that is, to create order out of chaos, is as uncanny as our need to complicate simplicity through vague validation and accountability. In theory, organisations appear as much to create paradox as they are to resolve incompatibilities.

Figure 5.2 The sigmoid curve and the new curve at A



It would appear obvious and imperative to start a new curve at this point were it not for fact that all indicators suggest to management that all is going well; productivity is high, staff morale is high and sales are going well. It would seem unwise to make unnecessary, hasty decisions to change tack when business is producing sound profitable returns. The adage, "why change a good thing" rings true, yet it would in the long run prove to be disastrous if timing and action steps are not accounted for to avert the inevitable. The key is that the real energy for change, innovation and growth comes when owners and managers face difficult times. They have two choices to do this, either at point 'A' or at point 'C'.

The reality however, is that trying to effect change at point 'C' would be costly and demoralising for management and staff. It requires a great deal of effort and resources to turn the spiraling trend downwards. More disheartening would be the loss of credibility and the questioning of decisions by staff, creditors, clients and shareholders. It would be extremely difficult to not only mobilise what limited resources are available but to restore confidence and credibility. Staff become depressed and redundancies may well eventuate. All is not lost however, companies may weather the storm and make the necessary changes but it comes at a price, the costs of which pale to taking an early intervention course of action.

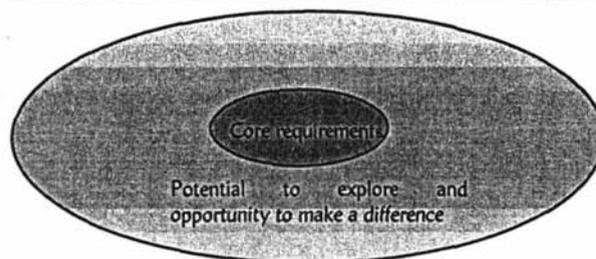
Wise are those business leaders who start a second curve at point 'A' as a primary pathway through paradox to build a new and prosperous future whilst maintaining present success. Difficulties do not end however, whether the new curve is a new product, service; a new culture of organising or a new technological advancement. While entrepreneurs lead the second curve they need to overcome the thrust and pressure from managers and advocates of the first curve. These individuals would have some difficulty abandoning their normal first curve activities while doing well, even if they recognise that a new direction has to be taken. For a time, at least, the new will coexist with the old and the hatched space beneath the peak of the first and the ebb of the second will be a period of chaos, tension, turmoil and confusion. This is the domain of the entrepreneur.

The sigmoid curve can be problematic if it becomes, as Hammer and Champy (1993) came to realise, a tool for perpetual reengineering of the organisation. And this may not be good for business or for public organisations.

### The doughnut principle: inside-out thinking

The inside-out doughnut principle helps business leaders and entrepreneurs to balance out challenging, paradoxical situations. With the hole on the outside and the dough in the middle it can only be perceived as an imaginary, conceptual illustration. It however, is an important means of helping balance core activities with the bounded space of choices, which provides a means of analysing the symmetry between what has to be done and what could be done. The example to illustrate this is the design of a job description:

Figure 5.3 The doughnut principle



Using the job description example, the centre contains the required duties and responsibilities of a particular work role. The assumption is that a worker would understand what he or she is supposed to do to fulfil the task of the job. The core however, is not the whole, if it were, life as indeed work, would be mundane chore. The space between the core and the outer edge of the circle contains potential, that is, the opportunity for a worker to make a difference; to venture beyond the boundaries of duty and be innovative and creative.

This imaginary doughnut aims to stimulate critical thinking about what exists between responsibility and commitment; between flexibility and creativity and between work and organisational expectations. Its principle is useful in balancing contradictions.

The goal of a company is to decide what are its core activities, and who would be best to carry these out. It is the leader's role to work the open spaces undertaking tasks that might not always seem obvious or comprehensible at the time. Companies have a core obligation to return profits to

their shareholders. They also have an obligation meet wider social responsibilities, which sits at the heart of the capitalist dilemma.

Handy (1994) writes:

In Anglo-Saxon capitalism the shareholders have traditionally come first, with the other parties seen as a 'constraint', legitimate maybe, but still a constraint on the primary purpose. It is now, accepted that all the so-called "stakeholders" matter. The principle of the hexagon contract is now written into most corporate statements of purpose. The shareholder has to be the core of the corporate doughnut, but it is widely agreed that the business is not fully developed unless the interests of the other stakeholders fill the empty space of the doughnut.

A means of managing paradox common to most personal and business relationships is the view that 'trade-offs' are a necessary pre-requisite to engaging parties to negotiate concessions to winning. This arrangement is premised on an understanding that trust remains the cornerstone to decision making protocols, and that long term considerations (costs and benefits) are factored into all discussion agreements. It is a procedure based around an investment in trust in which compromise arrangements espouse the 'give now, gain later' philosophy. To manage this process entrepreneurs and business managers have little option but to trade-off and as Adam Smith (1757) reminds us, the "sympathetic" spirit of capitalism is based on the notion of moral sentiment.

The compromise model might itself appear first as incompatible to 'doing business' as to compromise could be regarded by some as a sign of weakness or admission of defeat. Yet strong leadership, as I have argued throughout this thesis should not confused with rigidity and an uncompromising temperament. Entrepreneurs recognise when and where to compromise lower order priorities for higher order ones, for example, to stay with existing suppliers or to go with a cheaper option which might compromise quality and reliability. Most dilemmas are however, not straightforward decisions of having to choose between what is right and what is wrong, they are often matters of choosing among complex multi-layers of degrees of right.

The idea is to find a third neutral corner that gives parties the space to negotiate and reach some form of agreement. They may choose to pool their resources to counter the threats of a 'common enemy' or go to arbitration on some dispute. The 'common enemy' approach is seldom a significant reason on which to base a lasting business compromise or a long term contractual arrangement. The Trinitarian or 'third angle' thinking approach discussed by Handy (1994) (see also Vroom and Yetton, 1973) is a method of looking for solutions that helps reconcile or illuminate opposition points of view. It urges business partners to look for an alternative third angle approach. The

underlying assumption behind this view is that life is a configuration of opposing points of view. In the west, the business model of competition reputes this to be the best recipe for fairness, however, it is increasingly noticeable, given business is having to readjust its views because of political pressure, but partly because of global economic harmony and the need to placate strong pressure from stakeholders and shareholders alike in the name of acting in fairness (Spiller, 1997a).

### *Comparative viewpoints*

As one of Europe's most powerful countries, Germany maintained a stand on balancing the interests of all political and economic stakeholders. Hans Henzler, chairperson of McKinsey's German office, in 1998 called this Germany's "social balancing act". He urged companies to accept that social concerns like homelessness, illiteracy and ill-health were not just morally and socially unacceptable, they were economically detrimental as well. This view is, interestingly not the shared sentiment of some of our own influential business leaders.

Germany's "social balancing", Japan's "economic imperialism" and the American, British and New Zealand emphasis on returns to shareholders are becoming muted as business transcends national and international boundaries; as the rise of global capitalism blends itself into the international politics of trade agreements and the spread of transnational corporations. They are muted primarily because hexagonal contractual arrangements (Handy, 1994) being made become more powerful. We might ask, what then, is the purpose of business in the new-world order? Perhaps the answer lies in knowing companies exist 'for themselves', as *existential*, where they grow and develop beyond their entropic tendencies (Kelly, 1998).

Handy (1994) believes organisations should survive only as long as they are doing something useful, at a cost which people can afford. They need to be able to generate funds for continued growth and development.

For there to be an existentialist focus, there has to be what O'Toole (1995) calls a "stakeholder symmetry" given that most institutions are large and locked into their own stakes. They are keen to pursue a continuity strategy so long as it justifies results.

The tasks of entrepreneurs are very much synonymous with the difficulties faced by mid-manager or the second-storey bureaucrats in terms of managing organisational paradox. It is here that the two roles converge as prescriptive. Havassy (1990) identified what I consider to be important considerations in attempting to master paradox and such diverse situations.

The steps of engaging in diversity are complex given they include ways and means of planning, interacting and meshing together different viewpoints, perspectives and opinions and accepting the one is dealing with difference rather than trying to unify or gloss over contradictions. To manage paradox is to explicate a commitment to focusing on diversity rather than to points of agreement solely. Havassy's three interdependent factors are means of engaging such diversity. These are, (i) having a tolerance for ambiguity; (ii) maintaining levels of multiple loyalties; and (iii) using cross-system translations when and where necessary.

### *Ambiguity and negotiating boundaries*

Tolerance is perceived as having the capacity for managers to simultaneously grasp different and seemingly contradictory aspects of a given situation at the nexus of multiple systems in operation. It is central to the core of entrepreneurial activity to understand how this complexity of arrangements works. Rather than being stung or stunned into an overwhelming sense of paralysis, entrepreneurs, like perceptive bureaucrats would look for underlying connections to better understanding the situation and look at the potential of espousing one view at the expense of others.

### *Managing multiple loyalties*

This is often a difficult task given pressure and demands from all sorts of factions and interest groups. Understanding multiple loyalties is critical for business leaders in terms of developing a sound reliable analysis of all its stakeholders. Intrapreneurs and entrepreneurs act in one sense as boundary agents, gauging the climate between constituents who present a different set of demands and expectations including that of loyalty disclosures. As such leaders and managers are prone to loyalty and affiliations being tested (Mintzberg, 1973). When, as they often do, they operate outside their territorial (organisational) boundaries they are targets for suspicion and questions are asked of loyalties even from within their own ranks. Entrepreneurs learn to span these boundaries by insisting on maintaining loyalty to a range of multiple constituencies. They see this as important because they need to acquire confidence at all levels. They need skill and ability to reach beyond temporary issue-specific contradictions and 'torn' loyalties to see the bigger picture.

Multiple loyalties are a feature of doing business and in themselves are systemic in-built obligations geared towards achieving some form of generally accepted goal or end result. It is not a set of loose organisational, parochial values but is patterned around the nature of business. As a matter of

principle, entrepreneurs avoid creating or reinforcing the “us and them” predicament as their integrity is intertwined and influenced by their abilities to both manage and initiate levels of multiple expectations.

### *Transcending boundaries: cross-system translations*

Standard or routine business decisions require in some shape or form the mobilisation of a resource from both vertical and horizontal organisational systems to somehow influence others to take action to reach desired outcomes. The key here is to have the intelligence to grasp both diverse and multiple loyalties to put into action through the process of cross-systems translations. Cross-systems translation is the ability to convey needs, expectations and demands in ways others can understand. It is critical that entrepreneurs learn how to translate and interpret situations and utilise systemic thinking from which they can act upon.

This might not necessarily bring different factions together to share a common view of a situation, indeed, the aim of this process is to do nothing of the sort. Cross-system processes are about developing compatible views that enable different groups to interact in a direct and constructive manner to enrich each other’s understanding of how the other sees the situation. The challenge for leaders and managers is knowing when and where to translate. The challenge is often simply a matter of stepping aside to allow direct communication.

### *Knowing the “false gods” of business*

Organisations learn to create and manage change. They do not operate nor are they able to function within a vacuum. To achieve product potential, for example, a business has to be alert and be able to comprehend, anticipate and adapt to changes in their internal as well as external environments. MacDonald (1998), a self proclaimed reactionary critic of the organisational trends of restructuring, argues insistently that it is the evolution of a company not the revolution it undergoes that leads to long term success. He adds:

In retrospect, it is now clear that the major mistake of many executives was not that they engaged in business process re-engineering and downsizing, but that they so mindlessly and irresponsibly implemented these concepts (p:6)

Hammer and Champy (1993) published their views about the need for perpetual organisational change and fashioned the idea of “corporate reengineering”. They were accused, perhaps unjustly so at the time, with the fanaticism that ensued around the modern corporate world that change for

change sake was a good thing. Their work gained notoriety because it convinced quite “healthy” companies to heed their advice. For those companies going through difficult times it was what they wanted to hear. Hammer and Champy, however, became the victims of their own success as companies began to question the price and expense of change in terms of staff morale and production results. Seven years on, Hammer and Champy have since had to concede that their calls for re-engineering went too far. They agreed with MacDonald (1998) that companies had indeed mutated to the extent that they could not recognise themselves nor recognise their own core objectives. MacDonald’s criticisms stemmed from what he claimed was an adherence to False Gods of Business: the destructive tendencies of the benefits of change. These false gods are summarised below along with their destructive effects:

**Figure 5:4 The “false gods” of business**

False Gods	Their destructive effects
Specialisation	This creates a marginalist culture of “thinkers and doers”; “us and them”
The Corporate Office	A corporate structure takes key decisions away from the frontline workforce
Profit	A focus on maximising short-term profit gains often has long detrimental results for the future
Management Assumptions	Such assumptions have a weakening effect on strategic focus
The Finance Department	Finance and accounts controls are all-pervasive throughout a company and often have the ability to debilitate and circumvent promising initiatives
The Marketing Myth	The idea of a marketing section causes confusion between what it does and what selling means
Costs of Training	Often the first area to undergo cost cutting. Costs of up-skilling and workforce training lack true investment in human capital; the cost of an ignorant workforce, however will far outweigh the price tag of training in the long run
Human Resources Department	The HRD gives the right of senior as well as line management to abdicate from its obligatory role of managing people
Lawyers	They are the ones who are more than capable of stultifying all important decision-making. They have a vested interest in pursuing legal avenues and it is recognised that there is a need to curb their influence
Public Relations Office	The PRO tend to obscure the main purpose of doing business; they are the spin doctors of management executives who are engaged in attempting to make even the wrong seem right
Scientific Management	The use of scientific management tools tend to rationalises old ways and bad habits and set them in concrete as company rules and policy

Abridged from MacDonald, 1998, p: 27.

MacDonald claims that as modern civilization moved through periods of scientific and technological development it is debatable that one could compare the advances of Standard Oil's success with that of Microsoft: that entrepreneurs of old, like Edison and Bell, as inventors, were somehow more adept and innovative than Rockefeller or Bill Gates (Haseler, 2000: 6).

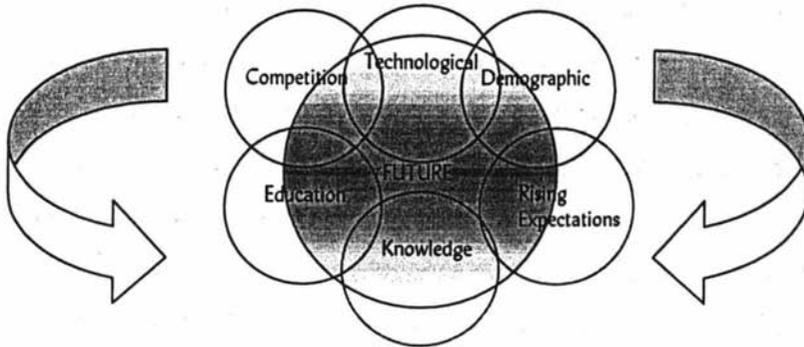
It is perhaps the populist view inherent with current management thought that sees it and its new spirit of capitalism as paying the price of a degradation of business and moral ethics. I question the validity of this assumption. MacDonald, for example, raises the plausible view that there never was such a thing as the great post-World War II Japanese Revolution: that W. Edwards Deming's influence on Japan was a myth created by the United States to legitimate its need for a global western lead modernisation programme of political and economic order to offset the threat of communism, and in particular Russia. Modernisation was a means to answer the prevailing threat from the Communist bloc as they provided aid to war-torn countries. Deming's honour as the father of the Japanese economic revolution remains contestable given that the Cold War hostilities and advances of both Super-powers (Russia and the United States) took centre stage and used their intellectual capacity to assume dominance. Deming himself, however, became a household name and management guru in his own country.

In actuality, as Japan folded under the immense devastation of the Hiroshima and Nagasaki bombings, as a nation it never lost its spirit nor its culture of honour. Japan's defeat was to test its character, and while it remained open to the US for aid and assistance, it vigorously pursued its external opportunities for commercial success with belief and urgency. What the US did in fact introduce to Japan was a stable and coherent form of government upon which it based its economic redevelopment. It took heed from many of its Western helpers and in their quest to modernise it continued to search globally, elsewhere, scanning to selectively learn and to develop specific practices and techniques that might enhance its cause and could best be *adapted* to fit its own traditional practices. Japan's most noted practice of *kaizen*, which focusing on achieving improvement has today been fused and popularised into contemporary business practice known as total quality management (TQM) which involves control and *benchmarking* mechanisms. The Western world, in particular the United States, has passionately embraced this as a central feature of its own doctrine of company zeal (see MacDonald, 1998 p: 83). The United States has yet to learn that effective benchmarking, as practice is about *adapting* not *adopting* efficient and effective business practices foreign to its culture and shores.

For Maori, the idea of success, failure and change are holistic, inter-related variables and one in the same. They are the result of converging movements - be they evolutionary or revolutionary. In

MacDonald's terms, they identify six interconnecting variables influencing the shape and character of business structures and the behaviours of managers and workers. The diagram following shows these as linked bands that intersect to shape the future which is centred in the middle.

Figure 5:5 External variables influencing business future



Source: MacDonald, J (1998)

In this model, the *demographic evolution* is the dynamic change that occurs because of population composition and density. This in turn affects the nature of work, migration trends, birth and death rates and longevity. The *competitive evolution* band depicts the impact of market led economies; patterns of changing global business and the influence of transnational corporations and merging of giant conglomerates. The *evolution of rising expectations* effectively defines the standards and quality of social life. It is what MacDonald considers to be the most powerful of all the evolutions he discusses as it has the propensity to modify structures and management and organisational processes of the most sophisticated companies in the global economy. MacDonald's *technological evolution* provides us with an interesting paradox. At the heart of modernised change is the assumption that people accept and tolerate change, and, in the process, become changed themselves. Once people change it then becomes difficult for them to conceive of how things were before things changed, like for example, life before the microwave oven, cellphones, word processors and microchips. The *education evolution* relates to the increasing needs of the modern world for highly skilled, articulate workers. At best, an efficient education system stimulates the independent thinking, critical insight and informed opinion of students, at worst, an inefficient education system creates a stagnant unimaginative worker. The axiom is apparent: it is less profitable to evaluate the cost of ignorance than it is to evaluate the price of education. It is also noted within the education evolution that there is an increasing presence of women and minority groups actively engaged in business. This has meant a substantial shift in management thinking and appreciation for difference. Flexible work hours, day care provision and changing styles of once dominant male management are now priorities in long term business planning. Much is still, however, to be done in educating male/white chauvinism which still pervades the command centres

of business. MacDonald's final band is the *knowledge evolution* that underpins skilled, intelligent workers as imminent business assets. The knowledge evolution gives rise to technological evolution which is closely linked to the education evolution and acts as the driver for the evolution of rising expectation.

Pre-eminent as a central challenge for business is making the shift from thinking about change as a problem, to thinking about it as a continuity of opportunity. The idea of change to a business is in itself the zone of opportunity and innovation. The key is to put in place planned proactive measures and contingencies before crisis necessitates radical action: In other words, having considered what might go wrong, putting in place steps to counter the threat of revolutionary interventions (MacDonald, 1998; Handy, 1985). Entrepreneurs are attuned to the realities that skating the thin edge means anticipating, adapting and generating fresh thinking that exploits changing conditions. In modern business, more than ever, fresh insight offers knowledge capability scope between what becomes the difference between success and failure.

Within Maoridom, the marae and in particular the wharenuī are said to contain the kete wananga significant to all peoples of the world and most importantly to Maori history. It is knowledge few with authority and authenticity possess today (kura wananga). The point I wish to highlight here is not the knowledge itself, but the point that the marae is a knowledge centre; a learning system with levels of knowledge from the terrestrial to the highest level of celestial knowledge (Henare, 1988; Marsden, 1992). In terms of understanding learning organisations from a western view, Aubery and Cohen (1995) offer six interrelated determinants:

### **Goals and targets**

Learning organisations have strategic learning goals in place as part of their long-term development and competitive strategy. Business leaders and company entrepreneurs set objectives by asking questions about what they would need to learn to become more productive, profitable and proactive in terms of doing business. The framing of their business strategy requires having an informed workforce at all levels who know what is going on and are geared towards meeting the challenges ahead.

## **Strategic knowledge**

Learning organisations are those that have the ability to assess and define the value and expediency of what is important, strategic knowledge (see Nooteboom, 1994). Leaders realise that the price tag of learning is difficult to measure, unless knowledge, expertise and experience a company has can be defined and quantified in terms of its performance. What is evident within the competitiveness of the global economy is that a highly skilled, well trained, flexible workforce is an essential ingredient reaching success (Peters, 1995; Goleman, 1998). It is necessary from a profitability point of view also to develop effective mechanisms to measuring knowledge value in terms of performance value (Aubrey and Cohen, 1995).

## **Learning structures**

Learning organisations have structures that support learning strategies. As the primary function of an organisational entity is to stabilise the effects of imminent change it survives by "sculpting" itself to instill innovation and vision (Aubrey and Cohen 1995).

## **Learning contracts**

Learning organisations see as part of their employment contractual arrangements having in place clear and equitable promotion procedures. To do this they establish learning goals that are structured into job specifications and linked to bonus and performance incentives. Here the advantages of employment contracts are in knowing what is expected in terms of meeting skill requirements and competency levels.

## **Learning paradigm**

The key here is deciding what should be learned and unlearned. For companies to develop high performance its leaders need to identify what models, attitudes and values manifest the culture of the organisation. In almost every case, past work models require regular unlearning (Drucker, 1999)

## **Auditing and benchmarks**

Auditing of efficiency and quality of a company's training and learning networks is important as benchmark standards against competitors.

Figure 5.6 Changing organisational patterns in U.S. industry

Old Model	New Model
<i>Mass Production</i> <i>1950s-1960s</i>	<i>Flexible, decentralisation</i> <i>1980s and beyond</i>
Overall Strategy Low cost through vertical integration, production, scale economies, long production runs	Low cost with no sacrifice of mass quality, coupled with substantial flexibility, through partial vertical integration, greater reliance on purchased components and services
Centralised corporate planning, rigid management hierarchies	Decentralisation of decision-making; flatter hierarchies
Production Fixed or hard automation Cost control focus on direct labour of indirect cost become critical	Flexible automation With direct costs low, reductions
Outside purchases based on arms length, price-based competition; many suppliers	Outside purchases based on price quality, delivery, technology; fewer suppliers
Off-line or end-line quality control Fragmentation of individual tasks, each specified in detail; many job classifications	Real-time, on-line quality control selective use of work groups, multi-skilling, job rotation; fewer job classifications
Shop floor authority vested in first-line supervisors; a sharp separation between labour and management	Deregulation, within limits of shop floor responsibility and authority to individuals and groups; a blurring of boundaries between labour and management encouraged
Hiring and Human Relations Practices Workforce mostly full-time, semi-skilled supplemented with contingent (part-time, temporary and contract) workers who can be easily brought in or let go, as a major source of flexibility	Smaller core of full-time workers;
Minimal qualification acceptable	Careful screening of prospective employees for basic and social skills and trainability
Layoffs and turnover a primary source of flexibility; workers in the extreme viewed as a variable cost	Core workforce viewed as an investment; management attention to quality-of-working life as a means of reducing turnover
Job Ladder Internal labour market, advancement through the ranks via seniority and informal on-the-job training	Limited internal labour market; entry or advancement may depend on credentials earned outside the workforce
Training Minimal for production workers except for informal on-the-job training	Short training sessions as needed for core workforce, sometimes motivational, sometimes intended to improve quality control practices or smooth the way for new technology
Specialised training (including apprenticeships) for grey-collar crafts and technical worker	Broader skills brought for both blue and grey-collar workers

Adapted from Nickerson (1992).

Nickerson's (1992) diagram shows the central themes of organisational change. Shown are two significant comparisons, namely, the organisation of production through reduced size and reduced production time with little sacrifice to efficiency and quality; and the transference of decision-making down and outwards to semi-autonomous divisions.

### *Checks and balances*

According to Naisbitt and Aburdene (1985) the present business environment evolved from the nineteenth century industrial age through to the information age. Some believe it is en route to the interactive distribution age (Popcorn 1992; Pilzer, 1994) suggesting consumers will be led the post-information revolution.

Deming, the founder of what has commonly been termed the Third Wave Industrial Revolution, focused on quality in terms of customer service. Quality, was for Deming the quintessential result of better forecasting customer needs translated into the product characteristics. In effect, he created systems that could deliver products at lowest possible prices consistent with both customer and producer's needs. Deming developed a 14-point philosophy (Walton, 1986) worthy of mentioning here as these relate to what entrepreneurs need to learn to enhance excellence alongside the system of techniques used to produce quality. Once the sole feature of management, quality, is now considered a major task of leadership, in terms of maintaining organisational efficiency

### *The quality circle: use an entrepreneurial tool*

The quality circle is a useful tool entrepreneurs can employ to consider how best to improve quality and productivity. Deming views the quality circle as a small group (up to 10 individuals) who act in a supervisory capacity. The key to making this work is to change values and opinions among the group. Quality circles aim to reshape attitudes of those who do the work, as in-house consultants, charged with improving work conditions and work performance. Peters (1987) sees these groups of in-house 'watchdogs' more philosophically as providing a governance service rather than an action programme. As such, the effectiveness of a quality circle's abilities to influence change has to be integrated alongside management objectives.

Each of Deming's 14-points helps in the process of quality development. For business entrepreneurs these principles address the need for consistency, purpose and quality in terms of helping reduce risks of mistakes, defects, delays or faulty workmanship.

Deming argues against the practice of bestowing accolades on any business based on the single notion of competitive component pricing. Rather, he seeks to assign management's role to continued improvement through the instituting of modern methods of training and supervision. Deming's object, is to remove barriers impeding workers from taking pride in their work.

Figure 5:7 Summary of Deming's 14-point quality controls

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1. *Initiating a consistency of purpose.* This requires the development and promotion of a long-term, firm commitment to the goal of changing a workplace to make it better.
2. *Seek constant improvement.* That is the adoption of a philosophy that a company can no longer accept levels of delays, mistakes, defective materials, and defective work standards. It adopts the idea of the Deming wheel which defines an ongoing process of plan-do-check-act-analyse.
3. *Discontinuing the dependence of mass production mentality.* This requires, instead, statistical evidence that quality is inherently built in. The abolishing of numerical goals and focusing rather on improving the process of work, not just the results.
4. *Seek out the problems.* It is the management's job to work continually on the system. That is, to create a structure in management that will push every day for higher quality.
5. *The inaugurating of modern methods of leadership.* That the responsibility of leadership – that is, from supervisors to top management – must be to change the focus on numbers to quality. To remove barriers that stand between workers and their right to assess the quality of their workmanship.
6. *To drive out fear.* That is to take fear out of bad news so as to allow workers to use the information to improve the process.
7. *Ending the practice of awarding business on the basis of lowest bid.* To strive for the lowest product price, not the lowest component unit price.
8. *Breaking down departmental barriers.* This involves uniting all units in organisational mission accomplishments and quality improvements.
9. *The inaugurating of on-the-job-training.* Training with work groups fosters teamwork. That it is important that company's install vigorous programmes of education and self-development.
10. *Fostering employee pride.* By creating an environment that encourages employees to develop a sense of pride in what they do stimulates the want to seek to do better. This must transcend from top management down.
11. *Putting an end to the annual merit rating.* This has been an unfair and harmful practice in the past for companies. If good employees are selected there will be little variation in performance. Measuring individual performance fosters jealousy and destructive competition. Compensation should be based on experience and responsibility.
12. *The elimination of slogans and exhortations.* Such practices foster adversarial relationships since employees alone cannot change the organisation.
13. *Ceasing dependence on mass inspection.* This process plans for defects. Rather processes need to be designed that would identify faults early and prevent production of defective materials.
14. *The creation of a structure in top management that supports the 13 points identified.* A committed top managerial and leadership style and intent is required to implement, monitor, review and action the principles.

Deming's emphasis is in providing prescriptive changes for organisations by way of adopting quality values and moving away from managerial processes to that of leadership. This is important considering what matters most for today's entrepreneurial businesses are proactive, rather than reactive, internal processes. Indeed, the modern world of global business has forced companies to reinvent themselves from within. It takes confident leaders to create change and to innovate to meet new challenges (Naisbett and Aburdene, 1985:185). Such pressure however, place demands on

businesses to consider forgoing monopolistic inclinations as shifts market orientations become increasingly unpredictable. Given such market mechanisms of competition are a capitalist norm, this combined with technological access to information will not only increase demand for accuracy but potentially take the thinking out of decision-making.

Visionary, entrepreneurial leaders operate on the belief that to build successful businesses they need to develop total quality excellence in terms of products and services, technological support and "people" based management. Yet in contrast, most companies have developed rather haphazardly. The successful ones have however been guided around clear beliefs, innovation, experimentation and adaptation. Porras (1998) suggests this is contextualised by a culture of ideology and assumption enhanced through leadership (Management Today Feb. 1998). Evans-Pritchard and Polanyi's (1957) longstanding work suggests management has historically tended to suppress information that runs counter to its basic social and economic objectives. Evans-Pritchard, argues that if the public accepts basic assertions to be true, then everything else will matter and that rational behaviour could then explain the basic premises of their belief systems, hence revealing fundamental sociological and ideological assumptions. These are collective representations which bind individuals together in such a way that they act purposefully.

O'Toole's (1995) remarks added further insight suggesting that for an organisation to function, it is necessary for its workers to share a common worldview: that they hold collective presuppositions that confirm interpretations of experience (Polanyi, 1957). In a positive sense, this shared worldview approach has the ability to facilitate efforts, much like transcendent values held by leaders, to unite an organisation and give it direction. This however, could be argued as a deliberate suppression of important counter-veiling evidence that might indicate a strong resistance to change.

O'Toole based this assertion on critical observations made at General Motors claiming its success during the 1950-60s was because of its inability to innovate and meet the needs of a rapidly expanding industry and changing social environment. In effect they viewed themselves as infallible to change based on the premise that size made all the difference. GM's acceptance of Taylorism and its scientifically principled model espoused by the CEO viewed the human condition as threat to technically efficient machine-based production techniques.

Sloan's GM managerial style anticipated problems by establishing what he asserted to be a defined set of rigid rules, procedures, checks and balances that revolved around committees. Nominated members empowered to deal with all routine and non-routine problems. Drucker (1978) points out however, that Sloan's system of management dismissed a company's major asset, its people:

Customers, employees and the community in which it undertakes its manufacturing operations. Drucker declares Sloan's book, *My Years with General Motors*, (1963) a fascinating yet annoying insight into management. Drucker credits it with being the most frustrating book ever published by a prominent business leader because of its failure to include a social analysis. Drucker goes on to attribute GM's mid-1900s success to having a well conceived and efficiently run system of controls. This was the trend during the 1930s which appeared again in the 1960s. Its undoing during the 1990s was the imminent internationalisation of the market place.

Sloan's rationale was rationale can be summarised based on three contentions:

- That workers had little importance or relevance in the productivity and quality measures of running a business
- That customers, the environment and other social stakeholders would have no bearing on the efficiency of a business's operations, and finally
- Managers need to be trained from within the business so as to maintain a sense of consistency and focus

These, in addition to other accountability and profit assumptions were ingrained into GM's business culture and as a consequent remained unchecked or unchallengeable. The argument being so long as the company maintains its profits change is imprudent.

### *Conclusion*

This chapter has focused on the construction and deconstruction of organisational business culture, and the issues and concerns for entrepreneurs needing to deal constructively with change and paradox. Outlined are constraints faced by entrepreneurs as leaders of business innovations in their attempts to anticipate market forces. As tribal based Maori entrepreneurs work in an environment guided by a prescribed set of rationales this creates tensions between what entrepreneurs do and what they might view consider as constraints inherent with 'standard' business practice.

## SECTION THREE: CONSOLIDATING THE FRAMEWORK

### CHAPTER SIX:      **Maori and the State: A critique of capitalism and the rise of Maori enterprise**

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"Perhaps it's as well", said Mr. Brown gravely, as the others followed. "I can't really picture Paddington embarking on a career as a ballet dancer."

"All those exercises," agreed Mrs. Brown with a shudder.

"And those tights," said Judy.

"And all that leaping about," added Mrs. Bird. "If you ask me, its much better to be simply a bear who like his marmalade."

"Especially," said Jonathan, amid general agreement, "if you happen to be a bear called Paddington."  
- from *Paddington Steps Out*

#### *Introduction*

This chapter examines entrepreneurship, the advent of modern capitalism and the influence of the State. The arguments put forward suggest that government act to either hinder or enhance the activities of entrepreneurs generally. More importantly, what is examined in this chapter is the environment in which Maori entrepreneurship takes place. I begin by first providing a descriptive analysis of what modern capitalism is, I then offer a critique based on the Marxist contradiction and Schumpeter's 'weakness in capitalism's strength'. I follow this with a discussion of ethical and moral considerations. This chapter concludes with a discussion of the challenges faced by Maori entrepreneurs as they become a recognised player in both tribal and non-tribal business activities.

#### *An overview of the workings of capitalism*

For Touraine (1992), modernity and the advent of capitalist modernisation refers to the development of a system of production and distribution of cultural goods and services that pose a potential threat to the status quo of the current cultural self-definition of its actors. Within this development, individuals anticipate their personal and social progress through a sense of their own subjectivity, however this subjectivity, as Touraine argues, is threatened because culture is constantly changing and therefore is, 'industrially' and "globally" produced and distributed. Individual subjectivity also manifests as a force in opposition to hegemonic control. What creates change are social movements enhanced by "cultural creativity and autonomy to act on all aspects of human experience" (Touraine, 1992:16) and on this basis, Weber, Simmel and Michels purported modernity as a social movement towards new and better

possibilities for expressing the human subjective experience. In his decree that socialism is of a higher order, Karl Marx (1979) announced that its inevitable rise would prevail following what he sees as the demise of the capitalist order. Marx sees the self-destructive nature of capitalism as based intrinsically on its contradictory nature, that is, its survival is based on exploitation of workers and alienation. Schumpeter's economic analysis of why capitalism is ill-equipped has gained increasing support from economists and environmentalists alike. His views on capitalism's self-destructive tendencies differ to those expressed by Marx. Schumpeter's key assertion suggests events take place as a consequence of development, whereas Marx's assertion is socialism as an inevitable consequence of natural law. Schumpeter, argues the transformation of a capitalist state is inherently unavoidable and here his critique requires some clarification. Whereas the logical Marxist view, sees the destruction of capitalism as a desired outcome, Schumpeter - who neither advocates nor predicts such outcomes - see the desirability of socialism purely on economic grounds. Both would agree however, that at least on the point of world development, capitalism adequately characterises the period of modern western history.

The central question for a business, given the debates concerning capitalism's viability, is whether or not rational goals are to maximise shareholder returns at the expense of maximising their resource utility or to exploit resources at the expense of long-term sustainability (Sen, 1985). It is fundamental for businesses to focus on profit making and on shareholder interests, however, it is important as a value-creation exercise to consider more than just earnings and profit. Singer (1998) suggests there is a win:win approach for both profit and social obligations to be maximised. He argues the win:lose track of trade-offs can be replaced by a more synergistic process that provides accrual benefits to both shareholders and to the wider community. Singer maintains business leaders should be encouraged through optimising entrepreneurial techniques to design new ways to off-set socialist and capitalist mindsets. Though he anticipates difficulties in reaching compromise between shareholders and stakeholders, the central question he asks is whose "truth" is to be believed? To this end, he considers whose meaning of 'truth' is transcendent and viable. Truth can be pragmatic, reflective or empirical based on the knowledges held by different parties. Pragmatic truth is based on the belief systems and sense of purpose that contest every social and political reality (including neo-classical economics) is fraught with ambiguous and nondescript argument. "For whom must we believe" announced high profiled free-marketeer Roger Kerr in his rejection of the idea that employees and consumers must have equal say in business. Yet, as Korten (1995) suggests employees and consumers are central to any company's balance sheet. Here Kant's philosophical contention regarding truth as analytic and synthetic constructs is central to the pragmatist's view. Reflective truth is best understood as a

continuum in which viewpoints are stated, restated, affirmed and reaffirmed and as a consequence of discussion and debate a decision is made and resolution is reached. This, typically is hui process format used frequently in routine and non-routine Maori decision-making processes. Singer sees empirical truth as being defined from the outside. Only from this point can it be assumed whether particular inferences of reality made by competing parties is invalid. Hegel's work suggests here that 'things-in-themselves' are impossible to define and can be explained more fully in relation to things which exist outside of it. In economics, axioms, theorems of utility and profit maximizing economic rationalities are examples of this empirical truth where evidence is extracted and experimental demonstrations used to valid theory. Empirical evidence is therefore gathered by all parties to support their view and invalidate the views of others.

Waddock and Graves (1997) point out that social performance in managing both business and stakeholder relationships is, in a proportional sense, related to how business leaders perform in a financial and economic sense. Singer (1998) agrees with this view and suggests any variable encoded in the shareholder-stakeholder properties has to points to more multiple decision-making and goal setting processes that would facilitate difficult, reconcilable differences.

### **Utility maximisation**

To extend this argument further, as utility maximises, economic actors in the form of entrepreneurs and business leaders, with self-interests and individual preferences at heart, predict they can aggregate levels of economic behaviour, yet this is not well supported by empirical evidence. More so, ethical problems arise when such individuals begin to objectify others, maximizing their pleasure in return for money.

### **Profit maximisation**

The central aim of profit maximisation relates to a company's decisions about market measures and market principles. The basis of decisions are whether or not they provide economic value in circumstances where trade-offs occur (McLean, 1997). Singer identifies three categories emerging as forms of profit maximisation. The diagram below shows the (i) hard core legal orientation, (ii) the stakeholder-constraints/responsive profit maxims and, (iii) the synergy orientation/true maximization.

Figure 6:1 Forms of profit maximization

***Hard-core-p-max (legal orientation) maximization***

- Strictly within the current law, with stakeholder claims seen in terms of existing legal constraints (the Milton Friedman variant)
- With expected legal penalties to managers or the company itself it is treated as quantifiable risk
- After lobbying to change relevant laws (e.g. with respect to take-overs, environmental standards etc.)

***Responsive-p-max (stakeholder orientation) maximization***

- After taking into account expected stakeholder behavioural and political reaction (pressure groups, elections, unrest etc.)
- With stakeholders perceived interests (or their needs, or rights) viewed as given constraints, like moral minimum.
- After stakeholder interests are actively supported (not just factored in as given or perceived constraints).

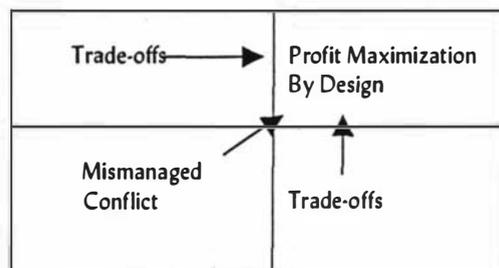
***True-p-max (synergy orientation) maximization***

By continuous focus on the design of win:win solutions and the transaction from win:lose to win:win solutions. The goal is to overcome the trade-off between stakeholders and shareholders.

Source: Singer, *NZ Strategic Management* (1998) Vol. 3 No. 3 Autumn.

Responsive profit maximization represents a company's attempts to maximise profit while maintaining involvement in policy making at both a community and political level. Interest is focused on policies that improve industrial relations. For a company to be involved in such decision-making it is not deemed a trade-off against profit, but rather a combination of utilising science and technology to be socially considerate. The focus of synergy orientation relates neither to profit nor to decision, but rather, to the continuing process of designing amicable processes from the old win:lose corporate mindset.

Figure 6:2 Trade-offs and profit maximisation



Source: Singer *ibid.*

Zeleny (1994) suggests the lack of corporate innovation is a case in point where contention occurs. Resolving these requires resources to direct a more considered approach to activities that reduce trade-offs.

### *Beyond New Zealand's shores: global capitalism*

The debt experienced by US financial markets and federal governments transpires in New Zealand's business and industrial sectors also. Given the nature of interlocking economies and global accessibility it does not make life easier for New Zealanders and the financial markets. It is the contention among some New Zealand academics and business leaders, notably Ranginui Walker, Jane Kelsey and Tipene O'Reagan that Maori are at a significant disadvantage and have a significant reason to gain knowledge about global economics. Marginalised groups have come to accept that global financial markets and the "new rules" of the post-corporate world will enhance their economic potential (see Kotter, 1995). For Maori, Treaty claims and the need to invest requires a mind shift towards the strategic development economic resources.

It is conspicuous that in New Zealand the tenets of neo-classical economics have not helped explain certainty in New Zealand's economy. As a consequence there has been little incentive to promote entrepreneurship, rather it would appear that the State denies the role of the entrepreneur. Whilst much has focused on establishing stability in the economy, the general view of rational economists and policy analysts is to maintain decisions that affect the economy are somehow immune to the hazards and errors in the marketplace. Driven by this, governments remain convinced as to what constitutes accurate market trends. A somewhat distorted picture of the business environment then emerges and what is more, market adjustments, masked by tenets of economic jargon often lead the public astray. This raises the issue of public policy as a forum for disclosure and accountability, moreover, it gives the public insight into restrictive and non-restrictive prescriptions imposed on business and as such on entrepreneurship.

A capitalist economic order provides for an intergenerational transfer of private property at the owners discretion (that is, through the social convention of bequests and wills). It also provides for private appropriation of newly discovered resources and for the expropriation of private property by the State though constitutional constraints. New Zealand has a mixed economic system that comprises a market economy<sup>1</sup>, which relies on controlling resources. A mixed economy affords the scope for business in

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<sup>1</sup> There are distinctions noted between a market economy and that of a command economy. Market economies rely on the coordination of voluntary exchanges in their external markets, while command economies rely more upon coordination by controlled exchanges within internal markets. Where market economies depend on goods being in private and transferable ownership, a command economy (though able to function under private ownership with goods vested in public ownership) offers no scope for markets because there would be no one with whom the State could effectively exchange its goods. With goods being in common ownership both, market and command economies remain in an abeyance.

New Zealand to develop given choices about what industry or area they choose to operate their business in (see Easton, 1997; Jesson, 1999).

### *Government's response to the nation's capitalists and entrepreneurs*

Government has a primary role in maintaining social and moral order as a means of reinforcing a climate of trust and cooperation among companies. It does this by promoting policies that reinforce a commitment to honesty through laws that prohibit false advertising and unethical business practice. Laws of disclosure, financial auditing and public standards are instituted. In terms of promoting an environment conducive to entrepreneurship Harper establishes a line of questioning important for policy consideration:

- do public policies encourage people, as individuals or communities, to seek out profit opportunities; to perceive the usefulness of new information and technologies; to recognise opportunities for mutual and beneficial exchange; or to do so in a spontaneous manner?
- do policies create barriers of entry which bar outside entrepreneurs from developing possible profit opportunities that they may have discovered? Do policies prohibit the discoverers (entrepreneurs) from participating in future developments? Do policies widen the gap between discovery, development and rewards?
- do government policies induce changes in patterns of opportunities? Are they likely to create new opportunities?
- are policies likely to intensify or reduce internal locus of control (LOC)? Do policies and policy changes intensify the paternalistic views of what is predominately a male-dominated government? Do they contribute to the idea of government as a "powerful other" that interferes in the affairs of individuals and groups?
- do policies reinforce cultural and social attitudes (e.g. individualism and purposeful collectivism) central to beliefs about internal locus of control?
- do policies foster learning and the creation of an educational environment within which individuals and communities develop an internal LOC belief to acquire the desire, the confidence and perseverance to achieve high performance norms?
- do public policies limit or enhance the availability of entrepreneurial role models?
- is the trend towards decentralising decision-making and improving the current system of private property rights, or is it towards increased centralisation and the augmenting of institutional barriers that prevent operations of private ownership?
- do policies increase the cost side of entrepreneurial ventures?
- do the mix of policies create a climate conducive to arbitrage, speculation and innovation?

These questions challenge public policy in a direct way as entrepreneurial firms deal with compliance rules, change and competition (Peters, 1995). Entrepreneurs acknowledge the need to create a strong sense of direction to an increasingly decentralised, disenfranchised economy (Kirzner, 1982b; Schumpeter, 1965) characterised by a myriad of segmented forces. There is fear that internalising

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shared values, for example, may lead to a “group think” that causes a loss of independent action. Though entrepreneurship is perceived as an act of independence it is, as such rare and important as a corporate necessity. Hence the imperative for company leadership to de-layer corporate structure and vertical bureaucracy. Entrepreneurship, autonomy and innovation are what are needed to serve customers, clients and society in a more responsive way and in meeting such imperatives, companies have to strengthen cooperative synergy, their economies-of-scale, sense of community and, in essence, their company leadership strategy to unite the independent units of the company structure (Kuratko and Hodgetts, 1998).

### *Birth of the modern corporation*

Sloan's model as discussed in the previous chapter, is the embodiment of the corporation described in Plato's *Republic*. His ideal was the need for a ‘well ordered state’; a government that would characterised by ‘the rule of the few’. The few mentioned being the ruling oligarchy comprised not of the hereditary aristocrats who held positions through birth, wealth, and power, but, those who held ‘guardianship’ roles manifested by way of ‘virtue’. Plato describes the characteristics of these ruling elite as being those well educated endowed with wisdom, competence and ability, they who would lead not just for themselves but for the good of every citizen.

The guardians of Plato's Republic today are analogous with the managers and business leader of the modern corporation, executives who hold positions not by virtue of ownership, hereditary or election, but, by way of meritocracy. They are an elite entitled to manage because they manifest a certain virtue, a skill set and an intelligence required to do certain tasks. Sloan saw such managers as the best and most qualified individuals to guide a company's direction towards its common purpose, and like Plato's guardians, are expected to sacrifice self-interest for those they serve, principally the shareholders. Galbraith ([1958], 1992), refers to this as the “approved contradiction” common to the expectations of corporate management.

Weber's notion of hierarchy is characteristically implicit in Plato and Sloan's scheme of the republic-corporate entity. Companies operations require efficiency in the form of a division of labour and Weber's contribution offers a plausible arrangement for carrying out the tasks of specialised administrative functions founded on objective considerations (Weber, 1958). He points out that once formally established, bureaucracies would divest organisations of perceived irrationalities, stating:

the more perfectly bureaucracy is 'dehumanised', the more completely it succeeds in eliminating from official business, love, hatred, and all purely personal, irrational and emotional elements which escape calculation. This is the specific nature of bureaucracy and it is appraised as its special virtue (p: 215-216).

For Weber, capitalism as a mode of production characterises the embodiment of rational impersonality necessary for efficiency and the bureaucracy he describes is composed of ideal-types characteristics:

Figure 6:3 Webers's ideal types of bureaucratic organisations

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- (i) that organisations operate in accordance with a body of consistent laws and rules which have been purposefully established.
  - (ii) that company officials are subject to impersonal orders which guide how they act and behave. In turn, their instructions have authority insofar as they themselves conform to the set rules. Obedience is in accordance with the office and not to the individual.
  - (iii) that each incumbent of an office exemplifies a specified sphere of competence, along with the obligations, authority and the power required to compel obedience.
  - (iv) that the organisation of officer follows clear principle of hierarchy, wherein all lower offices are under the control and supervision of a higher office.
  - (v) that the supreme head of the organisation, and only he/she, occupy their position by appropriation, election, or by designated succession. All other offices are filled, in principle, by free selection, wherein candidates are selected on the basis of 'technical' qualification and skill. They are appointed not selected.
  - (vi) that the system in place serves as a career ladder. That there is in place promotion according to seniority and/or achievement. Promotion would be dependent on the judgement of superiors.
  - (vii) that officials, are in principle, excluded from any ownership rights and subject to discipline and control in the conduct of their office.
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Source: Adapted from Weber (1958). See also Worsley (1973) pp 227-228.

### ***Ideology of the State: modernity and the rise of the capitalist order***

The complex array of social relations, belief systems and ideology function to protect the existing dominant order. Mannheim (1965), in his *Ideology and Utopia*, states that, ideologies are constructed more or less, as myths by those in power to create justification for their actions. He claimed there is implicit in the term 'ideology' an insight that collective unconsciousness is obscured and that the real condition of society could be stabilised. Ideology thus gives groups "somnambulistic certainty", a sleepwalker's account, of the rectitude of the existing order which can be viewed as an intermediary between a lie at one pole, and an error at the other. This results in a distorted and faulty conceptual apparatus at the other.

n supporting Weber's work, Tiryakian<sup>2</sup> pointed to his themes of differentiation and rationalisation (see Tilly 1984; Habermas 1981, 1985). Weber's legacy was in describing the complexities of socio-historical processes that underpinned the development of modern society, therefore, he saw social change as real and not teleological. And it was this ambiguity that gave his work wide appeal.

The modern social condition, for Tiryakian (1992) resided in the fact that scientific-technological advances have rationalised order, and that, the challenge to this order is integral for the motivational disposition of people in seeking socially approved goals, which no longer can be assured. At best, the modern day social theorists pose as contemporary pilgrims espousing doctrines of scientific faith, at worst, according to Tiryakian, in their never-ending quest for empirical certitude, they undo life's magic.

If Weber's differentiation and rationalisation are indeed processes of social change, then, the developed world has to form a compository of socio-political order of no less significance. This would involve the emptying out of the west's magic. This de-magical process inevitably leads to a cognitive shift from a "locus of salvific activities" to the worldly salvation and replacement by imposed rational thought. This is best exemplified in the way in which scientific rationality has become the accepted mode of viewing, assessing and constructing the world. Weber (1958: 139) expresses this in the following:

[intellectualist rationalisation] means that principally there are no mysterious incalculable forces that come to play, but rather that one can, in principle, master all things by calculation. This means that the world is disenchanted. One need no longer have recourse to magical means in order to master or implore the spirits...Technical means and calculations perform the service. This above all is what intellectualisation means.

He continues:

The fate of our times is characterised by rationalisation and intellectualisation and, above all, by the "disenchantment of the world". Precisely the ultimate and most sublime values have retreated from public life either into the transcendental realm of mystic life or into the brotherliness of direct and personal human relations. (p 155)

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<sup>2</sup> Tiryakian (1992) points to Weber as the single most influential figure in the sociological examination of the problematics of modernity and social change. Tiryakian discusses modernity in terms of two significant processes that have manifested over the past century in relation to western development. These processes are that of 're-enchantment' and 'dedifferentiation' which I will discuss later in this chapter.

Habermas ([1981] 1985) acknowledges Weber's legacy<sup>3</sup>, noting that his themes substantiate rationalisation as a result of "a disenchanted understanding of the world purified of its magical ideas" (p:196). Weber sees rationalism as measured by the extent to which the magical or metaphysical is subjugated. Habermas (1985:212-213) adds:

In the dimensions of ethical rationalisation, he [Weber] observes disenchantment primarily in the interaction between believer and God...In the cognitive dimension, disenchantment of the manipulation of things and events goes along with the demythologisation of the knowledge of what is. (Habermas, *ibid*: 212-3).

### *Marxist and Schumpeterian critiques of capitalism*

Fundamental to Marx's view is the presumption that the origin of capitalism, as an economic order, was established well before the industrial revolution. It involved two essential structural elements; one is capital and the other, the means of production. For Marx, class relationships directly link the economic organisation of capitalism to the institutions comprising the rest of society. Capitalism falls short of achieving its own democratic ideals it supposedly exemplifies. Marx sees the freedoms for which the rising entrepreneurial classes fight for as serving to support its dominance over the working class. Coupled with this, he sees the 'forces of production' and capitalism as a progressive mode of production that has a tendency to erode other social forms (Bottomore and Rubel, 1984; Giddens, 1988).

The problem as to whether capitalism would or indeed should survive is mooted by Schumpeter in his 1918 publication, *The Crisis of the State*. He was later to revisit this notion in *Socialism and Democracy* published in 1946. Schumpeter had confidence in his skill to analyse relationships and processes and apply these to his analysis. Here he incorporated a systems approach to his critique and economic arguments and this remained a central part of his thesis.

His answer to the question, whether capitalism could survive or not was a categorical, no (Schumpeter [1942] 1962). He maintains, as with Marx, that socialism would follow the spoils of capitalist accumulation. Although Schumpeter sees socialism as a matter of consequences of progress, he questions whether it can function adequately as an economic system. Though he concedes it could, thus rejecting the mainstream arguments of both Weber and von Mises, that the economic order of socialism

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<sup>3</sup> Though Sociological theory contests debates between cultural accounts of modernity (Berger, Berger & Kellner 1973) and Marxist accounts of capitalism (Bader, Berger et al 1976) Weber himself marks the rise of capitalism as the date modernity. See also Weber, 1920.

was unstable and inefficient, he is cautious in his acceptance of this. He argues capitalism could not be sustained based on deductive, economic rationale. Central to this argument are the following points:

- Capitalism implies free choice for consumers; free choice of employment and a freedom for private entrepreneurs to make decisions about what they produce; how they produce it; where they produce and for whom they would produce it. Above all else, it implies a fundamental attitude to life; to inequality; to family wealth and an unresisting acceptance of involuntary unemployment. Such attitudes have however, faded to almost obscurity.
- Capitalism's destruction is neither a consequence of its shortcomings nor its deficiencies, but rather, by way of its successes and efficiencies where increases prosperity, which tend to undermine the social and political position of entrepreneurs, will make them superfluous replacing them with corporate bureaucrats.
- Increasing prosperity and rising educational standards will combine to produce a discontented intellectual workforce in whom manifests resentment towards the very inequalities capitalism thrives on and cannot function without.
- The achievements of capitalism has a destructive effect on the nuclear (truncated) family thereby undermining its abilities to reproduce and care for its potential productive labour resource.
- Inflationary processes occurring in the wake of regional and world wars and civil unrest becomes an important factor leading towards the impending demise of capitalism.

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Source: Abridged from Schumpeter (1962)

Schumpeter did not rule out the possibility that capitalism could survive if it has the support of government intervention that focuses on full employment and stabilising income distributions. Yet these measures, ironically, are in Schumpeter's logic, what inevitably destroys the inner fabric of capitalism.

It would be difficult for proponents of the free market and modern capitalism (O'Reilly, 1999) to accept this considering the 1980s end of the Cold War and the subsequent fall of socialist economies particularly in Eastern Europe. Schumpeter's logic however, remains purely economics. It might well be asked why should socialism be accepted as a more effective economic order, and whether capitalism has a limited time span?

The orthodox socialist view of capitalism claims it will inevitably be replaced by 'revolutionary' means, and though Schumpeter shared this view, he did not accept socialism is itself of a higher state of economic evolution or value than capitalism. Rather he views socialism only as a 'feasible' economic order that is distinguished from capitalism only in the way it combines its functions of wealth allocation and distribution within a framework of market economics. By institutionalising markets of capital and labour, a capitalist economy relieves itself of concerns about distributional equity. For Schumpeter, to abolish markets of capital and labour, does not imply that it is impossible for socialist economies to

adopt rational forms of economic behaviour. He concludes that the demise of capitalism is not because of any economic woes, but because of its exponential growth and success. He states:

My thesis is that the actual and prospective performance of the capitalist system is such as to negate the idea of its breaking down under the weight of economic failure, but that its very success undermines the social institutions which protect it, and inevitably creates conditions in which it will not be able to live and which strongly point to socialism as the heir apparent (Schumpeter [1954] 1994:61).

Contrary to Marx, Schumpeter sees no pure economic reason for capitalism's breakdown. He emphasises its self-destruction is best ascertained by examining 'cultural' aspects of its economy, that is, its socio-psychological superstructures (ibid: 198).

Among the roles to be undermined in capitalism's demise is the entrepreneurial function. Schumpeter argues entrepreneurs become superfluous because of the transition from a liberalised economy to a more corporate form of capitalism. This he describes as a "perfectly bureaucratised giant industrial unit [who] ousts the entrepreneur" (ibid: 134). He maintains capitalism will also diminish its own chances of survival because it weakens its walls of protection by increasing hostilities, in particular from the intellectuals and academics who act as its key antagonists and critics.

Though the specifics of Schumpeter's argument are not well grounded, there is little doubt that the general thrust of his analysis has merit. He favours two important propositions about capitalism, first that it will be undermined by its success; and second, its failure will be a consequence not of its economic order, but of the specific relationship between the economic order and the environment. This argument challenges the long-standing foundations of the theory of capitalism by critiquing the Marxist 'deterioration' bias with 'ex-appropriation' and 'negative success' arguments. Schumpeter's conviction about the inevitability of socialism is itself challenged within the discourses of neo-classic economic theory (Kent, Sexton and Vespers, 1982).

Although there has been a wide acceptance about the durability of the capitalist economic order - given socialist economies have failed, it is necessary to explore Schumpeter's second proposition: that should industrial market economies prove themselves worthy of sustainable growth their success would have a profound impact on the environment, notably, the destruction of forests, environmental pollution, resource depletion, urban sprawl and congestion. These all have the potential to impair long-term sustainable economic growth. This, according to Schumpeter, will have significant repercussions on how

the whole economy functions. The implications for Maori and tribal areas will also be dramatic as capitalism's exploitation of the environment – of the seas, forests, land and natural resources – would cause a growing fragility between spiritual relationship with papatuanuku and a contravention of traditional tikanga principles. The WAI 262 Treaty claim currently before the Waitangi Tribunal is case taken by Maori to protect indigenous fauna and flora and to manage to process of capitalist exploitation of natural resources. Capitalism, in this sense, is recognition that development is more than just profit driven, but about integrating traditional rights and obligations into business practice that would preserve, protect and enhance the environment.

### *Capitalism's demise: its social consequences*

Social theorists have, in light of Schumpeter's work, continued to examine the consequences of modern development and its environmental impact. The Schumpeterian framework is apt to examining this question and for critiquing the repercussions of industrialised market economies. However, it is necessary to adjust Schumpeter's framework given the modern advances in technology and changing geo-political boundaries since the early 1900s. In particular, what needs to be redressed are the philosophical debates about the capitalist-socialist dichotomy, wherein socialism is seen as the end result of capitalism, and the endangerment debates by way of the negative environmental consequences of growth and success. Though capitalism's success can be enhanced through political intervention, this does not guarantee a company any immunity to or from political or economic responsibility. On the contrary, crisis is a readjustment to, but not necessarily a result of, the complete dissolution of an existing economic order. Crisis is often the catalyst and in this sense its inherent tensions help it to reconstitute itself. Economic structures therefore transform when and where there is inherent uncertainty and it is this uncertainty that enables individual entrepreneurs to act. It is the inherent flexibility and adaptive qualities of a capitalist economy that helps to develop and foster entrepreneurship.

A common sociological view of capitalism is that it is comprised of a small powerful minority of owners and controllers of the means of production, who use their economic power to force workers to sell their labour power in order to support their livelihoods. This assertion separates workers from the means of production, however, as Polanyi (1957) argues such disunity between capital and labour markets contrive as being too simplistic: that the controlling the means of production is a decisive feature of

capitalism, but does not provide a complete characterisation of the structure of modern society. Here capital-labour relations require further examination.

Marx, describes the advent of modernisation as the liberation process of setting free the economic order from its traditional boundaries, where once, “the economic system was submerged in general social relations...the self-regulating market was unknown, indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development” (Polanyi, 1957:67). Not only is the economic order set free, it establishes an autonomous position. This autonomy is essential to the modernisation process.

In their critical account of capitalism, Berger and Bernstein (1998) identify its common features as separate economic and political spheres, its expanded reproduction (ceaseless accumulation) and the dissolution of ‘communities’ and ‘worldviews’. These I consider as clarifying the context of capitalist economies and in determining the role of entrepreneurs.

Capitalism’s characteristic downfall as an economic order is its failure to liberate economic activities from political patronage (Marx, 1970; Schumpeter, 1994; Berger and Bernstein, 1998). That from time past, the feudal to capitalist state of economic order was characterised by a detachment from the social order, the core of which was political authority. This separation of the economic function, from broader social concerns is essentially the hallmark of modernisation. Referred to as a “functional differentiation” process, the economic order did not exist as an independent structure, (as an autonomous sphere of trade and acquisitive activities) until the separation occurred. While emerging acquisitive societies were free to conduct economic activities they were no longer fused with political concerns as was the case in mercantile societies. Producers were able to focus on their economic functions and capitalists no longer based their production decisions on external, political interests but, on norms of economic rationality (Weber, 1972:79).

### *Capitalism’s expanding reproduction*

Capitalism itself is not characterised solely by the pursuit of profit nor by the appropriation of surplus, rather, it is characterised by its reinvestment of appropriated surplus, as Heilbroner (1982) explains the difference with capitalism as a surplus-generating system is that it is the only system that invests its surplus, not in articles of personal or public luxury, but in the means by which to achieve more wealth.

The role of the entrepreneur in a capitalist order is in general to invest surplus where wealth is determined by accumulation. For such a reinvestments to occur wage labour has to become a required precondition of accumulation and here Marx saw this as self-determining where the economy, as a closed, self-referential system, would reproduce itself. Hence, the essence of capitalism was for Marx, the production of commodities by the means of commodities (see Sraffa, 1960). This self-referential system remained because accumulation takes place for the sake of accumulation and is closed in that it reproduced the elements of which it consists. The point Marx makes is that capitalism is an 'autopoietic' system, in that its reproduction is based on the production of itself with the assistance of its own elements.

### *'Worldviews' and 'communities'*

A fundamental reason behind the dissolution of pre-capitalist worldviews and communities, was what Habermass described as a manifold process of rationalising current worldviews (Habermass 1981a). This was a process that led to the end of a unified metaphysics causing the transition from the old to the modern world. As a result of rationalism, the predominant cultural value-spheres of science, morality and politics become separated. Habermass states inherent difficulties developed based on knowledge transcending from old worldviews. These were, as he stated, about "...aspects of validity: truth, normative rightness, authenticity and beauty. They could then be handled as questions of knowledge or of justice and morality or of taste brought to bear by science" (1981a: 8). Capitalism was characterised by a perverse and complex set of beliefs (Habermass, 1981b). Within the process of modernising, the sphere of the bourgeois class, for example, would be liberated from "communal" ties and this would change the very meaning of community and the "life-world". For modern economies, the separation between society and its interactions amounted to a detachment of capitalism from its normative context and which resulted in markets becoming impersonal. For Marx and also for von Hayek the term "impersonal order" was used to describe the essence of this market order. Though Marx saw welfareism as a means by which capitalism dealt with its contradictory nature, von Hayek saw it as undermining personal freedom. Within a market economy however, markets were distinguished from other realms of society because they required a minimal degree of morality on which to function.

Capitalism leads also to the disintegration of other forms of communal life. Marx saw it as involving a fundamental structural break from history. That through such a decisive shift in modes of social

integration, social structures could be made contingent upon other factors. That is, as each social phenomenon in modernity is 'made' or "produced" they, in theory at least, can be rearranged differently (Touraine, 1997). The themes underpinning these were liberation from the past; that they no longer had social bonds holding itself together.

### *The central enigma of capitalism*

Unlike the 'crisis' theory as discussed earlier, of the political economist, concerns about capitalism extend to whether its own history is indeed the history of progress. It is not disputed as a mode of production that capitalism is superior in substituting pre-modern forms of economic organisation, however, for Maori the contradiction of capitalism is evident: that it inadvertently endangers itself by generating problems of functional efficiency. That it effectively redefines the traditional nature of Maori relationships with the environment and their interactions with the deity gods (Henare, 1988). Polanyi (1957) refers to this as "disembedding" process and that only a disembedded system can produce the energy it needs to penetrate and disintegrate the past order (see also Prigogine, 1981; Churchman, 1979).

As capitalist societies liberate themselves from normative bonds they, in a sense, destroy their preconditions to function. It therefore endangers its environment as O'Connor (1994:89) reiterates:

The contradiction between physical and social modalities of the historical time regime and the historical spatiality of capital can be diminished in force (though never nullified because of the irreversibilities entailed by the law of entropy) only by a qualitative increase in social system intelligence, and a removal of obstacles to a conscious and considerate intercourse with nature – obstacles that are today inherent in the social (value) form, namely, the principles of surplus production (profit) and the imperative of expansion (accumulation).

The point O'Connor makes is that expanding capital markets exploit resources, they depend upon (see also Dryzek, 1994:177-179) and if resources are extinguished at a faster rate than the resources replenish themselves then capitalism cannibalises itself and ultimately affects profits and sustainability.

### *Capital, profit and recompense of risk*

As organisations depend on committing capital in some form of exchange over time, they need to establish means of monitoring the costs of such commitments. The issue at hand is that profit gains may

not necessarily be construed as rewards for risk-taking. That it is one thing to analyse exchange objectively, but it is another to be involved in undertaking risk ventures. In the case of entrepreneurs, the risk-taking, as economists insist is profits by 'compensation' for risk. Some conclude that in the final analysis, profit is a 'by-product' of entrepreneurial pursuit. As entrepreneurs pursue opportunities then profit is a result of exchange through innovation and knowledge transfer which is difficult to quantify. Friedman's monetarist theory is perhaps a good illustration of this where he articulates elusive terms to hide the virtual powerlessness of modern mainstream economics to bring the profit notion into formulaic equation. As it stands, Friedman argues that "pure profit" is an "unanticipated residual arising from uncertainty" (Friedman, 1981). Fabra (1993) questions whether economic analysis is able to proceed if it does no more than qualify profits as a by-product of economic activity.

Because profit is the net income of an enterprise, it is convenient to consider it as absolute gain, which Marx embodies into his theory as surplus value. However, the labour value theory puts forward the view that the absence of profit is not a break-even event, but a loss in real financial terms and should an enterprise use all its capital and make no income (over and above the transfer of the value attached to the act of production) it has nullified its savings efforts to build up reserve or venture capital. (Fabra; 1993)

Ties into financial accounting procedures often seesaw between fundamental methods for evaluating balance sheets, and, on estimating "present values" in terms of future expected income. The former derives from the labour theory of value while the latter (and most frequently used in accounting practice) derives from the school of psychological thought.

Fabra (1993) argues it is time for modern economics to break away from the neo-classic doctrine of old with its preoccupation on calculating present asset values based on income. This, he believes draws conclusions around value being focused at the service end, not determined in any way by production costs. This view is reiterated by Pilzer (1994) that the principle of present worth is of fundamental importance in the theory of value and prices. It means that the value of articles of wealth and property becomes dependent on the future not the past. The principle suggests that the value of an article is not determined by the cost of production but by its use.

Fisher gives an account of the principle of depreciation: that the full value of an investment has to be recovered, and only by referencing to actual labour costs, and the possibility for that cost to be recouped, with a profit, that it could be gauged as what constitutes capital.

Through objective value theory, political economics is very much a key to companies gaining leeway to increase their material wealth which is characterised by periods in which the economy regulates by rules of exchange. These rules of exchange obligate companies to sacrifice capital value to increase production. It might seem surprising that the principles of objective value should lead to increases in production before consideration is made to the conservation of value, however, in real time, the primacy of production is determined mostly by logic. That is, by what is rationally demonstrable and empirically verifiable based on assumptions of economic growth.

Marx's *raison d'être* of capital is its exchange value. For Ricardo however, capital is about commodities used in production to increase production. Modern economics today appears to have reverted to the Ricardian concept in its own analyses of profit and growth. They are framed as surplus, or net product, available as part of annual production intended for current consumption. Economic life is thus driven by tension caused by new production and technological processes that save on labour time. Progress therefore, as a primary object that sets about increasing labour productivity, causes losses on the part of the products of labour accumulated. It is here that Marx sees the central contradiction of capitalism: That the political economy views its primary objective, as maintaining efficiencies within the marketplace against ill-effects of social costs. The question is in comparing the advantages expected from increased production and the disadvantages gained through the loss of capital items not written off. With prudence, balance can be maintained between products and their value, that is, between production costs and the social costs of production (Fabra, 1993:178) however, for Marx production processes were both labour processes and valorization processes which were possible because of social conditions under which they existed (O'Connor, 1994).

### *The environmental impacts*

In parts of the western world, including Canada, the United States and New Zealand there has been a strong politicisation of environmental and social concerns against capitalist expansion. Impact reports; public participation; the 'right-to-know' legislation; public hearings; regulatory interventions and environmental mediations have led the way for more public accountability. The Resource Management

Act 1991 as one example, provides local authorities with regulatory powers to protect the environment. Dryzek (1994) considers the anti-lobbyists and legislation that affects growth as incipient and discursive in that they represent imperfect approximations of what represents freedom. The reality however, is that freedom becomes distorted in practice. Dryzek maintains that legitimate policy decisions require not just expertise and the backing of constitutional authority, but informed participation from all parties including "big business" and "greenies". Discursive attempts are in the main instigated to protect the interests of the groups and individuals wielding most political power and in some cases business corporations sponsoring mediations on public policy issues like water reticulation rights; roading privatisation; native forest sustainability and environmental pollution.

Among the conjecture, is public opinion and renewed radicalism to ecological matters. For capitalists, ecological issues abate a resonance giving away autonomy vis-à-vis conservation, here Berger et al (1973) admit that the capitalist economic systems has an inherent destructive tendency. That it disposes of a 'system-specific' meaning of action (the provision for future needs); a 'system-specific' criterion of selection (efficiency); a 'system-specific' medium of communication (money); and a 'system-specific' code (the pricing system).

As such environmental concerns can be viewed rather distortedly. Capitalism's disposition towards normative and cultural resources have bearing on the demise of moral integrity or what Hirsh (1976:12) highlights as capitalism's "depleting moral legacy". He views market systems as attempts to erect an increasingly explicit social organisation without supporting social morality, to which he adds:

Social mobility has served as an understructure for economic individualism (and) has been a legacy of the pre-capitalist and pre-industrialist past. This legacy has diminished with time and with the corrosive contact of the active capitalist value. The system has thereby lost outside support that was previously taken for granted by the individual. As individual behaviour has been increasingly directed to individual advantage, habits and instincts based on communal activities and objectives have lost out (1976:117-118).

Hirsh's emphasis on welfare losses and the increasing difficulties in managing the capitalist economy are attributable to weakening social values. Though he concedes the capitalist order has the propensity to create its own sense of social morality he is somewhat wary of its motives.

Competitive individualism and materialism in an unregulated economy is accompanied by concerned institutions that aim to keep indulgence and immoral behaviour in check. These institutions either

directly or indirectly call for government restraint and accountability and these include public interest groups, charities, unions and the voluntary sector who take a more active “watch-dogs” role in public policy and social policy matters. Over recent years the New Zealand public have become concerned by media reports of “golden handshakes” between State Owned Enterprises (SOE’s) and their senior executives. Reported payments to Tourism Board directors, New Zealand Qualifications Authority (NZQA) and the reported \$5.8 million severance deal made to Television New Zealand (TVNZ) current affairs news reporter, John Hawksby in January 2000, angered New Zealanders because of what they saw as corporatism gone mad (Jesson; 1999; NZ Herald).

### *Capitalism reprieved: the creation of welfareism*

The commonly accepted model of opening up the economy to environmental affairs is social policy as a means of establishing social welfare ideals vis-a-vis capitalist ideals. Social welfare aims may appear inherently anti-capitalist, insofar, as they see the importance in reconstituting the capitalist economy however, its intent is to stabilise demand and attenuate opposition. Thus welfareism actively contributes to capitalism’s survival (Herman [1920] 1980; Pierson, 1998).

O’Connor (1973) and Offe (1984) interpret the crisis of the welfare state as resulting from conflicts between legitimation and accumulation. That the development of welfareism, in a sense, legitimates the capitalist political and economic order to sooth out discontent among those who suffer below the tolerance levels of minimum wage and living standards. The welfare state thus curbs capitalism’s own insurgent tendencies of boom-bust inevitabilities. A point is reached when it undermines its own incentives to make markets work, particularly as it attempts to reduce anxieties of unemployment and financial collapse. The welfare state therefore, does not perform in an administratively ordered and rational way given that it has no clear hierarchy of explicit trade-offs to which it can be gauged or measured.

The consequence of this is the tendency to adopt a more corporate style of managerialism in the State’s effort to somehow establish coherency and compromise in its legitimation and accumulation. Here, Drysek (1994) stresses that this would magnify inherent failings of the State as it faces complex problems thereby undermining the foundations of democratic legitimacy itself. Corporate managerialism would then, by and large, be exclusive and fail to secure greater public acceptance. As this continues, Tarrow (1994) argues dissatisfaction among a disquiet public forces cycles of protest.

In noticeable contrast to the capitalist rationale, the social-ecologist regard the public and the environment as important economic assets. Horrat (1983) describes "radical democratization" as a "lodging of decision-making and responsibility for the labour processes in labour, and the complete lodging of political responsibility in citizens" (p:39). Given the complexities of differentiation it is difficult to establish what the requirements to effect sustainable change are. To suggest that those directly concerned should make all the decisions - company executives and government officials - would be unfair and impractical because of the difficulties involved in separating out the various interest groups and vested stakeholders. Moreover, it would be impossible to repudiate, on normative grounds, the inefficiencies created, added to which would be the public leaning towards a more democratic process (Perrow, 1984).

Recent studies focusing on company control strategies and social planning have begun to examine the potential for large institutions to change by means of self-regulation. This, however, negates the State's role in protecting the interests of its citizens. Whereas some argue self-regulation as submitting to the interests of 'big business' it clearly is a doctrine that gives capitalists the capacity to control and organise what is in their best interests (See Kerr 1994, Business Roundtable Reports). Concern is warranted and Gerth and Smelser (1992:251) state, self-control assumes:

the economy is restructured in a way that enables it to become aware of the side effects of economic decision making in the environment. As the capacity of self-control increases, the economic system stops maximising efficiency without regard to the environment: the stands of a healthy environment are taken into account in economic decision-making. By this measure, the purposive rationality of decisions depends on the capacity of a system to be aware of the consequences of its actions.

### *Ethics in the marketplace: a corporate responsibility*

Attempts to fix problems by raising social consciousness however, do not often locate the cause of the problems (Korten, 1995). The issues raised here concern the competitive nature of business and make it difficult for any semblance of socially conscious practice to survive. Problems with political and economic leadership are that they have to determine whether to compromise or run the risk of being expelled by the system. Korten (1995:214) states:

A rouse financial system is actively cannibalising the productive corporate sector. In the name of economic efficiency, it is rendering responsible management ever more difficult. Those, who

call on corporate managers to exercise greater social responsibility miss the basic point. Corporate managers live and work in a system that is virtually feeding on the socially responsible. That system is transforming itself into a two-tiered structure, creating a world that is becoming more deeply divided between the privileged and the dispossessed, between those who have the power to place themselves beyond the prevailing market forces and those who have become sacrificial offerings on the altar of global competition.

Ethicists insist on maintaining that companies can be tested for their level of ethical integrity by assessing how they make decisions. Studying the decision-making patterns of a company helps ascertain differences, if, any should exist, in terms of organisational commitment, processes and methods. What is often found are discrepancies between ethical responsibility, social values and practice (Knowles, 1997). Public service affirmative action policy, for example, which had as its intentions to promote talented minority workers and women to positions of management, in actuality did little to improve conditions of Maori or women. The policy itself lacked any real teeth and merely gummed at the real issue of unshackling power and control. There is still a relatively high absence of Maori and women in the higher echelons of management and this suggests the policy is a meaningless attempt to appease the disenfranchised on a pretext of equal employment opportunities (EEO).

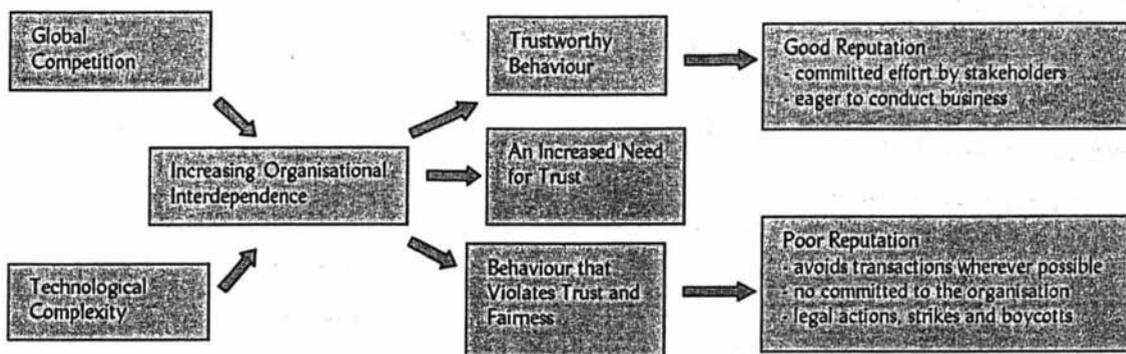
Ethical practice is an obligation on the part of companies to act responsibly economically, in terms of its obligations to being productive, profitable and to meeting consumer needs; legally, in terms of fulfilling its obligations to achieving goals within the parameters of the law; morally, in terms of its obligations to maintain the norms, values and standards of society; and responsibility in the discretionary sense, as company's fulfil their volitional and philanthropic goals (Carroll, 1979). However many business leaders, as Kerr would applaud, give little credence to this view. They would argue companies have no real social responsibility other than maximise shareholder returns (Webster 1998; Kerr 1998, Korten 1995). Their argument, in the main, is based on the free market principle that companies are responsible for meeting and satisfying consumer needs and are publicly accountable through legal sanctions. They also claim surveys indicate companies that ranked high on the social responsibility scale are no less or no more profitable than those that rank low. Advocates of social responsibility contend however that if companies are to manage their stakeholder risk, then being responsible is commonsensical and could account for potential higher returns by way of appreciating the interests of all stakeholders. Forecasting, strategic alliances, impending shifts in government policy and efforts to avoid negative outcomes all bear costs that could be significantly reduced through a policy of social responsibility that rides on the back of stakeholder interests. Socially responsible companies, in effect, achieve ends in themselves, a point that was disclaimed by the early neo-classical economists, in particular Friedman, Galbraith and Keynes, who asserted that the only valid responsibility of business is

to maximize profits within grounds of law. They believed the State was required to provide socially responsible laws. Hosmer, (1996) critical of the indifference and the profit motive declared:

[T]here is a long-term cost to unethical behaviour that tends to be neglected. That cost is to the trust of the people involved. Company's today - due to increasing global competition and advancing technological complexity - are much more dependent than ever upon the trust of workers, specialists, managers, suppliers, distributors, customers, creditors, owners, local institutions, national governments, venture partners and international agencies. People in any of those groups who believe that they have been misgoverned by bribes, sickened by emissions, or cheated by products tend, overtime, to lose trust in the firm responsible for those actions.

Having a confidence in other people is a matter of trust and the foundation upon which all business transactions are based. Mutual trust is for all parties the lubricant that forges stronger commitments which in turn leads to greater effort to get things collectively done.

Figure 6:3 Needs analysis and ethical behaviour



Source: adapted from Harrison and St John (1998) p: 20.

The populist writers have also entered into the ethical debates concerning business. Stephen R. Covey (1994) considered behaviour, whether in business or in one's personal life, as being governed by fundamental human principles acting in harmony with the values a person holds. Being in harmony with these brings about positive results, and, conversely, violating them brings about negative results. Managers and leaders are, according to Covey, at liberty to choose how to respond to challenges, and, in making their choices, become aware of its attendant consequences. He states: "The character ethic is based on the fundamental idea that there are *principles* that govern human effectiveness - natural laws in the human dimension that are just as real, just as unchanging and arguably "there" as laws such as gravity are in the physical dimension" (p: 77). This notion of "fixed" principles is in Covey's eyes

derived from scriptural understanding, belief in eternal families, love in the home and enrichment through service.

It is important to reiterate the ethical lessons of conducting business and a competitive marketplace and its influence on entrepreneurial development. It is well to be reminded that enterprise is essentially about how resources are distributed and organised for the purposes of satisfying human needs. This undertaking requires discernment, alertness and a willingness to take advantage of technological developments. Entrepreneurs are in effect surveyors and architects of innovation but rationalists in terms deploying 'someone else's' resources effectively. Adam Smith's ([1776] 1937) time-honoured words concerning this matter still hold relevance today:

Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. But the study of his own advantage naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society (p: 421)

He believed the pursuit of individual wealth would by some 'act of God' lead to social benefits for all, adding:

He generally, indeed, neither intends to promote the public interest, nor knows much how he is promoting it...he intends only his own gain, and he is in this, as in many other cases, lead by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that was not part of it. By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it (p: 423).

Corporations today, as Kerr suggests, in keeping in line with Smith's viewpoint, must be permitted to play the part in the allocation and reallocation of scarce resources and to ensure they maximise their returns to company shareholders. The issue at hand is however, does maximising profit mean businesses are amoral? Kerr argues, precisely the opposite, that maximum returns are achieved within the confines of generally accepted ethical standards. And that business survives on upholding such standards (Kerr, 1995).

Democratic liberal societies, like New Zealand, depend what can best be described as a shared sense of morality. The marketplace relies on trust relationships as it generally accepts that trade and bargaining partners presumably do not deliberately go out to perjure themselves. As an implicit requirement to doing business, trust is a concomitant of mutual acceptance, honesty, integrity, loyalty, fairness and decency. Ethics and values are therefore inherently socialised constructs. They are extensions of

people's convictions be they religious and/or cultural. They are embedded into the histories, the experiences, mores, and habits of people and their communities. In business, values provide the backdrop to decision-making and inform common law. However, ethics are often undermined by ill-conceived law and ignored by the unscrupulous opportunists who scan the business terrain looking for wounded or gullible prey.

In business however, commercial activities are very much underpinned by ethics as markets depend on voluntary exchange and voluntary exchange occurs when all parties expect to profit in the process. As such ethical practice is not simply a commercial benefit, but a commercial necessity. As Brozen et al (1978) suggest, the practice of the 'Golden Rule' becomes second nature because it is reinforced by the rewards. Fraud and misrepresentation might bring temporary rewards if not penalised by immediate legal redress, but reputations lost would bring penalties of a different kind; lost business and dwindling value of investments. Honesty is the rule of business conduct in free markets.

The point made is that the very imperfections that surround the market and market competition drive the need for ethical standards and practice. Some hard line economists however, are keen to perpetuate myths about the marketplace advocating policy advice centred on perfectionist competitive models that, in theory at least, appear to work. Such models advocate no need to monitor the ethical behaviours of 'atomised', indistinguishable enterprises as they freely enter into and out of the market. Customers are deemed educated and well informed enough to know when they have been misrepresented or cheated.

### *What good is doing "good" business?*

Questions about the true value of ethics can best be elucidated if an accurate means of codifying their application can be made. Here, two considerations are germane to the debate: Essentially, codifications are typically excessive and over-generalised or are expressive and morbidly-detailed. A too generalised approach would see ethical standards offering no more than conventional wisdom about how one ought to behave in given situations without any appeal to individual conscience. If too detailed then ethical codes become insufficiently flexible to deal with the complex array of nuances transpiring from business transactions. Trading stocks, as was noted in the Salomon case earlier, shows basic common sense rules apply in stock trading as in any other business. Simply put, it is unethical to take unfair advantage of other people. However, this only explicates a requirement to *be*, and not necessarily *act* in an ethical

manner. The concern is that ethics pose a dilemma that when exposed prove difficult to resolve. Insider trading, for example, requires legal as well as economic definitions to make sense of what it actually means. In trading stocks, it is widely accepted among stock traders that a degree of inside trading precipitates transactions. In fact, without a sufficient degree of inside information being passed on, investors cannot invest confidently as investment decisions would then be reduced pure speculation and random choice. Investments incur financial as well as social costs as investors judge how best to use resources. Decisions are usually about the diversion of capital which is predictably away from declining stock towards those that are rising. The objective, therefore, of sound investing is to be able to make the best decisions based on information at investors' disposal. Informed and intelligible assessments of company's stocks are then hedged against rises and falls on the stock market.

Assessing scarce resources is essentially a social device for ensuring proper and considerate use of natural resources. There is a view, however, that suggests natural resources are no less scarce than salt water. Modern technology has lessened the world's dependence on the appropriation of scarce natural resources (Pilzer, 1994). Resources today can be synthesised or transformed through profits reinvestment back into technological improvements and innovation. This spurs entrepreneurship and invention and transforms production techniques and the need to exploit depleting resources. Pilzer saw this as the work of the modern day alchemist.

Seldon (1990) suggests public perceptions of 'big' business are conditioned by suspicion and though he agrees companies are effective in (re)allocating resources, there is a perception that private entrepreneurs somehow harbour ulterior motives. Seldon's argument is disputed, however it has support among the likes of Kerr and other free marketeers:

The inducements of capitalism compel the moneymakers to do good; the inducement of socialism enable the power-holders to do harm. The virtue of capitalism is that it divorces purpose from result: it does not require good men and women. The vice of socialism is that men and women who may start with good intentions, but who are skilled in acquiring coercive power, can use it to do harm (p: 284).

There is a need to better understand what people in business actually do, and what their commitments and responsibility to wider social concerns are. As a general rule, restrictive business practices impeding voluntary exchanges are incompatible with an ethical approach to business. Brozen et al (1978) states:

When we say the market reinforces individual responsibility and reflects the ethics of participants, we refer to a free market. When we ask the government to intervene and use its power to prohibit some voluntary transactions or to reallocate the gains each participant receives from voluntary transactions, we abdicate the responsibility for our own conduct and for teaching rightful conduct. We bestow power and almost irresistible temptation on a few. We are asking some persons to rise to the status of angels while at the same time saying that people find it impossible to be angels (p:13-14).

Yet often headlining unethical behaviour are the practices of executives and directors of large companies and the small to medium size business owner who has major cash flow problems. Media investigators take pride in their efforts to expose the unrepentant executive tax evader, the lawyer who gambles away clients' trusts funds or the small town business operator who loses investors capital. All these remind us that the ethical rules people are supposed to follow do not necessarily make them ethical people. The unscrupulous exercise of people does not change because of ethical codes of practice. Notwithstanding, business needs a conscience; a code of social responsibility and a premise of good faith to survive. Friedman (1970) and Kerr (1993) saw things differently in agreeing that:

Businessmen believe that they are defending free enterprise when they declaim that business is not concerned 'merely' with profit but also with promoting desirable 'social ends'; that business has a 'social conscience' and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are – or would be if they or anyone else took them seriously – preaching pure and unadulterated socialism. Businessmen who talk in this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.<sup>4</sup>

Kerr, an ardent critic of social responsibility as an act of doing good business, was defended by his fellow NZBRT member and ASB Bank's CEO, Ralph Norris who saw nothing wrong in Kerr's reaffirmation of Friedman's argument that business, not government, creates the country's wealth<sup>5</sup>. Though I take no issue with this nor with the fact that shareholder interests have to be protected. Norris, argues for a pragmatic and balanced approach which arguably is arbitrary and big business backed. Norris agrees with Kerr that a business can be damaged if it acts in an unbalanced way. That providing a service, for example hot lunches one day a week to a local primary school, at less than its economic cost could conceivably mean failure and that its failure does the community little good. But what of the failed businesses that failed to account for the local community's needs. Norris admits that there are factors other than profit-making that have an impact on shareholder value in the long-term.

<sup>4</sup> Friedman, Milton (1970) *The Social Responsibility of Business is to Increase its Profits*. New York Times. 13 September. Cited in Kerr, Roger (1993). *Doing Better Business: Ethics in a Market Economy*.

<sup>5</sup> Ralph Norris's comments were made regarding Roger Kerr's comments and those made by Dick Hubbard in an interview with NZ Business Review 1998.

Contrary to Kerr's and Norris's comments, company owner and founder of Hubbards Breakfast Foods, Dick Hubbard, himself a member of NZBRT, criticises Kerr, stating "I certainly wouldn't argue with Roger Kerr, that companies need to focus closely on profitability, but saying that, a greater sense of social responsibility – or commitment to all stakeholders associated with an organisation, including the community in which the company operates – actually enhances, rather than inhibits the profit making process". Kerr took exception to Hubbard's statement, particularly on the point of the use of company profits. He questioned that while CEO's of privately-owned companies might do as they please "it would be morally wrong, indeed illegal, for directors and management of publicly owned companies to give away money that did not belong to them unless were specifically instructed by its shareholders." Kerr went as far to suggest this was misappropriation and constituted stealing other peoples' money.

Kerr had one oversight, that public companies were, by and large, guided by multiple part owners and the dispersion of company shares, therefore CEO's pitch towards the demands of the larger institutional shareholders who tend, in the main, to be the wealthy overseas investor. This then negates the abilities of smaller shareholders with strong views about company profits or spending among directors, to express concerns. Their voting voice is limited and often overshadowed.

What is encouraging are signs that a number of New Zealand company executives are realising the value of adopting a more socially and community orientated approach to doing business. Companies including Mainfreight Transport, The Warehouse, Hubbards Breakfast Foods, MacDonalds, The Body Shop and Maori ventures including Tainui, Ngati Tahu and Waipareira build to strengthen their local communities by thinking and behaving differently. Words like "corporate soul", "corporate values" "the family" and "tithing" are fast gaining common usage in business speak.

Global businesses, in particular, recognise the importance of managing their stakeholder relationships, from the factory floor through to their foreign investors. Though profit maximisation is fundamental as a company goal, executives are mindful that the pursuit of higher returns is closely connected to valuing people over and above their productivity capabilities. That is how staff and management feel about being valued for what they do. The need for recognition is an intrinsic human value and arguably is not about a socialist conspiracy to destroy capitalism nor to ethical motives, but rather, a need for self worth. A common whakatauki (proverb) revered among Maori affirms this: "He aha te mea nui, maku i ki ana, he tangata, he tangata, he tangata", "What is the most important thing, I will tell you, it is people, people, people". It speaks simply and relevantly about the importance of people in all things.

It serves as a reminder to leaders and managers that no gains can be made without attending to people's needs: That to ignore workers would surely be at their peril.

President of the World Business Council for Sustainable Development, Bjorn Stigson, expressed publicly in a statement he made in 1998 that there was a lack of ethical standards in business and took exception to the many company executives and directors that discreetly finance powerful lobby groups to campaign for their interests. He said "business has to be straight on why and how it is doing things; there is no reason to muddle the issues"(in Handy, 1994). He contended virtue is a fundamental business and human value, which above all else, makes good business sense. Stigson was particularly disturbed by the absence of social objectives and environmental factors in strategic planning. He was however, complimentary about one particular company's efforts to address its wider responsibilities. The Toronto-based, Ontario Hydro Company produces an annual sustainable development report outlining its specific environmental performance and its associated costs and liabilities. The company's report also outlines its future aims and will in future publish a single annual report reflecting, as part of its commitment to sustainability, its past and future environmental objectives alongside its financial stewardship. Howell refers to this as a "triple line accounting" requirement (Howell, 1997).

Encouraging signs are also shown in the financial sector where one noted banking firm has taken steps to include environmental risk accountabilities as a loan criteria. The Swiss Banking Corporation (SBC) established its own Environmental Performance Rating Units System (EPRUS) which serves as a model for its lending enabling it to assess loans against a borrower's environmental safety standards. It also considers whether borrowers might cause potential harm should loans be approved. It is not only an important ecological and socially responsive move but a wise long-term business decision to protect its financial interests given possible libel suits or company failure to sustain its access to scarce resources.

### *Values in the marketplace*

Business ethics might sound oxymoronic but ethics unquestionably underpin a company's operating values (Grant, 1998). Social responsibilities are tangible outcomes of ethical standards and what is becoming more apparent is the pervasive nature that businesses have in influencing and shaping everyday life. This trend by virtue of technology and communication developments no longer allows companies to build wall around themselves. They are subject to what goes on around them outside their

traditional organisational boundaries and beyond their legal responsibilities to shareholders. Grant adds:

The company narrowly focused on delivering shareholder dividends and stock value is out of tune with the realities and expectations of the marketplace and, consequently, the longer-term interests of those self-same shareholders (p:24).

Company CEOs in New Zealand, like executives throughout the world are faced with many facets of change. They contend with the exponential rises in information technology; an unrelenting de-regulated market; an evaporation of trade barriers and sanctions; an increase in institutional shareholder ownership; increased commodification; increased production; over-capacity and two imminent global trends – the mega-corporation merger and a decentralising of power and decision-making authority in the workplace.

### *Capitalism's pursuit towards social responsibility*

With the capitulation of socialism, the task of democratic capitalism is its moral obligations. With its philosophical roots embedded in liberal capitalism, it bases itself on individual moral responsibility, and it is here that the market shows its juxtaposition in relation to social norms and values. Novak (1992) became one of many philosophical theologians to address this concern. His central theme was to try to understand the strengths of capitalism as he searched for a 'just' and humane political economy. Novak's focus on ethical traditions and on the philosophical tradition that inform society were based on three mutually supportive arguments:

1. That democratic capitalism offers an economic system premised on competition under laws that channel self-interest towards the service of others as well as providing a means by which human creativity promotes efforts to resolving poverty
2. That as a political system it contains constitutional checks and balances to protect the rights of individuals and curtail abuses of political power
3. That beneath the economic and political structures of modern western societies, illuminating and guiding them, are moral and cultural traditions: the inheritance from ancient Greek and Roman times and from Judaism and Christianity, as part and parcel of the Renaissance and modern humanism movements towards moral codes. These traditions are open and tolerant of differences which form ethical and moral standards that help stabilise civic structures and a democratic way of life. (Novak, 1992)

These premises allow for open debate and raised the consciousness about what constituted social and economic policy, more importantly, they set the foundations on which moral cultural values could be protected. The major contention associated with democratic capitalism, however, lies in its

understanding of market failure whereas government failure occurs with systematic regularity. Though markets have equalising tendencies they provide wealth and income, and the mechanism, at least, for helping low-income earners to attain a decent standard of living. The political system, however, offers only a precarious voice of power which is inherently unequal in that it favours the economically strong and influential. Buchanan (1977) believes it is critical to shed once and for all the romantically idiotic notions that as long as processes are democratic all is fair game. In his view democracy has overreached its limit of political exploitation which effectively creates a net loss for everyone.

If, as Socrates mentioned, the willingness to examine the conduct of one's life in all of its aspects serves as the moral ground of human endeavours, then, leadership, more than any other human activity, demands a willingness to open oneself to criticism. In light of this, Rasmussen (1992) considers economic and social systems of capitalism as having ties to a vague moral claim: that as a set of economic arrangements, capitalism presupposes an ethical position of individual rights and as a moral construct, these rights 'protect' the interests and entitlements of individuals and thereby secure social conditions under which their wellbeing is fostered. Moral codes guide also the legal process in protecting individuals from exploitation and manipulation. Though moral codes provide a normative basis of law and order, they do not, provide a foundation on which choice or conduct can be made. The role of the State, in this regard, is to implement and enforce laws that protect life, property and resources from being used without consent. Here, Rasmussen uses the term 'phronesis', to describe a practical rationale to evaluating capitalism's self claim to morality.

Aristotle saw human existence as flourishing through 'self-protection' based on an understanding of impulsive intent, rationality and the "right desire". Rasmussen (1992) comments that knowledge of moral virtue and human good tells us how we ought to behave; but actions are concrete and moral virtue cannot be determined from a philosophical position.

He considers practical reasoning (the use of reason to determine what should be done in concrete situations) as a cardinal virtue. What constitutes actions however, can vary according to who and what is being done. Life is about choices. Would determining what responses are appropriate for different situations, in terms of capitalism, raise questions of culpable behaviour as Marxist would have us believe? The answer to this lies perhaps in the obvious, that no political, social or economic system is entirely perfect and that the utopia of the socialist ideal is all but a fallacy. Heilbroner (1962) adds that in less than seventy-five years the contest between capitalism and socialism is over. Capitalism has won

over and the central question he asks is how will the transformation from socialism to capitalism take shape.

The liberal philosophical views of Hobbes, Hume, Adam Smith and John Stuart Mill, consider human behaviour, being what it is, to be such that those in power exploit their position for personal gain. The aim of the State in response to this is to postulate and construct political institutions that would make life fair and tolerable. It is clear that the political economy, derived from assumptions of free market principles and capitalism, set rules for prosperity, freedom and choice. This means self-interest, may or may not be mitigated against individuals under capitalism and suggests a symptom of the moral malaise to which individuals succumb: that given self-interest exists in many forms, the market would not be culpable on the grounds of moral issues which have less to do with the markets *per se* but more to do with the human condition. Capitalism has a reputation for efficiency, work ethic and fair-trading, therefore, any consequence of lost reputation would be far-reaching. It is for this reason that markets often provide cogent incentives for ethical behaviour where honesty, among all human attributes is capitalism's important guideline. It is monitored through legislation, marketplace disciplines and a wary public conscience.

For capitalist economies to function effectively they require moral standards not inherent in the system but which are constructed socially and culturally: that is, free enterprise requires the presence of efficient moral standards that do not correspond to material rewards of a market economy and here, von Hayek rejects the view that markets value materialism over and above people. The idea that the rich are rich because the poor are poor, is a simplistic aversion to the Marxist dogma. von Hayek maintains the harbouring of social envy is an inherent mark of socialism to which Novak comments:

Communism mandated lethal injections of envy into every man, woman and child. People were taught by communist regimes to despise those who got ahead, and to pull them down. There were not taught that envy is a cardinal sin; there were told it is the first of the virtues; they were taught to call it 'justice' and 'equality'.

During the 1980s, the liberal capitalist models of Thatcherism, Reaganomics and Rogernomics, provided significant benefits to respective elite classes. The efforts to maximise profit at all costs, however, in the in view of some economists went too far, too soon (Jesson, 1999; Hazledine, 1998). In New Zealand's case, the consequences led to far reaching effects on social and fiscal policy. Short-term profit objectives and privatisation of state assets were primarily focused around economic value to the

detriment of social concerns and government's role to protect its citizens and exercise fiduciary and governance responsibilities over public assets.

There are few values within a capitalist lead economy that can compete with the lure of money, power and wealth as French economist, Francois Perroux (1962) summed up:

For any capitalist society to function smoothly, there must be certain social factors which are free of the profit motive, or at least of the quest for maximum profit. When monetary gain becomes uppermost in the minds of civil servants, soldiers, judges, priests, artists or scientists, the result is social dislocation and a real threat to any form of economic organisation. The highest values, the noblest human assets – honor, joy, affection, mutual respect – must not be given a price tag; to do so is to undermine the foundation of the social grouping. There is always a more or less durable framework of pre-existing moral values within which a capitalist economy operates, values which may be quite alien to capitalism itself. But as the economy expands, its very success threatens this framework; capitalist values replace all others; in the public esteem, and the preference for comfort and material well-being begins to erode the traditional institutions and mental patterns which are the basis of the social order. In a word, capitalism corrupts and corrodes. It uses up society's vital life-blood, yet is unable to replenish it. (Le Capitalisme in the Que saia-je series 1962)

A survey of American executives reported its CEO's are paid on average 110 times more than their employee's average salary. In New Zealand it is reported at around 30 to 40 times that of their employees. In Japan the executive/employee salary ratio is somewhat less at 17:1, and in Germany a 23:1 ratio. Market forces, it is argued dictate these rates, however, this is a contested argument, as the Brierley's million dollar pay-out to senior executives revealed. Despite the company's failing performance directors paid themselves large severance fees. Neither is it the case in the US given its deficit and repayment bills are far beyond its productive means. This raises the question of the validity of the market to self-regulate and set standards. (Soros, 1998; Malkiel, 1999).

Hampden-Turner and Trompenaars (1994) suggest wealth and value creation are in essence moral acts. That, "in any culture a deep structure of beliefs is the invisible hand that regulates economic activity. They are the bedrock of nationhood and the source of economic strength and weakness"(p: 4). However, financial markets typically tyrannise and debase economic institutions. The US responds in its efforts to restore order by way of harsh anti-trust and insider trading laws (Soros, 1998). This has yet to happen in New Zealand as it requires a committed political will and long-term business vision. Though there have been some efforts to establish wider social, community and commercial responsibilities, Jesson (1999) suggests there still exists in New Zealand a deeply embedded attitude of maintaining commercial returns on investment as the indicator of success. He states:

the experience with light-handed regulation raises once again the paradox about the state and the market. If the state abandons its regulatory powers, it is in effect transferring its authority to the organisations it is failing to regulate (p: 146).

Although Weber's thesis continues to be contested (Marshall, 1982) his work on rationalisation, differentiation and disenchantment is a western modernity and integral part of sociological thought. Tiryakian (1992) sees empirical science, by and large as replacing religious versions of the world. This, however, is a gross over-simplification of the relationship between enchantment and western modernity and suggests somehow these notions are incompatible. From an 'enlightenment'<sup>6</sup> perspective there are a number of ways of viewing the world as both magical and enchanted to which Tiryakian refers to as a process of "reenchantment". Dedifferentiation he describes as the process of regenerating and rejuvenating social structures; whereby parts of a system renew their commitment to, and involvement with, the system as a whole. This is a counter-process that involve the restorative potential of a system to earlier phases of its development which is characterised by homogeneity. Tiryakian believes contemporary social movements are in conflict with modernity and that movements of religious fundamentalism, value rationality and ethical values, all unite in opposition against modernity. These differences, the notion of reenchantment and dedifferentiation run counter to rational thought, however, they are analytical and empirical requirements necessary to understanding the nature of modern society. Accordingly, the modern world needs to be approached in a dialectic order for a more precise theoretical understanding. If rationalisation, differentiation and secularisation are indeed interrelated features of change, they are not simply features that provide benefits (implicit in the 'promises of enlightenment' and emancipation of the human condition by the development of human praxis) they lead the way to formulating new hierarchical controls, and the depersonalisation and homogenisation of both physical and social worlds. These features, without counter-balance, take modern society into Weber's apt metaphor 'the iron cage'.

### *Conclusion*

This chapter has examined capitalism and the State and offers a critique of both. The suggestions put forward argue that the State acts to both hinder and enhance Maori entrepreneurial development. Importantly, this chapter has focused on the environment in which entrepreneurship takes place. This

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<sup>6</sup> Enlightenment refers to the eighteenth century core beliefs that all human endeavours including scientific, political and economic values have the capacity to regenerate the human condition without a recourse to the transcendental.

raised the issues of the ethical and moral considerations of capitalism. I offer a discussion of challenges all this poses for Maori entrepreneurial activity. The chapter that follows sets out to examine Maori capitalist activity and business development in both the current and historical context as this ties into the culture of organisational and environmental change. I have focused particularly on the establishment of Maori corporate structures that has given the rise to models of business leadership based on the management of return of assets and the need to develop commercially viable use of these assets.

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## CHAPTER SEVEN: The advent of public and private models of Maori entrepreneurship: Towards a political and economic reconstitution of Maori development

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Whaia te iti Kahurangi, ki te tuohu koe, he maunga teitei  
*Seek that which is in your heart, should your bow, let it be only to a lofty mountain*  
 - Apirana Ngata

They do not understand how that which differs with itself is in agreement:  
 harmony consists of opposing tensions, like that of the bow and the lyre  
 - Heraclitus

### *Introduction*

For Maori the Treaty of Waitangi is not the validating document of their claim to tangata whenua status as this claim is acknowledged fundamentally through whakapapa, however, it embodies the constitutional sovereign right of hapu to social, political and economic autonomy. It is important that Treaty settlement claims be advanced with speed and caution to move Maori thinking from grievance mode to solutions. The critical question here surrounds the existing leadership tradition particularly the incumbents who hold to the view that free market policies and economic deregulation will only disadvantage Maori. This view might suggest Maori whakapapa as a political/economic resource is under imminent threat. Attempts to redress the spiraling decline of Maori social and economic development over recent years by and large failed to attenuate the entrepreneurial vitalisation of traditional cultural practices and acknowledge the adaptive mechanisms of economic change. This chapter explores Maori social and economic development and the reassertion that entrepreneurship, the means by which ideas are transformed into productive use, is a function of Maori responsiveness to change, adaptation and advancement. Indeed, this has created a discontinuity between 'old ways' and 'new ways' and has, as well, pushed boundaries of tolerance and acceptability. The test to converting ideas into reality for entrepreneurs rests in their abilities to strategise optimal commercial opportunities; analyse markets for venture capitalism; apply effective decision-making processes and stay steadfastly focused. Significantly, these factors are influenced by government policy; by current Waitangi Tribunal claims and high court actions, and the domestic/international market scene. The impact is an interesting one, on the one hand an expression of autonomy by Maori for economic and political governance over resources, sovereignty, on the other, challenging government for more interventionist undertakings in terms of addressing negative Maori health, social and educational indices.

Entrepreneurship offers an important component in the development and delivery of opportunities for Maori by Maori. As an activity it is pertinent to the social, technological and intellectual will of Maori. This requires a focus on the leadership requirements for entrepreneurship and in particular the role of the private entrepreneur in the transference of knowledge in stimulating collective capitalism. The assertion of this thesis underlies the current concern that Maori economic development is led by entrepreneurial forces which when institutionalised into mainstream tribal business creates ambivalence. Moreover, by virtue of exclusive control and power ruling sets of elites are formed. Kiro (1998) argues that Maori have come to believe in the rhetoric of Maori dependence and what is more profound is the manner in which we have embraced the same punitive values inherent in the new right policy. Even more disconcerting is the fact, as Kiro points out, that Maori have benefited less from market orientated policies (p: 296).

### *Historical Developments*

One of the clearest political manifestations of value-based leading was evidenced in the 1835 Declaration of Independence, signed under the name of the United Confederation of Tribes. The Declaration, as with the Treaty of Waitangi, set out among other things to reaffirm Maori sovereign rights and to welcome partnership with the Crown based on long-term commitments to participation and individual freedom (Walker, 1995; Henare 1988). In pursuit of these values, Maori understood their interests to be paramount. It was Aristotle's 'enlightened scheme of values' that declared people have rights to self-develop by virtue of their own humanity and this has stood as a major goal for political decision making among Maori.

Maori were during the nineteenth century, versatile and entrepreneurial and as far back as the 1840s it was known that tribal agricultural development enjoyed periods of expansion significant in the economic advancement of North island regions. Maori had extensive flour mill operations in South Auckland and during the late 1840s wheat growing had become a major agricultural activity (Hargreaves, 1959). Gardiner (1995:68) adds:

There is no doubt that the middle years of last century [nineteenth century] Maori were part of a spectacular economic environment. For perhaps the first (and hopefully not the last time) Maori owned the produce, the means of adding value and the means of transportation.

He goes on to suggest that Maori possessed the ability to adapt and change, to which a precedent has been set for Maori today:

The economic challenges we face today are no more complex than those faced by our ancestors. Given their relative unpreparedness they succeeded brilliantly at mastering the economic environment (p: 68)

First attempts to colonise New Zealand occurred in 1825 when the first New Zealand Company formed in London, dispatched two ships and bought land at the mouth of the Thames and also at Hokianga. The company however was forced to abandon its plans primarily because protection from hostile elements could not be guaranteed. The 1830s depression in Great Britain brought about by high prices for grain caused by the Corn Law saw much economic suffering and trade price fluctuation.

In 1829 the subject of colonisation of New Zealand was revived by Edward Gibbon Wakefield who pointed out the noticeable absence of previous attempts to direct colonial enterprise on the premise of scientific principles and method of application. Namely, the scheme whereby the sales of land in small quantities at a fixed minimum price would enable proceeds to be used to promote emigration. Some eight years later the London-based New Zealand Association was formed. Its aim was principally to revive plans to colonise New Zealand in a manner that was considered both beneficial to Maori interest and settlers. One cannot help but sense the confidence brought to bear by a faith established in the doctrine of eurocentric science required to repress the hostile elements previously encountered.

The association sought legislation in 1838 that was subsequently rejected. It was then dissolved and reconstituted back into a joint-stock company. In August 1838 a privately backed co-partnership was established under the title the New Zealand Colonisation Company. By early 1839 it had grown in strength having sufficient capital to purchase land in the Hokianga and Kaipara areas. To facilitate land sales more effectively a new company was mooted to allow equivalent amounts of stocks to be determined by arbitration. On 2<sup>nd</sup> May 1839, a co-partnership company called the New Zealand Colonisation Company ceased to exist and the first prospectus of the New Zealand Company was issued to the public.

The New Zealand Company was therefore the result of the union of three associations, The New Zealand Company 1825; the New Zealand Association 1837 and the New Zealand Colonisation Company 1838 and on all accounts its prime motive was speculating in the land market.

The Crown conceded in the 1840 signing of the Treaty of Waitangi, to its own terms of acknowledgement. Land would remain in the communal interest of hapu groups. Hapu were deemed the political decision making authority and controller of economic activity. During the colonial period these hapu corporates, with the exception of a few pakeha entrepreneurs, who were adopted into the tribe and reciprocated their exchange of skills and technology controlled the economic development of the time. This is not to suggest that hapu were completely autonomous or interconnected with neighbouring hapu. It was a flexible system. The timing of the signing of Treaty of Waitangi was influenced by the decision of the New Zealand Company to send settlers to Aotearoa New Zealand without the backing of the British Government. Pressure was placed on the Crown to repudiate the Treaty almost immediately by the New Zealand Company:

We have always had very serious doubts whether the Treaty of Waitangi made with naked savages by a consul invested with no plenipotentiary powers, without ratification by the Crown, could be treated by lawyers as anything but a praiseworthy device for amusing and pacifying savages for the movement<sup>1</sup>.

Lord Stanley, the British Secretary for the Colonies denied the New Zealand Company's appeals and reiterated the Crown's stand to honour the Treaty to its fullest. He stated:

I repudiate with the utmost possible earnestness the doctrine maintained by some that the treaties which we have entered into with [the Maori people] are to be considered a mere blind to amuse and deceive ignorant natives. In the name of the Queen I utterly deny that any treaty entered into and ratified by Her Majesty's command was or could have been made in a spirit thus unworthy. You will honourably and scrupulously fulfil the conditions of the Treaty of Waitangi.<sup>2</sup>

Land was a financing tool for government and Governor Fitzroy was pressured by settlers and by his lack of money to ease land purchasing. While his abandonment of preemption was temporary, Grey developed a vigorous land acquisition and by 1853 claimed more than half of the country. Despite this, Maori saw entrepreneurial advantage in relations with Pakeha. Early State settler contributions to Maori economic development were opportunistic in terms of the skills, ideas, technology and connections with external markets the settlers brought with them. This in conjunction with Maori entrepreneurial flair led to a flourishing of Maori commerce up to the 1860s. The openness and

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<sup>1</sup> British Parliamentary Papers, vol. XIII (1844), 289.

<sup>2</sup> Lord Stanley's directive to the Governor of New Zealand, 1845.

mobility that characterised the society is an object lesson in economic development, but was not without risk as Maori became more dependent on western capitalism.

Jesson (1999) adds that the lack of an established economy caused problems for the banking and finance houses in Britain. With its established economy British banks financed trade through the discounting of bills of exchange and through notes of credit. This was considered unsound practice because long-term lending on this basis meant depositors wanting their money back would have some difficulty extracting it from the bank.

During the mid-nineteenth century New Zealand's economy was sustained by the flow of both private and public debt which in turn sustained a local elite. Competition was based on productivity rates and resources including acreage and canoes. However, Maori accumulated debt which caused a drop in production rates (Parsonson, 1980; Jesson 1999) A long period of settler dominated interference in the marketplace by government has left Maori at the present time under-capitalised and in turn has ensured that sovereignty remained contestable. Trotter (1998) in an address presented at lecture series, made the following recriminating comments about his pakeha colonial past:

Pakeha hostility to anything other than a straight-forward assimilationist approach to race relations is born out of an acute sense of illegitimacy. Like the medieval usurper, we [pakeha] are inordinately sensitive to any challenge to our sovereignty, and can call to our aid an endless series of justifications for seizing the throne. What we fear most and what cannot be dismissed so easily, is Banquo's ghost... (p: 2).

With the signing of the Treaty of Waitangi in 1840, the chiefs who signed were doing so in good faith and unaware they were ceding all sovereign rights to rule their people and their lands. Hobson pronounced on this day "he iwi tahi tatou" (we are one people) which emphasised equal citizenship but imposed European individualism on Maori with the result of economic and cultural autonomy were undermined. Maori were disenfranchised and their customary title to land was not recognised as having economic value in the new economy. Many of the difficulties in reconciling customary land tenure, and in understanding the transfer of substantial tracts of land from Maori to the settlers can be traced to the differing cultural values placed on land by both Maori and settlers. Much Maori land remained uneconomic and this was unevenly spread across tribal areas.

A good deal remained under the Maori Reserved Lands Act 1955 and consists of land where effective use was taken by the Crown and it subsequently leased to pakeha settlers. Although there are beneficial

Maori owners the leasing provisions still remain and have been the bane of contention among tribal groups in terms of economic development. Lessees had rights of perpetual renewal that entitled them to hold land and pass it down through their families or to sell on. Rents were reviewed only every 21 years and at the time of rent adjustments were limited by the Act to only 4% of the unimproved value at the commencement of the rental period for rural land and 5% for urban land. Given inflation since the 1950s it is obvious that the asset base of traditional Maori land is not producing current economic returns.

Grievances under the Treaty since 1975 have been directed through the Treaty of Waitangi Act and the Tribunal, they have also been the source of direct negotiations with the Crown for the reason that Maori entrepreneurial activity has often been linked to litigation with the Crown, direct negotiations and the achievement of settlement of Maori assets. The political feature of Maori leadership has many unique features while at the same time mainstream entrepreneurs also negotiate with government and engage in litigation with government to achieve entrepreneurial ends. In the Maori case, successful negotiations with the Crown can be seen by some as an end in itself. Achievement of resources however, should only be seen as part of the traditional function of Maori leaders. Active and effective use of resources is also important.

From 1900 to 1950 the establishment of new institutional structures including the Maori Council, Land Incorporations, Tribal Trust Boards, the Maori Womens' Welfare League, provided the platform for the validation of organic intellectual leaders<sup>3</sup> (Walker, 1993). Some were established to control and distribute monies for settlement of land claims. Others were to develop a title system that was becoming increasingly cumbersome due to the ballooning number of beneficial owners and yet other structures were established to facilitate Ngata's attempts to develop State-sponsored agriculture from the 1920s. Incorporated owners (shareholders) elected their own management committees and these committees were charged with farm management plans and developments (Butterworth, 1990). Although primarily concerned with land based economic development they also provided the power base for aspiring political leaders. However they were less favourable in achieving this to any significant degree because power within incorporations was wielded by the majority shareholder.

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<sup>3</sup> Gramsci refers to the organic intellectuals as intellectuals with their roots in an authentic popular community (he refers to the working class) as distinct from intellectuals from the ruling class whose expressions and roots are with the dominant hegemonic ruling class. See Gramsci (1985) pp 96-101.

### *Traditional leadership usurped*

The Maori text of the Treaty of Waitangi was signed by hapu chiefs on the understanding that they would be guaranteed, under Article Two, their continued and undisturbed rights to use land, forest, fisheries and other resources in the manner they sought fit. These rights, and more importantly Maori leadership was to be conferred by the Settler government and their own processes which consequently meant traditional authority structures were under threat.

In traditional times external relations of hapu groups were the leadership domain of the supreme chief, the Taiopuru, the highest of all chiefs. The lower ranked ariki were responsible for maintaining the political operations of the hapu activities. Internal leadership governance was formed around the base unit of the whanau headed by the acknowledged kaumatua and kuia. Whanau groups converged to form hapu led by rangatira. Hapu collectively formed the iwi conglomerate headed by the Ariki. The rangatira was regarded as the undisputed head of the hapu and if at the tribal council they considered the decisions agreed to be detrimental to the best interests of the hapu they did not hesitate to publicly disassociate themselves. Winiata (1967) suggests that by the 1960s the rangatira had virtually disappeared and the responsibilities they once exercised were now assumed by kaumatua. Winanta's analysis of traditional Maori leadership suggests that by the 1960s there were attempts within Maoridom to redefine leadership.

The Maori Council system was revived under the Maori Social and Economic Advancement Act 1945 and revamped under the Maori Welfare Act 1962. Leadership in the quasi-autonomous organisation was validated by the bureaucratic four-tiered elective process - executives, committees, regional councils and the national council. This structure sat uncomfortably with the kin-based Maori corporate group of whanau, hapu and marae committees. Although separated by a half century this new era of a Maori Council system still had as its underlying political agenda the same objectives of promoting Maori social, economic, cultural, educational and spiritual advancement. It was however never fully funded to achieve these tasks.

The Maori Women's Welfare League (MWWL) formed under the Department of Maori Affairs in 1951, also had a four tiered structure, but unlike the Maori Council it did not have a statutory obligation. Its

primary role was the care and nurturing of Maori children. During the 1980s it was instrumental in leading developments in early childcare care and the kohanga reo movement.

As state fostered institutions, both the Maori Council and the MWWL provided some form of legitimacy for organic leaders who were expected to operate within Pakeha systems of control. Those institutions that deviated or challenged the role of the State were perceived as radical threats. Those who maintained a position of allegiance were awarded a status that elevated the organic leaders to the mouthpieces of mainstream Maori opinion. These subalterns act, in part as the political buffers between the State and Maori, and as agents of control (Walker, 1993).

Maori Tribal Trust Boards were established by the Crown under various trust boards acts to receive compensation monies for confiscated lands, fisheries and other assets. Because effectively all tribal members were beneficiaries, trust boards were a better mechanism for validation of tribal leaders than incorporations. However the 1955 Act defined what the boards' functions would be, namely that of a "subaltern" in maintaining Crown hegemony (Simon, 1985). This was made more explicit in the Hunn Report's (1960) recommendations regarding Maori land developments that underpinned welfare policies.

By the 1960s traditional leadership was under some pressure to reconstitute itself into new structures and organisational frameworks so as to respond to political change and the changing demands of Maori, in particular, to urbanisation and land and agricultural developments. The structures were however created, managed and controlled by the Crown. After 1945 however, the tensions within this model became increasingly intolerable as the prolific rural-urban drift tested mainstream government social and economic policies.

### *The urban rise*

The post World War II years were times of rapid Maori population growth. In 1921 there were 56,000 (4.5%) registered on the census and by 1945, 115,000 (6.7%). It had more than doubled to 49,000 (9.3%) in 1966, reaching 523,374 (15.1%) in 1996 (Statistic New Zealand, 1998). This new urban population would have a Maori leadership with a common experience of participation in World War II.

The events of the war and government drives to conscript young Maori men from their tribal roots were retrospectively disastrous for tribal development. The exodus en masse of young men keen to show their fighting spirit under umbrella of the Maori Battalion won respect among the allied forces and even among the German and Italian enemy. The price paid however, was significant, with casualty rates among the highest in the battles of northern Africa and southern Italy (Soutar, 1999). More profound was the impact such losses had on traditional rural marae based life and in particular, on the future social and economic sustainability of the tribes.

The post World War II rural-urban shift saw 80% of the Maori population move to the cities and this had a profound effect on traditional rural Maori social organisation. Maori engaged in lifestyle changes that impacted on how traditions were subsequently viewed. It was a time when the crucible of the urban milieu threw up a new generation of Maori leaders who created their own platforms of political networks and support. They were engaged in counter-hegemonic struggles to deconstruct the historical narratives<sup>4</sup> of the Pakeha colonisers and mount protests against Maori injustices (Smith, 1999).

From 1945 until 1973, New Zealand underwent a period of sustained growth that to some extent paralleled Maori trends. The 1970s saw a Maori renaissance movement developed and driven by well educated, young, high spirited pro-Maori, pro-Treaty radicals, who were supported by well meaning pakeha liberals, or "pakeha biculturalist" as termed by Rata (1998). Calls were reiterated for the Treaty to be honoured and these calls came from groups such as Nga Tama Toa, The Waitangi Action Group and Matakite who were among the vanguard of Maori radicalism. Their efforts combined with those of more conservative leaders culminated not just in the Treaty of Waitangi Act but also the subsequent transformation of the Waitangi Tribunal into a government sponsored vehicle for criticising Crown actions. Their efforts to expose historical injustices also raised the Treaty to the level of a constitutional instrument. The Treaty of Waitangi Act sponsored by Matiu Rata signaled that Maori leadership would not be bound by the previous agendas of previous governments and mainstream New Zealand (Durie, 1998). The rush of radical opinion however, led not just to the re-politicisation of hapu groups but to a re-indigenisation of subalterns. The Department of Maori Affairs was challenged to assert proactive measures towards positive Maori development, Treaty claims were filed and race relations became the key political debate of the time and government could not avoid the voice of Maori. Undoubtedly the most significant event relating to Maori/Pakeha relations during the early 1980s was the 1981 Springbox tour. Not only did it divide a keenly enthusiastic country for rugby on the grounds of sport

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See also Walker (1993:11)

and racial politics, it renewed calls for racism in New Zealand to be on the political agenda. It reasserted also Maori calls for cultural, political, social and economic self-determination. Though the tour and the race relations concerns made public the much vaunted voices of “red-necks” and liberals alike, it did much to reconstitute the renaissance for Maori from one of a cultural focus to economic sovereignty.

Since the 1960s Maori development with the growth of urban employment, has led to greater individualisation of the whanau. Jones (1990:72) described changes affecting Maori social structures noting:

as Maori families removed from traditional structures have made their own arrangements and used a variety of different methods for solving the universal problems of earning a living, rearing children and caring for the aged, we may find that the iwi-based approach will be augmented by arrangements based on different communities of interest.

Jones adds that the State should engage more in “picking winners” (p: 71) and developing strategies that would address Maori burdens and not simply provide money: that government fund community and tribal initiatives that would produce the best results for Maori and for the dollar value. Hammersmith and Lewis (1988) see a community economic development as a means for improving community living standards. They see disparity as a community concern where improvement in economic, social and physical standards of low-income earners is achieved through improving community business that supports local investment, job creation and productivity. It sees the shortage of capital in low-income communities as an external problem caused by the siphoning off of resources and reinvestment occurring outside the communities. The model desires to improve local businesses by preventing “leakage” and by identifying and supporting local entrepreneurs to expand their locally-owned businesses which would in turn encourage local employment and the reinvestment of profits back into the community to further job training and employment opportunities. Jones has one view, others have taken a radical stance from Friere (Smith and Taki, 1995, Smith, 1999).

Friere (1972:148) considers the transformation of people’s reality and their desires to change comes from within. He states:

Instead of following predetermined plans, leaders and people mutually identified, together create the guidelines of their actions. In this synthesis leaders and people are somehow reborn in a new knowledge and new action knowledge of the alienating culture leads to transforming action resulting in a culture which is being freed from alienation.

Under the Treaty of Waitangi Act 1975, any Maori or Maori group could lodge a claim with the Waitangi Tribunal but public outcries by Maori have expressed their despondency and frustration at the enormously slow rate of settlement of grievances, not only in terms of time and money but in terms of fruitless negotiations with the Crown. Prior to the 1993 general elections government floated the idea of attempting to resolve all major Maori claims by 2010. The intention was to establish an overall financial cap for claims against which annual appropriations could be made by Parliament. All major tribal claimants would be consulted in an attempt to establish a tribal envelope. These envelopes would contain a mixture of fishery quota, land, forest and cash top-ups. In late 1994 cabinet approved its proposed policy (Crown Proposals) for negotiating settlements under the "fiscal envelope". The crown established the Office of Treaty Settlements to negotiate claims.

Maori claimed the fiscal envelope was a structural imposition devised by government primarily as a mechanism to pre-empt Treaty claims. Although a matter of considerable debate at the time heat over the fiscal envelope was due to the large number of Maori members of parliament and their involvement in government since mixed-member proportion (MMP) in 1996. Those claims registered with the Waitangi Tribunal fell into three broad categories: Claims around contemporary issues; historical grievances and claims related to ownership and stewardship of natural resources, both past and present (Durie, 1996; Durie 1998:179-180).

### *Claims to the tribunal*

Such claims focused around issues such as the Maori electoral Options, the status of Maori language and broadcasting. The broadcasting asset issue was taken to the Privy Council when government failed to act on the Tribunal's recommendation. Although the Privy Council dismissed the appeal, in their judgement a clear and firm message was issued to government to uphold the principles of the treaty of Waitangi:

Foremost among those 'principles' are the obligations which the Crown undertook of protecting and preserving Maori property, including Maori language, as part of taonga, in return for being recognised as the legitimate government of the whole nation by Maori. The Treaty refers to this obligation in the English text as amounting to a guarantee by the Crown. This emphasises the solemn nature of the Crown's obligation. It does not, however, mean that the obligation is absolute and unqualified. This would be inconsistent with the Crown's other responsibilities as the government of New Zealand and the relationship between Maori and the Crown. This relationship the Treaty envisages should be founded on reasonableness, mutual cooperation and trust. (Privy Council, 1993)

## Historical grievances

These fall into the following headings:

- (i) Pre-Treaty land transactions as ratified by the Old Land Claims Commissions after 1840. These transactions raised issues of Maori land tenure and issues of tikanga that prevailed prior to the Crown's assumption of sovereignty and its doctrine of tenure.
- (ii) Crown land purchases from 1840-1865 under the preemption provisions of Article II of the Treaty which were waived in the Native lands Act 1862.
- (iii) The impact of the title system imposed from 1865 by the Native Lands Court. This effectively translated customary land tenure into titles British law understood. In effect it was the individualisation and fragmentation of title.
- (iv) Land purchases by the Crown under numerous and complex statutes post 1865, including Crown acquisitions of lands in payment of survey costs imposed on Maori owners.
- (v) Confiscated raupatu lands taken under the New Zealand Settlement Act 1863.
- (vi) The Crown and Maori Trustee administration and land set aside as 'Native Reserves' which were sold or alternately leased in perpetuity and subsequently converted to other uses.
- (vii) Compulsory acquisitions under the array of Public Works Acts for 'public' works including farm settlement, hydro electric schemes, port development, scenic reserves and national parks. Also acquisitions under the Finance Act (No.2) 1945 for better land utilisation and the Turangi Township Act 1964 for construction of the town of Turangi. This latter case was heard in the late 1990s and final settlement made in September 1998.
- (viii) The impact of the administration of Maori lands by the Maori Trustee, Department of Maori Affairs, the Department of Lands and Survey which meant the loss of ownership by Maori owners. Such administration also limited participation and management by Maori owners and in some cases the reorganisation of land tenure.

## Ownership of resources

Article II of the treaty of Waitangi established Maori as having full exclusive and undisturbed possession of lands, estates, forests, fisheries and other properties which they collectively or individually possessed. The Crown Proposals, on the other hand stated "article I of the treaty gave the Crown the authority to govern in the interests of all New Zealanders and this includes controlling the use of natural resources for the common good" (1994:21). These natural resources included water, geothermal energy, rivers, lake beds, fore shores, minerals, coal gas and oil.

In terms of claims made, four types of interests in natural resources were identified. There were (i) ownership interest (control of actual and potential use); (ii) use interest (a defined right to use); (iii) value interest (a spiritual or cultural interest); (iv) regulatory interest (management and control for common good). There exists an inherent conflict between the Crown and Maori interpretations of the meaning of ownership. This brings into question resources and Maori interpretation of the Crown's guarantee established in Article II. Though the Treaty of Waitangi Act 1975 recognises both Maori and English versions of the Treaty, for Maori the Maori text has always been considered paramount and that which has been historically breached.

The Crown states, "Article II interests in natural resources are use and value interests, and therefore, it does not intend to negotiate Treaty claims based on Maori ownership interests in natural resources" (Department of Justice, 1994b). Furthermore, the Crown adds that negotiations on the use and value interests would be accepted only "where they can be shown to derive from uses and values in 1840, with allowance for the development of those uses and values as contemplated in 1840" (ibid):

### Regulatory interests

These are vested solely in the hands of the Crown 'to regulate for the common good' of all New Zealanders. This suggests that the fair sale of any land would extinguish any use interest in resources connected with the land, unless these were clearly understood to have been reserved for sale. Maori have unequivocally rejected the Crown's interpretation of 'ownership' of natural resources. The Hirangi marae hui held 29 January 1995 hosted by Sir Hepi TeHeuHeu solidified and affirmed this call of rejection. The hui report stated:

A refusal to contemplate Maori ownership of natural resources even though acknowledging use and value interests in contrary to the Treaty of Waitangi. The Courts have recognised Maori interests in natural resources have never explicitly ruled out Maori ownership... 'Tino Rangatiratanga' in Article II {Maori version} conveys a level of interest that goes well beyond 'use and value'. In choosing to ignore this interpretation the Proposal has prematurely opted for a colonial view of ownership and has dismissed global understandings of the ownership rights of indigenous people (Durie, 1995).

Much of the debate concerning interests centres on claims in the context of recognition of the constitutional place of the Treaty and the position of Maori as tangata whenua (Orange, 1988; Stokes 1997). Reconciliation requires resolution of two very different forms of land tenure and a European title system. Customary Maori tenure comprises of the dynamic system of usufructuary rights based on the

understanding that people belong to the land and that such connection binds together occupancy rights, identity issues and use of resources. The European title system is however based on the convention that the Crown is ultimate owner of all land from which all titles derive. These titles are guaranteed by records of ownership based on surveyed blocks, payments and official individual entitlement being granted. British sovereign rule however, as stated in Article One of the English version, gives the Crown the right to make the laws for the benefit of all based on the view that they are the owners of all property and all land. For two centuries Maori have refuted and rejected this claim arguing the treaty ensured guarantees of rangatiratanga would be uncontested.

Maori claims made in the context of modern time development are tied into the establishment of Maori economic, social and political organisations and mechanisms for controlling resource development. It is clear that these must now take into account the urbanised Maori (some 80% Maori population), the attenuation of links with ancestral marae and the formation of urban socio-political and pan-tribal structures. The debate within Maoridom remains concerned about rights to ownership and this is exemplified in litigation over fisheries. This however still remains part and parcel of the dynamics of Maori cultural adaption (Le Heron and Pawson 1996). The tribunal has facilitated Maori land claims to resources other than land including language, culture, flora and fauna and fisheries including deep-water fishing.

Recent Tribunal judgements have upheld Maori rights to claim ownership of the radio frequencies, despite the lone voice of Justice Savage. Tribunal press release statements suggested that the Treaty is not intended to fossilise the status quo but rather should be seen as living instrument to be applied in the light of developing circumstances (New Zealand Herald, March 1999). Their deliberation also showed the general reluctance on the part of the Crown to concede to Maori the right of possession and the development of properties unknown or that were in little use prior to, and since, 1840.

This majority judgement noted that the tribunal was not bound by the implications of Justice Cook's 1994 judgement that "however liberally Maori customary title and treaty rights may be construed, one cannot think that they were ever conceived as including the right to generate electricity by harnessing water power". Sorrenson and Anderson retort in their report that "the tribunal has exclusive authority to determine the meaning and effect of the two treaty text in claims before it...[and] in relation to the principles of partnership that neither partner can have monopoly rights over a resource. It is not reasonable or in good faith for the Crown to arrogate to itself the resource as it did the radio

spectrum". They also claim the Crown has a fiduciary (trusteeship) duty in its promise that Maori and their property would receive the Queen's protection and that Maori "expected in signing the treaty that European colonisation would allow them to share the benefits, including the technologies of those people".

Given this however, Tribunal chairperson, Justice Savage, disagrees and in a minority judgement says partnership is a core principle involved in this case claiming nothing in the radio electromagnetic spectrum shows that they should be dealt with differently. If this argument were accepted there would be no logic as to why it would be accepted in the case of DNA engineering, the licensing of airspace or of land, sea or air passenger services. Judge Savage does concede however that "we all accept, or should accept that the treaty is not locked in time or current knowledge or technical capacity. But it seems to me that the principle contended for by the claimant goes further to the point of attempting a new edition of the treaty". He also added that the Crown is "continuing an aggravated breach of the treaty in relation to Te Reo Maori and culture. It is fitting and right that the remedy is in some way provided from the communication field".

While government (both National and Labour-Alliance) chose to reject claims to radio spectrum on Treaty grounds, Maori leaders have used the Tribunal's decision and their influence in parliament to gain limited special rights to the use of some of these frequencies.

### *Maori leadership in a claims-driven economic paradigm*

A functional analysis of entrepreneurship is required at both the political and community level in order for Maori policy makers and community leaders are to understand how the economy and markets affect tribal organisations. It is therefore imperative that policy attunes itself to the role of entrepreneurship and how this is an integral part of the goal of adjusting disequilibrium in the economy. The high levels of unemployment experienced by Maori gives some rationale to the entrepreneurial argument; that new ventures created by entrepreneurs account for a significant proportion of all new jobs (Harper, 1992).

Mahuta (1979:20) comments:

We must learn the game, know the rules, and how to bend them. For me, the two keys to success in this society are money and education – they are the keys that deliver the goods. With education and money you can bring about whatever changes you want. Unless you have

a surplus of one or the other you are not going anywhere. [O]ne of the quickest ways to get this change is through intellectual advocacy. This has got to be 'he hurihanga o te hinengaro' - 'a revolution of the mind'. This is what the dominant society fears the most, not the social revolution but the intellectual revolution. We are then in tune with an international mainstream that knows no boundaries. We as a people need to build a nucleus which will intellectualise our condition and think it through for our people.

Winiata (1967) believed that only a handful of paramount chiefs remained during the 1960s. Today however, opinion among Maori vary widely as to whether this title is still relevant. The late Sir Hepi Te Heuheu, regarded as one of Maoridom's last great leaders was a master of the art of playing the unplayed hand and is regarded as one of these. So also it is suggested the Maori Queen, Te Atairangikaahu descending from the Waikato tribe. Mahuika (1992) and Duff (1993) suggest chieftainship is inheritable through bloodlines, not leadership role. That the role is only ritual and ceremonial if there are no leadership skills to accompany the figurehead position.

Gardiner (1992) affirms the view that leadership is fundamentally underpinned by the notion of accomplishment. That leadership is able and has capabilities and skill in strategic planning. Jones (1990) appointed by the Muriwhenua tribes to lead their Treaty negotiations after the death of Matiu Rata stated "the north has always been at its most important when it is under the spell of powerful leadership. But if the institution of arikitanga is to have a meaningful place it must be underpinned by a capital base. It can't function without the capacity for generosity". These issues were brought to ahead through the restructuring of the State and economy in the 1980s.

Peter Cleave (1989) suggested there are two generic thrusts to the State sector legislation, one calling for "executive accountability and the other for more community participation and control" (p: 32). The 1998 State Sector Act, however requires all government department CEO's to recognise the needs and aspirations and requirements of Maori.

The Green paper on Maori Affairs was possibly the most far-reaching reform of a government department. *He Tirohanga Rangapu* expressed a kaupapa of sovereignty (Cleave, 1988) and was strongly contested by Maori leaders. It proposed the abolition of the Department of Maori Affairs and Board of Maori Affairs in favour of a Ministry of Maori Policy that would function as a control agency with service delivery being devolved to iwi authorities and was the precursor to *Te Urupare Rangapu*. Following wide, and often confrontational consultation with Maori, arguably, selective and

governmentally sanctioned processes, these proposals were changed allowing devolution and formation of Te Puni Kokiri (TPK) to provide policy advice to government.

*Te Urupare Rangapu* took steps to empower Maori to a greater extent and considered that this would be achieved by mainstreaming. Conditioned by the capacity of the State to facilitate and create a workable bicultural framework, its purpose was to enhance Maori aspirations and self-reliance within the framework of iwi self-management arguing the strength of traditional iwi structure could be reflected in the fact that they are sophisticated systems of cooperation and communal effort which could provide an appropriate means of delivering government programmes to Maori.

Jones (1990) considers the potency of Maori self-development lies inherently within Maori people. This is perhaps uniquely expressed in the kohanga reo movement that provides a focus for the aspirations of Maori to retain their language and other taonga. It provides an essential component of Maori identity underpinning a clear expression of Maori sovereignty in the present context (Nepe, 1990; Smith, 1997; Smith, 1999; Rata, 2000).

In the exercise of Maori leadership, with the passage of time there has tended to emerge a difference between two major bases. On the one hand, respect paid to authority based upon the traditional principle of seniority of rank and its expression in symbolic form. On the other hand, a growing recognition of the need for efficiency in economic relations with Pakeha led to the acknowledgement of authority of leaders who were distinguished for their ability rather than social status and this was not new but was recognised as early as the 1920s (Firth, 1959:472).

### *Contemporary emergent Maori leadership*

Two assertions can be made about circumstances affecting Maori leadership today: leaders are custodians of tribal resources that translate, in economic terms, as assets open to foreign markets; and tribal organisations are fundamentally driven by western models of economic development, despite declaring they are Maori, for Maori. Clearly western models of leading are problematic in that leadership is concerned with how one harnesses personal goals and aspirations for self actualisation against the organisation's objectives.

Hierarchical leadership is based on Weber's (1958) bureaucracy model whereas systemic leadership is based on boundary theory (Wheatley, 1994). Leadership is valuable when there is a disjuncture of values. Systems leadership is about protecting groups and negotiating boundaries. Leaders protect core values to maintain loyalty while negotiating commercial transactions in the business environment. For Maori deeply held culturally based values like kinship and collective processes contest against western views. Maori leadership is about reconciling differences, transacting between boundaries and negotiating without being two-faced about it. The important aspect of leadership is balance.

Institutions and programmes that aim to improve the welfare and economic needs of today, are by their very nature significantly different from the aims and objectives of Maori organisations established during the 1950s and 1960s. Early organisations were typified by pan-tribal interests and an emphasis on inclusiveness and cooperation. Today's organisations operate in a competitive environment where contestable funding and public accountabilities define the fiscal and economic viability of Maori initiatives. In addition, emphasis has turned from the collective needs of Maori to the needs of hapu and whanau to managing existing and potential resources. This has the danger of setting Maori against Maori but can be regarded as essential to truly iwi-centred Maori development.

### *The environment of modern Maori economic development*

In 1992 Maori Trusts and incorporations collectively had equity estimated at around \$600 million. Against this they had liabilities of \$56 million. Treaty settlement claims have netted capital and resources for Maori business interests to develop existing lowly-g geared enterprises and in addition many Maori individual entrepreneurs are successful in their own right (Te Awekotuku, 1998)

A number of factors have conspired against sustainable Maori expansion, not least a lack of capital. The bulk of the \$600 million is tied up in land that incorporations and trusts administer and which is integral to cultural identity and multiple shareholder membership. Shareholders have no interest in selling, neither, to their benefit, are they getting a reasonable return. And because of this are less vigorous in pursuing profitability, particularly given their acceptance of broader financial objectives in the management of their assets.

Roger Kerr (1995) believes that the more Maori business take on the characteristics of 'normal commercial organisations' the more they are likely to succeed, and achieve results. The business forms

referred to are those such as the publicly listed or private company, joint ventures, partnerships, cooperative groups and sole-traders co-existing within competitive economies. Kerr, himself is convinced that the listed company approach is the best way to go stating:

There are good reasons...why the listed company is a particularly successful vehicle where large quantities of capital are required, why professional services are often provided by partnerships, and why the owner-operator is the dominant model of farming. Trusts and cooperatives have more restricted applications and, as business forms, appear to be in steady decline around the world. Allowing open competition amongst business forms is one ingredient in economic success. It will be important to Maori success in business to avoid constraints on such competition as far as possible.

For Maori, modifications to cultural values are part and parcel of economic growth and development. In the business world understanding international business culture is necessary if Maori are to survive. The hui is a strength for Maori however it can be, and often does prolong critical business decisions. Despite this, when properly run, hui provide a high level of accountability to shareholders and allow shareholders to provide on-going signals to Trustees on the wide range of concerns that go beyond the simple need of profitability.

Many business leaders like Kerr would regard the Treaty of Waitangi as having little part to play in active business. What is clear however, is that possession of land and other natural resources inherited or reclaimed under settlement agreements are important for successful Maori economic development, however they cannot be relied upon to ensure economic viability. International experience (Trompenaars and Hampden-Turner, 1997) shows that success owes far more to how intelligently people manage their own affairs, and on cultural attitudes towards work, saving, enterprise and pride than it does to its resource base.

Sewell (1983) has argued that the low socio-economic status of Black Americans is not attributed to an inferiority position as he points to the relative success of multiple disadvantaged Chinese and Jewish migrant families who are enjoying average economic success. It would follow that discrimination may not, as was considered in the past, a determinant of social status. Maori understand that strength of resolve is itself driven from the sore of their oppression. Sewell also pointed out that some of the most dramatic rises from poverty to affluence in the United States were among groups who did not use the political route to economic advancement, but made deliberate decisions to focus on economic progress without entry into the political arena.

In Freire's (1972) analysis this process of domination hindered the pursuit of self-affirmation and this in itself constitutes oppression. It is the contention of this study to argue that because oppression is dehumanising and brings with it a distortion of being human, those oppressed must struggle against those who oppress in order to recover their stolen humanity. The struggle is not just a political sovereignty of rightful tangata whenua status, but an economic sovereignty also. Freire is adamant that the humanistic goal is liberation of themselves and their oppressors (1972:22). The Treaty of Waitangi claims are best regarded as issues of justice with a secondary degree of interest on the overall economic position of Maori in the future. In economic terms Treaty claims are redistributive by nature as it involves cutting the cake several different ways and this limits the advancement of Maori economic development.

Government has a key role in creating the policy context in which Maori enterprise and culture can survive and flourish co-habitually. To avoid any unnecessary divisiveness or semblance of separatism, they are required to maintain unity of both the constitutional and legal frameworks of New Zealand social life. Kerr commented in a 1993 address to business:

Within a supportive legal and ethical framework, the open society permits Maori and other citizens to choose how they want to run their lives. The options range from alternative lifestyles to rampant materialism. Most people are somewhat in the middle, recognising the real advantages of economic prosperity and the need to retain other values and interests. For those who seek economic success and an escape from dependency, there is usually no short-cut; the only dependable route involves two four letter words, 'hard work'.

Operating within such a market economy however requires paying a social and cultural price where aspects of traditional culture, once held as non-negotiable are invariably undergoing change.

### *Towards a consolidated Maori economic development strategy*

The Hui Whakapumau 1994 focused on two broad based concerns i) on Maori commercial development and its role in an expanding Maori economy, and ii) on realising Maori commercial assets and on planning for future Maori economic growth and investment. The central challenge as understood by delegates of the conference was how Maori would manage these assets to obtain maximum benefit, not just for hapu and iwi, but the wider community. It gave Maori the opportunity to review, critique and assess the decade that had passed since the initiatives of consolidated Maori development of Hui Taumata in 1984. Hui Whakapumau aimed to identify what key areas of social,

political, economic and institutional development had changed the position of Maori. The call from Hui Taumata clearly was to promote and enhance iwi development as the strategy towards raising Maori living standards. However as the ensuing market-driven ideology of government became more evident particularly during the late 1980s skepticism grew as Maori saw the signs were not good. The Vote Maori Affairs diminished significantly throughout the transition period of Maori Affairs and as such funding of iwi-based development projects in housing, employment creation, training and land development were negated.

Mahuta (1995) argued that the removal of government support funding Maori enterprise would destabilise Maori development. The contributing factors of such destabilisation were in his view related to educational underachievement, unemployment, low incomes, regional and geographic isolation, demographic spread (with 50% Maori under 25 years of age) and a lack investment in growth industries. There is nothing new in Mahuta's observations and comments as Maori leaders have been expressing these same sentiments since the 1980s.

Under the State Sector reforms, the Ministry of Maori Development, Te Puni Kokiri (TPK) has like all other government departments been influenced by the ideology of libertarianism as have other government agencies. The principles behind the reforms are clear and indicative of where Maori interests would be positioned. The State Sector Act 1988 provision allowed for the separation of a government department's non-commercial function from its trading function, therefore the objective would be to run the state sector as a business. As such business enterprises would:

- have to buy their inputs at prices that would reflect the economic value of those inputs
- pay tax as in the private sector
- need to show a commercial return on capital invested
- operate in an environment of competitive neutrality, that is, they would not be protected from competition in their own market, and
- put in place industrial and personnel policies in line with the private sector

Managers of these SOE's would be responsible for decision-making on inputs and outputs, pricing and marketing and accountable to Parliament for their results (Boston, 1991).

### *Inhibitors to Maori economic investment*

### *Inhibitors to Maori economic investment*

Mahuta notes that that from an investment point of view most iwi authorities will be experiencing the constraints of:

- multiple title
- lack of capital/collateral
- lack of management skill
- concentration in the wrong i.e. "sunset" sectors of the economy
- a tendency to cluster in the non-growth areas
- lack of information and understanding of commercial requirements
- inappropriate organisational structures

In spite of these negative factors however, Mahuta (1989) suggested Maori have made strides, particularly in economic development.

### **Current climate of Maori development**

Politically the 1990s was dramatic with the fall of Maori seats to the New Zealand First Party; the shifting power brokerage to coalition arrangements and the political force Maori brought to bear under MMP. This will have implications for business confidence and significantly for investors, the Transnational corporations (TNCs) and the sharemarket speculators. They all seek assurances from government that political stability exists and in a climate of coalition this can hardly be guaranteed. For Maori entering into business, the political realities are overshadowed by the harsh economic realities entrepreneurs are all too familiar with. Maori political action had been directed at political resources and at the restitution of Maori resources through the Tribunal and the courts. Judicial confusion gives Maori added leverage in fisheries and in claims to SOE land. Since 1996 however, and MMP's success, political and judicial activities have been more evident due to an increased Maori presence in parliament. These two phases (legal and political) have been associated with two quite different groups of leaders. The first group of leaders who pushed through the legal claims in the late 1980s have been accommodating of capitalist ventures, whereas the second group have often been highly critical of these mainstream actions of the earlier litigators. This is most easily seen between conflicts between Tipene O'Regan and John Tamihere. Tipene O'Regan (New Zealand Herald, 22/01/98) calls for Maori to move out of the mindset of inter-generational "siege warfare". Speaking to Maori leaders, academics and politicians at a Waikato University Maori Studies conference he says tribes face fresh challenges in terms of managing their new wealth. An unrepentant corporatist, O'Regan argues that Maori should

get over their contempt for big business and warns Treaty settlement assets will not become privatised tribal assets for social welfare distribution. The fisheries claims have become a dividing line between these two perspectives.

### **Maori fisheries**

After several years of litigation since the Tribunal investigation, the Crown entered into negotiations to settle Maori claims to commercial fisheries. The immediate catalyst for this was the injunction lodged in the High Court in 1987 by the Maori Council, Tainui Maori Trust Board, Ngai Tahu Maori Trust Board and Te Runanga o Muriwhenua. These bodies are the respective leadership mandates of the chief claimants of Sir Graham Latimer, Robert Mahuta, Tipene O'Reagan, and Matiu Rata. In the case of the Tainui Maori Trust it was converted into an instrument of achieving tribal objectives. Ngai Tahu is more problematic as it does not have the same cohesiveness as Tainui. What it does have however is Tipene O'Reagan's leadership ability in transforming the Board into a political instrument for dealing with its grievance claims. The leadership vision of the late Matiu Rata was a mix of overlapping ascriptions. As a former cabinet minister and experienced politician he revived the Mana Motuhake Party. But his true asset was his knowledge of what was politically feasible in the settlement of fisheries claims. Sir Graham Latimer's role as president of the New Zealand Maori Council and ties with the National Party revealed him to be a conspicuous National subaltern.

When the Court ruled in favour of the claim, it advised the Crown to negotiate with its iwi Treaty partners for the use of its resource. In place of iwi, the Crown recognised the chief claimants as the principal negotiators. This conferment precluded all other claimants from entering the debate. These negotiators were detached from their iwi bases by being elevated within the power structures of the state. They claimed 100% of the fishery however conceded a willingness to share 50% with its partner after an interim agreement with the Crown to transfer 10% of quota over four years.

In 1989 and in anticipation of the quota share, the Maori Council established the Tangaroa Corporation to receive the quota on behalf of all Maori people. The Council also formed Kahukura Management Corporation as a subsidiary of Tangaroa which had among its functions the allocation of inshore quota to iwi, the undertaking of research, shoreline surveillance and conservation.

Fisheries negotiations culminated in the Treaty of Waitangi (Fisheries Claim) Settlement Act 1993. Here the then National government laid the parameters of the settlement. The Act established the Maori Fisheries Commission, Te Ohu Kai Moana, headed by Tipene O'Reagan and the commission established Aotearoa Fisheries and its commercial arm led by Sir Graham Latimer. The settlement effectively pre-empted any further independent action by iwi groups on fisheries. It also ensured that the Maori commercial fisheries would be used in a manner compatible with the fishing industry and the economic goals of government.

The Sealords deal exemplified the political will, power, expedience and pragmatism of the time evident between the Crown and the Maori negotiators. An inclusive solution was needed, and Sealords presented "a window of opportunity". For government, the \$150 million spent was seen as small placed against the unsettling consequences of Maori not resolving commercial fisheries claims. Upon reaching an agreement, the negotiators' task was to seek a mandate to effect a *fait accompli*. Following hui held throughout the country, thirteen tribal groups, including the Moriori opposed the deal on the grounds that treaty rights were not for sale. The issues tribes raised were however not fully debated. Instead representative tribal leaders were invited to parliament in September 1992 to sign the Deed of Settlement. This deed parallels in an interesting way the Treaty of Waitangi intent. Representatives were given virtually little consultation time, perhaps only a few hours to read through the 26 page deed document, understand its economic and political intent and sign it on behalf of their iwi.

At the conclusion of the hui, 93 signatories penned their names on the deed, yet there was little sense of clarity or direction. Some signatories signed twice, others signed without stating their iwi affiliations, two signatories were later identified as the wives of negotiators, one signatory signed on behalf of two delegates who were not present and Sir Graham Latimer signed the deed three times. Others signed on behalf of their waka, respective trust boards and runanga. Finally 18 signed under the designation of "plaintiffs" in the fisheries settlement claim.

Perhaps the most invidious nature of the Deed of Settlement was the provision to liquidate all other Treaty right to make further claims concerning fisheries for commercial purposes. In exchange for the Sealords deal signatories would agree to the Crown repealing section 88(2) of the Fisheries Act 1983.

In the course of events however 13 dissenting tribes sought a high court injunction against the deed. Justice Heron denied the injunction on the grounds that the deed cast obligation only on those who

signed it. The case went to the court of appeal where it was again dismissed by Sir Robin Cooke on the grounds that parliament was free to enact legislation on the lines it envisaged in the deed. Six months later the deed came before the six Maori MPs from both sides of the house who in a untied front opposed the Settlement Bill on its introduction. They were of the view that there were unresolved matters pertaining to the transferring quota and company shares to a statutory body on behalf of all Maori. The vexed question of who are to be the beneficiaries and how assets are to be allocated remains a contentious and largely unresolved issue today. In all of this however, the political tension between key negotiators and other Maori leaders soon became apparent. Negotiators were in the main seen as representing their tribal interests and therefore pushed for entitlements and an allocation formula that reflected such interests as at 1840. Other more pan-tribal focused leaders, notably John Tamihere argued that allocation should take into account the new reality of disenfranchised, young, urban dislocated Maori. Hall (1999:3-4) comments:

these modern day leaders will espouse the view that what the tribes do with the proceeds of settlement is their business. In reality that is just another way of saying that a selected handful will decide. A small group decides the structure for which a nominal mandate is engineered, then they turn themselves from being trustees for the people, into directors of the people – with all the paraphernalia of directorships and consultancy fees, cars, cell phones, trips overseas and the like. The fisheries settlement illustrates the worst excess of the process. It was good as set up in 1989, where a commission was to administer settlement proceeds for the benefit of all Maori, any Maori or group of Maori with an emphasis on skills training at the local level to get Maori into business.

In the five year period from 1993 to 1998, an estimated \$5.5 million was spent in litigation costs and with the high court ruling delivered, \$500 million was to be allocated among iwi groups. Of this total \$200 million was in pre-settlement assets (prior to 1993) and \$300 million in post settlement assets.

The implications of the Sealords settlement has significantly raised the asset value of Maoridom and provided ownership rights to an ascribed elite who hold tribal leadership. The way in which these rights have been defined in recent High Court cases has however further fractionated and marginalised Maori. What is becoming more evident is that for the first time since 1840, Maori are reestablishing a resource take in commercial fishing. Te Ohu Kai Moana (TOKM) considers development an imperative in terms of growth, allocation and transfer to iwi assets and to ensure fisheries management is consistent with the rights guaranteed under the treaty. Its rationale for development was (i) that to be the best Maori need the best (ii) that assets are critical, particularly its economic and heritage assets (iii) that Maori scholarship programmes are important to ensure educational attainment and (iv) to prioritise human capital (intellectual) development as important as the importance of asset acquisitions.

The Sealords deal is indicative of the complexities surrounding the mandate for Maori leadership today and the institutions that underpin them. The genesis of the problem for Maori is both historical and structural. The chiefly leaders of the last century who resisted the colonial enterprise were disempowered by the State while compliant leaders were assigned subaltern and auxiliary roles.

The structural relationship of domination and subordination, between the ruling British Crown and Maori subalterns became even more entrenched as carried over into the twentieth century. There after, leadership conferred by the Crown became more influential than ascription in the assumption of leadership roles. But because the corporate kinship groups of whanau, hapu and iwi survive the colonial enterprise, modern day Maori leadership is a contradictory mix of tradition and modernity. For most of this century, organisational leaders in the various guises of intellectuals, prophets, politicians and radicals held the political initiative in the counter-hegemonic struggle for cultural survival and self determination (Walker, 1993:23).

In mid-1998 the High Court, a seemingly inappropriate body for defining what is Maori 'lore' and custom, under Justice Patterson, determined that the settlement allocation to Maori under the Deed of Settlement, was to be made to "traditional iwi". There are factions within Maori and non-Maori alike who view this an unacceptable 'lose-lose' situation. They refute the fact that this was decided in a pakeha court of law and the ruling was unjust. Tau Henare, the then Minister of Maori Affairs, expressed his concern and direction frustration at the allocation model set in place by the Fisheries Commission (NZ Herald 23/09/98). The proposal they presented, following Justice Paterson's ruling, allocated only \$10 million to urban authorities. These issues are still before the Court and without parliamentary interference will not be resolved in the immediate term.

### *Government's approach to the resolution of tribal claims*

Public litigation has drawn attention away from the equally important question of the way Maori assets should be managed. This includes:

- Maori genuinely uniting efforts to establish a firm, independent economic base from which sufficient profits can be generated to fund social and community programmes
- Access to capital markets
- The ability to produce good, clean title for mortgage purposes
- Demonstrating the capacity to repay development loans

- Developing management skills of an order to generate confidence within the business community that Maori can handle their affairs and the affairs of other shareholders professionally

Maori are also concerned to escape from personal dependence on the State. Maori aspirations include such self-actualised needs as sovereign acceptance as tangata whenua and equity. Clearly the full impact of implementing modernisation ideology has created the cycle of negative dependency it so aptly is predisposed towards doing. As such Maori fall into the so-called poverty trap proliferated by economic and social policies that declare Maori unfit to make their own decisions. Maori have become accustomed to the "hand out" mentality and programme-driven notions of development. These initiatives do little more than enhance the disparity gap while destroying the psyche of intent and self-worth. In saying this however, Maori must, as many pro-developmentalists argue, take responsibility and create momentum. Here the role of the entrepreneur is imperative in advancing development on social, economic and political grounds.

In looking at the development vehicles and leadership models in place and in particular the role of Maori Trust Boards, it is clear there are legislative, structural and organisational deficiencies that are problematic. Tainui Maori Trust Board made the following observations in their submission to the Mason Review Committee (1992):

As part of the process of settling Maori claims and the renaissance of Maori generally, various options of organisational form for Maori enterprise of all types are being considered. In particular, the existing Trust Board structures, are proving inadequate to the increasingly broad sphere of activity in which tribes wish to become involved. Other formal and informal structures are also proving to be inadequate for various reasons.

For some Boards this is a major issue having considerable significance. While other iwi have pursued differed routes in trying to develop more adequate structures, our Board's [Tainui] view is that to date there has not been a sufficiently rigorous application of economic and commercial principles to this problem.

Though there is general acceptance that Maori Trust Boards have reached their use-by dates in that they have neither functional ability nor capability to respond to the competitive elements of a developing Maori commercial market economy, it is iniquitous to assume that by adopting a primary western model of economic development Maori would significantly be better off. Such a move would serve only the interests of market forces and "big" business leaving little that would distinguish Maori economic activity from those of other market players. One ideological viewpoint espoused by free market capitalists is that if Maori are to develop as viable economic players they must adopt the economic, commercial and political mechanisms of the west. Though there is some merit in this view, it

requires a set of ethical values that are evidenced with the tikanga principles practiced by Maori. The idea of adopting western practices is inherent in not only the colonial literature of the 1800s but also of the modernisation literature of Smelser (1973) and Rostow (1956). Tainui made the comment:

The requirements our people [sic] in developing efficient structures are broad. There is, for example, a need to manage a wide variety of commercial enterprises such as farming and forestry investments, commercial, industrial and residential property investments, financial market investments in equity and debt and various higher risk venture capital enterprises....The Board therefore faces urgent needs to develop robust commercial management structures.

Though Tainui is to be congratulated for having its tribal interests at heart, it is of concern that the very structures they, and other tribal authorities, are so adamantly drawn towards, are ironically, the very structures that have perpetuated the modernisation advances exploitation and land annexation. Indications from overseas experience, in particular the post independence situations in Africa and other developing countries, suggest that the outcome is the creation of a small but powerful elite black 'bourgeoisie' of self elected tribal headmen who become the controllers of tribal assets, and are thus in positions to use those assets at their discretion without the sanctioning of all tribal shareholders. This would predictably lead to the further widening 'rift' of the informed rich against the uninformed poor Maori.

#### Deficiencies of trust boards in a modern business environment

The primary concern with Trust and trusteeship structures as an organisational form is inherently its inability to respond to current and future external modern day challenges. This is in part due to Boards being governed by and operating under various pieces of legislation. It is also clear that structural deficiencies are endemic within Boards themselves.

The concept of trusts and trustees is used with very clear and specific objectives and apply under certain conditions. It is noted that public domain people make use of trusts as a means of looking after minors or individuals unable to look after their own assets where the trusts themselves are tightly governed through trustee legislation and trust deeds.

Other structures, such as non profit organisations, limited liability open and closed corporations, partnerships and mutual forms of organisation are all used in addition to, and much more

predominantly that trust structures so as to advance the multitude of objectives which pakeha society and the individual wish to pursue. As many iwi groups are asserting themselves as entrepreneurial companies and commercial enterprises a more diverse form of organisational structure is required, also as iwi authorities are engaged in settlement claims, structures are required to ensure commercial outcomes can be achieved by way of retiring benefits to all iwi members.

Several deficiencies of Trust structures can be identified. Trusts were established under Section 438 of the Maori Affairs Act (1953) and later under the Trust Board Act (1955). The 1955 Act was deemed to "act to provide for the better administration of certain Trust Boards". The assumption was that "better administration" was presumably achieved through Ministerial control and government audits. Such legal requirements were imposed on the premise that:

- Trust boards are not competent to manage their own affairs, therefore are subject to ministerial approvals; and/or
- Trust board beneficiaries require ministerial protection; and/or
- Trust boards receive and administer public monies and should therefore be subject to government audit.

The first premise is unsubstantiated, paternalistic and unrealistic in the present climate of social and political policies. It is outdated in the sense that Trust boards exist within a modern commercial context. To require ministerial consent on all activities would render them commercially inefficient and cumbersome and most importantly inhibit any degree of credibility and competitiveness in business. The second premise is also profoundly paternalistic and outmoded. There is no justifiable reasoning as to why trust boards should not be subject to the same obligations and liabilities to their beneficiaries as any other trustee would.

The third premise is a fallacy. It is contested that any monies paid to trust Boards under the Act are not public monies but are monies by way of compensation to tribes represented by those Trust Boards. As such, they should be deemed monies to which Trust Boards are entitled as of right rather than privilege. Therefore, it should not be subject to government audit. Trust Boards should only be subject to government audit in relation to their administration of public funds. Any other audit should be conducted by an appointed private auditor, as in the case of any private company.

For reasons of timing more than structural or historical reasons, the 1987 stock market crash had little effect on Maori economic development. It did however provide Maori with a timely review of its own assets and importantly, its vulnerability on entry into the commercial market place. It was perhaps

fortunate that Maori did not have the degree of capital assets in trust to succumb to high-flying deals and speculative acquisitions. It was not entirely due to the traditional conservatism of Maori trustees, but poignantly to a lack of knowledge and understanding of business.

During this same year the Maori Development Corporation was established and set about as its first task, to elicit investment funds from tribal authorities. Between 1987 and 1989 it had limited success with its investment strategy and in reviewing these strategies it embarked on a course of activity that developed significant returns for its Maori investors. These included shareholdings in Moana Pacific, U-Bix, Power Beat and Deka-Farmers. During a turbulent period in 1995-1996, MDC launched a take over bid of Power Beat International and attempted to oust its founder and general manager. It perceived the position of Power Beat to be performing below commercial expectation and differed in view of where the company was going. Developments in fisheries, tourism and forestry were other areas of opportunity.

To foster further developments in areas of technology, resource management, forestry and fisheries, momentum must be maintained. In order to do this, effective leadership and organisational systems are required to stabilise and advance commercial developments. This is particularly evident within the debate on fisheries quota and allocation of fisheries monies. There is widespread opinion on how this should be done. Contestation looms around what mechanisms Te Ohu Kai Moana will optimise in order to further the social, cultural, economic and political agendas of Maori. To develop realistic expectations Te Ohu Kai Moana must crystallise a sustainable shared vision of its role in the general advancement of Maori and engender a broad consensus as to its philosophy, objectives and priorities among Maori as well as the wider community. This should form the mandate upon which a detailed strategic business plan can be developed to bring the shared vision to fruition. Such a strategic plan ought to define the goals of Te Ohu Kai Moana as accountable to iwi.

### *Towards the corporate model*

For Maori enterprises, a company structure has been adopted as a viable model as it provides a number of features suited to its involvement in commercial activities: notably its accountability features and requirements under the Companies Act (1993) and Financial Reporting Act (1993) to protect the interests of shareholders and creditors. Transparent governance structures and freedom from outside influences would give it greater certainty in commercial decision-making processes. The company

structure would then provide the mechanism and legal framework whereby Maori land ownership could be separated out from the business of utilising Maori land (Kingi et al, 1999). This could then allow title to remain in Maori Incorporations, Trusts or hapu-based holdings and allow improvements to machinery, livestock or the lease of the assets of the company. The Companies Act would then provide the structure of a management body and a Board of Directors to oversee any subsidiary company.

With the establishment of a company comes the separation of commercial activities from social and cultural responsibilities where it gets on with the task of generating sustainable financial returns and the distribution of profits. Currently with limitations placed on Maori Land Trusts of share non-transferability, this affects any potential for capital gains to equity holders. The key constraint for Maori has been their limited capacity to invest because of low profits and generally poor positive cash-flow (White, 1997).

### *Ngai Tahu's transformation*

In 1991 Ngai Tahu and the Crown agreed to introduce special legislation to establish a legal representative body for the tribal collective of Ngai Tahu whanui. Legislation was introduced in 1992 and after extensive internal tribal consultation, a proposed Charter was developed to set out the guidelines and rules for the new body and this was finally adopted in 1993, however because of delays in select committee processes legislation was not enacted until 1996. The 1996 Waitangi Tribunal's Ngai Tahu report recommended the disestablishment of the Ngai Tahu Maori Trust Board in favour of the Runanga structure to act as the 'legal personality' necessary for the transfer of substantial Treaty settlements. The Ngai Tahu (Pounamu Vesting) Act 1997 effectively instituted the formation of Te Runanga o Ngai Tahu, that was to provide the mechanism for transferring all the assets and activities of the Ngai Tahu Maori Trust Board to the new body. The Act also recognised the Charter adopted in 1993 which outlined guiding principles and operational rules under which the organisation would conduct its business. The Runanga has been referred to as the 'tribal parliament' of Ngai Tahu as it represents, but does not trespass on the rangatiratanga collective of its 18 Papatipu hapu groups.

The role of the Papatipu is to elect its executive committee and it is responsible for appointing Runanga representatives to the tribal parliament. Te Runanga o Ngai Tahu is acts as Trustee of the Ngai Tahu Charitable Trust through which it owns and operates its many activities. The activities of the Trust are separated into two operational bodies, one that deals with commercial operations and the other with

social and cultural developments. Respectively these are its Ngai Tahu Holdings Corporation Ltd and Ngai Tahu Development Corporation.

### *Tainui corporate and the Kauhanganui*

Tainui was the first tribe to settle its land claims against the Crown in 1995. Following legislation to finalise its deed of settlement, the Waikato Raupatu Claims Settlement Act (1995) was enacted. The settlement related to considerable lands confiscated under the New Zealand Settlements Act 1863 and since this time Tainui has not lost sight of its need for equitable recompense for the loss. The settlement itself included the return of land, an official apology from the Crown and monetary compensation. Tainui agreed in broad principle to follow guidelines set out with the Crown, and also being mindful of pending claims, their outstanding claim to the Waikato river and claims of other litigants, to distribute benefits to the tribe. The Trust Board would encourage and assist in helping hapu develop economic independence, provide educational scholarships and invest in its increased tribal land holdings. As for the returned lands, they were vested under the Kingitanga movement and could thereby never be alienated. Land purchased with the proceeds of settlement capital however would be used for commercial interests. This effectively helped reconcile what was perceived as the conflicting objects of retaining land for customary purposes and the developing of land for economic development. Though the Tainui Maori Trust Board has been the significant player in the negotiations with the Crown, with Robert Mahuta as its chairperson, it recognised from 1997 on that it was not the most appropriate mechanism for Tainui's corporate and commercial development. Its demise was drafted into the Waikato Raupatu Claims Settlement Act and in October 1999 it was disestablishment and the Kauhanganui Council was formed to oversee the commercial operations and cultural developments of the tribe.

### *Calling leaders to account*

In a 1992 article appearing in *New Zealand Business* it was identified by a number of influential Maori business leaders at the time, one of the major problems hampering Maori business authorities and hindering the development of Maori business enterprises was the shortage of well trained and suitably experienced Maori business people. In the same article, John Dyll, secretary of the MDC made a slight attack on traditional leadership stating the "appointment of Maori to management positions in trusts and incorporations tends to be based on seniority and lineage and not necessarily on experience. As a

consequence there is insufficient understanding of business practices or knowledge of information necessary for successful management".<sup>5</sup> Whaimutu Dewes made a similar comment, however his view suggested the need for dynamic business leadership of a dual constituency nature recognising that for Maori enterprises it was important to make commercial aspects fit the cultural imperatives. He stated:

They're not contradictory but solutions need to be more creative than in the past. Bankers are not creative in terms of looking for solutions to development issues; they know all about risks. Financiers are the same. Anything which requires creativity puts it further up the risk scale. Maori investments tend to be on the higher end of the risk scale, I think largely because they're unknown or shrouded in mystery - or misinformation".<sup>6</sup>

John Tamihere CEO of Waipareira Corporation, at a government sponsored conference held May 1998 to look at the effects of Gaming on Maori, spoke scathingly of Maori leadership, remarking that it was timely to bring "our bankrupt Maori leadership to account". This comment followed his poignant assertion that Maori were "being mesmerized by the bottom line" and with the extension of further gambling attractions Maoridom were being given clear subliminal messages from the casino capitalists that "it is fashionable to be the loser". After all it is well noted that places like Las Vegas were built on the backs of its losers. Already Tainui Trust has run into difficulties in its proposed initiative to use its Treaty settlement assets to pay its entry into the casino business (NZ Herald 14/09/98). Gilgen, a major critic of Tainui's big business operations, claimed chief executive of Tainui Development Ltd. (TDL) disclosed it had the ability to fund its contribution to the venture by way of providing funds out of its unconditional property contracts relating to the sale of houses at Meremere. Before government had placed its three year moratorium on the processing of new casino licensing applications, Tainui Trust intended to become a 25% shareholder in Riverside Hotel, the owners of Novotel Hamilton. This information upset Tainui beneficiaries at its September 1998 board meeting and questions were put back to the Trustees. Gilgen, stating that "the legacy of corporate boxes, nightclubs, pubs and hotels has left many beneficiaries stunned and dumbfounded" following from which Tamihere made a similar claim that the young Maori who live in urban cities require access to opportunities they are entitled to, but under the high court ruling of Justice Paterson would not receive. Similar criticisms were lodged at State and old-guard of Maori leadership. Maureen Waaka from Te Arawa challenged her own hapu's leadership in supporting a proposed casino for Rotorua. New Zealand First MP, Tukuroirangi Morgan expressed his concerns at his own people of Tainui as they consider the gaming potential as a

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New Zealand Business cover story "Maori Business - What's the real story?" April, 1992.  
Ibid p 23.

commercially viable operation. Schwartz (1991) commented on the seductiveness of the modern economic order to entrap consumers, stating:

We live in a materialistic society that inculcates us with the idea that happiness means getting more than we have. To sit still economically or, God forbid, to move backward is to be a loser. We have been socialised to sacrifice almost anything, including our families, for material gain and we are slaves to the inner voice that reviews our economic or social progress and always finds it unsatisfactory relative to our parents or our friends or the Huxtables (p: 66)

Not surprisingly many Maori and non-Maori alike are concerned at the emergence of two distinct groups of Maori that have resulted from the overall general prosperity of Maori wealth indices. Pockets of increasing privilege now exist alongside the ever-increasing status of impoverishment among Maori.

Others contend that tribes have become capitalist corporations through the brokerage of their resources into the national and international economic system and that the new "classed" tribe suits the global order better than those organisations that claim economic rights based on democratic principles (Rata, 2000). While this is true, she goes on further to argue that such a creation of a tribal corporate capitalist order works to undermine and destroy any symbolic or meaningful understanding of communal relations. The suggestion Rata makes is that tribal capitalism will compromise the integrity of tribal groups and that those "outer" influences and forces of global capitalism will not be consistent with Maori values of communalship. Yet as every capitalist knows and understands about the marketplace, interdependence is the key to developing current and future market share. She makes the point that traditional tribes were once organised around individuals united in interdependent economic activity where they related to one another through the redistribution of non-profit-making products. Yet capitalism is precisely based on the premise of individual freedom and the acceptance of the redistribution of wealth. Such a viewpoint questions the tenacity of a culture, the business acumen of Maori and the strength of their cultural resolve to adapt capitalist and communal systems to suit their needs. That in fact being capitalist and communal is not an oxymoron but complementary. The challenge Maori face is not about being capitalist or not, but about being consciously aware of the need to remain people-focused as well as profit-minded. That those who control tribal resources are aware of the relationship they have to those within the tribe. That while whanau is always whanau and cousins remain cousins the meaning of relationships will be altered by the way individuals within the tribe relate to the economic resources. In reference to the Treaty Reedy (1993) comments that it is "Maoridom's historical anchor to justice [and] a constant reminder of vision and ideals - of commitment to the independence of mind and spirit" (186). In terms of the future prospects for Maori he adds "we can

project that as the Maori population grows more numerous and stronger in the next century, shifts of power will occur through knowledge, through the creation of wealth and through political power" (ibid) to which alliances will become more evident in political and corporate affairs.

The "countervailing human response to that sameness will be to retain diversity" (Reedy, 1993:189). Ramsden (1993:174) reasserts Ngata's legacy that "predictions and policies of integration and assimilation have not worked. Like any sensible people, Maori have utilized the material culture of the pakeha and have retained what has been possible under the severe impact of colonisation and built upon it to create the people of today. A testimony to the hardiness of this old [Maori] culture".

In his critique of Maori leadership Duff (1993) called for the abandoning of tribal obsessed leadership and the need to move towards "younger people, equally of both sexes, of education and/or business or management skills and experience. To be winners, we need winners to lead us. Not this tired old lot of loser elders, pig-ignorant kaumatua who know simply nothing about anything outside their tiny little Maoritanga orbit" (p: 118). In his attack on Maori leaders, Duff unleashed scorn at the very essence of Maori traditionalism and social structure. In his view, the brief of kaumatua was to preserve status. The emergence of new leadership will not be based on whakapapa nor birthright but on merit and merit alone (Duff, 1993:121). The new leader will be the new generation of organic intellectuals and subalterns. Duff states, the new leaders will be:

[A]chievers in business, wealthy men and women who've proved themselves in the market place of free enterprise. Realists, and hard doers, and never-give-uppers who've made it in life, without a handout, without grumbling complaints that life is tougher for them. They've gone out and done it instead. And they're where the new leadership could come from.

### *Assistance available for economic development*

#### **Poutama Trust**

Established in 1988 with a capital base of \$10 million, Poutama Trust set about providing funding capital in the form of business investigation grants and training grants to capitalise new or existing small to medium Maori business enterprises. It operates as an independent charitable trust and has as its vision the understanding that 'Maori are successful in business'. It currently has a capital base of \$18 million. Its funds are available for Maori businesses to undertake feasibility studies to determine whether a business proposal can succeed or not; also research into markets and technical viabilities; planning

and developing business propositions to a level that attracts commercial loan finance and management and supervisory assistance to commercial business projects. As a result of gaining access to this fund, Poutama receives no return on its investment other than the prospect of a successful business venture. Its four objectives are to develop the skill base of Maori people in business; to build a base of Maori business enterprises; to establish a sense of comfort of Maori being in the business world in terms of developing networks, creating alliances and leveraging; and to provide information and resources to Maori in terms of information technology and publications.

### **Maori Development Corporation**

The Maori Development Corporation (MDC) was originally established to provide loans to Maori businesses. The post 1987 crash saw the organisation change tack. It saw itself as the "facilitator" of Maori interests and offered services that: (i) identified investment opportunities and marketed these to Maori investors, as with the 32% shareholding in U-Bix; (ii) provided equity funding where MDC would take equity positions together with other Maori investors and in some cases market these to investors as in the case of the Green Juice Company and Power Beat International; (iii) offered advisory services in merchant banking activities including mergers and acquisitions; (iv) considered advancing loans to existing and new clients where a strategic advantage presented itself, and (v) promoted case management services to Maori clients on a principal/agent relationship. Following protracted and often unresolved disputes concerning ownership and control, government decided to sell its shares. It was subsequently, through shareholder maneuverings, (MDC brought out all its shares except those of The Tainui Maori Trust Board) taken over by Tainui in 1996. This effectively meant MDC was no longer a pan-Maori organisation. By 2000 MDC, due to Tainui's write down of assets and review of its operations closed down its corporate activities.

### **Mana Enterprise Scheme**

Launched in 1985 the Mana Enterprise Scheme was originally in the business of job creation. Business ventures would be funded primarily for their employment potential and their economic viability which in itself seemed almost a self defeating objective. In 1989 the emphasis changed 180 degrees where businesses were assessed for their commercial viability as sustainable employment businesses. The scheme was funded on a year by year basis with no guarantee of continuity of funds but provided an important source of capital especially for the smaller business ventures.

Maori interests are arguably more apt to positive development in today's economic environment. Less government regulations and greater economic freedom means more scope for initiative, diversity and autonomy. Resources are no longer tied up in protected industries; they are free to move more readily to new ventures of all kinds. A freer labour market means a better deal for outsiders, although domineering trade unions attitudes are difficult to dissipate.

Not surprisingly, Maori have taken on a revitalised business approach, with interests in food companies, retailing, office supplies, fisheries and timber. Many Maori businesses in trust or corporation form are engaged in such ventures. What is evident is that Maori business ventures are not protected from their own failures. Where a business is at risk of demise, it is so because of its lack of ability to compete and meet its consumers' needs. With increasing global competition and the internationalisation of the market, businesses are undergoing steep learning curves, for Maori business this means resisting any tendency to seek government aid.

To remain competitive Maori enterprise needs to respond mechanistically, efficiently and automatically to signals in the marketplace. However, they have been accused of taking a far too conservative approach that has little tolerance towards spontaneity, alertness and exercising initiative. There also appears to be a lack of entrepreneurial leadership that fosters innovation and risk: that is, change agents who turn ideas into marketable commodities and then seize on market share. This could stimulate growth only if the environment, set in place by the framework of public policy is conducive to innovation and a knowledge-based community and Maori economic aspirations.

To sustain a mutual social and economic infrastructure for Maori entrepreneurship, stable monetary and fiscal policies are required. Economic expectations are shaped by perceptions of change – real or not - in commodity pricing and in perceived government performance of savings and expenditure rates. Swings in deficit or surplus figures increase risk and opportunity as businesses anxiously assess the impact of government policy. Tax policy under the previous nine years of National government ignored incentives for entrepreneurial investment and charged higher taxes and made late penalty charges more stringent. Little consideration focused on realising investments dependent on the tax treatment of investments and on how this might potentially develop in the future. This has had two broad effects, first in increased risk and second, in a reduced attractiveness of long term investments.

Government policy has a major bearing on business confidence, employment relations and on entrepreneurship. Its responsive measures to welfare provision, its philosophical direction, regulatory controls and monitoring of the monetary system, all suggests it is responsible for setting key directions that either enhance or detract from economic growth through savings, investment and job opportunities. These reflect how people respond to existing opportunities and to fluctuations in the economy. Designing policies that shift and create entrepreneurial incentives along with policies that strengthen work and income regulations has an effect on maximizing growth, enterprise and employment opportunities. There are two possible policy directions government might consider as means of increasing business confidence. These are a reduction transaction costs, and the creation of a stable policy environment.

Transaction costs represent opportunities for Maori companies to overcome obstacles to trade. Most obstacles stem from a lack of leadership, direction and under capitalisation. Companies that focus on creating markets require a flow of information and a means by which brokers negotiate and control function. It is here that entrepreneurial firms incur costs. Market-making produces trade at minimal cost because production involves the transformation of material inputs into consumable outputs, and trade is created by the inputs of its market-making services. Such services are then used to generate further assets that help develop human and purpose-built infrastructures. Parata (1995) makes an important observation, that:

Business investment has become one of the most popular forms of investment for iwi today largely because it offers higher returns; allows iwi to make use of their resources; and offers an opportunity to derive some additional benefit over and above straight financial returns, such as employment creation, training, business and management experience and confidence, political strength and the creation of spin-off business opportunities (p: 149)

However, as Parata points out, higher returns generally mean higher risk and Maori need to be realistic about those risks. Simply put, tribal enterprise has to focus on making business profitable. On this basis, Ngai Tahu as with other tribal-based organisations have made it clear that commercial objectives and social objectives need to be separated out. As Parata states:

One of the first lessons we have learnt is the necessity to separate as much as possible the commercial objectives of the tribe from the social and for that matter the political objectives of the tribe. To this end, he have an organisational structure which clearly segregates the developmental programme from the commercial activities of the organisation and the political decision-making from the commercial.

Compared to material-transforming businesses, market-making firms are significant in that they actively create markets. Material-transforming firms are important insofar as they integrate production variables into market-making ventures without taking a lead role. It is here that entrepreneurs create structures to make markets that require government to provide the environmental incentives to reduce or minimise transaction costs. Without an adequate system for defining and protecting individual rights and community interests business confidence suffers.

For Maori tribal-based businesses, property rights pose a difficult yet important concern as ground rules need to be established that determine the extent to which owner(s) decide how to use their resources; how income can be extracted from the use of these resource; and who has the authority to transfer or sell what are effectively tribal rights. Property rights ought to permit Maori to enter into the commercial business sector and to transfer or modify rights based on sound information and through a process of consent by consultation: they then deal with their affairs more responsively than if imposed upon by restrictive, paternalistic regulatory requirements. Maori tribal assets are compounded by multiple ownership and State controls and this is highlighted in Treaty fishery claims which I discuss further in the following chapter.

Regulations recognising Maori fishing rights were established under the quota management system instituted in 1986. The implementation of the quota management style heralded, in one sense, a remodifying of industrial relations laws that enabled Maori fisheries claimants to solidify their case while providing the mechanisms for the Crown to meet its obligations. The crux of the issue for Maori is that the existing fisheries management structures are weakest where existing property rights are less well defined. The case of the entitlements of recreational fishers to share in the resource became a major sticking point. The spill-over for Maori are concerns from the recreational fishing clubs and commercial fishing companies about the threat to their enjoyment and livelihoods. The government's ability to act responsibly can, at the very least, be measured against its performance in meeting these obligations. Its statutes require transparency and fiscal responsibility.

A related concern associated with creating a stable economic growth environment concerns Maori companies competing without the added bane of being subject to favouritism or hindrance caused by government measures. It is expedient to reduce incentives for wasting valuable resources on lobbying for political gain rather than developing or expanding market opportunities. Yet Maori groups find themselves continually lobbying government for venture capital. Equally so, it is important that Maori

enterprises are capable of standing alone in a competitively 'neutral' environment, where they are neither positively nor negatively discriminated against by government intervention.

### *Towards Maori-driven entrepreneurial development*

Signs are imminent that Maori are developing an economic force and are going through an entrepreneurial phase. Economic and entrepreneurial developments are an important foundation for Maori to be competitive in a modern world. This is demonstrated in statements made by Maori leaders who expound the view that being culturally rich as a people does not equate to being economically stable. The negative housing, health, educational and crime indices speak for themselves but what is clear is a focus on questions of economic status. Following the Hui Taumata Conference in 1984 a number of shifts towards economic imperatives for Maori resource development were made which led ten years on to the Hui Whakapumau (1994). Chief Judge Durie, in his keynote address given at this hui stated:

We may speculate that the future of Maoridom may sit upon the body of a dark-suited yuppie or technocrat. Our future lobbying may no longer be led by protestors but driven by middle management executives and a large number of Maori parliamentarians (1995:19)

The fostering of Maori business entrepreneurship requires an understanding that provides for an economic order which has the structural flexibility to deal with changing whanau structures, tribal structures, divisions of labour, technology and an understanding of Maori protocols and tikanga.

Casson's (1990:90-97, 131) framework describes a socio-political climate favourable to the development of the effective exercise of entrepreneurship that has relevance to Maori development. The pursuit of entrepreneurship requires a systemic approach that includes an understanding of processes, decision-making, marketing and production, as well as an ability to interpret information about labour markets, resource allocation and cost comparative advantages.

Voluntary support is an important factor in establishing commitments to appropriate methods of social and economic coordination. It is not a hostile act to business objectives nor to entrepreneurship specifically, (Baumol, 1983) but rather, it assigns a higher order of respect to entrepreneurship. A tolerance to entrepreneurial activity is necessary, as entrepreneurs promote business as a cultural value. Part of this is a moral act about developing self-reliance where the socio-political climate become intolerant to Maori interest groups' executives who lobby for protectionist policies government which

aim to inhibit true competitive processes. This would not discourage legal recourse to the courts, however, it may inhibit political leaders from distorting incentives by over-regulating the economy. As such Maori need to accept that an entrepreneurial culture requires institutions of law and processes of informal custom that relate to principles of tika, pono and aroha. This includes:

- commitment to principles of honesty and stewardship in dealings related to property rights and contract agreements. A commitment to these reduce transaction costs relative to those of other trading partnerships.
- corporate (or group) mission statement that is both progressive and outward looking; that supports the developing of a socio-political climate conducive to change in economic activity.
- versatile personal relationship structure, that is, where friendships are not confined to kin; where culture does not inhibit individual mobility and where coordination is not effected by complex mechanisms of reciprocity.

### *Conclusion*

There is a need for entrepreneurial leadership that advances Maori in the marketplace. Therefore we look at Maori leaders in the marketplace who have at their disposal new and substantial resources and ideas. The discussion chapter that follows presents the fieldwork findings of private entrepreneurs who walk between the two worlds of business and Maoridom. They provide a level of leadership required to bridge social, political, economic and commercial gaps and remain true to their whanau, hapu and iwi interests.

## CHAPTER EIGHT: Discussion: Reflections on Entrepreneurship - The fieldwork findings

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### *Introduction*

This chapter presents a discussion of the fieldwork data. It sub-heads as sections given entrepreneurs experience a range of interconnected skills and the range of skills go beyond simply those acquired in the pursuit of economic gain. Section One focuses on the skills and attributes respondents described as being entrepreneurial. The section that follows focuses on how respondents apply their skill, talent and experience as business entrepreneurs. The final section provides an account of lessons, philosophies and principles respondents identified as important to their success in entrepreneurship. These chapters aims to show 'entrepreneurship in action and links this to the theoretical and conceptual frameworks and systems in which entrepreneurs work. The chapter highlights how respondents perceived their roles, relationships and their actions. The themes identified aim to sketch terrain and mark the gaps. To capture this, and reflect the integrity of respondents, their transcripts, key words and phrases have been used to give "voice" to their claims and their *mana*.

### Section One: entrepreneurial skills and key attributes

#### *On being business smart and street wise*

For respondents, entrepreneurship was an act of putting together the good use technology, ideas and information in a coherent way to generate opportunities. They saw themselves as drivers of change with a winners outlook. Though they did not consider themselves to be "*high rollers*", they accepted that to some they were. They were comfortable with using terms such as "*calculating*" "*strategic*", "*logical*" thinkers and *perceptive* and "*business smart*".

They describe themselves also, as "*doers*" not afraid of "*getting on with the hard work.*" a task they equate with being "*tough*", "*single-minded*" and to "*fearing of no one*" when it comes to taking charge. Though respondents see this at times as being uncompromising and "*unlikeable*" they view it as necessary to being firm and decisive in order to exercise their control. To work conceptually,

plan decisively and act spontaneously is an advantage that gives them a leading edge in being able to anticipate trends and market fluctuations. As one property investment respondent added:

*The reality is we can only control circumstances within our own sphere of influence, however we constantly monitor and watch what is going on around us. Concerns like the Asian crisis, or if the US market bottoms out, or if the Reserve Bank lifts its interest rates will impact on the home buying market. So we might move onto other things. These changes we can't anticipate, but how we manage it are to make sure we have enough capital to operate so we can move in or out with little harm. The two success factors we use are important to us of covering any contingency problems we face. We make sure our investment selections are right and we manage our liquidity.*

Respondents see being entrepreneurial also as about being self-motivating and confident *in "working out the odds"*. After sifting through information, doing the necessary groundwork and looking at all facets of a decision, they see the need to be rigorous and debate and challenge their own assumptions. To do this, they see the need to constantly *"hone"* and *"sharpen"* their research, investigative and communication skills. It is this that gives them the confidence to act on decisions.

Risk tolerance is based on having a high internal locus of concern, they being indecisive as unhelpful and in all probably an indication of impending failure. One respondent sees her confidence as coming from *"keeping an ear to the wind, eyes looking all around and feet firmly planted on the ground."* This perspective on things, she maintains kept her in touch and informed. Bottomline, is that for most respondents this requires mental energy, a good measure of patience and a cadence at which to discern through the myriad of detail to assess, track and monitor market behaviour. Respondents talked of needing to be multi-level and multi-focused in their thinking. Being able to look at shifts in market trends required putting the right ingredients together. One respondent gave the analogy of it being like baking a cake, another saw decision-making as like putting pieces of a jigsaw together. One comment was made:

*You've got to get the formula right. It's got to provide you with the things you need. You've got to get financially positive really quickly. I don't believe in living off overdrafts and things like that. That's OK short-term, but every business winter surely follows summer and you'd better damn well have got your nuts stored away for winter because that's the way it is. I ask a lot of questions in order to understand the market. That's where I learnt a lot of things, actually talking to people about something they do. They'll spill their guts because they like talking about the things they love. So if I wanted to know about importing, if you're non-threatening in what you do and saddle up to the importer, they love to talk about importing or whatever it is.*

Developing good decision-making skills were for respondents about having *"an eye for detail"*, *"knowing the bottom line"*, *"staying in touch"* and *"being precise"*. As one remarked:

*I do my homework, I pay attention to detail and plan out needs to be done and I do it. You really need to be specific. You can't afford to muck around, I rely on having a system of ordering and prioritising. Trade-offs are an inevitable part of it, to get results.*

Respondents describe the need to be “resourceful” and to use whatever innovative or technical skills were available. They expressed a heightened and frustrated sense of dissatisfaction in doing “the same old same old” thing: that they felt the need to break away from conventional thinking, to take risks and deliberately, when the time was right to “rock the boat”.

Facing up to tough decisions and realities of the marketplace when things look grim meant having to “face facts and cut to the chase”. It is about not get emotionally hung up and being too rational. That simply blaming and reacting negatively did nothing to help the situation. They talked of being responsible as part and parcel of entrepreneurial success and this raised the need to “follow through” and make the best of tough decisions. It meant having to face often hostile reactions from others. However, making difficult decisions had to be weighed up against long-term benefits. Clearly ignoring problems was not a good idea for respondents given it may appear be “less risky” in the interim, but potentially it could be more costly in the long-run. This is highlighted in the following situation as told by a radio station manager:

*I came into the station and knew through experience that my going onto the Board of Trustees alone, wouldn't be enough to effect changes that needed to made. A business report written before I started clearly identified areas of concern. It recommended better economic efficiencies and business systems. The problem was that the Board had no idea how to be objective, or for that matter, how to even run a commercial operation... We had community volunteers voted onto what was effectively a Board of Directors and they'd stuff things up...they had a hand-ons approach which compromised my job in managing the place. They hired and fired staff at will and often gave jobs to their own whanau. There was no accountability in terms of money spent and there was a lot of wastage and unnecessary spending. I had to convince the Board to change direction but there were one or two who were hung up on holding power and aimed to stifle my efforts to restructure place. They did all sorts, from personal attacks to being down right defiant and uncooperative. In the end, I found support and stacked the Board to set in place the momentum to ensure change took place. I had the votes and the process we used was to determine where our deficiencies were...to set out a timeframe and then to rectify the problem. This upset a lot of people, not least the Board and some of the staff...I really only had to sack one person who played up...I gave myself six months to put in place the restructuring plan and a year to turn things around. We had to, to ensure our funder, Te Mangai Paho, were satisfied...I'm happy with our progress too date, but I know we can improve. The Board's changed a lot and now tend to leave me alone to run the business.*

Here he was directly accountable to the Trust Board and felt compelled to implement organisational changes in his annual report. His agreement to do this upset those threatened by change and the shift in power structure. Reaction from these board members, to his tenacious and directive style, anchored their position where they argued and justified their decisions on the policy directions of

the station. With the information at hand they made the situation more difficult. The Board, with its lack of commercial expertise and management experience effectively increased tension and compromised the radio station's objectives. This was compounded by having little time to resolve other long-standing concerns. The culminating effect was mounting pressure making it more difficult for the manager to take decisive control and steer the strategic and operational direction of the station as directed in the report. In the end he threatened to resign.

Of concern for respondents was having the ability to manage disruption and fallout when things go counter to expected outcomes. They saw contingency planning as a necessity that enables them to work through alternative courses of action. They were mindful of not getting *"bogged down with the unimportant and unnecessary detail"* when faced with complex decision-making and tight time constraints.

### *Leading with confidence*

Respondents spoke less openly about the idea of them being identified as Maori business leaders. This was perhaps due to their desire to play down their successes. One respondent regarded his leadership strength as his ability to remain invisible, standing only in the background and being visible only when he had to:

*I don't consider myself to be a leader. I hate being chairman because I have to do most of the talking. I like to sit back and listen. I think I'm successful because I'm a good listener. That's a success principle I'm good at. I'm not a lead from the front person, I'd much to prefer to sit, listen and observe.*

Good leadership was commented on by respondents and attributes including, *"trust"* *"people-centredness"*, *"passion"*, *"intelligence"*, *"vision"*, *"hard work"*, *"communication"* and *"risk-taking"*. Among other important characteristics identified were *humor, enthusiasm, commitment and mentoring*.

Being able to communicate and articulate well to all people was regarded as an essential skill, especially as business is built fundamentally upon confidence and good relationships with creditors, investors, customers and staff. It is necessary, as respondents agreed, to identify the needs, the demands, the likes and the dislikes of key stakeholders and to express their understanding of these needs in a clear and concise manner. The important skill was being able to articulate a consistent message to them either in a 'one-on-one' meeting or at a large business gathering or hui. Of equal importance, is having the discipline and courage to listen objectively to what other people are saying

Respondents considered listening as an important success principle and saw it necessary to move between being the up-front people and the back-seat driver.

Being a good communicator was always about how they articulated vision and the future of their business. Being able to instil self-belief and confidence was about “getting to level” of where people were at and communicating the “*fire in the belly stuff*” as this was seen as the driving force behind success.

Respondents saw “winning” and “losing” as both facts of life and facts of business. As said, “*sometimes you win and sometimes you lose, but you have to stay focused.*” It was how they saw character being built. As one respondent spoke of his experience in this regard, he spoke of his confidence in the systems and procedures he followed:

*We've identified two critical success factors. You've got to manage your risk and you've got to manage your investment. We can't control what happens in the marketplace, but we go about isolating out what we see as key factors and turn them into opportunities. We follow a system where we ensure our cash management is right. When we get that sorted, we've reduced our capital exposure.*

The confidence factor referred to links to how well they thought they planned and used information.

Respondents described this as being achieved by action. As one respondent commented:

*Whakatinanatia, it's a simple word “make it happen”. Koti te korero. No talk, just do it. Walk the walk. If I'm taking about non-violence issues, I have to walk the talk. If I'm taking integrity, personal things like that, behaviour things, fronting up, then I have to walk the talk. Every one sees through me and they know that my “hakihakis” are all out in front and I can share these and they know we all have the same “hakihakis”.*

### ***Being fair and honest in one's dealings***

Conducting business in an ethical and appropriate way was the foundation for what respondents saw as responsible business practice. Having a sense of trust and respect was exemplified most notably in their comments about standing by what they said and about keeping their promises. This applied to their working relationships with clients, customer and the general public who the felt the right to being treated fairly. They believed good business was also about forming good relationships and in so doing keep repeat business going. Without exception, respondents saw character and integrity as necessary to building successful businesses.

Undertaking business in what they saw as the right way was about being “*up front and personal*”. Trust and respect was exemplified in the manner in which they sought to resolve problems and achieve results. As was commented:

*there's something important we as Maori must learn and that's, one should never get the impression that because you're brown you can't get anywhere or do anything, that you're "koretake", that's not the case. You see, the key to making it, to success is maintaining your accountability and being honest in your dealings. If you're honest and accountable Pakeha people will stand by you. But you achieve all this by establishing a track-record, a track-record of accountability and honesty with your lawyers, accountants, your friends and business colleagues.*

Respondents recognised the importance of developing sound reputable character and being a person of integrity. That to be judged this way in the public eye was not only necessary but essential. One respondent spoke of being fair in his business partnerships:

*You have to be a person of your word, to be honest, above board and most of all, fair in your dealings. I always let people know this. For example, if two people came to me with the same information, I'll always work with whoever sends me the information first. When I get a fax about a business deal or investment opportunity, I date it and put the time on the top of the fax. So if someone does then send me the information, I refer them to the information already received. I show them the fax with date and time received and they understand this principle I work by.*

Another said:

*Ethics are paramount in business. If you do nothing, but act very simply in the way you handle your business and deal honestly with people. If your talking to someone in the business world, they can pass it off as a situation, but there's another dimension that you and I know about, that will in fact make you successful. Between you and me it's acknowledging where you came from.*

As opportunists, respondents spoke of the need to be quick to take advantage: to be able to “*spot gaps*” and “*take decisive action*”. On this basis, they saw having a strong results-based disposition as essential. They needed to be focused and driven by results. They also saw a need to be alert and engage in “*shaping*” and “*making*” meaning. Respondents in this respect recognised that challenging values, managing change and solving problems were what they did best. That, for them, invention, creation and action are about aligning reality to changing values systems and thought patterns.

To do this, required systems of accountability as they tried to tolerate varying degrees of discomfort. The tension for respondents was a question of establishing moral symmetry, of not only compromising priorities, but attending to the needs of others. Here they discerned the need to accept responsibility for liability in real costs terms and in terms also of lost opportunities.

Respondents saw vision as the means of providing clarity to their purpose and this was interwoven into how they worked. Purpose, was for them about knowing their goal, and mission, and was about tending to short-term objectives of getting to where they wanted to go.

Their vision also had to be real and saleable. In other words they saw it as having to encompass reality and be meaningful to those who mattered. That having a clear purpose and a good lines of communication was necessary to maintaining expectancy. Added to this, was a precocious winning will which was manifested in the strength to resist internal pressure and to maintain emotional control. Respondents, were adamant that this was fundamental.

Respondents saw themselves as needing to be disciplined in solving problems and dealing with chaos. They saw managing chaos as always a challenge but also an acquired skill. One respondent said:

*I think the key to our success has bee vision and strategy. When we look at a n investment it's like everything's in chaos, like Jurassic Park, a world of chaos. With all the confusion there are certain people who can look at the situation and isolate out the key factors. Strategy creates order out of chaos and vision is where the course has to be charted. They go hand in hand. You need a framework with key steps that can put vision and strategy together.*

Respondents also saw the need to be conceptually articulate and be able to convey vision. That what mattered in the end was results: being able to “*hikoi to korero*”, “*walk the talk*” and “*walk the walk*.” As problem-seekers and problem-solvers, by definition, they saw themselves as catalysts for change.

They spoke about the liabilities of newness and having a scarcity of information. Conditioned by these liabilities they adapted and saw it as imperative to have reliable mechanisms for implementing decisions. Mechanisms they referred to “*qualifiers*”, “*frameworks*”, “*strategies*”, “*rules*”, “*tikanga*”.

This was reiterated in comments by one respondent on how he managed risk:

*There are times when risk exposure is cause for concern. We try to limit this. We look at alternatives; weigh up our options, eliminate the duds then make the call. You have to read the market, feel it and not succumb to the doom and gloom swings. It's not difficult to change if what you're set up generates good returns. Risk money set aside gives you capital to look at new ventures"...I've learnt to develop an informed opinion and I ask myself, will it make money? Will my risk be manageable? What will be the upside and can we manage it?*

It was seen as a necessity to have skills in conventional business practices, such as setting out action plans, working out legal and taxation matters, working through financial statements, cash-flow

reports and having risk analysis skills. Intuitive skills were also required in reading what they saw as between the lines. Respondents recognising that the success equation was being able to read and analyse data, listen to others and think creatively.

### *Creating opportunities and “making it happen”*

Applying the skills of innovation was seen as necessary to staying in front and necessary to managing growth and coping with the influences created by change. Discernment of current, reliable information, quantitative and qualitative, was critical as respondents leaned towards lessening their risk exposure as much as possible. At the end of the day, making profit was the bottom line.

Respondents aimed towards making the best possible decisions on how to effectively use information and how to get quality information. At best this was reflected in how they exploited new technology and anticipated shifts and swings in trends and discerned what the public wanted. When respondents felt they could grasp technology they felt in control and able to be more effective.

As they often talked of having to “*think on their feet*”, respondents saw this as appearing as though they were disorganised. They talked however, of constantly trying to balance themselves time-wise and priority-wise. This reflected a fundamental understanding of wanting to stay in control. That to venture outside conventional wisdom had to be in some way compensated against other tasks. There was a need for “*intuitive feelings*” but this had to be measured up against the hard facts. It was appropriate to neither consider nor assume that every decision would work out. One respondent summed this up:

*I can't remember taking a lot of risks because I see risk as everyday experience. There's been a couple of times when I prayed hard that things would work out, but I look at contingency plans. I think anxiety that comes from risk is really about an inadequacy to do the job. It's about a lack of believe. It's a faith issue. "Did I do everything possible?" Doubt comes into it when we haven't thought about whether I've done everything properly or not.*

That being decisive was for another respondent about being business-like especially when it came to working with Maori people who followed a different set of processes:

*Personally I don't get caught up in Maori processes which tend to negate the implementing of tasks which need to get done. For example, in management there are certain tasks which are non-negotiable. Where managers have to make clear decisions and address the bottom line business activity. Some Maori seem to view all decision-making as*

*participatory and based on a ground up approach, however, as managers, one has certain requirements, so I ask the question, "why is it that things are somehow different for us Maori?" That's like negotiating non-negotiable business things. I get frustrated at this mind-set of Maori thinking, of being stuck in this sort of stuff. That it's because we're Maori it's OK? That we have to negotiate everything. In marketing, as a business strategy, it's essential to market to target groups and that's simply non-negotiable. At the end of the day if we negotiate everything, nothing gets done, nothing's going to happen.*

One respondent in spoke about the scope of his risk and investment exposure:

*I'm managing a large development at Orakei. We're building 133 units there and going through the resource consent approval stage. It's a big project, with capital costs of between \$36-40 million cost side. On the sale side, it's hoped about \$50 million plus. Prior to finding this opportunity we spent some time researching the retirement industry. We do the research ourselves. What we do is talk to the experts, the market people. We go out and find the best people in the industry and seek out their advice.*

He went on to raise the issue of confidence in making decisions:

*I'm confident about the process we use in making decisions. In fact, I was talking to another colleague the other day about this very thing, and, came to the conclusion that mistakes are made, but hopefully in our case, they aren't serious ones. But you have to expect problems and know how to solve them. You have to accept that sometimes you're right and sometimes you're wrong. You've got to stick to your guns and believe in what you're doing. That you're going to champion it. You might get beaten up a little but you have to think and reassert the course of action you take.*

In terms of having financial and budgetary expertise, respondents were of the view that without at least a good base-knowledge of financial statements, they could not know what was happening in their business. Though most were not formally trained as accountants or financiers, they believed in developing a working knowledge of business accounts and finance. In terms of developing ways of managing capital risks, respondents were cautious of taking too big a risk unless they had confidence in their business skills. That business sense was what one respondent referred to as the "knack for making money work for you". One businessman commented:

*There's a couple of times in my life where I could have lost everything. But I calculated it. I had to go ahead. I've learnt never ever put everything at stake. There's always caution. I have at disposal risk money, but I always, always calculate my risk. Once I've decided in my mind that I'm prepared to spend \$100,000 on this, because I believe it's right, once I've mentally spent the money, there's no problem. After I've done this, I can write it off because it's not stacked against anything else. It's like a tree, if there's rot in the branch you chop it off. If you chop it off at the base you've got nothing left.*

He continued:

*I had a wholesale business that virtually grew from the bedroom floor to something that was worth quite a bit of money when we sold it. So I learnt my lessons along the way. I*

*had no formal learning but remembered being told right from when we were young, not to get into debt and if you owe someone, you pay them back. If you treat people right, they'll treat you right. My sister gave me a book about learning lessons from kindergarten. It said, you don't hit people, you treat them nicely, when you take things you put them back and when you go out into the big wide world you learn to hold hands with people that know more than you. Now that really hit home for me.*

A similar comment was made by another respondent as he reflected on the rules to creating a successful business:

*Here's a simple rule, I've always believed that you can never go broke selling for a small profit. That's the principle I understand, but you know, there'll always be people out there going for the big deal all the time, potentially big returns, but it's "all or nothing" mentality. But you can't go broke if you invest or sell for small profits. I think there's too many greedy people out there. It's important to keep up to date on what's going on. There's however a difference between pure research and the sort of applied research we actually do. I'll give you an example. We've got large exposure in Australia, in fact 50% of our assets and exposure is on the Gold Coast in property development. In terms of research, what we've done, because we've got concerns about what's happening in Asia is to attend various seminars, conferences and listen to the opinions of others. As a company we're also looking at available information. Information off the Internet to help us assess what's happening, what impact, if any, it will have on Australia and the flow-on effects in New Zealand. So our research is driven by what might affect us.*

Respondents were mindful of reading too much into the hype and excitement of potential lucrative rewards until such time as they studied the numbers to see if they added up. They talked of “*doing the numbers*” first before any making decisions. They would then seek advice from those who could offer a second opinion:

*I seek a lot of my advice from my lawyers and my accountant, but at the end of the day it's my decision because it's my money. Usually between the advice that's given and my own judgement I come to a conclusion and make a decision, but I never exclude the advice of those whose opinion I value. But it's my dream and so in weighing up all the information I make the final decision.*

In light of this, respondents saw it as important to have workable processes for managing change especially if cost pressures caused them to rethink. That sometimes, taking a “*stand-off-ish*” approach to see what would happen acted as a way to gauging market trends. As a measure to making sure aspects of business could be gauged, respondents talked of positioning themselves in the “*right place*.” It was about decisive timing and as one respondent put it “*short-term profits have to be weighed up against long-term trends*”. He continued:

*Markets are definitely changing. When I came back from the States, in the mid 1970s, I was reading that the day of the corner superette and little bookshops were on their way out. The big shock to me was, when talking to someone from 'Foodtown' still on their board room meeting agenda is the item of how to get rid of the corner diary. When I heard*

*that New Zealand was going the way of the States, I figured it was time to jump off and get out of importing and do something else. Understanding the market is about knowing when to jump off...I can probably pick up \$3 million worth of business just like that, but I'm not going to because the market's changing. Technology is starting to take-over. Paper-based products will become a luxury type item and the numbers just won't be there. We were at the tail-end, the twilight of our business*

In this situation respondents worked often by processes of elimination and a check list to determine the best courses of action. Information gathered mattered, especially when capital risk was high. Respondents tended to survey the terrain to “*suss things out*” and look for the “*tell-tale signs*” that either hindered or helped their cause. In the end, they saw this as requiring clear and rational assessment.

## Section Two: application - the key to success

### *Practicality, perception and persistence*

Though thinking strategically and innovatively was a necessity requisite in looking at opportunities, this was underscored by a need to use commonsense. That being practically-based meant having a rational understanding of why they made a decision. Respondents talked of having prescribed sets of rules; “*a system*”, “*a plan of attack*” as a means of limiting risk and maximising results: One respondent made the point:

*There are ways and means of managing risk, of minimising damage for the collective good. These are technical skills and I think a key principle, no matter what environment you're in, is prudence. At the end of the day, I'm a prudent conservative, so that fits the middle ground. At the same time one of my skills is that I'm a challenger.*

The intensity of making things happen, or “*the adrenaline rush*” as some respondents called it, was derived from self-confidence and belief in their abilities and ideas. That knowing what limited them meant making sure it did not compromise their progress. That it was important to be honest with themselves and others. As one respondents put it “*always anticipate the enemy and know how to deal with them, the ones you can't see*”. He went on to add that the advice given to him by his father:

*I learnt a lot of things off my old man, one of them was always keep the enemy guessing. I knew everyday how much was in the bank, what sales we'd done, what our net profit was, how much stock we had on hand. So I knew at a heart beat exactly where the company was, but sometimes you just weren't too sure about some things. What he use to do was to start a fire where there wasn't a fire, create confusion, and make people come out and prove that things were OK, so I use to mix a bit in as well and ask some really curly questions as if there was something going on that I knew about.*

For other respondents, trying to anticipate what others thought, let alone their own thought patterns, was a difficult but important task. They first guessed what, people might want and then checked it out. They also asked friends, read newspapers, journals, went onto the internet to look for overseas trends. Though they said that they did not take all advice given at face value they saw it as important to check things out and assess all possibilities. They looked at reasons as to why others might be in disagreement with them and saw this as valuable information to know. One respondent spoke of the role of his boss as a sounding board:

*I take my ideas to my boss. I stick to my guns. I get bagged sometimes but I defend my original plan. That's the way it goes in investment proposals... The key is flexibility. When I first started out I use to be dogmatic and fixed in my ways, then BOOM! I'd hit the wall. You have to be flexible yet pragmatic and I learnt quickly not to take things personally.*

Before making commitments respondents saw it as necessary to give some weighting to evidence that contradicted their position: that is as a “devil’s advocate”. They saw this as important to uncovering any underlying problems or oversights that might have potential to hurt their business. They talked of needing to “see all sides of the argument” and on “balancing up the odds”. As one respondent said, often she used her father in this regard:

*I should say my father in that he never takes no for an answer, he's shocking. He always pushes the boundaries, he never believes nothing can be done. He always has a solid belief that he can do anything and people around should be like that too. He pushes me all the time and makes me do things I didn't think I could do.*

Another spoke of her ex-husband’s advice and her mother’s support:

*I learnt from Kevin to always love whatever it is you do, and from my mother, she was always there. When everyone else around me, my friends and other family told me I was mad leaving Kevin, that what I wanted to do wouldn't work out, my mum believed in me all the way, she supported me, advised me and helped me and the kids through it all.*

Respondents described risk as implicit in everything: that gains and loses were somehow framed in a particular ways. They saw relationship, for example, as potentially problematic because people held differing views derived from on different life experiences. Experiences, they saw as rooted in values. Respondents believed that not everyone would be pleased by all their decisions but that this was reality. They were keen not to get “hassled” or let “personalities getting in the way” and though they believed people had a right to say what they want, if it was not important it did not matter.

Decisions were not solely based on estimates and forecasts and respondents were wary of getting too complacent. They recognised that business decisions hinged on making best estimates, at the right time, using the right tools. They recognised that to under estimate high-end costs or to over estimate low-end costs would be to expose risk and be potentially disastrous.

While overconfidence was certainly an issue, respondents believed being over-cautious was also a risk. That when faced with greater than expected stress keeping safe was not always an option. Anticipating property prices, for example, was speculative and based on getting cost figures right or risk a subsequent cost blow-out. As one property developer stated:

*you've got to keep ahead of the game. I have a number of agents feeding me information continuously. I look at deals. "That one looks koretake", that one looks OK" its based on, I guess, my knowledge, experience and understanding of property investment and the property market. I did a \$2 million deal once where I didn't want to pay so much, so I looked for incentives from the sellers to get me to accept the deal. Unbeknown to them, I had already done my homework. I brought the building with some risk, but I had written into the contract an out clause, so if the deal didn't go through I could get out. When I bought the building I already had tenants ready to move in...they pay me rent which shows a 15% return, that's a good return. They pay me \$500,000 a year in rent. But I had the deal locked up behind me before I bought the building, but I couldn't tell the original owners. In the end I got them to sign the deal and I insisted on some incentive.*

Respondents regarded being prudent as also important in avoiding making mistakes in decision-making. They saw however, being overly prudent like "*trying to stop a fast moving train*" as "time wasting". Some reflected that there was always the temptation to look for "quick fixes" but, there was more risk if the stakes were higher. Respondents saw it as important to assess possibilities, but the methods to achieve this were even more important.

To address being overly prudent, respondents spoke of needing to be transparent and "*up front*". That by doing this they could accept prudence as about "*holding back*" only if, and when, it was absolutely necessary. The higher the stakes, the higher the risk and respondents were conscious of limiting their exposure.

The thought of being prudent and an 'ideas person' was for respondents about having the necessary creative skill and insight to develop their edge. They saw it as important to always maintain advantage and this was stated by a respondent reflecting on identifying what others have missed:

*Whaia te mea ngaro, seek for the missing quality, look for the niche. Search for the things that everyone else hasn't yet seen. It doesn't cost anything to look at opportunities or to*

*follow through with ideas you've got. That's the exciting part. My grandmother always said dreams are free.*

In their respective business activities, respondents saw as one of their tasks as setting up systems and control mechanisms to enhance the competitive edge. One respondent saw the need to be "*straight up and impatient*" as an imperative to making quick decisions. It was about how he managed and coordinated his processes and how he responded to not only others but to the unpredictable nature of change in the marketplace

Respondents acknowledged that they were not immune to moments of frustration, to "*spitting the dummy*", as one respondent put it. Indeed respondents admitted that "*being pissed off*" was a healthy and integral part of their need to get things done. They saw that sometimes situation moved too slow and people needed a "*hurry along*". Respondents however, believed that taking issues personally had the potential to compromise goals and results. As such being angry was often not about personal issues, but about work roles or commitment task. This was not to say that respondents did not engage in heated exchanges. Although relationships were important, results needed to be achieved. Respondents had to believe in themselves and be prepared to admit their own mistakes. Most said they had little difficulty in apologising but did not look forward figuratively speaking, to getting "*beaten up*." However, they pointed to frustration as a powerful motivator, that when they got angry it often made them work harder:

*I've learnt to think on my feet, make things happen and take things on the cheek. With all the stuff ups and you get to have to keep it together, be confident and have the guts to keep going especially, as I said, when the when the shit hits the fan.*

Being direct and firm was based on their need to be in control. Respondents saw actions and words as indicative of their leadership skills and shared the view acting without trust and fairness was a potential death nail. As one respondent said, "*if you live by the sword, you will ultimately die by it*". Integrity was high on their measure list of success. They were clear that doing business, and doing it well, was a balance of being fair, firm and honest. As expressed by one respondent:

*Good leadership for me is about knowing that none of us is perfect and to create an atmosphere of forgiveness and acceptance. But when I hear the bullshit I tell it straight because it needs to be said to keep us honest*

Respondent spoke of being fair as extending to their adeptness at getting and using resources effectively. They would look to all sources and to venture capital and hence the need to establish established efficacy and integrity. In accessing networks, respondents saw the need to analyse links and alliances and these were based fundamentally on trust although the relationship itself may be

on the surface formal and contractual by nature. The more each party had to risk the more the likelihood that checks and balances would be monitored. As one respondent commented:

*Because of all the dynamics, relationships are mutual although there's a give and take component at one level. If the bank's prepared to help me achieve my business aims, it's a trade-off, a compromise and it happens. It's all a numbers thing built on trust. I trust them and hopefully they'll trust me.*

Respondents described being entrepreneurial also as an art of “*hassling*” and “*hustling*” to outsmart the others in the marketplace. One respondent mentioned his thoughts on outsmarting the supermarket retail industry:

*I talked to a lot of wholesalers who saw themselves as being very much ruled by the Supermarkets. They were pretty much dictated to as to what prices they'd set, the discounts offerings, the paying of advertising costs and I thought that that sucked...I thought seriously about setting up an Internet shopping business, but decided later that niche markets is where I could reap lucrative rewards.*

Part and parcel of this hustle and hassle approach was a need to analyse trends and do the research. They did this often with a degree of secrecy to beat off any competition. As one comment was made: “*if I don't do it, somebody else will beat you to it*”.

Respondents saw that there was strong correlation between the timing and seizing of opportunities with making it work for them. That looking for efficiency and profits required acknowledgement of the tacit nature of ideas actions. For respondents, innovative knowledge was expressed in terms of making good ‘hunches’ by the looking behind the “what ifs”. In a practical sense, this had to deal with maximisation and meant developing a sound business reputation. Respondents saw their role as managing relationships and the more diverse and tenuous these were the more opportunity there was to create venture ideas. Bottom line was that respondents knew how to read people and markets.

In terms of business, respondents identified two key areas important to developing confidence. The first was knowledge of how to acquire and secure capital and second, on how to use the capital wisely. They understood the importance of using data but saw it as a foolish not to think ahead or anticipate the next step. As one respondent stated: “*you've got to live in anticipation of your success and it if to burn in your belly, you're probably on the right track.*”

From a commercial standpoint, respondents gathered information on the cheap. Cost-effective ways of information gathering made not only common business sense but:

*The idea is to make money, not spend it on things you can get for nothing. But it all balances out in the end you see, that's if you do things right. You always know there's no free lunches in business, but you do what can to minimise your costs.*

Profits were for respondents a net income for all productive and not so productive efforts. They were gains made over and above transfer costs. Having valuable information was recognised as important to achieving profitability. Being decisive was a skill needed in making money and after consideration of options and the sorting through information, what counted was clear decisive action. As one respondent put it *"you make a decision and hope to hell things work out"*.

Respondents are aware that decisions are never completely fail-proof: That life is unpredictable, and so too are business deals and commercial arrangements. It has been described by one respondent as the art of *"grappling with "*. Managing complex arrangements for one respondent was like *"trying to spin plates"*: that seldom are business relationships immune from fractionation and disappointment, but as respondents said, *"these had to be factored into"* decisions.

Though being forewarned and forearmed helped, the skill was anticipation and timing. That even precise planning and research offered no full-proof means of avoiding trouble. A sense of self assuredness is what all respondents see as the next best thing to getting the desired results. One respondent told of how he envisions the meaning of what strategic skills are as he observed from his mentor and CEO:

*having a strategic vision is the key to our success in the property development business and my greatest mentor is my CEO. His skill is in constructing order out of seeming chaos. When I look at where to invest it's like looking into the crystal ball of chaos, like Jurassic Park. With a disorganised state in the marketplace, there are few who can assess it, isolate out its key elements, create order and communicate this back. Not too many people can do this, do it well, and do it consistently well. It takes time, experience and a lot of learning.*

### Section Three: entrepreneurial lessons

#### *Whanau endorsement and sense of place*

Family figured prominently as support givers, confidantes and investors. Respondents see parents and grandparents as particularly special people in their lives. Uncles, aunts and other siblings were also important to their sphere of influence. Respondents spoke of whanau as having their place as people they could test their ideas against and help broaden their scope. They talked of having

sometimes to “run the gauntlet” with the whanau but believed this was necessary to making themselves more accountable, sure and honest in their activities and decisions. They see discussion with whanau as necessary reality checks to make sure they kept their integrity in line that had a run-on effect to the family. Respondents were however adamant that success in their eyes would be good for the whanau as long as they stayed grounded. One respondent spoke of such grounding:

*when I talk business with my friends, I jokingly tell them four people control my wealth and they're all under ten. I love my “mokos”, they tell me when they think I need a holiday., there's hardly any point in making money if the family can't benefit in some way*

Whanau gave respondents endorsement and consolation. Respondents spoke of the lessons they learnt and how these continued on into their business philosophies and practice. One respondent shared an account of the lesson taught to her by her grandmother. She recalled:

*My grandmother taught me to read and navigate by the stars, nga whetu. When I was little she used to put me in a boat alone at night and push it out to sea. I was scared the first time but as time went on I slowly became comforted by the stars. My grandmother taught me to watch them and I used to watch them dance across the sky. She told me all their name, Mere-Tu-Ahiahia, Mere-Tia, Mere Pounamu and their legends. I learnt to listen, to listen to the waves as they slapped the side of the boat and knew how far we were away from shore.*

Significantly, respondents valued their early childhood experiences and the fun and games they played as having lessons they now valued in adult life. They talked of the fishing experiences, the card games, learning to cook, sew, fence and shear as treasured learning experiences. One respondent talked of the money lesson as a young man that made him a wealthy millionaire:

*I was influenced a lot when I was young and living in Tauranga by an elderly pakeha lady I boarded with. She taught me the fundamental principle of saving. She would bank all my money. She was a tough lady and would not allow me to spend anything. She'd insist “save your money, save your money, save your money”. She'd helped me know the true value of money. That it takes money to make money. You see I grew up in a very poor family in Whakatane where I treasured my ancestors and which I still do. Today I'm careful with my money. I do give it away, \$1000 here, \$2000 to charities.*

He went on to say:

*I first got involved in the real estate business in the late 1950s through a pakeha friend of mine. He told me if I had the money I could do this. I saw the opportunity and went to ask the bank for a loan. I finally got the loan and so my wife and I bought our first property, we did it up, painted it and sold it for a small profit. That was the beginning and over the years I've brought and sold over 100 houses...In 1961 I went into real estate, selling and speculating full time...and become reasonably successful.*

As successful performer and artist another respondent talked of her business understanding, as she told the story of the journey of the *hue* to Aotearoa:

*When our people first came to Aotearoa they used the hue as a storage container and buoy used in the floatation of sailing vessels. The story is also told where Kupe used the hue to trap Te Wheke Muru ranga whenua by tying a pair together with rope and sling-shotting this at Te Wheke's tentacles. What we learn from the hue is "meaning" and "function". The hue told stories in their carved form. It was used as the whare tangata to hold the pito whenua and the "moontime" of women. Tane was chosen among his siblings to seek wahine. In his pursuit he mated with different elements, the tress, out of which came the different rakau. He mated with the manu to create male and female species. He also mated with Putehue the great grandmother from which came Te Atua Wahine o te Hue. We come to understand the entrepreneurial nature of the hue, That is, it's ability to create, recreate and shape new life.*

This respondent was creative also as businesswoman connecting the essence of her entrepreneurial activities to her passion for art and music. She spoke of upbringing and wairua as giving her strength and self-confidence. She remarked however, that this was all underpinned by hard work and good support.

### *The business-minded Maori entrepreneur*

As Maori entrepreneurs, respondents saw opportunities for Maori, but were of the view that Maori had to get out and make it happen for themselves. As one respondent stated:

*there's two things causing growing edginess...despair among our people, more unemployment and...the big picture movements, like Tainui and Ngai Tahu fisheries claims...the forum this creates helps Maori to look at what we own and what's happening for us as a people. Maoridom is required to re-examine what it sees as its imperative conditions of sustainable social and economic governance which underpin those values, choices and decisions made with the greater interest of all New Zealanders in mind. Too this, government and iwi corporates will be required to take a lead role in determining in whose interests are paramount.*

The challenge for Maori as for respondents saw it was self-doubt and attitude. As one respondent put it "we've got the ability but not the tools". Another respondent was not so forthright stating "we have to rid ourselves of all the bullshit, that we can't do it". A number respondent offered other views:

*it's embarrassing to be too rich, it's embarrassing to be ambitious, it's embarrassing to be competitive in the marketplace and yet our people were all of those. Today our people are competitive at rugby, culturally competitive, but when it comes to business they're not aggressive enough and go under. Aggression can be expressed in lots of ways, it can be expressed in getting out there and advertising very aggressively your product, you could be aggressive in terms of looking at your market and what your opposition is doing and trying to respond to the challenge. It could be in the way you plan, it could be in terms of*

*hours that you put into making your package work. But our people don't do that, they're embarrassed.*

Others stated:

*There's a Maori attitude that still exists. I used to play a lot of tennis tournaments and get into finals and I'd lose. I would always justify by saying, "so what, I came second, at least I didn't come last." That's a Maori attitude that has to change. Watch kids going into a race, they know whose going to win, but they don't ever want to come last. We don't see this when it comes to money and economic performance. It's this that stops us, like I got a \$1000 for this cow right, I really should've got \$1,500, but that's OK. My mother, she frustrates me at times because if there's a bill that she shouldn't pay, she'll pay to keep the peace but she's been ripped off.*

Added to a negative self-perception respondent's saw that Maori needed to gain self-confidence in their own concepts rather than look to the outside:

*One of the big problems that confronts us as a culture is our tendency to look externally for validation before we begin to pursue whatever it may be. I've had Maori groups come and ask me to do strategic plans because they say they don't know how, or to take them through a policy analysis because they don't know what this is. In fact we as Maori have examples, extremely successful examples of these things through our tribal cultures, but we haven't given them names as we don't recognise them as those practices. Therefore we tend to undervalue our culture and its reservoir of knowledge and practices. We have tended to abandon these and subject ourselves to western forms of theory as they become appropriate practice knowledge.*

Another respondent spoke of western practices being seen as more valid:

*And yet we have examples of strategic planning embedded in our culture which don't have modern jargon attached and therefore not recognised as valid practice. We undervalue them and their meanings. We've abandoned them in place of western knowledge and theories and that's, not a good thing, is it? The issue is how are we going to join the inherited leadership, whakapapa, tuakana-teina, those models, and the modern inter-generational concerns facing our people...the urban and rural problems we're having.*

The idea of being Maori in a business sense was an interesting discussion point for respondents. They talked about balancing their obligations in a business sense and whanau sense as being more mutual than contradictory. As one commented:

*There's an air of frustration as I see it. In one sense we need greater clarification about our fisheries and tribal settlements with the Crown, and on the other, we need to know how to better use tribal assets. We've got to make sure our business ventures operate effectively in a commercial sense, but underpin these with values of kaitiakitanga and rangatiratanga. Little justification can be made if we sell off assets without due consideration to the long-term effects on our whanau. We need people who can bridge the gap.*

Respondents saw being Maori, for them not as a liability, but an asset: that their cultural background was an advantage not disadvantage. Indeed some considered heritage as offering a lot more than just history, it offered a unique place in the business world. As one respondent remarked:

*there's something important we as Maori must learn and that is, one should never get the impression that because you're brown you can't do or get anything... You see, the key to making it, to succeeding, is maintaining your accountability and being honest in your dealings. If you're honest and accountable, pakeha people will, at the end of the day, stand by you. You achieve this by establishing a track record.*

This was reiterated by another respondent:

*When I left MAI FM I went to work for the Radio Bureau which I hated because I moved from a learning culture to one based very much on bottom line management, an organisation heavy into financial accountabilities, very structured, bureaucratic and impersonal. I gladly left there at the beginning of last year and went into consultancy work at the end of 1997 and made my presentation to an organisation that contracted me. I challenged the General Manager to take ownership of his Treaty obligations. I stated that it was all very well to think that by employing a brown face and putting them in an office down the corridor was meeting that obligation, but that's not accountability. The GM had his head down and I knew he didn't have the guts to face this issue. I personally can't work with people with little integrity.*

Being culturally different gave respondents a sense of uniqueness that 'being bicultural' was essentially about 'being grounded' in two cultural and economic frameworks with opportunities to be entrepreneurial in both worlds. However, as they noted, it was not as easy as it seems. They were generally aware of being perceived as being culturally different as "brown-skinned pakehas" or of being excused because they happened to be Maori. But were not phased by this as they saw the potential to create opportunities.

*I'm proud of who I am and what I do. I'm not accountable to people who think differently and I have no vested interest in pleasing them. But I'm in a place that has a lot going for. I think we're in a prime position to lead the way.*

Respondents saw as an important skill the ability to articulate themselves across dual processes. That the challenge for them was to blend cultural traditions in to a workable and profitable business model. Though some identified their limits regarding their knowledge and understanding of tikanga, they saw it as a value and important skill.

They talked about the stereotypes but felt bad images tended to undermine the true character of the entrepreneurial Maori as an astute, business-like and intensely competitive person. Respondents showed by example their abilities to make deals:

*Say you wanted to borrow \$100,000. What I'd say is, "I'll give you \$20,000 cash, I've got a launch worth \$10,000, and a car that's worth \$15,000. Those three things for your \$100,000. Will you take it?". 9 times out of 10, they'll say "Yes!, I'll take it, we've got a deal." But I've got it down another way. The only thing I've given out is my deposit, the car I might have brought for maybe \$5,000, the boat that cost me \$15,000, I probably brought for \$10,000, and so by giving them this package I've actually, instead of them accepting raw cash, take the boat, the car, the caravan or whatever. But because I bought them cheap, I was able to present it to them at a flat market rate, so I created this deal. I've always had the confidence to create deals.*

Another respondent spoke of his dealing making:

*There are seven members on the board and you have to convince six others to buy what you're saying...By knowing who's who, I put the rednecks to one side and work on the others. How do I do this? I do it both openly and also under handedly. Under-handed is more to the point. I say "I'm prepared to help you achieve your objectives, if you help me." This is the trade-off in business decisions. It's the old adage, "you scratch my back and I'll scratch yours." Having said this, there are certain values I won't compromise. I've been fortunate that I've not had to do this. These unconditional values are around knowing what my kaupapa is, and it's Maori. It's also about getting the best deal for our people. Fundamentally I'll never trade-off my integrity. I've not had to do this and though at times you may lose the battle this only encourages me to find other ways to skin the cat.*

## **Conclusion**

This chapter has identified some of the skills, functions and lessons expressed by Maori entrepreneurs in their efforts to create opportunities, manage systems, deal with tensions and ultimately to create successful results. The chapter has identified that respondent saw themselves as "simple people with big dreams". Thinkers, but most of all doers with a reason and purpose to win. They saw life as about choices and that choices at the end of the day determined success. As such they were adamant that business was more than just 'here and now'. Respondents identified themselves as being, for the sake of necessity, "unreasonable" and discontent with the present. They talked about being deliberately disagreeable and not wanting to accept the status quo if they knew they could improve things. They were unanimous on the issue that business had to undergo the integrity test built around ethical and honest practice and they were intolerant of complacency and procrastination. They saw giving up as a cop-out which was essentially fear-based and which could be justified as an excuse to do nothing.

Respondents saw it as necessary to develop sound business strategies to gain advantage. Strengthening relationships was an important way to do this. They talked of being strengthened by having whanau support and they acknowledged key people who helped them throughout their lives. Without exception, they all saw supportive whanau networks as a crucial support. They felt the need to protect their families and this was heightened by their desire to not bring the family name

into any sort of disrepute. Respondents saw achieving goals and motivating others to envision the success of the business as important. They worked towards this by mentoring and leading by example. They also saw having a high level of expectation as a key ingredient to making things happen. Respondents learnt, often through what works best for them, how to deal with the immensity of stress and chaos. They saw themselves as having learnt the discipline in their dealings with change tensions.

## CHAPTER NINE: Conclusion

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It's what you learn after you know it all that counts  
- John Wooden

This study has set about to examine the nature of Maori entrepreneurship and its place in a modern business environment. The central proposition it makes describes the tensions, relationships and commercial realities faced by Maori business entrepreneurs as they engage in activities that in some way shape and influence the marketplace. In principal, the study has shown the complex nature of systems impacting on entrepreneurial decision-making and performance. As the fieldwork chapter shows, the necessity to be business smart, confident, fair and honest in one's dealings and perceptive has to take into account the need to be economically viable and purpose driven also. The findings show that for Maori entrepreneurs being whanau-centred is important to their personal sense of accountability and to wider tribal/hapu constituency interests. Maori entrepreneurs are "bicultural" pioneers who walk between distinct yet intricately woven worlds of strategic business decisions, tribal politics, family politics and assessing opportunities on a regular basis. Drawn from the experiences and lessons shared by Maori entrepreneurs the attempt has been to present a picture of Maori leadership and the nature of dual constituencies in Maori attempts to serve, enhance and add value to the marketplace and the aims and aspirations of Maori economic development.

The nature of Maori entrepreneurship, as shown by the findings, suggest Maori economic development takes into account wider issues beyond profitability. That the management of tribal assets not only signals a role for Maori in a capitalist economy but the need for newly constituted tribal organisations to separate out their commercial arms from their social and cultural development arms. This makes business and legal sense, but as entrepreneurs are aware, there has to be a degree of transparency and accountability that has to accompany the new entity's political legitimacy. The diversification and use of tribal resources has led to much disquiet among Maori and brought into question the fiduciary governance roles of Trust Boards and runanga.

The study has considered entrepreneurial practice as universal and necessary to the vibrancy of the of the Maori and national economies. It has argued, that embedded within the customary lore and practices of tribal tradition are aspects of entrepreneurial practice that remain central to its survival. These practices have been repressed by statutes that have worked towards reshaping Maori social and political realities. Today however, tribal groups and whanau are beginning to reconstitute themselves to become economically viable and competitive in business development. The contention is that new definitions of leadership are required and the articulation of this leadership needs to takes into account the dual constituency nature of neo-tribal capitalism in a modern world.

The themes addressed also focus on skill and ability to manage risk and the findings show that Maori entrepreneurs are inclined to make commercial based decisions in a manner that accounts for other social and cultural interests. The fact that newly formed tribal runanga have equally important and mandated commercial and social dual focuses, suggests that the prevailing neo-tribal capitalist development is not just inherently conscious of its wider political stakeholders, but by nature is oxymoronic in terms of its place within a western capitalist paradigm. Maori business is effectively challenging not only political boundaries but the boundaries and definitions of business practice, economic development and law and the increasing patronage of Maori into entrepreneurial business activity has changed the shape and nature of New Zealand society. This is in part due also to the political entrepreneurship among the wave of new Maori MPs since 1996.

This study has drawn from complex theoretical and conceptual frameworks which have underpinned the framework of Maori economic development itself. It was useful and necessary to develop and extend the literature to add to the understandings of Maori whanau, hapu and iwi development. Central to this is the dual constituency debate.

While the theoretical framework of this study has been detailed at length I have attempted to link this back to a Maori systems worldview centred around whakapapa and whanaungatanga. These are important constructs for Maori as they provide meaning to relationships and encounters and sit comfortably alongside the literature on social network and functionalist theory. Literature on leadership and the State brings to light questions of legitimacy and responsibility in the political and legal arena of Maori development.

As this study has shown, entrepreneurship is concerned with development of opportunity creating activities in the marketplace. Clearly it is an act of exploiting the marketplace, however it is neither clear nor understood what the market actually is. There is however agreement as shown in both the literature and fieldwork findings that it is neither stable nor is it rational. The market represents a

fluid nature of human emotions that are continually vexed by doubt and uncertainty. Entrepreneurs manipulate situations to attempt to make sense of this uncertainty and this is based on how well they process information.

I have explored the means by which Maori entrepreneurs anticipate opportunities and put into place organisational processes to take advantage of market fluctuations. It has not been my intention to provide validation for rationalist economic view. Although I put forward a view that underlies scientific theory I have accepted that normative guidelines used to prescribe action and choice are not rational processes.

The need for dynamic Maori leadership is for tribal Maori organisations a requirement to remain culturally and politically intact. Such leadership is also necessary to ensure viability of commercial interests which inevitably will extend beyond the traditional boundaries of tribal land interests.

The State, it has been argued, provides for the legitimacy and the patronage of Maori goods and services and as argued, entrepreneurship is a culturally defined act and therefore aims towards developing new possibilities of expression. The impact is an interesting one, on the one hand there is the need to pursue autonomy and economic governance over resources and on the other, the need to challenge government for more interventionist undertakings to redress Maori underdevelopment.

I have discussed Joseph Schumpeter's and Karl Marx's critiques of capitalism which have provided two useful theoretical insights into the fall of capitalism. Where Schumpeter argues capitalism's demise will result from its over-confidence and success, Marx argues its demise comes about because of the inherent inequalities among the classes.

The tensions that exist between entrepreneurial processes and the prescriptive, positivist processes of management highlight the myriad of organisational arrangements and management processes that surround business activity and commercial transactions, and it is often in dealing with these tensions that entrepreneurs look for opportunities to exploit. What is clear in the case for Maori, is that the marked ideological shifts towards managerialism in the State Sector, have signalled a similar approach adopted by Maori organisations. This may well suggest that some Maori authorities still remain reliant on the State for advice and direction.

A degree of efficient managerial practice is however required for tribal organisations to remain competitive and accountable consequently many have incorporated standardised processes, the use of quantifiable measures of outputs; reporting and monitoring, the separation of commercial

activities from all tribal non-commercial activities and private company ownership. Such measures are necessary, but this is conditioned by the need to not lose sight of what a tribal organisation's core business is, namely the welfare of present and future tribal stakeholder and beneficiaries.

This study highlights the nature of Maori social and political relationships which reveal entrepreneurial activities to be interlocking and multi-faceted by nature. The links Maori have are based on a sense of tribal and hapu belonging which are in themselves fragile at times. They provide the basis of tribal direction and actions. Maori decision-making though inherently synergistic, and formalised, is often prone to chaotic movements and full of living debate.

As has been pointed out, for Maori the Treaty of Waitangi is not the validating document of their claim to tangata whenua status as this is acknowledged by the systems worldview of whanaunangatanga and whakapapa. What entrepreneurship has heightened is the need for Maori thinking to shift from grievance to solutions model. Failure to encourage an entrepreneurial revitalisation would have political as well as economic consequences for Maori tribal organisations. It is Maori entrepreneurship that pushes the boundaries of tolerance and this been the exciting theme examined in this thesis.

Entrepreneurship offers the leverage for Maori development and delivery of opportunities to Maori. My assertion underlies the concern that Maori economic development is led fundamentally by entrepreneurial activity. The problem is many have come to believe in the rhetoric of Maori dependence and what is profound is the manner in which they have embraced the punitive values inherent in the new right policies.

For Maori, managing tribal assets will in future require a skill base of knowledge and skill base of finance. This focus of the intellectual person or human capital has emerged as a shift from tribal based economies to a more fluid service and knowledge-based global business. Having a competitive advantage today is tied to intellectual capital is the generation, distribution, integration and application throughout the new technologies which in themselves shape the new face of Maoridom.

Effectively businesses have had to re-conceptualise what it means to be Maori as they redirect competitive advantage towards the use of their intellectual capital. Without technology the flow of business would be difficult to maintain. It would impede the co-ordination and aligning activities of business given the speed at which information travels. In the knowledge-based economy intellectual capital will become a more pervasive asset than previously thought. Maori have to understand there will be an inevitable widening gap between their tribal balance sheet values and their intellectual

capital value. Maori do not deny that the future of business will be greatly enhanced by knowledge and assessment of new knowledge and of its own intellectual capital base.

A question remains can Maori convert knowledge into intelligible coherent intellectual capital. Information technology only processes the flow of untreated data and does not accordingly discriminate between what is 'useful' and what is residual or unimportant. The key to unlocking this is entrepreneurship and its process of unpacking knowledge into coherent arrangements and templates for the future.

The new Labour government, re-elected after nine years in opposition maintains it has an important role in terms of developing a long term knowledge-based economic strategy (NZ Herald Nov 1999). Its "fresh start" policy is aimed at the knowledge-based activities and policies of reforming the National government's preoccupation with free market, non interventionist direction. There are governmental promises to develop and protect national intellectual capital, however, it is often compromised by its own ideologies and pressure from overseas interests.

The rhetoric of the 'New Right' appears to be echoing with some sentiments among the Maori corporate sector with regularity and this raises the question of tribal obligations. Adam Smith's *Wealth of Nations* doctrine (1776) and the notion of the 'Invisible Hand', Weber's bureaucracy, Keynesian economics and Freire's liberation theory are becoming commonplace in Maori discourse. The public perception of Maori development is at a cross-road with expectations on one hand and doubt on the other. Clearly the entrepreneur fills the void between 'wanting things to happen' and 'making things happen'.

Maori-based tribal businesses have gone to great lengths to establish their reputation as credible and successful. These attributes tie into their need to be ethical and socially responsible. The impact of any questionable behaviour can jeopardise their interests in business and lead to possible damage. Good business leadership reminds the company that it should face current events and a change in course is necessary. Entrepreneurs do not get bogged down with the mechanics of change nor with the work required to reshape the world, they face challenges in default of the present because as they know at the end of the day, this does not make problems go away.

Section One of this thesis, Developing the Framework, (comprising chapters one and two) outlines the scope and tensions surrounding the theoretical and conceptual literature relevant to the study of Maori entrepreneurship. Section Two, Constructing the Framework, (comprising chapters three to six) establishes the context - social, political and economic conditions - in relation to leadership

and management theory and practice. Section Three, Consolidating the Framework, (comprising chapters seven and eight) analyses the relationships of Maori tribal-based organisations to their current and developing mechanisms of economic patronage and the role, function and experiences of Maori entrepreneurs.

Perhaps the clearest manifestation of past value-based leading for Maori was evidenced in the 1835 Declaration of Independence, signed by the United Confederation of Tribes which set out among other things the reaffirmation of Maori sovereign rights and economic claim to resources and assets. Maori were during the nineteenth century, versatile and entrepreneurial opportunists who set about to develop prosperity during an exciting period of capitalist expansion. Maori, with business interests in extensive flour milling and agricultural trade, showed that they were capitalists and entrepreneurial in the burgeoning colonial economy. The situation is no different today. This study has attempted to move between the "theories" and "realities" of those Maori entrepreneurs who engage in entrepreneurial practice. They expressed feelings of stress and feelings of joy at the prospects of making a deal. This highlights entrepreneurship as a human activity which is the position this study has always maintained: that it is not just a livelihood but a life.

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## APPENDIX ONE

### Enterprise and Maori Entrepreneurship: The articulation of leadership and the nature of dual constituent arrangements

#### Information Sheet

Researcher: Peter Mataira

#### Contact address and phone:

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Tena koe aku rangatira. Thank you for your consideration to participate in this study.

#### What is the study about?

The central question being asked in the study is: "What constitutes the core of Maori entrepreneurship in what is predominately a western business/commercial world?" My focus is on examining the systems Maori entrepreneurs use to both enhance and capture market share and opportunistic advantage. As Maori entrepreneurs walk between two distinct worlds - the positivistic, rational world of commercial decision-making and the subjective, qualitative world of ..my interest is in discussing what principles embedded in their activities lead to success and failure. Here I am interested in roles of risk-taking, change management and results-driven leadership.

Your selection has been based on the important inroads you have made in your particular profession and field of practice. As a "captain of industry", an executive of an iwi-based business operation, a manager of a company, a public servant, advisor, consultant or as a small business owner/operator, your work has captured the imagination of others and impacted on the lives of those around you. As such, your endeavours have been widely acknowledged by your peers and colleagues.

#### What is expected of me?

You will be asked to take part in an interview looking at topic of Maori entrepreneurship. The interview itself should take no longer than 45-60 minutes of your time. Every effort will be made to ensure consideration is given to your busy schedule. To help facilitate to process a semi-structured questionnaire format will be used as a guide. If preferable, you may chose to speak in Te Reo Maori.

#### What can I expect from the researcher?

As a means of ensuring information is accurately gathered, interviews will be tape-recorded. However, for this to happen, your approval is first required. You therefore have the right to decline or approve the audio-taping of the interview.

As confidentiality is an important consideration, all information will be kept in the sole possession of the researcher under secure lock and key. All audio tapes and transcripts will, at the completion of the study be either returned to you, lodged at a library of your choice or lodged with the Alexander Turnbull library. In light of the fact however, that the pool of Maori entrepreneurs is relatively small it may not be possible to ensure complete anonymity. To account for this, a publication embargo for a period of time may be considered at the completion of the thesis.

### What are my rights as a participant?

In keeping with the requirements of standard ethical practice, it is important that you be made aware of your rights as a participant to this study.

- that participation is voluntary
- that information you share will be used in a confidential and sensitive manner
- that your informed consent will be obtained prior to being interviewed
- that you have a right not to disclose any information should you wish
- that you can withdraw from the research at any time

### What benefits can be expected from this study?

It is intended that the results of this study may add to the developing body of theoretical and empirical knowledge on Maori entrepreneurship. The findings may also serve as a basis for developing community initiatives and government aims to enhance employment opportunities, policy direction and wealth creation among Maori and other groups in society.

APPENDIX TWO

Enterprise and Maori Entrepreneurship: The articulation of leadership  
and the nature of dual constituent arrangements

Consent Form

I have read the Information Sheet provided for this study detailing what the intentions and purposes of this investigation are. My concerns and questions about the study have been answered to my satisfaction, and I understand that I may ask questions at any time.

I also understand that I am free to withdraw from the interview at any time, and decline to answer questions put to me.

I agree to provide information to the researcher on the understanding that it remains confidential.

I agree/do not agree to the audio taping of the interview.

At the conclusion of this study all tapes and transcripts of the interview should be returned to me/retained by the researcher/lodged with a library of my choice or sent to the Alexander Turnbull Library.

I agree to participate in this study according to details as outlined in the Information Sheet provided.

Signed: .....

Name: .....

Date: .....

## APPENDIX THREE

### Enterprise and Maori Entrepreneurship: The articulation of leadership and the nature of dual constituent arrangements

#### Questionnaire Guideline

##### Background

1. Tell me about the work you currently do? How did you arrive at where you are today? How would you describe your career path?
2. What background business experience do you have? How has this contributed to your current role?
3. Who were the key people, role models you admired most? What impressions did they have on you?

##### On leadership

4. How would you describe the "effective leader"? What skills and attributes are important to leadership in business?
5. How would you describe your style of leadership?
6. How do you gain the trust and support from staff, colleagues and key stakeholders? How important is honesty in your business dealings?
7. How important are ethical considerations to you?
8. What lessons have you learnt about leading and motivating others? What skills and techniques are important?
9. If you were going to teach others about business leadership what advice would you give?

##### On entrepreneurship

10. How do you deal with pressures of risk? What strategies, skills, techniques do you use to weigh up the odds?
11. How important is it to keep yourself up-dated on current trends and technological developments?
12. How important is goal-setting and planing. What strategies, skills, techniques do you use to do this?
13. What decision-making rules do you follow? What skills are important?
14. What advice would you give to those wanting to start-up a new business. What practical guidance would you give?

### On being Maori

15. How important is "being Maori" to you? Has it influenced your philosophy and style of work and business? Can you give some practical examples?
16. From where do you draw inner strength? How important are spiritual/religious values in your business life?

### Sum up

17. What five or six key learnings have helped shape your business practice?
18. What key words sum up your personality as an entrepreneur?
19. If you were going to contribute a quotation, a personal saying, a mission statement, for a book on Maori entrepreneurs, what quotation would that be?
20. Finally, how would you like to most be remembered by your whanau, your children, your business associates, your friends?