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**THE EMERGENCE OF SMALL BUSINESS IN LIBYA:
CASES IN THE TOURISM SECTOR**

ADEL HADI TAGIURI

**A thesis submitted in partial fulfilment of the requirements
of Nottingham Trent University for the degree of
Doctor of Philosophy**

July 2007

Dedication

This work is dedicated to my children (Sarah, Mohamed and Massera) and
to the soul of my father.

The Emergence of Small Business in Libya: Cases in the Tourism Sector

**By
Adel Hadi Tagiuri**

Abstract

This study investigates the emergence of small business within the tourism context in Libya. It seeks to develop an in-depth understanding of how business-owners establish and develop their businesses and the socio-economic and political factors that shape their emergence. A conceptual framework has been developed from this investigation. The model was built on the perspective that entrepreneurship is a process. It demonstrates that it is the interaction between many variables related to micro and macro levels that led to the emergence of small businesses in Libya.

A qualitative research approach was adopted for this investigation and four case studies were selected by means of purposive sampling, two tourism firms and two transport operators. Fieldwork was conducted between October 2003 and February 2006 which reflects the longitudinal nature of the empirical study. In-depth interview with owner managers was the principal source of data collection. Other sources included supplementary interviews with officials in the Ministry of Tourism, non-participant observations, and documentary sources. A cross-case analysis was carried out for this investigation.

Results indicated that positive change in political and economic policies was a key factor in the creation and development of small businesses in Libya. Interestingly, this study shows that negative changes also created business opportunities. Social capital played a major role in the emergence of small firms particularly, the support received from family members and the personal and business contacts. Socio-cultural issues such as language, religion, social norms, and past history were also found to have an influence on the survival and development of small ventures. Furthermore, this research exemplifies the role of small firms in facilitating the development of the tourism industry through changing the poor international image of the country, creating job opportunities, improving the tourism infrastructure, and increasing foreign exchange.

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List of Acronyms

CBL	The Central Bank of Libya
GBT	The General Board of Tourism
GDP	Gross Domestic Product
IMF	International Monetary Fund
MT	Ministry of Tourism
NTDP	The National Tourism Development Plan, the Master plan for tourism development in Libya.
WHC	World Heritage Centre
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

Acknowledgement

All my thankfulness, gratitude and praise to The Mighty, Allah, for His guidance and support throughout this work and far beyond.

I should like to express my gratefulness to my wife for her continuing support particularly during the stressful years. My gratitude goes to mother for her prayers and enduring sacrifice.

Special 'thank you' goes to a special person, Diane Schmitt for remarkable assistance in proofreading and for her encouragement and support when I needed them most.

I should like to thank my supervisors, Professor David Smith and Dr Denise Fletcher. David did not only provide assistance and guidance, he also gave me the chance to complete this work and I have learnt a great deal from his constructive comments and experience.

I would also like to recognise a number of people within NBS for their help and input during the course of this research. Theses include, Kenneth Rufasha, Lena Tzouramani, Rachel Welton, Angela Scott and Andrew Greenman. Thanks also go to Dr Mohamed Fneer for his memorable assistance during the difficult times.

I should like to thank the owners of small businesses who participated and appeared in this study and others who, for the purpose of research sample, did not appear.

Finally, I am indebted to my country and my people who offered me this opportunity and made a childhood dream comes true.

CHAPTER ONE: INTRODUCTION

1.1. Tourism and Small Business: A perspective

International tourism today has social, cultural and political significance, as well as substantial economic benefits. For many countries, tourism is regarded as a significant and integral element of economic development and diversification. Proponents of tourism as a development tool cite numerous potential economic benefits for host countries, including increased foreign exchange, increased employment opportunities, improved socio-economic conditions, and a greater market stability than traditional commodity exports (Walpole and Goodwin, 2000).

Tourism is arguably one of the major industries of the world (WTTC, 1995). Annual international tourist arrivals have significantly increased over recent decades whilst international tourism receipts grew even more dramatically. Tourism is also human resource intensive. As a multi sector business, it generates job opportunities for people in a variety of business areas some of which are deemed to be directly related to tourism, others of which are considered to have an indirect link.

Given the rapid and continuing growth in tourism and its potential social and economic contribution, it is not surprising that much attention is focused specifically on its role as a developmental tool in developing countries (Nash & Smith, 1991). Many such countries consider tourism to be a vital constituent in their overall development plans and policies (Dieke, 1989).

In Libya, tourism has been traditionally underdeveloped with the result that the potential of the country is relatively unknown in the principal source markets for tourists. A number of domestic and international issues have prevented the development of the tourism sector. The nationalization of the private sector in the mid-1970s, the air embargo 1992-1998, and sanctions are some examples which seriously damaged the Libyan economy and created a poor international image of the country.

Nevertheless, the importance of the tourism sector to the future of Libya's economic and social development and the significant role that tourism could play in changing the international image of the country was recognised by the Libyan government in the late 1980s. However, serious efforts in promoting tourism began only with the establishment of the Ministry of Tourism in 1995.

It is frequently argued that small businesses are of worldwide importance for promoting and developing the tourism sector, together with government intervention and support (Wanhill, 2000). The promotion of small firms has been a prime policy focus for many national and local governments in the recent past (Westhead and Birley, 1995). In Libya, investment in the tourism sector has been undertaken largely by the public sector or by the Social Society Fund with private sector contributions from Libyan nationals most likely to be on small scale projects or services (NTDP, 1998). Recently, small tourism businesses in Libya became the focus of government policy with the introduction of tourism-related businesses such as tour operators, travel agents, restaurants, hotels, and tourist transport operators.

1.2. Previous Studies in Small Business and Tourism

Entrepreneurship does not always coincide with small firm ownership, but throughout this research the term entrepreneurship will be used in connection with small firms. Previous studies in small business and tourism have largely been undertaken in industrialised economies (e.g. Ioannides and Petersen, 2003; Morrison and Teixeira 2004; Page et al, 1999). In less developed countries however, research in small business and entrepreneurship is still developing. In Africa for instance, research in this area has recently emerged covering different areas in different countries. For instance, Masten et al, (2000) investigate small business development in Malawi. Rutashobya et al, (2004) explore the role of networks in small firms' internationalization in Tanzania.

In the Middle East and North African region small business research is steadily being carried out. For example, Abou Aish et al, (2003) explore the role of the brand in relation

to bank selection by small business customers in two culturally distinct countries, namely Egypt and the UK. Al-Madhoun et al, (2003) discuss training programmes for small and micro enterprises in the Palestinian Territories. Yusuf (2005) explores workforce diversity in small enterprises in the Arabian Gulf.

In Libya, there is a growing interest in tourism and small business areas of research. Al-Al-Hasan et al (2002), for instance, evaluate the competitiveness of SMEs in Libya and investigate the problems faced by small firms and the role of policy makers in the Libyan tourism industry. Jwaili et al (2004) examine the role of SME's in marketing the Libyan Heritage sites and the significance of photographic images for the marketing of Libyan tourism. They also investigated the role of internet marketing in the development of the Libyan tourism industry (Jwaili et al, 2004a). Thomas et al (2002) examined the role of small firms in Libyan tourism development. The research embodied in this thesis complements previous studies and contributes to the base of knowledge by offering an in-depth study of small tourism businesses in Libya.

It is worth emphasizing that, until recently, Libya was a planned economy and, thus, the small firms sector was non-existent. In addition, tourism in Libya is a relatively "new industry" and still developing. Subsequently, small tourism firms are an emerging phenomenon within the Libyan context (the concept of emergence which is central to this study is dealt with in chapter 3).

This study argues that the emergence of small business in Libya is the product of interaction of multiple factors in a dynamic context. Examples of these factors are the change in government policies towards liberalization, the promotion of tourism and encouragement of small businesses to actively take part in economic development, and the change in international relations. The model presented in this study (see chapter 4) has been built from the perspective that entrepreneurship is a process. The model, which owes much to Gartner's (1985) work, integrates four dimensions (the firm, the industry, the founder, and the external environment). Entrepreneurship is viewed as the process resulting from the interaction of these dimensions which leads to the emergence of small business in Libya.

1.3. Research Aims and Objectives

Following the discussion in the previous sections, this study aims to investigate the emergence of small businesses within the tourism sector in Libya. Specifically, the aims and objectives of this research are:

- To develop a conceptual framework around the concept of small business emergence.
- To develop an in-depth understanding of how small business-owners establish and develop their businesses in Libya.

The following objectives are set-up to assist in achieving these aims;

- To identify the social/economic/legal factors that shape the emergence of small firms within Libya.
- To examine how small firms facilitate the development of the Libyan tourism industry at a micro economic/social level.

To carry out this investigation, a qualitative research approach was adopted. Four case studies were selected by means of purposive sampling, two tourism firms and two transport operators. Information-rich cases and accessibility were the main criteria for choosing the case firms. Interviewing was the principal method of data collection. Other sources included non-participant observations, supplementary interviews with officials in the Ministry of Tourism, and documentary sources. The latter included information from international organisations such as the World Tourism Organisation (WTO), the World Travel and Tourism Council (WTTC), the International Monetary Fund (IMF) and reports from national sources such as the National Tourism Development Plan, the Central Bank of Libya, local newspapers, and the general internet searches.

1.4. Libya: Background

1.4.1. Geography, Population and Climate

Libya is a large country possessing a surface greater than that of France, Germany and Holland combined (1,759,540 sq. km). Over 90% of the country is covered by desert. It is bordered to the north by the Mediterranean Sea, with a coastline of approximately 1,774 km, to the east is Egypt, to the south is the Sudan, Chad and Niger, and to the west is Algeria and Tunisia (Figure 1.1). According to the census carried out in 2006, the total Libyan population amounted to some 5.323 million people in addition to 350,000 non-Libyan residents.

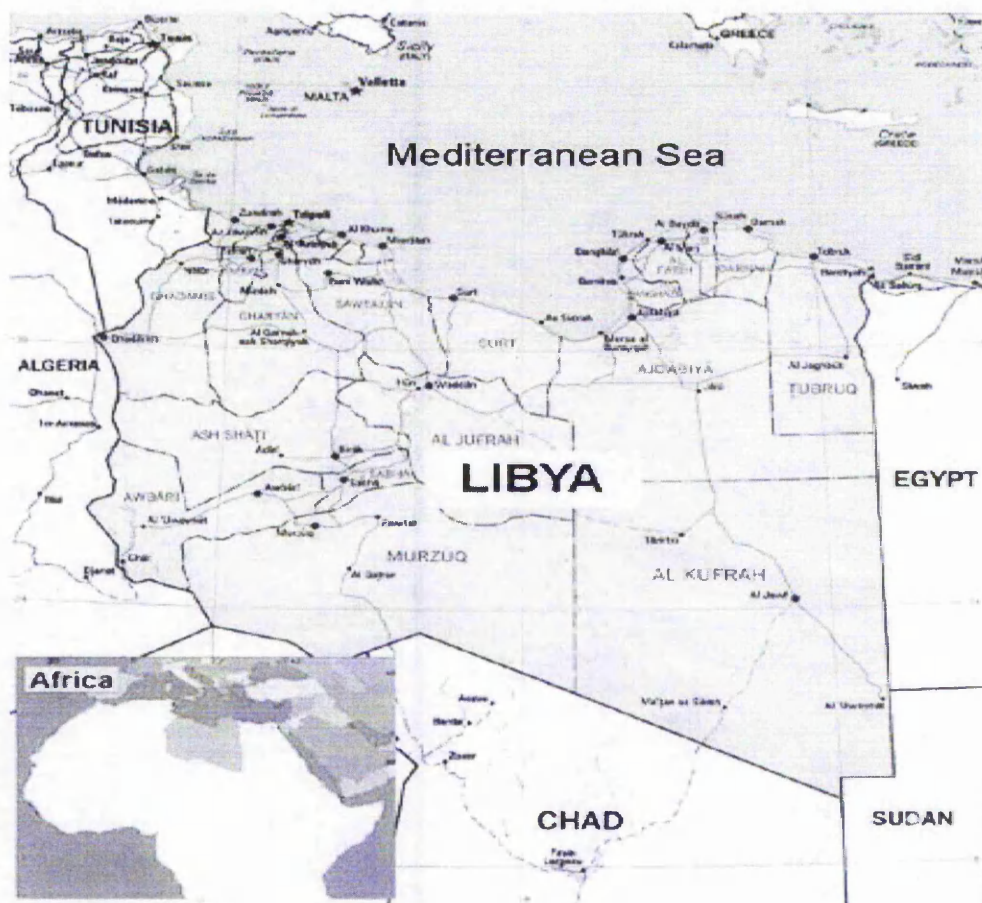


Figure 1.1 map of Libya

The climate of Libya may be characterised as being arid with a wide range of temperatures. The Sahara desert in the south and the Mediterranean Sea in the north are the principal factors that determine the climate in the country and, at the same time, have had a major influence on the spatial distribution of the population as well as the location of agricultural and commercial development. In the coastal region in general, the winters are relatively mild although some areas experience frost. The mean daily temperature does not fall below 5° C; summers are relatively hot with the hottest month being August. Mean temperatures during this period do not exceed 30° C. The mean annual temperature is around 13– 14°C (NTDP, 1998).

1.4.2. Libyan Economy

The Libyan economy depends primarily upon oil sector revenues, which contribute particularly to all export earnings and about one-quarter of GDP. These oil revenues and a small population give Libya one of the highest per capita GDPs in Africa. The non-oil manufacturing and construction sectors, which account for about 20 % of GDP, have expanded from processing mostly agricultural products to include the production of petrochemicals, iron, steel, and aluminium (exxun, 2005).

1.4.3. Historical Background

For over three millennia Libya was occupied by a series of peoples who, to a greater or lesser extent, left behind rich legacies in terms of the scale and importance of historical sites and, in more recent times, notable examples of architecture.

The Phoenicians established settlements during the 7th century BC at Sabratha, Tripoli (Oea), Libda (Leptis Magna), Macomades Euphranta and Mdinat Sultan (Charax). However, unlike later occupations, little visual evidence of their settlement has been discovered. The Greeks, who coincided with the Phoenicians, largely concentrated their attention on the eastern part of the country. They established five cities which formed the federation known as the 'Pentapolis' – Cyrene, Teuchira, Berenice, Apollonia and Al-Marj. Other notable sites were founded during the same period such as Tolmetha (Ptolemais).

With the passing of the Ptolemaic Kingdom into Roman control, Cyrenaica became a Roman province (96 BC). About the same time, following the defeat of the Carthaginians, the Roman influence spread westwards and eventually the entire coastal zone came under their control. Magnificent cities were constructed in Leptis Magna and Sabratha. By the 4th century AD, the coastal zone of Libya had become Christianised. A brief occupation by the Vandals gave way to the control by Byzantium based at Constantinople (Istanbul). By the 7th century a movement occurred that, subsequently, has had a monumental and lasting impact on Libya. With the Arab conquest the Islamic religion was established.

After brief incursions by a number of European powers (Norman Sicilians, the Spanish and the Maltese (Order the Knights of St. John) much of North Africa fell under the control of the Ottoman Empire although largely through a series of semi-autonomous rulers, particularly the powerful Karamanli dynasty (1711-1835). In 1835, Tripoli came under the direct rule of Turkey. In 1911, Libya was invaded by the Italians. After the Second World War the country came under joint British and French administration until the granting of independence by the newly formed United Nations in December 1951.

The following section outlines how the study has been structured to achieve its objectives.

1.5. Structure of the Thesis

Chapter One Introduction

This chapter serves to introduce the whole thesis. It began by highlighting the significance of tourism as a development tool for developing countries. The importance of small business to economic development in general and to tourism in particular was also emphasised. Then the specific significance of both tourism and small business to the Libyan economy was briefly outlined. This was followed by a brief account of previous studies in these areas. The research aims and objectives were then presented and discussed in brief. Finally, background on the location, population and history of Libya is presented.

Chapter Two Tourism Development

This chapter begins by reviewing the definitions of the tourist and tourism and emphasising the multi-disciplinary nature of tourism and the difficulty associated with proposing a single, all-embracing or holistic definition. International tourism trends and flows provide a clear picture of the rapid growth of the tourism industry. Then, the chapter links tourism to socio-economic development by introducing the legal, socio-economic and political issues that arise due to tourism development in Libya. National development plans including, the master plan for tourism development in Libya, are outlined. This is followed by examining the past, present and future of tourism infrastructure. Finally, the tourism product in Libya including the world heritage sites is described.

Chapter Three Small Business Emergence and Entrepreneurship

This chapter provides outlines, definitions and classifications of small firms and their role in socio-economic development. Some models of small business growth are then discussed. This chapter moves on to introduce an overview of the area of entrepreneurship by briefly reviewing a variety of schools of thought and approaches to entrepreneurship. Finally, particular attention is given to researchers' criticisms of the personality trait approach to entrepreneurship.

Chapter Four Multi-factor Approaches to Entrepreneurship

As the preceding chapter ends by showing how the trait approach has been criticised by many scholars, this chapter views entrepreneurship from different perspectives. First, some entrepreneurial behaviour such as opportunity recognition and the creation and use of networks is discussed. Then the notion of the entrepreneurship process is introduced and some previous studies and models are discussed. The chapter ends by offering a conceptual frame work which has been developed from this study.

Chapter Five Research Philosophy and Methodology

This chapter begins by highlighting the researcher's preliminary thinking and interests in this area of study. After presenting the research objectives, this chapter explains and justifies the research design. This comprises an examination of the use of case study

research, the triangulation of data sources, sampling and research methods. Fieldwork processes are detailed and the analysis process is outlined.

Chapters Six, Seven, Eight, and Nine Case Firms

These chapters introduce the four case studies, two tourism firms (Apple and Orange) and two transport operators (Pear and Grape).

Chapter Ten Analysis

The fieldwork results are presented in this chapter. It begins by re-examining the entrepreneurship process as the focus of this study and shows how a variety of variables interacted and led to the emergence of small business in Libya. Following the model as guideline for this study, the impact of the economic, political and legal external environment is highlighted. Then the analysis moves to consider the micro economic level by looking at the characteristics of both the founder and the firm. All the research themes are discussed in relation to the literature.

Chapter Eleven Conclusions

The final chapter concludes this thesis. After reiteration of the research objectives, key findings are presented and the contribution to knowledge of this work is identified. Finally, the research limitations are identified and further studies are proposed.

This chapter has outlined the whole work by introducing both areas of study (i.e. tourism and small business), identifying the research objectives, providing background on Libya and showing how the work is organised. The subsequent chapter focuses on tourism development and gives particular attention to the Libyan context.

CHAPTER TWO: TOURISM DEVELOPMENT

2.1. Introduction

Tourism has a long history and is widespread in the cultures of humankind. During the twentieth century, international tourism has been transformed from a leisure activity enjoyed by a privileged minority into an important social and economic phenomenon (Urry, 1990). Directly or indirectly, tourism is part of the fabric of most of the world's industries, transport, retailing, advertising, sports, sporting goods and equipment, clothing, the food industry, and health care. It also plays a part in most communication media, particularly in the travel sections of newspapers (McIntosh et al, 1995).

Tourism is arguably one of the major industries of the world (Nash & Smith, 1991). According to the World Tourism Organisation (WTO), annual international tourist arrivals which, in 1950, amounted 25 million exceeded 808 million in 2005, whilst international tourism receipts grew even more dramatically. In 1950, international tourism generated US\$ 2.1 billion, a figure which had risen to US\$ 682 billion by 2005 (WTO, 2006). It has been estimated that, globally, travel and tourism account for 10.3 % of the Gross Domestic Product (GDP) in 2006. Tourism is also a human resource intensive. According to the World Travel & Tourism Council (WTTC), in 2006, one in 11.5 jobs will be generated by the Travel and Tourism Economy.

Given the rapid and continuing growth in tourism (see Table 2.1 below) and its potential social and economic contribution, it is not surprising that tourism is regarded in many countries as 'an important and integral aspect of their development strategies' (Jenkins, 1991:61). Much attention is focused specifically on the role of tourism as a developmental tool in the Developing Countries (Nash & Smith, 1991) and many such countries consider tourism to be a vital ingredient in their overall development plans and policies (Dieke, 1989).

Libya is a new entrant into tourism in relation to its North African neighbours; Tunisia, Morocco and Egypt. Despite having equally attractive historical sites and climate, tourism within Libya is traditionally underdeveloped. Development of the tourism sector has been constrained by a number of issues, the most critical being the poor international image of the country and inadequate tourism infrastructure, (NTDP, 1998).

Although not given priority in the past, in the late 1980s the Libyan government recognised the potential of the tourism sector in developing and diversifying the economy and society. After two decades of neglect, the General Board of Tourism (GBT) came back to existence in 1989. Nevertheless, serious efforts in promoting tourism began only with the establishment of the Ministry of Tourism (MT) in 1995. A result was the establishment of The National Tourism Development Plan (NTDP) of 1998, "Tourism Master Plan" which laid a strong foundation for the development of tourism in Libya.

According to NTDP, the Libyan authorities pay particular attention in the short-term to heritage and desert tourism. By adopting this policy, the government aims at to avoid the excessive and inappropriate development in terms of both environmental and social sustainability that has taken place elsewhere. Seaside tourism, however, is on the long-term agenda as there are great opportunities to benefit from the longest coastline in the Mediterranean.

The purpose of this chapter is to provide background about tourism development in general and Libyan tourism in particular. To do so, general theoretical tourism foundation is needed. Therefore, this chapter begins by a brief discussion of the definitions used in the tourism literature followed by an outline of international tourism trends and flows. Then, the significance of tourism as a socio-economic development tool is highlighted. The discussion then moves to the Libyan context by addressing a number of tourism-related issues such as the history of tourism development in Libya, tourism products and infrastructure and the performance of the Libyan tourism sector.

2.2. Definitions of Tourism

Tourism is a multidimensional, multifaceted activity, which touches many lives and many different economic activities. Not surprisingly, tourism has therefore proved difficult to define. In some senses, this is a reflection of the multidisciplinary nature of the topic (Gilbert 1990) and the 'abstract nature of the concept of tourism' (Burns and Holden, 1995:5), but it is also indicative of its immaturity as a field of study (Shepherd, 1998). Dann and Cohen (1991:167) address this dilemma and state that "there exists no all-embracing theory of tourism, since tourism, like any other field of human endeavour, is a target field, comprising many domains and focuses, to which various theoretical approaches can be appropriately applied".

Academics and international organisations view tourism and "the tourist" from different perspectives. In fact, it is not the intention here to review the history of tourism and its definitions as, in one hand, this does not fall within the research intention and, on the other hand, a large number of text books and journal articles have addressed this area further (see, for example, Cohen, 1979; Feifer, 1985; Theobald, 1994). However, a brief review of the literature on this area is found to be necessary for theoretical discussion.

As a starting point, a feature common to most, if not all definitions of both tourism and tourists is that they tend to be varying according to a particular perspective of the researcher. For example, the theoretical underpinning of Cohen's (1972, 1979) work on tourist typologies is based upon sociological groundwork, whilst Smith's (1989) typology of tourists is based upon tourist numbers and their relationship with the destination environment, reflecting the author's anthropological interest in the link between tourist type and the impact on host societies.

Burkhart and Medlik (1981) identify two main areas of tourism definitions. First, technical definitions attempt to identify different types of tourist and different tourism activities, normally for statistical purposes, and which, by implication, view tourism as an economic, as opposed to human activity. Second, conceptual definitions are concerned with the nature and meaning, or essential characteristics of tourism as an activity. One of the early definitions of tourism was produced by the United Nations Conference on Travel and Tourism in 1963 which adopted later by the International Union of Official Travel Organisations (IUOTO). It states that a visitor, being either a tourist, who stays overnight, or an excursionist on a day visit, is:

“any person visiting a country other than that in which he [sic] has his usual place of residence for any reason other than following an occupation remunerated from within the country visited.”

According to Murphy (1985), this definition is the most widely recognised, yet its focus remains the measurement of tourist traffic and the role of tourists in the tourism process is overlooked. On the other angle, attempts have also been made to conceptually define tourism from an anthropological perspective. Smith for instance, defines tourist as being a ‘temporarily leisured person who voluntarily visits a place for the purpose of experiencing a change’ (Smith, 1989:1). Nonetheless, by concentrating on the tourist as an individual, the conceptual approach has been criticised for missing out much about the tourism system (Crick, 1989).

Researchers have been attempting to introduce definitions that can cover different aspects of tourism. Chadwick (1994:65), for instance, defines tourism as “the field of research on human and business activities associated with one or more aspects of the temporary movement of persons away from their immediate home communities and daily work environment for business, pleasure and personal reasons”. Others viewing tourism as industry and define it as ‘those enterprises and organizations involved in facilitating travel and activity away from one’s usual environment’ (Smith, 1995:34).

In reviewing the definitions of tourism, Burns and Holden (1995:6) argue that tourism should not be looked upon merely as a business or system but should be viewed in a more holistic manner that also encompasses the 'consequential aspect (i.e. the 'cost', in human and environmental terms) of the relationship between supply and demand'. They went on to cite Nash and Smith (1991:14) to illustrate their point, in which tourism is defined as:

'a pan-human touristic process that originates with the generation of tourists in some society ..., continues as these tourists travel to other places where they encounter hosts, and ending as the give-and-take of this encounter affect the tourists, their hosts, and their home cultures ...'.

The argument here is that with the variety of disciplines and the variety of tourism forms, it is unrealistic to propose a single, all-embracing or holistic definition. Tourism, as Graburn (1983) argues, cannot be viewed as one monolithic, static sort of phenomena. Tourism is both a social and economic phenomena and there is a wide variety of other definitions and descriptions attached to the term tourism in the literature.

2.3. Tourism: Trends and Flows

The fact is that there is a difficulty associated with the collection and interpretation of tourism statistics. Unsurprisingly, therefore, variations exist in the quality and accuracy of tourism data supplied by different destination areas. World Travel & Tourism Council (WTTC), one of the leading international organisations in the field of travel and tourism, categorise data according to the source of confidence and forecast margin of error to high, moderate and low.

Nonetheless, broad trends are evident in the growth and flows of international tourism. According to WTTC, world's travel & tourism is expected to generate US\$6,477.2 billion of economic activity (Total Demand) in 2006, growing to US\$12,118.6 billion by 2016. The industry's direct impact includes 76.729 million jobs representing 2.8% of total employment and US\$ 1,754.5 billion of GDP equivalent to 3.6% of total GDP in 2006.

However, since travel and tourism touches all sectors of the economy, its real impact is even greater. The world travel and tourism economy directly and indirectly accounts for 234.305 million jobs representing 8.7% of total employment and its contribution to global economy is estimated at US\$4,963.8 billion of GDP equivalent to 10.3% of total GDP. World travel and tourism is expected to generate US\$1,646.2 billion (11.8%) of total exports in 2006. Estimations for the same year show that capital investment is expected to reach US\$1,010.7 billion or 9.3% of total investment; and government expenditures are estimated at US\$300.2 billion of or a 3.8% share (WTTC, 2006). Broad trends are also evident in the dramatic growth in tourist numbers and receipts over the past five decades (see Table 2.1).

Table 2.1: International Tourist Arrivals and Receipts 1950- 2004

Year	Tourist Arrivals (mn)	Tourist Receipts (US\$bn)
1950	25.3	2.1
1960	69.3	6.9
1970	165.8	17.9
1980	278.2	106.5
1990	441.0	273.2
1995	538.1	411.3
2000	680.6	479.2
2001	680.4	467.0
2002	700.4	481.6
2003	689.7	524.2
2004	763.2	622.7

Source: World Tourism Organization (2006), Facts & Figures, Tourism Market Trends

The substantial growth of the tourism activity clearly marks tourism as one of the most remarkable economic and social phenomena of the past century. The number of international arrivals shows an evolution from a mere 25 million international arrivals in 1950 to an estimated 763 million in 2004, corresponding to an average annual growth rate of 6.5 per cent (WTO, 2006).

During this period, development was particularly strong in Asia and the Pacific (13 per cent on average a year) and in the Middle East (10%) while the Americas (5%) and Europe (6%), grew at a slower pace and slightly below the world's average growth. New

destinations are steadily increasing their market share while more mature regions such as Europe and the Americas tend to have less dynamic growth (see Table 2.2). Europe's world share declined by almost 10 percentage points since 1950 whereas the Americas lost more than 13 percentage points. (WTO, 2006). Table 2.2 shows the average annual growth by region.

Table 2.2: Average Annual Growth (%) of Tourist Arrivals

Period/Dest.	World	Africa	Americas	A & Pacific	Europe	M. East
1950-2000	6.8	8.3	5.8	13.2	6.5	10.2
2000-2004	2.9	4.2	-0.5	7.3	2.0	8.8

Emerging destinations such as China, Turkey and Malaysia have made substantial progress in terms of international tourist arrivals and increased their market share. They are now ranked 4th, 12th and 13th respectively (WTO, 2006).

As the table shows, though the Americas' performance has been most affected by the declines suffered in the past years, the fact is that its annual average growth rate for the period 1950-2000 was 5.8 percent, below the average for the world (6.8 %). Statistics also reveal that Europe and the Americas were the main tourist-receiving regions between 1950 and 2000. Both regions represented a joint market share of over 95 per cent in 1950, 82 per cent forty years later and 76 per cent in 2000 (WTO, 2006). Table 2.3 gives details about tourist arrivals by region.

Table 2.3: International Tourist Arrivals by Region (million)

Region / Year	2000	2001	2002	2003	2004
World	680.6	680.4	700.4	689.7	763.2
Africa	28.2	28.9	29.5	30.8	33.2
Americas	128.2	122.1	116.6	113.1	125.8
Asia & Pacific	114.9	120.7	131.1	119.3	152.5
Europe	384.1	383.8	394.0	396.6	416.4
Middle East	25.2	25.0	29.2	30.0	35.4

Source: WTO (2006), Tourism Market Trends

Inevitably, these overall figures for international tourist arrivals and receipts conceal a variety of important factors and differences, such as types of tourists, purpose and length of stay, average spend repatriation of profits and other leakages (Jenkins, 1991). This brief outline of the trends and flows in international tourism provides a broad framework within which the potential developmental role of tourism may be located.

2.4. Tourism and Socio-Economic Development

Worldwide, international tourism today has social, cultural and political significance, as well as substantial economic benefits (Vanegas et al, 2000). For many countries, tourism is regarded as an important and integral element of economic development and diversification. This role of tourism is widely acknowledged and is frequently used to justify tourism development policies in many destinations. In the decades following World War II, most tourism research functioned as an instrument for development, particularly in the past-colonial nations.

As a rapidly growing sector in many less industrialized countries, international tourism has emerged as an important component of export-oriented development programmes (Athukorala & Menon, 1996). Proponents of tourism as a development tool cite numerous potential economic benefits for host countries, including increased foreign exchange, increased employment opportunities, improved socio-economic conditions, and a greater market stability than traditional commodity exports (Walpole et al, 2000).

This "Tourism=Development" philosophy claimed that tourist expenditures had a large "multiplier effect," stimulating the local economy and raising the standard of living. Soon, reactions against mass tourism asserted themselves on two fronts. A serious critique emerged in economics, which showed through detailed studies that the multiplier effect was lower than anticipated and that "leakage" and local inflation often nullified the supposed economic advantages of the tourist industry.

A burst of scholarship in many disciplines (e.g. Burns and Holden, 1995; Graburn & Jafari, 1991; Nash and Smith, 1991) then examined the negative impacts of tourism in non-economic spheres. As a result, from the mid-1980s there have been increasing calls for a new, more controllable approach to the planning and management of tourism. This approach focused on what became known as 'alternative tourism' which proposed to minimise the negative impact of tourism whilst optimising the benefits both to the destination and to tourists. By the early 1990s, however, 'sustainable development' had emerged as the dominant development paradigm.

The objectives of developing tourism must balance economic, environmental and socio-cultural considerations (Bull, 1995). One of the important benefits of tourism is that, if it is properly developed based on the concept of sustainability, it can help justify and pay for the conservation of an area's natural and cultural resources. A basic technique in achieving sustainable development is environmental planning, which is intrinsically related to the concept of quality tourism. Quality tourism, as Inskeep (1994) points out, does not necessarily mean expensive tourism. Rather, it refers to tourist attractions, facilities and services that offer 'good value for money', protect tourism resources, and attract the kind of tourists who will respect the local environment and society.

Developers in the tourism industry fall into three categories, namely governments, private businesses and non-profit organizations. Together, these three groups comprise the independent decision-makers that generate tourism supply. Private businesses provide most services that the tourist needs to get to their destination, as well as most of the tourism products consumed while on site; the public sector owns and manages the destination's infrastructure and is concerned with the country's overall well-being; non-profit organizations run a large number of the attractions visited (Font, 1999). Governments also benefit directly from tourism. Income taxes from tourism employees and operators, accommodation and airport taxes, sales tax, and customs duties are among the primary income generators for governments (Oppermann & Chon, 1997).

2.5. Tourism Development in Libya

To a large extent, tourism within Libya has remained underdeveloped, with the result that the potential of the country is relatively unknown in the principal source markets (NTDP, 1998). The development of the tourism sector was constrained by a number of issues, the most critical being the poor international image of the country and the difficulties caused by sanctions forced by the US the 1980s and international air embargo imposed by the UN in 1992. These problems are further exacerbated by factors such as inadequate infrastructure, the inherent structural weaknesses that exist within the institutional framework and in the general lack of training in tourism-related activities (NTDP, 1998).

Nevertheless, since Libya has remained outside of the mainstream tourism development that has taken place over the last few decades, the country has largely avoided the excessive and, in some instances, inappropriate development in terms of both environmental and social sustainability that has taken place elsewhere. A significant opportunity exists, therefore, in which the tourism sector may be developed in such a way that it assists the state to achieve overall national economic and social development objectives; and presents a product that will minimize any social and environmental disruption (NTDP, 1998)

Libya has been opening up to tourism since early 1990s but the suspension of the UN air embargo in 1999 offered greater opportunities to develop the sector. An important measure was the re-establishment of the Ministry of Tourism in 2003 and the encouragement of the private sector. According to the Minister of Tourism, "tourism will soon contribute at least 5 per cent of the country's GDP. This may seem a small figure but for a country like Libya it will be an enormous achievement" (Venditti, 2005). A functional infrastructure is being put in place to sustain the industry and the country is taking giant steps to catch up with other countries in the region. The following sections highlight the institutional framework and the socio-economic issues that shaped the tourism sector over the last three decades.

2.5.1. Legal and Institutional framework

From an institutional perspective, tourism in Libya has a relatively long history. The first substantive legislation on the institutional framework for tourism was contained in the Law No. (44) of 1968. Two years later, the Decision No. (51) of 1970 replaced the Ministry by the General Board of Tourism and Fairs. The tourism activity in Libya was frozen in the 1970s due to many economic and political factors (for further discussion of these issues, see the following sections).

After two decades of neglect, the General Board of Tourism (GBT) came into existence in 1989. The GBT was set up as a public corporation with corporate status and financial autonomy. The major aims of the Board were to develop and activate domestic and incoming tourism; and to develop tourist resources and invest in them. The GBT was given comprehensive power and responsibilities in the field of tourism. It was responsible for: i) promoting domestic and incoming tourism; ii) marketing; collection and preparation of statistics; iii) research programmes; iv) licensing and classification; and v) training and the supervision of the hotel and tourism training institutes. Moreover, the GBT was authorised to establish partnerships, companies or joint ventures (NTDP, 1998).

The recognition of the importance of the tourism sector to the Libyan economy empowered and upgraded the institutional framework in 1995 by establishing the Ministry of Tourism (known as The General People's Committee for Tourism GPCT). Within a few years the Ministry of Tourism had achieved tremendous progress in organising, monitoring and following-up tourism activities. One of the major achievements was setting out a comprehensive National Tourism Development Plan (NTDP) in 1998. The plan prepared in association with World Tourism Organisation (WTO) acting as an executing agency of the UNDP. The NTDP has been viewed by officials and business owners as a concrete base for the development of the tourism sector in Libya.

Yet again, new arrangements took place in 2001 to replace the Ministry of Tourism by the General Board of Tourism and Antiquities (GBTA). This however, lasted for less than two years when the Ministry of Tourism re-established for the second time in 2003 (NTDP, 1998). A new reformation of the tourism institution took place in 2007 which brought the General Board of Tourism and Traditional Industries into existence.

The change in the institutional framework of the tourism sector over a short period of time caused confusion in terms of its objectives, people in power and even the premises. In fact, the volatility of tourism framework has been regarded as one of the obstacles that hindered the implementation of NTDP. Table 2.4. summarises the institutional framework of the tourism sector in Libya since 1968.

Table (2.4.): Institutional Framework of Tourism Authority over Time

Date	Authority
1968	The Ministry of Tourism and Artefacts
1970	The General Board of Tourism and Fairs
1989	The General Board of Tourism
1995	The Ministry of Tourism
2001	The General Board of Tourism and Artefacts
2003	The Ministry of Tourism
2007	The General Board of Tourism and Traditional Industries (GBTTI)

2.5.2. Socio-economic and Political Issues

The Libyan economy continues to be driven by the oil sector, which contributed about 56 per cent of GDP in 2000-05 (IMF, 2006). Oil constitutes 95 per cent of the export earnings (Venditti, 2005a) and, therefore, it is a backbone and has been playing a vital role in development of Libya's economy for decades. The discovery of significant oil reserves in 1959 and the subsequent income from petroleum sales enabled what had been one of the world's poorest countries to become wealthy, as measured by per capita GDP (Abacci, 2005). Non-oil manufacturing and construction account for about 20 per cent of GDP. Agriculture: 5 per cent of GDP, employing 15-20 per cent of workforce (Binyon, 2005).

However, the over-reliance on oil brought about serious economic problems. In the early 1980s, the Libyan economy witnessed serious economic decline caused by international economic recession and fall of oil prices. This was exacerbated by a number of political problems such as the breakdown of Libyan-American relationships in 1980 followed by a ban on imports of Libya crude oil to the US in 1981. The sanction was expanded to include a ban on direct trade, commercial contracts, and travel activities. Following the Lockerbie case, the UN imposed sanctions against Libya in 1992 (Knipe, 2005).

These developments caused serious damage to the Libyan economy and denied international investment with development almost totally frozen (Knipe, 2005). Not only were oil sales affected, but technology became obsolete. According to the Libyan Secretary of Finance, the consequences of the embargo were a loss of US\$ 7 billion every year (Knipe, 2005). Throughout the period of sanctions, oil and gas production continued to represent 90 per cent of the country's exports but the production dropped from a peak of 3.3 million barrels per day in 1970s to 1.3 million in the 1990s. One of the direct consequences is the increasing unemployment. Official figures estimate unemployment to be 13 per cent but unofficially it is thought to be much higher (Knipe, 2005a).

The aforementioned developments pushed the Libyan officials to think seriously and find ways to avoid over-reliance on oil. Alternative sources of income such as agriculture are discouraging due to the desert climate and the scarce of rain fall. The service sector has been receiving greater attention from the government to facilitate economic diversification. In this perspective, tourism offered great opportunity.

Officials also report that one of the priorities is to take care of the public sector which accounts for 70 per cent of the total working force and represents massive burden for the national budget (Knipe and Venditti, 2005). Therefore, doors have been opened for the private sector and foreign investment. 48 state-owned enterprises were reported privatized in 2004 and 360 are listed for privatization before 2008 (Binyon, 2005).

Over the past a few years, Libya has been making substantial progress in reforming its economy as part of a broader campaign to reintegrate the country into the international fold. This effort picked up steam after UN sanctions were lifted in September 2003 and almost all US unilateral sanctions against Libya were removed in April 2004. Ever since, the government has made significant strides in normalizing relations with western nations.

Libya faces a long way ahead in liberalizing the socialist-oriented economy, but initial steps – including applying for World Trade Organization membership, reducing some subsidies, and announcing plans for privatization – are laying the groundwork for a transition to a more market-based economy. As part of the country's strategy to diversify its economy and promote private and foreign investment, the Central Bank of Libya has cut its key lending rate by two percentage points to three per cent. The main goal of that reduction is to ease money lending to private business and to create more economic projects and employ job-seekers (The Tripoli Post, 2004).

2.5.3. Tourism Development Strategy

The National Physical Perspective Plan (NPPP) 1996-2020 expressed the view that in all the regions, tourism offers an important addition to the local economic activities by providing additional local employment in regional and sub-regional development plans and programmes, and due investment priority needs to be allocated for tourism-related development projects. As a result, the National Tourism Development Plan (NTDP) of 1998 prepared by the Ministry of Tourism in association with World Tourism Organisation (WTO) acting as an executing agency of the UNDP, laid a strong foundation for tourism development in Libya.

The development strategy was based on an integrated, realistic and implementable approach with the overall objective of overcoming aforementioned problem areas (i.e. the poor international image, inadequate infrastructure, structural weaknesses), and achieving relatively slow growth in the short term (1998-2003). In this respect, the NTDP proposed that particular attention should be paid in the short run to create a significantly improved

image of the country internationally and to foster national unity through using tourism as a stimulus to regional development. The long term plan (2004-2018), however, stressed the necessity to encourage a greater contribution to both economic growth and social development.

The NTDP proposed strategy to encourage the growth of international tourism was to concentrate development and associated marketing activities, at least in the short-term, primarily on those tourism resources in which Libya possesses a comparative advantage in terms of destinations. Two market areas in particular were identified in which the country is considered to possess a unique and outstanding tourism product, namely: i) classical archaeology, based on ancient sites, art and landscapes; and ii) desert tourism, based on the exploration of the Libyan desert with its varied landscapes, prehistoric art and oasis towns and settlements (NTDP, 1998). Tourism product will be highlighted but beforehand, an overview of tourism infrastructure in Libya is outlined in the following sections.

2.6. Tourism infrastructure

Although holiday tourists have been attracted to Libya since early 1990s, their number is still limited and would not support a viable tourism sector. The NTDP suggested that achieving this objective requires development of the tourism product and, in particular: i) investment in new tourist accommodation; ii) significant improvements both in the development and presentation of tourist attractions, including those targeted at the domestic tourism market; and iii) the provision of ancillary supporting tourist facilities and services (NTDP, 1998).

As mentioned earlier, among the constraining issues of the development of the tourism sector in Libya is the inadequate infrastructure. The following sections provide an overview about tourism infrastructure in Libya. However, due to lack of up to date and reliable statistics, the National Tourism development Plan (NTDP) of 1998 is mainly used to outline the major areas of tourism infrastructure.

2.6.1. Tourist Accommodation

Statistics revealed that in 1998 Libya possesses about 120 hotels or other forms of tourist accommodation offering a total of nearly 9000 rooms or their equivalent. The majority of these establishments are located in the urban areas of Tripoli and Benghazi but few attain acceptable international standards. The NTDP proposed project estimated the incremental room requirements for the short/long term as set out in Table 2.5.

Table 2.5. Incremental Room Requirements

Region	Number of Bedrooms				
	2003	2008	2013	2018	Total
West	2 770	2 470	3 180	5 160	13 580
Southern	500	560	680	1 160	2 900
Central	250	260	310	620	1 440
Eastern	1 100	1 160	1 510	2 660	6 430
Total	4 620	4 450	5 680	9 600	24 350

Source: NTDP (1998), Volume 1: Tables 5.3 – 5.6

A range of new accommodation was proposed that will match more closely the specific requirements of the different market segments than existed through:

- development of a number of medium sized (40–100 rooms) high or medium quality “boutique” style hotels tailored largely to the standards and demands of international tourists;
- development of larger (100- 200 rooms) medium and budget priced coastal resorts to serve the growing domestic market;
- creation of a network of small, medium priced travel lodges in strategic locations throughout the country to facilitate the growth of desert and mountain based tourism;

It was also proposed that the provision in the budget category should be directed largely towards well designed camp sites or small private guest houses and the limited expansion of youth hotels offering acceptable standards and facilities (NTDP, 1998). A number of new five-star hotels have been built in Tripoli and other cities and old hotels have been repaired and improved with more private sector involvement than before. The five-star Corinthia Tripoli Hotel is an example of a partnership between the Libyan government and foreign investors. However, it is estimated that only some 1000 rooms of five-star category have been added during the short-term plan 1998-2003.

Contracts worth hundreds of millions of dollars have been signed with international foreign investors to construct tourism resorts and new hotels. The US\$1.2b contract signed in 2004 between the Libyan government and the Dutch company for building tourist resorts is a sign that hotel and tourism industry in Libya is moving into a new level. At least seven hotels are going to be built in Tripoli in the near future. According to officials, these projects will provide an additional 100,000 beds, golf courses and other facilities (Venditti, 2005).

2.6.2. Other Tourism-related Infrastructure

Generally, services in Libya are still underdeveloped. Transport, for instance, is inadequate for international tourism. Areas such as food and drink are also underdeveloped. Up to date official statistics about these services are either unavailable or inaccurate. According to NTDP, the number of food and drink providers was estimated to be 5000 firms nation-wide. The majority of these firms were serving locals and workers from neighboring countries and very few offered good services that met tourist needs.

In the banking sector, there is a lack of modernisation which is connected to the years of the international embargo” (Venditti, 2005b). According to the deputy governor of the Central Bank of Libya (CBL), the bank sector has been malfunctioning for so many years. The government is keen to build a strong financial sector that could support a changing economy and private investment initiatives.

Nevertheless, the government has made serious efforts over the last a few years to promote and develop tourism. The number of restaurants has increased and improvements have also been made in the area of consumable products. A number of new tourist transport operators have been established over the last few years offering improved services and facilities. Air services have also seen significant changes including the establishment of two state-owned companies and an upgrading of the Libyan airlines' fleet including contracts to buy 22 jumbo jets.

With regard to regulations, there had been difficulties in obtaining visas for arriving tourists and regulations allowed the firms to make arrangements only for groups of at least four tourists. Individuals or couples could not apply for a visa. Recently, there has been an ease in visa requirements which played a facilitating role in increasing the number of tourist arrivals. Individual travellers still have to pick up their visas at home, but invited individuals are now able to get visas upon arrival (Venditti, 2005).

2.6.3. Human Resources and Training

In 1996, full-time direct employment in the Libyan tourism sector is estimated at some 5500 persons. In addition, the wider impact of tourism on economic activity generated a further 1400 indirectly created full-time job equivalents and 1100 induced. The NTDP estimated that some 4600 individuals are employed in tourist accommodation establishments in 1998, and further 750 in other public and private sector tourism-related activities. By and large, however, only a small minority have received formal training in their respective disciplines. This underlying weakness has been identified and initiatives taken to ameliorate the situation. According to NTDP, the incremental workforce requirements for the tourism development 2003-2018 are shown in Table 2.6.

Table 2.6: Incremental Workforce Requirements by Skill Category

Sector/Attribute	Skill Category				Total
	Managerial	Supervisory	Semi-Skilled	Unskilled	
Accommodation:					
2003	640	1730	1304	206	3880
2008	654	1768	1332	211	3965
2013	844	2280	1718	271	5113
2018	1371	3706	2792	441	8310
Travel Trade:					
2003	201	149	110	25	485
2008	232	172	127	28	559
2013	340	251	187	40	818
2018	690	510	379	83	1662
Transport:					
2003	29	77	68	20	194
2008	38	102	89	25	254
2013	51	136	119	35	341
2018	107	285	249	71	712
Leisure/Other:					
2003	44	116	102	29	291
2008	46	122	107	30	305
2013	82	218	191	54	545
2018	178	475	415	119	1187

Source: NTDP, (1998).

Hotel schools have been established in Janzour, Misratah, Susah, Shahat, Benghazi and at the University of Business Economics at Derna. In addition, a number of individuals were educated overseas in both hotel operations and general tourism, although on their return, the majority have found employment outside of the sector. A major problem is that whilst jobs in hotel management are viewed positively by Libyans, the more mundane unskilled or semi-skilled positions are not perceived in a favourable light. As a result, a high proportion of workers in tourist accommodation are foreign nationals (NTDP, 1998).

With the anticipated growth of the tourism sector, significant opportunities exist at all skill grades (Table 2.6). This dramatic increase in human resource requirements places severe pressure on training within the sector and indicates a need for a more forward approach than hitherto. This situation is exacerbated by the ongoing requirement to upgrade and update existing staff (NTDP, 1998).

2.7. Tourism Product in Libya

Despite the fact that there is still some way to go in restoring an image that would make the country attractive to many tourists, Libya does have considerable tourism potential. Bordering the Mediterranean, it is on the doorstep of the major tourist generating markets. It arguably possesses the finest examples of Roman and Greek architecture in the world, and some of the Sahara Desert's finest scenery lies within Libyan territory (Millington, 2001).

Whilst the traditional beach holiday remains an important component of world tourism, increasingly tourists are seeking a broader and, arguably, more interesting product such as special interest pursuits, activity based holidays, and trekking/adventure holidays. Along with the beach holiday, all of these particular market segments are possible within Libya. Specialist niche tourism is considered able to provide significant economic and social benefits within the overall absorptive capacity of the country, and in harmony with the culture and character of the Libyan people (NTDP, 1998).

The NTDP evaluation of the potential tourism product within Libya indicates that the country possesses a significant appeal to a wide range of international tourists. The principal physical attractions may be summarised as being:

- classical archaeological sites including World Heritage Sites; and other historic towns and cities.
- desert landscapes and numerous prehistoric sites;
- other tourism attractions such as beaches and sea, spa tourism and religious tourism.

2.7.1. Classical Tourism

Tourism related to archaeological sites remains a major cornerstone of international tourism throughout the world. Libya has not developed its cultural resources to the extent that has been managed in nearby Morocco, Tunisia or Egypt (Boniface & Cooper, 2001). However, the country possesses a wealth of classical sites related to the Punic-roman era in the western part of the country and to the Greco-Roman period in the Benghazi region. The outstanding features comprise five world-heritage sites in addition to other tourism products as presented below.

i) World Heritage Sites

A little-known heritage, preserved partly by the absence of tourism and offering an array of treasures, offers a perspective on the rise and fall of brilliant and sophisticated civilizations in this vast territory. Dating from prehistory to Islamic civilization, the five sites added to the World Heritage List between 1982 and 1986 provide a clear illustration that Libya has a heritage whose incalculable value belongs to all humanity. Three sites, Cyrene, Leptis Magna and Sabratha, bear witness to the life that flourished in Libya during the Punic, Greek, Roman and Byzantine eras. These sites – and particularly Leptis and Cyrene – are attracting attention from many foreign archaeologists (WHC, 1995).

Tadrat Acacus

The mountainous region of Tadrat Acacus is situated near the country's southwest border, east of the city of Ghat. The site includes the Murzuch desert which bears traces of the different phases of the Palaeolithic era, during which hunters lived surrounded by flora and fauna similar to those that today thrive in tropical regions. Tools have been unearthed across an area covering thousands of kilometres. In the Tadrat Acacus mountains, cave paintings of various styles are scattered throughout almost all the valleys, representing the various cultural groups that lived there during those long periods of prehistory. This cave art, discovered in the Libyan desert of Fezzan, bears witness to marked climatic changes resulting from the gradual encroachment of the desert.

Cyrene

Cyrene, a city steeped in history and legends for thousands of years, is one of the most complex archaeological sites in the Mediterranean region. Like the other Greek cities of Libya it provides an outstanding example of prosperity in the Mediterranean and African worlds (WHC, 1995). Located in the Gebel Akhdar region, this site was founded in the seventh century B.C. in an area where Carthaginian influence was predominant. From the fifth to fourth centuries B.C., this Greek trading post, situated inland, knew its most prosperous period and was able to gain the goodwill of Alexander the Great.

In 321 B.C. the satrap of Egypt, Ptolemy, easily gained control of the region. In 96 B.C., one of his descendants relinquished the city to the Romans until the start of its decline, after the tidal wave of 365 A.D. However, between the third and seventh centuries A.D. the city of Cyrene and especially its port, Apollonia, testified to the prosperity of the area. This wealth was produced by stock raising, agricultural production and considerable maritime trade (WHC, 1995). The relics found by archaeologists illustrate an extremely clear aesthetic ambition and the religious fervour that inspired the people, focused on their protector, Apollo. The site of Cyrene, which has not yet been fully explored, contains some remarkable relics from the Greco-Roman period.

Leptis Magna

This site, located on the coast 120 km east of Tripoli, is one of the most extensive archaeological sites in the Mediterranean, measuring 2.5 by 1.5 km. The little Phoenician port of Leptis, founded at the start of the first millennium B.C. to trade with the Garamantes people, like the other trading posts on the coastline, such as Sabratha, had a distinguished destiny in the second century A.D. when a Libyan, Septimus Severus, became the Roman Emperor. Leptis became one of the most beautiful cities in the Roman world and remained the best example of 'Sevran' urban development. It was similar to Palmyra and Ephesus: a provincial city with a rural role, like the two other Tripolitanian cities, Sabratha and Oea (now Tripoli) (WHC, 1995).

Under Roman influence from the fall of Carthage in 146 B.C., Leptis was finally annexed to the Empire in the first century A.D. and a thriving grain trade grew up there. However, the city reached the height of its glory when the Empire started to decline with the first incursions by Vandals in 429. After the Arab invasion, the desert sand once again took possession of the site.

In the period between the two world wars, the Italian government paid for a major excavation. The city was intact, preserved for centuries by the sand. The site was added to the World Heritage List in 1982. Today, a total of 30 major monuments – Hadrian's baths, the Forum covering a hectare of land, the Severan basilica, the port, the main temple, the marketplace, the theatre – have been restored, along with many minor ones. Renovation of the 15,000-seat amphitheatre was completed. Hundreds of sculptures and mosaics have been transferred to the museums of Tripoli and Lebda (WHC, 1995).

Sabratha

Located on the coast 60 km west of Tripoli, Sabratha formed a maritime trading triangle with Leptis and Oea between North Africa and the rest of the Mediterranean from Phoenician times until the decline of the Roman Empire. It was a provincial city with a rural role, linking Africa with the Gulf of Sirte via the caravan routes coming from Ghadames.

An integral part of the ephemeral Numidian Kingdom of Massinissa, Sabratha was swallowed up by the Roman province of Africa Nova in 46 B.C. The major monuments were built at the height of the city's prosperity in the second and third centuries A.D. The theatre is the most remarkable of these, with its colonnaded stage wall on three levels. The theatre was reconstructed by Italian archaeologists and is now used during the summer for cultural entertainment. Two museums on the site house objects found during the excavations, such as mosaics from the Byzantine period, statues from the Roman era and Phoenician relics (WHC, 1995).

Ghadames

Situated near the Libyan-Algerian border about 600 km southwest of Tripoli, Ghadames is an outstanding example of a traditional human settlement which is representative of a culture and which has become vulnerable under the impact of irreversible change. Ghadames and its oasis cover an area of 225 hectares, 10 hectares of which are occupied by houses in the old city. The site of the houses was determined by the location of the Ain-el-Fras spring (WHC, 1995).

Roughly circular in shape, the old city is composed of a cluster of houses, with their reinforced external walls, protecting the city. This rudimentary enclosure includes gates and projecting bastions. Unfortunately, the ancient city of Ghadames, known – like Shibam in Yemen – as the ‘pearl of the desert’, is gradually falling into ruin because its fragile clay houses are not being maintained. The covered streets are becoming unusable and only a few inhabitants are struggling to pass on to future generations this architectural heritage with its unique style of construction and internal decoration (WHC, 1995).

ii) Historic Towns and Cities

There are also a large number of historic sites spread around the country. Examples include Tripoli old city and its castle, the magnificent Villa Silene; the monuments inland at Ghirza and Mizdah; the collection of artifacts in the Jamahiriya museum; the coastal sites of Tokrah, Tolmetha and Apollonia; the inland site of Qasr Libya and many other attractions (e.g. the Punic tomb and catacombs at Gargarish) (NTDP, 1998).

Explorations of architecture and historical remains are continuing. Recently, a discovery of 2000-year-old spectacular Roman mosaic in Libya has been hailed as one of the finest examples of the art form to have survived. The image of the recumbent gladiator - a 30-ft stretch of five multicoloured mosaic recently described by the Times newspaper as “nothing less than a Roman masterpiece executed by the Sandro Botticelli of his day”. The human expression is captured in a realistic manner hitherto unknown in Roman mosaics (Alberge, 2005).

2.7.2. Desert Tourism

Whilst some of the desert areas are visited by tourists frequently, such tourism is not sensitive to the fragile environment or to the precious prehistoric art. The principal areas for desert tourism areas include: prehistoric art and desert landscape of the Acacus, Msak Millet, Msak Stafat, Wadi Maknusah and Wadi Barjuj; the oasis settlements of Ghat and Al Birket; Prehistoric art, oasis towns, early Libyan archaeology and the desert lakes of the wadi Al Hayat, Wadi Ashati and Ramlat Dawada areas; the historic oasis settlements of Murzuq, Traghin and Zuwaylah; Ghadames and Tunine arears and surrounding desert area; and Waw Kabir and Waw Namus areas of desert landscape (NTDP, 1998).

Other areas, less well known, offer additional or alternative desert tourist attractions that would help spread the benefits of tourism more evenly throughout the country. These include: Jebel Bin Ghanimah area of prehistoric art; the oasis and desert landscape of Bizimah, Rabyanah, and Al Kufrah; Al Awaynat and Jebel Arknu area of prehistoric art and desert scenery; volcanic landscape of Quaruat Thilith, Al Haruj al Aswad and the gateway oasis villages of Fugha, Zallah and Jaghub; Al Jufrah osasis comprising the towns Hoon, waddan and Soknah; and Jalu oasis notably the oasis town of Awjilah (NTDP, 1998).

2.7.3. Other Tourism Products

i) Beach and Sea Tourism

Due to lack of adequate tourist accommodation in particular and other infrastructure generally, beach and sea tourism have not been given priority during the short term development plan. Libya possesses the longest coastline in the Mediterranean, 1770 km, in which fabulous beaches exist and beach tourism is expected to be a major growth sector of the market, based primarily on domestic demand.

International tourists are most likely to be attracted to beach areas through the development of boutique hotels, tailored to international visitors primarily visiting the classical sites and Libyan desert. Additionally, whilst not possessing the coral structure of other competing dive destinations (e. g. Red Sea), the marine environment would be attractive to the international dive market. Potentially interesting dive areas have been identified at Zuwarah, Tajura, Sabratha, tolmetha, susah, Tobruk and Al Burdi. These would offer activities such as interesting fish life, submerged ancient ruins and wreck: both ancient and more recent (NTDP, 1998).

ii) Spa tourism

There is a history of localized use of spa facilities in Libya, such as the facilities at Al-Assah, Al-Ajaylat, Tajura, Wadi Zamzam, Traghin and Bzimah. As recommended by NTDP, these facilities may have potential for development but require major restoration and development along with the introduction of appropriate management and treatments if they are to attract the international spa markets. Hence, development of this product has been set out within the longer term plan, after the country has established itself as a tourist destination. (NTDP, 1998).

iii) Religious Tourism

Religion has always played an important part of daily life in Libya and it is of note that the world's three main monotheistic religions namely Judaism, Christianity and Islam are all represented in the religious architecture and history of the country (NTDP, 1998). Islam is the religion of almost the whole of the population of Libya and visits are commonly made to the Tombs of the Companions of the Prophet Mohamed in Dernah, Zuwayluh and Awjilah and to the tombs of famous scholars and holy men in cities as Zliten and Zuwara. At present, visits to these shrines is fairly localized but in future, as domestic tourism expands, greater visitor numbers are expected at all the major sites and will help support increased tourist accommodation in the pilgrimage areas (NTDP, 1998).

Saint Mark is commonly held to have established Christianity in Libya and the remains of his first church are believed to be located in the mountains behind Dernah. Christianity held sway in Libya for hundred of years during the Byzantine period and left a legacy of churches, ranging in scale from the magnificent Basilicas and churches of Appolnia, Cyrene and Leptis Magna, to the small underground or hidden churches of the Jebel Gharbi. Many of these churches are already included on existing tourist circuits but it is anticipated that the Sanctuary of St Mark could become a more significant attraction once excavation has revealed the full extent of the site for tourists (NTDP, 1998).

2.8. The Performance of the Libyan Tourism Sector

The statistical data base on tourism in Libya is not adequate. Although, as part of the NDTP project, a fully computerized database system was established for the Ministry of Tourism in 1998, it has not been put in practice (NTDP, 1998). Therefore, reliable data about the performance of the Libyan tourism industry as produced by the Ministry of Tourism are rare. As a result, figures and statistics published by international organizations such as WTO and WTTC are no more than indicators. Newsletters published by government authorities such as the Central Bank of Libya (CBL) aggregate data about the tourism sector with other sectors. Nevertheless, in 2002, statistics revealed that the second most important sector of the economy was trade, restaurants and hotels that represented 12.5 percent of GDP (CBL, 2003).

2.8.1. Tourist Arrivals and Receipts

Form an international perspective, holiday tourism is starting from a relatively low base (NTDP, 1998). In this respect, Libya is no exception. In view of the limited availability of suitable tourist accommodation and ancillary facilities, the number of international tourist arrivals in Libya although increasing but still small. Whilst official statistics indicate a significant number of foreign visitor arrivals (see Table 2.7), these figures are distorted by individuals arrive from Africa and the Middle East seeking long term employment. Different sources revealed that in 2004, Libya attracted 500,000 tourists (Venditti, 2005).

More importantly, the increase in the number of tourists can be attributed to considerable emphasis the country has made over the last a few years on image improvement through extensive public relations activities in the principle potential source markets, supported by active investment promotion. This was supported by the increasing number of foreign investors in different aspects of economic activities in which tourism has a big share. The ease in visas requirements had also played a facilitating role in increasing the number of tourist arrivals.

Table (2.7): International Tourist Arrivals in Libya

Region	2000	2001	2002	2003	2004
Total	962,559	952,934	857,952	957,896	999,343
Africa	533,223	514,887	438,881	457,721	482,704
Americas	647	677	1,943	1,926	2,201
Asia & Pacific	2,646	9,711	10,936	10,632	10,646
Europe	34,296	39,857	36,418	42,056	45,657
Middle East	391,747	387,802	369,774	445,561	458,124
Region not specified	-	-	-	-	11

Adopted from: WTO (2006), Yearbook of Tourism Statistics.

2.8.2. Economic Impact

Despite the fact that tourism in Libya is relatively insignificant in an economic sense, the government is placing increasing importance on the sector and views it as a provider of employment, a generator of foreign exchange earnings and a diversifier of the economy away from reliance upon oil. The tourism sector is expected to grow in coming years and is likely to gradually play a more prominent role within the economy, generating employment opportunities and providing a boost to the manufacturing sector. Furthermore, Libya has now been trying to increase its attractiveness to foreign investors, and several foreign companies have visited in search of contracts which include developers of tourism infrastructure such as hotels (Millington, 2001).

In 2006, Libya's Travel & Tourism expected to generate LYD9,828.0 million (US\$ 7,303.9 million) of economic activity (Total Demand) and expected to contribute 2.5% to GDP in 2006 that is LYD1,470.0 million or US\$1,092.5 million. The industry's direct impact includes 50,000 jobs account for 3.5 % of total employment which are forecast to total 75,000 jobs in 2016.

Furthermore, since Travel & Tourism touches all sectors of the economy, its real impact is even greater. Libya's Travel & Tourism economy directly and indirectly accounts for 182,000 jobs representing 12.5% of total employment. Furthermore, the economy contribution is estimated at LYD7,573.8 million or US\$5,628.6 million equivalent to 12.8% of total GDP. Government expenditures in Libya are expected to total LYD157.0 million (US\$ 116.6 million) or 2.6% of total government spending (WTTC, 2006).

2.9. Domestic and Foreign Investment

Government authorities and other actors are mobilizing to attract local and foreign investment in this buoyant industry and are encouraging the formation of commercial banks to finance tourism projects. Enormous contracts have been signed to develop tourism and Libyan economy in general. A contract for tourism investment worth \$1.2b was signed between the Libyan government and the Dutch Company for Building Tourist Resorts, Ladorado, for the construction and operation of ten tourist projects. This would be part of a 15-year plan to develop the tourism sector in Libya, particularly in the area near the Libyan-Egyptian border.

The project is seen as another step aimed to promoting tourism and foreign investment in Libya. It is expected to provide jobs for a large number of Libyans in that remote area. The US\$1.2b contract is a sign that hotel and tourism industry in Libya is moving into a new level. At least seven hotels are going to be built in Tripoli in the near future. One complex hotel will be established by the Saudi billionaire prince Walid bin Tallal. (The Tripoli Post, 2004).

Another major tourism investment project of “Monde Blue-Al-Joufra” was handed to New Resort Holding Ltd., London. The project costs US\$320 million. A Luxemburg based Mid Investments ARL has also obtained the approval for establishing 3 projects in three Libyan cities including Sabratha, Leptis Magna and Ghadames, with a total amount of US\$ 15.43 million (The Tripoli Post, 2001). A key figure for foreign investors to invest in Libya is that the country has demonstrated to be one of most stable and secure country in the region (The Tripoli Post, 2004).

As part of the country’s strategy to diversify its economy and promote domestic and foreign investment, the Central Bank of Libya has cut its key lending rate by two percentage points to three per cent. The main goal of that reduction is to ease money lending to private business and to create more economic projects and employ job-seekers (The Tripoli Post, 2004).

The private sector in Libya in which the vast majority are deemed to be small, are anticipated to participate more actively in the Libyan economy (Jwaili et al 2002). Small businesses contribute in significant ways to diversify a nation’s economic base and play a key role in generating employment, promoting innovation, engendering competition, and creating economic wealth (Kirchhoff, 1991). Direct, indirect and induced tourism-related small businesses in Libya are anticipated to play a vital role in this context.

The following chapter takes further the small business and entrepreneurship issues and provides an overview of these themes.

CHAPTER THREE:

SMALL BUSINESS EMERGENCE & ENTREPRENEURSHIP

3.1. Introduction

Small business and entrepreneurship has emerged as an important area of research over the last quarter century. The period has seen the worldwide development of what appears to be a bounded area with its own established journals, research centres, conferences. By the late 1970s and 80s small firms were hailed as the new saviours of ailing western economies and by the 1990s, SMEs were recognized as the key to fuller employment (Stokes, 2002).

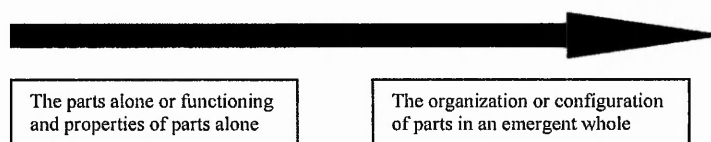
Until recently, Libya was a planned economy and, thus, the small firms sector was non-existent. It follows that small tourism firms are an emerging phenomenon within the Libyan context. This study argues that the emergence of small business in Libya is the product of interaction of multiple factors in a dynamic context. This interaction has been related to entrepreneurship theory and viewed as a “process” as depicted in the model (see chapter 4). The model, which was built on Gartner’s (1985) work, integrates four dimensions (the firm, the founder, the tourism industry, and the external environment) that lead to the emergence of small business in Libya.

While some aspects of the Libyan tourism industry such as tourism infrastructure, regulations, and attractions have been discussed in the preceding chapter, the other three factors namely the founder, the firm, and the external environment will be addressed in this chapter and the following chapter. However, beforehand it might be useful to reflect upon the origin of ‘emergence’ as a concept and how it has been used within small business and entrepreneurship literature.

3.2. The Concept of Emergence

The term “emergence” has a long history and has been used in different disciplines. Corning (2002:60) cited John Stewart Mill’s view in which he used the example of water to illustrate the idea of emergence: “The chemical combination of two substances produces, as is well known, a third substance with properties different from those of either of the two substances separately, or of both of them taken together” (Mill, 1872 [1843]: 371). According to Goldstein (1999:50) the construct of emergence is appealed to “when the dynamics of a system seem better understood by focusing on across-system organization rather than on the parts or properties of parts alone”. Goldstein’s view is illustrated in Figure 3.1.

Figure.3.1: Continuum of Emergence Explanation



Source: Goldstein (1999:50).

Complexity theory has been used to explain the emergence of order in self-organizing systems such as firms, clusters of firms, and whole economies (Krugman, 1996; Stacy, 1996). Proponents of complexity theory argue that new orders emerge spontaneously from the repeated interaction of numerous events, whether behavioural (e.g. human actions) or material (e.g. technological events), occurring at lower levels within the system (Chiles & Meyer 2001). In a similar way complexity theorist John Casti (1997) associates emergence with dynamic systems whose behaviour arises from the interaction among their parts and cannot be predicted from knowledge about the parts in isolation. To Goldstein (1999:55), emergence refers to “the arising of novel and coherent structures, patterns and properties during the process of self-organizing in complex systems”.

3.3. 'Emergence' in Entrepreneurship Literature

While the study of emergence is not particularly unique in the physical sciences, within the realm of entrepreneurship research, the way in which it can now be employed is something relatively novel (Phan, 2004). Because emergence is a multilevel phenomenon, it has been emphasized that entrepreneurship theory building has to pay attention to the interactions among cognition, organization, and industry levels of analyses.

Entrepreneurship scholars have long acknowledged the multi-level quality of new venture creation, and have specified up to six distinct levels of analysis that have been employed to explain the phenomenon, including the individual, the group-team, the industry, the project/innovation, the firm, and the macro-environment (Chandler and Lyon, 2001; Davidsson and Wiklund, 2001; Low and MacMillan, 1988). Dynamic processes are at the core of organizational emergence. Understanding these dynamics is particularly challenging because new venture creation involves multiple modes of activity that occur simultaneously and interdependently over time (Low and MacMillan, 1988).

Entrepreneurship researchers have identified the phenomenon of emergence in the discovery and exploitation of economic opportunities, organizational birth and evolution, and in creation of new industries. For example, the individual's ability to identify and act on environmental opportunities has been the subject of much entrepreneurship research in the past (Hills et al., 1999; Sarasvathy, 2001; Shane and Venkataraman, 2000). Birley's (1985) idea of the emerging organizations assumes that an entrepreneur goes through the sequence of engendering an idea, setting up the firm, hiring employees, and trading products.

Van de Ven (1993) has argued that the type of entrepreneurship required for industry emergence is not the traditional form that emphasizes the isolated behaviours of individual entrepreneurs. Rather, the creation of new industries requires a holistic, interactive, complex systems approach to entrepreneurship, which he described as a “macroperspective of entrepreneurship”. Central to this perspective is the recognition that entrepreneurship is the collective achievement of numerous entrepreneurs in public, private, and non-for-profit sectors.

Lissack & Letiche (2002:74) share this view and emphasize that human organizations can be thought of as complex systems in that they comprise interrelated entities with a large number of interacting elements (be they single people, groups, teams, or large entities). The role of individuals is stressed by Gratton (2000). He argues that organizations should be viewed as complex cognitive systems, made up of people who see and interpret the world around them, and who strive to create values which have meaning to them and coherence with the group.

Similarly, Katz and Gartner (1988) argue that organizations emerge from the interaction of agents (individuals, partners, groups, parent organizations, etc.) and the environment. They built on McKelvey’s (1980) work and relate intentionality, resources, boundary and exchange to entrepreneurship literature as properties of emerging organizations.

To this point, the term ‘emergence’ has been clarified particularly in relation to entrepreneurship. The model proposed for this study (presented in chapter 4) has been used as a guide in reviewing the literature as well as in gathering data. However, before exploring the dimensions of the model, a brief discussion of the nature and definitions of small businesses is presented.

3.4. The Nature and Characteristics of Small Businesses

The term 'small business sector' describes a certain group of enterprises, and how they are owned and managed. This implies that these enterprises have certain characteristics and management issues in common, which distinguish them from other organisations because of their size (Drucker, 1985; Stokes, 2002). It is widely acknowledged that a well planned and sound growth and prosperity of small business can effectively complement the efforts of large business in achieving sustainable development of any nation (UNDP, 2004). The economic model of small businesses as large firms scaled down is widely considered flawed (Gray, 1993; Silver, 1984). An alternative view espoused by many scholars holds that small businesses are fundamentally different from larger firms.

It is worth noting that compared to larger firms, small firms invest relatively small amount of initial capital, employ a fewer number of persons with usually a single-site. With regard to the ownership pattern, small firms are owned and managed by individuals, partners and families. Even though, small firms are found engaged in both manufacturing and service operations, they typically concentrate on one or a few products. Small firms are generally characterised by simple, small and easy to handle organisational structures adopting individual or family-dominated, less professional management styles (Acs, 1999; Acs and Audretsch, 1993; Deakins & Freel, 2003).

Small business firms usually operate with a well-defined and clear-cut task structure in contrast to the more complex, abstract, fast changing nature of task structure found in larger firms. They may not tend to use ultra-modern sophisticated technology due to limited financial resources and may prefer usually small and localised business operations.

Furthermore, in relation to larger firms, small businesses are blessed with certain unique advantages such as high degree of flexibility and adaptability to changing circumstances; greater ability to successfully enter into and manage niche markets; and taking full benefits of 'first-mover advantage' (Harper, 1984). Furthermore, small enterprises are also relatively less destructive to the environment (Engelmann, 1994; Fafchamps, 1994). In practice, however, it is hard to define these characteristics, and even harder to draw a precise line which separates small from large firms.

3.5. Defining and Classifying Small Firms

Definition and categorisation of "small" enterprises vary depending on the focus of analysis, degree of formality in operations, access to formal financing, organisational characteristics and level of development of a particular economy (Keasey and Watson, 1993; Stanworth and Gray, 1991). Definitions used for statistical purposes can vary from those used for policy or programme purposes (for example, to determine eligibility for special assistance). Definitions also vary by industry, with manufacturing usually having a larger cut-off than, say, services industry (Atkins and Lowe, 1997).

Definitions can broadly be classified into those which attempt to use a quantitative standard such as number of employees, assets or sales and those which rely on a more subjective judgement usually relating to the management style and method of operation (Harper, 1984; Keasey and Watson, 1993).

The number of employees, however, is the most commonly used in industrialised countries, and immediately attractive for its simplicity (Harper, 1984). Size in terms of number of employees differs by country and even within countries, depending on government programmes. Thus in the United States, Japan, France and Britain, small businesses are defined as having less than 500 employees, but this is not the case in other countries. For example, in Spain and Sweden, businesses are "small" if they

have less than 200 or 250 employees. In Greece, Portugal and Ireland, a small business is one with less than 50 employees (Julien, 1998). In Libya, however, the decision 109 of 2006 issued by the General People's Committee – the highest executive authority – defined small businesses as those with 25 employees or less (GPC, 2006).

It is important to note that the quantitative typologies, although easy to use, are also easy to criticize and should be taken only as a preliminary approach. One problem may be caused by the quality of the statistical data used, especially when it includes very small businesses (Julien, 1998). For many researchers (e.g. Engelmann, 1994; Fafchamps, 1994), what matters more is the qualitative characteristics of small enterprises especially in developing countries, and not necessarily quantitative categorisation.

Qualitative definitions include classifying small business by their characteristics such as having a small share of the market; management by its owners or part-owners in a personalised way; operating independently (Bolton, 1971). Other criteria include classifying them by the nature of the firm, such as the local drugstore, clothing store, or jewellery store (Pickle and Abrahamson, 1990). Other researchers used a much more managerial and organisational approach. Julien (1998), for example, divided these typologies into four main groups: those based on the company's origin or ownership, those that use strategies or management objectives, those based on stage of development or organization, and those that consider the sector or type of market in which the company operates.

In short, many scholars, Curran et al. (1991), have argued against over-general notion of the 'small firm sector' because it does consist of an exceptionally mixed bag of businesses, engaged in a wide range of activities, whose managers often have little in common with each other. It is this diversity that makes any generalisations of any kind, including a definition of the sector, extremely difficult, and often unwise (Keasey and Watson, 1993; Stokes, 2002).

3.6. Small Business and Socio–Economic Development

The small business sector has been playing a crucial role in the development of both developing and developed economies of the world on all possible fronts. Storey (1994) has identified the desirability of a vibrant smaller business sector as a means of reducing unemployment, promoting flexibility and innovation, and improving the health of the economy. The extolled virtues of small businesses include their capabilities in successfully tackling the problem of poverty, balanced regional industrial development, redistribution of income and economic power, and unleashing the potential of entrepreneurs (Kirchoff, 1991; Page et al., 1999).

The role of small businesses in promoting economic development of a nation is also marked in variety of ways, for instance: i) they provide an opportunity to transcend social inequality; ii) they contribute to a nation's gross domestic product; and iii) they are an avenue for self–development and individual achievement and an expression of entrepreneurialism (Murphy, 1996).

In essence, successful entrepreneurs as creators of small businesses constitute a healthy society, and in turn, social and good relations can create a conducive and congenial environment for the development of a small business sector. The small business success and its concomitant effects of higher income generating capacity of entrepreneurs, more savings and disposable income will certainly ensure material well-being and higher standards of living. This would redefine the socio-cultural value system of the entrepreneurs to fall in line with the mainstream developed society.

Social development is generally manifested through the societal well being and the social capital generated over a period of time. Social Development can also be visualised through four concentric circles – individual, family, community and society at large. The entrepreneur is basically an individual with entrepreneurial drive, risk taking ability and a spirit of innovation.

As a starter of a new business venture, he/she strive hard to achieve business success, thereby enhancing socio-economic well being at the personal and family levels. At this micro level, a successful individual entrepreneur will be able to strengthen the family economy, sound relations with the family members and family peace by being a respectable income generating and life supporting member of his/her family. As a logical extension, a group of successful and happy families paves way for the emergence of healthy and peaceful community and in turn, a group of progressive and mutually supportive communities will make up a harmonious, strong, envisioned society at large (Drucker, 1985).

3.7. Small Business and Developing Countries

Small firm measures to promote small businesses are not confined to the developed countries. In the period immediately following World War II the developing world was also caught up in the fever for bigness in industrial organisation. Development aid from the international agencies such as the World Bank was heavily concentrated in favour of large-scale infrastructural projects and resource exploitation involving joint ventures with multinational group.

It was assumed that the general path of development must be the same, but that the new developing countries could skip the stage of small-scale industry and pass directly to the concentrated industry of modern times. Disillusionment with this philosophy was soon to set in, not only because it meant heavy reliance upon foreign enterprise and capital, but because the development of capital intensive industry did nothing to help reduce unemployment, nor did it ease the horrific problems of congestion and poverty in the big cities, in short it was not effective (Bannock, 1986).

The ripple effects of development brought about by the complementary role of the small business sector will go a long way in alleviating poverty, reducing the magnitude of unemployment through creation of employment opportunities, increasing the supply of goods and services, building physical, financial and human asset base. Hence, socio-economic development through promoting small businesses can be considered as a remedy for most of the problems experienced by developing countries. For certain developing countries, Malaysia for instance, local entrepreneurship and small business venturing are often seen as providing an answer to the shortcomings of major export-focused investment and public companies fraught with cumbersome bureaucracies (Athukorala & Menon, 1996).

In essence, in developing countries small businesses have always constituted the main source of employment. The distribution of business by size in these countries often reflects their dual economic structure: large businesses operating in a strongly capitalised market sector, and small businesses operating in the traditional economy in local markets (Deshaies, 1998).

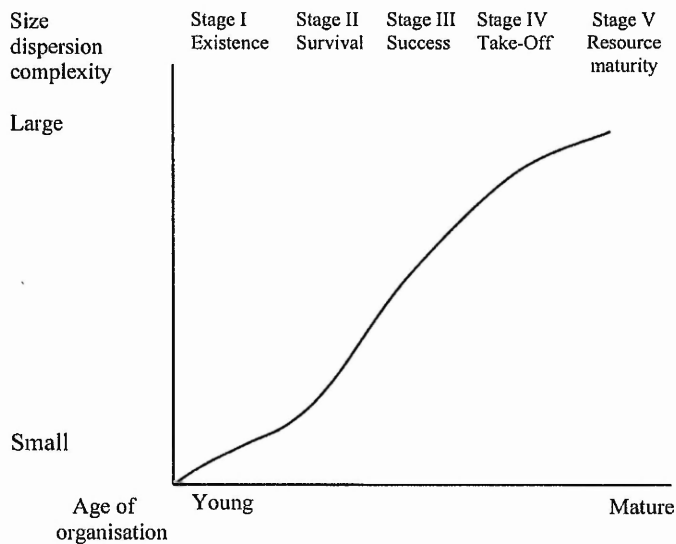
3.8. Small Business Growth Models

Various research papers over the years have developed models for examining business growth. Greiner (1972), argues that growing organizations move through five phases of development, each of which contains a relatively calm period of growth that ends with a management crisis. He argues, further, that since each phase is influenced by the previous one, a management with a sense of its own organization's history can anticipate and prepare for the next developmental crisis. Greiner built his model on five dimensions; i) the age of organization; ii) size of organization; iii) stages of evolution; iv) stages of revolution; and v) growth rate of the industry. Organizational growth is viewed as a production of interaction between these elements.

Each evolutionary period in Greiner's model is characterised by a *management style* used to achieve growth, while each revolutionary period is characterised by a *management problem* that must be solved before growth can continue. The former includes five phases through which growth is maintained; creativity, direction, delegation, coordination, and collaboration. Management problems, however, comprise crises of leadership, autonomy, control, and red tape.

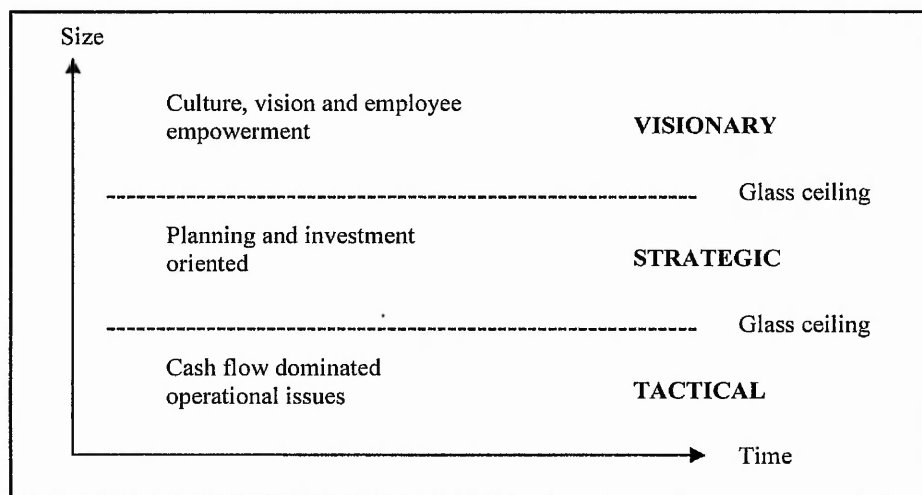
Building on Greiner's (1972) work, Churchill and Lewis (1983) developed a framework that delineates five stages of development; existence, survival, success, take-off, and resource maturity. Each stage is characterized by an index of size and diversity, and described by five management factors; managerial style, organizational structure, extent of formal systems, major strategic goals, and the owner's involvement in the business. Figure 3.2 shows growth stages in Churchill and Lewis's model.

Figure 3.2. Churchill and Lewis's growth stages



Using a theoretical sample of 25 entrepreneurs, Vyakarnam et al (2000) have probed the conceptual validity of what they call a 'glass ceilings' model of corporate development. The 'Transitions' growth model depicts three phases of managerial behaviour - tactical, strategic and visionary. Out of 557 statements made by respondents relating to various behaviours, the authors found 116 statements about the respondents' vision, 191 statements concerning strategy and over 250 statements regarding tactical behaviours. Vyakarnam's Transitions model is shown in Figure 3.3.

Figure 3.3. Vyakarnam's Transitions Growth Model



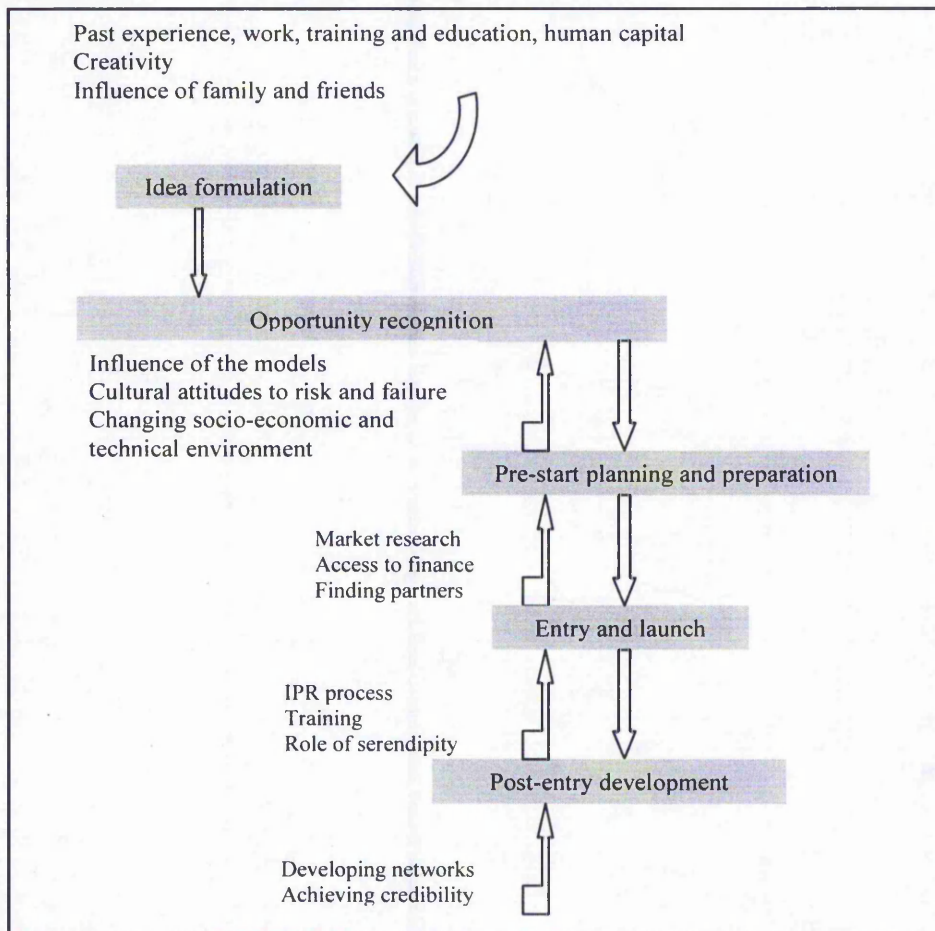
They concluded that firms grow to a certain size before bumping up against a glass ceiling. Then future growth might become possible by becoming more strategic in orientation and behaviours. The final phase is visionary through which the entrepreneur establishes a vision and develops an enabling culture in the business so that it can continue beyond his or her involvement. Vision has been defined as “an organized perception or phenomenon. It is an imagined or perceived pattern of communal possibilities to which others can be drawn, given the necessary enthusiasm and momentum on the part of the leader who is promulgating that vision” (Modern, 2007:668).

It is of interest to note that a defining feature of the new theories of leadership is vision. Bennis and Nanus (1985) define leadership in terms of the capacity to create a compelling vision, to translate it into action, and to sustain it. Furthermore, the role of the leader has been emphasised by many scholars. Tichy and Sherman (1994:248), for example, state that "In the new culture, the role of a leader is to express a vision, get buy-in, and implement it. That calls for open, caring relations with employees, and face-to-face communication. People who cannot convincingly articulate a vision won't be successful". Andrews and Field (1998) propose that leadership is a concept that is constructed in the process of social interaction.

Vyakarnam's et al (2000) conclusions show that 79 per cent of the statements made by respondents relating to strategic and tactical behaviours. The challenge of developing or reestablishing a clear strategy is often primarily an organizational one and depends on leadership (Porter, 1996). In his discussion about strategic planning and the small firm, Hall (1995), argues that strategy is about the major moves made by a firm in the attainment of its objectives. However, for many small firms, management decisions are made in the context of survival and operational necessity, rather than growth and business development (Beaver and Prince, 2004). This supports Vyakarnam's conclusion in which they found 250 out of 557 statements were made about tactical behaviour.

Recently, Deakins & Freel (2003) have suggested a different model for business creation and the start-up process. Their work involves the process by which entrepreneurs come to identify or formulate their ideas based on their previous experience, education and family influence. Then the culture and socio-economic environment are emphasised in their model as a key factor in recognising opportunities. They also show the role of networks as an important factor in establishing and managing successful business (see Figure 3.4.).

Figure 3.4. Business Creation and the Start-up Process

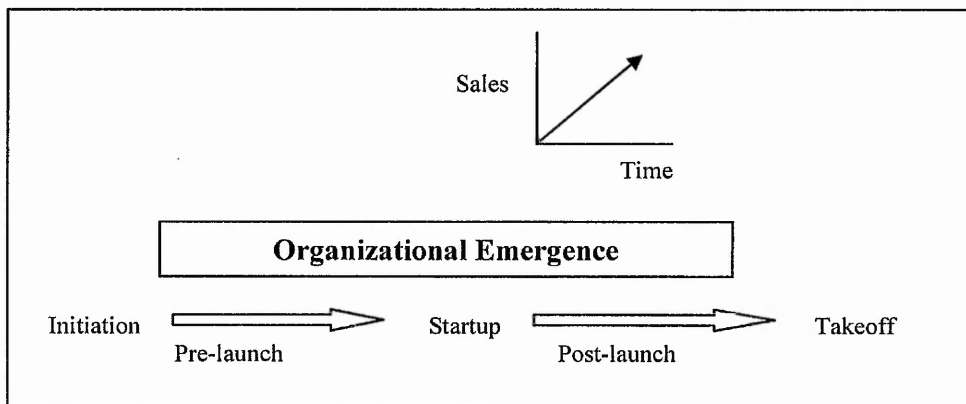


Source: Deakins & Freel (2003:57)

Gartner's (1993) model of small business emergence ranges from idea generation to the emergence of a substantial enterprise and consists of three stages; initiation, start-up and takeoff (see Figure 3.5.). Pre-start-up is the period during which entrepreneurs plan the venture and do the preliminary work of obtaining resources and getting organized prior to start-up. During this initial phase, ideas evolve from a creative process to the point of being consciously perceived as commercial endeavours.

The start-up stage is the initial period of business when the entrepreneur tries to position the venture in a market and make necessary adjustments to assure survival. This stage has no definite time frame, and there are no models to describe what a business does during this stage (Deakins and Freel, 2003). However, there are two benchmark considerations; first, entrepreneurs want to meet operating objectives; and second, entrepreneurs want to position the venture for long-term growth (Olson, 1987). It is frequently said that new small businesses are considered to be especially vulnerable in the infancy period following start-up (Watson et al, 1998).

Figure 3.5. The Organization Creation Process



Source: Gartner (1993)

Growth is a period of often rapid development when the venture may undergo major changes in markets, finances, and resource utilization. The growth or takeoff stage calls for intense monitoring, and growth can occur at different rates along a long continuum, ranging from slow growth through incrementally higher sales to explosive growth through quantum in consumer demand (Olson, 1987).

Entrepreneurship does not always coincide with small firm ownership, but throughout the term entrepreneurship will be used in connection with small firms. The remaining sections of this chapter will review the literature on entrepreneurship paying particular attention to the different schools of thought and personality traits approach to entrepreneurship.

3.9. Entrepreneurship: A Perspective

As attention has become focused on the importance of small and medium-sized enterprises (SMEs) sector for economic development and job creation, so greater attention has also been directed at theories of entrepreneurship. The domain Small business and entrepreneurship has emerged as an important area of research over the past four decades (Grant and Perren, 2002; Katz, 2000). It has been argued that the widespread interest in new venture creation and in entrepreneurial strategy reflects the new economy (Cooper et al, 2000).

The field of the entrepreneurship is heterogeneous and its multiple fragments are observed and analysed by economists, sociologists, historians, specialists of behavioural and management sciences, and psychologists (Filion, 1997). Deakins & Freel (2003) for instance, examine the contribution of major economic scholars and they are summarized by their insights in Table 3.1.

Table 3.1 Key Contributions of Economic Writers on the Role of the Entrepreneur

Writer	Key role of entrepreneur	Additional insights
Cantillon/ Say	Organizer of factors of production	Catalyst for economic change
Kirzner	Ability to spot opportunity	Entrepreneur's key ability is 'creative' alertness
Schumpeter	Innovator	Entrepreneur as 'hero' figure
Knight	Risk-taker	Profit is reward for risk-taking
Casson	Organizer of resources	Key influences of the environment
Shackle	Creativity	Uncertainty creates opportunities for profit

Source: Deakins & Freel (2003)

The contribution of Cunningham and Lischeron (1991) resides in a proposal for unifying the different schools of thought that structure research activities in entrepreneurship. They identify six principal schools as shown in Table 3.2.

Table 3.2. The Different Schools of Taught in Entrepreneurship

Entrepreneurial Model	Focus
Great Person School	Inborn characteristics of entrepreneurs and their success stories.
Psychological school	Specific and unique psychological traits of entrepreneurs.
Classical school	Innovation and creativity; identification of opportunities.
Management school	Pursuit of business opportunities and use of appropriate management tools to concretise their accomplishment.
Leadership school	Leadership qualities of entrepreneurs.
Intrapreneurship schools	Entrepreneurship behaviour in existing organisations.

Source: Adapted from Cunningham & Lischeron (1991).

Cunningham and Lischeron (1991:54) regard entrepreneurship as a multi-faceted phenomenon and that each school of thought offers a special dimension to one or many of these facets. According to them:

A first facet of the phenomenon is the personal qualities and values of the entrepreneur. A second considers that the anticipation of the future, and the recognition and the discovery of business opportunities are key elements. A third suggests that the success of the entrepreneur may be improved by both technical and non-technical managerial tools (leadership). A fourth facet recognises the need to change the strategic orientation to make it more adaptable.

For Cunningham and Lischeron (1991:58), the understanding of entrepreneurs and their entrepreneurial projects requires that researchers be interested in each dimension of the entrepreneurial process: *“Entrepreneur’s personal perspective, their ways of identifying opportunities, their methods of acting and managing, and their mechanisms for adapting and reassessing”*.

Many researchers endeavor to identify and characterise entrepreneurship and differentiate it from traditional management. Cooper et al (2000) for instance, offered a list of differences as shown in Table 3.3.

Table 3.3 Characteristics of Traditional Management and Entrepreneurship

Traditional Management	Entrepreneurship Strategies
<ul style="list-style-type: none"> • Security and job preservation • Learning one skill • Stability, tradition, consistency, robustness • Top-down command, hierarchical structure • Capital is equipment • Regulation • Segregation and compartmentalisation • Transaction and control • Status is ascribed • Scarcity mentality, zero-sum game 	<ul style="list-style-type: none"> • Risk taking and job creation • Lifelong learning • Speed, change, adaptability, agility • 360-degree integration, flat structure • Capital is people's know-how • Deregulation • Integration and synergy • Transformation and empowerment • Status is achieved • Abundance mentality, win-win paradigm

Source: Cooper, Markman, and Niss (2000)

The independent disciplinary approaches are no longer able to comprehensively develop knowledge of the entrepreneurial phenomenon that appears more and more complex (Bruyat and Julien, 2001; Gartner, 1989; Wortman, 1987). A number of questions have been raised concerning the current extensions of the field: "Is the field of entrepreneurship growing, or just getting bigger?" (Sexton, 1988:4). Gartner (1990:16) also was among researchers who emphasised this point when he wrote: "Is entrepreneurship just a buzzword, or does it have particular characteristics that can be identified and studied?"

A decade later, the same view was expressed by Brazeal and Herbert, (1999:30) when they asked "Are these truly expansions of a central entrepreneurial phenomenon or are they, for the most part, unrelated applications of entrepreneurial concepts to other fields such as organisation

theory, international management, or human resources?”. It, thus, seems more than necessary to quickly offer what is perhaps, a very widely shared perspective in the domain of the entrepreneurship.

The scientific development of the field cannot be sustained unless it has its base a common vision (Brazeal and Herbert, 1999; Bruyat and Julien, 2001; Fillion, 1997) and wide agreement on a corpus of knowledge, on the theories produced and the research methods employed. Many researchers (Bouchikhi, 1993; Bull & Willard, 1993; Cunningham, Lischeron, 1991; Gartner, 1988; Wortman, 1992) share this feeling and are almost reclaiming the emergence of new paradigms. Table 3.4 gives an idea on the multidisciplinary character of the field of entrepreneurship through its different disciplines, dimensions, elements and their articulation around the key research questions.

Table 3.4: Synthetic View of Research in Entrepreneurship

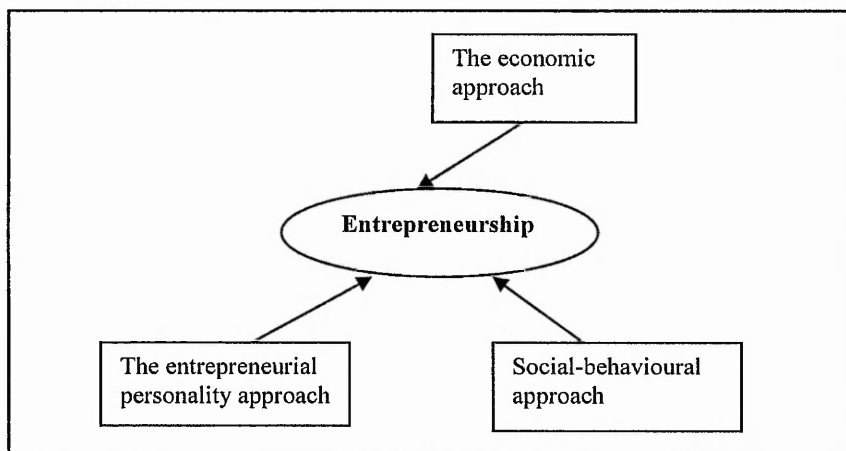
Key question	What (Functional approach)	Who / Why (Approaches centred on individuals)	How (Process centred approaches)
Period	Last 200 years	Early 1950s	Early 1990s
Principal scientific domain	Economics	Psychology, Sociology, Cognitive Psychology, Social Anthropology.	Management Sciences, Entrepreneurship, Organisational Theory.
Object of study	Functions	Personal characteristics, Individual traits, Entrepreneurs and potential entrepreneurs.	Process of creating a new business.
Dominant Paradigm	Positivism	Positivism, Comprehensive sociology.	Constructivism
Methodology	Quantitative	Quantitative (mainly), Qualitative.	Qualitative (mainly), Quantitative.
Fundamental hypothesis	Entrepreneur plays/ doesn't play an important role in the economic growth	Entrepreneurs are different from non-entrepreneurs	Entrepreneurial processes are different from each other.
Social demand (who is interested by...)	State, local government, economic organs and institutions.	Entrepreneurs, Potential entrepreneurs, Educational system, Instructors.	Enterprises, Entrepreneurs, Potential entrepreneurs, Instructors, Supporting structures for entrepreneurs.

Source: Adapted from Bouchikhi, (1993); Brazeal, and Herbert, (1999).

Deakins & Freel (2003) offer three approaches to entrepreneurship associated with the following sources (See Figure 3.6.).

- from the contributions of economic writers and theorists on the role of the entrepreneur in economic development and the application of economic theory;
- from the psychological trait approach on personality characteristics of the entrepreneur;
- a social-behavioural, which stresses the influence of the social environment as well as personality traits.

Figure 3.6: Approaches to Entrepreneurship



Source Deakins & Freel (2003:3)

Gartner has, first of all, attempted to clarify the field and the vocabulary used. He did so in the early 1990s, while trying to respond to the question: “*What are we talking about when talk about entrepreneurship*” (Gartner, 1990). At least eight main themes stand out from his work. These are now summarised in Table 3.5. Another attempt has been made by Filion (1997) who identified 25 principal themes of research in entrepreneurship.

Table 3.5: Principal Themes in Entrepreneurship

The entrepreneur	Entrepreneurship implies individuals who possess unique capacities and personal characteristics.
Innovation	Entrepreneurship is usually related to innovation (something new in an existing or a new organisation).
Creation of an organisation	Entrepreneurship describes the behaviours involved in the creation of an organization.
Creation of value	Entrepreneurship contributes to creation of value.
Private, public or not-for-profit sectors	Entrepreneurship can be applied to these different sectors.
Growth	The importance of the growth is a characteristic of entrepreneurship.
Unique character	Entrepreneurship is something unique.
Owner / Manager	Entrepreneurship concerns individuals that are owners and managers of their enterprises or activities.

Source: Adapted from Gartner (1990).

Many researchers focused on the individual characteristics and the personality traits of entrepreneurs (Brockhaus, 1980; Hisrich and O'Brien, 1981; McClelland, 1961; McClelland and Winter, 1969). Bolton Report (1971) has also emphasized the special role of the founder in small businesses. Thus, it is not the attention of this study to review in-depth the literature in this area. However, following the conceptual framework as a guide, it was found that a brief discussion of personal characteristics of entrepreneurs is necessary. These factors are now addressed in the following sections.

3.10. Personality Traits to Entrepreneurship

Much of the effort to understand entrepreneurship and new venture creation has focused on the characteristics of individual entrepreneurs. From the early work of McClelland (1961) which focused on the need for achievement as a personality characteristic of entrepreneurs, the field has examined a number of different traits like locus of control, propensity to take risks, personal values, and tolerance for ambiguity in a variety of different studies (see for example, Brockhaus, 1980; Brockhaus and Horwitz, 1986; Carland et al,1988; Hebert and Bass, 1995; Hornaday and Aboud, 1971; Timmons, 1978).

Kuehl and Lambing (1987), for instance, defined an entrepreneur as person who takes initiative for a business project, organises the resources, and assumes the risks it provides. Other scholars define an entrepreneur with relation to business growth. According to Gartner (1988) an entrepreneur is an individual who establishes and manages a business for the principal purpose of profit and growth. Key characteristics of an entrepreneur are summarized in Table 3.6.

Table 3.6: Entrepreneur's Psychological Profile

1	Locus of Control	2	Knowing someone who is a successful entrepreneur
3	Risk taking	4	Desire to be economically independent
5	Technical Know-how	6	Desire to be your own boss
7	Lack of Challenge	8	Desire to do something well
9	Alienation	10	Lack of satisfactory promotion opportunities in a job
11	Tolerance of Ambiguity	12	Act in a rapidly changing and uncertain environment
13	Creativity	14	Perception of self (openness)
15	Adaptiveness	16	Managerial and Organisational Skills
17	Vision	18	Ability to make decisions quickly
19	Leadership ability	20	Personal Value Systems (competitiveness, personal integrity)

Source: Adapted from Wortman, (1987); Amit, Glosten, and Muller (1993); Gartner (1985).

Recently, Deakins & Freel (2003:14) reviewed the literature on the entrepreneurship personality and identified certain key characteristics which have been considered in the literature as being important abilities of any entrepreneur: i) need for achievement; ii) calculated risk-taker; iii) high internal locus of control; iv) creativity; v) innovative; vi) need for autonomy; vii) ambiguity tolerance; viii) vision.

Three theoretical sources offer useful description of personal orientation of entrepreneurs. The oldest source is Schumpeter (1935), who describes the demands of entrepreneurship in terms of foresight, innovation, and aggressive dominance. Business difficulties confront entrepreneurs are seen as challenges to be solved through creativity and unconventional decisions. According to Schumpeter, the entrepreneur does not have to be a great thinker; in contrast, he or she solves problems from a pragmatic point of view. Schumpeter's theory is particularly interesting for studies in developing countries because he has argued that entrepreneurship will appear in situations of change and crisis.

A second approach relates to entrepreneurial orientation (Lumpkin and Dess, 1996). This is the orientation of a firm and not the orientation of an individual, and as such it describes the necessities that the job of an entrepreneur entails. With this approach, they differentiate between autonomy, innovativeness, risk taking, pro-activeness, and competitive aggressiveness. They argue that "all of these factors... may be present when a firm engages in new entry" (Lumpkin and Dess, 1996:137).

A third approach is the one taken by McClelland (1986; 1987); McClelland and Burnham 1995), who have argued that entrepreneurs are characterised by needs for achievement and power. There is a certain overlap here with Schumpeter's aggressive dominance (1935) and Lumpkin and Dess's (1996) competitive aggressiveness.

Based on the above theoretical review, five personality orientations of entrepreneurs are worth considering: autonomy, innovativeness, pro-activeness, competitive aggressiveness, and achievement orientation.

In terms of autonomy, three psychological constructs are related: 1) higher order need strength, 2) control rejection and 3) self-efficacy. These are briefly described below:

- (1) *Higher Order Need Strength*: This implies the wish to self-actualise. This can be done in an area in which one is not constrained by other people's values and commands (Hackman and Lawler, 1971).
- (2) *Control Rejection* (the reverse of control aspiration). This implies that one does not want exercise control because one is afraid of negative consequences and the responsibility that goes along with control. As autonomy implies that one wants to be in control, control rejection should be low in small-scale enterprises.
- (3) *Self-efficacy*: This is defined as "people's judgements of their capabilities to organize and execute courses of action required to attain designated types of performances" (Bandura, 1986:391). Thus, self-efficacy means that one is sure that one can achieve a certain course of action (Gist and Mitchell, 1992).

Innovativeness means to have an interest in innovation (Patchen, 1965) and to be interested in changing things at the work place. Both interests imply the willingness to go beyond one's routines and to try out new approaches. Interest in innovation has also been shown to be related to the number of suggestions submitted in companies.

Pro-activeness refers to a high degree of initiative to sense the problems before they occur. Proactive individuals are said to "... scan for opportunities, show initiative, take action, and persevere until they reach closure by bringing about change" (Bateman and Crant, 1993:105). Pro-activeness can also be expressed

in action styles, including goal orientation, planfulness (attention to planning), and action orientation.

Entrepreneurs have a stronger goal orientation (Frese et al, 1987), and they take their goals more seriously than other groups. Taking quick action to implement one's goals was studied by Kuhl (1992) under the heading of action orientation. The factor that seems to be most important here is whether one stays active in spite of setbacks (action orientation after failure).

The last personality orientation is achievement orientation. The need for achievement means that "one does something better... for the intrinsic satisfaction of doing something better" (McClelland, 1987:228). It also implies that one fights for one's achievement.

Entrepreneurs take moderate risks, seek feedback regarding results, and attain objectives. They are personally innovative and plan for the future. Studies of personality differences between entrepreneurs and non-entrepreneurs have been legion (Bonnett and Furnham, 1991; Brockhaus and Nord, 1979; Carland and Carland, 1989; Genderton and Bowman, 1985). However, approaches that have used omnibus personality scales and correlated them with entrepreneurship are of limited use, because these approaches are not intimately related to entrepreneurial tasks.

Recent meta-analyses in applied psychology have strongly supported the importance of personality traits in understanding and predicting the entrepreneurial career choice (Stewart and Roth, 2001). Personality has frequently been studied in entrepreneurship research (see overviews by Brockhaus and Horwitz, 1986; Gartner, 1989; Shaver and Scott, 1991).

However, there has also been a number of criticisms of the idea that personality is important for entrepreneurship research. This trait-oriented line

of research has come under fire as “inadequate to explain the phenomenon of entrepreneurship” (Gartner, 1988:12). Gartner (1988, 1989) has argued that studying behaviour is more fruitful than studying personality traits.

The following chapter takes further the notion of entrepreneurship by emphasising more process-oriented and contextual examination of the phenomenon. Entrepreneurship is viewed as a process which integrates many variables. In doing so, chapter four begins with emphasizing the importance of behavioural approach to entrepreneurship and ends by introducing a conceptual framework. The model will be used to carry out this investigation and examine how small businesses emerge in Libya.

CHAPTER FOUR: MULTI-FACTOR APPROACHES TO ENTREPRENEURSHIP

4.1. Introduction

Within the study of entrepreneurship, a variety of approaches have been selected to describe entrepreneurs (Cunningham & Lischeron, 1991). As indicated in the preceding chapter, studies focusing on entrepreneurs' personalities, backgrounds, early experience (Carland et al, 1984), have been widely criticised and have generally produced 'disappointing' findings (Gartner, 1990; Low & MacMillan, 1988). Recently, studies have increasingly focused upon the behavioural aspects of entrepreneurs (e.g. Chell et al, 1991; Gartner et al, 1992; Lumpkin & Dess, 1996).

More recently, there has been a shift towards the notion of entrepreneurship as a process. Malecki (1997:58), for instance, commented that "entrepreneurship is a process as well as a phenomenon". A great deal of study advocated this view and offered a variety of theoretical and practical of research papers viewing entrepreneurship process from different perspectives (Baron, 2004; Bruyat and Julian, 2001; Gartner, 1985; Shaver and Scott, 1991; Van de Ven, 1993). In doing so, researchers have tried to go beyond trait and behavioural approaches to entrepreneurship by considering the firm's relationship with its environment.

The remaining sections of this chapter are focused mainly on three subjects. First, the behavioral approach to entrepreneurship is discussed and related to personality traits which outlined in the preceding chapter. Particular attention is given to themes such as motivation, opportunity recognition, networks and alliances. Then the role of external environment is highlighted and linked to the following section which deals with entrepreneurship process. Finally, some models viewing this process from different angles are discussed and a conceptual framework is developed. The model integrates many factors which have been reviewed in the preceding chapters and herein and will be used to examine the emergence of small businesses in Libya.

4.2. Behavioural Approach to Entrepreneurship

As mentioned earlier, the trait approach has been targeted by many scholars. Gartner (1988:12), for instance, emphasised that “who is an entrepreneur? is the wrong question”. He states that “in the trait approach the entrepreneur is assumed to be a particular personality type, a fixed state of existence, a describable species that one might find a picture of in a field guide, and a set of characteristics describing this entity known as the entrepreneur”

Research from the discipline of psychology has attempted to characterise entrepreneur in terms of variables such as attitudes, biography, demography and behaviour in the business world. As the preoccupation with individual traits has been de-emphasized, several other elements of entrepreneurship have been proposed to define the entrepreneur. “Behaviour” has been argued as the best method to identify an entrepreneur (Gartner, 1988).

Although the behavioural view of entrepreneurship is not new, it seems that it has been a difficult view to maintain. Kilby (1971) and Van de Ven (1980) have strongly criticised research which seek to develop personality profiles of the entrepreneur; instead, they encouraged researchers to study the behaviours and activities of entrepreneurs. Other scholars, (Peterson, 1981), argues that if we are to understand the phenomenon of entrepreneurship then we need to focus on the process by which new organisations are created. This seems like a simple alteration of focus (i.e., look at what entrepreneur does, not who the entrepreneur is).

According to Zimmerer and Scarborough (1998:37) entrepreneurship is “the result of a disciplined, systematic process of applying creativity and innovation to needs and opportunities in the marketplace. It involves applying focused strategies to new ideas and new insights to create a product or a service that satisfies customers’ needs or solves their problems”. On the other hand they view an entrepreneur as “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them”.

Zimmerer and Scarborough (1998:37) argue that successful entrepreneurship is a process that relies on creativity, innovation, and application in the marketplace. In this context, they define creativity as “the ability to develop new ideas and to discover new ways of looking at problems and opportunities” whereas innovation is “the ability to apply creative solutions to those problems and opportunities to enhance or to enrich people’s lives”. They argue that entrepreneurs are those who connect their creative ideas with the purposeful action and structure of a business.

Gartner (1988) views entrepreneurship as the creation of organisations. He argues that what differentiates entrepreneurs from non-entrepreneurs is that entrepreneurs create organisations, while non-entrepreneurs do not. It is also suggested that founding a business is a behaviour which certainly defines entrepreneurship (Stewart et al., 1996). Another type of behaviour which has been linked to entrepreneurial activity is strategic planning (Olson 1985) as entrepreneurs plan in more depth than small business owners (Carland et al, 1984).

Other studies have identified a number of elements that define entrepreneurship and entrepreneurial behaviour including leadership and dimensions of teamwork organisational creation, opportunity recognition, innovation, risk assumption, marshalling of resources, and the creation of value (Stearns and Hills, 1996).

The behavioural approach views the creation of an organisation as a contextual event, the outcome of many influences. Gartner (1985) stresses that the entrepreneur is part of the complex process of new venture creation and the personality traits of the entrepreneur are ancillary to the entrepreneur’s behaviours. This approach to the study of entrepreneurship treats the organisation as the primary level of analysis and the individual is viewed in terms of activities undertaken to enable the organisation to come into existence.

Until 1980s the focus of many scholars was on the ‘individual’ as a unique character. Some of them strongly disagree with the notion that entrepreneurship is behaviour. Vesper (1980), for instance, commented that if entrepreneurship is behavioural, then it can be seen

that these behaviours cease once organisation creation is over. Vesper argues that one of the problems in the entrepreneurship field is deciding when entrepreneurship ends.

It seems that Vesper's argument views the creation of organisation as static function and, hence, entrepreneurship should come to end once the organisation is created. In fact entrepreneurship is a continuing process through which entrepreneurs, guided by their motivations, search for opportunities, exploit them, and use their personal and social networks as will be discussed in the coming sections.

It is worth noting, as Stokes (2002) demonstrates, that entrepreneurial activity can be found in many different types of private and non-profit organizations. It is neither exclusive to, nor always present in, small businesses. However, throughout this study entrepreneurship is connected to small business.

4.3. The Entrepreneurial Orientation

An orientation is grounded in cognitive psychology and attempts to explain or predict human behaviour. It has been defined as a state of mind directing a person's attention (and therefore, experience and action) towards a specific goal in order to achieve it. The behavioural orientation to entrepreneurship results from attitudes and becomes an immediate determinant of the action of the entrepreneur. Motivational factors, such as the need for achievement (McClelland, 1965) and the need for control (Brockhaus, 1982) predispose individuals to entrepreneurship.

According to Covin and Slevin (1989) the Entrepreneurial Orientation combines three important characteristics of entrepreneurs. These are innovativeness, proactivity and risk-taking. Scott (2000) postulates that the Entrepreneurial Orientation is more likely when the pursuit of entrepreneurial opportunity takes advantage of the efforts of individuals who have limited incentives in large organisations.

The Entrepreneurial Orientation, as applied to the SMEs setting, has its origin in the situation that SMEs often lack a strategy and tend to be reactive. There is a tendency, among entrepreneurship researchers, to regard this orientation as something inherently good, something an small-business owner should always pursue (Wilklund, 1999). The Entrepreneurial Orientation is demonstrated by opportunity seeking, risk-taking, and decisions based on these values (Lumpkin and Dess, 1996). Small-business owners with an Entrepreneurial Orientation engage in product or market innovations, undertake relatively risk ventures, and initiate proactive innovation (Miller and Friesen, 1982).

According to Lumpkin and Dess (1996) the emphasis of the owner's Entrepreneurial Orientation will be shown by entering new markets, developing innovations, as well as launching new ventures. Freel (2000) has pointed out that the orientation of an SME owner would have an influence on these decisions. The greater the orientation, the more entrepreneurs would emphasize new strategic initiatives locally and internationally.

Knight (2000) states that entrepreneurship and strategy are very much related to the SME performance in the globalisation context, particularly in export-oriented SMEs, the Entrepreneurial Orientation plays an important role in the internationalization process and higher firm performance, specifically in business growth (Walsh, 1998).

4.4. Entrepreneurial Motivation

Motivation has a high explanatory power for entrepreneurship. The motivation for entrepreneurship has recently received particular attention (Vesalainen and Pihkala, 1999). While a variety of definitions, methodologies, and quite heterogeneous samples have been used, making comparisons across studies difficult, some consensus has emerged. For example, entrepreneurs have been found to score higher on need for achievement, internal locus of control, tolerance

of ambiguity, and Type-A behaviour. They are believed to be moderate and calculated risk takers.

In essence, people start their firm for a variety of reasons including maximizing economic return (Davidsson, 1989; Delmar, 1996; Kolvereid, 1992). The fulfilment of non-economic personal goals, such as gaining independence or developing their own ideas, are often cited reasons (Wilklund, 1999). Mayes and Moir (1990) argue that the relative attractiveness of self employment and setting up small firms increased as it became difficult for the greater number of unemployed to find employment.

Swierczek and Jatusripatak (1994) identified a variety of motivating factors to become an entrepreneur, but the primary reason seems to be profit. The second reason is the use of skills and competencies gained in previous experiences. The third reason is attributed to the achievement motive (Setty, 1980; Swierczek and Jatusripatak, 1994). Kuehl and Lambing (1987) suggest a package of independence, financial success, and job satisfaction as main reasons for starting a new business.

Gray (1990) notes that the attraction of personal independence is an important "pull" factor in the decision to seek a career as a small business owner although "push" factors such as redundancy, recession, block promotion play a stronger part for many self-employed. Gray states that the strong desire of many small business owners to retain personal control and business independence has been well recognised as a key factor limiting the growth of many potentially successful small enterprises.

Vesalainen and Pihkala (1999) argue that to become an entrepreneur, people need to be intrinsically motivated. Intrinsic motivation focuses on the internal needs for achieving competence and self-determination. This intrinsic motivation helps people to energise their behaviours in order to satisfy their desires as they seek personal challenges. As these challenges require a leap into the unknown, an entrepreneur needs to stretch their abilities and interests.

To understand what influences and motivates the entrepreneurs to make entrance into the labour force, Lee (1997) considers four psychological needs. In this perspective, the motivation factors include the need for achievement, which is described as a unitary disposition that motivates a person to face challenges in the interest of attaining success and excellence (McClelland, 1965). The need for affiliation is basically concerned with maintaining warm and friendly relations with others (Steer and Braustain, 1976). The need for dominance is concerned with the tendency to seek leadership opportunities and prefer to control others and events (Pritchard and Karasick, 1973). The need for autonomy refers to those who wish neither to lead nor to be led (Baum et al, 1993).

Many studies (e.g. Lee and Tsang, 2001) have found that entrepreneurs have a higher need to achieve than non-entrepreneurs. McDougall and Oviatt (2000) reviewed nine major studies on entrepreneurial characteristics and motivations. They found that entrepreneurs had: i) higher need achievement; ii) higher growth aspirations; iii) a distinctive pattern of fundamental beliefs related to entrepreneurship; and iv) a desire for job freedom.

In various research studies, the most frequent mentioned motivations were achievement need and the propensity to take risks (Envick and Longford, 2000). Need for achievement is the personality trait that has the greatest impact on venture performance (Lee and Tsang, 2001). Davidsson (1989) found a positive relationship between achievement motivation and business growth in entrepreneurial firms. People with a high need for achievement set challenging goals; accomplish these goals through effort and skill, take responsibility for decisions, and are risk takers (Stewart and Roth, 2001). Hence, motivation is the drive to unleash entrepreneurial potential and, in turn, it shapes the entrepreneurial orientation of an individual.

4.5. Opportunity Recognition

According to Deakins & Freel (2003), converting an idea into a business opportunity is the key element of the process of business creation. Moving an idea to the exploitation of the opportunity requires many elements to be in place. The economic environment has to be conducive, the culture must be appropriate for risk-taking and the nascent entrepreneur must have the confidence to take an idea suggested by opportunities through to fulfilment. They further argue that:

“Opportunities are generated by change. Change may be political, economic, social, demographic or technical ... economic change may be characterised by a period of economic growth and expanding demand, which may create opportunities for new business ideas that take advantage of increased affluence, leisure time and spending power of the population. Social and demographic change may provide opportunities through changing attitudes or through creation of new markets in ageing population structure. These factors are the engines of change, but harnessing such change to create new business ventures requires entrepreneurs to formulate ideas and fit them to the opportunity” (Deakins & Freel 2003:60).

In this context, cultural attitudes to risk and failure can also impinge. Birley et al (1995) suggest that in the UK people have lower tolerance levels of failure than other nations such as the USA and different attitudes to risk-taking. Cultural factors help to determine whether the entrepreneur that has a business idea – has recognised an opportunity – will be encouraged or discouraged from attempting to exploit that opportunity.

Every industry is fragile and subject to sudden change. New laws, the dissolution of old laws, economic influences, social changes and new technologies are all threats to industrial stability, providing in their wake ample opportunities for entrepreneurs. In this sense, change creates both opportunities and threats. Entrepreneurs take advantage of opportunities while minimising the threats associated with the change. Entrepreneurs should be aware of industrial, market, demographic as well as social and cultural changes in order to recognise and utilise entrepreneurial opportunities (Covin and Slevin, 1989).

Entrepreneurs tend to be “strategic thinkers” who recognise changes and see opportunities where others do not. By creating new ventures based on these strategic changes, entrepreneurs make a contribution and are rewarded in terms of wealth and personal satisfaction. Entrepreneurship is, therefore, the result of inspired strategy to exploit change, but first “change” has to be recognized (Koposo et al. 1987). In short, entrepreneurs who are active and watching for changes are more likely to recognise opportunities when they occur.

Venkataraman (1997) argues that one of the most neglected questions in entrepreneurship research is where opportunities come from. Why, when, and how certain individuals exploit opportunities appear to be a function of the joint venture characteristics of the opportunity and the nature of the individual (Shane & Venkataraman, 2000). Venkataraman (1997) highlighted three main areas of difference between individuals that may help us understand why certain individuals recognise opportunities while others do not: knowledge differences; cognitive differences; and behavioural differences.

The ability to make the connection between specific knowledge and a commercial opportunity requires a set of skills, aptitudes, insights, and circumstances that are neither uniformly nor widely distributed (Venkataraman 1997). The extent to which individuals recognise opportunities and search for relevant information can depend on the make-up of the various dimensions of an individual’s human capital. Search behaviour can be bounded by the decision maker’s knowledge of how to process information as well as the ability to gather an appropriate amount of information (Woo et al, 1992).

The role of cognitive process in entrepreneurship has been emphasised by a growing number of researchers. This perspective emphasises that “everything we think, say, or do as human beings is influenced by mental processes-by the cognitive mechanisms through which we acquire information, enter it into storage, transform it, and use it to accomplish a wide range of tasks” (Baron, 2004a:223).

Gaglio, (1997) argues that some people habitually activate their mental schema for processing information and can notice it in the midst of an otherwise overwhelming number of stimuli. This may explain why the pursuit of one set of idea and opportunities invariably leads entrepreneurs to additional innovative opportunities that had not been recognised previously (Ronstadt, 1988). Over time, valuable information regarding the real option becomes available or suitable venture opportunities emerge.

Entrepreneurs with limited experience may use simplified decision models to guide their search, while the opposite may be the case with experienced entrepreneurs (Gaglio, 1997). Cooper et al (1995) found that novice entrepreneurs sought more information than entrepreneurs with more entrepreneurial experience. Further, entrepreneurs having high levels of confidence sought less information.

The ability of entrepreneurs to learn from previous business ownership experiences can influence the quantity and quality of information subsequently collected (Gaglio, 1997). Previous entrepreneurial experience may provide a framework or mental schema for processing information. In addition, it allows informed and experienced entrepreneurs to identify and take advantage of disequilibrium profit opportunities (Kaish & Gilad, 1991). Birley and Westhead (1993) found that the incubator organisation, i.e. the last organisation worked for prior to start-up, can have a significant influence on the decision to start-up and the location and characteristics of the business. They found the incubator organisation provided personal contacts, market knowledge, managerial skills and industry knowledge.

The 'corridor principle' (Kopeso et al. 1987) suggests that opportunities evolve from entrepreneurs being positioned in similar work or having had similar experience with related ventures so that when a window opens it is easy for them to move quickly into a new venture. A corollary is that as a venture becomes expert in one activity, related opportunities evolve, and many of them are more rewarding than the initial activity.

4.6. Networks

The rapid development and the widespread nature of the networking phenomenon has attracted considerable attention in the entrepreneurship literature (e.g. Birley, 1985; Dubini and Aldrich, 1991; Ostgaard and Birley, 1994). As Low and MacMillan (1988) have suggested, networks are an important aspect of the context and process of entrepreneurship. Subsequent studies have found that networking allows entrepreneurs to enlarge their knowledge of opportunities, to gain access to critical resources, and to deal with business obstacles (Johansson et al, 1994; Sapienza et al, 1996; Hills, Lumpkin, and Singh, 1997; Floyd & Wooldridge, 1999).

A network is generally defined as “a specific type of relation linking a defined set of persons, objects or events” (Knoke and Kuklinski, 1983:12). Researchers argue that to establish a firm, potential entrepreneurs look for relations on the basis of common interest or experience in establishing and running a business (Greve & Salaff, 2003).

Propensity to network reflects an individual’s inclination to create and maintain social contacts, and is often a gauge of the potential resources that he or she has access to. The degree to which one intends to create contacts is a manifestation of a personal tendency to engage in networking and is indicative of the personal motivation to establish relationships, maintain the contacts, and accept norms of behaviour that support the relationships. Such personal inclinations are often a reflection of a variety of personality traits such as extroversion, locus of control, or need for affiliation.

Researchers adopt different ways in categorising networks. Birley (1985), for example, has identified two groups; formal networks and informal networks. The formal includes all the local and state agencies such as banks, accountants, lawyers, or realtors. The informal network includes family, friends, previous colleagues, or previous employers. Both are important in helping the business owner seek the optimum

arrangement for his or her firm. Regardless of categorisation, some forms of networks are measured important for the purpose of this study and will be further discussed in the following sections. These include social networks, personal networks and inter-firm alliance.

4.6.1. Social Networks

Economic activity cannot be analysed without consideration of the social context in which it occurs (Granovetter, 1985). Granovetter provided three reasons to support his argument for incorporating the social context into the study of economic activities. First, the pursuit of economic activities is confounded with the pursuit of non-economic activities. Second, economic actors operate in a social context that affects their motives. Finally, all economic institutions are socially construed and are affected by the characteristics and motives of those that construe and run them.

It is in this context that the notion of embeddedness is understood: institutions and individuals are affected by social structure, social relations, and socialities. They become embedded in the social context, and all activities are, to a degree, affected by it (Granovetter, 1985).

Social networks have lately received much attention in management research and have been linked to various aspects of firm behaviour and strategy (Larson 1991; Nelson 1989; Ostgaard and Birley, 1994). Driving this stream of research is the realisation that an entrepreneur's social networks constitute a resource for the firm and that the entrepreneur's personal network is often utilised to support business activities.

Social networks in this context are defined as an entrepreneur's relations and contacts with others (Burt, 1992). Such contacts, to the extent that they provide the means for identifying opportunities or obtaining resources or to the extent that they facilitate the utilization of other resources, are potential sources of competitive advantage.

In essence, the importance of one's social network lies in four factors: information, support, credibility, and governance (Birley et al, 1990). For example, the scope and diversity of information provided to entrepreneurs by network members are a reflection of the characteristics of the network and its members; similarly, the tangible and intangible support is the result of the interaction with acquaintances, friends, and relatives which provide resources, access to resources, or emotional support (Birley, 1985; Lin, 1982). Finally, networking activity leads to the development of a normative context that constitute a governance mechanism which renders members' behaviour more reliable and predictable.

4.6.2. Personal Networks

A personal network consists of individuals within someone's immediate circle of daily relationships. These include family members, friends, and co-workers with whom a person has close ties. Carsrud et al (1986) argue that personal networks result from *roles* in life, such as being part of a family. Entrepreneurs create new roles for themselves by pursuing their ventures, and in doing so, they begin to expand this circle of personal affiliations. If entrepreneurs are good at forming friendships, they may develop personal networks that include business partners, investors, customers, suppliers and lenders.

In this sense, network members consist of *weak ties*, or "casual acquaintances," who provide little in terms of direct help for the new venture. Other network members will be *strong ties*, normally meaning that they can be expected to help when called upon, and in most instances their personal relationships with entrepreneurs are very close (Granovetter, 1982).

Aldrich and Zimmer, (1986) argue that personal networks with weak ties may be more beneficial in the sense that entrepreneurs can call on these acquaintances to introduce them to customers, suppliers, investors, and lenders. Most entrepreneurs have a few close associations (strong ties) that provide personal support, but much

more frequently it is casual acquaintances (weak ties) that provide useful information and access to resources.

4.6.3. Inter-firm Alliances

Inter-firm alliances are becoming an increasingly pervasive mode of conducting business. More and more firms engage in various forms of co-operative activities with other firms, recognising the cost savings and the increasing flexibility associated with such arrangements (Ahuja, 2000; Dyer and Singh, 1998; Kale, Singh, and Perlmutter, 2000).

A growing body of literature on alliances focuses not only on the benefits to the firm but also on the implications of alliances and co-operation in terms of the competitive structure of markets (for example, see Gomes-Casseres, 1996; Gulati et al, 2000), suggesting that the new competitive arena consists of competitive *constellations* (networks) that are made up of firms linked by series of strategic alliances (Gomes-Casseres, 1996).

The large body of literature on inter-organisational relations has yielded numerous definitions of this construct (see, for example, Astley and Fombrun, 1983; Auster, 1994; Bresser, 1988; Dollinger, 1990; Oliver, 1990). For Auster (1994), inter-firm alliances are arrangements in which two or more independent firms co-operate to perform business activities.

A range of studies (Shaw and Conway, 2000; Chaston et al, 1999; Gibb, 1997; Alizadeh, 2000) have shown that involvement in formal and informal business networks has been a common characteristic of growth firms, and a key source of organisational learning. Increasingly, small, high-growth firms are engaging in cooperative strategies with other firms to improve their competitive position (Gomes-Casseres, 1996; Harrigan, 1988).

Generally, the advantages of inter-firm arrangements include cost sharing, technology transfer, exchange of goods or information. The benefits of being a partner in an alliance are especially relevant for small firms that have limited resources and limited market presence. Of particular importance is being able to ensure that the small firm has plenty of opportunities to partner in and establish co-operative arrangements. An additional advantage is the improved ability to outmatch a stronger competitor, easier.

4.6.4. Alliances and Strategies

The reasons vary as to why firms use cooperative strategies. Two common schools of thought argue that firm partners are selected for strategic resource needs or for social resource opportunity (Eisenhardt and Schoonhoven, 1996). The strategic resource-need rationale for establishing partnerships or alliances is well documented.

According to the resource-based view, firms look for partners that have the resources they lack (Nohria and Garcia-Pont, 1991). These partnerships help firms achieve a sustained competitive advantage (Dyer and Singh, 1998). The resources can be those they can leverage or capabilities they can learn that will improve their current competencies. Jarillo (1989) and Stevenson and Jarillo (1990) argue that the use of external resources, acquired through long-term relationships, can generate growth and can help in the pursuit of opportunities.

Research on the selection of appropriate alliance partners is still evolving. Chung et al, (2000), for example, found that resource complementarity and status similarity are related positively to the formation of alliances. Lane and Lubatkin, (1998) found that firms tend to learn the most from firms with similar basic knowledge but different specialized knowledge. Young firms also can facilitate and can enhance learning from their partners (Grant and Baden-Fuller, 1995; Hamel, 1991). Thus, partnerships with critical suppliers provide both access to resources and the opportunity for learning.

The other perspective on alliance formation is that alliances are formed for sociological, structural reasons. New firms establish partnerships with other companies they already know in order to facilitate entry and acceptance into an industry (Gulati, 1999). Thus, in addition to being vehicles for the exchange of resources, alliances can be signals of legitimacy, social status, and recognition (Stuart, 2000). This is particularly true for firms with no track record who are in search of credibility. Often, the only cooperative relationships new firms can establish at all are through existing networks or through interpersonal contacts who are willing to take a chance on a new venture.

Hudson and McArthur's (1994) research found that small, high-growth firms seek collaboration because they have no established ties or track record of success. These small firms have a "liability of newness" and a higher risk of failure, which is reduced through partnering. Aldrich and Auster (1986) also found that the use of long-term contracts with other organizations increases the chances of small firm survival. Larson (1988) suggests that entrepreneurs who establish relationship with key suppliers or buyers realize a competitive advantage that facilitates the ability of a small firm to compete with a larger firm. The absence of stable relationships as well as sufficient resources creates a liability of newness or a liability of smallness that contribute to a high failure rate (Baum et al, 2000).

4.7. External Environment

The environmental conditions facing today's businesses increasingly are fraught with complexity, turbulence, and uncertainty. Business organisations face an increasingly volatile environment that is marked by rapid change in the market, technology, government regulation, and economic and social conditions. Therefore, in order to prosper under such conditions, they must find new ways to respond and to adapt (Auster and Choo, 1993; Daft et al, 1988; McGee and Sawyerr, 2003).

Duncan (1972:314) defines the environment as “the totality of physical and social factors that are taken directly into consideration in the decision-making behaviour of individuals in the organization”. Researchers have classified these factors into at least seven categories or sectors; technology, competitors/industry, customers/markets, suppliers, political/legal, economic, and social/cultural (Daft et al, 1988; Duncan 1972; McGee and Sawyerr, 2003). They argue that the initial four sectors are considered part of the immediate environment and tend to have a direct impact on the competitive situation of individual organisations. The remaining three sectors, on the other hand, have a more indirect influence and are considered part of the remote environment.

Three characteristics of the firm’s external environment are acknowledged in the literature: dynamism, hostility, and heterogeneity (Zahra and Bogner, 2000). Dynamism reflects both the rate and unpredictability of change in the industry which creates opportunities and threats for new ventures. Hostility indicates an unfavourable business climate and arises from the existence of too many competitors, unfavourable supply conditions, and strict regulation. Heterogeneity, on the other hand, reflects the diversity of the market segments within an industry; as industries evolve, new segments emerge (Zahra and Bogner, 2000).

4.7.1. Perceived Environmental Uncertainty

It is accepted widely that the external environment is a primary source of uncertainty for managers responsible for identifying both opportunities and threats. One of the early studies (Duncan, 1972) proposed that perceived uncertainty is comprised of a complexity dimension and a variability dimension. The simple-complex dimension refers to the number of environmental factors considered in decision making and the level of interdependence among them. The static-dynamic dimension, however, refers to the degree to which these factors change over time (Choo, 2001; McGee and Sawyerr, 2003). Duncan (1972) found in his study that the level of perceived uncertainty increases with the complexity and rate of change of the environment.

Environment conditions can be classified into immediate (e.g. customer opinions, customer behaviours, and competitor's strategy) and remote (e.g. demographic, socio-cultural, and population trends) marketplace environment. Brush (1992) observes that managers of new ventures perceive information about the immediate marketplace environment as more important than information about the remote marketplace environment.

The work of Woo et al (1994) presents an interesting perspective which proposes an even more dominant role for the way the potential entrepreneur interprets and approaches the environment. In their perspective the success of an organisation is viewed as dependent on the capacity of the entrepreneur to perceive and act on opportunities embedded in the objective environment. From this point of view, the prospective entrepreneur's interpretation of the environment is also moderated by his/her beliefs about the environment (Daft and Weick, 1984).

4.7.2. Environmental Scanning

Environmental scanning refers to the activities associated with the acquisition and use of information about events, trends, and relationships in an organization's external environment that potentially may affect the organization's future course of action (Choo, 2001) or may protect the core organisation from uncertainty (McGee and Sawyerr, 2003).

The process of data collection may be formal or informal (Daft and Weick 1984) and environmental scanning includes both looking at information – viewing - and looking for information - searching (Choo, 2001). Scanning behaviour is influenced by many factors. For Choo (2001), these include external factors such as environmental turbulence and resource dependency, organizational factors such as the nature of the business and the strategy pursued, information factors such as the availability and quality of information, and personal factors such as the scanner's knowledge or cognitive style. From reviews to

the literature, Choo (2001) developed a conceptual framework for environmental scanning. The model integrates many factors, as illustrated in Figure 4.1.

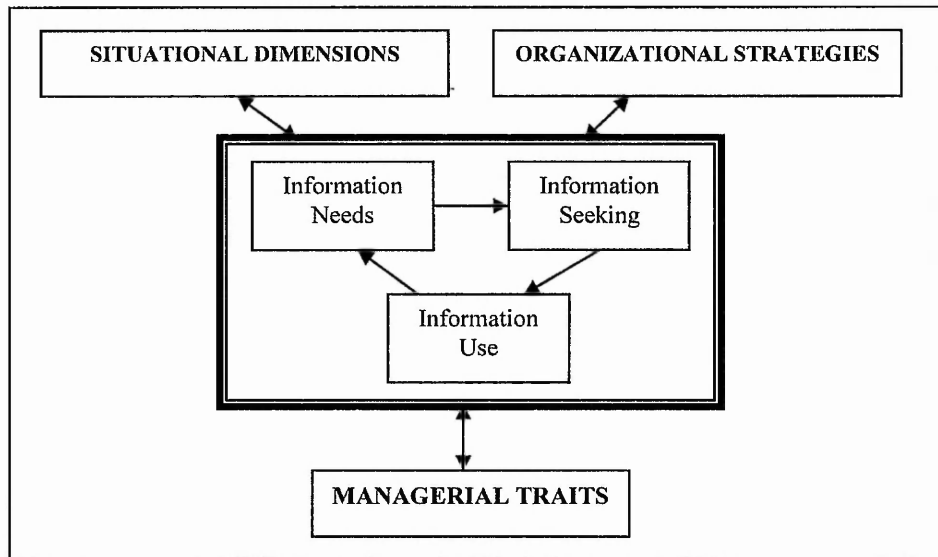


Figure 4.1 A Conceptual Framework for Environmental Scanning (Choo 2001: 86)

Empirical research suggests that higher levels of environmental uncertainty generally elicit more intensive scanning efforts (Auster and Choo, 1993; Daft et al, 1988; Elenkov, 1997; Sawyerr, 1993). The need to collect accurate information is of particular importance for entrepreneurs and managers of small firms since rapid advances in technology, accelerated globalization, and greater competitive intensity have increased the general level of uncertainty facing both big and small enterprises (McGee and Sawyerr, 2003; Zahra and Bogner, 2000).

While small business managers use a variety of information sources, they are apt to rely heavily on their own experience and easily accessible information when making decisions (Pineda et al, 1998). It appears that new or smaller ventures are less likely to engage in formal or structured marketing research activities and are less informed about macro-environmental conditions than older or larger firms (Mohan-Neill, 1995).

Researchers have found that small business managers tend to rely on less formal sources such as family and friends (Cooper et al, 1995). These findings are in line with Johannessen and Dolva's (1995) who reported that managers of small firms rely heavily on personal connections as a source of external information. Brush (1992) found that new ventures use more informal methods and collected more immediate marketplace information.

Studying the influence of age and size on the firm's environmental scanning, Mohan-Neill (1995) concluded that new (and smaller) ventures utilize less marketplace information when they make decisions than do older (and larger) firms. This can be attributed to the fact that small firms typically lack the infrastructure necessary to collect adequately the information needed to cope with dynamic, highly uncertain environments (Matthews and Scott, 1995; Shrader et al, 1989). Researchers argue that small businesses lack the capital and human resources that many techniques require and that compared to usually systems-oriented large firms, small businesses tend to be personality oriented. Nevertheless, the greatest strength of the small business lies in its flexibility and maneuverability (Pearce et al, 1982).

In summary, managers of small businesses have been found to use personal sources of information more than impersonal sources (Brush, 1992; Smeltzer et al, 1988; Specht, 1987) and prefer internal sources of information over external sources (Arbuthnot et al, 1993; Smeltzer et al, 1988). Research to date suggests that small business owner/managers engage in a high level of search activity, using a variety of information sources. While they appear to rely on more informal and personal sources of information, it is likely that information-search activities vary with the issue or decision under consideration.

4.8. Entrepreneurship Process

Emphasising that “entrepreneurship is a process as well as a phenomenon” (Malecki, 1997:58), it seems plausible to view a region of high entrepreneurial activity as a system in addition to the previous research that examined the actions of individual actors, events, or organisations alone. The entrepreneurial process involving all the functions, activities, and actions associated with the perception of opportunities and creation of organisations to pursue them (Bygrave & Hofer, 1991) has generated considerable academic interest.

This variety of perspectives is best understood through the integrative approaches that have recently evolved to explain entrepreneurial behaviour. Scholars suggest that entrepreneurship is an activity that can only be understood by simultaneously combining several of the individual elements of the phenomenon. A model developed by Gartner (1985) integrated four dimensions of entrepreneurship: characteristics of the individual who starts the venture, the organisation which is created, the environment surrounding the new venture, and the process by which the new venture is started. He emphasizes that it is the interaction of these variables that result in varying patterns of new business creation.

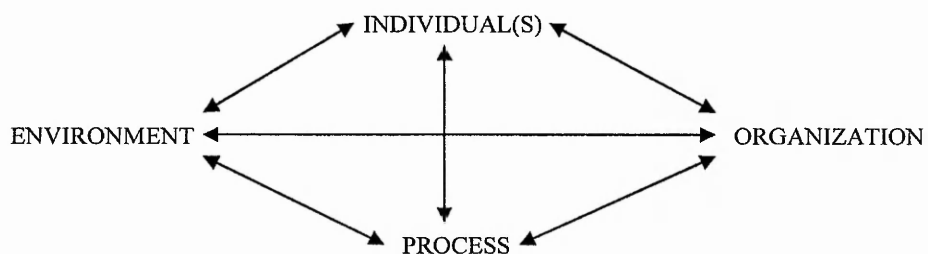


Figure 4.2: Gartner's (1985:698) Framework for Describing New Venture Creation.

Although Gartner has emphasised that entrepreneurship process is the production of an interaction between micro and the macro economic factors, his model sets the process of entrepreneurship alongside the other three dimensions in a symmetrical relationship. This implies that there are two processes and one is part of the other (see Figure 4.2.).

Shaver and Scott's (1991) psychological model based on the person, the process, and the choices also attempts to explain entrepreneurial activity in terms of variable interaction. In their theoretical framework, they strongly reject the solo role of "personological" approaches to understanding entrepreneurship and propose that we must also understand both how the external environment is perceived in the mind of the potential entrepreneur (the process of social cognition) and whether the person chooses to act. They emphasize that it is critical to understand how cognitive representations in the mind of the potential entrepreneur get translated into action.

Van de Ven (1993) argues that researchers focusing on individual entrepreneurs have ignored the historical evolution and actions of multiple actors that create the infrastructure for entrepreneurship. Van de Ven best explains the importance of an entrepreneurial system and the co-dependence of the individual, the process, and the system... "this infrastructure does not emerge through a few discrete events or by the actions of one or even a few key entrepreneurs ... entrepreneurship consists of an accretion of numerous institutional, resource, and proprietary events involving many actors who transcend boundaries of many public and private sector organisations" (Van de Ven, 1993:218). As the infrastructure develops and as the entrepreneurial system grows, the system will thrive only if the environment is conducive for entrepreneurial activity and new venture creation (Pennings, 1980).

Other models have been developed which recognize the importance of the interaction among several variables. Herron and Sapienza (1992) propose a model of new venture creation which links individual traits with the situational context experienced by the potential entrepreneur. Similarly, the role of personal characteristics interacting with perceptions of situational factors serve as the basis for a model of entrepreneurial motivation developed by Naffziger et al, (1994).

Spilling's (1996:91) research points to the importance of the interacting elements in the entrepreneurial system: "Economic development is a result of complex entrepreneurial processes. Many things are linked together; many ventures develop in close interaction with each other and with environmental factors. Furthermore, the development of communities requires more than just the development of a number of businesses; it is also about infrastructure, public institutions, and advanced production systems".

For Bruyat and Julian (2001), the scientific object studied in the field of entrepreneurship is the "dialogic" individual/creation of value. This "dialogic" is contained in a dynamic of change and is useful to qualify the complex and systemic nature of the relationship between the individual and the creation of value process. They went on to emphasize that the entrepreneurial system (creation of value \leftrightarrow individual) interacts with its environment and finds itself embedded in a process in which time constitutes an inevitable dimension.

Bruyat & Julien's representation is very similar to that of Gartner (1985) in which the important dimensions are: the individual(s), the environment, the organization, and the process. It is otherwise supported by the results of research which has confirmed that the concepts of the actor (entrepreneur), and of the entrepreneurial project and process are central concepts in the field of entrepreneurship.

More recently, Baron (2004:170) argues that “the entrepreneurial process is very complex, and is influenced by a multitude of variables operating at three levels: the *individual* level (the motives, skills, and cognitive processes of individual entrepreneurs), the *interpersonal* level (relationships between entrepreneurs and other persons), and the *societal* level (e.g., government politics, economic and market conditions etc.)”.

Adopting regulatory focus theory, Brockner et al (2004) offer a framework to help predict and explain entrepreneurial success. They argue that regulatory focus theory provides a well-developed framework to better understand the various motives, beliefs, and behaviours that ultimately dictate whether a given entrepreneurial venture will be successful.

All of these recent multi-dimensional models reflect the importance of the interface between the environment or situation and the personal characteristics of the potential entrepreneur in understanding the process of venture creation. While these multidimensional and interactive models of entrepreneurship do not discount the role of individual traits, they do emphasise the need to also include the environment or context as perceived by the potential entrepreneur.

It is worth noting that not only does proactivity represent an action-oriented variable which appears to blend the individual trait-and environment context approaches of many of the entrepreneurial process models, but the construct also parallels many definitions of entrepreneurship. For instance, Timmons (1994:7) defines an entrepreneur as someone who “pursues an opportunity regardless of the resources they control.” This certainly fits the proactivity definition of “... one who is relatively unconstrained by situational forces...” (Bateman and Crant, 1993:105).

4.9. A Conceptual Framework for Small Business Emergence

As discussed in the previous sections, previous researchers have offered a variety of theoretical and practical perspectives on the entrepreneurship. Although many terms have been used such as activity, system and process, most of these studies focus on the interrelationship or interaction among several variables. The firm's relationship with its environment has been given particular attention in many studies.

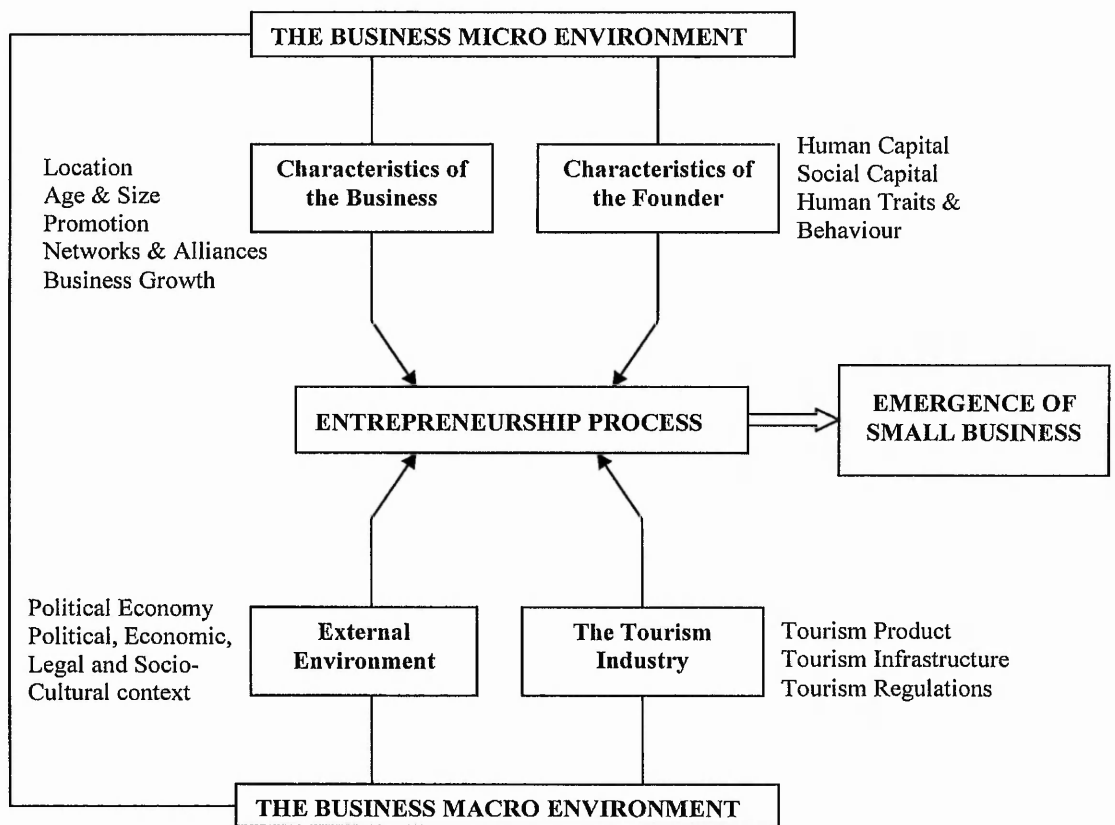


Diagram 4.3: A Conceptual Framework for Small Business Emergence

The inductive nature of this study along with extensive reviews of the literature specifically with regards to new venture creation resulted in developing a conceptual framework for small business emergence. The model integrates two main levels; the micro and macro

business environment. Each level consists of two major dimensions of entrepreneurship: the characteristics of the founder who starts the venture, the firm which is created are at micro level and the environment surrounding the new venture and the tourism industry are at the macro level (see Diagram 4.3.).

The characteristics of the founder, however, have been categorised into three main groups; i) human capital which includes factors such as education and training, previous work experience, personal and managerial skills; ii) social capital comprises the influence of family, personal and social networks; and iii) human traits and behaviour which involve issues such as motivation, risk taking propensity, and opportunity recognition. On the other hand, the characteristics of the firm have grouped into issues related to location, promotion, business networks and alliances, and business growth.

At the macro level, the model contains factors related to domestic political economy, the legal context, and the socio-cultural framework. Because tourism is the context in which small firms operate, it is considered separately from other macro level issues. Tourism attractions and regulations are part of this dimension and particular attention has been given to the tourism infrastructure because of its direct impact on the performance of small businesses. Entrepreneurship is viewed as the process resulting from the interaction of components of these dimensions which leads to the emergence of small business in Libya.

The following chapters deal with the research methodology and the empirical study. Chapter five reviews methodology literature and justifies the selection of qualitative research approach and the use of case study. This is followed by introducing case studies in four chapters (6, 7, 8, and 9). Finally, data analysis and conclusions are presented in chapters 10 and 11 respectively.

CHAPTER FIVE: RESEARCH PHILOSOPHY & METHODOLOGY

5.1. Preliminary Thinking and Interests

Generally, research in Libya is rare. In areas such as tourism and small business, research is almost non-existent. This, along with my practical, academic and professional experience encouraged me to make an attempt to investigate some aspect of these areas. Furthermore, the change in Government policy towards liberalising and reforming the economy, and its serious steps over the last a few years in developing tourism and promoting small business, have a positive impact on my decision to choose this area of research.

The researcher's first contact with tourism dates back to 1984, when I worked as an accountant for a state-owned tourism company and experienced the type of difficulties associated with the development of tourism in Libya. Ten years of academic experience broadened my knowledge through teaching and supervising a large number of dissertations some of which were related to tourism. Freelance work as a chartered accountant included preparing year-end financial statements and conducting a number of feasibility studies for small and medium-sized companies.

Collectively, this threefold experience assisted my research in many ways. From a practical perspective, access was facilitated through personal contacts within the sector and helped the researcher assess how small firms facilitate the development of tourism (see the research objectives). Academic experience widened the researcher's knowledge about the difficulties associated with gathering fieldwork data. Conducting feasibility studies for small and medium-sized companies coincided with the establishment of the case firms which offered greater understanding of new small firms, the socio-economic and political issues shaping their emergence and the behaviour of Libyan managers.

5.2. Research Aims and Objectives

This study investigates the emergence of small business within the context of the tourism sector in Libya. The research looks at the creation and development of small businesses and the socio-economic and political factors that influence their formation. Specifically, the aims of this research are:

- To develop a conceptual framework around the concept of small business emergence.
- To develop an in-depth understanding of how small business-owners establish and develop their businesses in Libya.

The following objectives are set-up to assist in achieving the above aims;

- To identify the social/economic/legal factors that shape the emergence of small firms within Libya.
- To examine how small firms facilitate the development of the Libyan tourism industry at a micro economic/social level.

To investigate the above aims and objectives, a qualitative research approach was adopted and case study approach was selected. Interviewing was the principal method of data collection for this study. In-depth interviews with the business-owners of four small firms will be supported by fieldwork observations and supplementary interviews with personnel in the Ministry of Tourism.

The remaining sections give a brief discussion on the research philosophy and justify why qualitative research approach was chosen. Furthermore, research strategies will be addressed with particular attention to case study as a research choice. This will be followed by fieldwork process including data collection and analysis.

5.3. Research Philosophy: Paradigms and Approaches

There are two main philosophical paradigms in research, positivism and interpretivism. According to Burrell & Morgan (1979:5) the term positivism is used to “characterise epistemologies which seek to explain and predict what happens in the social world by searching for regularities or causal relationships between its constituent elements”. The positivist paradigm argues that “...there is a reality over there to be studied, captured, and understood...” (Denzin and Lincoln, 1998:8) and “...that knowledge is only of significance if it is based on observations of this external reality” (Easterby-Smith et al 1991:22). This methodological approach works on the assumption that the researcher is independent from the researched and that the researcher is therefore “capable of studying the object without influencing it or being influenced by it” (Guba and Lincoln, 1998:204).

One key method relating to positivism is ‘quantitative’ methods of research. Quantitative researchers collect facts and study the relationship of one set of facts with another; they “measure, using scientific techniques that are likely to produce quantified and, if possible, generalizable conclusions” (Bell, 1995:6). The advantage of the quantitative approach is that it measures the reactions of a great many people to a limited set of questions, thus facilitating comparison and statistical regression of the data. This gives a broad, generalizable set of findings.

Contrasting approaches, variously labelled anti-positivism (Burrell and Morgan, 1979), phenomenology (Easterby-Smith et al, 1991) humanistic (Gummesson, 2000) and interpretive (Van Maanen, 1983) are based upon ontological and epistemological assumptions. The term ‘interpretive’ is favoured here, since it avoids the more specific assumptions associated with many alternative terms. Interpretive research work is concerned with studying the social world from the perspective of interacting individuals (Denzin and Lincoln, 2000). Interpretivism is most commonly associated with qualitative research methods that are seen to enable the researcher to gain some insight into the ‘social reality’ of the individual participants and their interpretation of it (Strauss and Corbin, 1990).

5.4. The Research Choice: Qualitative Approach

Much of the argument levelled against the orthodoxy of quantitative research derived from the growing awareness and influence of phenomenological ideas in the 1960s, which was then carried forward into subsequent decades. Bryman (1995:13,14) stressed that “the attribution ‘positivist’ was used glibly and indiscriminately by many writers and... became a term of abuse...it is a philosophy which both proclaims the suitability of the scientific method to all forms of knowledge and gives an account of what that method entails, divergent versions notwithstanding”. Bryman argues that the term has become devalued as a description of a particular stance in relation to the pursuit of knowledge.

Qualitative researchers suggest that we should not assume that techniques used in quantitative research are the only way of establishing the validity of findings from qualitative research. This means, according to Silverman (2003), that a number of practices which originate from quantitative studies may be inappropriate to qualitative research. These include the assumption that social science research can only be valid if based on experimental data, the random sampling of populations or official statistics. Additionally, qualitative analysis is guided not by hypotheses but by questions, issues, and a search for patterns (Patton, 1987). Similarly, Silverman (2003: 7) suggests that “there are areas of social reality which statistics cannot measure”.

Qualitative methods typically produce a wealth of detailed data about a much smaller number of people and cases. Qualitative data “provide depth and detail through direct quotation and careful description of program situations, events, people, interactions, and observed behaviours” (Patton, 1987:9). The qualitative techniques such as “in-depth interviewing and case studies typically include portrayals of the world as understood by the people studied, as well as the researcher’s own understandings” (Patton, 1987:20). Qualitative research is described as being “any kind of research that produces findings not arrived at by statistical procedures or other means of quantification” (Strauss and Corbin, 1990:17).

The model of the entrepreneurial process proposed for this study suggests that it is highly complex and individual. Thus a quantitative approach would overlook many of the key factors driving the process. Furthermore, this study does not use any kind of statistical procedures or other means of quantification rather, it aims at developing an in-depth understanding of how owners of small firms create their ventures in Libya and identifying the factors that shape their emergence. Therefore, this research takes a qualitative perspective.

Fieldwork processes explain the way the research sample was selected and data gathering was organised. However, beforehand it might be useful to outline the main approaches used in research design and justify the selection of case study approach for this study.

5.5. Research Strategies

One problem of reading about research methods and reading research reports is the terminology. Researchers use terms and occasionally jargon that may be incomprehensible to other people (Bell, 1995). Nevertheless, the following sections outline the major research strategies.

5.5.1. Case Study

In essence, case study is preferred where the object of the research is one or a very small number of items. Despite the many differing ways of undertaking case-based research, a common feature is the perceived benefits associated with studying phenomena in their natural context. Typically case studies combine multiple sources of evidence and take place over a period of time (Eisenhardt, 1989; Yin, 1989).

Yin (2003) set up three criteria in which case study has a distinctive advantage and is preferred as a research strategy; the research is focused on “how” or “why” type questions, the investigator has little or no control over events, and the question being asked is about a contemporary phenomenon within some real-life context. A key strength thus lies in the empirically based nature of case studies (Eisenhardt 1989) and hence the opportunity to generate new theory (Eisenhardt, 1989; Stake, 2000; Yin, 1989).

5.5.2. Action Research

Action research is appropriate in any context when “specific knowledge is required for a specific problem in a specific situation, or when a new approach is to be grafted on to an existing system” (Cohen and Manion, 1989: 226). They describe action research as:

“Essentially an on-the-spot procedure designed to deal with a concrete problem located in an immediate situation. This means that the step-by-step process is constantly monitored (ideally, that is) over varying periods of time and by a variety of mechanisms (questionnaires, diaries, interviews and case studies, for example) so that the ensuing feedback may be translated into modifications, adjustments, directional changes, redefinitions, as necessary, so as to bring about lasting benefit to the ongoing process itself” (P.223).

As they point out, an important feature of action research is that the task is not finished when the project ends. The application of findings and an evaluation of their impact on practice become part of a cycle of research (Denscombe, 2003).

5.5.3. Ethnographic Research

Bell (1995) argues that ethnography has its roots in naturalism or what is also termed as humanism – a research paradigm that is distinctively different from positivism. According to Bell, the ethnographic style of fieldwork research was developed originally by anthropologists who wished to study some aspects of a society, culture or group in depth. They developed an approach which depended heavily on observation and, in some cases, complete or partial integration into the society being studied.

Ethnography is one of the many qualitative approaches used by social scientists in researching a particular phenomenon, which “involves the ethnographer participating, overtly or covertly, in people’s daily lives for an extended period of time...to throw light on the issues that are the focus of the research” (Hammersley and Atkinson, 1995:1). This approach has been effectively used in many different studies of small groups.

5.5.4. Surveys

The aim of a survey is to obtain information from a representative selection of the population which can be analysed and patterns extracted and comparisons made. From the selected sample, the researcher will then be able to present the findings as being representative of the population as a whole (Bell, 1995).

Surveys require greater attention to wording of question, as all respondents will be asked the same questions in, as far as possible, the same circumstances. The census is one example of a survey in which the same questions are asked of the selected population. According to Bell (1995), Surveys can provide answers to the questions What? Where? When? and How?, but it is not so easy to find out Why?

5.5.5. Experimental Research

According to Yin (2003:8), “experiments are done when an investigator can manipulate behaviour directly, precisely, and systematically. This can occur in a laboratory setting, in which an experiment may focus on one or two isolated variables”. The purpose is to discover new relationships or properties associated with the materials being investigated, or to test an existing theory (Denscombe, 2003). If the experimental design is sound then it allows conclusions to be drawn about cause and effect.

5.6. The Research Strategy: Case Study

The decision to adopt a case study method was driven by three factors; the nature of the phenomenon under study; the need to study in-context; and the desire to reveal a new perspective on the emergence of small business. Firstly, the study aims to investigate ‘how’ small business-owners establish and develop their businesses in Libya and ‘why’ tourism is really needed in an oil-rich developing county. In addition, the study explores a new industry and an emergent business. Both tourism and small business are relatively new in Libya and thus, the investigation requires great depth which can be best obtained through case-based study.

Secondly, each of the four firms presented in this study has both common and unique features. This study aims to identify such features and to show how they affect the implementation of systems and influence the way firms function. Moreover, the identification of the external factors requires studying the Libyan tourism industry and the socio-economic context where small firms operate, which can be best achieved by choosing cases to be studied.

In case-based research, there is a strong emphasis on context; readers feel that they know what it is like to be in the organization being studied, and this slant provides a frame of reference for both researcher and reader to interpret events. Yin (1989) focuses on, what he would call the context-specific nature of case studies. Similarly, Hartley (1994:210) emphasizes the need for research to “understand processes alongside their (organisational and other) contexts” and Eisenhardt (1991) calls for an understanding of the dynamics present within the setting.

Thirdly, using an inductive approach, this study aims at developing a conceptual model around small business emergence and exploring the factors that shape their emergence. One argument in favour of case-based research lies in its potential to reveal new perspectives by using an inductive approach to reflect the views of those involved (Eisenhardt, 1989). Harris (2000:619) calls for the adoption of an exploratory qualitative research design, suggests that inductive methods would “provide deeper understanding of the issues, processes and dynamics involved and facilitate the generation of contextually richer and conceptually more innovative theory”.

In the light of previous discussion, multiple cases were adopted since, as Stake (2000:437) proposes, this method facilitates the understanding of the phenomenon under study: “because it is believed that understanding them [multiple individual cases] will lead to better understanding, perhaps a better theorizing, about a still larger collection of cases”. Furthermore, this method enables the researcher to “...study a number of cases jointly in order to inquire into the phenomenon, population or general condition” (Stake, 1994:237).

Additionally, a case study, as Bell (1995) argues, is principally concerned with the interaction of factors and events; issues pertinent to this study in which many variables interface to shape the emergence of small business (see Diagram 4.1).

5.7. Fieldwork Process

This is a longitudinal study in terms of the empirical research which was conducted over three years and also in terms of the investigation of the four cases which covered not only the time since the small firms were established, but also goes back to track the early experience of business-owners.

5.7.1. Summary of Field Trips

i) The First Field Trip (October – December 2003)

The main purpose of this pilot study was to familiarise myself with and get a clear picture of the tourism business. A former work associate of the author, MS - the case of Apple - who worked in the public tourism sector from the early 1980s and who runs one of the first small private tourism firms in Libya was deemed an excellent information-provider in this respect. So, initial contacts and interviews were made with MS along with interviews with a number of business-owners. Contacts were also made with personnel in the Ministry of Tourism (MT) to gather information about the number and contacts of small tourism firms.

At that time, the Ministry had just been re-established to replace the Tourism Board (see chapter 2) and, therefore, accurate information was lacking. Officials made it clear that their 'current' information did not represent the number of small firms on the ground. They emphasized that large numbers of small firms close down without notifying the authority and surprisingly, others open without fully finalising their legal requirements.

In a situation like this, the researcher had to accept and to deal only with the accredited firms provided by the MT as limited time and resources made it unrealistic to get involved in a search for tourism firms. This also eliminated the risk of choosing firms who were not accredited. From information gathered from the Ministry, 37 firms were located in Tripoli, a number which was reduced to seven firms (refer to research sample and Diagram 5.1).

ii) The Second Field Trip (April – August 2004)

The second field trip began by making several contacts in person and by telephone with the owners of the seven qualified tourism firms. The purpose was to remind the owners of the previous meetings and to rekindle the relationships for the coming interviews. Semi-structured interviews took place with owners of the seven firms. The length and depth varied from one case to another and four of the owners agreed to use a tape recorder, these interviews were transcribed and translated afterwards (see the following sections for more details about interviews).

Supplementary interviews with officials in the Ministry of Tourism were also carried out during the second field trip. These included interviews with heads of some departments such as Tourism Development and Promotion, Tourism Services, Relations and Technical Co-operation. Interviews addressed aspects related to the nature of their work, problems of infrastructure and what has been or will be done to overcome them, the role of small businesses in tourism development as seen by officials, promotion through international tourism exhibitions and multimedia, domestic tourism, statistics and publications, the National Tourism Development Plan, the instability of tourism institutions, and future plans.

iii) The Third Field Trip (December 2005 – February 2006)

Previous field trips had widened the researcher's knowledge about tourism and broadened my understanding about the emergence of small business in Libya. Coupled with my continued reading in the research-related themes, particularly in the areas of small business emergence and entrepreneurship and the overall assessment of the level of depth gained from each case, new issues and ideas have emerged.

It was found that not all the seven qualified firms were able to providing rich information about their businesses and that diversifying the research sample would strengthen the empirical study. Therefore, the number of the tourism firms was cut down to two firms while two transport firms were added to this investigation (the following section provides more detail about the research firms). In-depth interviews with the managers of the four firms were carried out, recorded, and transcribed during this field trip.

5.7.2. The Research Case-Firms

In essence, sampling is concerned with the selection of members from a wider population. Concerns such as an adequate randomness, sample size, and representativeness are central to positivist studies (Easterby-Smith et al, 1991:27). In interpretive studies, however, sampling is concerned with selecting a smaller number of appropriate examples that can be studied in depth, often over a long period of time. According to Denzin & Lincoln (2000:370), this requires qualitative researchers to “seek out groups, settings, and individuals where and for whom the processes being studied are most likely to occur”.

A theoretical or purposive sample strategy (Eisenhardt, 1991; Charmaz, 2000) allows the researcher to use their own judgement to choose cases appropriate to the research project. The power of purposive sampling lies in selecting *information-rich cases* for study in depth. Information-rich cases are “those from which one can learn a great deal about issues of central importance to the purpose of the evaluation” (Patton, 1987:51, 52).

For the purpose of this study, a judgemental/purposive sample of four cases was chosen; two tourism firms (Apple and Orange) and two transport operators (Pear and Grape). The decision was based on criteria such as involvement in the tourism business, long experience, willingness to participate in this study and ability to provide sufficient information about their businesses. Furthermore, choosing four cases facilitates the use of cross-case analysis and offers in-depth rather than superficial understanding. Finally, it is important to note that some PhD studies have as few as one case study.

Selecting the Case Firms

Two cases, known as tourism firms, are accredited by the Ministry of Tourism and involved mainly in tour operations. As such, their business is considered to be directly related to tourism. These firms are also permitted to engage in other tourism-related businesses such as, accommodation, transport, food and drink.

Information collected from the Ministry of Tourism in 2003 showed that 37 tourism firms were located in Tripoli. Initial contacts and visits revealed that 2 firms were no longer in business, 4 firms were engaged in different businesses such as air cargo and 4 firms were reluctant. As a result, ten firms were eliminated. Further visits and interviews with the remaining 27 firms revealed that 20 of them had been operating for less than three years. It was not surprising then to find that they had not much experience and knowledge and many of them reported that they were still in what Gartner (1993) calls the 'initiation or pre-launch' phase. The majority of business-owners made it clear that they had not started 'seriously' or that they had made initial contacts with foreign travel agents but received little response. As they had not much information to offer, these firms were also eliminated which reduced the total number to seven firms.

In qualitative research, the selection of people, texts or events to include in the research follows a path of discovery in which the sample emerges as a sequence of decisions based on the outcomes of earlier stages of the research (Denscombe, 2003). It is exactly this strategy, which Lincoln and Guba (1985) describe as 'emergent and sequential', that led to diversifying the research sample by choosing cases from a different sector.

Transport firms work under the authority of The Public Transport Board and were set up principally to transport the public. However, many transport operators were very active in the tourism sector and heavily involved in the provision of services to tourists and tourism operators. The decision to choose firms from the transport sector was made based on interviews conducted with owners of small tourism firms in 2003 and 2004. They emphasized the particular importance of tourist transport, and revealed that it was a top

priority for tourism firms wishing to expand and diversify their businesses. Furthermore, other sectors such as accommodation are still largely managed by the public sector and most hotels serving tourists are not small. In addition, information about the food and drink sector is limited or inaccurate.

The Transport Board was contacted in 2005 to gather information about transport firms but official information about the number and contacts of small firms was difficult to obtain. The reason was that transport firms were established to transport the public and they are treated like other public transport operators such as taxis and therefore, those which were involved in tourist transport received no particular attention. Visits to the Board offices confirmed the many owners' views that it has an insignificant role over transport operators involved in tourist transport.

However, the fact that the vast majority of transport firms are operating in one location, that is, the market area of Tripoli business district, helped the researcher make initial contacts with a number of business owners with ease. Every owner was asked to name other firms in an attempt to gather information about all transport firms. These contacts showed that transporting the public is the focus of the 15 firms but only 7 were involved in tourist transport. However, follow up visits revealed that the scope of their involvement varied considerably and that only a few had become seriously engaged in the tourism business over a relatively long time.

Two main criteria were adopted for making the decision of how many participants are enough; they are 'sufficiency and saturation of information' (Seidman, 1991). According to Seidman, saturation is a point in which the interviewer begins to hear the same information reported. These criteria along with the practical exigencies of time, accessibility, the owners' knowledge, long experience and their ability to express themselves and talk openly were behind the decision to choosing information-rich cases and avoiding repetitive stories. Accordingly, the number of tourism cases was cut down to two cases and two transport firms were chosen. Table 5.1 provides summary of the four case firms.

Table 5.1 Characteristics of Case Firms

Attribute/Firms	Tourism Firms		Transport Firms	
	Apple	Orange	Pear	Grape
Year founded	1994	1994	1997	1995
Run by	Owner/MS	Owner/FG	Owner/BM	Owner/DJ
No. of FT employees	5	7	15	11
Initial capital (LYD)	30,000	15,000	90,000	120,000

5.7.3. Access and Openness

In Libya, it is widely acknowledged that gathering data for research purposes is not an easy task. There is a tendency among people who work in the public sector not to reveal information about their establishments. This can be attributed to long years of centralisation in which any kind of information was regarded as 'top secret'. Taking into account that large numbers of business-owners had worked in the public sector, it appears that these attitudes have not significantly changed. The researcher's long experience in supervising undergraduates corroborates this view: they faced particular difficulties getting access to or obtaining sufficient information about state-owned establishments.

The vulnerability of new firms especially in the infancy period and the sensitivity of the tourism business made many owner-managers very cautious to talk about their business in fear that information might be made available to their competitors. Rather than talks openly and spontaneously, a number of interviewees just answered the questions in a defensive manner. Others felt embarrassed that they had not been engaged in serious businesses and gave short answers when asked, for example, to talk about their businesses start ups. They responded 'nothing special ...just like other firms'.

Nevertheless, the researcher's previous contacts in the tourism sector and particularly his friendship with the owner of Apple facilitated accessibility to many firms during the first field trip which gave the researcher an opportunity to build rapport with some business-

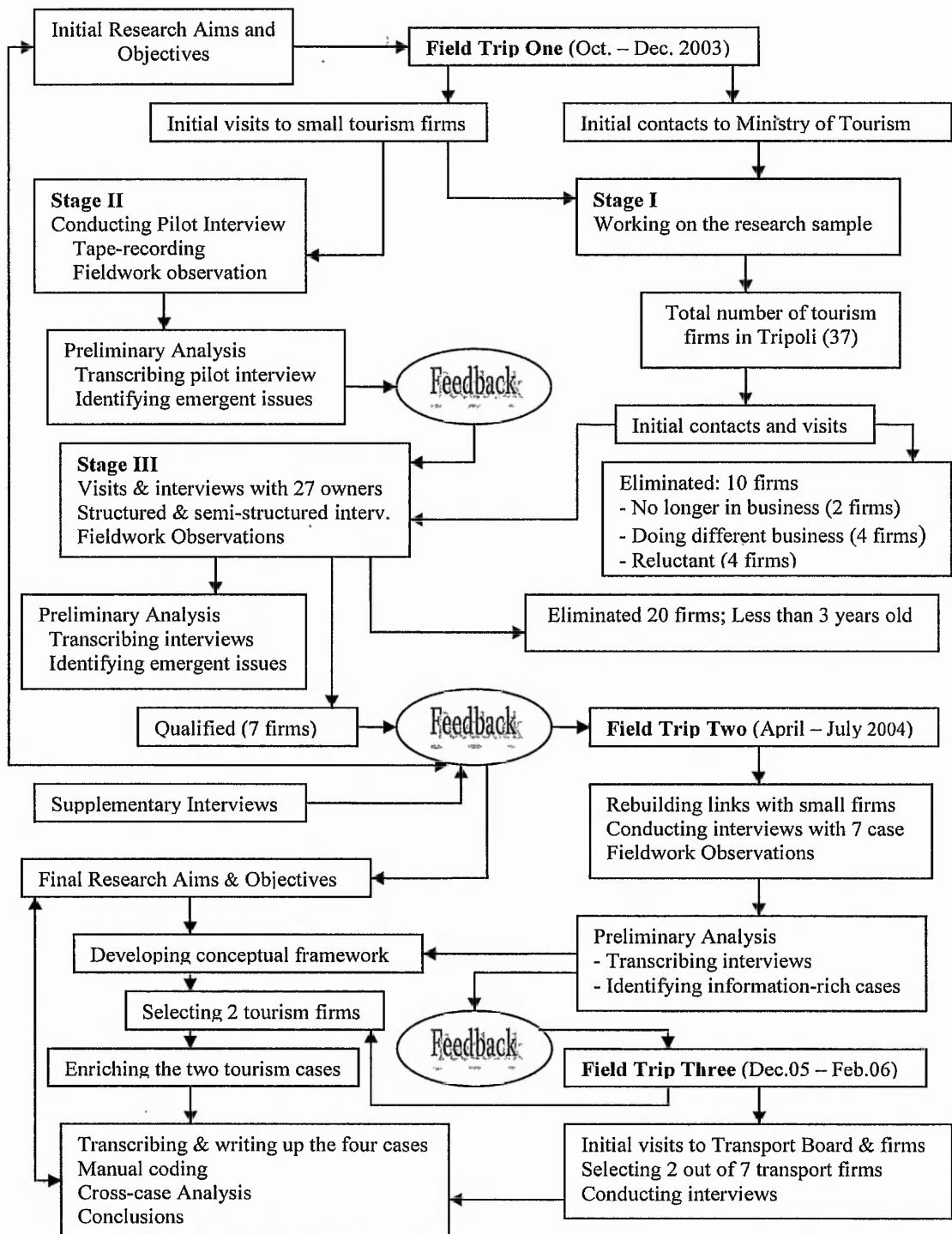


Diagram (5.1): Fieldwork Process

owners. Issues such as short or no experience or reluctance had to be assessed by the researcher so he could choose information-rich cases. Over time, the relationships with managers of the tourism firms facilitated accessibility, openness and trust with the owners of the transport firms.

5.8. Data Collection

There are strengths and weaknesses in any single data collection strategy. Case-based research is known for its use of multiple methods of data collection. In this instance methods of data collection included the use of many sources; interviews with owners of small firms, supplementary interviews with officials in the Ministry of Tourism, fieldwork observations and documentary sources.

5.8.1. Interviewing

Interviewing provides access to the context of people's behaviour and thereby provides a way for researchers to understand the meaning of that behaviour. Seidman (1991:103) asserts that "every research method has its limits and strengths. In-depth interviewing's strength is that through it we can come to understand the details of people's experience from their point of view". Interviews can take a variety of forms, from the tightly structured interviews associated with survey research, to an open, unstructured form (Gillham, 2000). Even within interpretative research, interviews can vary tremendously in terms of their length and degree of direction or openness (Marshall & Rossman, 1995).

In this study, interviews varied from structured to semi-structured depending on the stages of the fieldwork and the emergent nature of the research process. However, the principal research method has been the use of semi-structured interviews with owner-managers of small firms and officials in the Ministry of Tourism, as detailed in the following sections.

5.8.1.1. Preliminary Interviews

As indicated earlier, initial contacts with business-owners in 2003 resulted in eliminating 10 out of 37 firms (refer to research sample). Interviews took place with the remaining 27 firms to assess their appropriateness to and willingness to participate in the study. Interviews varied from structured to semi-structured depending primarily on their openness. Interviews also varied in terms of the level of depth, the length and the number of interviews with each owner depending on their involvement in the tourism business and experience (see Table 5.2.).

Table 5.2. Preliminary Interviews with 27 Business-Owners in 2003

Date of interviews	Number of Firms	Duration of Interviews	Places of Interviews
From 4 November	1 firm (Apple)* ⁺	90 min.	On site
	1 firm (Orange) ⁺	35 min.	On site
To 15 December 2003	2 firms	40 min.	On site
	7 firms	30 - 35 min.	On site
	16 firms	25 - 30 min.	On site

* interviewed twice ⁺ tape recorded

It is worth to note that the two firms shown in the top of Table 5.2. are those who offered much depth and were tape recorded and, thus, chosen later as tourism cases. The case of Apple, in particular, offered access and considerable assistance owing to a friendship with the owner (see the first field trip). Therefore, it might be useful to provide a brief about the pilot interviews carried out with this business-owner.

Before setting up an appointment for the first interview with MS, a number of informal visits were made to his office. The aim was to get some insight about tourism in general and his business in particular. Despite the informality of these visits, notes were immediately drawn soon after each visit which facilitated the following interviews and helped build and develop the research themes. Interviews with MS were semi-structured in nature and guided questions were used to make sure that main themes were covered. The interviews were, in nature, a 'friendly conversation' Spradley (1979). The manager

was asked to talk openly about any aspect related to his business and was assured that all information would be used only for academic purposes and that his firm would be kept anonymous. Furthermore, he was given a brief about the need for transcribing and translating the materials and was asked whether he minded the use of a tape recorder.

5.8.1.2. Semi-Structured Interviews

During the second field trip, contacts and visits were made with the seven qualified firms to rekindle the relationships and to choose the right time for them. Semi-structured interviews were conducted with the seven owners and in three cases we had to pause the interviews and complete them later for reasons such as a business interruption. This, however, gave the researcher a chance to go through the transcript and check for the following interviews. Table 5.3. summarizes second round interviews conducted in with 7 firms in 2004.

Table 5.3. Interviews with Owners of the Tourism Firms in 2004

Date of interviews	Firms	Duration of Interviews	Places of Interviews
18 May 2004	Apple*	80 min.	On site
8 June 2004	Orange*	55 min.	On site
8 May 2004	Company V	45 min.	On site
22 May 2004	Company W	60 min.	On site
15 June 2004	Company X*	60 min.	On site
24 June 2004	Company Y	40 min.	On site
29 June 2004	Company Z*	50 min.	On site

* Tape recorded

As the number of tourism firms was reduced to two firms and two new firms were added from the transport sector (see the research sample and diagram 5.1.), semi-structured, in-depth interviews took place with owners of the four firms. Interviews with two tourism firms were conducted to cover the new emergent areas and to enrich other areas. Both managers of the transport firms were also interviewed. The firms' busy location was not convenient for tape recording and, thus, interviews took place in nearby hotels. The participants were informed about the nature of the interviews and were assured that the information would be kept anonymous.

The owner of Pear was interviewed twice. This offered great opportunity to identify uncovered areas in the first interview. The second interview, which conducted three days later, covered new areas and enriched other areas of the previous interview. Both interviews with the owner of Pear facilitated the researcher to conduct an interview with the owner of Grape with much ease. All interviews were tape recorded and transcribed. Table 5.4. outlines interviews carried out with owners of the four cases in 2006.

Table 5.4. Interviews with Case Firms in 2006

Date of interviews	Firms		Duration of Interviews	Places of Interviews
15 January 2006	Tourism	Apple	60 min.	On site
25 January 2006	Firms	Orange	70 min.	On site
17 January 2006	Transport	Pear	100 min.	Nearby hotel
20 January 2006	Firms		40 min.	Nearby hotel
28 January 2006		Grape	90 min.	Nearby hotel

In all interviews notes about the main themes to be covered were taken to act as what Bryman (1988, 2001) would call an aide-memoiré, listing topics to be discussed. The order in which these were approached, the phrasing of questions and the use of follow-up questions varied considerably across interviews and the researcher remained open to other topics which informants deemed relevant. Observations were also gathered to support the materials. Table 5.5. depicts all interviews with owners of the four firms over three years.

Table 5.5. Summary of Interviews with Case Firms

Firms \ Field trips		First field trip - 2003		Second field trip -2004		Third field trip - 2006	
		Date	Duration	Date	Duration	Date	Duration
Tourism firms	Apple	9/10/2003	90 min.	26/5/2004	80 min.	15/1/2006	60 min.
	Orange	17/11/2003	35 min.	8/6/2004	55 min.	25/1/2006	70 min.
Transport firms	Pear	-	-	-	-	17/1/2006	100min
		-	-	-	-	20/1/2006	40 min.
	Grape	-	-	-	-	28/1/2006	90 min.

5.8.2. Supplementary Interviews

As indicated earlier, supplementary interviews with officials in the Ministry of Tourism were carried out during the second field trip, 2004. These included interviews with heads of some departments such as Tourism Development and Promotion, Tourism Services, Relations and Technical Co-operation. Interviews provided general background about each department including tourism promotion, the nature of their relationship with small businesses, tourism regulations, problems of inadequate infrastructure and their plans to overcome them and their future plans. These interviews are summarized in Table 5.6.

Table 5.6. Supplementary Interviews with Officials in The Ministry of Tourism

Date	Interviewee	Duties/ Head of Dept. of	Duration	Place
13 July 2004	Mr. Gdamssi, A.	Relations & Technical Co-operation	45 min.	Ministry Site
15 July 2004	Mr. Tabaan, M.	Tourism Services	40 min.	Ministry Site
18 July 2004	Mr. Abuzaid, Z.	Tourism Development & Promotion	30 min.	Ministry Site

5.8.3. Non-Participant Observations

Throughout the empirical study, non-participant observations were used to support the main source of data collection. Observations included notes about the premises, attendance at international tourism fairs, social contacts, role of family members, duties of employees. These observations assisted the researcher in raising questions, strengthening data collected from interviews and enriching areas that had not been fully covered.

During an interview with MS, the manager of Apple, certificates of acknowledgement for quality service and attendance at exhibitions assisted in encouraging the owner to talk about his experience and gave the researcher the opportunity to take note of the fairs' names. Similarly, the posters of Grape's 4-Wheel Drive vehicles offered an opportunity to raise questions about desert tourism and how the owner's social capital played a major role in acquiring those vehicles.

Observations also assisted in opening discussion about the use of the internet by owner of Orange which led to the manager revealing how he maintains his business relationships by sending emails on specific occasion such as Christmas. From telephone calls and visitors received by MS during interviews, the researcher was able to assess how a network of contacts played a central role in his business growth. The role of social capital was also observed in the case of Pear. The owner's contacts with other business-owners strengthened his story about the alliances they made and co-operation with other firms.

Fieldwork observations gave the researcher the opportunity to raise issues about employees and family members. In the case of Orange, the researcher raised a question about the role of employees when the manager talked to his tour leader about some business arrangements. This led to a discussion about the criteria he set up for choosing his employees and the training he offered them. The role of family members was discovered through fieldwork observations when the owner of Apple talked to an employee (his son) about a family issue.

5.8.4. Documentary Sources

Data was also gathered from different documentary sources including publications of international organisation such as the World Tourism Organisation (WTO), World Travel and Tourism Council (WTTC), the International Monetary Fund (IMF) and newspapers published in the UK. National or local sources included the National Tourism Development Plan, annual reports of the Central Bank of Libya, local newspapers both in Arabic and English and the use of the internet.

5.9. The Process of Analysis

According to Seidman (1991:102), "interpreting and analysing are not processes the researcher does only near the end of the project. Marking passages that are of interest, labelling them, and grouping them is interpretative and analytic work. Crafting a profile is an act of interpretation and analysis, as is presenting experts arranged in categories". The following sections deal with data analysis which began at early stages of the fieldwork and entailed transcription of interview tapes, coding, and cross-case analysis.

5.9.1. Transcribing and Translating the Interviews

Transcribing interviews is time-consuming and potentially costly work. Throughout the fieldwork, transcription began the same day of conducting the interviews or the following day at the latest. By doing so, the researcher was able to identify any issues that had not been fully or partially covered and to take notes of non-verbal communication such as facial expressions or body language.

One of the main challenges in conducting interviews in a different language is translation. All interviews were conducted in Arabic. After transcribing them, they had to be translated to English. Bearing in mind that each language has its own identity which reflects the social life and history of a nation, the challenges facing the researcher were based on questions of 'how to translate the transcripts to English in a way that makes sense to the reader without too much influence from the researcher?' 'Is it important to stick with exactly what has been said or is it the interpretation that matters most?'

The role of the researcher in social studies has always been acknowledged. When conducting interviews in a different language this role is even more pronounced. However, every effort was done to translate and interpret without influencing the original transcript of the interviews. English support sessions with an academic played a central role in minimising the influence of the researcher and making sense of the transcripts.

5.9.2. Computer-aided Analysis

There are a number of computer software packages that have been developed specifically for the analysis of qualitative data. Perhaps the best known of these are *Ethnograph* (<http://www.qualisresearch.com>), *Nud.ist NVivo* (<http://www.qsr.com.au>) and *ATLAS.ti* (<http://www.atlasti.com>) (Denscombe, 2003). The benefits of using computer-based analysis appear to lie in the ease of storing, searching and retrieving data (Day, 1993).

Nevertheless, the extent to which computer packages can aid the *analysis* of qualitative data is a matter of controversy. According to Day (1993:61) “computer packages encourage a ‘mechanistic approach’ to analysis that “is likely to exacerbate the tendency to focus on the literal or superficial content of the text and further decontextualize the chunks of data that are analysed” (Denscombe, 2003:276). Interpretive research focuses on how participants assign meaning to the subject under investigation which requires the researcher to look at the whole body of data as Charmaz (2000:521) emphasizes

“Part of interpretive work is gaining a sense of the whole – the whole interview, the whole story, the whole body of data. No matter how helpful computer programs may prove for managing the parts, we can see only their fragments on the screen, and these fragments may seem to take on an existence of their own, as if objective removed from their contextual origins and from our constructions and interpretations.”

Other researchers (e.g. Denscombe, 2003; Tesch, 1993) warn of the dangers of overestimating the extent to which computer programs can actually do the analysis and, of the fear of distancing the researcher from the data and killing off the intuitive art of analysis in qualitative research.

In the light of such concerns, and others such as time and the issue of being a first time researcher willing to gain first hand practice, the decision was made not to use computer packages. Instead, a more traditional process was adopted comprising initial analysis and development of case summaries; the identification of themes and coding.

5.9.3. Coding and Categorising the Data

Having conducted longitudinal fieldwork for three years, the researcher has become familiar with the content of the two tourism cases. Their business-owners have been visited, talked with and formally interviewed over the period mentioned. On the other hand, the final stage of analysis began soon after completing interviews with the two transport operators which helped in recalling all aspects of these interviews and they were written while they were still fresh in the researcher’s mind. Furthermore, the transcribed, translated and written drafts of each case facilitated the decision to choose a straightforward, manual system of applying codes.

The conceptual framework encompasses four dimensions (see Diagram 4.1) and was used as a basis for coding. Each dimension was given a specific number (e.g. 10, 20) and sub-themes were located within each group's number. Different colours were also given to the main categories to facilitate the analysis (see Figure 5.2). Codes were allocated to relevant chunks of text in the margins alongside the raw data. The coded transcripts were then cut up and organised into code groupings. Furthermore, a summary sheet for each case identified further sub-themes and the interaction with other themes which assisted in carrying out the analysis.

Figure 5.2: Coding Process

10 Characteristics of the Founder	20 Characteristics of the Business
12 The Influence of Family	21 Location
13 Education & Training	22 Promotion
14 Previous Employment	23 Business Networks
15 Motivation	24 Inter-firm Alliances
16 Opportunity Recognition & Idea Generation	25 Business Growth
17 Personal Network	26 Employment
18 Risk Taking	
19 Personal & Managerial Skills	
30 Tourism Infrastructure	40 External Environment
31 Hotel Accommodation	41 Political Economy
32 Transport	42 Economic
33 Food & Drink	43 Social & Culture
34 Tourist Guides	44 Regulatory
35 Tourism Regulations	45 Political
	46 Geographic

5.9.4. Thematic, Cross-Case Analysis

As indicated, the process of analysis began at some stage in the first pilot study and continued throughout the empirical study. This included crafting profiles for each firm showing passages that of interest and labelling them to build up a firmer structure for the coming interviews. Further analysis entailed transcription of interview tapes and identification of the main themes and sub-themes arose from the interviews. Submerged issues were also found of interest and related to the research project.

After completing the empirical study, the process included the development of initial case summaries, identification of themes and the subsequent coding of materials, within and across case analysis. The four cases were brought together to identify patterns, processes and interface that recur between the units and categories which were emerging within each case and across the cases. For instance, dimensions and themes such as the external environment, the influence of family, personal and business networks were first, examined within the cases and then across the cases to find out how they integrated and shaped the entrepreneurship process.

The conceptual framework has been used as a guideline in identifying the research themes and sub-themes. Analytical techniques have included the identification of themes and their subsequent coding, the use of matrices, pattern matching, and literature to support the analysis. The technique of mapping was also adopted in an attempt to capture the interaction of the research themes which shape the entrepreneurship process and led to the emergence of small businesses in Libya.

5.10. Assessing Reliability and Validity

Seidman (1991:16) has offered some of the questions underlying the issues of validity, reliability, and generalizability that researchers confront. As he put it:

How do we know that what the participant is telling us is true? And if it is true for this participant, is it true for anyone else? And if another person were doing the interview, would we get a different meaning? Or if we were to do the interview at a different time of year, would the participant reconstruct his or her experience differently? Or if we had picked different participants to interview, would we get an entirely dissimilar and perhaps contradictory sense of the issue at hand?

Reliability and validity are important criteria in assessing the quality of research for the quantitative researcher. However, there has been some argument among qualitative researchers concerning their relevance for qualitative research (Bryman and Bell, 2007). Many qualitative researchers disagree with the epistemological assumption underlying these notions. They argue for a new vocabulary and rhetoric with which to discuss validity

and reliability (Mishler, 1986:108-110). Lincoln and Guba (1985), for example, substitute the notion of “trustworthiness” for that of validity. They argue that qualitative researchers must inform what they do by concepts of “credibility,” “transferability,” “dependability,” and “confirmability”.

In essence, Reliability, according to Bell (1995:64), is “the extent to which a test or procedure produces similar results under constant conditions on all occasions”. This is important if the findings of the research are to be applicable to other situations and not only to the original environment in which the research was conducted (Remenyi et al., 1998). However, this is rarely the case in the social sciences, because they deal with human beings in ever-changing social situations (Veal, 1997). Validity, according to Bryman (1995:28), refers to “the issue of how we can be sure that a measure really does reflect the concept to which it is supposed to be referring”. Eisenhardt (1991) suggests that validity may be enhanced through challenging findings and emergent theory via both comparison to the existing literature and ‘fit’ with the case evidence. It has been argued that if an item is unreliable, then it must also lack validity, but a reliable item is not necessarily also valid (Bell 1995).

Attempts have been made by many researchers to break down the terms reliability and validity and highlight other issues such as replicability and generalizability. Yin (2003), for instance, offered four tests to establish the quality of any empirical social research and stressed their relevance to case studies:

- Construct validity: establishing correct operational measures for the concepts being studied.
- Internal validity: establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships.
- External validity: establishing the domain to which a study’s findings can be generalized.

- Reliability: demonstrating that the operations of a study-such as the data collection procedures-can be repeated, with the same results.

For Bryman and Bell (2007), measurement or construct validity applies primarily to quantitative research and to the search for measures of social scientific concepts. They argue that measurement validity is related to reliability in that if a measure of a concept is unstable then it is unreliable and hence cannot be providing a valid measure of the concept in question. Internal validity, however, relates mainly to the issue of causality. This means that an investigator is trying to determine whether event x led to event Y. Yin (2003) has noted that this logic is inapplicable to descriptive or exploratory studies, which are not concerned with making casual claims. The issue of external validity is concerned with the question of whether the results of a study can be generalized beyond the specific research context. The external validity problem has been a major barrier in doing case studies, critics typically state that single cases offer a poor basis for generalizing (Bryman and Bell, 2007).

Reliability is concerned with the question of “whether the results of a study are repeatable” (Bryman and Bell, 2007:41). The objective is to be sure that if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions (Yin, 2003). Some phenomenologists argue that all situations and organisations are different and thus the same results cannot ever be obtained again, and consequently reliability *per se* is not the central issue (Remenyi et al., 1998). However, using more than one data collection approach permits the evaluator to combine strengths and correct some of the deficiencies of any one source of data (Patton, 1987). Yin offers tactics and phases in which the tests of validity and reliability occur. These are shown in Figure 5.3

Figure 5.3 Case Study Tactics for Four Design Tests

Tests	Case Study Tactic	Phase of research in which tactic occurs
Construct Validity	<ul style="list-style-type: none"> - Use multiple sources of evidence - Establish chain of evidence - Have key informants review draft case study report 	<ul style="list-style-type: none"> data collection data collection composition
Internal Validity	<ul style="list-style-type: none"> - Do pattern-matching - Do explanation-building - Address rival explanation - Use logic models 	<ul style="list-style-type: none"> data analysis data analysis data analysis data analysis
External Validity	<ul style="list-style-type: none"> - Use theory in single-case studies - Use replication logic in multiple-case studies 	<ul style="list-style-type: none"> research design research design
Reliability	<ul style="list-style-type: none"> - Use case study protocol - Develop case study database 	<ul style="list-style-type: none"> data collection data collection

Source; COSMOS Corporation, cited in Yin (2003:34)

In the light of the previous discussion, it appears that many qualitative researchers have tended to employ the terms reliability and validity in very similar ways to quantitative researchers when seeking to develop criteria for assessing research. For example, measurement validity seems to carry connotations of measurement which is not a major preoccupation among qualitative researchers, thus the issue of validity would seem to have little bearing on such studies. Internal validity is concerned with soundness of findings that specify a causal connection, an issue that is most commonly of concern to quantitative researchers. External validity, as Bryman and Bell (2007) put it, may be relevant to qualitative research, but the whole question of representativeness of research subjects with which the issue is concerned has a more obvious application to the realm of quantitative research with its preoccupation with sampling procedures that maximize the opportunity for generating a representative sample.

Generally, it has been argued that triangulation can be used to overcoming the limitations inherent in relying upon one method or data source (Easterby-Smith et al, 1991; Miles & Huberman, 1994). Triangulation, according to Bryman and Bell (2007), entails using more

than one method or source of data in the study of social phenomena. Similarly, Silverman (2001) focuses on the assessment of reliability in terms of data collection, argues that low-inference descriptors are central to the achievement of high reliability in qualitative research. The assessment of reliability and validity of this study will be delineated in chapter eleven.

This chapter links between the theoretical and the empirical parts of the study. It shows how the research objectives will be investigated. A qualitative research approach was adopted to carry out this investigation. Main research strategies have briefly been reviewed followed by detailed discussion of case study research and justification of choosing multiple case study approach. Fieldwork process consisted of three stages carried out over three years. The processes of sampling, interviewing and other sources of data collection have also been detailed. Finally, issues of validity and reliability have been discussed.

Chapters 6 to 9 present the case studies. The tourism firms (Apple and Orange) are presented in chapters 6 and 7 respectively. The transport firms (Pear and Grape) are presented in chapters 8 and 9 correspondingly.

CHAPTER SIX: CASE STUDY OF APPLE, A SMALL TOURISM FIRM

Introduction to the Case

Apple is a small tourism firm operating in the business district of Tripoli, the capital city of Libya. It was founded in 1994 by the owner and manager, Mr MS, and was one of the first private tourism establishments in Libya. The venture was set-up with an initial investment of 30,000 Libyan Dinars (L. D.) from the owner's personal savings. The greater part of capital was allocated for promoting the venture through attendance at international tourism exhibitions. The firm's employment level has not significantly changed over time. The number of full-time employees including the owner has never been more than four. However, the firm always subcontracts with other services providers such as transport operators and tour guides and recruits part-time employees during peak seasons.

Apple has been engaged in a number of business areas such as issuing air tickets, organising religious pilgrimages to Saudi Arabia and operating tours for international arriving tourists. The tourism business is, however, the focus of the venture and is the main source of income.

External Milieu: Political and Economic Environment

Until the mid-1970s, the Libyan economy was mixed with both public and the private sector involvement. Entrepreneurs from the private sector owned and managed a variety of businesses ranging from small to large firms. In the tourism sector for instance, individuals owned five-star hotels as well as small and medium-sized hotels, restaurants and other tourism-related ventures.

In the late 1970s, the government nationalised all private businesses. A direct consequence of this was centralisation of the economic system and an almost complete contraction of the private sector. By the early 1980s, the economy was in serious decline as a result of the global economic recession and the fall in oil prices. This was exacerbated by political problems which began with the breakdown of Libyan-American relations in 1980 and was followed by a ban on imports of Libyan crude oil to the US in 1981 which was later expanded to include all aspects of bilateral trade.

Following the Lockerbie case, the UN imposed an embargo on air flights to and from Libya (see chapter 2). As a result, international passengers had to arrive in Tunisia or Egypt and use road transport to get access to Libya. The only alternative was the use of ferries to and from Malta.

These developments discouraged international investment and seriously damaged the Libyan economy. National economic development was almost totally frozen and technology became obsolete (Knipe, 2005). By the late 1980s, the government recognised that there needed to be a change in policy.

Since the early 1990s, the Libyan government has made serious efforts towards economic liberalisation and the introduction of a market economy thereby encouraging the private sector to invest and take part in national economic development. However, until recently domestic and foreign investors have been cautious and wanted concrete and clear regulations to avoid a repetition of the past. In view of that, new laws and regulations have been passed which provide a basis for investor confidence.

The risk of over-reliance on oil exports and the problem of increasing unemployment are believed to have been the major reasons for the government's change of economic policy and its willingness to embrace capitalism at least in part. Official figures estimated unemployment to be 13 per cent but unofficially it was thought to be much higher (Knipe, 2005).

According to economists, Libya faces a long way in liberalizing its economy, but significant steps (including announcing plans for privatization, opening the door for foreign investment and encouraging the private sector and small businesses) are laying the groundwork for a transition to a more market-based economy. A key attraction to investment is that Libya has demonstrated that it is one of the most politically stable countries in the region (The Tripoli Post, 2004). Additionally, the rise of oil prices in recent years has also provided a massive trade surplus which is being allocated to reconstruction of the economy to further strengthen the base for economic development.

The challenges of globalization across the cultural, social, and economic sectors seem to have pushed the authorities to pay greater attention to diversification of the economy. In this respect, the tourism sector represents a strategic area in which a large number of foreign investors have found the opportunity for involvement in substantial projects such as hotels and tourist resorts (see chapter 2).

The Industry Context: Tourism Infrastructure

Libya is a new entrant into tourism in relation to its North African neighbours Tunisia, Morocco and Egypt. Serious efforts in promoting tourism began only with the establishment of the General Board of Tourism (GBT) in 1989.

Tourism Industry: The Past

To a large extent, tourism within Libya has been traditionally underdeveloped, with the result that the potential of the country is relatively unknown in the principal source markets for tourists. Development of the tourism sector has been constrained by a number of issues, the most critical being the poor international image of the country and inadequate tourism infrastructure, (NTDP, 1998).

In terms of hotel accommodation, for instance, statistics reveal that in 1998 Libya had about 120 state-owned hotels or other forms of tourist accommodation offering a total of nearly 9000 rooms. The majority of these establishments are located in the urban areas of Tripoli and Benghazi but few meet international standards.

Other services such as food and drink and transport were also underdeveloped. Up to date official statistics about these services are either unavailable or inaccurate. According to NTDP, the number of food and drink providers was estimated to be 5000 firms nationwide. The vast majority of these firms were serving locals and workers from neighboring countries and very few offered good services that met tourist needs.

Air and road transport were no exception. Air flights within the country (no international flights were allowed due to the air embargo, see previous section) experienced delay and cancellation. Lack of proper maintenance and modernisation of the fleet and the unavailability of spare parts meant that there were fewer and fewer working planes. Consequently, the demand for road transport increased dramatically to fill the gap but the number of quality buses and coaches was also limited.

With regard to regulations, tourism firms faced difficulties in obtaining visas for arriving tourists. Until the mid-1990s they had to apply to the immigration authority which, in turn, made contacts with the respective embassies to finalise such arrangements. Furthermore, regulations allowed the firms to make arrangements only for groups of at least four tourists. Individuals or couples could not apply for a visa. Another regulation which concerns many tourists is the ban on serving alcohol in Libya.

All these factors clearly indicate that the industry environment was not supportive for tourism development in Libya.

Tourism Industry: The Present and the Future

Although not given priority in the past, the importance of the tourism sector to the future of Libya's economic and social development and the significant role that tourism could play in changing the international image of the country was recognised by the Libyan government in the late 1980s. In view of this, the General Board of Tourism (GBT) was established in 1989 as an institutional foundation for the tourism sector. This coincided with the establishment of two state-owned tourism companies followed by the reconstruction of the Ministry of Tourism in 1995. Ever since, the government has made serious efforts to promote and develop tourism. The National Tourism Development Plan (NTDP) of 1998, for instance, laid a strong foundation for the development of tourism in Libya.

The NTDP development strategy was based on an integrated, realistic and achievable approach with the overall objective of overcoming the aforementioned problem areas and achieving relatively slow growth in the short term. In this respect, the NTDP proposed that particular attention should be paid, in the short-run, to creating a significantly improved image of the country internationally and to fostering national unity through using tourism as a stimulus for regional development. The long term plan, however, stressed the necessity of encouraging a greater contribution to both economic growth and social development from the tourism sector.

The strategy proposed by NTDP was to concentrate development and associated marketing activities, at least in the short-term, primarily on those tourist attractions in which Libya possesses a comparative advantage. Two market areas in particular were identified in which the country is considered to possess unique and outstanding tourism endowments, namely, classical archaeology and desert tourism.

Libya possesses a wealth of classical sites related to the Punic-Roman era in the western part of the country and to the Greco-Roman period in the eastern region. Overall, Libya has five world-heritage sites in addition to other tourism attractions (see chapter 2).

Tourism infrastructure has also seen significant changes. A number of new five-star hotels have been built in Tripoli and other cities and old hotels have been repaired and improved with more private sector involvement than before. The five-star Corinthia Tripoli Hotel is an example of a partnership between the Libyan government and foreign investors. Contracts worth hundreds of millions of dollars have been signed with international foreign investors to construct tourism resorts and new hotels. According to officials, these projects will provide an additional 100,000 beds, golf courses and other facilities (see chapter 2).

Furthermore, the number of restaurants has increased and improvements have also been made in the area of consumable products. A number of new tourist transport operators have been established over the last few years offering improved services and facilities. Since 1999 air services have seen significant changes including the establishment of two state-owned companies and an upgrading of the Libyan airlines' fleet including contracts to buy 22 jumbo Jets from the US.

The easing of visa requirements has also played a facilitating role in increasing the number of tourist arrivals. At present, tourism firms make direct contact with the respective embassies to obtain visas for their tourists and invited individuals are able to get visas upon arrival.

It is also worth noting that investment in the tourism sector in Libya had previously been undertaken largely by the public sector with private sector contributions limited to small scale projects or services (NTDP, 1998). In recent years however, the tourism sector has seen significant changes and small tourism businesses have become the focus of government policy and are expected to play a central role in the development of the industry.

These developments provide a fertile environment for the expansion of the tourism sector in Libya. Many entrepreneurs are now benefiting from the increased number of European operators marketing Libya in their promotional literature (Boniface & Cooper, 2001). Recent statistics reveal that in 2004, Libya attracted more than 500,000 tourists (Venditti, 2005) compared to 56000 in 1995 (WTO, 2004).

To this point, the business macro environment including the tourism infrastructure is discussed in detail in the previous sections. To fulfil with the conceptual framework, the business micro environment, that is the characteristics of both the business (Apple) and the founder (MS), is addressed in the following sections.

Characteristics of the Business

Location and Premises

The firm is situated in the business district of Tripoli where it is surrounded by a number of other tourism firms. The office is comprised of a reception area with a few seats for visitors and a well furnished office for the manager. A telephone, a facsimile, a photocopier and computers are installed in the office. A number of certificates of acknowledgement for quality service and attendance at exhibitions are framed and hang on the wall.

Capital and Employment

Apple was set up in 1994 with an initial investment of 30,000 Libyan Dinars from the owner's personal savings. Capital was allocated for attending international tourism exhibitions and for the purchase of office equipment and management expenses. The venture was run solely by the owner for more than one year but as the business was expanding, a full-time clerk was employed in 1995 to handle the paperwork. However, the firm's employment level has not significantly changed over time. In 2005, the number of full-time employees was four in addition to the manager.

The firm sub-contracts with a number of service providers such as tour guides and transport operators and recruits part-time employees during the tourism and the pilgrimage seasons. However, due to the seasonality of the tourism business and pilgrimage, the number of part-time employees is changeable and it is difficult to say how many employees will be needed at any particular time.

Promoting the Firm

Apple promotes its services through attendance at international tourism exhibitions such as ITB Berlin, Salon Mondial du Tourisme in France, Borza Internazionale del Turismo (BIT) in Milan and the London exhibition. International exhibitions are considered to be vital to the success and growth of the venture.

“When we started our business in 1994, the only effective way to promote our services was the exhibitions. As new entrants to tourism, we needed to introduce our business to the world and it was impossible to do this without attending exhibitions. Now, after more than ten years in business I attend at least two exhibitions every year. Once we make initial contact with a travel agent, we use telephone and fax for future correspondence. I find it more beneficial to talk rather than write to others”.

The venture also has a website which offers detailed information about the firm and its services but the internet has not been widely used to correspond with business partners. Leaflets and brochures with this information are also available at the firm’s offices.

Business Growth: Tourist Arrivals

The firm built its core competencies around quality of service to arriving tourists and established a strong reputation in the market. Given that the number of tourists has considerably increased over the past few years, it appears that this strategy has paid off. In 2003, for instance, the firm received more than 1800 international tourists from different

markets as compared to 1600 and 1300 in 2002 and 2001 respectively. The largest share, however, comes from the European market with Germans, Italians, British and Greeks as the top tourists. Other tourists are from Australia, China, Taiwan, Hong Kong and recently from the US.

Characteristics of the Founder

Personal and Family Background

The owner-manager is in his late forties, married and a father of a 22-year old son and three teenagers. His wife is a housewife with a basic education. He came from a big middle-class family and is the eldest of three brothers and two sisters. MS spent his early childhood in a countryside village about 70 km south of Tripoli. His father moved the family to the capital in the early 1960s in search of a better job and a modern life.

“Since the early 1960s the country experienced a migration of people from the rural areas towards the coastline. The job opportunities offered by the production of oil attracted many people from around the country and, therefore, my father decided to follow this stream and settle down here (in Tripoli). By securing a full-time job, our financial situation improved but as our family got bigger my father had to work part-time in the afternoon to make ends meet”.

The socio-economic environment saw significant change as a result of the production of oil. This offered job opportunities in urban areas and was a key factor for MS's family to move to Tripoli. Other relatives also moved to the capital during the same period including MS's uncle who is close to the family and who supported them both financially and emotionally during difficult times.

“My uncle has always been close to the family. He came from the village with a good amount of money after selling part of his land and most of his cattle. He

bought a house and opened a small shop selling canned food and stationery. He later offered me the shop when the idea of selling tobacco products came up”.

The emergence of the venture therefore, was shaped partly by the founder’s networks which were rooted in his family background.

Early Aspirations and Business Antecedents: A Tobacconist

MS’s father wanted him to get a degree from the university to secure a good job, but, to MS, graduation and a career seemed very far away. He was more concerned about his family. He wanted to find a way to help his father provide for the big family. At the age of 17, MS doubled as both as a student and a part-time businessman selling tobacco products. This part of his personal background shaped his entrepreneurial spirit.

“The idea of selling tobacco products came to me while I was on my way to school as there were a number of small shops along the way some of which were almost a stand. After days of persuading, my father eventually agreed that I could work part-time and go back to school after the summer. My uncle’s shop remained closed for few months when he returned to our home village following the death of his father-in-law. My mum had a word with him that we would like to rent the shop for three months and, as we all expected, he was happy to offer it for free”.

The legal, social and economic environment offered a context in which MS recognised this opportunity. Selling tobacco products was a common business among the local community including youngsters. There are many reasons why people were encouraged to get involved in this business. Firstly, there was an increased demand for local tobacco products following the government ban on international tobacco brands. Secondly, smoking in public places is not prohibited in Libya and there is no age restriction on buying tobacco products. Finally, the business could be started with very little capital.

“I started my business with a small amount of capital and in a small shop. Business-wise, I had chosen the right product to sell because no storage was needed, demand was high, it was light to carry and most importantly, cash-flows were fast. I learnt how punctuality is important for business success. Customers from my neighbourhood would turn to others if my shop was closed for one reason or another. Being good to customers and finding ways to make them spend more money is also important. I used to exhibit the latest lighters and asked customers whether they wanted to try them”.

The formation and development of the business therefore reflects a careful process of opportunity analysis through product demand estimation and cost assessments by MS, among other considerations. As the tobacco business developed, it was apparent that the competitive environment within the industry was putting pressure on MS to adopt particular business practices as dictated by the industry context. The growth of the product portfolio is also shown to have been a function of continued environmental scanning of opportunities by MS which helped him to introduce new products which many competitors did not have.

At that early stage MS was trying to position his business in the market and have it succeed. After three months it was time to go back to school but the business had just begun to make the money the family needed most. MS explained how he could stay in business for longer:

“I promised my father that I would never leave school and that I would like to keep my business. When he saw my determination, or perhaps because of the difficult financial situation, he gave me his blessing. When my mum talked to my uncle about the new arrangements he replied that I still could use the shop as long as I kept my promise not to drop out of school. I used to go to school in the morning and spend the afternoon in the shop. I was able to do my homework and some preparation when there were no customers in the shop”.

It seems that selling tobacco products sowed the seeds of a business mind in MS. He achieved his goals at a relatively young age: to start a business, select the right product, persuade customers, behave as a businessman, and he made money. He did what he wanted to do for his family. MS sold tobacco products for three years until he successfully finished school and was ready to enrol at university.

The emergence of the tobacco-selling venture demonstrates the interplay of a number of influences around the entrepreneurial process. It involved identification by the owner of a need to enter into business, recognition of opportunities available in his immediate environment, the use of family networks and low barriers to entry in terms of capital requirements. The legal framework also favoured the creation of a tobacco retail outlet as smoking in public places is not prohibited in Libya and there is no age restriction on buying tobacco products. Moreover, there was an increased demand for local tobacco products following the government ban on international tobacco brands.

First Contact with the Tourism Business

MS stood by his promises and succeeded both in his studies and in business. Therefore, he wanted to follow the same strategy when he enrolled at university.

“I became more interested in business than before and I decided to make my career in this area. Accordingly, I enrolled in the Faculty of Economics as a part-time student so that I could have time to search for a job. Although there was no department for business studies in particular, a variety of related subjects were available including Economics, Management, Political Science and Accounting. I was interested in accounting because it offered vast job opportunities; yet this area was a big challenge for me as a part-time student”.

The field of business that he chose was an important launch-pad for his later career. The areas he studied laid a strong foundation for the emergence and development of his venture.

MS found a job at a state-owned tourism company called LDTC while he was preparing for the term exams at the University of Garyounis in Benghazi (1000 km east of Tripoli).

“Prior to exams we used to gather at the university accommodation for a couple of weeks or so, studying together and benefiting from each other’s company. I had good relationships with many students from around the country. One of them, who became a close friend of mine, was studying management and was working in the health sector. He had good ties with people in LDTC as he was responsible for accommodating groups of nurses in hotels belonging to this company. After exams, he made arrangements for me to meet with one of his friends at the company’s site and that was it!”.

There had been a nationwide shortage of accountants and bookkeepers especially in the 1980s and 1990s. Many companies were prepared to employ people who could cope with on-site training and welcomed those who were interested in areas such as management and accounting. Students in these areas received preference. MS’s personal contacts brought him into the tourism industry within which his idea to start his own business was later developed. MS recounted his early years in this company:

“LDTC had just recently been established to manage several hotels, restaurants and cafés in the western region. My job was related mainly to bookkeeping and I had the opportunity to put into practice what I had been studying at the university. Soon, I became involved in different areas such as pay-roll, bank reconciliation, credit control, inventory and others. This gave me a clear picture of how the various processes fit into the overall financial systems of our company. I used to work overtime in the afternoons to widen my knowledge and gain experience and,

of course, to make extra money from the 150% overtime rate. My work satisfied my boss and in two years I was appointed to head the accounts department”.

MS recognised the shortage of Libyan accountants and bookkeepers in LDTC and took this opportunity and worked hard with accountants from neighbouring countries to gain experience. As a result he was appointed to head a small department. Gaining a first degree earned him the promotion to a higher position and to higher responsibilities.

“I was the only Libyan graduate in my department. Coupled with my work experience, these factors helped me to get promotion which gave me responsibility for the Financial Division which included all the other small departments. My duties were to manage and control the overall system from data recording to financial reporting. To cope with this, I recruited many graduates some of whom I had known from the university. This helped me improve the internal control system of my division. The big challenge was to have all accounts closed and financial statements submitted on time”.

Well-developed skills of team work, leadership, working to deadlines and identifying areas for improvement were the main outcomes of MS’s experience at LDTC. He worked within a team and later he led them. He had the commitment to report at a certain time. He also came up with innovative ideas on how to improve the accounts internal control system. Undoubtedly, these personal characteristics are among those needed by entrepreneurs.

Preparing for a Professional Career

After graduation MS wanted to gain the experience required for a professional career. At that time, a first degree and a minimum of 5 years experience either in the public sector or with a recognised chartered accountant were the main requirements for a professional career.

“When I was appointed to head the Financial Division in LDTC I sought professional assistance from a chartered accountant as we were preparing final reports for the end of the year. The chartered accountant worked with my team to complete our reports. I had learnt a lot from his experience and I wanted to comply with the legal requirements in accounting practice so, I expressed an interest in part-time work in his office for a few hours a week”.

The professional experience MS gained helped him later in making a cost-benefit analysis and conducting the feasibility study required for setting-up a small venture.

Although LDTC was established in the early 1980s to play a part in the development of the tourism sector, external factors deterred the company from achieving its objectives.

“In terms of the tourism business, the difficulties facing the country during the early 1980s hindered the development of tourism. At that time, tourism in a broad sense, did not exist in Libya and the role of public tourism companies was limited to accommodating domestic visitors and foreign businessmen who were working in the oil sector or international groups of nurses working in the health sector. Therefore, I was still interested in a career as a chartered accountant”.

MS had developed the management capabilities but the environment was such, that doors were not yet open for private sector participation in the tourism industry. When the General Board of Tourism (GBT) together with new companies came into existence in 1989, he changed his intentions and future plans from a professional accounting orientation to the tourism business. It seemed that MS could not place himself out of the tourism sector.

Transition to the Tourism Business

Since the late 1980s, serious efforts have been made by the Libyan government to develop tourism in Libya. This included the establishment of GBT followed by the setting-up of the Libyan Company for Travel & Tourism LCTT and the Farwa Tourism Company (FTC). The purpose was to integrate the efforts of all bodies and experts to lay a strong foundation for tourism development which was to include private sector participation. Both LCTT and FTC are state-owned and they receive considerable attention and support from the government and continue to play a central role in tourism development in Libya.

The establishment of GBT, LCTT and FTC attracted many people who had been working in the tourism sector. LCTT is involved in almost all aspects of the tourism business including accommodation, food & drink, air ticket issuance, transport, and tour operating. The old tourism companies including LDTC closed down after allocating their properties to their employees based on new partnership arrangements introduced by the government. MS chose not to involve himself in such arrangements, instead, he joined the new LCTT in 1989.

“Word of mouth spread in the tourism sector about the new companies and their resources and facilities. They were a good opportunity for those of us who chose not to go for partnerships and for those who came from other sectors. Unlike LDTC, in LCTT we got involved in a broader range of tourism and practised and exchanged views and information with other employees through teamwork. We were able for the first time to interact with the external world of tourism and attend international exhibitions. We built up valuable experience”.

MS's competencies in tourism management were developed when he joined the (LCTT) where he had various roles before setting up his own business.

“I was engaged in several duties such as finance, accounts and auditing. I worked in close contact with other departments such as planning and tourism promotion. I was impressed by the increased number of tourists from many countries and the sorts of arrangements forged with foreign counterparts. Though there were some difficulties with regard to the tourism infrastructure such as accommodation and transport, we learnt how to handle them. Interestingly, despite those problems, the number of tourists continued to increase”.

After two years MS was chosen as a member of a high-level consultancy panel. The panel's job was to address the problems challenging the company and the tourism business at large.

“In 1991 I was appointed to a consultancy panel which consisted of five people from areas such as planning, marketing, finance and human resource management. We used to meet fortnightly to discuss and suggest how to promote our company, the tourism business nation-wide and strategies to promote Libyan tourism in international markets. Our duties included reporting to top management on the difficulties facing the business and how to overcome them. Our recommendations were normally approved by the management who in turn submitted these to the GBT”.

Within the panel, MS had the opportunity to widen his industry knowledge and benefit from other members' experience in other areas of tourism. Their recommendations had a significant impact on overcoming many problems and thereby, encouraging small businesses to become more actively involved in the development of tourism.

“One of our recommendations was for GBT to financially support new tourism firms to attend international exhibitions. The number of new tourism companies was small then and those from the private sector had just started and could not afford the high cost. Solutions to other problems including visa regulations and

tourist transport were implemented as per recommendations given by us. As a consequence, new transport operators began to set-up and visa applications became easier through direct contact with Libyan embassies instead of applying to the immigration office first and then waiting for them to contact the respective embassies”.

MS remained at LCTT until 1994 when he set-up his own firm.

Pre-Setting-up of Apple

MS gained valuable experience working in LDTC and LCTT prior to setting up his own firm. Although LDTC was not involved in mainstream tourism business, due to the difficulties and the problems explained earlier, LCTT was founded at a time when tourism became a priority and coincided with the establishment of the GBT. These developments in the tourism industry appear to have attracted MS to the idea of setting up his own business however; it also appears that they uncovered the negative side of working in the public sector.

“In the public sector one is restricted by rigid rules which affect one’s personal life. Employees lacked the freedom to deal with family obligations for an ill child or dropping off and collecting children from school. It was embarrassing to ask for permission to leave because we understood that we were being paid for doing our jobs. The other thing is that I had the early experience as a tobacconist and I understood what it meant to be self-employed. It gives a person more space and freedom to develop their own ideas and take responsibility for them”.

In Libyan society, the man has a big responsibility as the provider for his family and also any interaction between the family and the outside world while the woman takes responsibility for the household. To a large extent, this still applies even in cases where

the woman is employed. It seems that social environment was pressurising MS but time had come to run his own business.

It is worth noting that people working for the public sector have been regarded by officials as less productive than those who work for themselves. This can be attributed to many factors but low salaries are the main reason. Low public sector salaries have left people with a feeling that they should work according to the amount they earn. As a result, the government's huge salary bill is not matched by the high levels of productivity. Realising this negativity, the government took two steps; i) it opened the door for the private sector, and ii) improved remuneration for the public sector.

Setting-up of the Venture

By the early 1990s, pioneers from the private sector had just begun to set up new tourism firms. Apple was one of the first private tourism establishments. The venture was founded in the early 1994 with an initial investment of 30,000 Libyan Dinars.

"When I took the decision to run my own business, I paid most attention to three areas - capital, the site and licensing. Capital was available as I had saved a good amount of money from my previous employment. It wasn't difficult for me to find a good location in the city centre because of my networks and personal contacts in business over the years. Finally, one of the requirements for the firm to get accredited was to include a feasibility study among the other papers which I was able to do by myself. To promote my business, I used posters in different places around the city centre giving details about our services and these worked. Many people came inquiring for pilgrimage trips or airline tickets".

MS's knowledge and contacts in the tourism sector assisted him in finding a good location in a business district area which he considered very important. His experience in tourism also helped him to choose the area where he advertised his business at low cost. He was able to conduct a feasibility study at a time when professionals in this area were rare. This

was a result of his education and experience in the field of accounting along with his experience in tourism. Being able to complete this requirement saved him some money at an early stage of operation.

The venture is engaged in a number of business areas. MS explained the rationale for choosing the specific areas of business:

“As a tourism firm, we are entitled by law to do any tourism-related business including organising tours for arriving tourists, arranging pilgrimage trips to Mecca in Saudi Arabia, issuing airline tickets, food and drink, and transport operations. I chose to be involved in organising tours for arriving tourists, arranging religious pilgrimages and issuing air tickets for many reasons. First, my experience in LCTT was mainly related to tour operating. Second, I wanted to mix tour operating with other areas where I have good knowledge, experience and contacts. Finally, other areas of business such hotels and restaurants need a large amount of capital”.

Yet again, the experience and knowledge in accounting and finance helped MS to carry out a cost-benefit analysis and choose the area of business that would be most profitable for him. MS used his background to study the market, recover capital and avoid risk during the early stages.

“With this diversity of businesses, I was able to broaden the sources of income during the first few years so that I could recover my investment capital sooner rather than later. Furthermore, as a new firm, it was important to make a name and have a share in the market by being involved in more than one area of business”.

Organising Tours for Arriving Tourists

Initial Arrangements

Tour operation is the main focus of the venture and the main source of income. Through his previous experience in LCTT, MS built business contacts with foreign travel agents which assisted him in securing a satisfactory number of tourists at the start of his business.

“Once initial contacts are made, we offer our packages and discuss any changes our counterparts may suggest. We sell a whole package to the foreign companies including places to be visited and the duration. Details about accommodation, transport, food and drink can also be given upon their request. In turn, our business partners sell the packages to tourists including air tickets and any additional expenses. Then we make contact with the respective Libyan embassies and provide them with details about our clients to obtain visas for them”.

Tourists arrive with a courier (holiday representative) who makes sure that everything goes as planned. MS used to offer free service to his new customers to build mutual trust.

“In the early years of operation, some foreign travel agents used to send their couriers before starting business with us. This was mainly because of the newness of the tourism business in Libya and because some had no idea about how it worked. As a way of building trust with our partners, and to promote our services, we used to offer their couriers a free full service such as accommodation, transport and food. More importantly, we gave them a real picture of what we have in our country and what we can and cannot offer as a firm. This makes things easier for both sides and builds a sort of trust for customer loyalty”.

Targeted Markets

Europe is the biggest source of tourists in the world. In 2004, for instance, Europe generated 431.3 million tourists that is, 56.5% of the total tourists generated worldwide (WTO, 2005). With only 3 hours of flight time from Germany and the UK, Tripoli is very close to this market.

“The shortness of the journey and affordable flight costs mean that Libya could be attractive to Europeans. Therefore, our main target is European tourists and we need to approach them and introduce Libya as a new tourist destination. In view of that, international tourism exhibitions are an important window through which we can show-case our services”.

The geographical location of Libya is an advantage to the venture and made a big difference in generating initial interest. Offering free accommodation to the tourist couriers was another way for MS to have his partners experience the quality of his services first hand. In doing so, he gained trust and appreciation. As a result, the number of tourist arrivals has increased over time.

Promoting the Business

To MS, international tourism exhibitions are important events for his business. The interaction between Apple and the external world at such an industry event opened up new business opportunities and experiential learning for the business.

“Through international exhibitions I was able to view the world of tourism and interact with people from around the world. Every year I attend notable exhibitions such as those in London, Milan, Paris and Berlin where I talk to managers or representatives of foreign firms. There’s a real opportunity to meet with people from different countries and talk about their interests and the possibilities of making arrangements to sell our packages. International tourism

fairs make a big difference because they legitimise the firm and provide an excellent opportunity for personal selling”.

The Ministry of Tourism offers good opportunities for small firms to take part in tourism exhibitions at a low cost. However, MS has found some difficulties with these arrangements.

“As the number of Libyan tourism firms attending the same exhibition at one time is always high, they gather side by side to sell their services. This leaves visitors with a feeling that they are viewing almost the same products. This is not helped by the fact that the promotional material shares significant similarities because of the involvement of the ministry in its production. I took part under these arrangements during the first couple of years because of the low cost but as my firm grew, I chose to make my own arrangements although I have to absorb a higher cost than the rest”.

MS realised the importance of these exhibitions and did not want his attendance to be disadvantaged by others. He accepted a higher cost for him to have his own space and exhibit his firm in his own way.

Dealing with Business Challenges

A number of political, regulatory and infrastructural factors had an influence on the structure of the service Apple delivered. The firm was set-up at the time of the air embargo imposed by the UN. During 1992-1999 air embargo, small tourism firms faced many problems. MS explained the situation and how his company survived.

“The most serious problem at that time was air transport. Other problems were mainly related to tourism infrastructure such as accommodation and transport. As a result, I had to drive for 3-4 hours to Djerba in neighbouring Tunisia to collect

our tourists. In fact, during the first couple of years of operation this process took more than six hours because of the traffic jams and the congestion in the immigration offices at both the Libyan and the Tunisian checkpoints. This took nearly two days of the tourists' journey - that is the day of arrival and the day of departure”.

MS had to do something to have his tourists quickly released from the borders and that was through the use of his personal contacts.

“One should have a relative, a friend or someone who knows immigration officers. It was not difficult to approach them in the Libyan checkpoint and as we were crossing the borders quite often, links were also made on the Tunisian side, sometimes with the assistance from the Libyan side. After a few years, these problems were eased by combining the checkpoints with officers from both sides”.

In this case, the external environment influenced the transit strategies which survivors in the industry, such as Apple, had to engage with. He used the experience from his previous employment of generating options together with personal networks to avoid customer delays due to limited public transport facilities by making different situation-specific choices.

“In terms of transport, good quality buses were rare and demand for the small number of good vehicles was high. Nevertheless, I always do my best for my tourists. For example, when I had a small number of tourists I used to rent taxis to ease their travel and make their journey comfortable”.

An important social factor in the development of Apple was that, historically, the Libyans and the Tunisians have always had good relations and many families on both sides have relatives and friends on the other side. Therefore, Tunisia played a central role in easing many problems the Libyans suffered during the sanctions. In those years, many Libyans

would go to Tunisia on a weekly basis for different purposes such as medical care, shopping, exchanging money and goods. This had a positive effect on the Tunisian economy. The link with Tunisia provided a gate-way to the world, an environmental factor without which the evolution of Apple could have been problematic.

The tourism infrastructure has had a negative impact on the performance of Apple. MS had to accept lower profit margins and had to offer extra services to compensate the disappointment of his tourists when they faced a problem related to accommodation or transport, for instance.

“I always pay more attention to both the day of arrival and the day of leaving and feel that they should be dealt with differently. We want our customers to leave with a good impression and hope our farewell will make up for any unintentional inconvenience caused by accommodation or transport during their journeys. At one time, a small group of Greeks wanted to visit Cyrene in the East instead of visiting historical sites in the western region as planned. They were prepared to pay the air tickets which were about US\$ 20 each but we offered it for free as a ‘big sorry’ for an inconvenient hotel accommodation. A good meal in a good restaurant also can provide a change of scene and help tourists forget what happened”.

Diversification of Business Areas

Apple started in 1994 and immediately got involved in different areas of business to establish a good share in the market and recover the investment in capital. Tour operation is the main focus of business but other areas such as air ticket issuance and pilgrimage tours assisted the venture in achieving its targets.

Air Ticket Issuance

Apple engaged in issuing air tickets during the first years of operation to generate extra income for the survival of the firm. MS's previous employment in LCTT paved the way for the success of this area of business.

"At the start of our business, issuing airline tickets was limited to local flights because of the air embargo. I had many customers from LCTT to whom I introduced my firm before I left the company. Acting as a travel agent earned us a reasonable income with little effort and at low risk. All we needed was to make arrangements with Libyan Airlines (LN) to sell their tickets and make bookings and receive a good percentage in return. We didn't have to invest in assets; there was no risk because we didn't buy the tickets, we only sold them on behalf of LN".

The increased number of tourists on the one hand and the increased number of travel agents on the other drew the owner's attention away from this area.

"After three years, I decided to stop issuing tickets because of the involvement of many new firms which reduced profits in this area of business. Besides, I wanted my business to be mainly focused on tour operation which is very profitable".

MS's education and experience helped him spot the opportunity of airline tickets and assess the risk involve. At the time of setting-up his venture LN was only one airline in the country and, therefore, the criteria for securing a licence as a travel agent was not easy but his experience assisted him in making this happen. He also advertised his firm to LCTT customers to make his business succeed.

Involvement in Pilgrimage Tours

There are two occasions during the year when Muslims perform religious pilgrimage to Mecca in Saudi Arabia. The first is Hajj which is performed some two months after the

fasting month of Ramadan. The second is Umra which can be performed at any time and can be combined with Hajj. However many people prefer to do Umra in Ramadan. During these seasons, demand is high and tourism firms offer different packages to pilgrims depending on the duration of their stay and the sort of accommodation they need or what is available.

“We make arrangements with the service-providers in Saudi Arabia for the type of accommodation, places to be visited and the cost of the whole package. Our packages include obtaining visas, issuing tickets and taking pilgrims to and from the airports. Our arrangements always take account of the distance between the accommodation and the holy sites. This is very important to elderly pilgrims in particular because of the high temperatures and the prohibition on using vehicles near the holy sites”.

Because of the seasonality of the Hajj, more than 2 million people gather every year in the same place and time. As a result, many problems occur and they need to be handled sensitively because of the sanctity of the place.

“In 2001 we made arrangements with the service-provider to house pilgrims at accommodation equivalent to, say, a 2-star hotel in a convenient location. When the group arrived, our pilgrims’ guide reported to me that the place was already fully booked and that the provider wanted to take them to alternative place that was further away. A problem arose between the provider and the accommodation management about the confirmation of the reservation. I realised that the problem couldn’t be sorted by argument and I considered that the situation could become complicated for our pilgrims”.

The distinctiveness of the occasion imposed some restrictions on the way the manager could solve the problem. It was not the right time or the right place to stick with the initial arrangements with the service-provider or to ask for compensation. MS recounted how he dealt with the problem differently.

“Taking into account the sanctity of the place, I found it irreligious to create a bad incident. I contacted our representative to quickly find other accommodation within the same area but the reply was that all 2-star housing was already booked and the only option available was to take the pilgrims to a 3-star provider. The pilgrims were tired and were already panicking and a decision had to be taken. Soon they were accommodated on initial terms but in a 3-star establishment. I had to absorb the extra cost”.

This experience demonstrates the range of forces influencing the development of the business. The environment provided a massive seasonal opportunity for the tourism industry, and hence for Apple. The sanctity of the places of pilgrimage imposed demands on the nature and patterns of customer-service provider interactions. There was a religious force in the environment which could not be ignored in service delivery and marketing processes.

MS's years of experience in the tourism industry manifests itself in the problem solving processes he employs to handle incidents such as this in a manner which reflects his capabilities in customer care. Similarly, the industry experience and training in accounting helped him to understand how far he could go to solve the problem without putting his business in a loss-making situation. The industry had made MS and MS was using industry-drawn skills to inform his business management practices.

The sensitivity of the religious external environment shaped MS's attitude towards absorbing the extra cost and showing respect rather than seeking compensation. The other thing that he considered was the situation of his pilgrims and he put them first. He also

measured the reputation of his firm. MS's naturally caring personality was enhanced by years of problem-solving experience in the tourism industry. MS reaped what he had sowed in the following year.

"As a result of this incident we just nearly broke-even but the most important thing was that our groups were happy to have the problem sorted out quickly and were able to stay in higher class accommodation within the same location. Consequently, we served more pilgrims in the following year, some of whom reported that our firm was recommended by people who experienced the incident. Problems like this are part of our daily business and I know how to handle them".

CHAPTER SEVEN: CASE STUDY OF ORANGE, A SMALL TOURISM FIRM

Introduction to the Case Study

Orange is a small tourism firm located in the heart of Tripoli business district. It was founded in early 1994 by the owner and manager, Mr FG, and was one of the first private tourism establishments in Tripoli. It was set-up with an initial investment of 15,000 Libyan Dinars (L.D.) from the owner's personal savings. The firm organises archaeological and desert tours for international tourists mainly from European countries [with Italians and Germans comprising nearly 90 percent of total tourist arrivals]. The premises are very quiet, well furnished, computers are installed with internet along with three telephone lines, facsimile and a photocopier.

The firm promotes its services through attendance at international tourism fairs such as ITB Berlin, Borza Internationale del Turismo (BIT) in Milan, Salon Mondial du Tourisme in France and the London exhibition. Orange attended other exhibitions such as MIT in Tunisia and the Cairo exhibition but they were considered to be of less importance. The venture also has a website giving details about the firm and background to tourism products in Libya.

External Milieu: Political and Economic Environment

The Libyan political economy has witnessed changes over the last three decades. In the mid-1970s the government nationalised the private sector and, as a result, the economy became centralised. This along with other factors such as the fall in oil prices and the US sanctions caused severe damage to the Libyan economy during the 1980s. By the late 1980s, the economy saw some recovery as a result of the government policy to gradually liberalise the economy and open the door again for the private sector to be actively involved in economic development. After the lifting of the UN air embargo in 1999 and the lifting of the US sanctions in 2004, the economy flourished and significant foreign investment has been taking place in all areas of the economy.

The dramatic increase in oil prices has further advantaged government plans for economic transformation and development. (For more details, see the first case study).

The Industry Context: Tourism Infrastructure

The aforementioned political and economic problems in the 1980s deterred the implementation of the national development plans and, as a result, a tourism infrastructure was non-existent. In 1989, a Tourism Board was established after 20 years of neglect of this sector. This coincided with the establishment of two big state-owned tourism firms and new laws and regulations for the encouragement of small businesses. (For more details about tourism infrastructure, see case study 1).

Characteristics of the Business

Location and Capital

Orange was established in the owner's home town, 15 km west of Tripoli. Afterwards the manager decided to move to the city centre and therefore capital had to be increased.

"We always have had something to finalise with the government authorities and other tourism-related firms such as the Immigration Authority to obtain visas, banks, transport operators and hotels which are located in Tripoli. Issues like these are part of our daily business and cannot be managed by telephone or fax; they need attendance in person and, therefore, I had to come to Tripoli many times a day which was time consuming. Hence, I decided to relocate my business after nearly one year to have things done properly. This required an increase in capital of 20,000 L.D."

Although Orange deals with foreign tour operators and has no direct contact with the public, the proximity to service providers pushed the manager to relocate his business to city centre.

“After one year I realised that location is not only about attracting customers or displaying goods or services. I came to clearly understand what my lecturer said when I was studying in the UK. He repeatedly stressed the importance of choosing the right location for any kind of business”.

Employment

Orange was run for nearly one year with no employees apart from the manager, but as the firm has grown, the number of employees has increased. In 2005 for instance, there were six full-time employees in addition to the owner and a number of seasonal part-time employees. Full-time employees are engaged in different aspects of the business such as administration, accounting, finance and business relations. Examples of their duties include contacting transport operators, booking hotel rooms, organising tours, finalising legal issues and obtaining visas. The firm also employs a number of part-time employees during the tourism season such as tour guides.

Promoting the Firm: Exhibitions and the Internet

Orange has made a good start and secured sufficient numbers of tourists to sustain the business but the need for growth was a driving force to promote the venture and sell their services to the external world.

“In 1994, we received about 120 tourists which was a good start for a new firm, bearing in mind all the difficulties associated with the air embargo, infrastructure, regulations and the new industry in general. This whet my appetite for more tourists. I was ambitious and wanted to promote my firm to

international travel agents and this could be best done by attending international exhibitions.”

Orange also has a website which gives background about the firm and its scheduled tours. However, the firm builds most of its relationships with customers through direct contacts at international fairs and uses e-mail for later correspondence. The manager described their experience in this regard.

“By attending international exhibitions, there is a good opportunity to introduce myself as a decision-maker and negotiate any issues with other firms. With the internet the situation is completely different. Sometimes we never know whether the person is genuine or serious. Nevertheless, I would say that 80% of our customers are reached through international exhibitions whereas only 20% reach us through the web”.

Although FG sees more value in face to face contacts, the fact is that receiving 20% of customers through the internet is remarkable, bearing in mind that the internet is new in Libya and has become widely known only over the last few years.

Tourist Arrivals

Orange has grown considerably in terms of the number of tourist arrivals. Tourists arrive from many different countries but Italy and Germany are the top generating countries.

“At the beginning, tourists arrived in small groups mostly from Germany. In 1994 for instance, we received about 120 tourists a figure which has increased remarkably over the following years to exceed 1000 tourists in 2000. The number has continued to increase and reached about 2000 tourists in 2004 with nearly 60% from Italy, 30% from Germany and the rest from different countries”.

These figures show that Orange has been growing over time and has established a good reputation in the tourism market. The founder explained why the highest percentages of tourists were Italians:

“Unlike other countries, the vast majority of Italians know Libya. Others would think of Lebanon or Liberia because of name similarities. Moreover, the distance and history between two countries have an influence in this regard. By and large, I think Italians are the majority of tourists arriving in Libya”.

Libya is very close to Europe which makes flying time very convenient. Italy, for instance is less than two hours from Tripoli. There is also a long history between Libyans and Italians back to when the Romans left international historical sites such as Leptis Magna and Sabrata (see chapter 2).

In 1911, Italy colonised Libya and people of both countries came to understand the socio-cultural life of the other. More recently, oil, trade and investment between the two nations has built a strong relationship and mutual understanding which encourages the people of both countries to visit for different purposes including cultural tourism.

Characteristics of the Founder

Family Background

The founder is in his mid-forties and married with three children. He lives in a town 15km to the west of Tripoli where he first set-up his business. His wife is a teacher at a primary school. His mother is a housewife with no education and his father was a trader selling clothes and textiles which improved the family’s financial situation. FG has three sisters who are university graduates. His elder brother is an engineer working in the public sector, who also runs a private engineering business with his business-partners in the afternoon.

FG grew up within a close knit family. Education was the main concern for his parents. The manager recalled some memories about his family.

“My parents are both kind and strict. My mother is a housewife and my father was a trader and retired a few years ago. In their day, life was hard and only a few people could afford to have a proper education. I think this is why they wanted us (their children) to achieve what they missed. While we grew up they kept a close watch on us. We were reminded that our father’s word was final and it was he who ruled the family. However, their firm attitude melted if they saw that one of us unwell or in trouble”.

The firmness of the parents came from their carefulness and worries that their children might rely on them and achieve nothing for themselves. From fieldwork observations, FG appeared to follow ‘business is business’ ethos. This was demonstrated by the amount of control he practiced over his employees. It appears that FG ran his business much like his father ran his family.

Early Experience

The principles of his father encouraged the founder into business in his teens. At first, his father fostered his sons’ curiosity; later the boys took an active part in running of the business.

“In the early 1970s, my father used to take us to his shop which was close to our home. At the beginning, we were not allowed to do anything apart from watching and listening. Soon my brother and I were competing with each other to play a major role in the shop. The competition included ways of stocking and displaying stock but our role later extended to making deals independently, and we would receive our father’s comments on each deal and be given advice. He was happy that we were doing very well”.

From an early age, the owner learnt his first lessons in business. He recalled an occasion when he received feedback from his father.

“My father commented when a customer was bargaining and I was not prepared to come down with a certain product. He said to me that when it comes to less saleable products we should try our best to sell as many items as possible even if at reduced prices than labelled or the purchase cost. His view was that we needed to consider the business as whole and that the profit we were making from selling quality items would and should recover the less saleable items otherwise we would have a problem in choosing the right products.”

The founder received business wisdom from his father which shows that for the business to succeed, the right product has to be carefully chosen. Losses can be accepted but should be recovered by other business. It appears that the founder learnt the lesson and practiced his father’s experience when he paid reclamation for a travel agent as he describes later in this report.

Education and Training

From the mid-1970s until the mid-1980s, the government offered many opportunities to thousands of Libyans to study a variety of business areas in different European countries. After he completed secondary school, the owner got the chance to study Hotel Management in the UK.

“In 1982, the government offered scholarships to study hospitality and tourism in the UK. There were many opportunities at that time but I was lucky because I was interested in learning English as an international language and more interested in studying tourism”.

Other opportunities offered by the government included studying iron and steel in Britain, railways in Romania and Poland, engineering in Germany, civil aviation in Ireland, marine shipping in the former Yugoslavia, tourism in Cyprus and Britain, computing and technology in the USA and many others. This was part of the government's development plan with regard to human resources.

In terms of the tourism sector, it was proposed that development of the sector required investments both in infrastructure and human resources. Therefore, a number of students were sent in 1982 to Cyprus and the UK to study different areas such as food and drink, hotel management and tourism promotion. FG was among those who studied in the UK.

"I was interested in hotel management for many reasons firstly, because accommodation has widely been regarded as central to tourism and secondly it offered good job opportunities after graduation as there was a shortage in this area in the existing hotels in Libya and a number of new hotels were under construction which gave an indication that hospitality would have a promising future".

The manager spotted an opportunity that formed his future in tourism. He realised that although tourism at that time was neglected, hotels serve both residents and tourists and therefore, a job after graduation was secured. The owner also learnt English which assisted him later when he worked in a hotel and again when he set-up his business.

After he graduated from the University of Greenwich, FG was planning to start his career but external factors interfered and pushed him to enroll for a Masters' degree instead.

“After graduation I was hoping to find some progress in the tourism sector but the economic problems affected all aspects of life in Libya. Therefore, I decided to continue my education and went for a Masters’ at the same university”.

It is worth noting that factors such as sanctions and economic problems during the 1980s hindered the government from implementing its plans to develop the tourism sector. Other projects such as railways were also suspended and graduates had to find jobs in different areas. Obviously, the unhelpful external economic environment prevented FG from starting his career after graduation and directed him to higher education.

The owner’s determination to strongly position himself in the tourism business continued after setting up his venture. In 2001, he went to South Korea for two weeks training in tourism promotion. As part of the training, arrangements were made to take attendees to a restaurant owned by a Korean entrepreneur. FG recounted what he got from this training opportunity:

“The entrepreneur gave a speech outlining the main stops in his life and how he started his business in Korea and expanded to Japan, America and other countries. Part of what he said was that the key issue for business success is service. He stressed ‘service, service and service’. This took me back in time some 15 years earlier and reminded me of Davis, my lecturer, when he stressed the importance of location”.

It seems that the owner has adopted a lifelong-learning approach to his career. Travelling to South Korea for training in tourism promotion is an indication that the owner’s need for achievement and growth is unstoppable. He keeps himself updated. From stressing the importance of location in the 1980s to emphasising the importance of service in the early 20th century, the manager has learnt key factors for business success.

Fieldwork observations also revealed that FG is also comfortable with IT. He uses his PC and laptop to keep his daily business records, surfs the web, and communicates with customers and with his employees when he is abroad.

Previous Employment: Working in Hotel

The founder got his Master's degree and returned to Libya in late 1988 to start his career in a state-owned hotel.

"I worked as a receptionist for nearly four years during which time I developed good relations with my colleagues and with receptionists of other hotels. We were in direct contact with each other and many of them became friends of mine. There was a sort of co-operation between us and other hotels. This included making arrangements to send customers to one hotel when vacancies were unavailable in the other. The collaboration also included cases when we urgently had to transfer customers to hotels of the same category".

The collaboration between hotels opened the manager's mind to how effort and resources could be shared to overcome problems. His friendships and network of contacts with personnel in many hotels in Tripoli assisted him later in overcoming problems related to accommodation. This experience taught him the value of cooperation in the success of a business and encouraged him to collaborate to facilitate attendance at international tourism fairs when he set-up his own business. His co-operation with other hotels was an early experience of the benefits of inter-firm alliances.

By the early 1990s small groups of tourists had been increasing and private tourism firms were just started setting-up. As a receptionist in the hotel, FG had the opportunity to directly deal with tourists.

“My English, education and the experience with people from different backgrounds helped me in dealing with tourists and their needs. Tourists referred to me whenever they needed something or had difficulties in communicating with some service providers within the hotel or those from outside such as taxis”.

Language assisted the founder in communicating with tourists and the assistance he offered to them helped him in getting information about their travel agents which he needed when he started his business. The founder played a major role in providing tourists with quality services and, as a result, he got a promotion and took on more responsibilities.

“Catering was one area that displeased some tourists which was beyond my control. I tried to collaborate with the head of the catering department but he was uncooperative as he wanted to do things his way and thought that I was interfering in his business. The hotel management asked me to take responsibility for the reception and catering department. When I tried to explain the difficulty associated with the new responsibilities, they explained that this was in appreciation for my hard work especially with tourists and an acknowledgment of my qualifications”.

It seemed that factors such as education and language, hard work, collaboration, leadership and being a good communicator contributed to his promotion.

Pre-Setting-Up of Orange

Many factors encouraged the founder to set-up his own business. Some factors were related to the economic and legal environment whereas others were related to his capabilities. The positive changes in the business macro environment and being given more responsibilities made him think of doing something for himself rather than the hotel.

“The establishment of the Tourism Board in 1989, the encouragement of private small businesses in the early 1990s and the economic remedy were indicators that the government was paying serious attention to the tourism industry. As a receptionist, I was also in direct contact with couriers of the foreign travel agents and with Libyan tour operators when we dealt with accommodation arrangements. These factors together with my new overwhelming responsibilities paved the way for my independence”.

Clearly, the day-to-day practice and contacts with tour operators, couriers and tourists provided the owner with experience he needed to set-up his firm. He also gained and improved his skills and was able to easily build good ties with his colleagues and others in the accommodation sector. The owner took the first step towards the establishment of his own business.

“I wanted to minimise the risk associated with losing my job and the risk involved in investment in new business, I also wanted to practice the business. To do so, I took unpaid leave for three months. My calculations showed that I had already lost three months salary and that I should invest a small amount of capital to minimise unpleasant outcomes and finally, I should maximise my efforts. Therefore, I rented a small place and installed a facsimile and telephone to start with”.

FG has an entrepreneurial sense. Apart from hard luck, the manager left nothing to chance. He calculated the ‘opportunity cost’ that is the cost of leaving his job; he knew the ‘human capital’ he had and, thus, decided to cut-down investment in money. Furthermore, he considered the tourism infrastructure and found that he had excellent contacts in one important area, accommodation. He also calculated the risk associated with the external environment and found that the tourism industry was new and that there was potential for both good and unpleasant future outcomes.

Consequently, the manager made a wise decision to minimise the risk if things went wrong by taking un-paid leave for three months.

Setting-up of Orange

Early Years of Operation

As mentioned earlier, the founder ran his business for nearly one year with no employees. He managed to do this by:

“Making contacts with certain tour guides, restaurants and transport providers to ensure their capabilities and discuss their prices. I spent hours every day communicating with foreign travel agents by fax. The first step was to obtain visas for my customers by contacting the Immigration Authority. I used to accompany them to many historical sites and take responsibility for all aspects of their journeys”.

At that crucial stage, the owner practiced by taking tourists to different places and experiencing first hand the kind of problems they might face and ways of solving them. His involvement in all aspects of the tours gave a good impression to tourists and the couriers by demonstrating that the owner was meeting their needs.

The owner was determined and confident in his ability to achieve his target. His need for achievement is evident by the time spent on giving a quality service to his clients and making their journeys both useful and comfortable.

Staff Selection and Training

As the business succeeded and the number of tourists increased, the manager needed staff in order to cope with the growing business.

“I carefully chose my staff based on my business needs and some criteria related to each position. Personal skills such as good communication and knowledge of foreign languages for instance, are necessary to a candidate who is supposed to work as a tour leader. Dedication, punctuality, and the ability to work with a team are general requirements for all staff because our business is very sensitive as we are providing services to people and, therefore, staff should support each other and make sure that what matters is the final product”.

Previous experience and education sowed his understanding of the sensitivities of the tourism business and played a vital role in shaping and maturing his way of thinking and in setting criteria for his employees.

Choosing staff who spoke foreign languages was important to the manager in the sense that it minimised expense and, consequently, maximized the profits.

“We do business mainly with Italians and Germans and it is easier for them to communicate in their languages. By having staff who are able to do so, we saved time and money that we would have been paid for translation”.

To ensure the delivery of quality services to his customers, the manager offered training for those who were partially qualified for a certain job.

“I searched, using my personal contacts, for a tour leader but it was difficult to find an experienced person as tourism was and still is in its infancy. I recruited a person who speaks Italian and English but had no experience in tourism. I offered him training for three months and allowed him to practice

his job by taking him on tours with tourists to different places. The most important thing I taught him is that 'the tourist is always right'.

Customer loyalty was considered by the founder as an essential factor for business success and growth. This was a result of his education, previous employment, early lessons from his father and his recognition of the sensitivity of the tourism business.

The training the owner offered to his employees has been rewarded. He has had a tour leader for nearly ten years. He set-up principles for his employees to follow and rewards them for their hard work. To the manager, employee stability is very important.

"Now, he (the tour leader) enjoys and does his job perfectly and is very well paid. Although he has received many offers from other firms, he has refused to move. He feels that he is a part of our firm. He is faithful with good morals".

The manager also offered training to other employees including those dealing with accounts as he believes that small tourism businesses need a different way of financial reporting.

"Graduates usually deal with accounts on a periodic basis i.e. monthly, quarterly or yearly. In our business however, we further need reports on each scheduled journey in order to assess our performance from the financial stand point. Therefore, I sent my financial staff for three weeks training for book-keeping to familiarise them with our requirements".

With his experience and knowledge as a manager, he recognised his company's need for supplementary financial reports.

Dealing with Booking Cancellation

Due to the small number of quality hotels, demand for them was very high. Government requirements take priority over private sector bookings, so tourism firms may experience cancellations of their bookings especially during certain times of the year such as national celebrations when the country receives diplomats or official groups.

“At one time we booked for two German groups at the Mahari hotel. They had already left Djerba in Tunisia on their way to Tripoli when I was informed by the hotel management that they had to cancel our bookings due to reasons beyond their control!”.

For security purposes, hotels are not normally pre-informed about arriving diplomats. FG was in a difficult situation and had to act quickly to solve the problem.

“I was shocked and frustrated by the short notice of the cancellation. I was panicking and didn't know what to do in a short space of time. I made contacts by telephone and in person with many hotels where I had close friends and asked them not only to offer me some rooms but also I sought their help by asking them to contact their friends and get back to me. I received some positive answers which I had to accept though I had to split tourists into small groups according to hotel availability”.

The founder dealt with the difficult environment by using his personal networks. The short notice the owner received from the hotel management caused serious problems for his firm. As he was panicking it seemed that he was not in situation to remember or contact all his friends therefore, he created a network of direct and indirect contacts as to get as many responses as possible. This saved him time which was the crucial element. However, the damage caused by the cancellation did not stop at this point.

“As a consequence, I had to pay about 10,000 L.D. to the foreign travel agent as compensation for that night. It was the worst experience of hotel cancellation I have ever had in my business. I sincerely apologised to my customers and, to restore the picture, I took them to a first class restaurant in the following day”.

A large amount of money was paid and extraordinary arrangements had to be made to repair the damage caused by such a cancellation on the first day of the tour. This is an example of how the external environment can intrude on a business.

Involvement in Alliances

In 1995 Orange set up an alliance with two tourism firms and made arrangements to attend the Berlin exhibition.

“As a new firm, it was difficult for us to take part in international exhibitions because of the high cost involved. Therefore, I made contact with two business-owners with whom I had a good relationship. I stressed the importance of the Berlin fair and suggested that we shouldn’t miss out on this opportunity and that we could share the cost of attendance. Both managers welcomed the idea and we soon made the required arrangements”

The manager benefited from his previous job where he practiced collaboration with other hotels at an early stage of his career. FG seized the opportunity of the Berlin exhibition and came up with an idea of collaborating with other firms. It was a good example of inter-firm alliance. The three firms combined their resources and efforts when it was not affordable for any one of them.

“Before we made any contacts for attendance, the three of us met to discuss how to proceed and how we could benefit from it. We agreed upon certain issues. First, to share a small space because of the high cost involved.

Secondly, we agreed on what we needed to exhibit with regard to tourism products in Libya. Finally, we agreed that each firm should work independently in terms of promoting its services”.

FG worked in teams at the hotel so he knew the value of negotiation. He demonstrated that he is a good negotiator as he and his business-partners agreed on rules of participation. At his first exhibition, the owner gained valuable experience and managed to make initial contacts.

“Because of the lack of experience, as it was the first time for all of us, we used ordinary printed papers to sell our services but we were pleased that we made it and learnt a great deal. I made initial contacts with some firms from different countries and visitors were astonished by the archaeological sites. The experience was exciting and the atmosphere was brilliant and as a result we repeated the experience the following year”.

His lack of experience did not hinder the manager from taking part in a renowned exhibition. It is clear that the need for achievement, determination and eagerness to grow were behind his use of collaboration and are among his entrepreneurial characteristics.

Building Rapport with Foreign Travel Agents

The owner learnt a great deal from his first experience at the Berlin exhibition. As a result he improved his firm’s performance and made good contacts when he took part in 1996. He regarded this participation as a turning point for his business success and growth.

“In 1996, we came to Berlin with a lot of preparation and determination. Leaflets for instance, were more informative and ways of approaching tourism firms and attracting visitors were also more productive. However,

staffing and language problem had to be solved. It was difficult to stay in the same place from 9.00 am to 6.00 pm without a break therefore, I needed someone to help me in this and also in the German language”.

The manager's personal networks and skills played a central role in establishing strong ties in Germany. His network of contacts provided him with a qualified person through whom he made deals with a big company.

“My contacts in Tripoli led me to other contacts in Germany which resulted in employing an Egyptian lady who speaks German and has a good background in tourism. She suggested that she could make contact with a big tourism company called Studiosus. She made arrangements for me to meet with the contractor manager (CM). He reported that they used to make tours to Libya in the 1960s and welcomed the idea of doing business with my firm”

The owner highlighted his business-relationship with CM and how it led to expanding his business with the Germans.

“I built a good relationship with CM which over time led to personal bilateral visits. My business with Studiosus grew rapidly and the majority of German tourists arrived via that company. In 1998, CM resigned to join a larger company, Touristic Union International (TUI). With the assistance of my friend, I soon started doing business with TUI. At the same time I was still in business with Studiosus but this lasted only for one year. The new CM of Studiosus made it clear that they and TUI had never worked with the same customer and, for this reason, I was asked to choose between them. I chose TUI because our business was growing, besides, I had stronger contacts. It is fair to say that my business with both companies was the turning point for my firm”.

The strong relationship between the Owner and the former CM of Studiosus offered extra business opportunities to Orange. Without these strong ties the owner could not have gained access to TUI and done business with them. This is evidence that personal contacts can strengthen business relationships and can help business success and growth.

The owner's personal skills and ability to build and maintain ties has been a key factor in entering different markets. He had an amazing experience with Greece.

"I always try to explore a new market and gain different experience. My business with Greece has been limited to a small number of tourism firms. I did business with Manstravel for nearly three years with the direct involvement of the contract manager, operations manager and the accountant. Due to financial problems the firm went bankrupt. As the company closed-down, the three of them moved to different agencies namely Middle East, Herona and Kosmar. Because I had good relationships with them and kept in touch with each of them, I now have three firms to do business with".

FG's business and personal contacts provided him with a variety of business opportunities. The three employees at Manstravel brought three new customers to Orange. His character as a well organised person helped in this matter.

"I always keep diaries of all my contacts including those who I have no business with. I keep my contacts live by sending e-mails or Christmas cards so that I leave doors open for contact at any time".

The founder's personal characteristics and skills played a central role in developing his business. He built networks of personal and business contacts which assisted him in increasing his business with his partners and provided opportunities to gain new customers. His experiences with the Germans and the Greeks demonstrated his

excellent communication skills and his success in building and maintaining numerous networks of contacts.

The firm has achieved substantial growth in tour operation which is the main focus of the business. However, the owner continued to identify new opportunities which further increased the firm's reputation and diversified its business as the manager reports in the following sections.

Attending International Tourism Fairs at Low Cost

The manager took-up new opportunities to attend international tourism exhibitions at a low cost. He explained where they came from and the value they added to his firm:

"The Tourism Board (TB) offered financial assistance to small tourism firms to take part in a number of international tourism exhibitions at a low cost. This was the type of excellent opportunity one should never miss out on. We took part for the first time in 1997 and since then, every year our firm plays a part in at least two of the most renowned exhibitions such as those in Berlin, London, Milan and Paris".

The owner took up the opportunity offered by the TB and explored new exhibitions which he could not afford in the past. He outlined the arrangements by the TB and his views.

"TB makes contacts with tourism firms to list their priorities for attending certain tourism exhibitions. Then, it informs us about the availability for each exhibition. The number of tourism firms has increased and most of them are taking part in these fairs which sometimes causes crowding or chaos, but taking account of the cost involved, we would be paying as much as ten times more if we were to attempt it on our own. I always make the most of those exhibitions and make the best of the TB arrangements".

It is apparent that the owner is very confident in his ability to promote his business in international exhibitions despite the large number of Libyan attendees. He carried out a cost/benefit analysis and assessed the outcomes to find that the high percentage of savings made it worthwhile for his firm to take part.

Dealing with Transport

The owner highlighted the infrastructure problems his firm faced during the early years of operation. He summarised the situation in a few words "*the tourism infrastructure was non-existent*" and further described one area:

"The poor infrastructure in general was a consequence of economic sanctions. Tourist transport in particular, was missing. Small private tourism firms came into existence in the early 1990s to find a severe lack of transport services. Public transport was inadequate but was the only alternative. Farwa, for instance, which is a big state-owned tourism company, started with only one coach".

The situation was desperate. However, the manager's previous employment within the tourism sector and his personal contacts were key factors in easing the problem and keeping the business going.

"Although they did not match international standards, we had no choice but to use what was available. With good contacts and after long negotiations, I made arrangements with the university to rent their buses subject to early notice and availability! We also approached Express Transport Company (ETC), a state-owned company serving passengers across the country, in an attempt to overcome the problem. Fortunately, the number of tourists was relatively small which eased our frustration".

The external economic environment and the tourism infrastructure in particular, has been the major obstacle for business growth and tourism development. Nevertheless, the manager demonstrated that he is a problem-solving person. He made contacts and managed to make deals with different bodies to resolve the problems. Undoubtedly his personal skills and personal networks played a central role in his success in making such agreements at a time when there was a severe transport shortage.

It is worth mentioning that in the 1990s the Libyan economy had, to some extent, recovered as compared to the 1980s. Though it affected the Libyan economy in general, the air embargo imposed by the UN in 1992 opened the doors for sea and road transport to play a central role in goods and human transport. This coincided with the government encouraging the private sector to be actively involved in economic development. As a result, private businesses began to replace state-owned transport. For example, privately-owned 16 and 24 seater Iveco mini-buses came into wide use.

“The good news was that the vehicles were new and suitable for small tourist groups but the difficulty was that, from a financial perspective, most mini-bus owners preferred to serve the public. This however, was not a big problem as we were able to make deals with some of them and to keep their contact numbers for further collaboration”.

Orange managed to cope with the inadequate transport services. However, the manager, as always, came up with new ideas to further improve his firm's performance and make his dreams come true. The firm decided to enter the transport business.

Business Expansion

Realising the importance of and shortage in the amount and quality of tourist transport, the owner took a decision to acquire new coaches.

“Although the number of transport operators has increased over the last few years, the number of big and good quality vehicles is insufficient and the services are still inadequate. I found that quasi-resolutions did not and could not solve the problem. Therefore, we decided in 2002 to buy two buses to serve our tourists in the first place with possibility of providing services to other firms”.

It seems that the idea of acquiring new buses had developed over years of operation. The founder experienced many problems and dealt with providers from both the public and private sectors but this did not solve his problems. The intention behind his decision was not only to guarantee quality services but also to keep open the opportunity to expand into transport operations.

“We recruited two full-time drivers and gave them on-site training about the distinctiveness of our business. This included, among the aforesaid job requirements, the importance of their look. Financially, I offered them basic salaries throughout the year and bonuses in the tourism season. Their duties are to look after the buses and make sure that they are ready at any time. The problem of big tourist groups has now been solved and with the increasing number of mini-buses, we have no serious problems with small groups”.

The manager again applied his business principles. He recruited full-time drivers though the tourism season lasts for six months in order to make sure that they would look after the buses and that they would be under request at any time. By paying year-round salaries and giving year-round responsibilities, the owner aimed to minimise employee turn over. In other words, he offered good salaries and secured

stable employees just he had done with the tour leader. The manager demonstrated that he has an entrepreneurial vision and managerial skills. He regards staff stability as an important factor for his business growth and is prepared to pay for this.

Serving for the Community

The tourism season begins in November and ends in April. During the remaining time of the year the weather is unsettled and temperatures can reach 40°C in July and August. During the low season, the venture becomes involved in providing services to the community.

“During the low season, we are occasionally involved in some business just to keep ourselves active. We provide services to the community at low cost. These include organising days out such as camping or outings for school children to visit nearby places like Leptis Magna or Sabrata. We also offer week-end trips for foreign residents to historical sites. Although groups are usually small, our aim is to increase our reputation and promote our services using all means available. The other thing is that sometimes we (staff) take part in these tours for relaxation”.

Orange plays a role in the community. It provides trips to school children who normally cannot afford the full cost. This, of course, is appreciated by head teachers, families and the community at large. The firm’s involvement in serving foreign residents also offers good opportunities for these residents to explore the tourism products and is a good use of resources for promoting both the country and the firm. The founder is also interested in and hoping to organise tours for Libyan people, but social customs present big obstacles.

“Domestic tourism in Libya is limited partly because of the newness of the tourism industry and because of social norms. Basically, visits to friends or relatives have been a common practice among the Libyan people but have been organised by families themselves not by tour operators”.

The external social environment has its identity where families prefer privacy and also prefer to spend their time at the beach or camping rather than visiting historical sites. The infancy of tourism in Libya, social norms and the lack of promotion are reasons why domestic tourism lags behind international tourism. Nonetheless, the venture’s involvement in community programmes is an attempt to change such attitudes and to promote domestic tourism.

Future Plans

Orange is now in a position where major services are supplied from within a firm which has increased its credibility and reputation. The firm has plans for expanding and diversifying its business further but the tourism infrastructure is still a big barrier.

“With more or less 2000 tourists in the last few years, we are in position where we do not want to take more. We believe that increases in the number of tourists should go side by side with improvements in the tourism infrastructure. In the meantime, we want to deliver the best quality for the services under our control and we hope to have a fleet of buses. We are also studying a proposal to set up a restaurant so that more services can be provided by our firm. Only then will we begin thinking about increasing the number of tourists”.

The venture achieved its goals under the leadership of its owner but this is not the end. The firm has been growing in terms of the number of employees and tourist arrivals. It has been delivering quality services over the years. Orange is now paying more attention to improving its services further and diversifying its business. The balanced expansion over the years indicates that the manager has taken the right decisions at the right times for his business to grow. The study he is conducting about food and drink and his concern about maintaining premium quality are good examples.

CHAPTER EIGHT: CASE STUDY OF PEAR, A SMALL TRANSPORT FIRM

Introduction to the Case Study

Pear is a private small transport firm located in a public marketplace in the Tripoli business district. It was founded in 1997 by the owner and manager, Mr BM and was set up with an initial investment of 90,000 Libyan Dinars from the owner's personal savings and his brothers' assistance. The venture began by transporting visitors, traders, shoppers and workers across the Libyan-Tunisian border.

The firm has expanded its operations and transported a variety of passengers to different places for many different occasions. The expansion included transporting passengers during national celebrations and international conferences like the African summit, and transporting tourists to and from historical sites. As a result, the size of the fleet and the number of employees had to be increased.

The Business Macro-Economic Environment

The External Milieu

The Libyan economy has seen major changes over the last three decades. Until the mid-1970s, the economy was mixed with both public and private sector involvement. Factors such as the prohibition of private businesses in the late 1970s, the US sanctions and the global economic recession of the 1980s had catastrophic impacts on all aspects of life. Unemployment, for instance, was estimated to be 13 per cent but unofficially it was thought to be much higher. By the late 1980s, the government recognised that there needed to be a change in policy.

Since the early 1990s, the Libyan government has made serious efforts towards economic liberalisation and the introduction of a market economy thereby encouraging the private sector to invest and take part in national economic development. New laws and

regulations have been passed to provide a concrete basis for domestic and foreign investors. See the first case study for more detail.

Tourism Infrastructure

As a result of the aforementioned political and economic problems, tourism infrastructure has traditionally been underdeveloped. Hotel accommodation, tourist transport, food and drink have been inadequate for tourism development. In the 1990s, road and sea transport, for instance, had to replace international air traffic because of the air embargo. Conversely, this offered great opportunities to the private sector to invest and be involved in transport operations.

By the start of the new decade, transport operators were increasing their businesses volumes by entering into many different activities such as transporting visitors and tourists. Transport operators also cooperate with other firms within and outside the country and with tour operators to further play a major part in the development of tourism and the economy at large. (For more details about the tourism infrastructure in Libya, see the first case study).

The Business Micro-Economic Environment

Characteristics of the Business

Location

The market where the venture is located has been known for a long time as a gathering place for shoppers and cross-border traders exhibiting and trading many different products. Shops in the area are also of market style and prices are normally less expensive than high street stores. Immigrants and workers from neighbouring countries and sub-Saharan countries comprise the majority of exhibitors. Tobacconists, public restaurants, cafés and transport operators are widely spread in the area serving visitors, exhibitors and the public until late in the evening.

The market is ideal for almost all kinds of businesses. The seaside is less than five minutes walk and the market area of Tripoli's Old City is just around the corner where there are a number of small markets such as the fish market, the gold market, the silk and textile market and the handicraft market. This market is well known to visitors from the neighbouring countries and to most everyone who visits Tripoli.

Capital and Employment

As mentioned, the venture was set up with an initial investment of 90,000 L.D. which was for buying vehicles and for administration expenses. The owner gathered the greater part of his capital from seven years work as a trader and a wholesaler, but a little support was needed from his brothers. Furthermore, as the firm increased and modernised its fleet and expanded its services, BM received financial and technical assistance from his brothers when he bought 4 new vehicles.

The venture began with four mini-buses, six drivers and a clerk, but in January 2006 it had two mini-buses of 24 seats, four mini-buses of nine seats and two buses. The number of employees had also increased to fourteen including twelve drivers and two clerks in addition to the manager. BM offered training in dealing with the common problems of vehicle breakdowns to his drivers at his brother's repair garage.

Characteristics of the Founder

Personal and Family Background

The founder was born in 1970 in Tripoli and is married with a baby boy. He graduated from the Department of Developing Countries' Studies, Faculty of Social Sciences, University of Al-Fateh. His father passed away when he was 12 years old. He is the eldest son with twin brothers and one sister. One of his brothers trained as a motor-mechanic and the other graduated from the Faculty of Art and Design, University of Al-Fateh.

In 1990, the founder began his involvement in business to prepare for the demanding future. He got financial support and encouragement from his mother to buy a kiosk in the public market area next to Tripoli Old City. The business succeeded and opened doors for BM to establish new ventures.

BM later set-up a shop selling clothes and expanded his business by becoming involved in wholesaling from which he was able to establish a transport business and was able to secure the basic requirements for his future. He now owns a house, a car and married in early 2004.

Early Inspiration and Aspirations

The global recession of the 1980s and the US sanctions coupled with the government prohibition of private business had a negative effect on the Libyan economy and on daily social life. Consequently, unemployment among graduates became the main subject of everyday dialogue and a difficult problem for the State. Furthermore, there is a wide recognition within society that poor government salaries do not provide enough income to save because they hardly cover the essentials of living. The lack of job opportunities and poor salaries left BM in fear of the future and strongly believing that he had to do something. He had examples from within the family:

“In my teens there was a horrific economic situation from which I came to understand that qualifications alone might not be able to feed an empty stomach. The lessons I’ve learnt from my immediate family left no doubt in my mind about insufficient salaries. The story of my cousins in particular had an impact on my decision to get involved in business before graduation. Three of them had been employed in the public sector for many years and were not able to secure their privacy. They are married and had been sharing a house with their parents. They extended their parents’ house to solve the problem”.

Apart from certain areas of speciality such as medicine, accounting and engineering where there were severe shortages, graduates had no choice but to take any job that would generate an income, if there were any, or to stay at home after endless and hopeless efforts searching for jobs. The no-win situation pushed many students to leave the university. They felt that it was pointless to spend years at school or university to face unemployment soon after. BM had two years left at university when he started his first business.

“Graduates in my area of study and many other areas were confronted with the fact that the government had no jobs to offer and salaries were also discouraging. Therefore, they (graduates) had to work something out. In 1990, I was half way from graduation but the question was what would happen in two years time?”

In Libyan society, housing, marriage and private transport are the main concerns of young people. Marriage and housing are of particular importance. Marriage is expensive and it is the husband who is supposed to take responsibility for almost everything including a place to live and a significant amount of jewellery for his wife. Therefore, for young people to get married, they either need to be supported by their families or work for years until they can afford to marry. Owning a house has also become a remote possibility.

Clearly, the external economic and social environment pushed large numbers of the community into private business and BM was one.

Early Experience in Business

Setting-Up a Kiosk

After discussions within the family, capital was arranged to set up a small kiosk selling fashion accessories such as head scarves, handbags, belts.

“The family was convinced that the employment situation was hopeless but my mother was still concerned about my education. I stressed that it wouldn’t be difficult for me to manage a small kiosk for a couple of years until I finished my studies and my brothers supported me by offering assistance whenever possible.

To fund the project, my mother offered some of her savings. Her view was that if I failed in business we would at least not have anyone pestering us over an unpaid debt”.

BM's idea for a fashion kiosk was welcomed and supported by his family. It was evident that they were all aware of the seriousness of unemployment and poor salaries and also aware of the consequences of the mother's offer of financial support.

“I was interested in selling fashion accessories as it needed only a small amount of capital, besides it didn't need much experience in business. I chose to locate my kiosk in the souk area so that I would have no problem with demand. The initial investment was about 6 000 L.D. from which I bought a kiosk and the goods”.

The relief of the Libyan economy in the late 1980s and the early 1990s opened the doors for individuals to open small private businesses. People were searching for opportunities and quickly took those that were available especially when only a small amount of capital was needed. Kiosks were a good example of this. Kiosks sell different products such as tobacco, newspapers, ornaments and stationery. Other business opportunities included importing second-hand vehicles and cross-border trading.

The founder explained how he got started and how he used his personal contacts to make his kiosk appealing to customers.

“I started in 1990 by buying from the local market but the appeal was missing as the material exhibited was almost the same as in other kiosks or shops. To sort this out, I used to give small amounts of money to some of my relatives and friends asking them to get me different types of accessories when they travelled to Tunisia, Morocco, Egypt or Malta”.

The 1990s witnessed a massive increase in Libyans travelling to Arab and European countries for trade purposes. Financial gain was the main motive for many who were involved directly or indirectly in business, that is to buy for their businesses or for others' and make profits. The owner made the most of his family and friends' travels to diversify his range of products. This saved him the time and money he would have had to spend on his own travel and accommodation. BM outlined the benefits he received from such arrangements:

"If I was to travel that would have cost me a lot of money which would exceed the cost of merchandise. Besides, I wouldn't be able to get goods from different markets. With the small amount of money in each deal, I did not cause much embarrassment to my acquaintances and avoided problems with immigration authorities. More importantly, this offered me a collection from which I was able to find the most saleable products which helped me choose where to buy from when I started travelling myself".

By choosing to allocate only a small amount of money for each deal, he minimised the risk of buying big quantities of less saleable products and avoided the problem of confiscation of unauthorised imported goods at immigration points. The experience guided him to the places where the most saleable products were available when he decided to begin buying for himself.

In 1992 BM delivered on his promise to his mother and graduated from university. He kept his kiosk until 1993 when his brother graduated from the university and joined him. BM summarised his experience and explained his plans to expand:

"In three years I had made numerous business contacts with traders and personal contacts with others in the souk. I had gained valuable experience and had saved enough money to be able to rent a shop in Rasheed Street. When my brother joined me I felt that the time had come to expand my business but I did not want to have a new shop at the expense of my kiosk. My brother took my place in the kiosk while I rented a shop in the same area".

Although the economic situation was the driving force for self employment, the need for achievement was behind BM's determination to succeed. Factors such as location played a vital role in his business success. Being in the heart of a public market surrounded by many different markets made the business booming. Other factors for his business success included the creation and the use of a network of contacts, the recognition and take up of opportunities and the generation of new ideas.

In 1994 his other brother finished his training and joined a garage for motor repairs. At the same time, the kiosk was closed down.

"The number of small kiosks had notably been increasing and spread around to reach the city centre and many of them were haphazardly located. As a result, the Baladia (Council) took a decision to remove all kiosks in the city centre and the surrounding area including ours".

After closing the kiosk, BM made arrangements for his brother, who ran the kiosk, to replace him in the shop while he prepared to move into wholesaling.

Involvement in Clothing Trade: A Middleman and a Wholesaler

The significant profits generated by the small kiosk along with the involvement of his brother encouraged and helped the owner to rent a new shop. BM used his network of contacts and market knowledge to develop his new shop but he was confronted with the dominance of the established traders.

"In the beginning, I used to deal with middlemen to supply my shop with goods and had to accept what was available in terms of price or quality. However, I found that suppliers were making distinctions between old and new traders in that they used to save quality merchandise for old clients. This was a disadvantage to my business and, therefore, I had to find a way to approach the wholesalers so that I would secure quality products and save some money paid to brokers".

BM had high expectations of how he could use the excellent contacts and relationships he had developed as a kiosk owner. However, he did not always get the level of support he expected when he entered the market as a retailer. He explained how he managed to deal with such obstacles by passing middlemen and going directly to a wholesaler.

“My personal contacts led me to a former classmate at the university whose father was one of the big name wholesalers in the market. My classmate was prepared to help but he stressed that his father dealt only with middlemen. After talks with him I found a small light at the tunnel which was becoming a middleman myself. I knew that it wouldn’t be easy but it would change my business career. I thought about supplying other businesses as well as mine. I explained to my classmate that I would start with 1000 items of different products. I realised from the big smile on his face that this was not a big deal, so he promised to try his best with his father”.

BM made good use of his personal contacts which led to a powerful contact in the market. He was surprised when he talked to his former classmate and found that there was a real opportunity if he (BM) would be involved in supplying other shops. He seized the opportunity and got started in wholesaling. He explained what he did to sell the first deal.

“I took samples to traders from inside and outside the market area to identify their interests. I offered low prices and sold all the products I had leaving nothing for my own shop. I wanted to have as many clients as possible so that I could make big deals with the wholesaler. I managed to have enough customers for me to order a significant quantity in my second deal. As word spread inside and outside the market area, I became the middleman to a number of traders”.

The energetic young trader surveyed the market and chose not only the area where he ran his business but also the surrounding areas to secure a large number of clients. He offered low prices to attract many traders who requested more materials.

The owner's market knowledge and network contacts had a significant impact on his business success. He outlined his experience as a middleman and his plans to become a wholesaler.

"I built good business relationships with traders based on trustworthiness. For example, I sometimes used to deliver the goods before getting paid and, in their turn, they were prepared to pay in advance with no worries. By the mid-1990s, inflation affected the people's ability to buy clothes and other products. I learned from my experience as a middleman about cheap merchandise in the Far East and informed some of my clients about my plans to buy from there. We agreed that they would pay in advance and that I would accept a specific percentage".

The founder's business relationships with the wholesaler assisted him in getting information about the cheap markets in the Far East. BM summarised his experience as a wholesaler and his business relationship with traders in the Far East as follows:

"I built good relationships with many suppliers in Beijing, Bangkok, Taipei, Kuala Lumpur and Dubai. After, say, two years of involvement in trade with them I was able to make orders from here (Tripoli) and was not surprised to find the quantity and quality as requested".

It seems that his credibility and trustworthiness had paid off. However, the lack of firm and clear regulations for private businesses caused serious financial problems to the owner as he describes in the following sections.

Pre-Setting-Up of Pear

The 1990s were characterised as a period of instability in terms of business regulations and legislation. BM was confronted with a serious problem that could have ruined his business.

"In early 1997, I was in China and Dubai for three weeks on business. When I returned to Tripoli the shipments were on their way to Djerba in Tunisia because of the air embargo. I was surprised and shocked to find that the unofficial rate of exchange had risen from 3.60 to 2.25 L.D. against the US\$. The situation was exacerbated by suspension of imports with an immediate effect then. I could not believe that all this could happen in the space of three weeks. The shipment from Dubai alone was valued at more than 100,000 L.D."

Although the government had changed the import laws in a way which affected business negatively and despite the risk associated with the unstable, unofficial rate of exchange traders had to accept, BM demonstrated resilience by continuing to search for new avenues in the environment to solve the problem.

"We all (traders) tried our best to bring the entire shipment of goods into Tripoli, but in vain. Then we decided to split the merchandise in Djerba so that it would be easier for everyone to try on their own. I realised that it would be difficult to try to bring my goods as the prohibitions had just gone into effect and that I would incur more expense for things such as transport even if I were to fail. My contacts with Tunisians in Tripoli offered me a chance to sell the goods to a Tunisian trader at a reasonable price subject to viewing the quality and his paying in instalments. The deal was done".

Despite the financial damage and the disappointment caused by the unsupportive business environment, BM demonstrated that he is a problem-solving person. He searched for solutions to these new problems and used his network contacts to overcome obstacles. He avoided the risk involved in bringing the goods into Tripoli, saved the transport costs and sold the goods at a reasonable price.

Nevertheless, the lack of firm regulations created significant challenges for the owner and was one of the reasons that led him to a different area of business. He disappointedly expressed his feelings:

“We all (he and other traders) had to consider the damage to our businesses as similar to an earthquake or fire; there was no point in complaining. The only consolation was that the problem was shared by a number of traders. It could have led to a heart attack if only one trader had been affected. From the outlawing of the kiosk businesses in 1994 to the suspension of imports in 1997, I was left with a feeling that the legal environment was unsupportive for a trading business”.

It appears that the owner learnt the lesson of the government’s approach to regulations from the closing down of the kiosks. When he entered the wholesale business, he limited his financial risk by taking a percentage from each dealer in advance even though he could have made more profit by importing for himself and then selling the goods onwards. When the government abruptly changed the import laws, his risk was shared and the financial damage to BM was minimised.

After the kiosk was closed down, BM brought his brother into his shop. They worked together until the time came when BM decided to change the focus of his business and sold the shop to his brother.

Setting-Up of Pear

Pear was set-up in 1997 with an initial investment of 90 000 L.D. which was allocated for the purchase of four new 24-seater mini-buses (Iveco) and for management expenses. The founder chronicled the thinking leading to the set up of Pear:

“Being in the marketplace for seven years, I was close to other businesses such as transport operators. At that time, only a few operators were in business such as Philadelphia, Mahjoob, Utarid, Saraya and Medina but the number was increasing. The number of passengers travelling across the country and to neighbouring countries and the number of tourists was also increasing. I witnessed groups of tourists taken by transport operators to and from Djerba when I was

trading. The idea did not take long to mature and soon I was in transport operation”.

As indicated earlier, the air embargo paved the way for road transport and opened doors to small private businesses. The owner recognised the opportunity of large numbers of workers, visitors and traders travelling within Libya and between Libya and neighbouring countries and seized it. His long years in the market provided him with the information he needed to assess the feasibility of a transport operation. The variety of transport users offered an array of business opportunities for BM to choose from. He began by transporting cross-border traders and visitors and later he expanded his business by making arrangements with tour operators to transport tourists to many different places.

Drivers Selection and Training

Some issues concerned the owner when he was preparing to set-up his firm. The vast majority of people driving mini-buses were relatively young. They took advantage of the sector opening to private businesses but there were concerns about the attitudes of many of them.

“Finding drivers was not a problem as there were many people who desperately needed work but I wanted mature and responsible drivers as there was a feeling among the public that young drivers are irresponsible. There were also incidents where young drivers had broken the law or quarrelled with passengers”.

The experience, market knowledge and network contacts the owner gained over years helped him diagnose the problems associated with drivers and as such he set up conditions for recruitment. His experience also assisted him in choosing skilled and responsible drivers to establish a concrete foundation for his business.

“When I was refurbishing the site chosen for the transport office, I put up posters advertising for drivers aged 25 or above. I was not surprised that I had enquiries even before we had finished putting up all of our posters! Although many applicants had been working for other firms or individuals, I decided to recruit six drivers with excellent references from renowned companies. I wanted to have drivers who would be able to listen, work hard and behave responsibly”.

The manager established rules for his new drivers. Putting customers first, timekeeping and tidiness are important requirements for successful transport operators.

“I stressed to the drivers that they needed to understand that we would be dealing with people from different backgrounds and that they need to show a sense of respect to all passengers, particularly to women, children, disabled and elderly people. The other thing was that they would be responsible for keeping the vehicles clean, tidy and under request. I also stressed the importance of punctuality”.

The venture started with new mini-buses thus, there were no worries about big repairs. Records were kept for each vehicle showing mileage and any replacements for parts such as tyres, filters, oils and break pads. However, some incidents warned and alarmed the owner of unexpected breakdowns.

“While he was away on business, a driver got stuck and had to tow his vehicle to a repairman only to find out that he had only needed to plug a wire in the right place. I realised the necessity to prepare for such accidents and, therefore, scheduled the drivers for basic maintenance training. I sent them to my brother’s garage to cover the most common problems. Moreover, I decided to allocate emergency money to each driver in case they had to tow their vehicles or to hold them over until they could get assistance from management”.

By offering training to his drivers, the founder saved time for his passengers and saved money that would have been paid for minor repairs. Furthermore, he increased the skill base for his drivers. He guaranteed quality training by sending them to his brother's garage. He also placed trust in his drivers by giving them petty cash to handle problems faced on the roads.

Dealing with Visitors

Pear has been involved in transporting passengers to and from Djerba but the owner's ability to recognise the opportunity in people seeking destinations other than Djerba opened other platforms to the venture.

"In 1997, we started by running trips to and from Djerba as it has the nearest Tunisian airport to Tripoli and is therefore convenient to Libyan traders in particular (because of the air embargo). Our quality services and our new mini-buses appealed to many passengers and as a result, many people asked about trips to farther destinations especially those who sought medical services in Sfax and Tunis (the capital). We soon began to run those trips so as to establish a name in the market although we had to work six days a week".

The external environment had its influence on the venture. Although the air embargo had a negative impact on the Libyan economy, it created a variety of opportunities for transport operators. These included severe shortages in medicine and medical appliances pushing people to travel to neighbouring countries for medical care. However, the new destinations created new challenges.

"In Djerba we had no problem getting passengers for the return trip to Tripoli because of the crowds. In the capital, however, we found that we had to return with half loads as it wasn't possible to get enough passengers without prior arrangements. I approached drivers of Tunisian transport operators in Tripoli and got information about their firms. After talks with the owners we made

arrangements to book for our buses in Tunis and for theirs' in Tripoli. Our mutual interests and daily contacts enhanced our business relationships".

The firm managed to cooperate with a Tunisian counterpart to secure passengers for return journeys to Tripoli. This inter-firm alliance provided extra income to the venture and created more business contacts. Again, the manager demonstrated his problem-solving skills.

Fleet Expansion and Management

For occasions such as the national celebrations, the African summits and other conferences organised by different bodies, the Libyan government often requires the involvement of both public and private sector transport companies. Pear has been involved in such occasions but was not given priority because of the small size of its vehicles.

"Business-wise, the national celebrations are very lucrative but priority was always given to buses. The large numbers of people to be transported need to be controlled by having as few buses as possible. With our mini-buses, we took part only when there were shortages of larger buses. Our firm was disadvantaged and we were not able to compete with other firms".

In Libya, almost all the state-owned companies and government authorities use buses or mini-buses to transport staff to and from work. They also provide cars to management personnel for business purposes. As a result of the economic remedy, they started to modernise their vehicles and many of them auctioned the old ones to the public.

"In 1999, a certain public sector company had a number of used cars as well as buses and mini-buses for sale. I learned about an imminent auction from a friend of mine who had been working for that company. When I went to view the vehicles on site, only a very few people were viewing the buses while the majority were interested in the cars or mini-buses. There was an opportunity to coordinate with

other bidders in advance to make everyone a winner. On auction day, everything went smoothly and I bought two buses. Although interior and external attention was needed, the buses were good value for money and I had already made plans for repairs”.

Again, using a network contact, the founder was alerted to another opportunity which made a big difference to his firm’s growth. He coordinated with others and made valuable deals. BM recounted what he did with the buses to bring them into the business.

“I shipped the two buses to Egypt for repairs and modifications. The Egyptians have excellent experience in maintenance besides, handwork and spare parts are cheaper than what we have here. Furthermore, we were able to modify the seats, choose quality parts such as the air conditioning system and to have our name written on the buses. Overall, the deal and the maintenance of the two buses cost me the normal price of one second hand bus”.

The venture has been involved in transporting people of different nationalities including the Egyptians and it appears that this brought BM into contact with repair firms enabling him to take advantage of the lower prices and expertise in the Egyptian market. The idea of having the firm’s name written on the buses was a kind of promotion which was unusual for private businesses in Libya so, it enhanced its reputation.

Involvement in National Celebrations

Libya celebrates different national occasions during the year but the September celebrations are the largest. They are normally hosted by different cities, therefore, thousands of people have to be transported around the country. Road transport is preferred for such occasions and is considered to be more convenient for managing and monitoring thousands of people.

“Having two buses we became involved in business with the government to transport people to the places of celebration. In September 2005, for instance, our firm was one of many firms which carried thousands of passengers from the eastern region to Tripoli. The contract was through Tipissti, a state-owned company, which entered into subcontracts with us and other transport firms to handle the large number of passengers”.

Pear increased its business volume by taking part in many different national events. Their involvement in such celebrations generated considerable profit and introduced many new contacts and opportunities to collaborate with other firms.

The firm also moved into business with the government and other official bodies on similar occasions such as transporting personnel during the preparations for the African Summit. BM described their experience with the General Board of Poets and Artists (GBPA):

“In 2003, there was a conference hosted by GBPA for poets and artists from around the country. Because of their experience with our services during the national celebrations, the conference organisers contacted us to transport their guests for three days. As everything went as planned we received a certificate of acknowledgement and were recommended by the Board to other bodies. As a direct consequence, we were involved in 2004 in a similar event with the General Board of Media”.

Over fifteen years of involvement in a variety of business areas, BM gained valuable experience and widened his market knowledge. He spent seven years in trade where he confronted many problems such as the closing down of his kiosk and the changes in import laws. He learnt from such experience when he set up his transport venture. He began by transporting cross-border traders and visitors and soon he diversified his business interests by engaging in national celebrations and making deals with tour operators for greater business security.

Dealing with Tour Operators

Pear was involved in transporting tourists from the first year of operation but the business only became serious in 1999.

“When we started our business in 1997 the tourism season was nearly over but as we had been transporting passengers to and from Djerba, it was easy for tour operators to see our new mini-buses. Additionally, our location in the public market made things even easier. We made arrangements with two tour operators during the tourism season 1997-98 to carry groups of small tourists from Djerba to Tripoli and vice versa but we were not involved in trips to historical sites or other destinations. The seasonality of the tourism business and the small groups were the main reasons for not getting involved”.

Since the suspension of the UN air embargo in 1999, tourists are able to fly to and from Tripoli and as a result, interest in cross-border transport has declined. The exception has been those tourists who arrive in Djerba and prefer to enjoy the landscape or who intend to start their journey by visiting historical sites such as Sabrata on their way to Tripoli. Nevertheless, the need for in-country transport has increased due to the increased number of international tourists and insufficient quality services.

“Our brand new mini-buses, well-qualified drivers and quality services attracted many tourism firms. Our mini-buses were both convenient and economic for small groups. In the tourism season 1998-99, we began to make arrangements with a small number of tour operators to take their tourists to the nearby historical sites such as Sabrata , Leptis Magna , Villa Silene and Ghadames. Our agreements with tour operators include the required number of mini-buses, places to be visited, days of operation and the charge per day”.

Pear entered the indirect tourism market by contracting deals with small tour operators in Tripoli. The firm's involvement in transporting individuals and groups between Tripoli and Tunisia had attracted the attention of a number of tour operators who were already involved in transporting tourists at that time. Equally, the attractiveness of the tourism business was growing for the founder.

"After expanding our fleet in 1999 by buying two buses, we decided to expand our business with tour operators and involve ourselves more actively in transporting tourists. The reason was that I had been in public transport for nearly three years and I had found that I needed to do something different. Additionally, the tourism business is interesting and is still new in Libya. Business-wise, dealing with tour operators became valuable as the number of arriving tourists has increased dramatically".

So factors such as the increasing number of arriving tourists and the associated opportunities for business expansion on the one hand, and the attractiveness of the tourism business as a new area on the other hand influenced the owner's decision to increase his firm's involvement in the tourism area.

"In 2004 there were 500 tourists coming by sea from Latin America to visit historical places in a number of Mediterranean countries. Our firm along with another transport operator were contacted by their Libyan hosts and took the contract. We subcontracted with other transport operators to take tourists for a couple of days to Leptis Magna, Sabrata and Ghadames. 12 buses were engaged in transporting the large number of people in a short space of time".

The reputation of Pear had spread so that it was contacted to take responsibility for such a significant amount of business. The owner's ability to cooperate with other transport operators had paid off and the time had come for them to collaborate with him. This shows that inter-firm alliances has played a central role in the survival and growth of the venture.

BM received financial support from his retail brother and technical assistance from his mechanic brother when a great opportunity to modernise his fleet came up.

“As part of its support to small businesses, in 2001 the transport authority offered brand new nine-seater vehicles called the Mercedes Vito. I wanted to modernise my fleet but the new vehicles were expensive. My mechanic brother suggested that I sell two mini-buses and committed to getting a good price for me. He also advised me to keep the others while my brother in retail encouraged me to buy four new vehicles and offered financial support to pay the first instalment”.

The assistance the owner received from his brothers enabled him to modernise his fleet and thereby expand and diversify his firm’s business. The technical advice from his mechanic brother helped BM in keeping the vehicles in good condition and selling the others. With the financial support he received from his retail brother, he was able to afford the deal. The luxurious newer vehicles would appeal to tour operators in particular and could increase the firm’s reputation.

Setting-Up a Customer Service Desk

The air embargo was suspended in April 1999 and tourists are now able to fly to and from Tripoli Airport. BM has made arrangements with tour operators to transport tourists to different places including to and from the airport. Based on this experience, BM spotted an opportunity to set-up a small transport bureau at the airport.

“At one time in 2002, we made arrangements with a tour operator to take their tourists from the airport to the city centre. Our drivers arrived nearly one hour before landing but they had to wait for three more hours because of a delay. The drivers informed the tour operator that he needed to contact me. When he talked to me by telephone I felt his stress and panic and instructed my drivers to wait. As appreciation, he came to thank me. He described other occasions when vehicles had arrived too late because of traffic congestion or breakdowns. I found that our new Mercedes vehicles would be the solution for the dual problem.”

The owner diagnosed the situation and found a twofold problem. A delay caused by air traffic and another caused by road traffic and vehicle breakdowns. It appears that the owner had recognised that opening a dispatch desk for both pre-arranged and on the spot bookings at the airport would solve the problem for tour operators and would generate more profit for the venture. The desk would provide tour operators with transport services in cases of vehicle breakdown or delays caused by traffic jams. It would also encourage tour operators to make on the spot bookings especially for small tourist groups and avoid paying for a return trip from the city centre. The opportunity of having a desk at the airport, hence, was seized.

“We provided our desk with telephone lines and offered leaflets giving details about our services and fleet. We also put up posters and pictures of our new Mercedes mini-buses to make our desk appeal to tour operators and to the public. The closeness of the airport to the city centre makes our business very convenient. The airport is only 20 km from Tripoli which takes only 15-20 minutes and so our desk coordinates with our drivers via mobile phones or through the central office when they get information about arriving flights. In doing so, we kept our vehicles in business instead of waiting for passengers to arrive”.

The luxurious vehicles were put in operation mainly for transporting tourists but they had become involved in transporting small numbers or families during low tourism season.

“We knew that we might not be in business all the time with tour operators due to tourism’s seasonality but serving for both tourists and other passengers kept us busy and has generated great profits. Furthermore, the desk has promoted our business as almost all departing and arriving passengers cannot miss seeing our desk.”

The desk has broadened the business volume by engaging in transporting tour groups as well as individual travellers. Evidently, the location at Tripoli International Airport has promoted the business and thereby enhanced the venture’s reputation.

CHAPTER NINE: CASE STUDY OF GRAPE, A SMALL TRANSPORT FIRM

Introduction to the Case Study

Grape is a private small transport business started in 1995 in Tripoli, Libya's capital city. The venture was founded by the owner and manager, Mr DJ with an initial investment of 120,000 Libyan Dinars from his personal savings and his uncle's assistance. The firm began by transporting ordinary passengers to and from Benghazi, Libya's second largest city (about 1000 km east of Tripoli). The venture expanded its fleet and became involved in a variety of business areas including tourism transport.

To provide comprehensive and high-quality services, Grape acquired 4-Wheel Drive vehicles, leased buses and got involved in cultural, heritage and desert tourism through arrangements with tour operators and government bodies. The competitive advantage the firm built appealed to more tour operators and assisted business success and growth.

The Business Macro-Economic Environment

The External Milieu

The prohibition of private businesses in the mid-1970s and the global economic recession of the 1980s caused severe problems for the Libyan economy. By the late 1980's, the State established a strategy to change policy and liberalise the economy but the UN air embargo (imposed in 1992) impeded its implementation and delayed economic development.

Nevertheless, the government has been increasing efforts over the last few years towards economic liberalisation through the introduction of new laws for domestic and foreign investors. As a consequence, economic activity has become freer but has a firmer regulatory foundation than before. The number of private small businesses has increased and the quality of services has also improved. (For more details about the business external environment, see the first case study).

The Industry Context: Tourism Infrastructure

To a large extent, tourism within Libya has been traditionally underdeveloped, with the result that the potential of the country is relatively unknown in the principal source markets for foreign tourists. The development of the tourism sector was constrained by a number of factors such as inadequate infrastructure, the lack of a clear institutional framework for tourism and the general lack of training in tourism-related activities.

Nonetheless, although not given priority in the past, the importance of the tourism sector to the future of Libya's economic and social development was recognised by the Libyan government in the late 1980's. Ever since, the government has made serious efforts in the development of the tourism sector through short and long-term plans and the encouragement of national and foreign investment. (See the first case study for further details).

The Business Micro-Economic Environment

Characteristics of the Firm

Location

The firm is located close to a public market known as a gathering place for thousands of cross-border traders and nation-wide passengers as well as other visitors from neighbouring countries. The market, therefore, is ideal for almost all kind of business traders including transport operators (see the case study of Pear for more details about the location). The premises are of medium size with posters of the venture's buses and 4-Wheel Drive vehicles on the wall.

Capital and Employment

The venture started with an initial investment of 120,000 L.D. which was allocated for buying two used buses and for management expenses. However, when the owner decided to expand the business, further investment was required to buy seven Land Cruiser vehicles and some other tour-related equipment. The venture was also involved in leasing arrangements with individuals and operated four leased buses.

Grape started with three bus-drivers and a clerk in addition to the owner however, the number of employees increased in the following years as a result of the fleet expansion. In late 2005, for instance, there were eight bus-drivers and two administrative staff in addition to seven part-time 4-WD drivers.

Characteristics of the Founder

Personal and Family Background

DJ was born in 1967 in Sebha (nearly 1000 km south of Tripoli), is married to an Egyptian and is a father of four. He spent his infancy in the southern region where he and his sister were looked after by their relatives after the death of their parents. When he finished preparatory school he stayed with his uncle in the capital to start vocational education which was not available in his home town. He trained as a mechanic, the area he was involved in until he established his transport venture.

Family contacts offered great opportunities for DJ and opened new horizons for his business future. His uncle moved his family to the capital in the early 1960s in search of a better job and a modern life. They welcomed and hosted DJ when he moved to Tripoli in search of a better education. DJ's uncle runs a big shop selling spare car parts and accessories in a large and well known area, Souk Athlath (Tuesday Market). This is where DJ began his career and set up his workshop. DJ received emotional and financial assistance from his uncle during his business career as a mechanic and also when he set up Grape.

DJ's brothers-in-law assisted him in many different ways. The support included looking after the workshop when he was involved in importing cars, securing skilled staff for his workshops and obtaining spare parts. His relatives in his home city and the firm's bus drivers played a central role in acquiring 4-WD vehicles and providing more drivers.

Early Experience

At the age of 18, DJ started his career as a motor-mechanic assistant in Souk Athlath. He was keen to practice what he had studied but he was confronted with some difficulties in the early days.

"In 1985, I began my career as an assistant mechanic in a workshop but I gained very little practical experience. The foreman treated me as a trainee for nearly six months and kept me cleaning parts and handing tools to mechanics without serious involvement in repairs. Nonetheless, I learned from my observations and practiced off-site with my acquaintances' cars working on minor problems such as changing brake pads, spark plugs and chains. Eventually, I decided to leave the garage".

Despite the unhelpful manager, DJ showed eagerness and determination to learn by observation and off-site practice. DJ's dissatisfaction with this environment pushed him to give up and search for an alternative. His immediate family was around and helped to solve the problem.

"I sought assistance from my uncle who had been in the area for many years. He had a word with one of his friends and I got recruited into his workshop. My manager gave me the opportunity to learn and prove myself. He got me involved in minor repairs, checked the quality of my work and made valuable comments. I learned a great deal from his experience. Soon, I became involved in major repairs while he kept monitoring my work. Eventually the time came when my boss approved the release of finished vehicles without checking my work."

Once given the opportunity, DJ learned quickly and became a skilled mechanic.

Hard work, trustworthiness and extraordinary events offered DJ the opportunity to manage the workshop for a few months which brought about big responsibilities and extra financial gains as well.

“The manager had some family problems and, therefore, was not able to work full-time and sooner he was struggling with everyday supervision. When he asked me to look after the business in his absence, I felt it was time to repay him for his assistance in my early days. He first increased my salary but later offered me a share for each finished vehicle and a percentage for checking the quality of finished cars by the new mechanics. Although he was back to work after three months, it seemed that his family problems had not been completely sorted. He offered me an increase in my share provided that I kept up my duties”.

DJ repaid his manager well at a difficult time. As a result, he became increasingly responsible for managing the business. Despite offers of significantly more money, DJ's ambitions went further than financial gain. The idea of independence began to develop.

“My involvement in monitoring the quality of others' work and in supervising others continued for a few months after my manager's return. However, with such a workload I felt that I could be doing this for myself instead of running someone else's business. I told my manager about my intention to work for myself. He expressed his gratefulness, wished me luck and offered a helping hand”.

Setting-Up of a Workshop

DJ had become an accomplished mechanic and had gathered a significant amount of capital from five years of hard work. His uncle recommended a workshop in the area where he works and offered financial assistance to buy it instead of renting it as DJ intended. They refurbished the site, bought the necessary equipment and were ready to start.

“I began with two assistants but after a few months the work volume increased and I needed other mechanics. I went to Egypt because manual labours there are skilled but also work for low wages. I recruited two class-one mechanics, one of them has become my brother-in-law. I had established a system in my workshop

that every vehicle had to be reported to the clerk who handles paperwork and that they had to be checked by a mechanic who would make quotations and that every finished vehicle had to be checked by myself being returned to the customers”.

As a consequence of the economic problems of the 1980s, the State had adopted a policy of squeezing expenses and, thus, banned the import of many commodities including new cars. People, therefore, had to maintain their vehicles for quite a long time which increased the demand for car repairs.

Although many workshops took advantage of this situation and provided standard-quality work, DJ seemed to be concerned about building a strong reputation in the market rather than making immediate profits. He offered technical advice to his firm’s clientele to ensure a high-quality service.

“When I set-up my workshop in 1990, car repair was a growing business due to the lack of new cars. The lack of spare parts pushed many people to search for used parts in scrap yards. Although this increased demand on repairs, quality work was missing because of the problems of fixing a specific part in well used cars. As a result, many people had to return their vehicles to different workshops without knowing the real source of the problem. Unlike many other firms, we explained the vehicle’s problems and gave advice to our customers about them. Many customers were convinced that it would be better to pay a bit more now rather than later”.

It seems that putting customers first was one of the main factors in DJ’s business success. He found that although used spare parts were a main cause of ineffective repairs, just replacing a part did not add up to good service. DJ chose to focus on the customer rather than the car.

Involvement in Imports of Second-Hand Vehicles

DJ's first-hand network contacts offered him an excellent opportunity to rise above the ban of importing new cars. He bought a second-hand car from abroad for his personal use but he was amazed by the prices and he returned with a proposal which he later turned into business.

"My cousin, who was studying in Germany, was on holiday in Libya. He is fond of cars and described to me how second-hand vehicles were cheap in nearby Holland. I found a great opportunity for a holiday after six years of hard work and was eager to see the car market. I flew to Rotterdam and bought a Honda Civic for an incredible price. I was impressed by the prices and thought about some of my friends and relatives so, I came back with pictures of different brands and their details".

The businessman managed to do what he went there for. However, it seemed that there was unclear or immature entrepreneurial idea back in DJ's mind. It appears that he came back home with pictures in a hope that the idea would emerge and clear the vagueness. He explained what happened next:

"My acquaintances liked my Honda and were shocked by the pictures and prices. I recognised their eagerness to buy and, thus, told them that I was going back to Holland shortly and three offered money to buy specific vehicles. I came back to Tripoli with four vehicles, I got good deals for my friends and I brought back one other. It was the beginning of a serious involvement in importing cars".

DJ took-up the opportunity presented by the shortages of new cars and came up with an idea of feeding the hungry market with used cars. He effectively used his immediate network contacts to develop his idea and make it succeed.

DJ recognised the difficulties for individuals to travel and buy for themselves. He relied on his experience and knowledge in car repairs and made the most of it. He made arrangements with his brother-in-law to look after the workshop in his absence while he paid attention to importing more cars.

“The business grew substantially. Individual buyers had to consider expenses such as the flight ticket, accommodation and time. Besides, most of them lacked the mechanical knowledge I have which helped me choose the best vehicles. The majority used to order Japanese cars such as Mazda, Honda and Toyota because they were already widely used in Libya and were cheap as compared to other brands”.

As the import business succeeded and the workshop business carried as before, DJ developed an idea of making both businesses benefit each other. He imported vehicles which needed attention and repaired them at the workshop thereby increasing his profit margins.

“After a few months I found that we would benefit from the overlap of the two businesses if we could import damaged or older cars and repair them in our workshop. Those vehicles were exceptionally cheap. We would deal with any mechanical problems while we made arrangements with other workshops for panel-beating and spray painting. Finished vehicles looked as new when compared to those in the local market. We used to exhibit some of them and other imported cars in the forecourt to make the workshop appeal to more customers. They created a unique image and increased our profits and reputation”.

As a result of the economic relief in the mid-1990s, the ban on car imports gradually eased. Since then, car imports have been growing dramatically lowering the interest in used cars.

“Over four years in car imports, I made many trips and bought between 5-10 vehicles each time. I built good ties with business partners in Rotterdam and made significant profits. It was an exciting and beneficial experience but the business idea spread widely and many people began importing from Holland and Belgium in particular. The other thing was that state-owned companies began to import brand new vehicles which lessened the interest in used cars”.

Business Expansion: Panel-Beating and Spray Painting

Although the return of state-owned companies to business was one of the factors that led DJ to give-up car imports, he took up the opportunity of their return and came up with an idea of setting-up a modern body shop that specialised in specifically for the new cars.

“As the number of different new vehicles increased, the number of damaged cars had also increased. Road accidents badly damaged the speedy and delicate new cars (such as Daewoo, Hyundai and Nissan). From my experience with panel-beaters when I was involved in car imports, I found that quality service was rare. I couldn't afford to miss out on the opportunity of buying an unequipped workshop close to my existing business. The location was very convenient for me as I could keep a close watch on both workshops”.

DJ is a person who recognises and takes up opportunities. His long experience and wide knowledge in the motor businesses helped him to identify opportunities, come-up with new ideas and help his business evolve.

“We refurbished our new workshop and bought new equipment. My brother-in-law and I flew to Egypt and contracted four highly skilled staff in panel-beating and spray painting. To make the site appeal to owners of damaged new cars, we painted pictures of the new cars next to our name on a billboard and decorated the interior with a number of pictures of internationally renowned car brands. I established a high-price-for-high-quality policy for our new business to appeal to luxury car owners' image and a system for daily work”.

The businessman's market knowledge and valued experience helped him to distinctively manage his new venture. To achieve their prices, he chose to begin with a modern site with skilled staff particularly for the new vehicles.

Pre-Setting-Up of Grape

After being engaged in the motor business for many years, DJ chose a different but relatively closely related area of business. He took up the opportunity of the air embargo and decided to involve himself in transport.

“Four years in car imports detached me from mechanic practice and my brother-in-law had perfectly managed the workshop in my absence. Furthermore, the proximity of the two workshops eased my job in managing them and gave me time to think about the future. I witnessed the increased number of passengers using road transport as a result of the air embargo and thought about using my fresh contacts abroad to secure buses before it was too late”.

Although the air embargo was imposed only on international flights, it affected domestic air services because of the lack of modernisation of the fleet and spare parts. Consequently, the demand for road transport increased dramatically to fill the gap.

DJ analysed the market and chose to operate in the eastern region where there were shortages in road transport.

“At that time (1995) road transport had been increasing and the majority of firms had been operating along the western region but only a few provided services to the eastern area. Factors such as the long distance or the shortages in buses might have been some of the reasons. Many passengers travelling along the way between Tripoli and Benghazi had to use mini-buses (Iveco) or seven-seater taxis (Peugeot 504) and therefore, had to squeeze for a long time”.

Having done the initial analysis, the idea of setting-up a transport firm had matured and became a reality. The previous experience in car imports and network contacts in Holland assisted DJ in securing his transport fleet.

“I started by calling my contacts in Rotterdam and got valuable information. I spent three weeks viewing and checking vehicles until I made a good deal and bought two used buses. To fund the new project, I sold the mechanic workshop to my brother-in-law and received financial support from my uncle to raise over 120,000 L. D. We located our business nearby the busiest market area where mobile sellers, shoppers and cross-border traders gather. All passengers head to the area as the vast majority of transport operators are located there. I recruited three practised drivers who had been working in a state-owned transport company and a clerk to handle the paperwork”.

Setting-Up of Grape

Involvement in Public Transport

Grape started by transporting the public to and from Benghazi but the route itself posed some challenges for the business.

“A trip to Benghazi takes nearly 12 hours to cross nearly 1000 km. Proper car services are inadequate along the way and are almost non-existent after Musrata (220 km east of Tripoli). At one time in 1996, a driver had a mechanical problem when he was about 10 km away from the nearest car service and was only able to get there after one and a half hours. Motorists would normally stop to help broken-down vehicles but we wouldn't expect much help unless other buses stopped to give assistance”.

With 1955 km, Libya has the longest coast line on the Mediterranean. The central region, however, is semi-desert which creates enormous difficulties for service providers. DJ chronicled his plans to overcome the problem:

“At first, we provided each bus with a mechanic and an assistant to handle such problems but that wasn’t sensible as we found that most of our trips arrived safely without problems and that we incurred unnecessary expense. I realised that there should be something much reasonable and practical to deal with the problem”.

An economic analysis revealed the high cost of the initial solution; therefore, an alternative was needed.

“We made arrangements with small transport operators in small cities on either side of the problematic area namely Khomis, Musratha and Ejdabia. Arrangements included providing mechanical and first aid assistance to our buses and passengers when they needed help in the surrounding area and in return, we offered bookings for their passengers either on our buses or on other operators’. Those firms had been operating only in the surrounding area due to the small number of passengers in their relatively small cities. With these new arrangements we secured assistance for our buses and more passengers while they increased their business without much expense”.

Grape set up alliances with smaller firms which minimised the difficulties associated with road service and increased the number of passengers. They chose cities to the west and to the east of the problematic region and created a network of contacts to solve the problems of inadequate services. Khomis is 130 km and Musratha is 220 km both to the east of Tripoli. Ejdabia, on the other hand is about 160 km to the west of Benghazi.

Other Perspectives on Collaboration

Grape cooperated with other transport operators in many different ways which helped all parties ease the problems they were facing in everyday business and enhanced their chances to survive and grow.

“We all benefit from each other in one way or another. The number of transport operators is relatively small and the business is wide therefore, we’ve built good business liaisons with some firms but the proximity to Philadelphia - two minutes

walk - makes our rapport exceptional. Our co-operation includes hiring drivers, leasing buses, subcontracting in cases of extraordinary business or referring passengers to each other when one is fully booked”.

Realising the difficulties (such as limited resources) confronting small firms, Grape built valuable relationships with other transport firms. DJ described occasions when they effectively collaborated with other firms:

“When we had two buses in operation, passengers were gathering and we were less than one hour away from departure when we learnt that the bus driver had been unexpectedly called away from work and that the reserve driver was unwell. I rushed to Philadelphia and explained the situation to the manager who offered me a driver. Our collaboration broadened when we expanded our fleet. We subcontracted with them for two years and carried their pilgrims to the airport. We also leased our buses to them during the African Summit in 2005 and on many other occasions”.

Location had strengthened the business relationships between Grape and Philadelphia. They had co-operated in different ways on many occasions. It appears that collaboration with other firms had a significant impact on the success and growth of Grape.

Setting-Up a Branch

The modern administrative complexes and conference centres in Sirte, in the mid-way between Tripoli and Benghazi, were specially established to host all ministries and international conferences such as the African Summits. They offered great opportunities to transport operators to transport large numbers of employees who live in Tripoli or other cities and ordinary people who have something to finalise with the government.

DJ had the initiative to recognise this opportunity and developed an idea of establishing a small transport agency.

“Travelling to and from Benghazi we recognised the increased number of passengers requiring transport to the administrative complexes in Sirte. We realised that we needed to reschedule our trips to leave at a convenient time for those passengers. The volume of passengers and the well-situated location encouraged us to set-up a small office in 1997. The office provides services to passengers, assistance to our fleet and has strengthened our relationships with our business partners in the surrounding area”.

The establishment of a small office offered great prospects and increased the business volume. It provided additional cover of the isolated area along the route. Sirte is less than 400 km to the east of Musratha where Grape have one of their allied firms, that means, the distance was shared by the two and reduced the coverage area to 200 km. The same can be said about the distance between Sirte and Ejdabia.

The unhelpful geographic environment brought about many different challenges for transport operators. DJ demonstrated that he is a problem-solving person. He developed many ideas and was able to create a network of contacts which not only assisted him in overcoming the problems associated with the isolated route, but also provided opportunities to expand his business.

Leasing Buses from Individuals

Grape had been involved in transport using their two buses for nearly three years when DJ's personal network offered a great opportunity to increase the venture's fleet through leasing arrangements with individuals. DJ gave more details:

“We always find times to socialise with other business-owners or acquaintances who pop in regularly. A friend of mine used to visit us in the afternoon for a chat. It seemed that he had been observing our business and liked it. He talked about a possibility of leasing two buses to us for a certain amount of money each month.

Though he didn't have the buses then, it appeared that he was making arrangements before taking the final decision to make the initial investment".

Negotiations took place and both parties reached an agreement that covered the legal and managerial issues and they got started.

"Our arrangements included keeping records for each bus showing details such as mileage, maintenance and tickets sold. We also agreed that our firm would be responsible for all aspects of business management and that we would have bi-monthly meetings for financial reporting. We decided that I would accept a specific percentage of the turnover and that we would share the maintenance expenses on the same basis. The two buses offered us a golden opportunity to expand our business without capital investment".

DJ seized a great opportunity for his business expansion without having to provide additional funding. The partnership succeeded and attracted other investors into similar arrangements.

"In 2000, two relatives of my employees wanted to lease two buses but we had some concerns about the state of the buses' exterior therefore, we accepted their offer provided that we take the buses to our workshop for maintenance. Though we offered some reductions in the cost of the repairs, one of them still couldn't afford the cost but the problem was manageable. I took responsibility for the cost and he agreed to increase my share of the turnover for a certain period of time. I took the buses to my workshop to guarantee the work quality".

The implementation of the investment laws and regulations over the last few years seemed to have paid off. Domestic investors have been aware of such changes and have noticed much progress in the legal system compared to the 1990's. Thus, it is fair to say that the legal environment had a significant impact on the involvement of domestic investors and on the performance of the venture.

DJ summarised his experience with his business partners and commented on the effects on both sides and on the transport business at large:

“The partnerships brought in magnificent profits to both parties. From our side, we didn't invest in capital which is a main concern for most transport businesses and we had increased our profit margins from operating buses. On the other end, investors have also benefited without giving up their jobs or thinking about the daily problem of operation. Following our successful experience, most transport firms are now involved in leasing partnerships”.

Engagement in Tourism Transport

In 1999, Grape began dealing with tour operators to transport tourists to distant tourism sites. DJ recounted how they got involved and their arrangements with their business partners:

“Tour operators normally use mini-buses to transport small numbers of tourists but they are insufficient for large numbers. Therefore, they need buses. Since we leased the two buses in 1998 we are contacted by many operators and make arrangements to transport their tourists to various historical sites. In the beginning we were involved in trips to nearby sites such as Sabratha and Leptis Magna based on a daily lease of 400 L.D but we found that leasing a bus for only one day needed reconsideration”.

It seems that the arrangements had economically distracted Grape's business in that the firm had to limit the number of the more profitable trips it operated to Benghazi. The opportunity cost was assessed and one-day-trips therefore, had to be reconsidered.

“To sort this out, we decided to make in-advance arrangements with tour operators so that we would know our availability. However, long journeys to Cyrene and Apollonia in the East and Ghadames and Ghat in the South solved the problem and made a big difference. We were able to charge a higher price for long distances plus, our buses were hired for journeys that lasted for 7-12 days. We got paid for each day the bus was away even when it was not in operation”.

Preparation for Involvement in Desert Trips

The prehistoric art and desert landscape are widely considered to be the main tourist attractions in Libya. However, because of the geographic location, these sites can only be accessed by particular vehicles.

Until recently, 4-Wheel Drive vehicles (4-WD) had been restricted to military or security purposes and were not allowed for private use, but there has been an easing especially for tourism purposes. Not surprisingly, the number and quality of those vehicles are considered to be inadequate for tourism transport.

“There have been shortages in the number and quality of 4-WD vehicles and only some residents in the South were using them for long distance tourist tours. I had the chance to see those vehicles during visits to relatives in my home city. They were inadequate for tourism transport and only then I did come to understand the discomfort those vehicles caused to tour guides and tourists”.

Realising that the number and quality of 4-WD vehicles in Libya was insufficient, DJ came up with an idea in 2001 to fill the gap. Their buses had only been operating between the main cities and thus, had to wait for the tourists to return from trips to the desert, the management wanted to make the most of the waiting time.

"As we got paid for the whole journey, our buses had to wait for a few days until the tourists returned from visiting or camping so, I felt that we would benefit from the waiting time if we took the responsibility for complete transport packages i.e. organise trips to the desert along with the archaeological sites [using their own buses and 4-WD]. I thought that we would also preserve our reputation which was, to some extent, distorted by the different standard of service provided by 4-WD owners".

DJ was aware that the lack of comfort on the 4-WD segment of the trip lowered the overall quality of the service. He also recognised that by not being directly engaged in desert transport, they were wasting time waiting for tourists to return from camping. These two factors came together to spawn the idea for an integrated transport package which included transport to both heritage and desert sites.

"Two of our bus drivers, who are originally from the South, had good contacts within the security patrol authority for the southern region. We approached them on site and expressed our desire to buy used or discarded 4-WDs. In the garage yard, there was a number of vehicles awaiting maintenance or scrapping. We made arrangements for skilled mechanics to view the vehicles and give us feedback. In the end, we managed to buy 7 Land Cruisers at a reasonable price. We also recruited drivers from the area so as to have people who were familiar with the region".

Network contacts brought the idea of widening the business into existence. The fact that DJ and some of his drivers came from and were familiar with the region assisted the owner's approach to the authority and made it possible for him to secure the vehicles. However, as they had been taken from the garage yard they were no different in quality or comfort from those in operation. DJ explained how his firm overhauled the vehicles to make them different:

“As soon as the deal was done, we took the vehicles to our workshops where the mechanics and panel-beaters began by specifying the required spare parts. My uncle’s assistance secured some parts while my brother-in-law used his contacts and got others from Egypt. We removed the engine from each vehicle under work to allow both mechanics and beaters to work easily and also to save time. All vehicles were refurbished to “as new” quality and were ready to go back on the road”.

As the vehicles were not authorised for personal use, spare parts were difficult to secure therefore, network contacts were desperately needed from DJ’s immediate family. The vehicles were now in working order but to start trips to the far south, additional equipment was needed.

“To provide complete packages to tour operators, as planned, we needed tents and other gear for desert camping such as water containers. The tents which had been in use were inconvenient for small groups and couples and therefore, my brothers-in-law got involved and bought 20 small and medium sized tents with some ancillaries from Egypt”.

In 2003, DJ sold the body shop and bought the premises which Grape had been renting.

Involvement in Cultural and Heritage Tourism

The buses and 4-WD vehicles offered a great opportunity for Grape to provide a comprehensive transport service and, thus, get a competitive advantage. The fleet appealed to many tour operators who organised trips to prehistoric sites and cultural events.

“Three out of four annual international tourism festivals are held in the South specifically in Ghadames, Hoon and Ghat. In October 2001, our firm was hired to transport tourists to Ghadames’s festival. I knew that tour operators had increasingly become interested in such occasions and sold them in their brochures. Therefore, I found that it would be a fantastic opportunity to promote our 4-WD vehicles and to sell our new packages”.

Another opportunity had been identified and seized by the manager. DJ noted the increasing number of tour operators and other participants attending these events and sold their packages to them.

“We wanted to show off. We took our vehicles to join our buses and let them speak for themselves. I instructed our drivers to give free rides in the surrounding area to tour leadres, couriers, organisers and to a number of tourists. As a result of our pro-active participation, we were contacted by directors of the festival and other festivals in following years to transport their organisers and guests. We have also been contacted by many tour operators who arrange tours to heritage and cultural sites in the far south”.

DJ developed new ideas and took up more opportunities which further enhanced his firm’s reputation and generated additional profit margins. After years of involvement in cultural and heritage tourism, Grape has become one of the central players in tourism transport.

“Our excellent contacts in the region together with our efficient buses and 4-WD vehicles offered excellent opportunities and increased our profits and diversified our business. Since 2002, we have been fully booked throughout the tourism season taking groups to farther destinations such as the Ubari dunes and Lakes, the ruins of Germa and the superb cave paintings of Acacus and Wadi Methkandoush. We’ve also been engaged in transporting the guests of a number of official bodies such as those who organise international conferences”.

The increased number of tour operators entering into business partnerships with Grape highlights the unique high-quality service the venture was committed to. Familiarity with the geography and traditions of the region assisted DJ in broadening their transport services. It has been a key feature in the success and growth of the venture.

Cross-Border Arrangements

The founder's recognition of the increased number of job seekers from neighbouring Egypt offered great opportunities to broaden their business. He gave details about his experience with visitors and workers:

"Aeroplanes are neither affordable nor convenient particularly to the majority of Egyptian workers and job seekers. Economically, they need to pay to get to the airport first and then for the air ticket. Furthermore, the nature of their work as un-contracted workers (farmers, plumbers, builders, mobile traders) requires freedom of movement from one place to another and, therefore, they prefer road transport. Additionally, they find it difficult to pre-arrange their travel and the majority collect their tickets just before departure".

During the mid-1990, a substantial number of visitors from neighbouring countries arrived in Libya. In 1995, for instance, out of the 1.832 million visitors, 810,000 were from the Middle East and 968,000 from Africa (NDTP, 1998). Egyptians were the majority of visitors from the ME.

Over its many years in the transport business, Grape had established a first class reputation and provided integrated transport services. Network contacts however, assisted the manager in further broadening his business through arrangements with transport operators in Egypt.

“Whenever we go on holiday to Alexandria in Egypt my brothers-in-law and I make contacts with transport operators to benefit from their experience and to search for opportunities for co-operation. Over time we have built a good relationship with a transport company and made arrangements to collaborate by operating trips for tourists and ordinary passengers between Tripoli and Alexandria. We had already run many trips in 2004 and subcontracted with them in 2005 to transport many tourist groups to a number of historical sites in Libya”.

Grape had become involved in regional transport. The manager employed his family contacts, generated new ideas and developed his business in an entrepreneurial manner. His need for achievement appears unstoppable and the propensity to grow appears never-ending.

Future Plans

Grape has achieved substantial growth and success over ten years of operation. However, the future is promising and, to the owner, *‘there is always a long way to go’*.

“As our fleet has been in operation for a quite long time, we had made arrangements with our business partners in Egypt to maintain and modernise our buses. Furthermore, we are in the final stages of arrangements to buy two new buses from Turkey which are due to arrive shortly. We want to expand our business with Super Jet and benefit from their long experience”.

CHAPTER TEN: THEMATIC, CROSS-CASE ANALYSIS

10.1. Introduction

Previous researchers have offered a variety of theoretical and practical perspectives on the entrepreneurship process (e.g. Baron, 2004; Bruyat and Julian, 2001; Malecki, 1997; Shaver and Scott, 1991; Van de Ven, 1993). The firm's relationship with its environment has been given particular attention in many studies. Gartner's (1985) model, for example, integrates four major dimensions of entrepreneurship: characteristics of the individual who starts the venture, the organisation which is created, the environment surrounding the new venture, and the process by which the new venture is started. He emphasizes that it is the interaction of these variables that results in varying patterns of new business creation.

The focus of this research is to develop an in-depth understanding of how small firms establish and develop their businesses within the tourism context in Libya and the socio-economic and political factors that form and influence their emergence. From reviews of the literature and the empirical research conducted over three years, a conceptual framework has been developed (see Diagram 10.1). The model integrates four major dimensions of entrepreneurship: the founder, the firm, the external environment, and tourism as the context in which the small businesses operate. Entrepreneurship is viewed as the process resulting from the interaction of these dimensions which leads to the emergence of small business in Libya.

As mentioned earlier, this study adopted a case study approach. Semi-structured, in-depth interviews were carried out with owners of the four cases and were the main source of data collection. Other sources included non-participant observations, supplementary interviews and documentary sources (refer to chapter 5). The empirical data gathered from the fieldwork has been presented in four case studies in the preceding chapters. This data will now be analysed in this chapter using within and cross-case analysis.

Accordingly, this chapter begins by highlighting the entrepreneurship process and illustrating how a variety of variables interfaced and led to the emergence of the four case firms. This choice is justified because the process is the focus of this study as depicted in the model. The thematic analysis, then, moves to address issues related to the macro level such as the socio-economic, political, and legal issues.

The micro economic level which is divided for the purposes of analysis into two main categories, the founder and the firm, is given particular attention because of the distinctive nature of each case. Characteristics of the founder are categorised into three main themes; human capital, social capital, and human behaviour. Within each category sub-themes are addressed and discussed in detail. In relation to the firm, business location, promotion, inter-firm alliances and networks, and the growth of venture are analysed.

10.2. Factors Shaping Entrepreneurship Process

10.2.1. The Role of Change in the Political and Economic Milieu

First of all, change brought small business and tourism into existence in Libya. Change came from different angles some of which were related to the internal political and economic situation whereas others were formed by international conditions. Examples of internal factors include the move towards liberalisation, problems of over reliance on oil exports, and increased unemployment. Internationally, sanctions, the air embargo, and the challenges of globalization to cultural, social, and economic spheres influenced the authorities' decision to liberalise and diversify the economy.

As the government introduced plans to diversify the oil-reliant economy, more attention has been given to the service sector as compared to other alternatives such as agriculture or manufacturing. Factors such as the desert climate, the scarcity of rain fall and limited natural resources advantaged the service sector. In this respect, the tourism sector represents a strategic area.

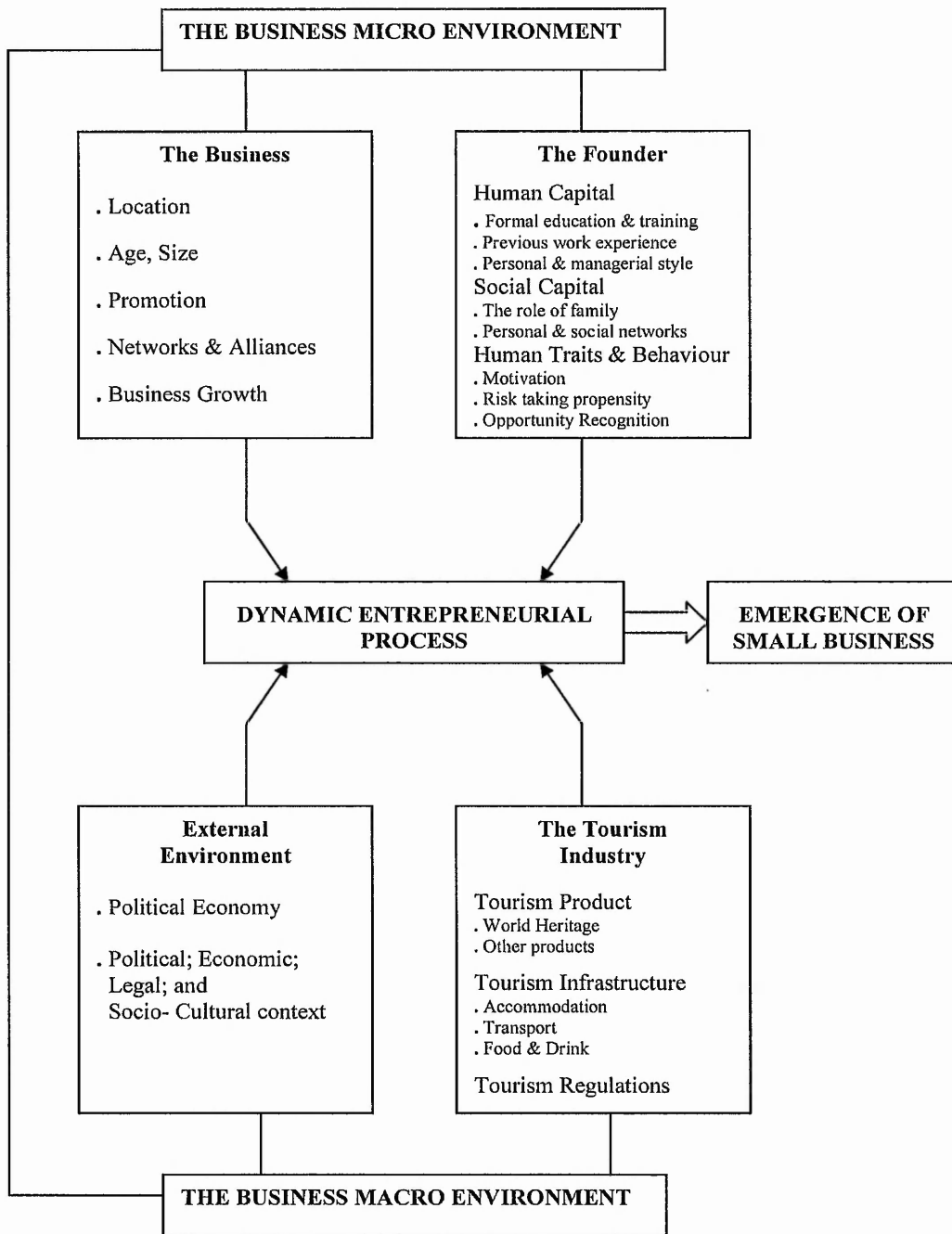


Diagram 10.1 Conceptual Framework

Furthermore, Libya has a magnificent tourism product. It boasts five world heritage sites including Roman and Greek archaeological sites and splendid cave paintings (see chapter 2). These attractions differentiate Libya from neighbouring countries (e.g. Egypt's pyramids and Tunisia's seaside tourism).

The four cases recognised that tourism has become the focus of the government's attention and its significance as a new area of business. They capitalise on the government's change in policy to become directly or indirectly involved in a variety of tourism-related areas of business. All of the small businesses were established midway through the time of transformation – in the mid-1990s.

10.2.2. The Role of Socio-cultural Factors

In relation to social and cultural context, two levels can be identified; the society and the community. National celebrations and tourism festivals have increased business contacts and created opportunities to transport firms. The regional context has also its influence. Religion offered great opportunities. The case of Apple provides evidence that pilgrimage to Mecca had assisted them in diversifying the focus of their business during the early years of operation. The transport operators increased the number of their passengers as a result of cross-border trade and visits. Egypt served as supplier of spare parts and skilled labour during the air embargo.

At the community level, social capital has played an exceptional role in the development of all case firms. Immediate family and extended relatives provided direct and indirect support to all business-owners. Support came from parents, spouses, siblings, in-laws, sons and cousins. A mother offered financial support to open a kiosk which was the beginning of BM's (the owner of Pear) career in business. Other examples included relatives offering assistance such as approaching a government authority to acquire vehicles, brothers helping to save money by providing advice and technical support, a cousin introducing the opportunity to import cars, and a father giving business advice in his shop.

Contacts made in an earlier job in a hotel, enabled the owner of Orange to solve the problem of short notice of booking cancellation. The network of contacts and cooperation he built with other hotels were found to have a direct positive impact in handling the problem in a short space of time. The case of Apple showed that the owner began his business with many customers from his previous employment to whom he introduced his firm before he left the company. This minimised the vulnerability associated with new small businesses especially in the infancy period following start-up.

Personal and social networks were found to have direct impact on the creation and growth of all case firms. The founders built enormous personal and business contacts inside and outside the country (see Diagrams 10.3 & 10.4). The case of Orange demonstrates how the owner increased his business volume by employing his contacts and good communication skills. His contacts in Tripoli and Germany led him to a lady from whom he was able to gain access to big tourism companies. The manager of Pear approached an old friend to handle a problem with middlemen suppliers. His personal contacts led to a powerful contact in the market from which he had the opportunity to enter wholesaling and was able to gain valuable experience from his business in the Far East.

10.2.3. The Individual's Personal Profile

Human capital has played a significant role in the creation and development of the four businesses. In the case of the two tourism firms, the formal education and training the managers received were found to be directly related to their businesses. Hence, they were able to find jobs in tourism-related companies where they gained valuable experience and built up a network of contacts. Consequently, their education and training assisted them in gaining market and industry knowledge which they used to solve problems and expand their businesses.

Although owner-managers gained experience through previous work, for the transport operators this was the primary source of knowledge and skill development. The manager of Pear spent seven years in retail and wholesale in the same area where he set up his current business. Therefore, location of his previous business advantaged the extant venture. DJ's previous work in car imports assisted Grape in acquiring buses from abroad which were not available in the local market.

Good communication assisted the manager of Orange to establish relationships with new customers at the time of Berlin fair and to maintain his ties with other customers in Greece. The founder of Pear was able to solve the problem of having their buses returned to Tripoli half loaded by building business relationships with other transport operators in Tunisia. The case of Apple demonstrated how the owner put his firm's reputation and pilgrims first when they had a problem associated with accommodation in Mecca.

Finally, the role of individuals' persona should be emphasised. Small business owners were driven by the need for achievement and the propensity to grow which were behind their firms' survival, success and growth. They took risk by establishing their ventures in unhelpful business environment. Although, they lacked adequate resources and services, they benefited from their families' assistance, built and developed networks of business and personal contacts, came up with ideas and identified opportunities, and as a result, achieved their targets. Certainly, this happened through an entrepreneurial process within which those variables interacted and led to their emergence.

10.2.4. The Role of Business Contacts

Alliances with other firms were created for many reasons such as market uncertainty, difficulties associated with information scanning, limited resources and challenges caused by inadequate tourism infrastructure. The uncertainty came from the newness of the tourism sector and the lack of clear tourism regulations. Environmental scanning was problematic because of the lack of information base and technology.

Two firms provide evidence of alliances set up to overcome problems associated with limited resources and isolated routes. Orange cooperated with other firms to share the high cost involved in attending international tourism exhibitions. Grape found difficulties in handling the problem of isolated region along the route between Tripoli and Benghazi. They set up an alliance with smaller firms which assisted them not only to ease this problem but also opened their eyes to the opportunity of transporting commuters and passengers travelling to the administrative complexes in Sirte.

Summary

In the light of the previous discussion, changes in the political and economic external environment are a result of new government policies, has created an environment which is ripe for business growth. Furthermore, socio-cultural relations with other countries have created business opportunities, eased international problems, and assisted case firms to survive.

Other factors such as education, previous work experience, and personal and managerial style have played a significant role in the emergence of the four small firms. They assisted business-owners in building networks of personal and business contacts, identifying opportunities, acquiring resources, improving market and industry knowledge. Additionally, it is the existence of important tourism attractions that facilitated the development of tourism and encouraged the creation of small tourism firms. However, these factors did not serve by their own. Business-owners were found to be highly motivated and risk takers.

Therefore, the entrepreneurship process is partly shaped by the interaction between the external environment which brought change and individuals who seized these opportunities and created new ventures. Using the model as a guide, each of these variables will now be analysed and discussed in detail through within and cross-case analysis. The business macro environment will be highlighted first then, the analysis moves to deal with the micro environment.

10.3. The External Environment

As indicated earlier, the context where small businesses operate is an important factor in the entrepreneurship process. The external environment involves a variety of variables which interrelate to a degree that makes drawing a precise line between them a difficult task. However, to facilitate the analysis, these factors are divided into three groups. Domestic issues are discussed first to highlight how the Libyan political economy affected (positively or negatively) the emergence of small business. Secondly, political, economic, social and issues are outlined with particular reference to their impact on small business. Finally, the tourism product and infrastructure are considered because of their direct influence on small business.

10.3.1. The Domestic Political Economy

Over the last three decades, the Libyan political economy has experienced dramatic changes in moving to and from a centralised economy to a mixed economy. The nationalisation of the private sector in the mid-1970s resulted in a complete contraction of the private sector and, as a consequence, the public sector was overwhelmed by the massive responsibility of covering all aspects of people's lives.

The government's centralisation policies were disastrous for productivity in almost all government institutions and service-providers. Government salaries were already traditionally lower than those in private sector businesses and were frozen after centralisation. This, combined with blocked promotion and lack of inspiration was among the reasons for employees' negativity and low productivity. This government policy coupled with other political and economic problems (see the following sections) seriously damaged the Libyan economy. This damage alerted officials to the need for a change in policy.

Since the late 1980s, the Libyan government has made serious efforts towards economic liberalisation and the introduction of a market economy. Changes included announcing plans for privatization, opening the door to foreign investment and establishing new laws to encourage the private sector and small businesses to invest and take part in national economic development. These latter developments offered great opportunities which were seized by, among others, the case firms.

The literature in this area (e.g. Daft et al, 1988; Deakins & Freel, 2003; Kopeso et al, 1987) stresses the role of change in creating new ventures and the role of entrepreneurs in exploiting change. The recent changes in Libyan political and economic policy have had a significant influence on the private sector and, thereby, small businesses. All small businesses presented in this study were established midway through the time of transformation.

10.3.2. The International Impact on the Political and Economic Environment

As mentioned earlier, the nationalisation of the private sector in the mid-1970s coincided with international political and economic problems. The conflict began with the breakdown of Libyan-American relations which resulted in the imposition of sanctions in the early 1980s. This was exacerbated by the global economic recession and the fall in oil prices. Following the Lockerbie case in 1988, the UN imposed an air embargo in 1992.

These latter developments, however, discouraged foreign investment and hindered the implementation of government plans to move towards economic liberalisation. National economic development was almost completely frozen and technology became obsolete. A direct consequence for the tourism sector in particular was that international passengers could only arrive via Tunisia or Egypt. So road transport was required to get access to Libya. The only alternative was the use of ferries to and from Malta.

The empirical study shows that all firms experienced many difficulties as a result of the air embargo. The tourism operators had to use road transport and cross the Libyan-Tunisian border to collect their tourists. They also faced problems associated with check points and traffic jams which caused delays and displeased their tourists. In this instance, social capital played a central role. Owners built networks of personal contacts to ease problems of congestion at check points. Conversely, although the air embargo affected transport services with regards to the availability of spare parts for their vehicles and inadequate facilities for repairs, it encouraged people to get involved in the transport business and created new opportunities for established transport operators.

The risk of over-reliance on oil exports and the problem of increasing unemployment are believed to have been the major reasons for the government's change of economic policy and its willingness to embrace capitalism at least in part. However, domestic growth was still limited by international sanctions. Hence, official figures still estimate unemployment to be 13 per cent but unofficially it is thought to be much higher (Knipe, 2005). The case of Pear provides evidence of how fear of unemployment pushed the owner to get involved in business at an early age.

The 1980s brought serious problems to the Libyan economy and thereby affected the creation and development of small businesses. These developments had subsequent negative effects in the 1990s. However, the positive changes in recent years such as the lifting of the air embargo and the return of foreign investors offered a more fertile environment for economic development specifically for small businesses. The empirical study shows that such changes have had a positive impact on the performance of small businesses in Libya. Examples include the ability to fly to and from Tripoli, the improvements in tourism-related services such as accommodation and transport and encouraging small businesses by providing financial assistance to attend international tourism fairs.

10.3.3. The Legal Context

It can be said that small business and the tourism industry in Libya emerged at almost the same time. The establishment of the Tourism Board in 1989 coincided with economic reformation and encouragement to private business to contribute to economic development. However, the neglect of tourism over twenty years and the freeze on private business for more than a decade, meant that both sectors needed regeneration.

The empirical study shows that the tourism firms faced many problems related to laws and regulations such as the excessive bureaucracy required to obtain visas for their tourists. Until the mid-1990s they had to apply to the immigration authority which, in turn, made contacts with the respective embassies to finalise visa arrangements. This was one of the main reasons for Orange's relocation. Furthermore, regulations limited the firms to making arrangements only for groups of four or more tourists. Individuals or couples could not apply for a visa.

The case of Pear, in particular, provides clear evidence that owners of small businesses struggled with rigid government regulations even prior to establishing their extant ventures. The sudden closure of the kiosks in 1994 and the prohibition of imports in 1997 are just two examples.

The reformation of the Libyan economy required reorganisation of both the tourism and the small business sector. However, the institutional framework of the tourism sector lacked stability. It has seen many changes over the short period of time since the establishment of the GBT in 1989 which led to the establishment of the Ministry of Tourism (MT) in 2003 (see Table 10.1). According to officials in the MT, the impermanence of personnel in power and even the premises caused confusion within the sector and affected the implementation of government objectives. In fact, the volatility of the tourism framework has been regarded as one of the obstacles to development of the tourism sector in Libya.

Table 10.1: Institutional Framework of Tourism Authority over Time

Date	Authority
1968	The Ministry of Tourism and Artefacts (MTA)
1970	The General Board of Tourism and Fairs (GBTF)
1989	The General Board of Tourism (GBT)
1995	The Ministry of Tourism (MT)
2001	The General Board of Tourism and Artefacts (GBTA)
2003	The Ministry of Tourism (MT)
2007	The General Board of Tourism and Traditional Industries (GBTTI)

Nevertheless, as the tourism business grew in the decade immediately following 1989, more and more regulations were passed to ease many problems and to offer a concrete basis on which small businesses could invest and take part in tourism development. The easing of visa requirements, for instance played a direct role in increasing the number of tourist arrivals. Tourism firms are now able to make direct contact with the respective embassies to obtain visas for their tourists and invited individuals are able to get visas upon arrival.

10.3.4. Socio-Cultural Framework

The social and cultural relations between people have had a significant impact on the creation and development of small businesses in Libya, as manifested in the empirical study. These relations can be classified into three categories. First, the social and cultural norms within the Libyan society. Secondly, the regional background where countries share long history, language and religion. Finally, the historical setting and social relations with other countries in the Mediterranean basin.

The case studies show that the Libyan socio-cultural customs have had an influence on the creation of small-businesses. Smoking in public places, for instance, is not prohibited in Libya and there is no age restriction on buying tobacco products. This was one of the reasons that tobacco-selling could provide MS with a profitable business venture at the age of 17 which served to open his eyes to the business world.

The case study of Apple also illustrates the social roles for men in Libyan society. Men are responsible for being the primary providers for their families and for mediating any interaction between the family and the outside world. MS's struggle to juggle work and family responsibilities was one of the reasons for his desire for independence. The difficulties associated with getting married including the requirement to provide significant amounts of jewellery for the bride, are among the factors that pushed BM, the manager of Orange, to get involved in business. The experience of his cousins, who struggled to meet these obligations served as a warning bell for BM.

Travel is another Libyan social custom. People travelled for different purposes even during the air embargo and sanctions. Ordinary people travel for religious purposes to perform Hajj and Umra in Saudi Arabia this created good opportunities to both tourism and transport operators. The tourism operators took advantage of travel to European tourism fairs to learn more about tourism market. In Libyan culture, travel is considered to be the best way of learning.

National celebrations and tourism festivals normally involve social activities and celebrations which last for days. These occasions offered great business opportunities for the transport operators. Small tourism firms also have recognised some opportunities to promote their businesses from within the country. Orange has made attempts to stimulate the domestic tourist market by arranging trips to school children and foreign residents.

Secondly, the socio-culture relations within the region have also assisted business-owners in developing their businesses. Geographic location, history and shared language between Libya and neighbouring Arab countries played a central role over time. While Libya was an Italian colony, large numbers of Libyans migrated to Tunisia and Egypt in search of a safer life. Since the mid 1960s, the prosperity of the Libyan economy as a result of oil production has attracted hundreds of thousands of people back to Libya in search of job opportunities and many of them have settled down.

The relations between Libya and its neighbours eased the two decades long problems caused by sanctions and the air embargo. Borders were opened for trade, medical care, and access to the external world by using the airports of neighbouring countries. Governments made arrangements to ease the movement of people including combining the check points crossing the Libyan-Tunisian border. Social relations, therefore, have played a major role in the development of the economies of all countries and created business opportunities for many people such as the owner-managers presented in this study.

Finally, the proximity and long history between Libya and Italy coupled with the Roman tourism attractions in Libya have had a significant role in increasing the number of Italians visiting Libya. Orange, in particular, provided figures which demonstrated that Italians make up the majority of their tourists.

Previous research suggests that economic activity cannot be analysed without consideration of the social context in which it occurs. Granovetter (1985) provided three reasons to support his argument for incorporating the social context into the study of economic activities. First, the pursuit of economic activities is confounded with the pursuit of non-economic activities. Second, economic actors operate in a social context that affects their motives. Finally, all economic institutions are socially construed and are affected by the characteristics and motives of those that construe and run them.

It is in this context that the notion of embeddedness is understood: institutions and individuals are affected by social structure, social relations, and socialities. They become embedded in the social context, and all activities are, to a degree, affected by it. The conceptual model shows that social framework is one of the main factors of the external environment which partially shaped the emergence of small business in Libya.

10.4. Tourism Product and Infrastructure

Libya has considerable tourism potential and strategic geographic location. It arguably possesses the finest examples of Roman and Greek architecture in the world, and some of the Sahara Desert's finest scenery (Millington, 2001). Libya's five World Heritage sites were designated by the UNISCO between 1982 and 1986 (refer to chapter 2). Bordering the Mediterranean, it is on the doorstep of the major tourist generating markets.

Nevertheless, Libya has remained outside of the mainstream tourism development that has taken place elsewhere over the last few decades. Although this had an advantage in that the country has largely avoided the excessive and, in some instances, inappropriate development in terms of both environmental and social sustainability, the tourism infrastructure is still believed to be inadequate for international tourists.

The negative impact of mass tourism appears to be one of the reasons why officials and decision makers were not quick to embrace tourism as an alternative source of income. Culture and religion were also strong barriers. Therefore, authorities wanted to gradually develop the tourism sector in such a way that it assists the state in achieving overall national economic and social development objectives; and presents a product that will minimize any social and environmental disruption (NTDP, 1998).

The empirical study clearly shows that tourism infrastructure is still the main concern for all business-owners. The owner of Apple who worked in state-owned tourism companies in the 1980s described tourism in its broadest sense as non-

existent. At that time, hotels provided accommodation to domestic visitors and international groups working in the oil or health sectors. Since the establishment of the Ministry of Tourism in 1995, there has been an increase in the number of hotels but only a few meet international standards (see chapter 2).

Air and road transport is another area that deterred the development of the tourism sector for many years. The consequences of the air embargo caused shortages in the aircraft fleet and in the services provided nationwide. Cancellations and delays caused problems and frustration to business-owners which impelled them to use road transport. The case studies of the transport operators, in particular, show that large numbers of domestic passengers preferred road transport because of the problems associated with air transport.

However, the road transport infrastructure also suffered as a result of the air embargo. Good quality vehicles are rare. The ban on importing many commodities, including vehicles, in the late 1990s required both private and commercial vehicle owners to maintain their existing vehicles. The case studies of the transport operators provide evidence of the seriousness of the situation. They had to buy used buses from auction, import second-hand buses from Holland and purchase 4-WD vehicles from a garage yard for their businesses to survive.

The lack of quality transport encouraged Orange (the second case study) to get involved in the transport business to fill this gap in the market. The cases of Pear and Grape provide evidence that Libya also lacked adequate parts, facilities and labour for repairs. To handle the problem, Grape took their buses to Egypt for repairs or brought skilled labour from there. In recent years, however, there have been significant changes in the transport sector. One example is the lifting of the ban on imports of new vehicles. As a result, Pear was able to acquire luxury vehicles (Mercedes Vito) for tourist transport.

Other areas of infrastructure such as consumables (e.g. food and drink) were no exception to underdevelopment albeit with less seriousness. A number of new restaurants have been established in recent years which provide good quality service and offer a variety of cuisines. Tour guides, handicraft shops and other service-providers have also increased and improved over the last few years.

The lack of clear and firm tourism regulations during the 1990s caused many problems for all business-owners. Tourism firms, for instance, experienced booking cancellations in big hotels which resulted in paying compensation to foreign travel agents and providing extra services to tourists to restore goodwill. Furthermore, this caused mistrust of the services provided by state-owned hotels.

Visa regulations were also problematic. The procedures and time spent in obtaining visas for tourists was unnecessarily bureaucratic. Couples or small groups of tourists were not allowed to apply for visas. In the last few years, however, there has been a significant change in visa regulations which has eased the aforementioned problems and facilitated small firms in developing their businesses and improving their services. Examples include firms being able to make direct contact with the prospective embassies instead of going through the immigration authorities. Individual travellers still have to pick up their visas at home, but invited groups are now allowed to pick up visas at the airport.

As a new entrant to the tourism market, Libya still has a long way to go in developing its infrastructure in a way that enables it to compete with other countries in the region. However, the strategy of the state, as indicated in National Tourism Development Plan of 1998, is to steadily develop the tourism industry in a way that is mindful of the impact of development on both environmental and social sustainability. The empirical study shows that there has been an increase and improvements in tourism-related infrastructure such as hotel accommodation and transport. The small firms investigated in this study played a part in filling the gaps in the infrastructure by offering and improving tourist transport and other tourism-related services.

10.5. Characteristics of the Founder

This dimension has been divided into three clusters each of which comprises related sub-themes. Human capital, for instance, includes education, training, previous work experience, personal and managerial styles such as hard work, good communication, problem solving ability, customer loyalty, market and industry knowledge. Social capital incorporates family, extended relatives, personal and social networks. Human traits and behaviour contain factors such as motivation, propensity to take risk, and opportunity recognition.

10.5.1 Human Capital

i) Formal Education and Training

The empirical data shows that each owner completed a different level of education in a different area of study. FG gained a Master's degree in the tourism field which is highly related to his tourism business. The managers of Apple and Pear gained degrees from university. However, only one of them studied a subject related to his business-accounting. In the case of Grape, the manager had middle-level vocational training. Although the area of training was not related to owning a transport business, it had a direct link to the owner's previous work as a mechanic where he gained experience and gathered a good amount of capital.

Two out of four cases provide evidence of owners gaining training after graduation in different areas and during different stages of their business careers. MS trained with a chartered accountant while he was working in a state-owned tourism company and FG went to Korea for training in tourism promotion, an area directly related to his business. Both areas of training appear to have assisted the owners in the development of their businesses. The levels of education, training and their relation to the business are presented in Table 10.2.

Table 10.2: Level of Education and its Relation to Business

Firms by sector	Tourism Firms		Transport Firms	
	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Attribute\Owners (firms)	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Level of education	BA Degree	Masters Degree	BA Degree	Vocational Training
Relation to business	2	3	0	1
Further training	2	3	None	None

Relation to business: 3 highly related; 2 related; 1 slightly related; 0 Not related

To conclude, two out of the four cases achieved a good level of education and training in areas directly related to their businesses. MS's knowledge and experience in accounting and finance assisted him in conducting the feasibility study required for opening a business and helped him with financial recording and reporting. FG's education and training in the tourism field gave him background on areas ranging from the importance of location to customer service. The transport operators, on the other hand, were found to have education in different areas which were regarded to have no direct relevance to their existing businesses and had received no further training.

ii) Previous Work Experience

All business-owners gained experience prior to the establishment of their ventures through previous work. However, time spent in previous employment and the relation between the previous and extant business varied from one case to another. It was found that the length of previous experience ranged between 5 to 20 years throughout the owners' business careers. Furthermore, owners' previous work varied in terms of the number of jobs taken before the establishment of their current businesses. In one case the owner had worked in one place prior to setting-up his venture while two of the managers had two jobs and one had worked in three establishments. Furthermore, owners' previous experience was gained in both the private and the public sectors before setting-up their businesses. Table 10.3. summarises this information.

Table 10.3: Previous Experience and the Number of Jobs Taken before the Establishment.

Attribute / Founders (Firms)	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Whole experience (years)	20	5	7	10
Number of jobs	3	1	2	2
Public \ Private sector	Both sectors	Public sector	Private sector	Private sector

Because the number of jobs taken before the establishment of the ventures varied from one case to another, it is appropriate to look at the last place of employment in order to assess the role of previous experience in new business start ups.

The role of incubator organisation

An incubator organisation is defined as the last organisation worked for prior to start-up (Birley and Westhead 1993). The findings of this research show that two out of the four owners, MS and FG, each worked for five years in a state-owned tourism company and in a hotel respectively prior to the establishment of their tourism firms. Accordingly, the nature of their current business is considered to be related to their previous employment.

The transport operators, on the other hand, came from different backgrounds and both spent four years in their previous businesses. BM worked as a wholesaler while DJ was involved in car imports and repairs. Therefore, BM's case was considered to have no relation between the previous and extant business whereas DJ's case was found to have an indirect link as the founder secured his fleet through his previous business and used his own workshop to repair his firm's 4-WD vehicles. Table 10.4 summarises these findings.

Table 10.4: Time Spent in Last Employment and the Relation with the Current Business

Attribute / Founders (Firms)	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Pre-setting-up work (years)	5	5	4	4
Relation to existing business	Direct	Direct	No relation	Indirect
Public \ Private sector	Public sector	Public sector	Private sector	Private sector

The 'corridor principle', Kopeso et al (1987), suggests that opportunities evolve from entrepreneurs being positioned in similar work or having had similar experience with related ventures so that when a window opens it is easy for them to move quickly into a new venture. Studying the role of incubator organisations in the founding of growth-oriented firms, Cooper (1985) also found that the nature of the business of the new firm is related to the incubator organisation in 58 per cent of his research sample.

The empirical study reveals that previous employment had a varying influence on the creation and development of small businesses in Libya. Two owners, in particular, worked in tourism-related state-owned companies where they built personal and business contacts, gained experience in the field, attained market and industry knowledge and improved their skills. These findings are consistent with Birley and Westhead's (1993) argument that the incubator organisation can have a significant influence on the decision to start-up and the location and characteristics of the business. They found the incubator organisation provided personal contacts, market knowledge, managerial skills and industry knowledge. Other researchers argue that previous entrepreneurial experience may provide a framework or mental schema for processing information (Kaish & Gilad, 1991).

The cases of transport operators in particular came from different areas of business and gathered information about the transport business while they were working in car imports and wholesale. DJ's previous employment in importing cars provided him with networks and information which he used to secure resources for his business. It appears that the location of BM's previous job advantaged the establishment of Pear. The founder worked for many years in the same market area where he gathered information and set-up his firm.

iii) Personal and Managerial Styles

The fieldwork shows that each owner-manager has a different managerial style. However, all of them have built and developed various managerial and organisational skills such as good communication, problem solving ability, customer loyalty, and market and

industry knowledge which assisted them in making business contacts, identifying new opportunities and solving business problems.

Previous work experience as an accountant enabled MS to practice teamwork, leadership and the commitment to deadlines. His years of experience manifest itself in the problem solving processes he employed to handle the accommodation problem in organising pilgrimage tours to Mecca. He quickly recognised that the financial impact of the higher than expected expenditure required to ensure that his tour group were accommodated in a centrally located hotel would be balanced out by the retention of customer goodwill which could had to repeat business and recommendations.

Previous experience in a hotel and higher education widened FG's understanding of the sensitivities of the tourism business. He regarded staff stability as an important factor for his business growth and was prepared to pay for this. His experience assisted him in setting up criteria for his new employees. In addition, his experiences with the Germans and the Greeks demonstrated his excellent communication skills and his success in building and maintaining numerous contacts. His personal skills and contacts played a central role in his success in making arrangements with a number of transport providers at a time when there was a severe transport shortage. His managerial style was evident in preferring to pay a large compensation and saving his firm's reputation.

BM's approach to dealing with the poor transport infrastructure was to train his drivers in his brother's garage to handle breakdowns on their own. As a result he saved time for his passengers and increased the skill base of his drivers. BM solved the problem of import barrier by breaking down shipment into smaller units by which he and his business partners minimised the risk of losing the whole shipment. The case of Grape demonstrated that the manager is a problem-solving person. DJ dealt with the problems associated with the isolated route along the way between Tripoli and Benghazi by creating a network of contacts which provided opportunities to expand his business. Prior to his current business, DJ developed a large scale import business from a single personal purchase.

Utilising such skills, entrepreneurs were able to increase the volume of their businesses and enhance their reputations. Undoubtedly, these entrepreneurial skills were part of entrepreneurship process the led to the emergence of small business in this research. In various research studies, (e.g. Wortman, 1987; Amit, et al, 1993), an entrepreneur's personal, managerial and organisational skills are often cited as characteristics necessary to support business activities.

10.5.2. Social Capital

i) The influence of Family

Immediate family and relatives appear to play a central role in the survival and growth of small businesses in Libya. The empirical data presented in the preceding chapters revealed that all business-owners had received assistance from their families. However, the type and level of backing varied from one case to another. For the purpose of analysis, the level of support is classified as direct or indirect based on its relation to business emergence. In terms of the type of assistance, three main types are identified. They are support, training and attitudes. Support refers to both financial and non-financial assistance and may be both direct and indirect. Training and parental attitudes come under indirect influence of the family. Diagram 10.2 illustrates these relationships and provides examples of each type.

Direct Influence

Parents provided both financial and non-financial support to one out of the four owners. DJ, is an orphan. So did not have the option of parental support. BM received financial support from his mother to open a kiosk in the beginning of his business career. It was the establishment of this kiosk that laid the foundation for his future in business.

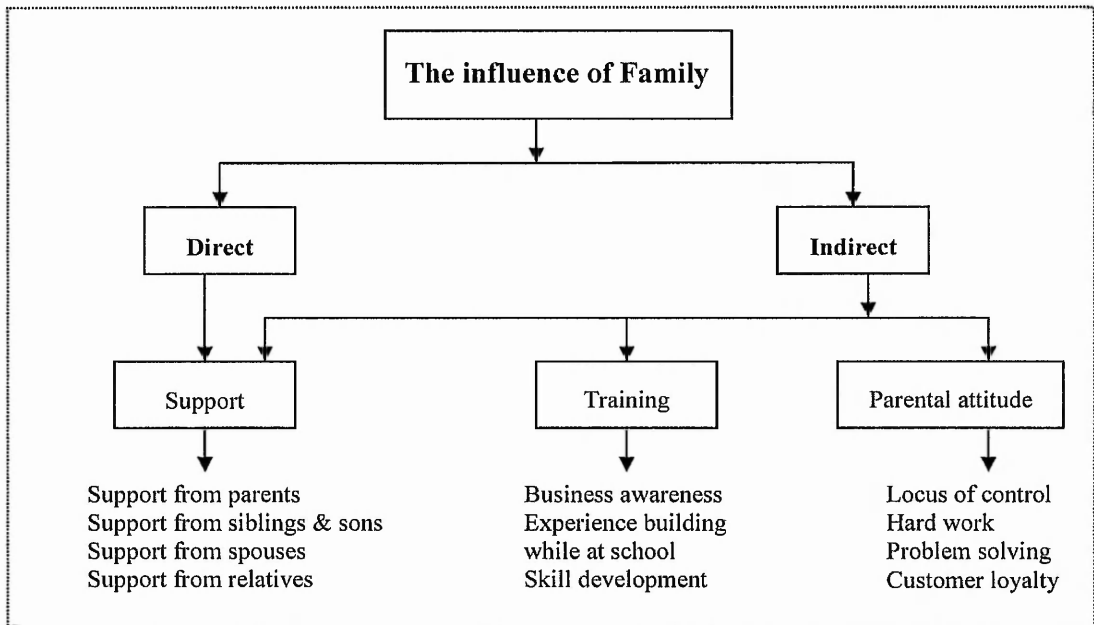


Diagram 10.2: Family Support to Business-Owners.

Direct support was also received from siblings and sons. One of the four cases provides evidence of both financial and non-financial support received from the owner's brothers. BM received financial support to buy new vehicles from one brother who worked in retail and received technical advice on selling old vehicles and retaining others from his other brother who worked as a mechanic. The support he received assisted him in expanding his transport fleet and increasing his firm's operations. In other cases, fieldwork observations show that a 22-year-old son was practicing in his father's business. Although he was not formally employed, the son reported to his father about some aspects of tour operation. By taking on oversight responsibilities, the son lightened his father's workload.

A spouse played a central role in the development and progress of the business in one case study. DJ's wife who was originally from Egypt helped to build a strong relationship between her husband and her brothers who assisted the owner in solving many problems such as getting skilled staff and spare parts from Egypt and helped him in building business relations in Alexandria.

Relatives, or extended family members, also played a major role in supporting owners prior to setting up their ventures and thereafter. Three business-owners were supported by relatives. In the case of Apple, an uncle offered shop space for MS to sell tobacco products. Other forms of support included family buying products from other countries for BM's kiosk and relatives from the south providing an introduction to the police authority from whom DJ purchased 4-WD vehicles. Certainly, this kind of support had a significant impact on the creation and development of these ventures. Table 10.5. gives examples of direct assistance provided by family members of the business-owners.

Table10.5: Direct Support Received from Family Members.

Attribute \ Business-owners (Firms)	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Financial support & technical advice			Parent Siblings	
Building contacts with in-laws				Spouse
Office assistance	Son			
Shop space, supplying the kiosk, Buying 4-WD	Relatives		Relatives	Relatives

The bottom row of the table lists the widest range of direct support actions or activities. It is interesting to note that the diversity of activities is also matched by a more diverse range of people providing support. To sum up, direct support was received from parents, siblings, spouses, sons and relatives.

Indirect Influence

Business-owners also received indirect support of many different types from parents, siblings, spouses and relatives. The empirical research shows that one owner-manager received support from his parents. Support came from MS's mother who played a central role in getting a shop from her brother which MS used to sell tobacco products, the experience that sowed the seeds of a business mind in MS.

It was also found that parents provided indirect support by giving training and business awareness in one out of four cases. FG was given training at an early age while he was still at school. Accordingly, FG developed personal and managerial skills and built up valuable experience from the comments and advice he received from his father. He learnt his first lessons about customer loyalty and good communication in his father's shop. FG's father served as a mentor or role model and immersed his son in a business environment. In contrast, MS and BM had to acquire their early business knowledge through direct experience because they were the first in their immediate families to go into independent business.

Parents' lack of education opportunities is found to have a direct definite on encouraging those business-owners to graduate and go on to higher education. In three out of the four cases, managers were strongly supported by their parents at an early age to complete their education. The tobacconist, MS, and the kiosk-owner, BM, in particular, provide clear evidence of two founders who got conditional consent from their parents to get involved in business based on promises not to leave school. The level of education they attained assisted them in achieving their goals. (See the role of education in the following sections).

Parental attitudes also have an indirect effect on the way founders managed their businesses. Half of the business-owners provided evidence that their managerial styles were, to some extent, shaped by their parents' attitudes. FG, for instance, has shown an attitude known as 'locus of control' in managing his tourism venture which can be linked back to the firmness and control exercised by his parents over the family.

Problem-solving and risk assessment are other examples of how some attitudes are transferred from parents. MS's father had been faced with the prospect of unemployment if he remained in the countryside. He had to weigh up the risk of moving to an unknown life in the city against an uncertain economic future in a familiar place. His decision to move his family to Tripoli provided the conditions for MS's early entry into business and

served as a good example of the wiseness of careful risk assessment in problem solving. It can be seen that there were many occasions when MS used his problem-solving skills to weigh up the advantages and disadvantages of potential courses of action in his business. Both FG and MS are found to be hard working which was also a characteristic of their parents.

The role of spouses in assisting entrepreneurs in achieving their goals should not be overlooked. The support provided by the wives of all business-owners consisted of taking care of their families' daily needs and taking up responsibility for the household which offered conducive environments for their spouses' success.

The empirical research shows that siblings offered indirect support to entrepreneurs. In two cases, managers received non-financial assistance from brothers. FG's talks with his brother offered him emotional support and advice. BM's brothers offered assistance in running the kiosk at the time when the family was first considering the project. Relatives offered great opportunities for diversifying the focus of business in one case study. DJ's contact with his cousin resulted in buying a car for his personal use which was the beginning of his involvement in importing cars. In addition, his brother-in-law looked after the workshop while DJ was engaged in importing cars. Table 10.6. summarises the indirect influence of the family.

Table 10.6: Indirect Support Provided by Immediate Family

Form of Support \ Owners (Firms)	MS (Apple)	FG (Orange)	BM (Pear)	DJ (Grape)
Opening a shop and running a kiosk	Parents		Siblings	
Experience building in a father's shop		Parents		
Personal and managerial style	Parents	Parents		
Parents' view of education opportunities	Parents	Parents	Parents	
Offering conducive environment	Spouse	Spouse	Spouse	Spouse
Non-financial assistance		Siblings		
Providing business opportunity				Relatives
Acquiring resources				Relatives

Researchers (e.g. Birley, 1985; Lin, 1982) argue that tangible and intangible support is the result of interaction with acquaintances, friends, and relatives. Although their research outcomes came from studies carried out in different economies (Birley's research, for instance, was conducted in St. Joseph County, Indiana), the findings of this study are consistent with their conclusions.

In the light of the findings from the four case studies, there is evidence that in Libya immediate family and relatives play a vital role in emergence of small businesses. Their role was found to have both a direct and indirect impact particularly in the early years of operation. Contrary to the perception that support normally comes in the financial mode, this research found that non-financial support received from families and relatives played a central role in the development of the ventures and is no less important than the financial backing.

ii) Personal and Social Networks

This research shows that all managers built substantial networks of personal contacts which assisted them in dealing with business obstacles. Examples include using personal contacts to solve the problems of congestion at the Libyan-Tunisian border, approaching the university to lease buses, getting access to wholesalers through a former classmate and leasing two buses from a friend. The case of Orange in particular provides clear evidence on how the manager's strong personal relations with foreign travel agents led to expanding his business in the German and Greek markets.

Entrepreneurs access people in their networks to discuss aspects of establishing and running a business (Greve & Salaff, 2003). Many studies have found that networking allows entrepreneurs to enlarge their knowledge of opportunities and to gain access to critical resources (Floyd & Wooldridge, 1999; Hills et al, 1997; Johansson et al, 1994; Sapienza et al, 1996).

There are a number of examples within all the case studies to demonstrate that the owners' personal networks provided information. These include finding out about a job at a state-owned tourism company from a university friend, learning about an experienced bi-lingual employee at the Berlin fair through contacts in Libya and Germany, hearing about a bus auction from a friend who worked in the auctioneer company, getting a tip from a cousin that led to a car import business.

In two cases, owners gained access to critical resources using their personal networks. BM's personal ties were the key factor in building contacts in Rotterdam where he bought used buses. DJ gained access to a police authority where he bought 4-WD vehicles and leased two buses from a friend who used to pop in for chats. In both cases, these resources were found to be crucial to their transport ventures and were not available in the Libyan market. Business-owners built their personal and social networks from large numbers of people within their immediate families, among friends and in their business environment. Diagram 10.3. shows the range of personal contacts used by the managers.

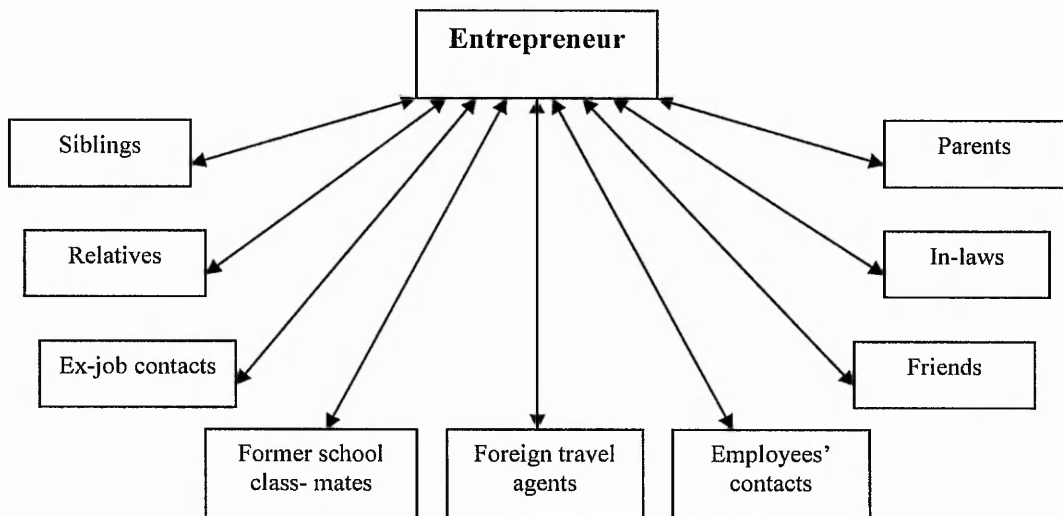


Diagram 10.3: Managers' Social Capital

It is worth mentioning that in the Libyan society, affiliation is an important and common social custom. People still maintain the traditions of previous generations. They gather at social events such as wedding parties and funerals where relatives, friends, neighbours and even passers-by get together for food or drink and get to know each other. Therefore, it is not surprising that similar social methods are used to strengthen business relationships and identify areas of mutual interest.

Fieldwork observations revealed that three of the cases demonstrated a need for affiliation by maintaining warm and friendly relations with others. The resulting social capital assisted them in many different ways. The case of Apple shows that the manager, MS, had a wide circle of social contacts. Many people popped in or telephoned during interviews with him. On many occasions, business was the main topic. The need for affiliation is also evident in the case of Pear. BM's long years in the marketplace assisted him in building relationships which he used to gather information about transport operations when he had to leave wholesaling. The case of Grape shows that the manager's, DJ, relationships with others assisted him in leasing buses by which the venture expanded its operations.

Low and MacMillan (1988) argue that networks are an important aspect of the context and process of entrepreneurship. In the previous discussion, personal and social networks are shown to have played a core role in establishing and developing all the small businesses. It is clear that networks make up a major part of entrepreneurship process that led to the emergence of small business.

10.5.3. Human Traits and Behaviour

i) Motivation for Starting-up a Small Business

Motivation is the drive to unleash entrepreneurial potential and, in turn, it shapes the entrepreneurial orientation of an individual. According to Vesalainen and Pihkala (1999), motivation has a high explanatory power for entrepreneurship.

The Need for Achievement

The empirical data in this study shows that all of the managers displayed determination and a high need for achieving their goals. This is evident in the methods used to choose their employees, their use of business and personal networks, the opportunities they identified and seized, the problems they faced and solved, the experience and knowledge they gained and the alliances they made with other firms which all led to the diversification and expansion of their businesses and enabled them to succeed.

Statistics about small firms collected from the Ministry of Tourism (MT) in Libya in 2003 and 2004 along with the researcher's experience during fieldwork show that a large number of small businesses do not survive and close down a few months or years after establishment. The researcher faced difficulties searching for businesses which only existed on paper. Officials in the MT also complained of the difficulties associated with the provision of precise figures about small businesses in operation in Libya because of the close down of many firms. This is a strong indication that determination and the need for achievement were among the main characteristics and motivations of entrepreneurs presented in this study.

The owners in the four case studies provide clear evidence that their determination to succeed and grow was unstoppable. Although they set up their ventures in difficult economic and legal circumstances, they survived and achieved their goals. Researchers, (e.g. McClelland and Burnham, 1995; Swierczek and Jatusripatak, 1994), argue that entrepreneurs are characterised by the need for achievement and power. Others have found that entrepreneurs have a higher need to achieve than non- entrepreneurs (Lee and Tsang, 2001). Reviewing results from nine major studies, McDougall and Oviatt (2000) found that entrepreneurs had, among other motives, higher need for achievement and higher growth aspirations.

Independence

The fieldwork research shows that all owner-managers were driven by personal independence when they established their private businesses. However, they were pushed or pulled by a variety of factors. MS and FG gained valuable experience by working in the public sector for quite long time and achieved higher positions in their jobs. However, once they built experience, gained market and industry knowledge, they preferred to work for themselves. It seems that they felt limited in their public sector jobs, and wanted the opportunity to use their accumulated knowledge and skills more creatively. Need for achievement was a major pull factor for independence.

In the cases of BM and DJ push factors were behind their independence. In BM's case, his wholesale business became unviable because of new government regulations, so he was clearly pushed by unemployment, to find a new means of earning a living. It seems that because of his long involvement in the private sector (see Table 10.4), the choice to join the public sector was not for him, independence was. DJ also gained valuable experience importing used cars and appears to have been pushed as this type of business became redundant when the government reopened the doors to new car imports.

It is important to note that there is wide recognition within Libyan society that poor government salaries do not provide enough income to save because they barely cover the essentials of living. Hence, maximising economic return (Davidsson, 1989; Delmar, 1996; Kolvereid, 1992) cannot be ignored or disregarded as a major pull factor when talking about self-employment in Libya. Interviews with participants and fieldwork observations showed that the founders were not involved in other businesses and that they rely on their businesses as their sole source of income. Therefore, financial gain is not only desirable for improving their lifestyle but also essential for meeting their families' basic needs.

According to Wiklund (1999), the fulfilment of non-economic personal goals, such as gaining independence, are oft cited reasons for starting a new business. Gray (1990), also argues that the attraction of personal independence is an important “pull” factor in the decision to seek a career as a small business owner although “push” factors such as redundancy, recession and blocked promotion may be stronger for many self-employed.

The above discussion demonstrates that founders were driven by a variety of motives. The interaction between these motives contributed to the creation and development of the ventures and guided the owners to behave in an entrepreneurial manner that led to the emergence of their businesses.

ii) Risk Taking Propensity

All of the four cases investigated in this study demonstrated a willingness to take risks in an unhelpful economic, political and legal environment. Although the owners of the tourism firms worked in the tourism sector prior to setting-up their ventures (see Table 10.3), the experience they gained was restricted due to the immaturity of the tourism business in Libya and therefore, high risk was involved in their decision to set up their own companies. The case of Orange provides clear evidence of the manager assessing the high risk associated with the new business by taking unpaid leave for a few months rather than immediately quitting his job. The transport operators also took risks by entering into new and different areas of business without previous experience.

The propensity to take risks has been widely considered in the literature as being an important characteristic of any entrepreneur (Covin and Slevin, 1989; Envick and Longford, 2000; Lumpkin and Dess, 1996; Stewart and Roth, 2001). According to Zimmerer and Scarborough (1998:37) an entrepreneur is “one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalise on them”.

Three of the business-founders had the initiative to set up private businesses when they were quite young. The experiences of the tobacconist, the kiosk-owner and the mechanic give clear evidence that they possessed a willingness to assume and take risks at a young age. They secured and organised resources, built experience, gained industry and business knowledge which assisted them in achieving their later goals. Kuehl and Lambing (1987), defined an entrepreneur as person who takes initiative for a business project, organises the resources, and assumes the risks it provides. Furthermore, the business-owners were found to have worked hard, established significant networks of contacts, overcome business obstacles, identified and took up opportunities and, as a result, they have expanded or diversified their businesses and achieved significant growth.

iii) Opportunity Recognition

The past 15 years have been a period of constant change in Libya in large part due to liberalisation of the economy and changes in international relations. This change created opportunities for the private sector to take part in economic development. As a multi-sector industry and new area of business, tourism in particular attracted the small firms investigated in this research. They continued to recognise further opportunities in manners that facilitated the development of their ventures and enabled them to succeed.

Converting an idea into a business opportunity is a key element in the process of business creation. In previous studies, opportunity recognition has been investigated from many different perspectives. For instance, some research has emphasised the importance of an active search for opportunities (e.g. Gaglio and Katz, 2001; Kirzner, 1997). Other studies have focused on the emergence of opportunities from an ever-changing pattern (Shane, 2003). Deakins & Freel (2003:60), for instance, argue that "Opportunities are generated by change. Change may be political, economic, social, demographic or technical...but harnessing such change to create new business ventures requires entrepreneurs to formulate ideas and fit them to the opportunity".

Venkataraman (1997) highlighted three main areas of difference between individuals that may help us to explain why certain individuals recognise opportunities while others do not - knowledge differences, cognitive differences, and behavioural differences. This study shows that industry/market knowledge, previous employment and networks of contacts assisted all managers in identifying a range of opportunities. Shane and Venkataraman (2000), argue that there is a cognitive difference between individuals who recognise opportunities and others who do not.

The cognitive perspective has received particular attention from many researchers (Baron 2004; Matlin, 2002). It is an approach that focuses directly on the cognitive mechanisms through which we acquire, store, transform, and use information (Baron, 2004a). All the case studies provide evidence of the managers viewing the world as a breeding ground for opportunities. Examples include MS and FG accepting further expense for their companies because of hotel cancellations for their pilgrims and tourists in Mecca and Tripoli respectively. Both used these situations as opportunities to distinguish their companies as providers of exceptional customer service.

Summary

To this point, the characteristics of the founder have been analysed and discussed in great detail. As the conceptual model shows, this category is one of the major factors shaping the entrepreneurship process and, therefore, a particular attention has been given to it due to the distinctive character of each founder. Three main themes have been addressed in detail; human capital, social capital, and human traits and behaviour. The empirical study revealed that social capital, in particular, is a strong feature of Libyan society. The following sections consider the characteristics of the firm.

10.6. Characteristics of the Business

10.6.1. Location

Location was found to be of particular importance to all cases. They are located in Tripoli city centre and the surrounding area. The two tourism firms are situated in the city centre where a large number of other tourism firms are operating. The significance of business location was illustrated by the manager of Orange. He had to move his business to Tripoli in order to improve access to services provided by government authorities and other tourism-related services. The owner found it difficult to travel to Tripoli many times a day to obtain visas from the Immigration Authority, finalise work with banks or make arrangements with transport operators or hotels.

Recent studies discuss the importance of location for the small business, considering such factors as customer accessibility, the economic and competitive environment, the availability of resources, and the need to project the right kind of image for the customer base (Longenecker et al, 2003; Megginson et al, 2000). Zimmerer and Scarborough, 2005: 433) also advise that strong consideration be given to locating the business in an area where certain firms tend to “cluster”.

In the cases of the transport operators, it was found that passenger accessibility was the main reason for choosing the location. Both ventures, and a large number of other transport firms, are located in a public market place where thousands of cross-border traders and domestic passengers gather. It also appears that initial investment has an influence on the decision of where to locate a business. The two transport firms invested larger amounts of capital compared to the tourism firms and therefore, it took longer for them to recover their initial investment. In order to ensure high passenger volume and thus income, the transport firms had little choice but to locate in the marketplace alongside their competitors.

In short, accessibility was found to be a key factor in choosing location in all case studies. However, in the case of tourism firms, access to service-providers was the key issue whereas access to customers was found to be the main motive for choosing the location in the transport firm cases. It is also interesting to find that the location of the transport firms have an influence on their promotion and investment. Both firms were advantaged by large numbers of passengers and, therefore, they did not invest much money to promote their businesses.

10.6.2. Promotion

The empirical study show that the business-owners adopted different ways of promoting their businesses depending on the nature of their business. Therefore, it is important to split the cases into two groups that is, tourism firms and transport operators.

In the tourism firm cases, the vast majority of customers are foreign travel agents and, therefore, owners focused their promotion efforts mainly on regional and international tourism fairs as important industry events. Both managers considered attendance at international exhibitions in particular as important venues to interact with the external world of tourism. However, they had different views of the low-cost arrangements offered by the Tourism Board which made it possible for an increasing number of tourism firms to attend the same fair at one time but with promotional material that shared significant similarities

FG assessed the outcomes and found the high percentage of savings made it worthwhile for his firm to take part while MS did not want his attendance to be disadvantaged by the others and thus chose to make his own arrangements even though he had to absorb higher costs than others. Daft, et al, (1988) argue that the political/legal, economic, and social/cultural tend to have an indirect impact on the competitive situation of individual organisations.

Both owners saw the value of the government subsidy to Libyan tourism, but MS recognised that such assistance did not help to differentiate one Libyan firm from another. Thus he chose to forgo government assistance in order to distinguish his business from the mass of Libyan tourism firms.

Other means of advertisement were also used to promote other activities. Both firms have websites advertising their services but only Orange uses the internet for business correspondence. In this case, the internet played a significant role in building and strengthening contacts between the firm and its customers. This was evident in regular correspondence the manager has made to keep business relations alive which increased the number of customers in the German and Greek markets. Leaflets about pilgrimage trips and scheduled tour operations were also made available on site to customers and others who visited for different purposes. Apple, in particular, relied on posters to promote its pilgrimage tours and the selling of air-tickets in the early years of operation.

For the transport operator cases, however, location and high demand meant it was not necessary to promote their services particularly during the first years of operation when the focus was on transporting the public. Nevertheless, as the firms grew and widened their operations and particularly when they became involved in the tourism business, they needed to make people aware of their new services. Methods of promotion included having Pear's name written on the buses which was unusual for private transport operators and so distinguished them from other providers.

It is also important to stress the significant role of personal and business networks in promoting the ventures. Word-of-mouth is a simple and useful way to promote the business through direct and indirect contacts. The following table summarises the means of promotion used by the four firms.

Table 10.7: Means of Promotion Used by Small Firms

Tourism Firms	A	O	Transport Operators	P	G
Attending international tourism fairs	√	√	Writing the firm's name on the fleet	√	
Attending regional tourism fairs		√	Posters	√	√
The use of the internet		√	Placards	√	√
Leaflets and posters	√	√	Word-of-mouth	√	√

A: Apple, O: Orange, P: Pear, G: Grape

10.6.3. Business Networks and Inter-firm Alliances

Libyan small businesses are involved in a variety of business networks and partnerships. It was found that limited resources and business experience in addition to other difficulties associated with the economic, legal and geographical environment were among the reasons for establishing alliances and contacts with other firms. These cooperative arrangements are classified as alliances where the relationship is formal and long lasting and as informal business contacts where the relationship is temporary.

This study shows that all of the small firms had built significant networks of business contacts particularly at the start of their businesses. Two out of the four cases engaged in alliances with other firms. Pear cooperated with smaller firms to solve the problems associated with the route between Tripoli and Benghazi and Grape collaborated with firms in Egypt to run trips between the two countries. The case of Pear provides clear evidence that its strong business relations with other transport firms strengthened and improved the firm's competitive position. In 2004, the venture took primary responsibility for transporting 500 tourists from Latin America after having worked as a subcontractor on similar deals with other firms for years.

According to Watson et al, (1998), new small businesses are considered to be especially vulnerable in the infancy period following start-up. They have a “liability of newness” and a higher risk of failure. Aldrich and Auster (1986), suggest that the use of long-term contracts with other organizations increases the chances of small firm survival. Emphasising the importance of being part of an alliance, Gomes-Casseres (1996) stressed that small, high-growth firms engage in cooperative strategies with other firms to improve their competitive position.

The benefits of business contacts are especially relevant for small firms in Libya because of limited resources and limited market presence. The case of Orange in particular provides evidence of partnerships with other firms which assisted them in attending the Berlin tourism fair when it was difficult for the firm to take part because of the high cost involved. Business contacts used by small firms in this study are depicted in diagram 10.4.

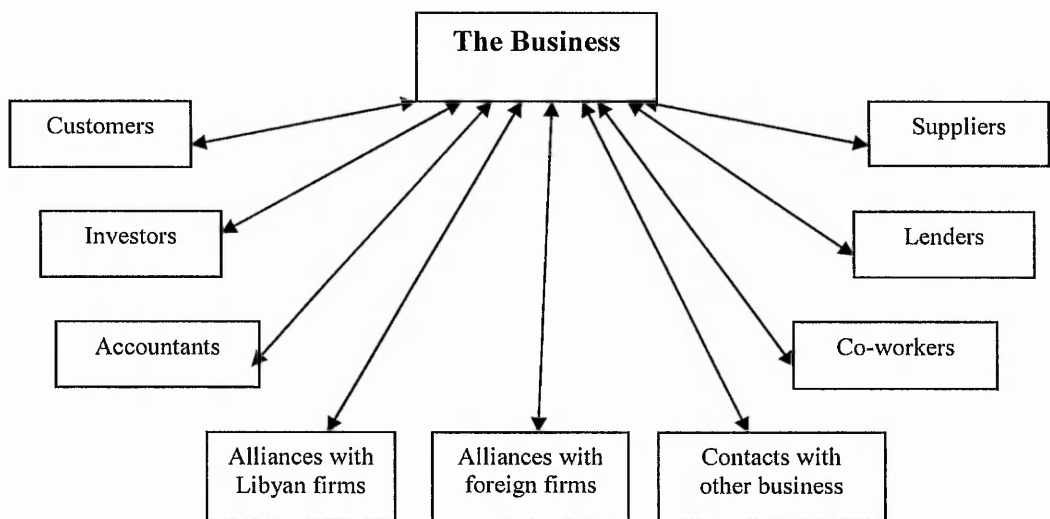


Diagram 10.4: The Firm's Business Contacts

These findings agree with a number of previous studies (e.g. Ahuja, 2000; Dyer and Singh, 1998; Kale et al, 2000) in which they argue that small firms engage in various forms of cooperative activities with other firms because of the cost savings and the increasing flexibility associated with such arrangements. Deakins & Freel (2003) emphasised the role of networks as an important factor in establishing and managing successful business. A range of other studies (Shaw and Conway, 2000; Chaston et al, 1999; Gibb, 1997; Alizadeh, 2000) have shown that involvement in formal and informal business networks has been a common characteristic of growth firms, and a key source of organisational learning.

10.6.4. Business Growth

All four cases investigated in this study have reported significant profit margins but for confidentiality reasons, it was difficult to obtain information about the specific financial performance of each firm. Nevertheless, all firms also achieved significant growth in terms of the number of employees so this data will be used as the bases of discussion of business growth.

Both tourism firms began with the manager as the sole employee and increased the number of full-time employees in subsequent years. They also employed part-time employees in response to the seasonality of the tourism and the pilgrimage industries. However, year on year, the number of part-time employees is changeable and because of the cash-in-hand basis of employment, reliable records were not available.

The transport firms, on the other hand, began with a number of full-time employees of which drivers comprised the majority. In both cases these numbers were more or less doubled over the following years. Because of engagement in desert trips, Grape had 7 part-time drivers for their 4-Wheel Drive vehicles. Table 10.8 illustrates the number and the percentage of employee growth.

Table 10.8: Growth in Employment Level

Attribute/ Firm	Apple	Orange	Pear	Grape
Year of establishment	1994	1994	1997	1995
No. of FT employees at the start	1	1	8	5
No. of FT employees in 2005	5	7	15	11
% of increase	400	600	88	120
Part-time employees	Changeable	Changeable	None	7

Each small firm also achieved substantial growth in terms of business diversification, fleet expansion, and tourist arrivals. The differing nature of the transport and tourism businesses means that there are no grounds for comparing all four firms. Therefore, the cases are broken-down by business type.

Both tourism firms increased their business with foreign travel agents and as a consequence, the number of international tourist arrivals increased. In 2003, Apple received more than 1800 tourists as compared to 1300 in 2001 while Orange received 120 tourists in 1994, a figure which exceeded 2000 in 2004. It is interesting to note that as both firms grew they became more focused on particular activities or markets. Apple stopped the pilgrimage trips and the sale of air tickets and paid more attention to the tourism business. Out of the total number of tourists received by Orange, 60 percent come from Italy and 30 percent from Germany.

Transport operators, on the other hand, increased their fleets and broadened their operations. Pear began in 1997 with four mini-buses. In January 2006 it had two mini-buses of 24 seats, four nine seater mini-buses and two buses. In 1995, Grape started with two buses. After a decade of operation, the firm has increased its fleet to include seven 4-Wheel Drive vehicles and four leased buses. Grape began by transporting the public and then became involved in new areas such as transporting tourists to historical sites, arranging trips to the desert and to social and cultural events like tourism festivals in the south.

Summary

In the previous sections some characteristics of the firm have been outlined to complete the picture of the business micro economic environment. Location was found to be of particular significance to all cases for different reasons. Two cases show that promotion was essential for the survival and development of tourism firms while it was found to be of less importance for transport operators because of customer accessibility. Three cases in particular give evidence of the importance of business partnerships and inter-firm alliances in Libya. The four cases achieved growth in different areas such as the number of tourist arrivals, employees, fleet expansion, or business diversification.

10.7. Small Business Emergence

To this point, the four dimensions illustrated in the conceptual framework have been examined, discussed and related to the literature. This chapter shows that all small businesses investigated in this study have established, developed, and achieved significant growth a result of the interaction of many factors comprising these dimensions. Hence, it can be said that it is the interface of these variables that led to the emergence of small businesses in Libya.

This investigation shows that the external environment had an influence on the emergence of small firms. Both international and domestic politico-economic factors have had created positive and negative impacts. Changes in government policies, in particular, were found to have direct impact in terms of creating opportunities and providing supportive business environment. However, the role of the individual in seizing such opportunities was also emphasised. The four owners are risk-takers and highly motivated by the need for achievement. Researchers, Davidsson (1989), found a positive relationship between achievement motivation and business growth in entrepreneurial firms.

Case studies show that human capital and social capital had played a central role in the creation of the small ventures. Social capital, in particular, assisted owner-managers in many ways. Their interaction with family members, relative, friends, and workmates assisted them in identifying opportunities and building up strong contacts and alliances. A range of other studies (Alizadeh, 2000; Chaston, et al, 1999; Gibb, 1997; Shaw and Conway, 2000) have shown that involvement in formal and informal business networks has been a common characteristic of growth firms, and a key source of organisational learning. Hudson and McArthur's (1994) research found that small, high-growth firms seek collaboration because they have no established ties or track record of success.

In the light of the previous discussion, it can be said that the emergence of small businesses investigated in this study was a production of an interaction of many factors related to micro and macro economic factors. This interface is related to the entrepreneurship process, as depicted in the conceptual framework.

The following chapter concludes this thesis. It briefly tracks the research process reiterating the research objectives. Key findings are presented and contribution of this work is identified. Finally, it introduces the research limitation and further research.

CHAPTER ELEVEN: CONCLUSIONS

11.1. Introduction

Decades long neglect of tourism within Libya has meant that the country lags behind its neighbours, Egypt and Tunisia, despite having equally attractive historical sites and climate. Development of the tourism sector has been constrained by a number of issues, the most critical being the poor international image of the country and inadequate tourism infrastructure. Furthermore, increased unemployment and over-reliance on oil exports alerted the government to diversify the economy and search for an alternative source of income. In this perspective, tourism offered great opportunity.

Although not given priority in the past, in the late 1980s the Libyan government recognised the potential of the tourism sector in developing and diversifying the economy and changing the international image of the country. Furthermore, the government's steps towards economic liberalization have opened the doors to small businesses to be actively involved in economic development. In this context, tourism receives a great attention as a multi-sector industry with large involvement of small business.

Research shows that worldwide the tourism industry is numerically dominated by small businesses (Szivas, 2001). However, as Ioannides & Peterson (2003) assert, tourism entrepreneurship is a research area that has not received the level of attention it deserves even in the industrialised countries. Limited research has been devoted to this area (e.g. Brown, 1987; Koh, 1996; Page et al, 1999; Shaw et al, 1987).

In Libya, research into small business development has only recently received some attention. Al-Hasan et al., (2002), for instance, evaluated the competitiveness of SMEs in Libya. Jwalli et al (2004) investigated the role of internet marketing in the development of the Libyan tourism industry. Thomas et al (2002) examined the role of small firms in Libyan tourism development. This study adds to previous research by developing an in-depth understanding of how small firms within the tourism context in Libya have emerged.

This chapter concludes this thesis. It tracks the process by which this study was carried out to achieve its objectives. It begins with a brief of how this research was designed and a reminder and discussion of the research objectives. Then, key findings of the study are presented followed by an outline of the significance of this study and its contribution to the base of knowledge. Finally, an acknowledgement of the inevitably limited scope of this work is presented and, therefore, further research is proposed.

11.2. Research Process and Objectives

This study investigates the emergence of small business within the context of the tourism sector in Tripoli, the capital city of Libya. It looks at the creation and the development of small businesses and the socio-economic and political factors that influence their emergence. This study was inductively carried out. Fieldwork was conducted during three field trips. These trips along with intensive reviews of the literature have widened the researcher's knowledge and, as a result, a conceptual framework was developed to serve as a guide for this work.

An interpretive philosophical position was chosen to frame the study and a qualitative research approach was adopted to carry out this investigate. Four case studies were selected by means of purposive sampling, two tourism firms (Apple and Orange) and two transport operators (Pear and Grape). Information-rich cases and accessibility were the main criteria for choosing the case firms. Interviewing was chosen as the principal method of data collection. To overcome the limitations inherent in relying upon one method or data source, interviews were supported by non-participant observations, supplementary interviews with officials in the Ministry of Tourism and documentary sources (refer to chapter 5).

Data collected from the fieldwork was analysed and interpreted in the preceding chapter. A continuing traditional process of analysis was adopted comprising identification of the research themes and sub-themes within each case by means of coding, and development of case summaries. A cross-case analysis was then carried out to identify patterns, processes and interfaces between the variables illustrated in the conceptual framework. The technique of mapping assisted in inter-relating variables which shaped the entrepreneurship process and led to the emergence of small businesses in Libya.

In essence, this study was set up to achieve the following aims and objectives:

- To develop a conceptual framework around the concept of small business emergence.
- To develop an in-depth understanding of how small business-owners establish and develop their businesses.
- To identify the social/economic/legal factors that shape the emergence of small firms in Libya.
- To examine how small firms facilitate the development of the Libyan tourism industry at a micro economic/social level.

11.3. Key Findings and their Implications

This research has achieved its objectives. It has developed an in-depth understanding of how small business-owners established and developed their businesses in Libya. The study has also identified the socio-economic and legal factors that shaped their emergence. The research findings are categorised in relation to the research aims and objectives. The first group is connected mainly with the research aims while the second group is related to the macro level to identify social, economic, legal factors. The final group, however, shows how small firms facilitated the development of tourism at a micro level.

The research aims

A conceptual framework has been built around the concept of small business emergence. The model shows that the emergence of small businesses in Libya came from a number of facilitating factors. The model emphasises that entrepreneurship is a process in which these variables interact. While the founder's traits and behaviours are always emphasised, the external environment was found to have a significant impact on the creation and development of small businesses in Libya. Therefore, it is important to emphasise here that, because of this interface, no single one of these variables could be investigated in isolation and, therefore,

- Small firms in Libya have emerged through an interaction of a variety of variables some are related to the micro level whereas others are related to the macro level.

Consistent with many previous studies, (e.g. Birley 1985; Floyd & Wooldridge, 1999; Hills et al, 1997; Johansson et al, 1994; Low and MacMillan 1988) social capital such as family members, personal contacts, and managerial and personal skills played a vital role in the emergence of the small firms. However, it is interesting to note that in this study the diversity of activities taken by owner-managers were matched by a more diverse range of people providing support. Furthermore, the lack of an adequate service sector increased the need for social capital. Thus

- Social capital had a major influence on the development and growth of the small firms in Libya. The wider the range of contacts, the greater diversity of the business.

As opposed to the general literature, the tourism literature argues that experience does not carry as much weight because tourism is characterised as an 'easy to enter' industry. However, the findings of this study stress the importance of the incubator organisation even in the tourism business. Creating and maintaining personal and business contacts are of particular importance for small businesses survival and growth. Hence

- Incubator organisations had a significant impact on the creation and development of small firms, the most important being the creation and extension of a personal contacts and business alliances that were built through previous employment.

The first objective

Previous studies (e.g. Daft et al, 1988; Deakins & Freel 2003) stress the role of change in creating opportunities and the role of entrepreneurs in exploiting them. However, political, economic, technical or demographic change is normally considered to be positive. This research is in harmony with previous studies. The positive changes in international relations between Libya and other countries on the one hand and the government policies towards liberalisation on the other hand, resulted in improvements in tourism regulations and infrastructure which opened the doors for small business involvement.

Surprisingly, it was found that negative changes have also created business opportunities. Transport operations, for instance, increased in number as a result of the air embargo. Similarly, the lack of opportunities in the public sector actually encouraged individuals to start tourism businesses. Therefore

- Positive changes in the political/economic external environment have created an environment which is ripe for business growth. However, it was also found that negative changes offered business opportunities to certain small businesses.

The social and cultural context within the region where people share language, religion, and social norms was found to have a major impact in creating business opportunities and easing many problems particularly during sanctions. Pilgrimage tours to Mecca, for instance, offered a great opportunity to diversify the focus of one tourism firm during the infancy stage. The socio-cultural context also contributed to broadening personal and business contacts. Family members and personal contacts, which were extended to

neighbouring countries, offered great opportunities for the survival and growth of the small firms. Interestingly, the colonial history along with the Roman heritage were found to have an impact on Libyan tourism in that the majority of tourists come from Italy and two out of Libya's five World Heritage sites date back to the Roman Empire. Therefore,

- Socio-cultural issues such as language, religion, social norms, and past history on the one hand and World Heritage status on the other have had a positive effect on the performance of small firms and the development of the tourism sector in Libya.

One important factor related to the macro environment is location. Recent studies (e.g. Longenecker et al, 2003; Zimmerer and Scarborough, 2005) discuss the importance of location for the small business, considering such factors as customer accessibility, the economic and competitive environment, the availability of resources, and the need to project the right kind of image for the customer base.

In this study, two points can be added. First, inadequate services can have an impact on the decision to choose the location. The centralisation of service providers in the main cities was one of the main reasons for Orange's (the second case study) relocation to Tripoli. Secondly, location can have an effect on business promotion and investment. The two transport operators were advantaged by large numbers of passengers in the marketplace. Therefore, they did not need to invest much capital in promoting their businesses.

- Location was found to have particular importance to all of the small firms investigated in this study but in different ways. The proximity to service providers was the main reason for choosing the location of the tourism firms whereas the location of the transport firms had a direct impact on the need for business promotion and investment.

The second objective

In terms of the role of small firms in facilitating the development of the Libyan tourism industry, all of the small ventures played an important role in this respect. Their role was found to have political, economic and socio-cultural effects.

- The tourism firms played a major role in changing the poor image of the country through attendance at international tourism fairs. Their role is evident in the increasing number of tourist arrivals over a relatively short period of time. It follows logically that they have also contributed to national development by increasing foreign exchange.
- In a broader context, the small firms offered job opportunities and supported overall government policies for tackling the problem of unemployment which was one of the main reasons for economic diversification.
- The transport operators, on the other hand, had to improve the quality of their services to become involved in the tourism business. As a result, they have facilitated the development of tourism by improving an important area of tourism infrastructure.

This study gives evidence of successful entrepreneurs who established and developed their businesses in an unhelpful business environment. Therefore, a key implication of this study is that entrepreneurship in Libya will revive quickly provided that the government pays more attention to tourism infrastructure and financially supports small firms. Tourism regulations, in particular, are of significant importance for the development of small businesses.

11.4. The Contribution of This Work

The contribution of this study is a three-fold. In view of the limited research in the area of tourism entrepreneurship, the significance of this thesis lies in its contribution to the literature and the empirical studies carried out particularly, in the developing countries. Specifically, this research

- addresses a notable gap in the literature. It adds to a small but growing list of empirical studies on tourism entrepreneurship; an area that has received little attention even in US and European countries.

The significance of this study lies also in its contribution to the notion of small business creation within the domain of entrepreneurship. Particularly, this research

- offers a model for small business emergence. The model has been built upon the idea of interaction between micro and macro economic factors and can be adopted and/or adapted in further studies particularly in developing or transforming economies. It also offers opportunities for comparative studies with different contexts.

In consideration of the very limited research in small business and tourism research in Libya, and to place this in perspective, there are currently no more than a handful of articles about Libyan tourism in the mainstream academic journals in tourism. Therefore, this study

- is the first longitudinal, in-depth study of its kind carried out in the area of small business and entrepreneurship in Libya.
- contributes to the body of tourism research by exploring a relatively new tourism destination that is rapidly developing and growing.

11.5. Assessing the Research Design: Validity, Reliability

As discussed in chapter five, the idea of objectivity that underlies notions of reliability and validity has been criticized by many qualitative researchers. The stress on devising valid and reliable measurement procedures is especially redolent of positivism, particularly the tenet of phenomenalism (Bryman, 1995). Many qualitative researchers propose that the studies they produce should be assessed according to different criteria from those used in quantitative research. Lincoln and Guba (1985), for example, propose trustworthiness as a criterion of evaluating qualitative studies (see chapter 5). The following sections examine the quality of this study in terms of validity, reliability, and generalizability followed by acknowledgement of research limitations and suggestions for further studies.

Validity

The issue of validity refers to the extent to which the data collected by the researcher truly reflects the phenomenon being studied (Veal, 1997). During the course of the empirical study, the aim was to collect data that relate to the conceptual framework under investigation. Because the model integrates many factors (see Figure 10.1), the focus was to build a systematic way that allows the researcher to gather detailed information about each of these dimensions using different sources. As such, data was collected about the micro level (i.e. the founder and the firm) and the macro level (i.e. the tourism industry and the business external environment). Furthermore, data sources included interviews with small-business owners and officials in the Ministry of Tourism, non-participant observations and documentary sources.

One key factor that enhanced validity is that firms embodied in this study represent managers who created and owned their firms and that cases were typical tourism and transport businesses. Furthermore, the researcher has collected data in person through interviews. This method has advantages over other methods such as questionnaires in which participants answer specific questions. The goal of the interviewing process is to understand how participants understand and make meaning of their experience. Interviews carried out in this study were semi-structured which allowed business-owners to talk openly about all aspects of their businesses and personal backgrounds.

In addition, in-dept/multi-interview structure incorporates features that enhance the accomplishment of validity. It places participants' comments in context and encourages interviewing participants over different periods of time (Seidman 1991). The longitudinal nature of this study, which covered three years – 2003 to 2005 – of empirical investigation, encouraged participants to account for idiosyncratic days and events and to check for the internal consistency of what they say. Furthermore, interviewing a number of participants allowed the researcher to connect their experiences and check the comments of one participant against those of others. This is particularly the case when talking about the tourism industry and the political and socio-economic factors (refer to the model).

Researchers, Seidman (1991), argue that if the interview structure works to allow participants to make sense to themselves as well as to the interviewer, then it has gone a long way toward validity. It is also argued that the most profound knowledge can be gained only by the deepest inter-subjectivity among researchers and that which they are researching (Ferrarotti, 1981).

Another important factor that enhances the validity of this work is the previous work experience as a chartered accountant that facilitated the researcher in conducting the fieldwork in many ways. I had the opportunity to work in close contact with many small business owners when conducting feasibility studies or providing them with advice. This experience familiarized me with small business owners and assisted me in carefully selecting the case firms and eliciting data about business practice.

Reliability

The goal of reliability is to minimize the errors and biases in a study (Yin, 2003:37). Throughout the course of interviewing, the researcher remained distant allowing interviewees to make sense of their experience. Furthermore, a variety of methods and techniques have been used to enhance the reliability of this study. First, data was collected in planned and systematic manner. Fieldwork process (see Diagram 5.1) explains the way research sample was selected. It shows that 27 tourism firms were contacted in search for

information-rich cases. Criteria such as date of establishment, size and characteristics of business were carefully considered.

Secondly, triangulation- the use of more than one method or source of data- has been employed for the purpose of achieving reliability. As indicated, data was collected from different sources including interviews with business-owners, non-participant observations, interviews with officials in the Ministry of Tourism, and a variety of documents.

Finally, each case in this study contains great deal of relevant citations that relate to all aspects of micro and macro levels of business environment. Furthermore, this study gives details about all field trips and particularly the time and place of each interview (see chapter 5). Researchers (Yin, 2003) argues that the study should make sufficient citation to the relevant portions of the case study database by citing specific documents, interviews, or observations. Yin also argues that the study should reveal the actual evidence and indicate the circumstances under which the evidence was collected.

Generalisability

External validity deals with the problem of knowing whether a study's findings are generalisable beyond the immediate case study. However, the issue of generalisability is challenging in social sciences. Therefore, it should be emphasized that generalisability is not a concern of this study. It is difficult to generalise from four cases to other businesses around the world. However, there is a scope to generalise to other provinces across the country and to other countries in the region and a possibility to generalise to other sectors.

The economic, political, and social issues which addressed within Tripoli are believed to have almost the same effect on other provinces in Libya. Examples include the economic affect of the air embargo and sanctions across the country. Additionally, it is widely recognised that the North African countries (e.g. Egypt, Tunisia, Algeria, Morocco) share some similarities in terms of language, religion, culture, and social life.

This study reveals that socio-cultural traditions hold tremendous similarities across the region. These norms are manifested in marriage and in-laws relationships between people and the extension of cross-border trade across the region. A positive affect of these relations was that they assisted the survival of Libyan business-owners especially during the air embargo and sanctions. Therefore, it is fair to say that some Libyan socio-cultural aspects have comparatively the same impact on business in the neighbouring countries. It is also possible to generalise to other sectors within Libya particularly those within the service sector such as food and drink.

Additionally, this longitudinal study provides cases rich in information particularly about Libyan socio-cultural issues. Qualitative researchers encourage the production of *thick description* 'Geertz' (1973) or what 'Patton' (1987) call *information-rich* cases— that is, rich accounts of the details of a culture. Guba and Lincoln (1994) argue that a thick description provides others with a database for making judgements about the possible transferability of findings to other milieux.

In summary, as Yin (1984) has argued, case studies should be evaluated in terms of adequacy of the theoretical inferences that are generated. The aim is not to infer the findings from a sample to a population, but to engender patterns and linkages of theoretical importance. "Survey research relies on statistical generalization, whereas case studies (as with experiments) rely on analytical generalization" in which "the investigator is striving to generalize a particular set of results to some broader theory" (Yin, 2003:37). Furthermore, many researchers, (Veal, 1997), argue that while measures can be taken to ensure a degree of generalisability, any research findings relate only to the subjects involved, at the time and place the research was carried out.

11.6. Research Limitations

Small business emergence is a multilevel phenomenon. Therefore, entrepreneurship theory building has to pay attention to the interactions among cognition, organization, and industry levels of analyses. Furthermore, a continuing challenge to entrepreneurship has been to focus on the process by which organizations are created. The conceptual model

presented in this study integrates many factors therefore, it must be acknowledged that each level of analysis requires deeper investigation and understanding. Recent studies in entrepreneurship (e.g. Lichtenstein et al, 2006) emphasize that the empirical dynamics underlying emergence have been opaque in theory and in research.

Essentially, the researcher recognizes the difficulties associated with applying the notions of validity and reliability to social sciences. The limitations of this study lie in four areas; the number of cases, the sectors they were chosen from, the geographic settings, and the time frame. This work contains four cases from two sectors; tourism and transport. The decision behind choosing the case firms was their direct involvement in the tourism business. All firms are located in Tripoli and were established during the mid-1990s. The location was chosen mainly for two reasons; accessibility and the cost involved. Furthermore, the empirical study was carried out at a time (2003 – 2005) when economic transformation has just started.

Given that, there is a limitation in terms of the number and variety of research cases. As a multi-sector industry, tourism involves a range of other businesses such as food and drink, and accommodation, which, due to time limit, were not included in this project. Therefore, more cases from other sectors would give bigger picture about the tourism industry. Therefore, the conclusions of this study are difficult to be replicated or broadly generalized to other settings.

In the light of the research limitations, the final section opens doors for further research.

11.7. Further Research

Making a contribution to the body of knowledge is one of the ultimate goals of this research. One implicit contribution of this study, like similar social science research, is that it has generated more questions than it can answer. Each query that can arise from this study opens new doors into new areas of social inquiries, into which potential future research can advance. The followings are some of potential areas for future studies.

- This study has offered a conceptual framework around the emergence of small business. The model, which integrates many factors, offers great opportunities for research which further investigate each of these dimensions in greater depth. The model is also viable for further studies in tourism entrepreneurship research and can be adopted for studies in small business and entrepreneurship in general.
- The number of small business growth models presented in this study encourages further research to build up on or develop these models and use them in studies within the tourism sector or other sectors.
- Taking into account that tourism is a multidimensional business, small businesses in different contexts within Libya are worth studying.
- Further research is also needed to investigate other areas of the tourism business in Libya, particularly, food and drink, and accommodation.
- Given the global structural change towards service sector economies and the growing importance of tourism within them, further contributions towards explanation, prediction, and quantification of the tourism phenomenon are necessary for Libyan economy.

It is realised that the completion of this research is not an end of building up the known but a start of exploring the unknown.

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APPENDIX 1: CASE STUDY OF ORANGE, A SMALL TOURISM FIRM

Interviews carried out with the owner-manager, Mr FG, during 2003-2005.

R: refers to Researcher

P: refers to Participant

R: How would you describe your business?

P: We are a small tourism firm founded in early 1994, with an initial investment of 15,000 Libyan Dinars. We have six full-time employees in addition to a number of seasonal part-time employees. Our business is focused largely on archaeological and desert tours for international tourists ... mainly from European countries. When we opened our firm there were less than five tourism firms in Tripoli. As you know, at that time we were under the international air embargo and thus, many people wouldn't even think about tourism.

R: Tell us about those days. How did you start your business?

P: The establishment of the Tourism Board in 1989, the encouragement of private small businesses in the early 1990s and the economic remedy were indicators that the government was paying serious attention to the tourism industry. I also worked as a receptionist in a hotel for nearly four years. During which time I was in direct contact with couriers of the foreign travel agents and with Libyan tour operators when we dealt with accommodation arrangements. These factors together with my new overwhelming responsibilities paved the way for my independence.

R: Can you shed some light on your responsibilities at the hotel and how they led to you having your own business?

P: My work as a receptionist required sort of co-operation with other service-providers such as laundry, food and drink. However, this isn't always an easy task. Catering, for example, was one area that displeased some tourists which was beyond my control. I tried to collaborate with the head of the catering department but he was uncooperative as he wanted to do things his way and thought that I was interfering in his business. The hotel management asked me to take responsibility for the reception and catering department. When I tried to explain the difficulty associated with the new responsibilities, they explained that this was in appreciation for my hard work especially with tourists and an acknowledgment of my qualifications. They witnessed when tourists were referring to me whenever they needed something or had difficulties in communicating with some service providers within the hotel or those from

outside such as taxis. I can tell you that my English, education and the experience with people from different backgrounds helped me in dealing with tourists and their needs.

R: You talked about English language and education. Where did you learn it and what kind of qualifications do you have?

P: In 1982, the government offered scholarships to study hospitality and tourism in the UK. There were many opportunities at that time but I was lucky because I was interested in learning English as an international language and more interested in studying tourism. I was interested specifically in hotel management for many reasons firstly, because accommodation has widely been regarded as central to tourism and secondly it offered good job opportunities after graduation as there was a shortage in this area in the existing hotels in Libya and a number of new hotels were under construction which gave an indication that hospitality would have a promising future. After graduating from Greenwich University, I returned to Libya in the hope to find some progress in the tourism sector but the economic problems has had enormous effects on all aspects of life in Libya. Therefore, I decided to continue my education and went for a Masters' at the same university.

R: So, you got you master's degree and began your career at a state-owned hotel.

P: Exactly. I returned with my Master's degree in late 1988. I have developed good relations with my colleagues and with receptionists of other hotels ...we were in direct contact and many of them became friends of mine. There was also a sort of co-operation between us and other hotels. This included making arrangements to send customers to one hotel when vacancies were unavailable in the other. The collaboration also included cases when we urgently had to transfer customers hotels of the same category.

R: What did you do at the time when you decided to run your own business?

P: It was a bit scary ... I wanted to minimise the risk associated with losing my job and the risk involved in investment in new business, I also wanted to practice the business. To do so, I took unpaid leave for three months. My calculations showed that I had already lost three months salary and that I should invest a small amount of capital to minimise unpleasant outcomes and finally, I should maximise my efforts. Therefore, I rented a small place –about 15 km west to Tripoli- and installed a facsimile and telephone to start with. I began by making contacts with certain tour guides, restaurants and transport providers to ensure their capabilities and discuss their prices. I spent hours every day communicating with foreign travel agents by fax. The first step was to obtain visas for my customers by

contacting the Immigration Authority. During that time, I used to accompany them to many historical sites and take responsibility for all aspects of their journeys.

R: You started your business away from Tripoli. When and why you decided to move to the city centre?

P: Well, the small amount of capital I began with was not enough to have a good spot like this in Tripoli. Besides, I chose a location close to my home as to save time and money would have spent in transport. However, we always have had something to finalise with the government authorities and other tourism-related firms such as the Immigration Authority to obtain visas, banks, transport operators and hotels which are located in Tripoli. Issues like these are part of our daily business and cannot be managed by telephone or fax; they need attendance in person and, therefore, I had to come to Tripoli many times a day which was time consuming. Hence, I decided to relocate my business after nearly one year to have things done properly. This, however, required an increase in capital of 20,000 L.D. I realised that location is not only about attracting customers or displaying goods or services. I came to clearly understand what my lecturer said when I was studying in the UK. He repeatedly stressed the importance of choosing the right location for any kind of business.

R: How would you describe the first couple of years?

P: Well, in 1994, we received about 120 tourists which was a good start for a new firm, bearing in mind all the difficulties associated with the air embargo, infrastructure, regulations and the new industry in general. This whet my appetite for more tourists. I was ambitious and wanted to promote my firm to international travel agents and this could be best done by attending international exhibitions.

R: Tell us about these fairs. Where do you go and what do you do to promote your business?

P: Let's be clear in this point. Dealing with international tourists means finding ways to attract them which can only be done through attendance at tourism fairs. However, as a new firm, it was difficult for us to take part in such exhibitions during the early years of establishment because of the high cost involved. Therefore, I made contact with two business-owners with whom I had a good relationship. I stressed the importance of the Berlin fair and suggested that we shouldn't miss out on this opportunity and that we could share the cost of attendance. Both managers welcomed the idea and we soon made the required arrangements.

R: When was that and what your experience was like?

P: That was in 1995. Before we made any contacts for attendance, the three of us met to discuss how to proceed and how we could benefit from it. We agreed upon certain issues. First, to share a small space because of the high cost involved. Secondly, we agreed on what we needed to exhibit with regard to tourism products in Libya. Finally, we agreed that each firm should work independently in terms of promoting its services.

R: What are the lessons you have learnt from Berlin's experience?

P: Attending for the first time, you can imagine how it was done. Because of the lack of experience we used ordinary printed papers to sell our services but we were pleased that we made it and learnt a great deal. I made initial contacts with some firms from different countries and visitors were astonished by the archaeological sites. The experience was exciting and the atmosphere was brilliant and as a result we repeated the experience the following year. In 1996, we came to Berlin with a lot of preparation and determination. Leaflets for instance, were more informative and ways of approaching tourism firms and attracting visitors were also more productive.

R: Do you use any other means of promotion, the internet, for example?

P: The internet is new in Libya. It has become into wide use only over the last a few years. However, unlike personal attendance at tourism fairs, with the internet the situation is completely different. Sometimes we never know whether the person is genuine or serious. Nevertheless, I would say that over the last couple of years 80% of our customers are reached through international exhibitions whereas about 20% reach us through the web. By attending international exhibitions, there is a good opportunity to introduce myself as a decision-maker and negotiate any issues with other firms.

R: Do you attend other tourism fairs rather than Berlin?

P: Since 1995, every year we take part in at least two tourism fairs. These include ITB Berlin, Borza Internazionale del Turismo (BIT) in Milan, Salon Mondial du Tourisme in France and the London exhibition.

R: What about tourism exhibitions in the region?

P: We used to go to MIT in Tunisia and the Cairo exhibition during the early years of operation mainly because of the convenience of cost and distance. As we grew up we focused on fairs of 'international brand'.

R: During my initial visits last week, you talked about opportunities offered by the Tourism Board to attend international fairs. Can you tell me more about this?

P: Oh yes, The Tourism Board (TB) offered financial assistance to small tourism firms to take part in a number of international tourism exhibitions at a low cost. This was the type of excellent opportunity one should never miss out on. We took part for the first time in 1997 and since then, every year our firm plays a part in at least two of the most renowned exhibitions such as those in Berlin, London, Milan and Paris. TB makes contacts with tourism firms to list their priorities for attending certain tourism exhibitions. Then, it informs us about the availability for each exhibition. The number of tourism firms has increased and most of them are taking part in these fairs which sometimes causes crowding or chaos, but taking account of the cost involved, we would be paying as much as ten times more if we were to attempt it on our own. I always make the most of those exhibitions and make the best of the TB arrangements.

R: Would it be possible to give us some figures or indications about the number of tourists received by your firm? I am just interested to know a bit more about the growth of your business over time.

P: No problem. At the beginning, tourists arrived in small groups mostly from Germany. In 1994 for instance, we received about 120 tourists a figure which has increased remarkably over the following years to exceed 1000 tourists in 2000. The number has continued to increase and reached about 2000 tourists in 2004 with nearly 60% from Italy, 30% from Germany and the rest from different countries.

R: Why the Italians and Germans comprise nearly 90 percent of total tourist arrivals?

P: As you probably know, the vast majority of Italians know Libya. Others would think of Lebanon or Liberia because of name similarities. By and large, I think Italians are the majority of tourists arriving in Libya. The distance and history between two countries have a positive impact in this regard.

R: Let's talk about tourism infrastructure, is it a real concern? How does it affect your business?

P: It is a real concern. The poor infrastructure in general was a consequence of long years of centralisation and economic sanctions. Tourist transport in particular, was missing. Small private tourism firms came into existence in the early 1990s to find a severe lack of transport services. Public transport was inadequate but was the only alternative. Farwa, for instance, which is a big state-owned tourism company, started with only one coach. Other areas such as accommodation, food and drink are no exception but less acute.

R: A big firm with only one coach! What were the options? What did you do to tackle a problem like this?

P: We had no choice but to use what was available. With good contacts and after long negotiations, I made arrangements with the university to rent their buses subject to early notice and availability! We also approached Express Transport Company (ETC), a state-owned company serving passengers across the country, in an attempt to overcome the problem. Fortunately, the number of tourists was relatively small which eased our frustration. In addition, privately-owned 16 and 24 seater Iveco mini-buses came into wide use by the mid 1990s. The good news was that the vehicles were new and suitable for small tourist groups but the difficulty was that, from a financial perspective, most mini-bus owners preferred to serve the public. This however, was not a big problem as we were able to make deals with some of them and to keep their contact numbers for further collaboration.

R: How is the situation now?

P: Although the number of transport operators has increased over the last few years, the number of big and good quality vehicles is insufficient and the services are still inadequate. I found that quasi-resolutions did not and could not solve the problem. Therefore, we decided in 2002 to buy two buses to serve our tourists in the first place with possibility of providing services to other firms. We recruited two full-time drivers and gave them on-site training about the distinctiveness of our business. This included emphasizing the importance of punctuality and their look. Financially, I offered them basic salaries throughout the year and bonuses in the tourism season. Their duties are to look after the buses and make sure that they are ready at any time. The problem of big tourist groups has now been solved and with the increasing number of mini-buses, we have no serious problems with small groups.

R: let's talk about other aspects of tourism infrastructure, you accommodate your tourists in state-owned hotels...how are they doing? Do you have any difficulties in dealing with them?

P: The small number of quality hotels makes demand for them very high. Services still do not match international standards but the main problem has been booking cancellation. At one time we booked for two German groups at the Mahari hotel. They had already left Djerba in Tunisia on their way to Tripoli when I was informed by the hotel management that they had to cancel our bookings due to reasons beyond their control!. I was shocked and frustrated by the short notice of the cancellation. I was panicking and didn't know what to do in a short space of time. I made contacts by telephone and in person with many hotels where I had close friends and asked them not only to offer me some rooms but also I sought their help by asking them to contact their friends and get back to me. I received some positive answers which I had to accept though I had to split tourists into small groups according to hotel availability.

R: This must have caused a lot of damage to your business.

P: Of course. As a consequence of that cancellation, I had to pay about 10,000 L.D. to the foreign travel agent as compensation for that night. It was the worst experience of hotel cancellation I have ever had in my business. I sincerely apologised to my customers and, to restore the picture, I took them to a first class restaurant in the following day.

R: Tourism is new in Libya. Does this cause any problems in terms of the availability of skilled staff?

P: In fact, apart from certain skills such as knowledge of foreign languages required for tour leaders, experience in the tourism sector can be gained by day-to-day practice and training.

R: How do you choose your staff and what do they do?

P: Full-time employees are engaged in different aspects of the business such as administration, accounting, finance and business relations. Examples of their duties include contacting transport operators, booking hotel rooms, organising tours, finalising legal issues and obtaining visas. We also employ a number of part-time employees during the tourism season such as tour guides. In terms of employing staff, I choose them based on my business needs and some criteria related to each position. Personal skills such as good communication and knowledge of foreign languages for instance, are necessary to a candidate who is supposed to work as a tour leader. Dedication, punctuality, and the ability to

work with a team are general requirements for all staff because our business is very sensitive as we are providing services to people and, therefore, staff should support each other and make sure that what matters is the final product.

R: You just mentioned training. What kind of training, is it on-site or off-site? Tell us a bit more about this?

P: Well, I will give two examples of different kinds of training we gave to our staff. When the number of tourists has begun to increase, I found it difficult to keep doing everything by myself therefore, I made contacts in search for a tour leader. In fact, it was difficult to find an experienced person as tourism was and still is in its infancy. I recruited a person who speaks Italian and English but had no experience in tourism. I offered him training for three months and allowed him to practice his job by taking him on tours with tourists to different places. The most important thing I taught him is that 'the tourist is always right'. Now, he enjoys and does his job perfectly and is very well paid. Although he has received many offers from other firms, he has refused to move. He feels that he is a part of our firm. He is faithful with good morals. Besides, by having staff who are able to speak foreign languages, we saved time and money that we would have been paid for translating documents and communicating with our business partners. The other example relates to bookkeeping. Graduates usually deal with accounts on a periodic basis i.e. monthly, quarterly or yearly. In our business however, we further need reports on each scheduled journey in order to assess our performance from the financial stand point. Therefore, I sent an employee for three weeks training for a book-keeper to familiarise him with our requirements.

R: Can you tell us about your experience with your business partners? What did you do to build up and maintain contacts with them?

P: I've done a good business with big German companies. From my experience at tourism fairs, I found that staffing and language are real problems that had to be solved. It was difficult to stay in the same place from 9.00 am to 6.00 pm without a break therefore, I needed someone to help me in this and also in the German language. My contacts in Tripoli led me to other contacts in Germany which resulted in employing an Egyptian lady who speaks German and has a good background in tourism. She suggested that she could make contact with a big tourism company called Studiosus. She made arrangements for me to meet with the contractor manager (CM). He reported that they used to make tours to Libya in the 1960s and welcomed the idea of doing business with my firm, and it was it.

R: Your voice tells me that you've done a great business with this company. Give us more details about this.

P: You are right. I built a good relationship with CM which over time led to personal bilateral visits. My business with Studiosus grew rapidly and the majority of German tourists arrived via that company. In 1998, CM resigned to join a larger company, Touristic Union International (TUI). With his assistance, I soon started doing business with TUI. At the same time I was still in business with Studiosus but this lasted only for one year. The new CM of Studiosus made it clear that they and TUI had never worked with the same customer and, for this reason, I was asked to choose between them. I chose TUI because our business was growing, besides, I had stronger contacts with them. It is fair to say that my business with both companies was the turning point for my firm. I've maintained my relationships with my business partners because I always keep diaries of all my contacts including those who I have no business with. I keep my contacts live by sending e-mails or Christmas cards so that I leave doors open for contact at any time.

R: That's very interesting.

P: I always try to explore a new market and gain different experience. Let me tell about different experience in Greece. My business with Greece has been limited to a small number of tourism firms. I did business with Manstravel for nearly three years with the direct involvement of the contract manager, operations manager and the accountant. Due to financial problems the firm went bankrupt. As the company closed-down, the three of them moved to different agencies namely Middle East, Herona and Kosmar. Because I had good relationships with them and kept in touch with each of them, I now have three firms to do business with.

R: I am interested in knowing about your family background... I mean you talked earlier about your father's business as a retailer. Can you tell us a bit more about this?

P: I live in a town 15km to the west of Tripoli married with three children. My wife is a teacher at a primary school. My elder brother is an engineer working in the public sector, who also runs a private engineering business with his business-partners in the afternoon. I have three sisters who are university graduates. My parents are a housewife with no education and my father was a trader selling clothes and textiles.

R: Then, business is not new to your family? What can you tell us about your father's business? What did you learn from him? In what ways did it affect your choice to run your own business, if any?

P: Well, first, I grew up within a close knit family. Education was the main concern for my parents. In their day, life was hard and only a few people could afford to have a proper education. I think this is why they wanted us to achieve what they missed. While we grew up they kept a close watch on us. We were reminded that our father's word was final and it was he who ruled the family. However, their firm attitude melted if they saw that one of us unwell or in trouble. In the early 1970s, my father used to take me and my brother to his shop which was close to our home. At the beginning, we were not allowed to do anything apart from watching and listening. Soon my brother and I were competing with each other to play a major role in the shop. The competition included ways of stocking and displaying stock but our role later extended to making deals independently, and we would receive our father's comments on each deal and be given advice. He was happy that we were doing very well. Once upon time, my father commented when a customer was bargaining and I was not prepared to come down with a certain product. He said to me that when it comes to less saleable products we should try our best to sell as many items as possible even if at reduced prices than labelled or the purchase cost. His view was that we needed to consider the business as whole and that the profit we were making from selling quality items would and should recover the less saleable items otherwise we would have a problem in choosing the right products.

R: The tourism season lasts for, say, six months. What do you do during the rest of the year?

P: During the low season, we are occasionally involved in some business just to keep ourselves active. We provide services to the community at low cost. These include organising days out such as camping or outings for school children to visit nearby places like Leptis Magna or Sabrata. We also offer week-end trips for foreign residents to historical sites. Although groups are usually small, our aim is to increase our reputation and promote our services using all means available. The other thing is that sometimes we take part in these tours for relaxation.

R: Have you been involved in organising trips for residents at a larger scale? I mean domestic tourism.

P: Domestic tourism in Libya is limited partly because of the newness of the tourism industry and because of social norms. Basically, visits to friends or relatives have

been a common practice among the Libyan people but have been organised by families themselves not by tour operators.

R: What are your future plans? Do you think about expanding your business or about ways of providing much quality services?

P: With more or less 2000 tourists in the last few years, we are in position where we do not want to take more. We believe that increases in the number of tourists should go side by side with improvements in the tourism infrastructure. In the meantime, we want to deliver the best quality for the services under our control and we hope to have a fleet of buses. We are also studying a proposal to set up a restaurant so that more services can be provided by our firm. Only then will we begin thinking about increasing the number of tourists.

R: Finally, What is the secret behind your business success?

P: No secrets...it is a combination of hard work, problem-solving ability, and keeping myself updated in my area of business. In 2001, I went to South Korea for two weeks training and learnt a lot about tourism promotion. As part of the training, arrangements were made to take us to a restaurant owned by a Korean entrepreneur. The entrepreneur gave a speech outlining the main stops in his life and how he started his business in Korea and expanded to Japan, America and other countries. Part of what he said was that the key issue for business success is service. He stressed 'service, service and service'. This took me back in time some 15 years earlier and reminded me of Davis, my lecturer, when he stressed the importance of location.

* * *