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The emergence and growth of new company in transition economy: semiotic analysis of entrepreneurial narratives

The article aims to fill research gap and to contribute to better understanding of how the entrepreneurship has become one of the vital components of many Central and Eastern European economies, and of Lithuanian economy in particular. The paper focuses on the emergence and growth of new company during turbulent transition time of 1990s. According to Aidis and Mickiewicz, the dynamic growth of the new private sector was driving force of transition from former plan to market economies. On the other hand, the nature of entrepreneurship in transition and post-transition countries is distinctive compared with mature market economies, in which external environment is more stable and where private business has old and rich traditions. Most of the studies tend to concentrate on the specific features, such as privatization, «nomenclature» business, institutional inefficiencies, socialist inheritances and others. However, almost neglected phenomenon is the emergence and growth of new ventures established and managed by young ambitious entrepreneurs. This field of research lacks of retrospective view and reflections on what have happened with entrepreneurship in the first decade of transition (1990 — 1999). Also it lacks new methods and approaches of investigation. Therefore, in this article we employ semiotic analysis in order to provide better understanding of how entrepreneurs reflect on and explain past events and experiences.

Key words: entrepreneurship, transition economies, narrative, semiotic analysis.

Story reconstruction

Our analysis is based on the story of «Libra» company, which was established in early 1990s by students of Vilnius University. To reconstruct the story, multiple sources of evidence were used: interviews, documents, archival data, direct observation, and physical artifacts. Interview respondents were asked to recall past events and to tell about emergence and growth of «Libra» company. The story covers ten years period (1990–1999) and is divided in four key episodes.

Episode 1

In the fall of 1990, they were a second year business management students (20–22 years) at Vilnius University. For all Lithuanians, the first years of independence and democratic state building were very emotional experience and everybody was full of expectations. These fundamental changes also affected the students, many of whom were eager to participate in and to contribute somehow to the creation of free market economy in Lithuania.

Four students received an invitation to join a new Free market Institute (FMI) and assist in drafting laws and regulations for the establishing of a National Commodity Exchange (NCE). None of them had experience and they started by writing letters to leading international commodity exchanges requesting a copy of their regulations. After the regulations were created and NCE was established, the students became the Exchange brokers and established a limited partnership company «Libra». They started from writing letters to establish contacts with potential clients offering brokerage services for local and foreign companies. For half a year «Libra» was knocking the doors of various companies and therefore company finished 1991 being still on the scratch. 1992 was the year of real breakthrough. «Libra» got the first trade contracts and step-by-step the business started to move on. Very soon «Libra» took the position as one of most active brokerage companies in National Commodity Exchange.

Episode 2

At the end of 1992 «Libra» received an order from an Italian company, which worked closely with a Turkish partner of «Libra». Italians were interested to buy oak strips. Surprisingly, «Libra» was not able to find any single oak strips producer in Lithuania. At that time the labour was cheap and raw materials were in abundance in Lithuania, so «Libra» considered starting production business. Also hardwood specialisation seemed quite promising since hardwood procession is more labour intensive than softwood. Emilis, the guy

from Academy of Agriculture, was the only one person in «Libra» who had something to do with wood. He had an experience in wood processing. So Emilis have found premises in farm and started production. During the 1993 «Libra» closed the brokerage business in National Commodity Exchange and all human, financial resources were transferred to the production place. In 1993 «Libra» has moved all the production to just recently bought old farm. It was the place where the first factory «Dominga» was established. Old staff and management were invited to help to start up new factory.

Episode 3

Due to active marketing «Libra» has started to receive more and more orders from foreign partners. The main problem was how to manage the growing demand. Finally it was realised that in order to increase the production capacity and quality «Libra» has to use Western machinery. There were no such kind of equipment in Lithuania and «Libra» bought it in Poland. «Libra» understood that supply of modern woodworking machinery is a real niche in Lithuania market. Therefore, in 1993 «Medziomasinos» company was established. «Medziomasinos» was selling woodworking equipment to other Lithuanian companies within the wood industry.

From 1994 «Libra» started to expand very rapidly. In 1994 seeking to secure the supply of oak strips from Russia, «Lidos» company was founded. Encouraged with relative success of «Dominga» factory «Libra» has started to expand by setting up new factories. «Dominga» was the knowledge incubator and people from «Dominga» participated in establishing new companies. At the same time, «Libra» was constantly looking for new contacts in the West. In 1995 «Libra» together with German partner established company «Oblinta» (glued panels from birch and oak). Also «Libra» has managed to attract Norwegian and Great Britain investors.

Episode 4

After a period of remarkable growth, 1995 was the first of three years of decline, which was conditioned by too rapid growth, over-stretching internal resources and unprofessional management. Problems culminated in 1997 when, due to complicated financial situation, «Libra» had to sell «Dominga» factory to Norwegian investors. They reorganised the company to «Dominga Mill» ltd. The first «Libra» group factory «Dominga» ceased its existence. At the same time, financial problems had positive effect in the sense that «Libra» was forced to reorganise management structure and managed to get a loan from a Canadian Bank.

During the 1997 «Libra» group was transformed to «Libra» holding. The group structure was completely reorganised setting new clear rules of the game, defining the company's competence areas and making the financial system transparent for outside investors. In 1998 after a long period of stagnation, total profit of «Libra Group» started to grow. Finally, an old «Libra» client BoenBruk A/S from Norway agreed to enter into partnership, and in 1999 «Dominga Hardwood» as a new «green field» project was started with Norwegians.

Analysis: from story to narrative

Our analysis starts with simple question: how to read this story? According to Hernandi's hermeneutic triad, explication is the simplest way to read the text and answer the question «what does this text say?» This text seems to be a pretty odd entrepreneurship story: young enthusiastic people continuously seek for opportunities, manage to realise them, face many problems, create new companies, and start new businesses. While reading it, we might come up with a trivial «success story» how smart guys were making good business when Lithuania transitioned from plan to market economy [1–3].

From the perspective of explication, the story could be understood like many other entrepreneurial stories which seek to motivate people to start their own business and to move ahead in their lives. It falls within mainstream entrepreneurial discourse created by «the continuous supply of personal stories and accounts of business venturing in bookshops, airport lounges, the business press, television dramas or documentary programmes» [4].

But what lies behind the story? What it reveals? This is not just a simple story, it is written with the particular purpose as an integral part of the research paper. The paper aims to answer the question «why in spite of complete ignorance and lack of resources «story heroes» manage to create «something out of nothing»? According to Fletcher [4], narrative analysis is helpful for understanding entrepreneurial activities and helps to answer the question «why?» First we have to discuss what qualifies «Libra» story as a narrative. Hosking and Hjorth [5] define narrative as process of reality creation in which story teller is clearly part of the story.

The story is based on the series of interviews with former and present owners of companies belonging to «Libra» holding. All of interviewees were standing at the origins of «Libra» and were contributing, to lesser or greater extent, to company victories and failures. Also, this is not a «true story» in the sense that it describes objective business reality; neither is it fiction or fantasy. In fact, it represents a creative re-description of the world from the perspective of the actors who were directly involved in the events.

Second. In order to be a narrative, the story has to have at least a minimal plot. According to Todorov [3], minimal plot represents a sequence of stages proceeding from equilibrium to disequilibrium. An «ideal» narrative begins with a stable situation, when some power or force disturbs it, and situation turns to disequilibrium, but the equilibrium is re-established by the action of force, and the second equilibrium comes, but the two are never identical.

The minimal plot of narrative could be expressed by formula

$$E_n \rightarrow F \rightarrow D \rightarrow E_{n+1}.$$

Where E_n and E_{n+1} are equilibriums, F — forces and D disequilibriums. Therefore, four episodes of «Libra» narrative represent the following plot (Tables № 1–4).

Table 1

Narrative episode 1

Equilibrium 1	Force	Disequilibrium	Equilibrium 2
Four students were studying and were having a good time at Vilnius University	Lithuania leaves Soviet Union, and coordination mechanisms of plan economy collapses	Students participate in creation of new market institutions; they joined FMI to establish NCE	NCE was set up and students started the brokerage business, «Libra» company was established

Table 2

Narrative episode 2

Equilibrium 2	Force	Disequilibrium	Equilibrium 3
NCE was set up and students started the brokerage business, «Libra» company was established	«Libra» received an order from Italian partners to sell oak strips	There were no oak strips producers in Lithuania	«Libra» started hardwood processing business in Lithuania and closed brokerage business at NCE

Table 3

Narrative episode 3

Equilibrium 3	Force	Disequilibrium	Equilibrium 4
«Libra» started hardwood processing business in Lithuania and closed brokerage business at NCE	The demand for hardwood production started to increase dramatically	«Libra» was unable to fulfil the growing demand, the machinery they had started to malfunction	«Libra» bought new hard-working equipment in Poland and established new company responsible for equipment supply. The business started to grow up again

Narrative episode 4

Equilibrium 4	Force	Disequilibrium	Equilibrium 5
«Libra» bought new hard-working equipment in Poland and established new company responsible for equipment supply. The business started to grow up again	Rapid growth, overstretched resources and unprofessional management started to erode the business	«Libra» experienced financial problems, disagreements between founders reached the peaked	«Libra» sold one of the factories to Norwegians. The company was transformed to «Libra» holding with new management structure. After a couple years of stagnation the profit started to grow again

The paper aims to identify certain basic narrative structures of «Libra» story and to analyse how story tellers explain facts, events and outcomes. Each deep structure could come in different patterns and different ways, and we have not only different versions of stories but even different versions of reality. In order to explain what kind of reality «Libra» story brings out we turn to structural text analysis. From the perspective of structuralism, the text is autonomous object with an internal dynamics and has literary features such as plot and actions. We have discussed the plot issue by dividing «Libra» story into a set of episodes with a sequence of stages proceeding from equilibrium to disequilibrium. Now we turn to the concept of action and actant model in our analysis. According to A.J.Greimas [3], each episode represents a narrative program (NP) which is the function of action. Action is defined by temporal succession from one state to the opposite state, affected by any agent (S1). A state may be broken down into a subject of state (S2) and an object of state (O) and the junction between them, which is either a conjunction (\cap : the subject with the object) or a disjunction (\cup : the subject without the object).

$$NP = F\{S1 \rightarrow (S2 \cap O)\} \text{ (the conjunctive NP)}$$

$$NP = F\{S1 \rightarrow (S2 \cup O)\} \text{ (the disjunctive NP)}$$

The subject of doing may or may not correspond to the subject of state; in other words, what accomplishes the action may or may not be what is affected by it. When the subject of doing is identical to the subject of state ($S1 = S2$), it is called reflexive action or performance; otherwise, the action is transitive ($S1 \neq S2$).

In order to describe narrative program of episodes, first we have to define the subject and the object of «Libra» story. According to Hebert [6], the subject may correspond to (1) an anthropomorphic being; (2) a concrete, inanimate element, including things; (3) a concept. The type of subject differs according to narrative category. O'Connor [7] identifies six basic narratives (founding, visionary, marketing, strategy, historical, and conventional) in three main categories (personal, generic, and situational). Personal narratives represent the life history that qualifies the founder to call himself an entrepreneur and the inspiration that transforms the idea into a promising company. Usually they start by the incident or event that triggered an idea to create the company. «Libra» story begins when students received the invitation to join Free Market Institute, and that suggested them an idea to start brokerage business. Personal narrative builds credibility for both the success of the entrepreneur as an individual and for the success of his idea. «Libra» story, told by company founders, has strong personal sensemaking aspect, aiming to justify actions taken by story «heroes». The central figure (the subject) of «Libra» narrative is a collective person — «four company founders».

According to the rules of semiotics, the object is what the subject seeks for, or to put in another way, it is an object of subject's desire. In many academic entrepreneurship research discourses the «object of desire» is defined as opportunity. For example S.Shane [8; 4] provides one of the most popular definitions of entrepreneurship, based on the concept of opportunity:

«[entrepreneurship] is an activity that involves the discovery, evaluation and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw material through organizing efforts that previously had not existed».

By deconstructing the definition we see that it is conjunctive narrative program — the entrepreneur seeks opportunity and «joins» with it (exploitation).

$$NP = F\{S1 \rightarrow (S2 \cap 0)\} \text{ (the conjunctive NP).}$$

Where the subjects S1 and S2 are «four entrepreneurs», and the subject of doing S1 is identical to the subject of state S2, since entrepreneurship is an *activity* of discovery, evaluation and exploitation. Speaking about opportunity, entrepreneurs seek to join with «object of desire», *i.e.* to introduce new ways of organizing (Episode 1 and Episode 4), new goods (Episode 2), new processes (Episode 3). Opportunity realisation, or to put in semiotic language joining with the «object», produces new equilibrium state in «Libra» company.

Conclusions

The aim of this article was to provide new insights of entrepreneurship emergence in transition economies and to show how semiotic analysis could contribute to better understanding of this phenomenon. First, semiotic approach revealed a deeper structure of entrepreneurial narrative. «Libra» narrative episodes represent a sequence of stages proceeding from former equilibrium to disequilibrium, and then to new equilibrium. Second, the dynamics of change is defined by subject's desire to «join with the object». While the subject is «four company founders», the object is an opportunity. Semiotic analysis of narrative reveals how individual explains opportunity discovery, and how it integrates it into experience structure.

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Жилвинас Жидонис

Өтпелі экономика жағдайындағы жаңа компанияның пайда болуы мен дамуы: кәсіпкерлік бағыттарды семиотикалық талдау

Мақалада кәсіпкерліктің Орталық және Шығыс Еуропа елдерінің, атап айтқанда, Литва экономикасының аса маңызды компоненттерінің бірі болғанын, сонымен қатар оның жақсы дамуына ықпал етуге бағытталған зерттеу нәтижелері қарастырылған. 1990 жж. турбулентті көшу уақытында жаңа компанияның пайда болуына және өсуіне аса маңызды көңіл бөлінген. Айдис және Михевич пікірлерінше, жаңа жеке сектордың серпінді артуы бұрынғы жоспарлы экономикадан нарықтық экономикаға көшудің қозғаушы күші болды. Екінші жағынан, өтпелі және кейінгі өтпелі экономикасы бар елдерге қарағанда, жетілген нарықтық экономикасы бар елдерде кәсіпкерлік айрықша болып келеді, себебі онда сыртқы ортасы неғұрлым тұрақты болып табылатын жеке бизнестің ескі және бай дәстүрлері бар. Зерттеулердің көпшілігі мұндай жекешелендіру, «номенклатуралық» бизнес, институционалдық тиімсіздік, социалистік мұрагерлік және басқалар сияқты нақты ерекшеліктерге бейімделген. Бұл зерттеуде өтпелі кезеңнің бірінші онжылдығында (1990–1999) кәсіпкерліктің қалыптасуындағы әр түрлі көзқарастар мен ойлар жинақталған. Сондай-ақ зерттеудің жаңа әдістері мен тәсілдері енгізілді. Автор кәсіпкерлердің бұрынғы өткен оқиғалары мен тәжірибелерін жақсы түсінуді қамтамасыз ету мақсатында семиотикалық талдауды қолданады.

Жилвинас Жидонис

Возникновение и развитие новой компании в условиях переходной экономики: семиотический анализ предпринимательских нарративов

В статье рассмотрены исследовательские аспекты, способствующие лучшему пониманию того, как предпринимательство стало одним из важных компонентов многих европейских стран Центральной и Восточной Европы, в частности экономики Литвы. Основное внимание уделено возникновению и росту новой компании в турбулентное время перехода 1990-х гг. По мнению Айдис и Михевич, динамичный рост нового частного сектора является движущей силой перехода от бывшей плановой к рыночной экономике. С другой стороны, природа предпринимательства в странах с переходной и после-переходной экономикой отличается от стран с развитой рыночной экономикой, в которых внешняя среда является более стабильной и где частный бизнес имеет давние и богатые традиции. Большинство исследований имеют тенденцию концентрироваться на конкретных функциях, таких как приватизация, «номенклатурный» бизнес, институциональные неэффективности, социалистические наследства и др. Данное исследование охватывает различные точки зрения и размышления о том, что произошло с предпринимательством в первое десятилетие переходного периода (1990–1999). Автор использует семиотический анализ для того, чтобы обеспечить лучшее понимание того, как предприниматели осмыслили и объяснили прошлые события и опыт.

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The role of integrated marketing communications in the formation of image of higher education

The article describes the features of the integration of marketing communications of the university through the implementation of corporate projects. Combining internal and external marketing communications, involving different target groups of consumers, corporate projects contribute to creating a positive image of the higher education institution. Integrating Marketing Communications provides mutual support for all of their constituent elements and leads to a synergistic effect. This approach allows for enhanced communication impact on project participants (both external and internal customers) and enhance its reputation in the market of educational services.

Key words: marketing, competition, higher education, consumers, educational services, integrated marketing communications, a synergistic effect, the image of the university, PR-activities.

In modern conditions of improvement of competition, in the education market becomes more important effective management of university, which based on marketing approach.

Among the many ways of attraction consumers of educational services which used by universities, more effective way of increasing is communications, which is an important component of the marketing activities of the institution providing the transfer of the necessary information about the services of the university to consumers, who is the target audience which affects on the formation and effectiveness of the implementation of marketing decisions.

Due to increasing of importance of non-price factors of competition, institutions are increasingly focused on the development of an effective communication policy, by using a variety of communication tools, implementing university's projects as a set of measures aimed at creating a corporate culture, establishing and maintaining on justifiable relations and a positive image of the university. However, any set of elements of communications need of integrated approach, which aimed at different groups of consumers of educational services.