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Market analysis, strategy diagnosis and opportunity recognition in toy industry

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Abstract: The Iranian toy market has been identified as a niche market with lots of unexploited opportunities. Nonetheless, the Iranian toy industry has shown inefficiency in exploiting those opportunities and to meet market demands. This exploratory research aims at understanding the reasons of such poor performance. The research made use of two phases of survey with samples from customers, influencers and in-depth interview with industry practitioners. The survey identified and prioritised existing opportunities that satisfy the purchasers' demands. The interview analysis revealed the key point that the firms are highly focused on manufacturing, whereas the industry has a substantial competitive advantage in design and marketing. The major reasons for this misdirection were that the Iranian toy industry lacked a traditional structure, a strategic perspective and also absence of international cooperation. This research suggests that the Iranian toy industries need to move its focus from manufacturing, where the country has no competitive advantage, toward toy design and marketing channels.

Keywords: toy market; opportunity recognition; market analysis; industry analysis; business strategy; entrepreneurship.

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Biographical notes: Datis Khajeheian is an Assistant Professor of Media Management in the University of Tehran, Iran and a Visiting Lecturer in the Center for Communication, Media and Information Technologies in Aalborg University, Denmark. He has a PhD in Media Management and an MA in Entrepreneurship with a specialty in new venture creation. Focused on media entrepreneurship as his main areas of interest, he is the Head of the special interest group of 'emerging media markets' in the European Media Management Association. He has been an author of numerous articles in English and Persian and has served in editorial roles in several academic journals.

1 Introduction

The value of the global toy market was 92 billion USD in 2014. The toy industry has experienced a growth rate of 5.9% [Global Toys and Games, (2015), p.8]. The compound annual growth of the market was 4.4% between 2010 to 2014. It is estimated that with an increasing annual growth rate of 4.7%, the value of the global toy industry will amount to 115.946 billion USD in 2019 (Ibid, p.11). In 2008, a report from middle east toy fair in Dubai presented a shocking statistics about the Iranian toy market. Between the 1st of January 2004 and the 3rd of January 2008, Iran was the 3rd importer of toys in the world, next to the USA and the UK [Toy Fair Middle East, (2008), p.1]. Considering the tough barriers for importing toys into Iran, such ranking shows a profitable market in a country with closed borders. Prior to 2002, Toy imports were forbidden in Iran. Toys and dolls were smuggled into the country. Iran has been importing play items since 2002. But this happened under the supervision of a special committee for monitoring the imported toys¹. Members had to make sure the toys were imported in accordance with the Islamic culture and the country's moral codes (Pangea Today, 2014).

Iran is also the biggest toy market in the Middle East. The value of the Middle Eastern market is estimated at 1.5 billion USD per year with approximately 11.8% annual growth [Toy Fair (2008), p.1]. In 2014 this value increased to 2.172 billion USD [Global Toys and Games, (November 2015), p.10]. Iran with a population of 80 million is one of the biggest markets in this region. There is a high population of young persons in Iran. A big percentage of the young population are within the marriage age, hence potential parents (Statistical Yearbook, 2013). The latest national census reports that the population of Iranian children (one to eight years old) are about 11 million. Furthermore, the latest population policies, approved by supreme cultural revolution council (SCRC), will result in a growth in the population of children in Iran (Rahbari et al., 2015). This policy will result in a general increase in the Iranian population. This new development plan (2015) targets 8% birthrate. These data points to the market potential and profitability possibilities for business and entrepreneurial activities for the present and in the future.

In addition to aforementioned demographic trends, there is a resistance against western toys, too. The Iranian government has serious concerns about spread of western values and for this reason has banned the importation of the cultural products that symbolises and promote western values. A Barbie doll, an American cultural icon frowned upon (Shirzai, 2010). This doll has been deported (Milani, 1999). Many efforts have been made to replace it. Dara and Sara produced alternative Barbie for the Iranian market [Sohail et al., (2014), p.6956]. Furthermore, similar domestication of 'Barbies' can be sighted in other countries. Examples include, Fulla doll. Fulla doll is marketed as an Islamic alternative in Arab-Islamic world (Saleh, 2014; Yaqin, 2007). There is also Jamila, which was introduced as an Arabic Un-Barbie doll (Toy Fair Middle East, 2007). The domestication is also made possible because the government allocates budget for the production of cultural goods and products aimed at promoting Iranian cultural values. Hence there is a budget for toy production.

Iran, as mentioned earlier is a market that can be more active. However, the Iranian toy industry has explained earlier, has performed poorly. The toy producers so far have not been able to respond to market needs, even in the face of a high demand for imported toys. This is because of the low-quality of in-house production and the unsatisfactory quality of existing toys. The producers blame the low quality on the government for allowing imports and for not acting rigorous against smuggling. Nonetheless, considering the ban of imports from 2002 and the fact that local producers dominate the market, these local firms still have a history of not meeting market needs. Iranian manufacturers and toy producers have also failed to gain access to emerging markets in the Central Asian countries after the fall of the Soviet Union. Even though many of new independent Soviet countries possess strong cultural proximity and demand for Iranian cultural products. The historical inability of Iranian toy producers to exploit the potential markets, creates a puzzle for researchers in the field of businesses and entrepreneurship. It is important for researchers to investigate why the Iranian toy industry cannot respond to the market needs as well as fail to exploit the business opportunities. This research is aimed towards investigating and diagnosing the performance of Iranian toy producers. The investigation will provide an understanding towards how the Iranian toy producers can operate better. It will further reveal how they can use their opportunities to meet the market needs.

The research objective is to understand how the Iranian toy industry can perform efficiently and meet the market demands.

The author's aim is to find answers to these three sub-questions namely:

- 1 What are the competitive advantages for the Iranian toy industry?
- 2 How well is the industry structured to suit the market demands?
- 3 How industrial policy can be made to enable entrepreneurs exploit opportunities in this market?

2 Literature review

2.1 Iranian toy market

There is little research from Iranian sources and into the toy industry. In order to make this conclusion, a search was made in the Iranian National Library Database. The database includes all books, articles, journals, dissertations and publications in the country. The search keywords used were 'toy', 'toy industry' and 'children play'. The results included a some dissertation in the fields of psychology, education or industrial design. These dissertations generally discussed the subject of improving the physical design of toys. None of these documents are related to the subject of this research. Another search conducted at the deputy of research in 'Kanoon Parvaresh Fekri,' the oldest public centre for the creation of children books and toys, resulted in one related article.

The article was titled, "Investigation of toy production in Iran and other countries" by Rafiqh-marand and Razmjoo (1996). They conducted an investigation with 34 Iranian manufacturers. Their results shows that Iranian customers prefer doll cars, educational and brain games for their children, to other types of toys. This research also identified the characteristics that influence choice of toys by Iranian customer's. These were namely: The appearance, packaging, effectiveness, advertising, size, reputation and price of the dolls. The research also showed that customers were influenced by the cultural background of the family. The research also identified problems encountered by manufacturers.

The problems of manufacturers are included:

- 1 the absence of professional association, like union or syndicates
- 2 lack of government supports
- 3 lack of financial resources for advertising and operations
- 4 bureaucratic regulations of the ministries of culture, industries, finance and also customs, tax, social security and quota
- 5 increase in exchange rate and low rate of return on investment
- 6 transportation and absence of a secure distribution system
- 7 communication with customers
- 8 selection power of toyshops to pick products to exhibit
- 9 illegal producers of toys
- 10 low quality materials
- 11 expensiveness and unstable prices of materials
- 12 high production costs
- 13 high costs of advertisement
- 14 lack of adequate capital for production and warehouse operations to enjoy from economics of scale
- 15 competition with high quality and cheaper imported products
- 16 lack of standards in production practices
- 17 no standard for supervision.

Based on this research, 70% of Iranian families prefer imported toys rather than domestically made toys. The reasons for this preference include appearance, higher quality, higher standards, more diversity, higher efficiency, movability, automatic functions, being musical and more exciting. The most important characteristics of the different classes have been illustrated in Table 1.

Table 1 Most important characteristics of toy based on classes

<i>Characteristic</i>	<i>Age group or social-economical-cultural class</i>
Packaging	Women from higher classes with high educational level
Size	Low-income class
Price	Low and middle-income parents with middle educations
Functionality	Men with higher educations
Durability and lasting	Women and men from middle-income class and with middle and high educations
Reputation	Women and men from higher class
Appearance	Women from higher class
Healthiness and safety	Women and men with high education

Source: Rafiigh-marand and Razmjoo (1996)

2.2 *International toy industry*

In contrast with the Iranian context, there are considerable numbers of publications in international journals about the toy industry.

Blakemore and Centers (2005) established five categories of toys: strongly masculine, moderately masculine, neutral, moderately feminine, and strongly feminine. They found that girls' toys were associated with physical attractiveness, nurturance, and domestic skill. They rated boys' toys as violent, competitive, exciting, and somewhat dangerous. The toys rated as most likely to be educational and to develop a child's physical, cognitive, artistic, and other skills were typically those that were neutral or moderately masculine. They conclude that strongly gender-typed toys appear to be less supportive of a child's optimal development than neutral or moderately gender-typed toys.

Byrne (2005) in a paper titled "Hot toys are dead: long live hot products", explains the changes in the psychological aspects of products from the perspective of children in our era. He concluded that toys should be a change and promote as well as technologies around to be attractive for children. He believes we should change our idea about toys as a tool for fun, to a tool for preparing children to use technologies. By his suggestion universal concepts for toys such as cars and mobile phones are very useful for designing new toys. Also, he believes the toys should reflect the era of the culture and life of the designers. This is key to understanding the fact that we should design the toys to prepare children for life in society when they becomes adults. The design should not reflect our world as adults, which would have been abolished when the children grow up! Byrne emphasises on the influence of distribution channels on the design of toys. He further emphasises on the value of internet shops such as Ebay and TV commercials as influencing factors in purchasing decision of buyers. These influences can lead parents to the toys that influence the future of the kids.

Fosennbaek and Anderson (2005) explained the whole new marketing strategy of Lego in the launch of its new product Bionicle for third generation customers. They pointed to the change in target customers' characteristics. The previous generation was characterised as having a definite focus on the constructional element of the toys, they had longer attention spans and could play with products with technical complexity that took two to three hours to construct. But the size of this target group was decreasing and fewer boys were interested in the time consuming constructional toys. Instead, they sought for products that offered instant gratification, such as computer games, watching movie and playing sports. Lego did set up a project group that would examine the development of products that would appeal to more physically active boys. These are boys with a short attention span and with less time to play. The result of the development process was a whole new category of toys – construction sets and action figures rolled into one.

Sun and Wing (2005) explained that, though Hong Kong's manufacturers have become some of the world's most efficient toy producers. They are also the world's biggest exporter of toys. However, its toy industry is mainly original engineering manufacturing (OEM). They do not invest large amounts in R&D activities such as the development of new toy designs and the creation of new toys. With increasing competition from Mainland China and other Asian countries, it is important for toy companies in Hong Kong to invest more in R&D. This will aid them to develop their own design capabilities or more value-added edges which cannot be substituted easily by their competitors. Therefore, in their research they explored the critical success factors (CSFs) for new product development (NPD) in the Hong Kong toy industry. They examined both the project and functional levels. The research is important because it shows how Hong Kong provides the possibility of outsourcing manufacturing to other toy companies and allow them to concentrate on other parts of the value chain.

De Iulio and Jarrin (2004) studied globalisation and advertising of toy products in Europe. They found that despite globalisation, national identities are still very important in marketing. They argue that the promotion of toys in different national markets relies on motifs, symbols and values assumed to be shared by children of different nationalities. It draws on national and local traditions which the promotion makes universal, or it invents immediate universal themes (p.45). Their study emphasises on national identities in opening international toy markets.

Wong et al. (2005) studied supply chain management using in-depth interviews with an international toy manufacturer. Their findings are helpful with regard to making comparisons of manufacturing practices in the Iranian toy industry. They imply that innovative products usually experience highly unpredictable and variable demand. The toy industry also suffers from high obsolete inventory, lost and markdown. They concluded that there are three practices for toy retailers, including one-off, JIT, and mixed model. Practices utilised mostly by toy manufacturers include traditional mass-production or push-models. These low-responsive practices in the toy supply chain are not caused only by slow knowledge diffusion, but also by SCM know-how recognised not yet capable of managing such levels of volatility and seasonality (at the time of their study).

2.3 SWOT analysis of toy markets

Table 2 SWOT analysis of global toy markets

<i>Market</i>	<i>Strength</i>	<i>Weakness</i>	<i>Opportunities</i>	<i>Threats</i>
US market	Power of design, popular characters who are American, or Americanised, big market with high purchasing power, reputable brands	The market is dominated by Chinese and Asian producers	Emerging areas of action, convergence of toy and computer games, dominate on global advertising	Losing dominance in the global market to Chinese rivals
EU market	Strong record in toy industry, famous brands, big market with high purchasing power	Fall of European brands and losing their place to Americans	New markets of recent EU members. High potential of design for diversity of cultures	Losing dominance in the global market to Chinese rivals
China	Manufacturing skills, low cost of production, benefit from NPD and high tech skills of Hong Kong	Low purchasing power, lack of ability in design and lack of famous brands with innovation products	Entered into new markets by its power of manufacturing and improving design abilities, using strong export networks	Gradually increase in production costs decrease the competitive power of China
Middle East	Being and potentially profitable market, rich cultural treasure for design	Lack of access to technology, lack investment in design	Niche markets with high purchasing power	Governments intervention in the markets, unstable economic policies, and political tensions

Source: Khajeheian (2008)

2.4 Literature on opportunity recognition

Bernhard and Karlsson (2014) believe that one of the critical questions in entrepreneurship studies is about how entrepreneurs discover business opportunities. For Shane and Venkataraman (2000, p.218) opportunity is the main element of entrepreneurship. The field of entrepreneurship involves the discovery, evaluation and exploitation of opportunities with the aim of introducing new goods and services, ways of organising, markets, processes, and raw material. This is done by organising efforts that previously had not existed. Shane (2003, p.18) himself describes an entrepreneurial opportunity as a situation in which a person can create a new means-end framework for recombining resources that the entrepreneur believes will yield a profit. Fuduric (2008, p.6) extracts two important elements in this definition of Shane. The first being, something happening in the environment (resources) and the second is something to do with the individual (creation, beliefs, recombination). This implies that, since opportunities are not always profitable the key word 'believes' is well placed.

The opportunity recognition is of such importance that it is the central concept in entrepreneurship: to have entrepreneurship, you must first have entrepreneurial opportunities [Shane and Venkataraman, (2000), p.220; Singh, (2001), p.11; Shane et al.,

(2010), p.291]. Lumpkin and Lichtenstein (2005:457) introduced opportunity recognition as one of the central ideas of entrepreneurship. They further define it as the ability to identify a good idea and transform it into a business concept that adds value and generates revenues. Casson (1982) introduces entrepreneurial opportunities as those situations in which new goods, services, raw materials and organising methods can be introduced and sold at a price greater than their cost of production. One of the most concise definitions of entrepreneurial opportunities comes from Shane and Venkataraman (2000:218) which articulate three sets of questions:

- 1 why, when and how opportunities for the creation of goods and services come into existence
- 2 why, when and how some people and not others discover and exploit these opportunities
- 3 why, when and how different modes of action are used to exploit entrepreneurial opportunities.

There are two main approaches toward entrepreneurial opportunity recognition: Schumpeterian approach (opportunity creation) and Kirznerian approach (opportunity discovery). Schumpeter believed that entrepreneurial activity is the source of innovation in an economy. He coined the term, 'creative destruction' to describe this process. In Schumpeter's view, the entrepreneur brings disequilibrium into a market, thereby opening up more entrepreneurial opportunities due to this shift. From the other side Isaac Kirzner's belief that opportunities are not created by special individuals, but are readily available in society to anyone who has the 'alertness' to recognise them [Fuduric, (2008), p.8].

The key difference lies in their assumptions about the nature of opportunity. The discovery perspective assumes that opportunities pre-exist and are awaiting discovery (opportunity is independent of the entrepreneur). Whereas the creation perspective assumes that opportunities do not exist without the entrepreneur – the entrepreneur actually creates opportunity [Will et al., (2016), p.195]. By this way their tools are different. In discovery approach entrepreneurs search, while Schumpeterian entrepreneurs observe, learn, act and create opportunities. Dimov argues that opportunity creation encompasses a social learning process whereby new knowledge continuously emerges to resolve the uncertainty inherent to each stage of opportunity development (2007, p.714).

Inspiring from the results of Shane that describes opportunity discovery as "differences in prior information influence who discovers entrepreneurial opportunities", Will et al. (2016, p.196) concluded that entrepreneurs are engaged in a search for opportunities that exist but have not yet discovered and do so either as a function of trained alertness or by a systematic method (or some combination).

The opportunity-discovery perspective covers both the active and passive search. The assumption of a passive search was introduced in Kirzner's framework by the attribute of 'alertness'. Active search in that framework is represented by the systematic search approach. Preexisting opportunities are assumed here as well, but the systematic search approach is far from any assumption of surprise [Will et al., (2016), pp.194–195].

Aiming to understand if an opportunity was recognised or constructed, Vaghely and Julien (2010) conducted a research from the perspective of human information processing. They concluded that entrepreneurs as information processors use more or less

both approaches in order to identify opportunities. Thus entrepreneurial opportunities can be recognised and constructed at the same time in a variety of combinations and recognised or constructed individually. In the same way, Venkataraman (1997) believes that opportunity identification depends on the information that the individual processes and also the way they process it. Gielnik et al. (2012) stress on divergent thinking as generators of business ideas.

Dana (1995) introduces various types of entrepreneurs and distinguish their different approaches to opportunity. While traditional self-employed, cultural entrepreneurs, personality determined achievers and Barthian agents are opportunity seekers; Hagenian displace and Kirznerian identifiers are reactive to opportunity. A sample of the study are classic entrepreneurs, including traditional self-employed and cultural entrepreneurs and categorises as opportunity seekers, who actively taking the risk of economic uncertainty.

Ardichvili et al. (2003, p.106) argues that the creation of successful businesses follows a successful opportunity development process, which includes recognition of an opportunity, its evaluation, and development per se. By then, major factors that influence the core process of opportunity recognition and development include: entrepreneurial alertness; information asymmetry and prior knowledge; social networks; personality traits, including optimism and self-efficacy, and creativity; and type of opportunity itself. Lumpkin and Lichtenstein (2005) articulate five stages in opportunity recognition process: preparation, incubation, insight, evaluation and elaboration.

Ozgen and Baron (2007) introduce the role of social sources of information in opportunity recognition. They analysed the role of four variables of reliance on mentors; reliance on family and close friends; reliance on informal industry networks; and participation in professional forums on opportunity recognition. They affirm that informal industry networks directly related to entrepreneurs' alertness to new opportunities and also reliance on family, close friends, mentors and participation in professional forums have a positive effect on opportunity recognition. Dyer et al. (2008) differentiates innovative entrepreneurs from executives on four behavioural patterns through which they acquire information. This includes questioning; observing; experimenting; and idea networking. By Lechner and Dowling, (2003) Networking is an important business activity for entrepreneurs and it is associated with business growth, because it allows cost effective access to knowledge and other resources.

Bhagavatula et al. (2010) studied social and human capital influence on opportunity recognition. They found that human capital such as experience, professional skills and language skills, has a direct and a mediated effect on the resource acquisition, opportunity recognition and social capital. This is because a mediator can reinforce the effect of human capital.

Some researchers study the psychological or genetic factors which may have an effect the opportunity recognition process. For example, Foo (2011) investigates the role of emotions on opportunity evaluation. Nicolaou et al. (2009) studied the tendency to be an entrepreneur from a genetic perspective. They found that 53% of phenotypic correlation between opportunity recognition and the tendency to be an entrepreneur has a common genetic aetiology. Corbett (2005) uses the connections between knowledge, cognition, and creativity to develop the concept of learning asymmetries in opportunity identification and exploitation. Baron and Ensley (2006) suggest recognition patterns as a framework for identification of opportunities. Based on their research, identification of new business opportunities involves a cognitive process through which individuals identify meaningful patterns in complex arrays of events or trends. Baron (2006)

introduces three factors which shape these patterns. These includes engaging in an active search for opportunities, alertness to those opportunities, and prior knowledge of an industry or market. Shane et al. (2010) by considering opportunity recognition as cognition process, studied psychological characteristics of openness in this process. They confirm that openness to experience has a genetic component and they showed that genetic factors account for a large part of the variance in opportunity recognition by influencing the probability that people will be open to experiences. Krueger (2007) argues that belief structures ultimately anchor entrepreneurship thinking.

Gibcus et al. (2008) argued that rapidly changing and fast-paced environment drives organisations to actively interpret the opportunities. They also recognised that business owners acquire information from the contacts that provide them with a flow of information related to opportunities. Filion, (2004, p.45) showed detecting business opportunities requires intuition, intuition requires understanding, and understanding requires a minimum level of knowledge.

Dana (1996) found out that identification of and response to opportunity is linked to culture. The causal variable of self-employment is not simply opportunity and cultural constraints such as cultural perception of opportunity, affect individual's response to opportunity. He then articulates three variables for self-employment. These are: actively from self, as a reaction to negative displacement, or as a passive result of opportunity identification. Those who actively seek self-employment are innovators, agents of social change, personality determined achievers. Some self-employments are a reaction to unfavourable situations such as social marginality. There are also entrepreneurs with no orientation to entrepreneurship, but social phenomena happen to push them to entrepreneurship. He found out that in his sample of a small Canadian town, the majority of self-employed aboriginals are active and innate while majority of non-aboriginals described their self-employment as passive, such as a response to an opportunity. By his conclusion, opportunity cannot receive the same response in all cultures, nor should it be expected. Thus, the government should recognise the impact of culture on enterprise and policy should avoid transaction of inapplicable models (1996, p.75).

With a similar conclusion, Loucks (1988) pointed out that entrepreneurship is culture-bound and that policy on entrepreneurship is therefore culture-specific. Having recognised the social and economic value of entrepreneurial activity, various governments around the world have been trying to foster entrepreneurship (Dana and Dana, 2005). Here the findings can be useful for better policy making with respect to entrepreneurship for different governments – especially in Iran.

According to Dana and Dana (2005), applying a universal framework across varied cultures would be naïve. If policy-makers are to formulate policies which will actively create entrepreneurs and increase the wealth of nations, then research is necessary to understand the values and aspirations of cultures and their people, before imposing a policy on them.

3 Material and methods

This research is explanatory in nature. The aims of the research is to understand the current situation of the toy industry and how activities are carried out by the firms operating in this industry. The study consists of two phases. The first phase is a survey,

which includes two samples of direct customers (parents) and opinion leaders (teachers and pedagogues). The questionnaire design was inspired from Anthony Ulwick's opportunity algorithm. The algorithm provides a means of identifying opportunities and prioritising them. This phase leads to market knowledge.

The second phase consists of in-depth interviews with toy firms' managers. The strategy of using case studies in research involves the thorough study, in depth and detail, of a limited number of objects, individuals or environments. Ideally, data collection in such research should include observation and interviews, as this is done in ethnography. This non-quantitative research strategy is interactive, as this involves the relationship between an entrepreneur and the environment of the firm [Dana and Dana, (2005), p.83]. This stage helps to understand the practices, strategies and performance of operating companies and leads to industry knowledge.

3.1 Sample and data collection

The questionnaire in the Appendix was offered to two samples of respondents. First sample consists of customers who visited a toy shop. The shop had children between four to six years old and the income of their parents was between \$600 to \$1,000 per month (the average income of an Iranian family at the time of research). The sample consisted of 40 parents with kids between four to six years old (13 fathers and 27 mothers). Data from this sample was gathered in the physical presence of the researcher in a shopping Centre in Tehran. The second sample includes five kindergarten teachers (all female) and six children pedagogues (three females and three male). Also, 18 kids were observed and interviewed shortly (by asking short and simple questions).

The sample for the second phase includes all companies which registered in the Bureau of Toy and their legal location of operation is the greater Tehran. The researcher made initial contacts with all of them and requested for an interview in person or by telephone. In addition, the researcher made inquiries from some of the most influencing actors in the market, such as the head of the toy bureau and one of the managers from Kanoon Parvareh Fekri.

3.2 Anthony Ulwick's opportunity algorithm

For identification of opportunities in the market, the researcher used the Anthony Ulwick algorithm. He explains that many times customers do not know exactly what product they want. But customers do know what characteristics it should have and are able to articulate the characteristics. Nevertheless, the company might find it hard to meet their list of characteristics or requirements because it is expansive and divergent. Therefore, choosing the most important characteristics which are partly unmet can lead entrepreneurs and companies to focus on the most important characteristics and to understand the best opportunities. He suggested an 'opportunity algorithm' which simply is $(\text{importance} + (\text{importance} - \text{satisfaction})) = \text{value of opportunity}$. Based on his concept companies ask customers to rank the characteristics they are looking for from 1 to 10, with regard to both importance and satisfaction from existing products [Ulwick, (2002), p.96]. The steps he suggested to effectively focus on the outcomes includes:

- Step 1 Plan outcome-based customer interviews.
- Step 2 Capture desired outcomes.
- Step 3 Organise the outcomes.
- Step 4 Rate the outcomes based on importance and satisfaction.
- Step 5 Use the outcomes to start-up innovation (pp.94–96).

3.3 Survey questions

Before conducting a survey, a short and quick structured interview was conducted. The question of “Who makes a decision about what toy should be purchased” helped in understanding who the decision maker is. This factor has the biggest influence on behaviour of the buyer. Responses revealed that 35% of decisions were made by the preferences of the children and upon their explicit requests, 25% by parents’ decision, 15% by seller suggestion, 15% by following advertisements and finally 10% by teachers’ recommendation. Thus, most of the purchase decision comes from children and parents’ selection. The next question explored the favourite characteristics of a sample of customers:

- 1 appearance
- 2 educational and creativity
- 3 price
- 4 foster movement skills (use body)
- 5 having the Iranian identity and cultural appropriateness
- 6 the durability
- 7 the manufacturing quality
- 8 standards.

After the short interview and questions, the respondents were asked to answer the questionnaire. 31 questionnaires out of 40 was recognised as credible, added to the 11 responses of kindergarten teachers and pedagogues. 42 responses were finally processed.

3.4 Interview questions

The second phase of the analysis includes 19 managers of the firms or toy market actors who accepted the request to be interviewed. Interviews were semi-structural, and researcher openly asked interviewees to explain their business practices, opportunities and challenges. The key questions include:

- 1 Who makes strategy formulation?
- 2 How you acquire business information of the market?
- 3 How are your international relationships?

- 4 How many toys you have designed?
- 5 How are your marketing and distribution processes?
- 6 A demographic characteristic of the interviewees has shown in Table 3. In addition, a summary of their business knowledge has shown in Table 4.

Table 3 Demographic characteristics of interview sample

	<i>Education</i>				<i>Work Experience</i>			<i>Number of employees</i>		
	<i>Lower than high school</i>	<i>Secondary school degree</i>	<i>Bachelor</i>	<i>MA and more</i>	<i>Lower than 2 years</i>	<i>2–5 years</i>	<i>More than 5 years</i>	<i>Below 10 employees</i>	<i>Between 0–20 employees</i>	<i>More than 20 employees</i>
Number	3	10	5	1	2	10	7	8	9	2
Percent	16	53	26	5	10	53	37	42	48	10

Table 4 Business knowledge of interview sample

	<i>High</i>	<i>Medium</i>	<i>Low</i>
Industrial cluster	0	2	17
Supply chain	1	5	13
Strategic planning	3	5	11
Outsourcing	6	10	3

4 Results

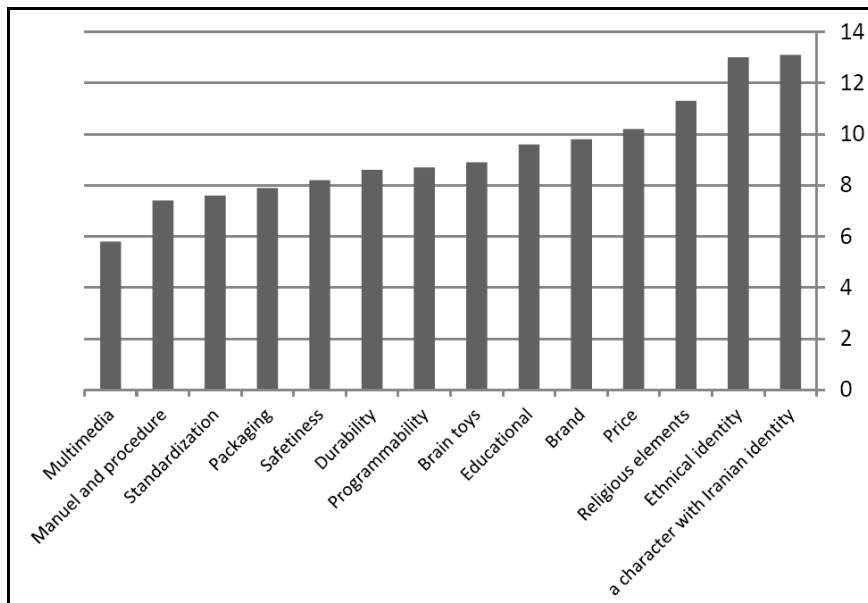
4.1 Findings of survey

Here are the results

- 1 Iranian personality/character (13.1): with an average of 7.8 for importance and 2.5 for satisfaction
- 2 religious (11.3): with an average of 7.2 for importance and 3.1 for satisfaction
- 3 affordable price (10.2): with an average of 8.1 and 6 for satisfaction
- 4 educational and creativity (10.4): with an average of 7.8 for importance and 6.0 for satisfaction
- 5 toys and dolls with ethnical characteristics (10): an average of 6 for importance and 2 for satisfaction
- 6 brand (9.8): with an average of 7.2 for importance and 4.6 for satisfaction
- 7 time-span (9): with an average of 6.5 and 4 for satisfaction
- 8 brain toys (8.9): with an average of 7.9 for importance and 6.9 for satisfaction

- 9 programmability (8, 7): with an average of 5.4 for importance and 2.1 for satisfaction)
- 10 durability (8.6): with an average of 6.8 for importance and 5.0 for satisfaction
- 11 safety (8.2): with an average of 7 for importance and 5.8 for satisfaction
- 12 packaging (7.9): with an average of 6.5 for importance and 5.1 for satisfaction)
- 13 standardisation (7.6): with an average of 6.4 for importance and 5.2 for satisfaction
- 14 multimedia (5.8): an average of 5 for importance and 4.2 for satisfaction.

Figure 1 Ranking of favourite characteristics from customers' perspective



4.2 Analysis of interviews

Analysis of interviews shows that Iranian toy makers strongly focus on manufacturing, whereas the country does have a competitive disadvantage in manufacturing. Their production materials are derived from petrochemical wastes. The production processes are flawed, inefficient, old and expensive, and the production techniques and knowledge are outdated. The ratio of cost to productivity is high and due to the low production number, the economics of scale cannot be attained. The creator and project manager of Dara and Sara (national toys) said: "If I made Dara and Sara in China and imported them to the country, they would cost four times cheaper in price". Despite these inefficiencies, producers are still focused on manufacturing and at the same time complain about the lack of support from the government.

The author finds out in the course of the interviews that most of the interviewed producers began the manufacturing because of their mindsets. They value manufacturing and consider outsourcing as a kind of brokering which cannot be called production. This

traditional mindset is in contrast with modern practices of business in international scope. The concepts of value chains, industrial clusters, business models and similar ones are not familiar to them, and they either answered “I don’t know” or “a little, I came across one”. A.M, an entrepreneur who did take part in interview stressed patriotically on his belief that our toys should be Iranian. When the author asked what he meant by “being Iranian”, He replied: “at least one part of it’s produced in Iran”. Later he agreed with the author’s belief that “if just the design was done in Iran, or packaging done in Iran, then we can consider the toy an Iranian and it is not necessary to manufacture toys in-house”.

On the other hand, one surprising discovery is that design is highly underestimated. None of the private manufacturers own a design section or have hired any designer in last ten years. Most of the items they produce are copies of international products and characters such as Barbie, Toy Story characters, Monsters, Mickey Mouse and friend, etc.

Their marketing processes are also surprisingly flawed. The interviewees explain there are no specific distribution channels nationwide and distribution of products are carried out by local retailers who travel to Tehran seasonally. They pick the products by their own preferences or received requests from local market and end up bearing the cost of transportation.

Analysis of toy experts, public authorities and managers shows that Iranian toy industry is operating in a vicious circle and in the reverse side of its competencies and competitive advantages. While Iran has a strong advantage and competency in design and marketing and clear disadvantage in manufacturing, surprisingly the industry still works on a traditional mechanism which has already changed many decades ago.

Findings show that there are serious drawbacks for exploiting opportunities. At the macro-level, the industry needs to turn its focal point from manufacturing to design. Much infrastructure is needed. This includes designers and customer researches, outsourcing management and establishing a connection with external partners.

The policy is an important part of this move toward success. A successful policy requires a bright insight in top administrative level to strategically restructure the industry and facilitate adaption of firms to a new approach. Strategic decisions such as forming industrial associations or groups might be helpful. Also authorities such as head of toy bureau complained about the underestimation of the toy industry at the top level of the ministry of industry and mines. According to him, the focus of ministry is to support the heavy industries.

At the organisational level (meso-level) firms need to redefine their businesses. They have to reconsider their own competencies and see how their resources and advantages match with opportunities. However, as it is shown in the table, most firms’ managers and practitioners suffer from a lack of business knowledge.

At the micro-level, reconfiguration of resources and a new analysis of competencies and the suitable place in the industry value-chain will help firms to perform better in the exploitation of opportunities. Many of them would need to redirect and change their position in the value proposition.

In brief, entrepreneurial activities in the Iranian toy industry is a critical need. It is a profitable and potential market with a big space for entrepreneurial acts with good insights to exploit opportunities. The poor performance of operating firms shows an inefficiency in using the potential of the market and imply on existence of areas of improvements, which may occur by entrepreneurs.

5 Conclusions

The Iranian toy industry is very traditional and unstructured and a large proportion of its players suffer from lack of business knowledge and international communication. Most of the toys are imported, and those locally made are sold at very cheap price, with very questionable hygiene and usability.

The importance of this research is to show the misdirection of this industry toward manufacturing because China and other Asian countries are specialists in manufacturing and mass production of toys with very cheap prices than production costs and also with considerably higher quality. The point is that Iran has a big competitive advantage in the design of toys but has ignored this advantage. The government has not helped matters too, there is no room for investment in talent and infrastructures in the toy design industry. Also marketing and distribution channels are extremely inefficient. Toys also get to the markets nationwide by traditional 'pick and carry' mechanism. A situation where retailers travel to the Tehran market every season and pick some toys based on their own perception of the buyers' preferences and carry them to their destination markets. There is no systematic distribution channel at all. There is no doubt that marketing activities are influenced by this distribution channels causing inefficiency in the reach of commodities to the markets.

The perceived barriers are the following: The barriers include:

- 1 weak knowledge of doing business and lack of information from concepts of business (overall focus on production practices)
- 2 lack of attention to new toys and focus on traditional toys
- 3 the unavailability of toy designing as a professional course in the country's educational system
- 4 lack of proper distribution channels, to take toys nationwide
- 5 low production scale and lack of economic of scale
- 6 low profit margin
- 7 low purchasing power for most buyers
- 8 lack of good and quality materials
- 9 lack of adequate knowledge about manufacturing, and total disadvantage of the country for manufacturing
- 10 mass importation of toys
- 11 lack of interest in research institutes, industrial centres, and policy making centres for the toy industry.

Also the perceived opportunities are as follows:

- 1 high population of the market
- 2 considerable potential of society in regard to unexhausted cultural richness, national characters and mythologies

- 3 ethnic and population diversity of the market
- 4 cultural closeness to two big regional markets; Caucasian and Middle Asian countries with Iranian heritage and Islamic countries for religious (especially markets with majority of Shi'a like Iraq, Azerbaijan, Kuwait, Bahrain, etc.)
- 5 lack of competitiveness and rivalry.

5.1 Practical implications

This research was aimed at providing knowledge on how to run firms, small business and entrepreneurs. This knowledge will provide benefit to the Iranian toy industry by highlighting from the existing opportunities of Iranian market. Based on the results and findings, the researcher suggests the following practical implication:

- 1 Formation of a union for Toy industry: In the absence of policies for the Iranian toy industry (Rahbari et al., 2015), there is no organisation, syndicate or union for toy industry practitioners. Every interviewee, right from the first sample, strongly stressed how necessary having a union for toy producers will be and the urgent need for one. The complaint is that they are not seen as an 'industry' at all and are highly ignored by authorities. They believe that a union will establish their position as an industry and give them the power to communicate with the parliament, policy makers, and ministry authorities. They would also have the power of collective action for negotiation for raw materials, such as petrochemical products.
- 2 Industrial cluster of toys: UNIDO defines clusters, as agglomerations of interconnected companies and associated institutions. Firms in a cluster produce similar or related goods or services. They are supported by a range of dedicated institutions located in spatial proximity, such as business associations or training and business development service (BDS) providers (2010, p.5). The current situation of the Iranian toy industry can be seen as an uncoordinated efforts of toy producers, lack of communication and industrial cooperation. A cluster can integrate their efforts through the value chain and prevent fragmented investments and activities.
- 3 The focus on design and marketing and outsourcing of manufacturing: The major finding of this research is the case of misdirection of the Iranian toy industry towards three main segments. The interviews conducted showed that firms waste energy and valuable resources in their search for access to raw materials as well as finding suppliers and manufacturers of the different parts of toys. This simply means that, they invest very little in value-added activities aimed at design and marketing.

The author strongly suggests the change in focus of the industries and investment towards toy design for domestic and international markets. Characters with Iranian national identities, such as myths, and ethnic identities ranked at the top of opportunities. There is also competitive advantage and core competency for Iranian designers to deliver those characters to market.

Also, marketing is a value added service in itself. Hence, integrated marketing strategies create a confident system for value delivery. Investments in a promotion system which involves marketing activities, distribution, advertising and market research will expand the access of toy manufacturers to a nationwide market and

unlock the potentials of the domestic market. Such investment in marketing will open the international markets and ideas based on market research will teach firms how to design and deliver value for different markets for competitive advantages.

- 4 Introducing toy design and toy studies in universities as an educational field: It is unfortunate that there is no program in Iranian universities for the training toy designers. The best area of study for toy makers is industrial design. But there is no specific program to train specialists in the design of toys, characters, concepts, etc. Toy designing is a core and one of the fundamental requirements for the development and upgrade of Iranian toy industry. No doubt that cooperation with international designers is highly needed. In such cooperations, domestic designers will learn the high level knowledge of design and will be able to combine the cultural elements with international preferences and trends. Asadian et al. (2011) suggested establishing a national toy library to increase the public attention to this industry.
- 5 The creation of national characters and integrated marketing promotion for them: Following the previous point, trained designers would be equipped with the knowledge and understanding to design and create national and ethnic characters to meet the need and demands of the market. This process will deliver the kids with an Iranian doll and toy. Such product also needs an integrated marketing for promotion.
- 6 Study of the regional markets and study of their unmet needs: Location, location, and location! The buzz in real states works in our context too. A big potential of the Iranian toy industry is the legend of common heritage with three markets of Central Asia (with ancient and contemporary Iranian cultural heritage), the Islamic World (the common interests and religious ties and relatively unmet cultural needs, based on many market reports) and Shia' World (countries with big population with the common branch of Islamic Shia'). Geographically, Iranian toy manufacturers can have access to markets from West Africa to the east Asia if they focus on some common cultural and religious attributes. Many Iranian practitioners mentioned their wonderful experience from those markets with small tests. But when asked the reason they did not continue the business, they mentioned financial problems, and manufacturing, etc. Researcher believes that the main reason for their failure is a lack of business knowledge and the focus towards manufacturing their current products on a large scale rather than rethinking and producing innovative products, using strategic solutions.
- 7 Investment in branding: The most famous brand in the nation belongs to Kanoon-e-Parvaresh-e-Fekri, a public institution with more than 45 years' record of activity and big portfolio of products. It is a brand known for decades. There is no other famous brand in the market. Most of the respondents could not name a single brand in the toy business. Branding is an important strategic issue in the business toy, and as mentioned before, there are many competing brands in Islamic toy markets too. Lack of a strong brand is a sign of major strategic setback in the industry.
- 8 International cooperation: Studies show that the success of many competitors comes from cooperation with international companies. Iranian market is believed to be very potential for profitability with a high demand. This demand is expected to grow in the near future. This market, when considered with the access it provides to

neighbouring markets, is a promising place for international companies which are seeking for niche markets. An international cooperation can bring the business knowledge, practices and know how into the industry, which is faced with deep inefficiencies. In such cooperation the Iranian company can reduce the risk of cultural and social uncertainty, while international partners can bring business efficiencies. Again the author emphasises on his finding that Iran is found to have no competitive advantage in production, but excellent advantages in marketing and design. Thus any international cooperation may consider the findings of this research to establish such cooperation which is based on the knowledge of the market and strategic planning to exploit the opportunities in Iranian market by outsourced and internationally production of well-designed toys.

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Notes

- 1 Before 2008, Iran imported 320 categories of toys, including 10,854 toys (Middle East Toy Fair Report, 2008) valued at 29,928,550 USD. This amount increased by 30% in 2008, reaching to 38,907,115 million USD and types of imported toys have increased by 27% to 60,409 kinds (Fars News, 19 October 2010). Iran imported 13,627,854 USD worth of toys directly from China (March 2012–2013). In March 2013 to March 2014 on the average Iran has imported 2,900,000 toys USD (a total of 34,800,000 USD in that year), 95% of the imports coming from China (Mehrnews, 25 September 2013) (<http://www.mehrnews.com/news/2150454>).