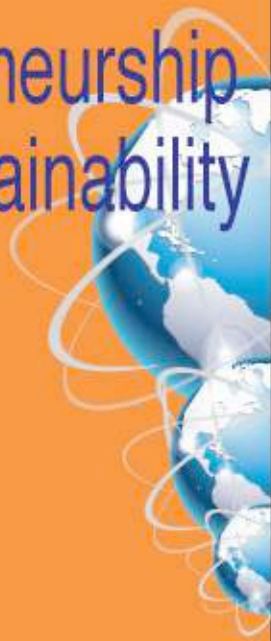


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Entrepreneurs - A Study Of Women  
Entrepreneurs In Delhi

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# **BUSINESS PREFERENCES OF WOMEN ENTREPRENEURS- A STUDY OF WOMEN ENTREPRENEURS IN DELHI**

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## **ABSTRACT**

The focus of this study is primarily to study women entrepreneurs in the city of Delhi in the present scenario. The paper is an empirical study based on 100 women entrepreneurs. It looks into their choice of business and business characteristics. It shows how with time the business preferences of women have changed. Some of the findings of the study are that women have changed preferences. They are venturing into modern businesses and are pursuing multi

nature businesses. However, in some aspects their preferences are still the same. They still like to employ lesser number of employees, invest less capital and resist taking loan.

## INTRODUCTION

Unemployment is one of the biggest problems in India. With the limited number of jobs available the government has failed to provide employment to each and every youth of India. Hence entrepreneurship development is being considered as one of the alternative strategies to tackle the growing problem of unemployment especially for women (Mehta, 2007). And as women constitute 48% of the total population of India as per the 2001 census, their economic contribution is bound to add substantially to the economic development of the country.

Unfortunately women in India have not been actively involved in the mainstream of development even though they represent equal proportion of the population (Dang et. al., 2009). Hence there is a need to encourage women entrepreneurship. Therein lies the future of India.

In recent years with changes in economic and social environment there has been a rapid growth of women entrepreneurs (Adler, 2004; CEEDR, 2000). The economic and social change has been the result of globalization, technological advancement, media exposure, and inflation. Due to these changes women have become more confident and are ready to take up roles

which were earlier men's domain. Hence there is a need to study women entrepreneurs in this changed scenario and see if their business preferences have also changed.

The present study explores the varied business aspirations and preferences of women entrepreneurs in the present socio-economic conditions in the city of Delhi.

#### LITERATURE REVIEW

In most countries men are widely believed to be more competent than women, except when performing feminine tasks. Substantial evidence indicates that entrepreneurship is stereotypical as a masculine task (DiMaggio, 1997; Holmquist et al., 2002) therefore woman's task is often defined on the basis of her gender. Women entrepreneurs start and manage firms in areas different from men (Duchenaut, 1997; Franco and Winqvist, 2002; Reynolds and White, 1997).

While the characteristics of both men and women entrepreneurs are generally quite similar, in some respects women entrepreneurs seem to be different from their male counterparts. While men often take bank loans and personal loans in addition to personal funds as sources of start-up capital, women usually rely solely on personal savings. While men are more likely to enter the business

fields of manufacturing and construction, women are more likely to start businesses in areas of trade and service (Hisrich and Peters, 1995). Women in general are predominantly into conventional entrepreneurship which means that they tend to create businesses in service sector, retail sector and wholesale and distribution where they are already economically active as managers, owners or employees (Anderson and Woodcock, 1996; Panandiker, 1985; Carter, 1994). The various conventional businesses that women entrepreneurs in India are found in are hosiery industry, telephone booth, beauty care, flour mill, pickle making, tailoring and readymade garments (Vinze, 1987; Jyothi and Prasad, 1993; Ganesan, 2003).

Women world over employ less start-up capital compared to men (Verheul and Thurik, 2001). As a result they are characterized by small company size (Kirsi, 2005). Firms owned by women are significantly more likely to have no employees compared to firms owned by men (Franco et al., 2002). Most enterprises are run by them single handedly or with the help of their family members (Bezhani, 2001). It is presumed that the number of additional jobs that a business expects to create is an indicator of the growth of business. Women entrepreneurs are expected to create no jobs or 1 to 5 jobs within a 5-year period (OECD, 2004).

Ganesan (2003) has found that women prefer to have small businesses as most

of them enter business with the sole motive of augmenting family income. They operate only in the local areas where they have their business ventures and make small investments from their own savings (no borrowings). From the literature above the following hypotheses have emerged:

- H1 Women entrepreneurs are predominantly into conventional businesses.
- H2 Women entrepreneurs are underrepresented in the manufacturing sector.
- H3 Women entrepreneurs are hesitant to take loan.
- H4 Women entrepreneurs mostly operate in local market areas.
- H5 Women entrepreneurs are expected to create no jobs.

We shall now empirically study the business preferences of women entrepreneurs such as their nature of business, ownership type, business size etc and also test the hypotheses listed above using the chi square test.

## METHODOLOGY

### Sampling and data collection

The study has been conducted on hundred women entrepreneurs in Delhi and its adjoining areas (NCR-National Capital Region) who were chosen on the basis of random sampling. They were selected at random from the following sources:

- FLO (FICCI Ladies Organization) Directory
- References of women contacted from the FLO Directory
- References of women entrepreneurs other than contacted from the FLO Directory
- References of friends and colleagues
- 

A questionnaire was prepared and the respondents (women entrepreneurs) were made to fill them. To have an authentic and first hand reliable data each respondent was personally contacted and interviewed. In all 350 women entrepreneurs were contacted of which only 100 gave time and personally gave their inputs.

#### Data Analysis

The filled up questionnaires were then coded and tabulated using the SPSS package. Descriptive analysis of the variables under study was done using the frequencies, figures and tables. Statistical analysis of the variables under study was done using the non parametric test (Chi square).

#### BUSINESS PROFILE

In the sample under study there are 15 different categories of businesses run by women entrepreneurs and according to the nature of business they have been classified as: Manufacturing, Trade and Service. Most of the women



entrepreneurs are engaged in businesses which are difficult to be classified under any one type. However for the sake of convenience of data analysis they have been classified under any of the three categories. Women running businesses which have components of manufacturing and trade, trade and service, service and manufacturing or all the three (manufacturing, trade and service) have been put under that category whose percentage in the combination is the highest.

As shown in Table 1 the first category of business is the garment industry. Out of hundred women entrepreneurs thirty four are engaged in garment industry. Twenty entrepreneurs of the garment industry are into manufacturing business. Out of these nine are into manufacturing of garments for domestic consumption and eleven are into manufacturing of garments solely for exports. Four women entrepreneurs are in trade. They are wholesaling and retailing the readymade garments. Ten of them are running boutiques. Boutique has been classified as business which provides service to the consumer. The women entrepreneurs having boutiques provide services to their customers by getting their clothes stitched either by themselves or by their tailors. Some of the boutique owners also do trading of garments. One of the women entrepreneurs sells accessories like artificial jewellery, purses and other feminine items in her boutique shop. Four of them buy cloth material and readymade lady garments and sell them to the customers but as the element of trade is very limited and

small therefore their boutiques have been classified under the service sector and not under trade. Table 1 shows that 58.8 % (26.5 % in garment manufacturing & 32.3 % in garment exports) of women entrepreneurs are engaged in manufacturing, 29.4 % are in service and only 11.8 % are in trade. Table 1 also shows whether the type of business the respondents are in is modern or conventional. Garment manufacturing and exporting has been taken as a modern area of business because manufacturing and exporting is still a man's domain in India. Garment trading and running boutiques have been taken as conventional business.

The second category of business is Information Technology. Three women entrepreneurs are in Information Technology. One of them is into manufacturing computer hardware and two of them are providing Information technology services. Information technology is absolutely a new area for women entrepreneurs therefore it is taken as a modern business.

Jewellery is the third category of business in which nine women entrepreneurs are engaged. Four of them are into manufacturing of jewellery. They have workshops where jewellery is made by their craftsmen. Five of them are into trading of jewellery. Out of the five, three are more like service providers because unlike traders they do not buy all the jewellery they sell. They act as mediators between the jeweller and the customer. They either take the customer to the jeweller or they carry the jewellery with them which they take

from the jeweller to the customer. They make money on commission basis. The jewellers give them jewellery to sell without charging a penny from them because they share a relation of trust with them. These women are either relatives or very close friends and associates of the jeweller. Jewellery manufacturing is taken to be a modern area because even today in India jewellers are predominantly men. They are called 'Sonar' in northern part of India. Woman as jewellery manufacturer is still a new concept. However Jewellery trading has been taken as a traditional type of business.

The fourth category of business is manufacturing of shoes. This is a man's domain. Only one woman is found to be manufacturing shoes. This has been taken as a modern area of business.

The fifth category of business is manufacturing of steel and just like shoes steel too is a man's domain. Only one woman entrepreneur is found in this business. This too has been taken as a modern area of business.

Furniture manufacturing is the sixth category of business. Four women entrepreneurs have been found doing this business. Out of them three are also doing interior decoration/ designing. Interior designing complements the business of furniture. Hence there is both an element of production as well as service in their business but as the revenue generated and the work done is more from making furniture therefore their business has been classified under

the category of manufacturing. This too is a man's domain and women are still very few in this type of business. We have taken this as a modern area of business.

The seventh category of business is stationary. Only one woman is found having a stationary shop. This has been put under the category of trade. Stationary shops in northern India are generally run by men. Hence it has been put under the modern type of business.

The eighth category is the handicrafts. One woman has been found to be in the business of handicrafts. She buys the handicrafts made by men and women artisans of Gujarat and Rajasthan and sells them in Delhi. Women have always been involved with handicrafts therefore we have taken this as a conventional business.

The ninth category of business is spectacles. Four women are found to be running spectacles shop. They not only provide the customers with branded and non branded sun glasses and eye lenses but also make spectacles as per the specifications of their customer's eye specialist. They are not only trading in sunglasses / eye lenses but also providing services to their customers by making spectacles as per their eye specialist's specifications. In their business as the element of trade is more dominant than the service provided by them

therefore their business has been put under the category of trade. In India business of spectacles is a man's domain therefore we have taken this as a modern type of business for women entrepreneurs.

The tenth category of business is travel agency. Three women have been found running a travel agency. They provide services like hotel booking, reservations and ticketing by air, rail and road to their customers. One of them arranges travel on cruises for her customers. It is mostly men who are found in this type of business therefore we have taken travel agency as a modern area of business for women.

The eleventh category is beauty clinic. There are nine women who are running beauty parlours. One of them also makes her own herbal shampoo, cream and lotion and sells them to her customers. She not only gives her services as a beautician but also gives beauty products as a manufacturer. But as she produces these products in small quantities and sells them to limited clients therefore her business has also been put under the category of service. This is one of the most conventional types of businesses for women entrepreneurs.

The twelfth category of business is gift packaging. There are eight women who are into the business of gift packaging. This is a very interesting area of business as the respondents are involved in manufacturing, trading as well as in providing services to their customers. They do baby announcements, anniversaries, birthdays and weddings. One of them exclusively does corporate

gift packaging. She is asked to render her services by the companies generally during the new-year season, and on festivals of Christmas and Diwali. Four of them have their own workshop where they make baskets and gift wrappers for gift packaging. Two of them also have gift shops where they have kept their own manufactured gift items like candles, candle stand, flower vase and photo frames. One of them also imports gift items from Singapore / Hong Kong, China and Thailand and sells them to her customers in India. Most of the women entrepreneurs are involved in all the three that is manufacturing, trade and service but for convenience of data analysis this type of business has been put under the category of service. Gift packaging as a business has evolved very recently therefore we have taken this as a modern business.

The catering business is the thirteenth one. There are five women entrepreneurs who are into catering business. The respondents make food, chocolates and cookies on customers demand. Two women entrepreneurs provide Tiffin (breakfast/lunch/dinner) to their customers. One of them makes only chocolates and supplies them to the nearby shopkeepers and retailers. Two of them supply food for weddings, anniversaries, parties and various other functions hosted by their customers. Food requires preparation with raw material (food ingredients) therefore an element of manufacturing also exists in this type of business but catering in general is taken to be a part of the service industry therefore we have put this under the category of service. Women have always been

associated with food therefore we have taken catering as conventional form of business.

The fourteenth category of business is interior decoration. Six women are into interior decoration. One of them has also started construction business with interior decoration. Interior decoration is associated more with women than men therefore we have taken this as a conventional form of business.

The fifteenth category of business is other miscellaneous services. There are eleven women entrepreneurs in all. One is a stock broker, one is a publisher, two of them run PG (Paying Guest) Accommodation, one runs a photo studio, one practices reflexology, one runs an art restoration studio, one runs a recruitment firm, one runs a training firm and two of them are into entertainment business. They conduct musical and theatrical shows. The types of services mentioned above are quite new therefore they have been put under the category of modern.

Table 1: Business Category, Nature of Business and Type of Business

S.No	Business Category	No. of Entrepreneurs	Nature of Business	Type of Business
1	Garments	(n=34)		



	a)Garment Manufacturing (domestic consumption)	09 (26.5%)	Manufacturing	Modern
	b)Garment Exports	11 (32.3%)	Manufacturing	Modern
	c)Garment Trading	04 (11.8%)	Trade	Conventional
	d)Boutiques	10 (29.4%)	Service	Conventional
2	Information Technology	(n=3)		
	a)IT – Manufacturing	1	Manufacturing	Modern
	b)IT- Service	2	Service	Modern
3	Jewellery	(n=9)		
	a)Jewellery- Manufacturing	4	Manufacturing	Modern
	b)Jewellery- Trading	5	Trade	Conventional





4	Shoe Manufacturing	(n=1)	Manufactur ing	Modern
5	Steel Manufacturing	(n=1)	Manufactur ing	Modern
6	Furniture Manufacturing	(n=4)	Manufactur ing	Modern
7	Stationary	(n=1)	Trade	Modern
8	Handicrafts	(n=1)	Trade	Conventio nal
9	Spectacles	(n=4)	Trade	Modern
10	Travel Agency	(n=3)	Service	Modern
11	Beauty Clinic	(n=9)	Service	Conventio nal
12	Gift Packaging	(n=8)	Service	Modern
13	Catering	(n=5)	Service	Conventio nal
14	Interior Decoration	(n=6)	Service	Conventio nal
15	Other Services	(n=11)		
	a) Stocks and Shares	1	Service	Modern



	b)Publisher	1	Service	Modern
	c)PG Accommodation	2	Service	Modern
	d)Photo Studio	1	Service	Modern
	e)Reflexology	1	Service	Modern
	f)Art Restoration	1	Service	Modern
	g)Recruitment firm	1	Service	Modern
	h)Training firm	1	Service	Modern
	i)Entertainment	2	Service	Modern
Total		(n=100)		
Nature of Business- chi square=23.060; df=2; significant at .05 level				
Conevntional / Modern- chi square=4.000; df=1; significant at .05 level				

As far as nature of business is concerned majority of the women entrepreneurs (54%) are into service sector. Manufacturing comes next with 31% and

15% in trade. But as discussed above out of fifteen businesses seven (46.6%) out of them do not exclusively fall under any one category. They do not have a single nature of business.

The chi square value 23.060 is statistically significant at 5% level of significance. This shows that women are not equally represented in all the sectors of business. Table 1 shows that majority of the respondents are in the service sector (54%) followed by manufacturing (31%) and trade (15%). Women in the manufacturing sector are increasing and in the retail and distribution (trade) are decreasing. Hence the hypothesis that women entrepreneurs are underrepresented in the manufacturing sector does not hold true.

Table 1 also shows that the chi square value 4 is statistically significant at 5% level of significance. This shows that women are not equally represented in both conventional and modern business. Sixty respondents (60%) are pursuing modern business and forty respondents (40%) are in conventional businesses. In our sample majority of the respondents are pursuing modern business. Hence the hypothesis that women entrepreneurs are predominantly into conventional businesses does not hold true.

Table 2 shows that out of hundred women entrepreneurs twenty nine (29%) of

them are pursuing multi nature businesses. Five of the women entrepreneurs in the garment business (boutiques) do service as well as trade. Nine women jewellers do service with trade. Three furniture manufacturers give their services as interior decorators apart from manufacturing furniture. All four women entrepreneurs in spectacles business do trading as well as provide services to their customers. One in beauty clinic business also manufactures beauty products. All the women in gift packaging business are either involved in service and trade, trade and manufacturing, manufacturing and trade or all the three i.e. trade, manufacturing and service. All the women entrepreneurs in catering business are doing both manufacturing and service.

Table 2: Multi Nature Business

S.No	Business type	Combination of Nature	Number of Entrepreneurs
1	Garments	Service & Trade	5
2	Jewellery	Service & Trade	3
3	Furniture Manufacturing	Manufacturing & Service	3
4	Spectacles	Trade & Service	4



5	Beauty Clinic	Service & Manufacturing	1
6	Gift Packaging	Manufacturing & Trade Manufacturing & Service Service & Trade Manufacturing, Trade & Service	8
7	Catering	Service & Manufacturing	5
	Total		29 (29%)

In order to have a deeper understanding of business preferences of women entrepreneurs the factors like formation of business, ownership type, markets, number of employees, loan, capital and registration have been studied in detail in the following paragraphs..

### Formation of Business

Firstly we shall discuss the formation of the business. Formation has been

classified into five categories: Founder, Inheritor (through Father), Inheritor (through Husband), Inheritor (through Mother) and Inheritor (through others (brother, in-laws etc)). Founders are the people who have established the business by themselves either by starting a new business on their own or buying (acquiring) it from someone else. Inheritors are the people who have acquired business from owners of that business by virtue of their relationship with them. They do not pay money to acquire it. Table 3 shows the mode of formation of business. We can see that 92% of the respondents have founded their own business and only 8% have inherited it. Out of the inherited business 37.5% of the respondents have inherited it from their father, 37.5% have inherited it from their husbands, 12.5% have inherited it from their mother and 12.5% have inherited it from others. The Chi square value 324.200 is significant at five percent level of significance. This shows that the majority of the respondents are founders of their business.

Table 3: Formation of Business

Formation of Business	No of Entrepreneurs
Founder	92
Inheritor (through Father)	3
Inheritor (through Husband)	3
Inheritor (through Mother)	1

Inheritor (through others (Brother, in-laws etc))	1
Total	100
Chi square = 324.200; df = 4; significant at .05 level	

### Ownership Type

Table 4 shows the type of ownership that the respondents have started their business with. Out of hundred respondents sixty one respondents (61%) are having sole proprietorship form of business. Twenty seven respondents (27%) are running partnership form of business. Out of these 17% are in partnership with their husbands and 10% are in partnership with others. Ten respondents (10%) are running a private limited company and one respondent (1%) each are running a public limited company and Hindu undivided family business. The chi square value 152.720 is significant at five percent level of significance. This shows that majority of the respondents are having sole proprietorship form of business.

Table 4: Ownership Type

Ownership Type	No of entrepreneurs
Sole Proprietorship	61



Partnership with husband	17
Partnership with others (father, brother, sister, friend etc.)	10
Private Limited Company	10
Public Limited Company	1
Hindu undivided family business	1
Total	100
Chi square = 152.720; df = 5; significant at .05 level	

### Markets Covered

Table 5 shows the markets covered by the respondents at the initial stages of their business. Forty four percentage (44%) of the respondents are having only local markets (the local area of the place of business), 37% are having Delhi and its NCR as their market, 1% is having regional market (few states in India including Delhi), 8% are having national market (the whole of India), 1% is having Delhi and foreign countries as its market, there is not a single respondent having regional market with foreign market, 2% are having national market with foreign market and 7% are having only foreign markets. The chi square value 139.680 is significant at 5% level of significance. This implies that women entrepreneurs mostly target the local area as their market in



their initial stages of business. Hence the hypotheses that women entrepreneurs mostly operate in local market areas holds true.

Table 5: Markets Covered

Markets covered	Initial stages of business
Local	44
Delhi & NCR	37
Regional	1
National	8
Delhi & Foreign countries (exports)	1
Regional & Foreign countries (exports)	0
National & Foreign countries (exports)	2
Only Foreign countries (exports)	7
Total	100
Chi square=139.680; df=6; Significant at .05 level of significance	

## Number of Employees

The number of employees reflects the size and volume of business. The general view about women entrepreneurs is that they do not employ any labour and if they do they employ in the range of 1 to 5. Table 6 shows that 39% of the respondents have no employees, 41% have employees between 1 & 5, 7% have employees between 6 & 10, 6% have employees between 11 & 20, 7% have employees between 21 & 50 and no respondent has employees between 51 & 100 and 101 & above. The chi square value 66.800 is statistically significant at five percent level of significance. Hence the hypothesis that women entrepreneurs are expected to create no jobs holds true.

Table 6: Number of Employees

Strength (no of employees)	Number of Entrepreneurs
0	39
Between 1 & 5	41
Between 6 & 10	7
Between 11 & 20	6
Between 21 & 50	7
Between 51 & 100	0
101 & above	0
<b>Total</b>	<b>100</b>

Strength in the beginning-Chi square=  
66.800; df=4; Significant at .05 level of  
significance

## Loan

Table 7 shows that 86% of the respondents have never taken loan for their business and only 14% of them have taken loan. The chi square test 51.840 is significant at five percent level of significance. Hence the hypothesis that women entrepreneurs are hesitant to take loan holds true.

Table 7: Loan

Loan	Number of Entrepreneurs
Yes	14
No	86
Total	100
Chi square=51.840; df=1; Significant at .05 level	

## Capital

Table 8 shows that 10% of the respondents did not use any capital to start their business, 11% of them used less than ten thousand rupees, 16% used capital which was ten thousand and more and less than fifty thousand rupees, 9% used capital which was fifty thousand and more and less than seventy five

thousand rupees, 6% used capital which was seventy five thousand and more and less than one lakh rupees, 24% used capital which was one lakh and more and less than five lakh rupees and 24% used capital which was five lakh and more.

Table 8: Capital

Capital (in rupees)	Number of Entrepreneurs
Nil	10
Less than 10000	11
10000-50000	16
50000-75000	9
75000-100000	6
100000-500000	24
500000 and above	24
Total	100

### Registration

Registration of a business firm gives legal entity to it. It is then recognised by law and thus can sue and be sued for any wrongdoing. Table 9 shows that majority of the respondents (62%) have got their business registered. The chi square value 5.760 is statistically significant at five percent level of significance. This shows that women entrepreneurs are quite keen on

getting their business registered which gives them and their business a legal entity.

Table 9: Registration

Registration	Number of Respondents
Yes	62
No	38
Total	100
Chi square = 5.760; df = 1; significant at .05 level	

## CONCLUSIONS

In the sample under study it has been found that business preferences of women entrepreneurs are changing. More and more of them are venturing into manufacturing business and their preference for trade is gradually declining. They are no longer confined to traditional businesses of pickle and papad making but are going into modern businesses of information technology and stock market. It is also found that business is no longer a time pass for women entrepreneurs. The casual approach which they had towards business is now changing. They are taking business as a profession more seriously. This is

reflected by the sample where majority of the women have got their business registered.

This change in business orientation amongst women in Delhi may have been brought due to the change in the family upbringing. Most of the families today do not make any economic or social discrimination between their daughters and sons. They give equal opportunities to both of them. Hence women are more educated and confident to venture into businesses which were earlier run only by men.

A new phenomenon of multi nature business has emerged. In the sample it is found that some of the businesses run by women entrepreneurs are difficult to be identified with a single nature of business (manufacturing, trade and service). By being in a particular business like gift packaging, interior decoration, jewellery etc. women are simultaneously involved with manufacturing and trade, trade and service, manufacturing and service or all the three together. Women have always been associated with multi tasking and the sample clearly shows how apt women are at multi tasking.

Women entrepreneurs of today have broken certain barriers and have entered business fields which were considered a man's domain. However, in some aspects of business we don't see any change in them. Their preferences are still

the same. The sample shows that women still like to keep their businesses small by employing lesser number of employees, investing less capital, resisting taking loan and opting for sole proprietorship form of ownership.

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# **Impact of Entrepreneurial Leadership on Performance of Small and Medium Enterprises in India**

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## **Abstract**

**INTRODUCTION:** The study examines the impact of entrepreneurial leadership on performance of Small and Medium Enterprises of India.

**METHOD:** A Questionnaire method is used to gather information from 67 listed and unlisted SMEs. The responses of questionnaire are put to a two-stage analysis.

**ANALYSIS:** Firstly, an exploratory factor analysis is conducted to identify the broad components of entrepreneurial leadership. Secondly, Ordinary Least Square (OLS) regression is carried out to examine the impact of these broad

components on the performance of the firm.

**RESULTS:** The results of factor analysis identified six broad components of entrepreneurial leadership that are further put to multiple regression. The results of regression indicate that Continuous Improvement, Innovativeness, Pro-activeness and Resource Allocation are the four significant components of entrepreneurial leadership that have positive impact on the performance of the firm. These results have valuable implications for entrepreneurial leaders, future entrepreneurs and academicians.

## 1. Introduction

The concepts of Leadership and Entrepreneurship individually have gained immense significance in academic research. However, in the present day scenario, researchers and academicians viewed the interconnection between the two concepts (Cunningham and Lischeron (1991); Hunt and Dodge (2000); Hitt and Ireland (2000); Colbert (2003) and Vecchio (2003)). Moreover, Cohen (2004) and Tarabishy et al. (2005) exclaim that in the dynamic, complex, uncertain and competitive environment, the need for the hour is a type of entrepreneurial leader who is distinct from the traditional form of behavioral leaders.

According to Siddique (2007), Entrepreneurial leadership involves influencing the activities of the organization that leads to the growth of all stakeholders by way of encouraging and implementing ideas proposed by them. An entrepreneurial leader is one who is open to exploiting new ideas, opportunities and ventures. In India, Small and Medium Enterprises (SMEs) acquire a significant position in enhancing the country's growth due to their high contribution to domestic production, significant export earnings, low investment requirements, operational flexibility, location-wise mobility, low intensive imports, capacities to develop appropriate indigenous technology, import substitution, contribution to defense production, competitiveness in domestic and export markets, employment generation and many more. Extant literature exists on the characteristics of entrepreneurial leadership and its effect on SMEs of developed countries. Thus, the present study contributes to the existing body of knowledge by being the first study for an important emerging market like India to identify the components of entrepreneurial leadership and to examine the impact of entrepreneurial leadership on performance of SMEs.

The results of the study indicate that Continuous Improvement, Innovativeness, Pro-activeness and Resource Allocation are the four most important components of entrepreneurial leadership that have a significant impact in the performance of Indian SMEs.

The remaining paper is organized as follows: Section 2 discusses the review of literature, Section 3 provides data and research methodology, Section 4 discusses results and Section 5 concludes the study.

## 2. Literature Review

According to Gupta, MacMillan and Surie (2004), Chen (2007), Kuratko (2007) and Surie & Ashely (2008), Entrepreneurial Leadership is discussed as the process of creating an entrepreneurial vision and inspiring a group of people to enact accordingly in highly uncertain environment. They found that entrepreneurial leadership consists of three main components viz., pro-activeness, innovativeness, and risk taking.

Kuratko, Hornsby and Goldsby's (2007) stressed on pro-activeness as a step towards influencing and leading the future rather than being passively influenced by it without taking an initiative. Okudan and Rzasa (2006) found that pro-activeness involves exploiting all hidden and available opportunities, accepting the responsibility of failure, forecasting future problems and needs for change, and improvement. Surie and Ashley (2008) concluded that entrepreneurial leadership is a proactive response to environmental opportunities.

Gupta, MacMillan and Surie (2004), Okudan and Rzasa (2006), Chen (2007) and Mattare (2008) explained innovativeness as creative thinking, novelty, new ideas and opportunities, resource utilization and problem solving. Thus, innovativeness is a differentiator separating entrepreneurs from self employed workers and hence, involves “out of the box” thinking.

Zhao, Seibert and Hills (2005), Robinson, Goleby and Hosgood (2006) and Chen (2007) found that the entrepreneurs who are ready to face uncertainty, take prudential and calculated risk. Therefore, entrepreneurial leaders are optimistic and display a penchant for risk.

Furthermore, Covin and Slevin (1991) considered entrepreneurship as a firm-level phenomenon i.e. related to the performance and success of the firm. They used organization’s performance as a measure of effectiveness of an entrepreneur. Moreover, Bass and Avolio (1994) believed that organizational effectiveness is a function of leadership. This is in line with Mintzberg (1971) who defines the two roles by managers’ viz., a leader and an entrepreneur. Also, Yang (2008) established relationship between various leadership styles, entrepreneurial orientation and business performance of Taiwanese firms. He suggested that high level of entrepreneurial orientation is positively related to business performance. Also, innovation and pro-activeness shows a positive

significant relation with business performance whereas risk-taking shows an insignificant relation with business performance.

Siddique (2007) focused on the various characteristics required for entrepreneurial leadership. He found that entrepreneurship is not perceived as an essential part of leadership success, but leadership is a necessary factor of entrepreneurial success. Makhbul and Hasun (2010) exclaimed that entrepreneurial success is determined by financial performance, revenue growth, return on sales and return on assets, customers' satisfaction and productivity. He found that all entrepreneurial factors have a significant relationship with entrepreneurial success. He further reveals that the special drivers of entrepreneurial success are perseverance, good social skills, high self-efficacy and a high internal locus of control. All these characteristics are pre-requisite in highly turbulent and competitive global markets of today. Devarajan, Ramachandran and Ramnarayan (2003) provided the factors influencing entrepreneurial leadership. They classified these factors into strategic (developing a research conception, using an appropriate innovation strategy and acquiring and constantly upgrading technical resource stocks) and behavioral factors (building an entrepreneurial organization, deftness in the top management team and creating a shared passion for innovation).

Henceforth, we conclude that the studies by (Surie and Ashely, 2008; Chen,

2007; Kuratko, 2007; Gupta, MacMillan and Surie, 2004) focused on strategic factors of entrepreneurial leadership whereas Covin and Slevin (1991), Bass and Avolio (1994) and Yang (2008) stressed on the behavioral factors.

### 3. Data and Research Methodology

#### 3.1 Data and Sample Selection

The information on Small and Medium Enterprises (SMEs) in India was taken from CRISIL SME Rating List during December, 2012.<sup>i</sup> The initial sample size comprised 79 listed and unlisted SMEs (having SME 1 Rating) across India. A questionnaire regarding entrepreneurial leadership was mailed to senior personnel of the initial sample of SMEs. Out of 79 SMEs, 9 companies could not be contacted and personnel from 2 companies expressed their inability to fill the questionnaire due to paucity of time. Thus, the responses received from 67 SMEs form the final sample. The final sample of 67 SMEs is classified into 12 broad categories.

Table 3.1: Classification of Sample SMEs

Nature of Business	Number of Firms
Business Supplies and Solutions	2
Business Travel/conference facility	2
Communications, Internet and Computer Services	5



Construction/Contractor	3
Energy/ Environment	1
Financial Services	1
Food and Beverage	5
Health Services	11
Insurance	1
Manufacturing	16
Marketing/Public Relations	8
Others	13

### 3.2 Research Methodology

As a first step, the present study uses questionnaire method to collect information on entrepreneurial leadership. Certain steps have been followed in the preparation of the Questionnaire as suggested by Lehmann (1989). Firstly, strategic and behavioral factors constituting entrepreneurial leadership were identified from the extant literature. Secondly, those factors that fit the Small and Medium Enterprises of India were put together. Thirdly, these factors were transformed in terms of statements/variables. Finally, a questionnaire was designed to contain a total of 15 statements/variables based on the various components of entrepreneurial leadership. These statements asked the senior personnel of Indian SMEs to indicate their belief on the five-level Likert scale of 1 to 5 where 1 meant 'strongly disagree', 2 meant 'disagree', 3 meant

‘neither agree nor disagree’, 4 meant ‘agree’ and 5 meant ‘strongly agree’.

Annexure 1 provides a copy of the questionnaire mailed to the senior personnel of Indian SMEs.

Primarily, a pilot study was carried out in order to check the design and viability of the questionnaire. Further, a two stage analysis was conducted: Firstly, an exploratory factor analysis is performed to recognize the broad factors of entrepreneurial leadership. Secondly, Ordinary Least Square (OLS) Regression analysis is carried out using factors extracted from factor analysis.

### 3.3 Description of Statements

This section gives the justification for various variables used in the present study that may fit in case of factors that affect entrepreneurial leadership.

The first factor in the questionnaire relates to whether top management appreciates and promotes innovative ideas by the employees. Kuratko (2007) expressed entrepreneurship as a concept beyond mere initiation of a business. He propounded that entrepreneurship involves a special perspective of pushing an innovative idea so as to make it a reality. Thus, this innovative spirit is an integral element of entrepreneurial leadership. Moreover, Strubler and Redekop (2010) emphasized on not only idea generation by the employees but also openness, creativity, innovation, hard work, persistence and team work as the essence of entrepreneurial leadership. Therefore, Promotion of Innovative

Ideas becomes the first variable of our study.

The second factor in the questionnaire pertains to convincingly conveying new business ideas to top management. Conger (1991) propagated the significance of communication of innovative ideas in most powerful ways. He believed that this would lead to enlightening the top management's belief and strengthening their commitment. Further, Talebi (2007) proposed that innovative ideas can be implemented in an organization if the top management is influenced by them. He found that a great deal of people-oriented and change-oriented style of entrepreneurial leadership is a pre-requisite for strengthening entrepreneurial spirit. Therefore, Convincing Top Management becomes the second variable of our study.

The third factor pertains to whether top management provides additional funds for innovative ideas. Wolcott and Lippitz (2007) advocated that funding innovative ideas is an important dimension of corporate entrepreneurship. They argued that the resources may be allocated on focused or ad-hoc basis in order to exploit latent entrepreneurial potential. In addition, Kuratko (2007) expressed that allocation of funds towards creative ideas should be irrespective of whether the organization is profit or not-for-profit or is in business or non-business activities. Thus, Allocation of Funds becomes the third variable of the study.

The fourth factor is regarding devotion of special time for innovative ideas. Lawson and Samson (2001) highlighted the fact that creative ideas can't take birth within a fixed frame of time. Therefore, the employees have to be provided special time for inception of creative ideas. They put forward creative time as a significant factor for inculcating an appropriate culture and climate within the organization. Also, Faltin (2001) articulated that formation of an idea is like a puzzle that takes time to shape up. An entrepreneurial idea has to pass various explorative phases till it reaches its last stage of idea refinement. Thus, Allocation of Time is regarded as the fourth variable of our study.

Encourages optimization of work processes by devising new ways is the fifth factor of the questionnaire. Companys and McMullen (2006) suggested that doing things in a judicious manner is a requirement of today along with new market opportunities for gaining sustainable competitive advantage of an organization. Dover and Dierk (2010) emphasized on the need to optimize processes innovatively in order to sustain in the global markets. They posit that entrepreneurial leadership plays an important role in stimulating new ways for optimizing work processes and thus, creating value for the organization. Therefore, Process Optimization becomes the fifth variable of our study.

The sixth factor is regarding whether top management keeps a constant check on market opportunities. Hansson and Monsted (2006) pointed that a constant check on opportunities shall lead to reorganization of strategic goals and hence, expansion of the business. They advocated that constant interaction with the external environment is necessary for the visible growth of the organization. Moreover, Huynh (2007) stated that entrepreneurial leadership is directly related to capturing new possibilities in the market in order to have depth and continuity of the business. He also conveyed that entrepreneurial leaders should possess opportunity-seeking behavior for business success. Thus, Check on Market Opportunities is taken as the sixth variable of our study.

The seventh factor pertains to Integrating cross-functional teams to successfully tap on new opportunities. Potocki and Brocato (1995) puts forth that cross-functional teams are required for successful organizational improvements and enhancing the efficiency of operations. Further, Gershenfeld, Klein and Pomponi (1998) stressed that the linkage amongst various roles and responsibilities would help in bringing a transition through cross-functional expertise. Thus, Integration of Cross-Functional Teams is coined as the seventh variable of our study.

The eighth factor is to keep a strong check on competitors and act accordingly in the market. Conger (1991) affirmed that the entrepreneurs are small

businessmen and therefore, have to keep a check on the acts of their competitors; else they would be affected adversely. Also, Entrepreneurial leaders should always be on their toes and act cautiously so as to fight competitive threats. Ruvio, Rosenblatt and Lazarowitz (2010) emphasized on competition as an essential element of an entrepreneurial strategy and further, pointed that this would help to maintain flexibility and enhance business performance. Therefore, Check on Competitors becomes the eighth variable of our study.

The ninth factor in the questionnaire is to support calculated risk-taking after thorough risk-return analysis. Rubins (2007) suggested that entrepreneurial leaders are known to be measured risk-takers leading to a higher possibility of growth as compared to non-entrepreneurial leaders. He observed that rewards are linked to hard work, data-gathering rational decision-making and analysis involving higher degree of risk rather than irrational decision-making approach. On parallel lines, Kuratko (2007) pointed that various entrepreneurial ventures reflect high innovativeness, high risk-taking and low pro-activeness. He proposed that the degree of entrepreneurship is a sum of three components – degree of innovativeness, risk-taking and pro-activeness. Thus, Calculated Risk-taking becomes the ninth variable of our study.

The tenth factor pertains to taking quick decisions for alternatives to use in case of failure of plan A. Weill (2009) proposed that in highly turbulent and globalised environment, scenario planning is the remedy for quick and logical decisions leading to global success. Similarly, Greenberg, Mckone-Sweet and Wilson (2011) suggested that today's environment involves logical, varied, complementary and analytical decision-making approach. Further, they posit that entrepreneurial leaders should engage in incremental planning in order to guide future actions. Therefore, Quick Decisions for Alternatives becomes the tenth variable of our study.

The eleventh factor is regarding paying immediate attention to preferences/complaints from customers. Ghosh, et.al (1998) identified that good customer relationship is one of the key factors for the success of small businesses. Moreover, Burgoyne, Hirsh and Williams (2004) highlighted that the growth and performance of business is directly linked to customer satisfaction and loyalty. They also found that entrepreneurial leaders should focus on customer complaints in order to increase customers' loyalty. Therefore, Customer Satisfaction becomes the eleventh variable of our study

The twelfth factor in the questionnaire is taking feedbacks and suggestions regarding improvement. Rahman, et.al (2009) suggested that the core qualities of entrepreneurial leaders depend on their openness, empathy, integrity and

responsiveness to feedbacks and suggestions from employees and customers in an organization. Therefore, Feedback and Suggestions becomes the twelfth variable of the study.

The thirteenth factor is to creatively restructure the company's assets and resources. Agbor (2008) found that the creative leaders plan work in such a way that prevents the need for major restructuring. Further, Manimala and Panicker (2011) suggested that entrepreneurial leaders are involved in constant restructuring of assets and redefining roles and positions of their resources. Therefore, Creative Restructuring is regarded as the thirteenth variable of our study.

The fourteenth factor pertains to encouraging training programmes to learn new skills. Bagheri and Pihie (2009) believed that social interactions and training programmes enhance learning, communication skills and also mature the networking skills rather than acquiring knowledge through formal reading. Likewise, Lockett, et.al (2013) found training needs as an essential consideration for employees in small and medium enterprises. Therefore, they agreed that entrepreneurial leaders should expose their employees to such knowledge sharing programmes within/ outside organization so as to create value. Therefore, Encouragement of Training programmes is regarded as the fourteenth variable of our study.



The last but not the least factor in the questionnaire is to strive for continuous improvement. Bolden et.al (2003) suggested that continuous improvement forms one of the core competencies of effective entrepreneurial leadership behavior. This helps these leaders to extract the potential of their employees to the fullest. In addition, Lockett, et.al (2013) considered that continuous improvisation in organizational activities and processes as the key factor for the growth of an organization. They found that SMEs can sustain in market through continuous learning, improvement, innovation and internationalization. Hence, Continuous Improvement forms the fifteenth variable of our study.

#### 4. Results

The responses received from the senior personnel of 67 Indian SMEs are first put to a reliability test. Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's test of Sphericity is used in the present study in order to confirm the consistency and reliability of data. Table 4.1 provides the results of KMO and Bartlett's test. The KMO statistic of 0.745 indicates that data supports factor analysis. The significance value of 0.000 of Bartlett's test indicates that variables are unrelated and feasible for factor analysis. Thus, our study has reliable data-set.

Table 4.1: Results of KMO and Bartlett's Test

Kaiser-Meyer-Olkin Statistic.		0.745
Bartlett's Test of Sphericity	Approx. Chi-Square	780.933
	df	105
	Sig.	0.000

Further, an exploratory factor analysis is carried on the data set whereby the main factors that are extracted, explains the correlation among the observed variables. We employ Principal Component Analysis (PCA) as the factor extraction method. The broad factors so extracted are further subjected to Varimax Orthogonal Rotation with Kaiser Normalization. Table 4.2 gives the Rotated Component Matrix. A rotated component matrix indicates the relationship between broad factors and the observed variables. It provides the broad factors having non-zero and significant factor loadings with a few variables. In the present study, each row in the rotated component matrix presents the factor loadings for each variable (in total 15 variables are used in the study) spread over six broad factors.

Table 4.2: Rotated Component Matrix

	Broad Factors					
	Continuou s Improvem ent	Innovative ness	Pro- activenes s	Training and Developm ent Needs	Feedback and Suggestio ns	Resource Allocatio n
Continuous Improvement	<u>0.910</u>	0.100	0.013	0.156	0.055	0.141
Convincing Top Management	0.873	0.215	0.218	0.024	-0.066	0.015
Customer Satisfaction	0.802	0.167	0.046	-0.068	0.421	-0.072
Check on Competitors	0.589	0.304	0.334	0.194	0.212	0.416
Promotion of Innovative Ideas	0.225	<u>0.922</u>	-0.031	0.002	0.008	0.189
Creative Restructuring	0.163	0.809	0.234	0.362	0.195	0.002
Quick Decisions for Alternatives	0.042	0.159	<u>0.763</u>	0.074	0.386	0.331
Check on Market Opportunities	0.449	-0.072	0.761	0.226	0.138	-0.105



Integration of Cross-Functional Teams	0.074	0.214	0.611	0.474	0.190	0.331
Encouragement of Training programmes	0.223	0.211	0.108	<u>0.853</u>	0.305	0.097
Calculated Risk-taking	-0.113	0.254	0.368	0.669	-0.002	0.373
Feedback and Suggestions	0.162	0.140	0.259	0.170	<u>0.900</u>	0.091
Process Optimization	0.143	-0.074	0.316	0.449	0.635	0.389
Allocation of Time	0.073	0.336	0.179	0.250	0.200	<u>0.821</u>
Allocation of Funds	0.222	0.404	0.060	0.240	0.024	0.735

The first factor shows the highest loading for continuous improvement (0.910). This implies that the entrepreneurial leaders in India lay stress on continuous learning and improvisation. Our results are in line with Bolden, et.al (2003) and Lockett, et.al (2013). In addition, the other variables that form a part of the first factor are Convincing Top Management (0.873), Customer Satisfaction (0.802) and Check on Competitors (0.589). Thus, the first factor is named after the variable with the highest loading i.e. Continuous Improvement.

Promotion of Innovative Ideas shows the highest positive factor loading of 0.922 in case of the second factor. As already discussed, Entrepreneurship is

not only about doing business, but involves creativity, openness, innovativeness and teamwork. An effective entrepreneurial leader can make its business a big success only if he appreciates, promotes and encourages his employees for new ideas [Kuratko (2007) and Strubler and Redekop (2010)]. Another variable that forms a part of this factor include Creative Restructuring (0.809). Therefore, we term the second component of entrepreneurial leadership as Innovativeness.

The third factor shows the highest positive factor loading for Quick Decision for Alternatives (0.763). This indicates that Indian Entrepreneurs always have alternative plans ready in order to cope up with uncertain environment. Our results support Weill (2009) and Greenberg, Mckone-Sweet and Wilson (2011). Other variables that form a part of this factor include Check on Market Opportunities (0.761) and Integration of Cross-Functional Teams (0.611). Thus, the third factor is termed as Pro-activeness.

The next factor indicates highest positive factor loading for Encouragement of Training Programmes (0.853). This indicates that management of SMEs in India do realize the need and importance of training and development programmes for their employees within/outside organization. Calculated risk-taking (0.669) is another variable that forms a part of the fourth factor. Therefore, the fourth component of entrepreneurial leadership is coined as

## Training and Development Needs.

Feedback and Suggestions shows the highest loading of 0.900. Thus, it becomes the fifth main component of entrepreneurial leadership. This suggests that today's entrepreneurs are open to suggestions and feedbacks from employees and customers. In other words, they promote use of strategic tools such as brainstorming in their decision making process. Process optimization (0.635) is another variable that forms a part of this factor.

Allocation of Time shows the highest positive factor loading of 0.821. This implies that Indian SMEs have inculcated an appropriate culture and climate wherein the employees are provided time to give proper shape to their creative ideas. Another variable that forms a part of this factor is Allocation of Funds with a factor loading of 0.735. Thus, we name the sixth component of entrepreneurial leadership as Resource Allocation.

Now, these six components representing entrepreneurial leadership in India, so derived from factor analysis, are put to the second stage of our analysis, i.e. ordinary least square regression. Here, we examine the effect of these six independent variables on the performance of 67 Indian SMEs that forms our sample. Therefore, performance becomes the dependent variable of our regression analysis. The performance of sample SMEs is measured in terms of Return on Investment (ROI). The data on Return on Investment has been taken

from the database of CapitalinePlus.<sup>ii</sup> The regression equation used in the study is as follows:

$$\text{Performance}_i = \alpha + \beta_1(\text{Continuous Improvement}_i) + \beta_2(\text{Innovativeness}_i) + \beta_3(\text{Pro-activeness}_i) + \beta_4(\text{Training and Development Needs}_i) + \beta_5(\text{Feedback and Suggestions}_i) + \beta_6(\text{Resource Allocation}_i) + \varepsilon_i \quad \dots\dots\dots (1)$$

Since these components used in the regression are derived from the orthogonal transformations in factor analysis, they are free from the problem of multicollinearity. In addition, the other assumptions for ordinary least square regression such as normality and heteroscedasticity are also tested. We find that the data are normally distributed and there are no problems of heteroscedasticity.

The results of regression model give the R-Squared value as 0.554 and Adjusted R-Squared value as 0.509. The F-statistic of 12.426 ( $p = 0.000$ ) is significant at 1 per cent level of significance. This shows overall goodness of fit of the model used in the present study.

Table 4.3: Regression Results

Components	Standardized Coefficients		Sig.
	Beta	t	
(Constant)		3.767	0.00
Continuous Improvement	0.283	2.692	0.01***
Innovativeness	0.25	1.956	0.055*
Pro-activeness	0.205	2.059	0.044**
Training and Development Needs	-0.103	-1.085	0.282
Feedback and Suggestions	0.033	0.341	0.734
Resource Allocation	0.302	2.041	0.046**

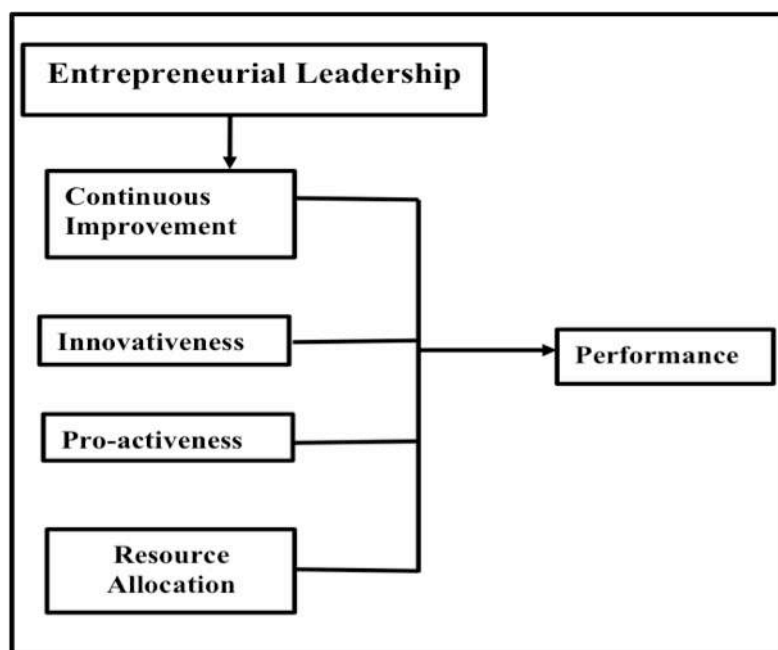
Note: \*\*\*shows 1% level of significance, \*\* shows 5% level of significance and \* shows 10% level of significance.

Table 4.3 gives the regression results. Out of six independent variables put to regression in the present study, four of them i.e. Continuous Improvement, Innovativeness, Pro-activeness and Resource Allocation show positive significant relationship with performance of the firm. Continuous Improvement (2.692) is found to be significant at 1% level; Pro-activeness (2.059) and Resource Allocation (2.041) are found to be significant at 5% level; and



Innovativeness (1.956) is significant at 10% level. Hence, the results of our study suggest that the four most important components of entrepreneurial leadership in Indian SMEs that affect performance are Continuous Improvement, Innovativeness, Pro-activeness and Resource Allocation. However, Training & Development Needs and Feedback & Suggestions show insignificant results. Furthermore, we propound a conceptual model leading from the results, as shown in Figure 4.1.

Figure 4.1: Conceptual Model explaining the relationship between Entrepreneurial Leadership and Performance of the firm



Source: Own Contribution

## 5. Conclusion

Research in the field of entrepreneurial leadership and its effect on performance of SME's in developing nations has not received much attention though extant literature exists on the concept of entrepreneurship and leadership individually. Thus, the present study is the first of its kind that deals with Indian SMEs and hence, attempts to fill the existing research void. The study identifies the characteristics features of entrepreneurial leadership and also examines the effect of entrepreneurial leadership on performance of SMEs in India.

A survey of 67 Indian SMEs is conducted whose inputs are put to a two-stage technique of factor analysis and regression analysis. The results of factor analysis produce six broad factors, viz., Continuous Improvement, Innovativeness, Pro-activeness, Training and Development Needs, Feedback and Suggestions and Resource Allocation. These six factors are then subjected to multiple regression with Return on Investment (ROI) as the dependent variable to measure performance. The results of regression show that four out of the six factors tested are significant. Therefore, the four most important components of entrepreneurial leadership in Indian SMEs that affect performance of the firm are Continuous Improvement, Innovativeness, Pro-activeness and Resource Allocation. These results also indicate that Indian

SMEs, being the growth engine of our economy, concentrate their efforts on continuous learning and improvisation of activities and processes. The top management of these firms is highly pro-active and lays stress on innovativeness as this helps them to gain sustainable competitive advantage. These top management personnel of the SMEs in India also understand the importance of resource allocation in terms of time, space and funds so that the feasible innovative ideas of the employees can be put into action.

The results of the study have many practical implications. They are valuable to employers who act as entrepreneurial leaders. The present study would help them in refining their abilities to operate their business in the form of decision-making for employees & clients and maintaining network relationships. Further, the study would also be helpful to those individuals who foresee themselves to be future entrepreneurs. This would assist them in understanding the nature of being an entrepreneur and a leader in a collective sense. In addition, the study is also valuable to the academicians as it contributes to the body of knowledge.

## ANNEXURE 1: QUESTIONNAIRE

This questionnaire assesses the factors which contribute and the extent to which they contribute for entrepreneurial leadership. For this purpose, employees are expected to answer this questionnaire with regards to their top management. The data used will be kept confidential and will be used for university research project only.

Name :

Company Name :

Email:

Phone:

Which of the following categories best describes your business?

Choose one that is most applicable to your company.

Business Supplies and Solutions	<input type="checkbox"/>	Food and Beverage	<input type="checkbox"/>
Business Travel/Conference Faci	<input type="checkbox"/>	Health Services	<input type="checkbox"/>
Communications, Internet and Computer Services	<input type="checkbox"/>	Insurance	<input type="checkbox"/>
Construction/Contractor	<input type="checkbox"/>	Manufacturing	<input type="checkbox"/>
Energy/Environment	<input type="checkbox"/>	Marketing/Public Rela	<input type="checkbox"/>
Financial Services	<input type="checkbox"/>	Others <input type="text"/>	<input type="checkbox"/>

Please indicate what position you currently hold.

Owner/CEO	<input type="checkbox"/>
Senior Executive (General manager, VP, CFO, Executive Director)	<input type="checkbox"/>
Manager/Director	<input type="checkbox"/>

Note: A Likert differential scale is used to evaluate the level of agreement or disagreement with the statement in the questionnaire.

1	2	3	4	5
Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

There are fifteen statements in total. Please tick the response in the appropriate box.

No.	Statements	1	2	3	4
5					
1.	Appreciates and promotes innovative ideas by the employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	Convincingly conveys new business ideas to top management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	Provides additional funds for innovative ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	Devotes special time allotted for innovative ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5.	Encourages optimization of work processes by devising new way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	Keeps a constant check on market opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.	Integrates cross functional teams to successfully tap on new opportunities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	Keep a strong check on competitors and act accordingly in the market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Supports calculated risk taking after thorough risk-return analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	Takes quick decision for alternatives to use in case of failure of plan A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.	Pays immediate attention to preferences/complaints from customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	Takes feedbacks and suggestions regarding improvements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.	Creatively restructure company's assets and resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- |  |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| 14. Encourages training programmes to learn new skills | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. Strives for continuous improvement                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Thank you for giving your precious time to this survey.

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## **Affect of individual factors on youth entrepreneurship – A study of Uttarakhand state, India**

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### Abstract

In this study we have tried to examine the affect of individual factors like intelligence, past experiences, personality etc of professional students on their decision to take up entrepreneurship as a preferred career choice. It is a quantitative study wherein we have taken data of 530 young students studying in the final year of various professional courses of Uttarakhand state of India. The student target population chosen for this study was in the age group of 20-24 years and represented all sections of the society. The male & female ratio of this study was 75 & 25 respectively. Data analysis has been done using different statistical tools. The results showed dependence of factors like personality of a student, intelligence of a student and his past experience in

business on his intention of taking up entrepreneurship as a preferred career choice.

Keywords: Entrepreneurship, career choices, individual factors, youth entrepreneurship in Uttarakhand, career intentions

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### 1. Introduction:

Governments and local communities across the world have recognised that key to building prosperity and stimulate regional growth is fostering entrepreneurship among their people especially youth. Youth entrepreneurship has become a topic of interest for research scholars and also a subject of major concern for the Government. While youth entrepreneurship is an under-explored field, the main factor for its growing attention is the increased number of unemployed young people furthermore entrepreneurship is seen as a channel for the talents of many highly educated young people to explore their potential and cash their business acumen. By 2015, World Bank estimates that there will be about 3 billion youths less than 25 years old and a big portion of that will be in India. Promoting Youth entrepreneurship will not only help in reducing unemployment but more importantly showing young people that they have alternatives to create their own destiny by starting their own companies and just not waiting to find a job. A lot of constraints and perceived barriers to youth entrepreneurship have been identified like lack of capital, poor

infrastructure, strict and cumbersome Government regulations, lack of guidance and awareness etc. This study tends to evaluate the individual factors governing youth entrepreneurship. A lot of work has been done to find the determinants of entrepreneurship. Different research works have stressed different determinants. For example, Shapero (1975) and Kets de Vries (1977) have stressed the importance of personality factors, psychodynamic characteristics, and the sociocultural background in fostering entrepreneurial behavior while Miller & Friesen (1978) and Mintzberg (1973) have stressed upon the decision making and strategy factors important for promoting entrepreneurship. Bradberry (2007) envisaged that identifying one's career choice depends on one's personality traits and how one perceives a particular job. He further states that one's personality can give one a clear understanding whether or not each aspect of the profession chosen suits him or her. In this research paper, we have tried to understand the impact of personality on the career choice decision of students. People with strong general Intelligence sometimes fail at business. Conversely, there are plenty of examples of those with comparatively lower IQs who are successful in business. Not much research has been done on finding out the relationship between the intelligence of a student and his entrepreneurial orientation. The research findings by Erkan T. Demirel et. al (2012) indicated that the "multiple intelligence skills of entrepreneurs have a significant decisive impact on their entrepreneurial ideas." In this study we have tried to find the affect of academic intelligence on the



entrepreneurship orientation of the student. Gibbons and Waldman (2004) have emphasized that Task-specific human capital has acquired skills and knowledge through on the job learning, they further explained that the reason why people conduct certain tasks more efficiently lies in the way their task-specific skills and knowledge are augmented through past experiences, irrespective of the firm or industry, in which they were employed. Accordingly we have tried to evaluate the impact of their past experiences in jobs and business on their career choice intentions specifically taking up entrepreneurship as a preferred career choice.

## 2. Objective of the study:

To examine the affect of individual factors like: intelligence, past experiences, personality etc. of professional students on their decision to take up entrepreneurship as a career choice.

## 3. Review of Literature:

Holland's (1997) theory proposes that people are attracted to work environments that conform to their personality orientation. Holland emphasized on the alignment between personality and work environment. He proposed that individuals, whose personalities are poorly matched to their work environments, are more likely to change careers than their congruent counterparts. Chell (2008) suggests that personality traits of entrepreneurs may

be important for entrepreneurship. Shepherd and Wiklund (2006) posits that the personality traits of the entrepreneur may explain entrepreneurial failure. According to Splaver(1977) It is important for you to have a good understanding of yourself and your personality, if you are to make intelligent career plans. (Ciavarella et al., 2004; Zhao et al., 2010) points out that personality traits have a direct effect on entrepreneurial performance measures. Personality traits of entrepreneurs may have a different effect on firm performance in case the firms are innovative (Zhao et al., 2010). Individuals are seen to be productive in an industry or a firm, which is different from their previous sector of employment, provided the nature of the job remains similar. Penrose (1959) emphasized that carrying out similar tasks has important implications for cognitive processes of human beings. Simon's (1947) gave the idea of bounded rationality which refers to human limitation to process information. Under the assumption of bounded rationality, therefore, past experience influences the processing of incoming information. Witt (1998, 2000) explained that events in the environment are only perceived and interpreted along some specific associative lines. In this sense, a cognitive frame is a schematic representation of an individual's perception of the environment built through prior learning and adaptation. Gardner (1983) argues that intelligence refers to both the personal decisions and potentials of individuals. This potential comes out or develops according to cultural environment, values and opportunities. Baum et al. (2001) reported a positive

relationship between practical intelligence and entrepreneurial processes and entrepreneurial characteristics, which proposes that practical intelligence is one of the strengths underlying high-performance enterprises.

#### 4. Hypotheses formulation:

1. H<sub>0</sub> 1: Personality factors like leadership, risk tolerance, drive & determination etc. does not influence the decision of students to take up entrepreneurship as a preferred career choice.
2. H<sub>0</sub> 2: Students studying different courses have different inclination towards taking up entrepreneurship as a career choice.
3. H<sub>0</sub> 3: Previous work experience of a student in job does not have any effect on his decision to take up entrepreneurship as a preferred career choice.
4. H<sub>0</sub> 4: There is no relationship between the intelligence of a student and his decision to take up entrepreneurship as a preferred career choice.
5. H<sub>0</sub> 5: Previous experience of student in business does not have any effect on his decision to take up entrepreneurship as a preferred career choice.

#### 5. Data analysis

Each of the hypotheses generated has been individually tested using various analytical tools through SPSS 16 software.

5.1 Testing Hypothesis  $H_01$ : Personality factors like Leadership, Drive & determination, Risk tolerance etc. does not influence the decision of student to take up entrepreneurship as a preferred career choice.

To test the above hypothesis, researcher decided to apply Chi-square test. Six personality features viz. Leadership, Risk tolerance, Drive & determination, Passion, Faith & commitment and Energy were considered to determine the personality of respondent. Five statements for each of the above personality feature were asked to determine the strength of each personality feature. The score stood 1 point for strongly agree and 5 points for strongly disagree. Thus the score varied from 30-150. Accordingly, three categories were developed between 30 and 150 on the basis of their scores as given:

Table 1: Personality type of the respondent vis-à-vis the score of the respondent

Score of the candidate	Personality type
30 – 60	Strong
61 – 119	Moderate
120 – 150	Weak

Table 2: Cross tabulation: ‘Intention after completion of degree’ and ‘Personality type’

		Personality type			Total
		Strong	Moderate	Weak	
Intention after completion of Degree	Start a new business	18	11	0	29
	Seek a suitable job	114	253	23	390
	Go for higher studies	33	45	0	78
	Not yet decided	7	25	1	33
Total		172	334	24	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. ‘Personality type’ and ‘Intention after completion of Degree.’ It is easy to note the frequency distribution of respondents among various categories. Total out of 530 respondents 172 respondents are placed in the Strong category, 334 are placed in the Moderate category and 24 are placed

in the Weak category.

Table 3: Chi-Square Test: Intention after completion of Degree & Personality type

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.638 <sup>a</sup>	6	.001
Likelihood Ratio	27.153	6	.000
Linear-by-Linear Association	.418	1	.518
N of Valid Cases	530		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.31.

The above table contains the output of the Chi-Square test. df equals the number of categories minus one. A low significance value 0.001 and 0.000 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates dependence of factor 'Personality type' on 'intention after course completion as a career choice' (i.e. entrepreneurship as career choice)

$$\chi_{\text{cal}}^2 = 23.638$$

For level  $\alpha = 0.05$ , the cut off point for the test statistic

$$\chi_{\text{tab}(6,0.05)}^2 = 12.592$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that the variables 'Personality type' and 'Intention after completion of Degree' are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that career choices, specifically being an entrepreneur, are actually getting affected by the personality type.

4.2 Testing Hypothesis  $H_02$ : Students studying different courses have different inclination towards taking up entrepreneurship as a career choice.

To test the above hypothesis, researcher has applied Chi-square test. The Hypothesis was tested on the given five professional courses viz. M.B.A., M.C.A., B.Tech., B.H.M.C.T. & B.Pharma. A selective number of students based on the Proportionate Stratified sampling were taken from each course and were asked about their preference towards their career choice after the completion of their degree. All the students were in the final semester of their professional courses. Based on their intention after completion of their degree, we have applied Chi-square test.

Table 4: Cross tabulation: 'Intention after completion of Degree' and 'Course'

		Course					Total
		MBA/PGDM	B.Tech.	B.Pharm	MCA	BHMCT	
Intention after completion of Degree	Start a new business	7	16	0	4	2	29
	Seek a suitable job	65	273	11	33	8	390
	Go for higher studies	13	50	10	4	1	78
	Not yet decided	5	26	0	2	0	33
Total		90	365	21	43	11	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Course' and 'Intention after completion of Degree.'



Out of a total of 530 respondents 365 respondents were the students of B.Tech, 90 respondents were the students of MBA, 43 respondents were the students of MCA, 21 respondents were the students of B.Pharma and 11 respondents were the students of BHMCT. The above data clearly indicates that a major lot among all the courses is inclined towards seeking a job after completion of their course. However if compare the ratio of total number of students interviewed in a particular course and their intention after completion of Degree we find that the students studying MCA, BHMCT and MBA/PGDM are seen to be a little more inclined towards taking up entrepreneurship as a career choice in comparison to the rest of the courses.

Table 5: Chi-square test: ‘Intention after completion of Degree’ and ‘Course’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.155 <sup>a</sup>	12	.005
Likelihood Ratio	24.344	12	.018
Linear-by-Linear Association	.920	1	.338
N of Valid Cases	530		

Table 5: Chi-square test: ‘Intention after completion of Degree’ and ‘Course’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.155 <sup>a</sup>	12	.005
Likelihood Ratio	24.344	12	.018
Linear-by-Linear Association	.920	1	.338

a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .60.

The above table contains the output of the Chi-Square test. df equals the number of categories minus one. A significance value of 0.005 and 0.018 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates dependence of ‘course of a student’ on ‘intention of career choice of student’ after completion of degree

$$\chi^2_{\text{cal}} = 28.155$$

$$\chi^2_{\text{tab}(12, 0.0)} = 21.026$$

Since the calculated value of Chi-square is greater than the tabulated value. It is

evident that the variables ‘Course’ and ‘Intention after completion of Degree’ are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that the course of a student has an influence on his career choice decision, specifically being an entrepreneur.

4.3 Testing Hypothesis  $H_03$ : Previous work experience of a student in job does not have any effect on his decision to take up entrepreneurship as a preferred career choice.

To test the above hypothesis, researcher has used Chi-square test. Based on their previous experience in job students were divided into four categories - Students with no experience, students with experience of less than 1 year, students with experience between 1 to 2 years and students with experience above 2 years.

Table 6: Cross tabulation: ‘Intention after completion of Degree’ and ‘Work Experience’

	Work Experience				Total
	YES, Less than 1 year	YES, Between 1-2 years	YES, Above 2 years	No Experience	

Intention after completion of Degree	Start a new business	6	2	2	19	29
	Seek a suitable job	46	12	7	325	390
	Go for higher studies	9	3	1	65	78
	Not yet decided	2	1	0	30	33
Total		63	18	10	439	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. Work experience of student and Intention after completion of Degree. It is easy to note the frequency distribution of respondents among various categories. Out of a total of 530 respondents 439 respondents do not have any work experience whereas 63 respondents have experience of less than 1 year, 18 respondents have experience between 1 – 2 years and 10 respondents have experience of above 2 years. We applied Chi-square test between the variables – ‘Work experience’ and ‘intention after completion of Degree’.

Table 7: Chi-Square: ‘Intention after completion of Degree’ and ‘Work Experience’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.039 <sup>a</sup>	9	.347
Likelihood Ratio	8.799	9	.456
Linear-by-Linear Association	2.833	1	.092
N of Valid Cases	530		

a. 8 cells (50.0%) have expected count less than 5. The minimum expected count is .55.

The above table contains the output of the Chi-Square test. df equals the number of categories minus one. A high significance value of 0.347 and 0.456 of Pearson Chi-square test and likely hood ratio respectively (typically above 0.05) indicates that there is no relationship between the two variables.

$$\chi_{\text{cal}}^2 = 10.039$$

For level  $\alpha = 0.05$ , the cut off point for the test statistic

$$\chi_{\text{tab}(9,0.05)}^2 = 16.919$$

Since the tabulated value of Chi-square is greater than the calculated value, it is evident that data set obtained by the researcher confirms that variables 'Previous work experience in job' and 'Intention after completion of Degree' are independent. Hence we accept the hypothesis at 5% level of significance. This justifies the fact that previous work experience of student in job has got no relationship with the career choice intentions after completion of degree, specifically being an entrepreneur.

4.4 Testing Hypothesis H<sub>04</sub>: There is no relationship between the intelligence of a student and his decision to take up entrepreneurship as a career choice.

To test the above hypothesis, researcher has used chi-square test. The intelligence level of a student has been identified based on his/her academic performance from Class Xth onwards. Students who have secured through out first division from Class Xth onwards have been placed in the Excellent category, those who have mostly secured either first or second division from Class Xth onwards have been placed in the Mediocre category and those who have mostly secured second and or third division from class Xth onwards have been placed in Average category.

Table 8: Cross tabulation: ‘Intention after completion of Degree’ and ‘Intelligence Level’

		Intelligence Level			Total
		High	Mediocre	Low	
Intention after completion of Degree	Start a new business	10	15	4	29
	Seek a suitable job	234	142	14	390
	Go for higher studies	58	16	4	78
	Not yet decided	23	7	3	33
Total		325	180	25	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. ‘Intelligence level of student’ and ‘Intention after completion of Degree.’ It is easy to note the frequency distribution of respondents among various categories. Total out of 530 respondents 325 respondents have high intelligence level, 180 students are Mediocre and 25 students fall in the low intelligence level category.

Table 9: Chi-Square test: ‘Intention after completion of Degree’ and ‘Intelligence Level’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.655 <sup>a</sup>	6	.001
Likelihood Ratio	21.755	6	.001
Linear-by-Linear Association	7.196	1	.007
N of Valid Cases	530		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.37.

Table no. 54 contains the output of the Chi-Square test. A low significance value 0.001 of Pearson Chi-square test and Likelihood ratio respectively (typically above 0.05) indicates that there is a relationship between the two variables.

$$\chi_{\text{cal}}^2 = 22.655$$

For level  $\alpha = 0.05$ , the cut off point for the test statistic



$$\chi^2_{\text{tab}(6,0.05)} = 12.592$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that the variables 'Intelligence level of the student' and 'Intention after completion of Degree' are dependant. This justifies that the intelligence level of a student has an influence on his career choice intentions after completion of degree, specifically being an entrepreneur.

4.5 Testing Hypothesis H<sub>05</sub>: Previous experience of student in business does not have any effect on his decision to take up entrepreneurship as a career choice.

To test the above hypothesis, researcher has used Chi-square test. A direct question regarding whether they have any prior experience of doing business was asked from the students.

Table 10: Cross tabulation: 'Intention after Degree' and 'Prior Experience in Business'

		Prior Experience in Business		Total
		Yes	No	
Intention after completion of Degree	Start a new business	11	18	29
	Seek a suitable job	57	333	390
	Go for higher studies	12	66	78
	Not yet decided	2	31	33
Total		82	448	530

Cross tabulation displays the number of cases in each category defined by two grouping variables i.e. 'Prior experience in business' and 'Intention after completion of Degree.' It is easy to note the frequency distribution of

respondents among various categories. Total out of 530 respondents 82 respondents had prior experience of doing business while rest 448 respondents had no prior experience of doing business.

Table 11: Chi-Square test: ‘Intention after completion of Degree’ and ‘Prior Experience in Business’

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.639 <sup>a</sup>	3	.003
Likelihood Ratio	11.629	3	.009
Linear-by-Linear Association	5.835	1	.016
N of Valid Cases	530		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.49.

The above table contains the output of the Chi-Square test. df equals the number of categories minus one. A low significance value 0.003 & .009 of Pearson Chi-square test and Likelihood ratio respectively (typically below 0.05) indicates that there is a relationship between the two variables.

$$\chi^2_{\text{cal}} = 13.639$$

$$\chi^2_{\text{tab}(3,0.05)} = 7.815$$

Since the calculated value of Chi-square is greater than the tabulated value. It is evident that variables - 'Prior experience in business' and 'Intention after completion of Degree' are dependent. Hence we reject the hypothesis at 5% level of significance. This justifies the fact that there is an influence of student's prior experience in business on his career choice intentions after completion of degree, specifically being an entrepreneur.

## 5. Results and conclusion

Research indicated that variables 'Personality type' and 'Career choice intention after completion of Degree' were dependent. Stronger the personality of a student more inclined he is towards taking up entrepreneurship as a career. The course of a student which he is studying also has an influence on his decision to become an entrepreneur. The students of BHMCT, MCA and MBA/PGDM were seen to be little better inclined towards entrepreneurship than the rest of the courses. One of the possible reasons could be the presence of Entrepreneurship subject taught in the MBA/PGDM and BHMCT courses. The previous work experience of student in job has got no relationship with the intention of student to become an entrepreneur after completion of degree. The prior experience of a student in business, however, has an influence on the student's decision to take up entrepreneurship as a career option. Students who had an earlier experience of doing business were seen to be less inclined

towards taking up entrepreneurship as a career choice. It means that they probably did not have a good past experience of doing a business and they did not want to repeat that experience. The Chi-square test done to find out the association between the academic intelligence and career choice intention of becoming an entrepreneur revealed that there is an influence of intelligence level of student on his career choice intentions of becoming an entrepreneur.

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# **Kalash Indigenous Entrepreneurship and the Question of Sustainable Economic Development**

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## **Abstract**

This paper examines the cultural determinants of indigenous entrepreneurship among the Kalash community. This is one of the most colorful Indigenous Community of Pakistan. The Purpose of studying entrepreneurship in indigenous peoples is to discover how to help them overcome their isolation and vulnerability in a sustainable manner. Therefore a ‘second wave’ of development needs to be launched and make these communities self-sustaining, and empower them to become entrepreneur which is the path to self-sustainability. It was centuries of mistrust and denial of rights that they confined themselves to a closed communal living, in their remote mountains. They are jealously possessive of their environment and heritage. They lack the courage to open up to the mainstream population and are an un-ambitious society. The paper concludes with new a concept of developing a practical economy for a sustainable economic development through education and

vocational training. This will serve as a first step towards indigenous entrepreneurship of the Kalash community.

**Keywords:** Indigenous Entrepreneurship, Kalash, Practical Economy. Heritage – Innovation. Sustainable Economic Development

### Introduction

This paper examines the determinants of Indigenous entrepreneurship among the Kalash community of Northern Pakistan. The Motivation for this study is to discover how to overcome the isolation, vulnerability and to foster sustainable economic development in this community. The scope of this research grew with every passing moment and it became essential to simultaneously run parallel research relevant to support entrepreneurship development among the Kalash. Hence a research group of nine (09) people was constituted which was broken down to undertakes 3 research papers based on the initial data collected to develop three (03) papers. The papers were mutually supportive as one focused on sustainable economic development; entrepreneurial intentions; and identification & development of vocational skills.

**Figure 1: Kalash Indigenous Community & dancing on the occasion of Winter Chaumos festival**



Kalash is one of the most colorful Indigenous community of Pakistan. It has attracted a lot of attention because of its unique culture yet as all other Indigenous communities it is among the poorest and most vulnerable segments of the society. But Paredo et al. (2004) contend that direct economic development assistance for Indigenous communities is not sustainable. What is now required is the “second wave” of development to empower the communities to become entrepreneurial which is the path of self-sustainability. Our purpose is to understand the practice of entrepreneurship among the Kalash community. Another objective is that it may shed light on the sustainable development of other under-privileged communities. Such communities have little access to state service and are isolated from privileges even in the middle of large cities. Prevalence of such communities is expected to grow in the coming decades. The study of Indigenous Entrepreneurship may help equip us with tools to reach these underserved populations in the rest of the country.

## The Question

Motivated by these considerations, this paper examines the environment of entrepreneurship among the Kalash, to study the influence of their socio-economic characteristics and culture on their attitude towards entrepreneurship.

Our research questions are:

- Q1. What factors foster the environment for entrepreneurship among Indigenous community, specifically the Kalash Community?
- Q2. How can Kalash Community reconcile innovation & heritage to create successful entrepreneurial ventures for their economic development?
- Q3. Does a Cultural Entrepreneurial Attitude Model explain how culture influences Indigenous entrepreneurial attitude leading to new venture creation and sustainable economic development?

## Research Methodology

Our empirical research was organized based on the research group constituted. This is the first ever study of the entrepreneurial/attitude and entrepreneurship aspect of the Kalash community.

The qualitative research was based on a formal format of questionnaires, rehearsed pre-survey to take in-depth interviews. The survey is further supported by case studies which developed out of narration of life experiences

ancestral practices & opinions of some of the entrepreneurs and their small enterprises, and their families that were involved in the ventures.

Approximately fifty (50) houses were visited, forty (40) plus entrepreneurs were identified and interviewed. All kinds of business ventures were accounted for a separate quantitative survey of the general society of Sixty (60) was undertaken to determine their entrepreneurial attitude based upon the variables such as; gender, Kalash non-Kalash married and unmarried, and literacy. And finally the team photographed and videotaped interviews, and also video recorded the festival activities. However the further explanation of the Research Activity is as follow: -

#### Research Activity:

- ✚ Initial case study on the Kalash community of Pakistan will utilize Yin's recommended methodology that includes the use of a pilot case study to inform successive case studies. The case study on the Kalash community will enable us to understand the motivation for choosing the set of structures, policies and businesses that Kalash did and how these led to the current business entrepreneurial environment. The case studies guided the framework for researching Indigenous economic activity.
- ✚ We undertook empirical research by personal in-depth interviews to record more case studies in search of a grounded theory of successful

Indigenous entrepreneurship. These case studies were recorded by visiting the three (3) valleys twice where the Kalash are found. Some of the case interviews were recorded on the videos. But limitation of space has prevented recording these in our paper.

### A Case Study of the Kalash Indigenous Community

The Kalash is a community immortalized by Rudyard Kipling in his book “The Man who would be King” and later the film by director John Huston. The Kalash are the surviving Kafirs of Kafiristan, ‘The land of the Infidels’ (Jonathan Foreman, 2007). For centuries Kafiristan lay across the boarder of Afghanistan and Pakistan but today remains this side of Pakistan – a small tribe divided into mini tribes.

Figure 2: Kalash Indigenous Community and festival dance on Pul chaumos festival



These pagans have survived for two millenniums, in this part of the world. Rudyard Kipling describes them through one of his characters Daniel Dravot in the book as

“These men aren’t niggers; they’re English! Look at their eyes – look at their mouths. Look at the way they stand up. They sit on the chairs in their own houses. They are the lost Tribes, or something like it, and they’ve grown to be English.”

No doubt the novel takes a romantic view of it but, Maureen Lines who has been described as the Titan of the Kalash describes a Kalash woman and her first encounter with the Kalash women thus



“Lines was trying to find a route across a fast-flowing stream. A tall dignified woman – wearing a veil, which was unusual – was showing her a place to cross. On her way across the smooth stones, Lines slipped. To her surprise the woman was right behind her and caught her hand” (Jonathan Foreman 2007). ”

Figure 3: Kalash home and family members



Many of the Kalash claim descent from the armies of Alexander the Great as he passed this route into the sub-continent and indeed their faces do look strikingly similar to those you would encounter in Croatia or Montenegro (Jonathan Foreman 2007).

On another level more recent research reveals some other facts. Almost every practice of the Kalash way of life is a replication of the way and life of the Sarakatsani establishing the Kalash heritage to the Greek. The division of agro-pastoral labor by sex is the main feature of this Indigenous community that needs to be understood. The Kalasha have intact a pastoral economy and religious way of life, this offers a privileged vantage – point for economic and social and sustainable development of this Indigenous community through entrepreneurial venture creation. (Peter Parkes 1987)

Figure 4: Kalash Valley location.



The Kalash are located in Khyber – Pakhtunkhawa the north – western province of Pakistan, in three isolated mountain valleys (Bumburet, Rumbur, Birir towards Kunar River) in five villages located at an average height between 1900m to 2200m. This Indigenous community migrated to Chitral in the 2<sup>nd</sup> century BC. The Kalash are considered to be a unique tribe among the Indo Aryan stock with a blend of Indo – European culture, language and

tradition. Kalash mythology and folklore has been compared to that of ancient Greece. Although there are no conclusive DNA evidence of decent from Alexander army, (Atika Mansoor et al 2004). Today it's a society that has not only shrunk in numbers to less than 6000 but also in the area from 6000 sq km to 300 sq km.

Figure 5: View of Kalash Valley near Birir



The IUCN and UNESCO have declared the Kalash as an endangered minority and have been endeavoring to protect and conserve their culture. UNESCO has listed the Kalash for consideration of it as World Heritage Site. It would have probably gone already, if it had not been for the efforts of “an eccentric English woman” Maureen Lines who has dedicated her life to support the Kalash society for nearly four decades by living among them.

She acquired training to become a paramedic and literally became the barefoot

doctor. She became an aid worker out of necessity and for the development of the community against great odds. Just the journey to the valleys takes you along terrifying jeep track of 11 to 18 hairpin miles where at times you cannot see 100 yds ahead. She has lived in this environment where there is no electricity or telecommunication and the first latrines were built in the area by her.

But as has been noticed by this English woman named Bibi Doe in her 70s who still lives there; remoteness that once protected them is disappearing fast. Foreman records her views as that sanitation and education should come before electricity and improved roads. A government official Durrani stated that the Kalash are ‘their own worst enemies’ with their squabbling disunity and casual attitude to many things in life especially money’. Funerals are expensive for the Kalash as a ritual as 50 to 60 goats are sacrificed just to feed the visitors offering condolences. Deforestation is the major disaster facing the Kalash owing to the ‘Timber Mafia’.

Besides the forest there is depletion of the culture and heritage. The barter system has given way to the cash economy; traditional skills in shoemaking and carpenting have been lost. Education has undermined the family fabric and the usefulness to the family support. “It’s a kind of education that is not to want to work in the fields but not enough to get a job in the market” (Maureen

Lines). Tourism has died out after nine/eleven (09/11). The glamour of the world beyond the valleys is becoming too difficult to curtail and keep the youth away. The exposure to the electric world of mobile phones, videos, satellites television combined by the gullibility and greed among the Kalash has led to the population dwindling (Foreman, 2007).

The situation has led people like Maureen Lines to discourage the construction of roads and hotels for the tourist and telecommunication. Such people wish to see the culture and the society survive in its original form. They have dreamed of finding ways for sustainable social and economic development from within so the lure of the world does not upset the balance.

The hope lies in the inherit nature of the Indigenous Kalash community to be jealously possessive about their land and environment. They are afraid to leave their homes fearing that the neighbor may deprive his family of his ownership – as there is no record of land and its ownership – land revenue record.

Hence this brings us to a host of questions what is meant by development? What is the cost of development? Does it mean to give up one's culture and heritage? What are the dangers and pitfalls of exposure to the tourist? How to safeguard against this? What kind of support do they need, economic, health, infrastructure, their developmental requirement, education, vocational

education? How can they progress and grow as a society of Kalash people maintaining their identity and their culture and their heritage and in peace with the world outside? Therefore the subsidiary questions are what skills do they possess? Who teaches them these skills? How important is farming and pastoral life and agriculture for them? How much of the culture are they willing to sacrifice to become sustainable for their economic development?

The important thing to understand is that they harbor centuries of mistrust and in some cases brutalization that confined them to a closed communal living and affinity to their land and environment and heritage. They lack the courage to open up to the mainstream population.

To compound this situation its an un-ambitious society with a few exceptions and the men are somewhat lazy. They lack risk taking ability and are inward looking and wait for things to come to them. On their own they do not venture any collective benefits. For them their culture and customs is a perfect refuge. The snapshot of the moment is there is no evidence of anything coming up in the near future.

Further down the road if education programs were introduced and entrepreneurial educations were fostered, a fair chance exists that it would develop a sustainable economic society. What kinds of business prevail? What

is the scope of business of traditional dress and head gears? Woodcraft and carpenting? Food products processing? Hence we are confronted with the questions how different are the Indigenous Entrepreneurs to the conventional entrepreneurs. We will examine some literature in order to comprehend the discipline.

Hindle, K., Moroz P., (2010) in a paper on Indigenous Entrepreneurship research have concluded: Indigenous Entrepreneurship has been considered a distinct disciplinary field of science very recently. It now has its own paradigm framework. It has a developed methodology for literature search and evaluation and analysis. It is therefore considered distinguished subject from social sciences, management and mainstream entrepreneurship. This gives it legitimacy as a well defined subfield of research. Besides being defined by UN agencies and the World Bank it is now being defined by research scholars, academics and economist (Hindle, Moroz 2010).

The paper formalizes the classification of Indigenous Entrepreneurship as a field of research. The research question of the paper was focus on weather or not Indigenous entrepreneurship can be validly and legitimately classified as a field of study distinct from other entrepreneurship field. Hindle & Moroz respond by saying

“Their relative & systematic deprivation alone is sufficient to give a positive answer to this question (are Indigenous people sufficiently distinguished from mainstream entrepreneurial actors to warrant special attention)”.

From our perspective it is essential to establish its research validity.

Furthermore we have seen that Neitschmann has established the criteria of nationhood as distinct from statehood. Hindle & Moroz (2010) quote from Neitschmann (1994: 226) as

“A nation is a cultural territory made up of communities of individuals who see themselves as ‘one people’ on the bases of common ancestry, history, society, institution, ideology, language, territory and often religion”.

This definition in all its broad sense applies to the target audience the Kalash as the Indigenous community showing all the dimensions of a nation. A nation deprived of its position in society and defaced with no economic agenda. To use a Hindle & Moroz quote “Passive welfare has failed and Indigenous disadvantage is massive”. In fact nothing has been done for this Indigenous community. It being one of the nation within the state, but first it must be lifted economically through Entrepreneurship. Hindle & Moroz (2010) also indicate



that besides Australia the situation is the same in other parts of the world, for example Canada, New Zealand, USA, Scandinavia, Russia, Japan and many Asian countries including Pakistan. Seeing the condition Neitschmann has also evolved the concept of “The Fourth World Theory”. This has helped us to understand the de-privileged and the indignity in societies.

It defines the marginalized and disadvantaged minorities living under hegemony of a new nation. Hence the definition of Indigenous Entrepreneurship has to be taken into account before working on the solutions through entrepreneurship. So the question is what is Indigenous Entrepreneurship?

“The Indigenous entrepreneurship is the creation, management and development of new ventures by Indigenous people for the benefit of Indigenous people. The organizations thus created can pertain to either the private, public or non-profit sectors. The desired and achieved benefits of venturing can range from the narrow view of economic profit for a single individual to the broad view of multiple, social and economic advantages for entire communities” (including non-Indigenous) (Hindle & Landsdowne 2005).

As we have learnt from De Soto that the basis of all freedom is economic freedom. And this comes from being the “captain of your own ship” (Khan 2007). In other words we are saying the route for freedom for the Kalash Indigenous community lies in Indigenous Entrepreneurship. The argument against the economic development may hold but it cannot be considered the solution. Hindle quotes the response of Chief Clarence Liouie that “you are going to lose your language and culture faster in poverty than you will in pursuing economic development”. In other words exposure to the modern world may have its pitfalls but unless the Indigenous community can break out of poverty while living in its environment, there will be no culture or language or heritage to preserve. Abject poverty has driven many Kalash to abandon their religion and their culture. “The expenses of the Kalash rituals become the primary reasons for families in Birir abandoning their belief system” says Wazir Kalash, a Kalash Community Leader, of village Anizh, Bumburet in the Express Tribune 20<sup>th</sup> April 2011.

Figure 6: Kalash Indigenous Businessman and his shop with Author



Examining the Kalash Indigenous Community regarding their entrepreneurial inclination, a survey was conducted by Iqbal M. Khan, et al. simultaneously in these valleys. It revealed certain inclinations unique to this society. For example, they have revealed very strong entrepreneurial intention. The Kalasha are seen as taking an entrepreneurial inclined decision and venture creation. At this point in time they have shown propensity to take the plunge. But the choice of business indicates it's a herd mentality. They are seen generally to follow the beaten track and select business ventures that are traditional tried and tested. In this case they all flock to think that the best business is running a Karyana (General Store) shop.

Figure 7: Survey of Kalash Indigenous Community by Iqbal M. Khan.



It has literally become a “Nation of Shopkeepers”. However, why so and why they do not venture into other areas of business needs more research. It has been very aptly pointed out by Hindle & Moroz (2010) “Indigenous peoples make the claim that they are among the most studied peoples in the world, and that little good comes from the academic research that involves them” (Weir & Wittunee 2004). It was their finding that it was not sufficient to have non-Indigenous conducting research as it leaves margin for too many corrections, misinformation and challenging racist interpretations. Hence they propose that future research should be a partnership research. A world of information about these Indigenous Kalash will unfold helping us to draw better policy and

guidelines for Business.

Figure 8: Replace of a temple



It has been universally accepted that Indigenous people in general and the women in particular have knowledge of traditional medicine, medical plants, local plants, herbs and the ecosystem. This alone is a huge resource which has attracted attention from multinationals and local corporation for various aspects of commercialization. As a side note one particular mineral and herbal extract that abounds in various parts of the Himalayan range right up to the Hindu Kush range is known as ‘Salajeet’. This substance has been researched and analyzed in biological labs and has some proven health related benefits. Some Indian Herbal product companies are already marketing it as ‘Salajeet’. Besides being an aphrodisiac it has healing powers for internal damage to the body.

Other literature (Kayses, Bob., Hindle, Kevin., Anderson, R.B., 2005) have examined Indigenous communities for their potential to develop and show sustainable economic development. One such community identified as a successful model is the Membortou First Nation of Nova Scotia Canada. They have explored the factors that foster Entrepreneurship and to see if it can be re-created for other Indigenous communities. Membortou transformed from a typical Canadian Indigenous community to an exemplary community. It was felt by them that in researching Indigenous communities it is not possible to delve deep into the matters that reside within the community. According to the authors the future research calls for a partnership with members of the Indigenous community.

#### What Factors Foster the Environment for Entrepreneurship among Indigenous Community?

In depth interviews with the Kalasha has revealed that they now desire to improve the socio-economic circumstances. Many see entrepreneurship development among Indigenous community as important for development. They see development which calls for their involvement and having critical role. They have reconciled to the thought of modernity and competitiveness to go hand-in-hand with cultural heritage (Hindle and Lansdowne 2005) Anderson (2001) Dawood Shah, when asked gave similar views as the others.

He is a social worker who runs a dispensary and the only High School in Rambur. The past was a different world. His memory goes back to the days and he knew what it was like way back; how destitute everyone was, no jobs, it was the entire community that faced deprivation, no income sources except the land and the animals. No opportunity for education. So the entire generation grew up illiterate. The pain of this illiteracy has been my motivation and that is the reason that I am in education. I am a social worker as I work with the community and try to motivate them to keep the school running. It is facing serious financial problems and may soon lose all its High School students.

Initially the elders pooled resources to setup a High School in 2004 and they provided land, cement and other material. But recurring expenses become a problem because a school in this region cannot charge fees. We charge Rs. 50/= (US\$ 0.60) as fee from each student. It does not sustain us. Teachers have been a problem; they do not last with us. Finally we need teachers to teach the subjects according to Secondary Board. This has been the last straw on our back. But the irony is that the high school is absolutely essential for us because our children have to travel to Bumburet for higher secondary school classes. This journey alone is nearly two hours long. Hence our daughters have to stay in the relatives house, they have to cross bridges, walk over boulders and the the situation is compounded if there are heavy rains or floods or

snowfall. We must provide education to this generation because we do not want to waste this generation as an illiterate generation. After high school its possible to send our children to colleges down the valley in the city of Chitral which is the District Capital.

The danger the Kalash Indigenous community faced was losing the culture, the language, the traditions, the skills they possessed. If they had to fight poverty they would have to face the hegemony of the mainstream population. Hence sacrificing their religious customs, their traditional skills, their heritage with respect to their dresses were to be sacrificed to go to the city for jobs. These jobs were not skilled based but labor based. The danger was risk to their property left behind. The risk was not to practice their religious but to convert to the main religions of the society. That meant not to return to their homelands. An entire generation was lost in this way in the 1970s. Until the support come from UNESCO.

So how does this Indigenous society the Kalash survive? What businesses are the most successful and how do the people who run them feel about them?



Figure 9: Local products by Kalasha



### How can Kalash Community Reconcile Innovation & Heritage

It was not difficult to notice that the most prevalent business venture was to open and run a general merchandize shop. All the three valleys and all the villages in these valleys had numerous shops. The other prominent business was the wood cutting and timber factory. A saw mill was successful because of the prevalent practice to construct house of timber. It was also an old art and skill which still prevails among the Kalash. Hence carpenting was a successful skill.

The third category of business was wine making. Every valley has its own wine making practice and though all are successful but some have grown into larger facility.

The fourth category of business was hotelling, which though in bad times will rebound. The disadvantage in this kind of business is that it has attracted a lot of outside attention hence a lot of investors from the plain have invested in small hotels (which are currently closed). But the Kalash have persisted with guest houses that accommodate visitors in their homes converted into guest houses. These Kalash guest houses are more tenable.

Figure 10: Kalash people are gathered to celebrate Winter Chaomos festival



Similarly the business of schools is another potential sector in the Kalash valley. However the investment from Kalash is still not prominent in this sector but a few have realized its business potential.

Figure 11: Kalash people are gathered to celebrate social event at the chaumos festival dancing to a beat



The women of Kalash have also shown entrepreneurial capability. They have exceptional good skill in preparing their jewellery made of beads and necklaces of beads and the clothes and head gears are of kowri and beads and decorative items. These dresses have attracted a lot of attention not only as souvenirs but also as fashion dress. Women have therefore benefits by doing business in these products if properly promoted.

J.F Staley (1964) describes a woman's dress:

“The women's dress is more distinctive – a long monkish robe of natural – black wool, with a narrow cloth of white or purple tied at the waist. They wear a curious and attractive head-dress with a

long rectangular train heavily decorated with cowrie shells, metal plates, buttons and bells. One cap may have as many as eight hundred shells arranged in vertical lines, and the weight is considerable”.

Q3: Does a Cultural Entrepreneurial Model explain how cultural influences Indigenous Entrepreneurship leading to venture creation:

Hence for the purpose of in-depth analyses is to understand the business psyche and to gauge the entrepreneurial intentions among the Kalash Indigenous Entrepreneurs. Some of the interviews that gave a deeper insight to this Indigenous community is recorded below: -

#### Case Study of a Successful Entrepreneur

Sabir Ahmad is a Kalash who started at the age of fifteen (15) while studying in class eight (8) a general merchandize store in 2005. He is a young man of about twenty one (21) years of age. He was one of the most successful example of an entrepreneur with a high business acumen lot of self-confidence and ambitious. His initial investment was Rupees Eighty Thousand (Rs. 80,000/-) (approximately One Thousand US Dollar (\$ 1,000) which he raised from his brother who works in the Animal Husbandry department of agriculture in the plains which is a non-Kalash territory. This amount was sufficient to buy the stock and furniture fixture for this shop. The rented premises was very well

located and not far from his major competitor Punchaj Gul General Store who was one of the largest general merchandize store in all the three valleys. According to Sabir it was his own decision to come into this business. Since he started his business it has continuously grown and today he has three (3) stores. He was owning a chain of five stores but two got destroyed in the (2010) flood causing a huge financial loss to him, but his disposition was that of a man who took it into a stride. When he was questioned what was his ambition and did he plan to get into some other business. His immediate response was I do not want to change my line of business and I intended to become the biggest chain store in this region. As a matter of fact my intention is to buyout my competitor – Punchaj Gul General Store.

People cannot live without daily requirement and to keep their credit line uninterrupted, they wisely choose to pay off the winter debt to the merchandisers. Hence I always end up getting my money back from the creditors. According to him his daily sales fetches him on an average Rupees Five Thousand (Rs. 5,000/-) (a very good standard of earning) (Sixty US Dollar (\$ 60) from each shop. The reason for his success in this business is that he believes in customer satisfaction. He said I do not over price my products and never show rudeness to my customers. I can satisfy them by providing all items under one roof. I must have happy customers. So far he utilizes his brothers to run his other shops, thus he

thus he is able to provide jobs in the market to hire helping hands in the shops.

For the Kalash agriculture and forest products, form the backbone of the economic setup. Almost every family owns agriculture land and cattle. Subsistence farming is the main savior of this Indigenous community.

### New Venture Creation: Significance of Non-Timber Forest Products

Ahmad (2006) says “Besides subsistence agricultural commodities, various forest products are also collected”. The major crops are: maize, wheat, bean, potatoes and vegetables. The major fruits are walnut, chilgoza, almonds, apple, apricots, grapes and pears. The depletion of the forest is the main tragedy being faced. To prevent a total collapse the Non-Timber Forest Products (NTFP) are a high value added products and a good alternate source of livelihood that needs encouragement with a little support. The natural forest consists of Pine, Chlghoza, Deodar and Oak. The NTFP products are wild Mushrooms, Honey, Medicinal Plants (Ferula Narthex, Paeonia Emodia, Inula Recemosa), Pinenuts, Silk Cocoons, Russian Olives. The medicinal products listed in the paper are twenty five (25) in numbers – for the treatment of tooth and gum, gastric, old age weakness, fever, cough, urinary problems, backache, nappy rash, constipation, pile treatment, eczema, and kidney, to name a few.

Figure 12: A view of the valley below the Hindukush range



The paper concludes by saying that the potential of NTFPs has never been fully exploited. Extensive research on individual products is needed. This would provide sustainable and augmented income.

### Significance of Goats among Kalash: Cultural Influences on Indigenous Entrepreneurship

Unfortunately livestock which is another source of potential income is an endangered sector among the Kalash because of its symbolism and pastoral ideology. In a paper Peter Parkes (1987) says that Indigenous rituals and moral values surrounding transhumant livestock husbandry especially goats has led to depleting the stock. However the occasion to mark the death of a Kalash calls

for a huge sacrifice of goats on which the entire three valleys are fed. The Kalash are not exclusive pastorals, for agriculture, which is their subsistence economy has been relegated culturally to a lesser important position. Culturally the significance is expressed by segregating pastoralism as an exclusive male sacred domain. Goats are conceptually pure and hence opposed to women who are impure and rituals are there to keep these segregation. Among the Kalash goats are intrinsically sacred animals, and are most important cultural requirement of the society. Incidentally a Kalash will seldom sell his goats. Owning goats enables a man to marry (or steal wives from other men). Sacrificing goats at communal feasts gives stature and enhances ones honor and potential influence “Goat Symbolism recurs in every facet of Kalasha religious Culture” (Peter Parkes 1987). Goats are carved on doors and pillars on alters and houses. On the other hand sheep are relegated to inferior livestock,

“Never sacrificed at major sanctuaries. They are sacrificial animals of women, providing permissible (non-sacral) meat for women at feast equivalent to that of female goat” (Peter Parkes 1987). “They have an ambivalent ritual role as neither pure nor categorically impure animal” (Parkes 1987).

This draws our attention to the domestic fowls which are considered truly polluting animals among the Kalash. John Cambell’s (1964) description of



“Pastoral world view of Greek Sarakatsani Shepherds who says ‘women and goats are conceptually opposed to men and sheep’”. This is an exact replication of a life pattern to the Kalash Indigenous community – establishing a Greek – Kalash linkage.

On a similar note Maselli et al. (2005) have also indicated the Kalash as Indigenous community depends on “Small to large herds of goats, sheep, cattle and buffalo serves as a primary or secondary source of livelihood”. A better utilization of resources is required. Change has affected the Kalash in big way. Maselli et al. (2005) have stated in their paper that livestock has been reduced mainly because of degraded natural resources. This paper has given a very graphic figure depicting the degradation of environment. Livestock preferences among the Kalash favor the goat as the most valuable livestock, especially for rituals, feasts, sacrifices and prestige in the society. But diseases and parasites infections and contagious infection have caused health problems reducing the livestock. The fallout result is that these people

“Desire male children in order to have greater potential to earn remittances in future... (which) has rapid, positive change in social status”. (Maselli et al 2005) “Existing irrigated land is being increasingly fragmented and used for construction, as a result of the population explosion and impact of remittance”.

## A Parallel Religion through Dezalik

From childhood boys are taught pastoral practices and grow up among goats. Animal husbandry plays a vital role involving male members. The women are off-limits from pastoral areas and practices what is known as pure-impure polarity. This is their fundamental symbolism. "On the whole, the space forbidden to women is much longer than the one forbidden to men, the bashali." The women do not even get to eat the goat meat of sacrificed goats. Such cultural dilemma has to be considered seriously while adopting strategy for economic development of society. No doubt the ploughing of fields is done by male but nothing else beyond this. The donkey's work is entirely done by women. No doubt this is one of the fundamental reasons for women to pray to a goddess to protect them, almost running a parallel religion through Dezalik. (Alberto Cacopardo & Augusto Cacopardo 1989).

Professor Paola Graziosi in the article 'The wooden statue of Dezalik, a Kalash Divinity, Chitral, Pakistan' 1961 states that the wooden statue representing the goddess Dezalik represents the artistic-religious manifestation of the Kalash. This statue is more of a hidden secret and it is not known who actually makes the statue, the men or the women. The women pray to this god, manifesting that women have their own deities- a parallel religion in the defiance to the

men for creating a segregated society belittling the women (Maselli et al, 2005). Wood construction of Communal buildings and place of worship or custom required premises. It shows a thousand old skills of carpenting or greenwood craft. There is ample proof of the skill in wood craft which can be channeled into high quality carpenting. Thereby reviving an heritage based venture creation.

Figure 13: Modern cooking appliances.



Three things emerge from Peter Parkes paper (1990); One, that tourism poses a threat to Kalasha communities and two, the myth about freedom of Kalash women to indulge in sex and the third, is the putting to rest the fear of the culture dying out. He records the views that this tourism poses threat to Kalasha communities. All three valleys now have several large hotels, mostly owned and managed by Chitrali Muslims. Foreign tourism remains

undeveloped, still largely restricted to ‘backpackers’ or small ‘adventure groups’ who visit the valleys by jeep for one to two days, particularly during festivals like Joshi. More problematic are local tourists from other regions of the North-West Frontier, often lured to the valleys by sexual fantasies about the supposed ‘freedom’ of Kalash women. Government officials also have ambitious plans for the expansion of tourism to attract foreign income that might be used for further development. These plans include construction of metalled roads, provision of electricity, and building of ‘motels’.

Conclusion: Towards a Practical Economy:

Generally a lot of research is available on Indigenous Entrepreneurship encompassing the environment and culture. But the most important thing to recognize is that culture is a much broader theory and terrain. Viewed from different perspective it can pose problems to the researcher. From our survey of literature, written on many Indigenous community, and the empirical survey and survey done by living among the Kalash community we have reached the conclusion that it is not sufficient to have a general research. More specific and in-depth research is required. However the literature survey shows only a broad trend and interdisciplinary formulation rather than narrow ways of conceptualization of the way of thinking & behaving among the Indigenous community and their entrepreneurs.

Therefore in the interest of Indigenous Entrepreneurship, it was conserved that conclusion drawing would not be the right thing for the time being. It would be advisable to conduct as a starting reference at least two more surveys. It is necessary to do so because this is the first time a survey covering the aspect of Entrepreneurship is being done on the Kalash Entrepreneurs. Our first field survey helped us understand the ground reality. We had covered a vast range of qualitative survey, case study survey and interviews that made us realize that this is a different culture and heritage and environment. It is behest with multi-dimensional pressures and circumstances. Hence it cannot be contained by literature surveys of other communities. I therefore launched a much larger group to conduct further research and chose the domain of Entrepreneurial Intentions and Identifying Vocational Skills that I could lead to Entrepreneurship among the Kalash Indigenous Entrepreneurs.

There are larger implications in these findings and hence the conclusion would be inconclusive. But this does not mean that this paper does not draw conclusion.

Sustainable economic development among the Kalash Indigenous Community can be driven by broad objectives. Reconciling heritage with modernism via vocational training. Since Education would take a long time to evolve a new

society, vocational training may on the other hand convert the Kalash community into a vibrant self-sustaining community if a very concentrated dose of vocational training is implemented. The Training Need Assessment may be required as a precursor but it's the best solution under the circumstances. It will not destruct the cultural balance and would bring out the skills inherent in the society. This is the initiation of a practical economy. Food processing, cattle farming, livestock & pasture management have been identified.

The Research Question “What factors foster the environment for Entrepreneurship among the Indigenous Kalash Entrepreneurs” has been sufficiently covered by in-depth interviews. Some interviews that have been covered under this research questions are of Sher Wazir Ali, Panchaj and Sabir Ahmad whereas the “How Kalash community reconcile innovation and heritage to create successful entrepreneurial ventures for Economic Development” have been covered through the interview by Dawood Shah and the School Teacher and the interview of Shakeera Bibi. Under this research question a very powerful case is that of Yasin who along with his sons runs a wine brewery.

And finally to establish how “a cultural Entrepreneurial Attitude Model explains cultural influences Indigenous Entrepreneurial Attitude” has not

successfully demonstrated the determinants. Though the interview with Kalash Women has revealed a stronger urge to do their own business of dress making and producing women based handicrafts and jewellery. This also ties up with their own affinity to the god deity called Dezalik, whom they pray, manifesting a parallel religion in retaliation against a segregated society, belittling the women.

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# **Corporations' Disclosure of Regulatory Risks Associated with Climate Change in Japan, Korea, and Taiwan**

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## **Abstract**

This study reports on an examination of Carbon Disclosure Project's (CDP) public disclosure of regulatory risks due to climate change for 203 companies in Japan, Korea, and Taiwan in 2010, ranging from twenty sectors in Japan 500, Korea 200, Asia ex-JICK 135, and Emerging Market 800, respectively. Seven regulation risk categories including: a Cap-and-trade system, Energy/carbon tax, Renewable energy regulation, Emission targets and calculation/verification/reporting obligations, Energy use/reporting obligations, Product efficiency regulation, and Product labeling regulation, are identified and comparative analysis is performed. It is found that the "Energy/carbon tax"

regulation has the highest percentages of companies considering it as significant risk in all three countries. The “Domestic cap-and-trade system” regulation has the 2<sup>nd</sup> and 3<sup>rd</sup> highest percentages of companies considering it as significant risk in Japan and Korea, respectively, while the “Emission calculation/verification/reporting” obligation has the 2<sup>nd</sup> highest percentages of companies considering it as significant risk in both Korea and Taiwan.

Keywords: Carbon Disclosure Project, Regulatory Risks, Climate Change, Cap-and-trade system, Energy Tax, Carbon Tax, Renewable Energy, Emission Calculation/Verification/Reporting, Product Efficiency, Product Labeling.

## 1. INTRODUCTION

As the public increasingly aware that climate change can pose significant risks, more institutional investors had started to pay attentions in the risks associated with climate change and had integrated sustainability considerations into their investment decisions and portfolios management (Wellington, et al., 2005).

This can be dated back to 1999 when the Dow Jones Sustainability Index (DJSI), offered cooperatively by SAM Indexes and Dow Jones Indexes, was launched as the first global sustainability benchmark. The index is based on long-term economic, environmental and social criteria for the top 10% of the largest 2,500 companies in the Dow Jones Global Total Stock Market Index (Hope et al., 2007). In a more recent global investor survey analyzing the

potential financial impacts of climate change on investors' strategic asset allocation (Mercer, 2010), 87% of asset managers and 98% of asset owners who respond the survey view climate change as a material investment risk across their organization's entire investment portfolio.

Under such development, climate risk disclosure to analyze a company's performance and operations associated with climate change, ranging from physical damage to facilities, to new regulatory costs and incentives, and to shifts in the market for products or services, has become a burgeoning field (Kolk et al., 2008). In 2006, a group of leading global institutional investors, namely, the Climate Risk Disclosure Initiative Steering Committee (CRDI), launched the "Global Framework for Climate Risk Disclosure" (CRDI, 2006). In the Framework, climate risks disclosure should include (a) Total historical, current, and projected greenhouse gas emissions; (b) Strategic analysis of climate risk and emissions management; (c) Assessment of physical risks of climate change; (d) Analysis of risk related to the regulation of greenhouse gas emissions.

According to CRDI (2006), existing climate risks reporting mechanisms that meet the aforementioned requirements include: (1) The mandatory disclosure of climate risk information in companies' standard financial reports by U.S. Securities and Exchange Commission (SEC); (2) The Carbon Disclosure

Project (CDP) signed by 551 global institutional investors; (3) The Global Reporting Initiative (GRI) closely aligned with CDP. Among the three climate risks reporting mechanisms, the CDP and GRI represent leading voluntary efforts to standardize climate risk disclosure and reporting for companies worldwide.

By issuing climate risk information request to the world's largest corporations by market capitalization each year, the Carbon Disclosure Project (CDP), starting from 2003, is the world's largest voluntary reporting mechanism collaborated by institutional investors with assets under management of \$71 trillion (Kolk et al., 2008). Institutional investors that have signed up to the CDP include Merrill Lynch, AXA, ANZ, Banco do Brazil, Mitsubishi UFJ, AIG Investments, Barclays, RBS Group and HSBC (CDP, 2010). From 2008, CDP takes a key step in leveraging investor influence to support Chinese companies in measuring and disclosing their carbon emissions and climate related strategy by issuing its information request to China's 100 largest companies. Not only that in 2009, the CDP is expanding its collaboration with investors to purchasers by launching the CDP Supply Chain program aimed to drive action on climate change amongst both purchasing companies and their suppliers (Delmas et al., 2009). In 2010, over 3000 companies in some 60 countries around the world now measure and disclose their greenhouse gas

emission and climate change strategies through CDP (CDP, 2010).

The continued growth of supporting in CDP by investors requesting companies to respond through the CDP system demonstrates that we have entered an era when climate risk has become a mainstream issue for both investors and corporations. Companies with significant greenhouse gases emission or energy use may face current or future regulatory risks. This study reports on an examination of CDP's public disclosure of regulatory risks among 203 companies of twenty sectors in Japan, Korea, and Taiwan in 2010.

The paper is organized as follows. Section 2 describes the methodology and data used for the analysis of this study. Based on the results of the analysis, regulatory risks are summarized as a cap-and-trade system, energy/carbon tax, renewable energy regulation, emission targets and calculation/verification/reporting obligations, energy use/reporting obligations, product efficiency regulation, and product labeling regulation. In Section 3, the seven types of regulatory risks are analyzed and stated. A comparative analysis between Japan, Korea, and Taiwan as well as different sectors is given in Section 4. Section 5 concludes.



## 2. METHODOLOGY AND DATA

The aim of this paper is to conduct a comprehensive empirical study of companies' public disclosure of their regulatory risks they might encounter due to the climate change in Japan, Korea, and Taiwan. The responses of 203 companies across 20 sectors to question module Q3 in "Investor CDP 2010 Information Request", a carbon disclosure and reporting questionnaire issued by CDP, are examined. In "Investor CDP 2010 Information Request", the question module Q3 includes: "Do current and/or anticipated regulatory requirements related to climate change present significant risks to your company?", and "What are the current and/or anticipated significant regulatory risks related to climate change and their associated countries/regions and timescales?". Three steps are taken to analyze the responses: (i) Key risk items classification; (ii) Context analysis of the comments; and (iii) Data tabulation and analysis.

The sample comprises of 203 companies, with 123 of the companies are of Japan 500, 53 companies are of Korea 200, and the remaining 27 Taiwanese companies are in the Asia ex-JICK 135 or Emerging Market 800. A total of twenty sectors are included in the sample, they are banking/financial, chemicals, insurance, metal and mining, utilities, computer hardware and peripheral, communication services/broadcasting, auto manufacturer, construction and building products, consumer staple, electrical components and

equipment, electronic equipment and instruments, industrial machinery, pharmaceuticals, semiconductor, transportation, and others. Table 2.1 lists the sector distribution of the 203 companies of Japan, Korea, and Taiwan.

Table 2.1 Sector Distribution of the 203 Sample Corporations

Sector	Country			Total	
	Japan	South Korea	Taiwan		
Banking/Finance	9	7	2	18	
Chemicals <sup>1</sup>	7	8	0	15	
Insurance	5	3	0	8	
Metals & Mining	6	1	1	8	
Utilities	10	0	0	10	
Automobile Manufacturers	6	2	0	8	
Communication Services/Broadcasting <sup>2</sup>	5	2	0	7	
Computer Hardware and Peripherals	3	0	12	15	
Construction & Building Products		12	3	0	15

Consumer staples <sup>3</sup>	14	6	1	21
Electrical Components & Equipment <sup>4</sup>	7	2	0	9
Electronic Component & Equipment <sup>5</sup>	14	3	8	25
Industrial Machinery <sup>6</sup>	10	4	0	14
Pharmaceuticals	5	0	0	5
Semiconductors	1	3	3	7
Transportation <sup>7</sup>	4	4	0	8
Others <sup>8</sup>	5	5	0	10
Total	123	53	27	203

Note. 1. The chemicals sector includes diversified chemicals, commodity chemicals, and specialty chemicals. 2. The communication services/broadcasting sector includes advertising, broadcasting, wireless telecommunication services, integrated telecommunication services, and commercial printing. 3. The consumer staples sector includes brewers, footwear, personal products, household products, metal and glass container, leisure products, apparel-accessories-luxury goods, and packaged foods/meats. 4. The electrical components & equipment sector includes electrical components & equipment, heavy electrical equipment, and household appliance. 5. The electronic

component & equipment sector includes consumer electronics, electronic components, and electronic equipment & instruments. 6. The industrial machinery sector includes industrial machinery, industrial conglomerates, and construction/farm machinery/heavy trucks. 7. The transportation sector includes airlines, marine, and railroads. 8. Others include hypermarkets-super centers, education services, diversified support services, and trading companies & distributors.

### 3. REGULATORY RISK

Regulations are the most commonly discussed in risk management strategies of climate change. Different types of regulations can have different effects on industries and companies in the same industry, and various regulations will shape competitiveness and the potential consequences among the companies. Seven types of regulation risks are identified and summarized from the CDP 2010 responses disclosed by the companies in Japan, Korea, and Taiwan. They are the risks arising from: Cap-and-trade system, Energy/carbon tax, Renewable energy regulation, Emission targets and calculation/verification/reporting obligations, Energy use/reporting obligations, Product efficiency regulation, and Product labeling regulation. Tables 3.1-3.8 summarize the seven types of regulation risks. Detailed descriptions of the aforementioned regulation risks are given in the sub-Sections 3.1-3.7.

### 3.1 Cap-and-trade System

International and domestic cap-and-trade systems pose a compliance risk for high-emitting industries due to significant expenditures for new capital equipment or purchases of GHG allowances for emissions that cannot be offset or mitigated. Right now, the EU ETS in Europe is the only international cap-and-trade system in enforcement (Ellerman, 2007), which could affect corporations of Japan, Korea, and Taiwan with factories or subsidiaries in Europe. In addition to domestic and international cap-and-trade systems, corporations may be affected by a cap and trade system for all ships in operation via the International Maritime Organization (IMO) after 2013.

All the three countries do not have a nationwide cap-and-trade system in operation. In Japan, a national mandatory cap-and-trade system under the “Basic Law Concerning Measures to Cope with Global Warming” has not been scheduled yet. Nevertheless, a local cap-and-trade system, the first cap-and-trade system in Asia, according to the “Tokyo Metropolitan Ordinance on Environmental Preservation” by Tokyo Metropolitan Government is enforcement starting from April, 2010.

In Korea, the government enacted “Low-Carbon, Green Growth Act”, which phase in the investigation on corporates’ GHGs emissions and bring about national regulations on climate change such as emissions trading, carbon tax,

and emissions target control, has come into effect on April 14, 2010. Under this framework, a nationwide cap-and-trade system is approved to start from 2015 for the firms that emit more than 125,000 CO<sub>2</sub>e. In addition, there is a voluntary carbon market in Korea by the “Voluntary Carbon Emission Reduction Trading Policy” since 2002.

In Taiwan, the “Greenhouse Gas Reduction Act” by the government, which phases in setting GHG reduction targets and the subsequent emission allowance allocation, is still scheduled for examination in the Legislative Yuan. Therefore, a cap-and-trade system is still on its way.

Table 3.1 Cap-and-Trade Scheme Regulation

Regulatory	Sources	Timeline
International cap and trade schemes	<ol style="list-style-type: none"> <li>1. Europe: EU ETS</li> <li>2. International Maritime (IMO) authorized by UNFCCC to impose cap or tax on international shipping,</li> </ol>	<ol style="list-style-type: none"> <li>1. Current</li> <li>2. After 2013</li> </ol>



<p>Domestic cap and trade schemes</p>	<ol style="list-style-type: none"> <li>1. A cap-and-trade by “Tokyo Metropolitan Ordinance on Environmental Preservation” (Tokyo Metropolitan Government),</li> <li>2. “Japan Mandatory Cap and Trade Scheme” under discussion by the “Basic Law Concerning Measures to Cope with Global Warming” (Japan),</li> <li>3. A Cap-and-Trade system by the “Low Carbon Green Growth” Law (Korea),</li> <li>4. Cap-and-Trade system by the “GHG Reduction Act” in Taiwan,</li> </ol>	<ol style="list-style-type: none"> <li>1. April, 2010,</li> <li>2. 0-5 years,</li> <li>3. Start in 2015,</li> <li>4. 5-10 years,</li> </ol>
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### 3.2. Energy/Carbon Tax

Either the energy tax or the carbon tax imposed on fossil fuel usage is regarded as the most efficient scheme to reduce GHG emission among many environmentalists (Baranzini et al., 2000). In most [OECD](#) countries, energy tax or the carbon tax are levied on energy products and [motor vehicles](#), rather than on CO<sub>2</sub> emissions directly (Gupta, S., 2007). In EU, such as German and France, increased tax is imposed on goods and services with higher GHG emissions and low energy efficiency. In China, a non-OECD country, a carbon tax is proposed by the Ministry of Finance to be effective before the end of the

2011-15 five-year Plan, under which consumers of coal, crude oil and natural gas will be affected (Wang et al., 2009).

In Japan, the “Anti-global Warming Measure Tax” on oil and coal products had already started from October 2011. The introduction of carbon tax according to the “Basic Law Concerning Measures to Cope with Global Warming” to cut GHG emissions 25% from 1990 levels by 2020 is still under discussion. In Korea, the carbon tax will be phased in according to the “Low-Carbon, Green Growth Act” enacted in 2010. In Taiwan, the energy taxation is under assessment by the “Energy Tax bill” in the Legislative Yuan.



Table 3.2 Energy/Carbon Tax Regulation

Regulatory	Sources	Timeline
Energy/carbon Taxes	<ol style="list-style-type: none"> <li>1. An “anti-Global Warming Measures” tax (Japan),</li> <li>2. Carbon tax under discussion by the “Basic Act on Prevention of Global Warming” (Japan),</li> <li>3. Carbon tax phased in by the “Low Carbon Green Growth” Law (Korea),</li> <li>4. “Energy Tax bill” in the Legislative Yuan (Taiwan).</li> <li>5. Tax for importers of refrigerant containing products (Australia, New Zealand).</li> </ol>	<ol style="list-style-type: none"> <li>1. Current,</li> <li>2. 0-5 years,</li> <li>3. 0-5 years,</li> <li>4. 0-5 years,</li> <li>5. Current,</li> </ol>

### 3.3 Renewable Energy Regulation

To mandate [renewable energy production](#), two mechanisms are been adopted. They are: [feed-in tariffs](#) and “Renewable Portfolio Standard” (RPS). The differences lie in that [feed-in tariffs](#) which guarantee purchase of all renewable energy regardless of cost are mandated by the government, while RPS which requires the increased production of energy from renewable energy sources is a [market](#) mandate that relies almost entirely on the private market for its

implementation (Fischer, 2006; Cory et al. 2009). Both Japan and Korea adopt RPS, which may contribute to increase in energy price in logistics and consequently in product price.

In Japan, a national feed-in tariff under the “Basic Law on Global Warming”, which aims to have the capacity of energy generation from [renewable energy sources](#), such as [wind](#), [solar](#), [biomass](#), and [geothermal](#) increased from 8% to 10% by 2020, was approved in August, 2011 and will go into effect after 2012. The possibility of energy cost increase due to the feed-in tariff is expected.

In Korea, electric power companies are mandated to generate 2% of its electricity production from renewable energy in 2012, and increase the ratio to 10% by 2020. Kansai Electric Power, for example, had introduced 1.22 billion kWh of renewable energy in 2008 FY. In Taiwan, the “Renewable Energy Law” is enacted in 2008, which aims to have 16% of installed power capacity from renewable energy sources by 2025.

Table 3.3 Renewable Energy Regulation

Regulator	Sources	Timeline
Renewable Energy	<ol style="list-style-type: none"> <li>1. Feed-in tariff under the “Basic Act on Prevention of Global Warming”(Japan),</li> <li>2. “Renewable Portfolio Standard” (RPS)<sup>1</sup> (Japan, Korea),</li> <li>3. “Renewable Energy Law”<sup>2</sup> (Taiwan),</li> </ol>	<ol style="list-style-type: none"> <li>1. Current,</li> <li>2. Oct.,2011,</li> <li>3. Approved in 2009,</li> </ol>

Note. 1. RPS mandates electric power companies to generate 2% of its electricity production from renewable energy in 2012, and increase the ratio to 10% by 2020. 2. According to Taiwan’s “Renewable Energy Law”, 16% of installed power capacity will be from renewable energy sources by 2025.

### 3.4 Emission Targets and Calculation/Verification/Reporting Obligations

According to the Kyoto Protocol, a target to cut greenhouse gas emissions by 25% from 1990 levels by 2020 is announced by Japanese government. For Korean government, according to the “Framework Act on Low Carbon, Green Growth” enacted on April 14, 2010, a reduction of 30% of the total national GHG emission amount by 2020 is targeted. In Taiwan, a target of 70% level in 2005 of carbon emission is projected according to the regulation “Greenhouse

Gas (GHG) Reduction Act”, which requires carbon emission reduction by 2% per year.

Under these nationwide reduction targets, companies have to set GHG reduction targets and plans. In addition, companies are requested to assume GHG emission calculating, verifying and reporting obligations. In Japan, the regulation “Tokyo Metropolitan Ordinance on Environmental Preservation” by Tokyo Metropolitan Government requires companies to submit GHG emission volumes via third-party certification of calculation, verification and reporting. In addition, the law also request GHG emission reduction plan. Nationwide emission reduction targets and emission reporting requirements for companies in Japan by the “Basic Law on Global Warming” have not been enacted yet.

In Korea, according to the “Framework Act on Low Carbon, Green Growth” enforced on April 14, 2010, companies have to set GHG reduction target; to report GHG emission volumes, energy usage, and substances in raw materials. If companies fail to achieve these goals, it can have disadvantages such as paying a penalty or it can be in danger of stopping ongoing CDM project. Currently in Korea firms that emit more that 125,000 CO<sub>2</sub>e have to report the GHG emission to the government annually. In Taiwan, the “Greenhouse Gas Reduction Act”, which phases in GHG reduction, is still in the legislative process. Therefore, emission reduction targets and emission reporting are not

required for companies in Taiwan at this moment.

Table 3.4 Emission Targets and Calculation/Verification/Reporting

Regulatory	Sources	Timeline
Emission targets, Calculation /Verification /Reporting	<ol style="list-style-type: none"> <li>1. Reporting energy-origin GHG emission by the “Law Concerning the Promotion of the Measures to Cope with Global Warming” (Japan),</li> <li>2. Reporting energy-origin GHG emission and third-party certification when calculating, reporting and verifying CO<sub>2</sub> emissions by “Tokyo Metropolitan Ordinance on Environmental Preservation” (Tokyo Metropolitan Government),</li> <li>3. Emission reporting for emission more than 125,000 CO<sub>2</sub>e by the 'Low Carbon Green Growth'</li> </ol>	<ol style="list-style-type: none"> <li>1. 0-5 years,</li> <li>2. Enacted 2010,</li> <li>3. Current,</li> <li>4. Current,</li> <li>5. Current,</li> <li>6. 0-10years,</li> <li>7. 0-10years,</li> </ol>



	<p>Law (Korea),</p> <p>4. Restricted emission by "Special Law for Improving the Seoul Metropolitan Area's Atmospheric Environment" (Seoul, Korea),</p> <p>5. Emission targets by the 'Low Carbon Green Growth' Law (Korea),</p> <p>6. GHG emission standards under discussion by the "GHG Reduction Act"(Taiwan),</p> <p>7. CO<sub>2</sub> emission calculation/verification/reporting under discussion by the "GHG Reduction Act" (Taiwan),</p>	
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### 3.5. Energy Use/Reporting Obligations

In Japan, the "Energy Conservation Law" obliges large-scale plants and facilities or consigners with annual freight-traffic volume of more than 30 million ton-kilometers to report energy usage status on a regular basis. At the

same time, mid- and long-term energy plans are requested. In Korea, according to the “Framework Act on Low Carbon, Green Growth”, which was enforced on April 14, 2010, companies have to report energy consumption. If companies fail to achieve these goals, it can have disadvantages such as paying a penalty or it can be in danger of stopping ongoing CDM project. In Taiwan "Bureau of Energy" requires companies to have designated personnel's for energy conservation and submit energy conservation plan every year. The energy use/reporting regulations are

Table 3.5 Energy Use/Reporting Obligation

Regulatory	Sources	Timeline
Energy use /reporting obligation	<ol style="list-style-type: none"> <li>1. Reporting energy use for large scale plants and facilities by the "Law Regarding the Rationalization of Energy Use" (Japan),</li> <li>2. 1% energy reduction each year by the "Law Regarding the Rationalization of Energy Use" (Japan),</li> <li>3. Tokyo Metropolitan Ordinance on Environmental Preservation (Tokyo municipalities),</li> <li>4. Report energy consumption by the 'Low</li> </ol>	<ol style="list-style-type: none"> <li>1. Current</li> <li>2. Current,</li> <li>3. Current,</li> <li>4. Current,</li> <li>5. Current,</li> <li>6. 0-5 years,</li> </ol>

	<p>Carbon Green Growth' Law (Korea),</p> <p>5. Designated personnel's required for energy conservation and submit energy conservation plan to them every year by the "Bureau of Energy"(Taiwan),</p> <p>6. Energy efficiency requirement under discussion by the "GHG Reduction Act" (Taiwan),</p>	
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### 3.6. Product Efficiency Regulation

Regulations around the world require certain products, such as power and energy saving appliances, to meet GHG emission mitigation and energy-efficiency standards to facilitate adaptation for a low-carbon future. These product efficiency regulations pose competitive risks for companies as products may not be permitted to be sold, not be chosen for government procurement, and/or not be chosen by green-sensitive consumers due to failing to meet these regulations/standards. The regulations that might affect corporations in Japan, Korea, and Taiwan are stated in the following.

#### 3.6.1 EuP/ErP

Companies exporting their products to Europe are subject to the regulation "EU Ecodesign Directive" (EuP), which came into force on the 10th August



2007. The scope of the EuP, which imposes life cycle eco-design requirements concerning energy efficiency and other environmental aspects, covers all products that depend on energy input from electricity, fossil fuels or renewable energy sources (Trappey, et al. 2009). A significant feature of the directive is that products must be "European Conformity" (CE) marked before they can be placed on the market in the European Economic Area (EEA), consisting of the 27 Member States of the EU and the EFTA countries Iceland, Norway, Switzerland and Liechtenstein. In 2009, the EuP was extended to the "Energy related Products Directive" (ErP), which includes products such as building insulation and double glazed windows (DIRECTIVE 2009/125/EC). The products covered or to be covered in ErP is listed in Table 3.6.

Table 3.6 Product Items in EU Ecodesign Directive (ErP)

	Currently in force products	Next generation ErP products	Voluntary
Items	<ol style="list-style-type: none"> <li>Standby-off-mode for household office Equipment,</li> <li>External Power</li> </ol>	<ol style="list-style-type: none"> <li>Refrigerated/freezing equipment: service cabinets, chillers, ice makers, ..., etc.</li> <li>Distribution/power transformers,</li> </ol>	<ol style="list-style-type: none"> <li>Imaging equipment</li> <li>Medical</li> </ol>



	<p>Supplies,</p> <p>3. Simple Set Top Boxes,</p> <p>4. TVs</p> <p>5. Domestic Lighting,</p> <p>6. Tertiary Lighting,</p> <p>7. Domestic Cold Appliances,</p> <p>8. Electric Motors 0.75 – 375kW,</p> <p>9. Circulators,</p> <p>10. domestic washing machine (under scrutiny by European Parliament)</p>	<p>3. Sound/imaging equipment: DVD/video players and recorders, ... ,</p> <p>4. Local room heating products,</p> <p>5. Domestic and commercial ovens (electric, gas, microwave),</p> <p>6. Domestic/commercial hobs, grills,</p> <p>7. Networked-standby losses of energy using products,</p> <p>8. Domestic uninterrupted power supplies (UPS),</p> <p>9. Professional washing machines, dryers and dishwashers,</p> <p>10. Central heating</p>	<p>equipment</p>
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		products, 11. Non-tertiary coffee machines	
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Governments of Australia and New Zealand are preparing regulations to enforce importers of refrigerant-containing products to purchase emission credits, which may cause increase in cost for companies such as Samsung Electronics of Korea.

### 3.6.2 RoHS and REACH

The regulation “Restriction of Hazardous Substances Directive” (RoHS), which took effect on July 1st, 2006 by the [European Union \(DIRECTIVE 2002/95/EC\)](#), restricts the use of six hazardous materials in the manufacture of electronic and electrical equipment to deal with end of life disposal.

In addition to RoHS, the European Community regulation “REACH”, which entered into force on 1 June 2007, is to deal with the registration, evaluation, authorization and restriction of chemical substances. Manufacturers and importers need to gather information on the properties of their chemical substances and to register the information in a central database run by the European Chemicals Agency (ECHA) in Helsinki, in which consumers and professionals can find hazard information.

### 3.6.3. WEEE

The legislative initiative “[Waste Electrical and Electronic Equipment Directive](#)” (WEEE) in force since February 2003 (Directive 2002/96/EC), sets collection, recycling and recovery targets for electrical goods. The objective is to increase the recycling and/or re-use of electronic products to solve the problem of huge amounts of toxic [e-waste](#). It also requires heavy metals such as lead, mercury, cadmium, and hexavalent chromium and flame retardants such as polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE) to be substituted by safer alternatives.

### 3.6.4. MEPS

The “Minimum Energy Performance Standards” (MEPS) is a specification containing a number of performance requirements for energy-using devices including refrigerators and freezers, washing machines, air conditioners, three phase electric motors fluorescent lamps. The programme is now mandatory in Australia, Brazil, California, and New Zealand.

### 3.6.5. CAFÉ

The “Corporate Average Fuel Economy” (CAFÉ) standard imposes a combined fuel economy and GHG emissions target on light-duty cars (passenger cars or light trucks). In Japan, the current regulation sets CAFÉ for

light-duty vehicles of 2015 to be 125 gCO<sub>2</sub>/km. In China, issued by the Ministry of Industry and Information Technology (MIIT), the fuel consumption of new passenger vehicles is restricted to 167 gCO<sub>2</sub>/km by 2015. In South Korea, a target of 150 gCO<sub>2</sub>/km for light-duty cars by 2015 is proposed in September 2010.

In EU, the CAFÉ requires new passenger vehicles to achieve 120g CO<sub>2</sub>/km by 2015 (phase-in from 2012) and 95g CO<sub>2</sub>/km in 2020. In US, proposed by the U.S. Environmental Protection Agency (EPA) and U.S. Department of Transportation (DOT) in April 2010, the fleet-average target for light duty vehicles of model years 2012-2016 is 172 gCO<sub>2</sub>/mile.

#### 3.6.6 Tier 4 Emission Regulation

The U.S. EPA Tier 4 emissions regulation for non-road vehicles came into effect in 2008. The regulation is split into “phase-in” period (Tier 4 Interim) and Tier 4 Final, respectively. The interim phase begins in 2011-2012 while more stringent emissions limits come in with Tier 4 Final in the 2013-2015.

#### 3.6.7. Top Runner Standards

In Japan, the “Top Runner Standards”, a regulatory scheme designed to stimulate the continuous improvement of the use-phase energy efficiency of 21 merchandize items within selected market segments for household and office

appliances, vehicles, etc., has been introduced as an element of the “Law Concerning the Rational Use of Energy” (or the “Energy Conservation Law”) in 1998 (Tojo, 2005).

Table 3.7 Product Efficiency Regulation

Regulatory	Sources	Timeline
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<p>Product efficiency regulations</p>	<ol style="list-style-type: none"> <li>1. “Top Runners system” under the “Energy Conservation Law”, for energy-efficiency of 21 items, mainly home appliances (Japan),</li> <li>2. Carbon emissions of products’ usage stage for 17 home appliances (Korea),</li> <li>3. Ecodesign requirements by EU Ecodesign Directive (ErP),</li> <li>4. RoHS regulates the use of certain hazardous substances in electrical and electronic equipment (EU),</li> <li>5. REACH for the registration, evaluation, authorization and restriction of chemical substances (EU),</li> <li>6. <a href="#">“Waste Electrical and Electronic Equipment Directive”</a> (WEEE) sets collection, recycling and recovery targets for e-waste since February 2003 (EU),</li> <li>7. “Minimum Energy Performance Standard” (MEPS) for energy-using devices (Australia, Brazil, California, New Zealand),</li> <li>8. Corporate Average Fuel Efficiency (CAFE) of light-duty vehicles in Japan, China, Korea, U.S. EU targets in 2012-2016,</li> <li>9. Tier 4 emission regulation for non-road</li> </ol>	<ol style="list-style-type: none"> <li>1. Current,</li> <li>2. Current,</li> <li>3. Current,</li> <li>4. Current,</li> <li>5. Current,</li> <li>6. Current,</li> <li>7. Current,</li> <li>8. Current,</li> <li>9. 0-5 years,</li> <li>10. 0-5 years,</li> </ol>
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### 3.7 Product Labeling Regulation

Instead of mandatory by the government, most labeling systems to affix labels to disclose products' GHG emission and energy consumption are in line with public procurement and overseas buyers' requirements. It often requires participants to proportionally divide the GHG emission or energy consumed per product, and manages it during the production/transportation process (Wiedmann et al., 2008). This results in increasing accreditation costs as well as an additional injection of physical and human resources designed for product analysis.

Most labeling systems for the assessment of GHG emissions of products and services are based the existing ISO standards (ISO 14040 and 14044) for life cycle assessments (LCA) of raw material, manufacturing, using and dis-using products. Right now, the existing labeling systems of GHG emissions include:

- (1) The "Publicly Available Specification 2050" (PAS 2050), published by BSI in October, 2008 to specify requirements for assessing the life cycle greenhouse gas emissions (GHG) of goods and services,
- (2) Japanese Technical Specification (TS) of "General Principles for the Assessment and Labeling of Carbon Footprint of Products" (TS Q0010) issued by Japanese Industrial Standards Committee (JISC) in 2009,



- (3) The two GHG Protocol standards, “The Product Life Cycle Accounting/Reporting Standard” and “The Scope 3 (Corporate Value Chain) Accounting/Reporting Standard”, published by the [World Resources Institute](#) (WRI) and the [World Business Council for Sustainable Development](#) (WBCSD) in 2010, provide methods to account for emissions associated with individual products across their life cycles and with corporations across their value chains.
- (4) The ISO 14067, a carbon foot print of product based on the existing ISO standards for life cycle assessments (ISO 14040/44), environmental labels and declarations (ISO 14025), and PAS 2050, is planned for final publication in 2012.

Existing labeling systems for energy efficiency include:

- (1) The “Energy Star”, an international standard for [energy efficient consumer](#) products originated in the US as a government program during the early 1990s, is adopted by countries like the [European Union](#), Australia, Canada, New Zealand, Japan, and Taiwan. Devices carrying the Energy Star logo, such as computer products and peripherals, kitchen appliances, buildings and other products, generally use 20%–30% less energy than required by US federal standards.

- (2) A different labeling system, [TCO Certification](#), a combined energy usage and [ergonomics](#) rating from the “[Swedish Confederation of Professional Employees](#)”, is adopted for [European](#)-targeted products.
- (3) A voluntary “Taiwan Product Carbon Footprint Labeling System”, launched by Taiwan’s EPA (Environmental Protection Administration) in 2010. Once carbon footprints’ calculation methodology is matured and products’ LCA database is positioned in place, the labeling system is likely to become mandatory.
- (4) The “Material Safety Data Sheet (MSDS)” for products is under consideration in Korea to meet the standards of GHS (Globally Harmonized System).

Table 3.8 Product Labeling Regulation

Regulatory	Sources	Timeline
Product labeling regulations	<ol style="list-style-type: none"> <li>1. Carbon footprint labeling based on ISO 14040 and 14044, including: PAS 2050 (BSI); TS Q0010 (JISC); “The Product Life Cycle Accounting/Reporting Standard” and “The Scope 3 (Corporate Value Chain) Accounting /Reporting Standard”, (WRI, WBCSD); ISO 14067 (ISO),</li> <li>2. Voluntarily disclosure by the “Taiwan Product Carbon Footprint Labeling System” (Taiwan),</li> <li>3. Certification for the eco-friendly building (Korea),</li> <li>4. Providing products' MSDS (Material Safety Data Sheet) (Korea),</li> <li>5. Energy Star standards for energy efficient products,</li> <li>6. TCO standards for energy efficient products,</li> </ol>	<ol style="list-style-type: none"> <li>1. Current,</li> <li>2. Current,</li> <li>3. Current,</li> <li>4. Current,</li> <li>5. Current,</li> <li>6. Current</li> </ol>

#### 4. COMPARATIVE ANALYSIS

In this Section, a comparative study of the regulatory risks within Japan, Korea, and Taiwan based on a sample of 203 companies across twenty sectors is performed.

In Table 4.1, the corporations' perceptions with respect to the regulatory requirements consistent with the climate change are presented. Among the 203 companies, 80.8% of them consider regulatory requirements as significant risks, while 14.3% of them do not consider climate change regulatory requirements as significant risks and 4.43% of them answer "don't know". Among the three countries, corporations in Taiwan in general have lowest perceptions of climate change regulatory risks. This can be seen from Table 4 in which only 70.3% of Taiwan's corporations consider climate change regulatory as significant risks, compared to 82.9% and 81.1% of Japan's and Korean corporations, respectively.

Table 4.1 Perception of Regulatory Requirements as Significant Risks

	Country			Total
	Japan	South Korea	Taiwan	
Yes	102 (82.9%)	43 (81.1%)	19 (70.3%)	164 (80.8%)

No	18 (14.6%)	7 (13.2%)	5 (18.5%)	30 (14.3%)
Don't know	3 (2.43%)	3 (5.7%)	3 (11.1%)	9 (4.43%)
Total	123	53	27 (100%)	203 (100%)

In Tables 4.2, corporations' perceptions on the seven categories of regulation risks including International cap-and-trade system, Domestic cap-and-trade system, Energy/carbon tax, Emission targets, Emission calculation/verification/reporting obligations, Product efficiency regulation, and Product labeling regulation are analyzed. Among the seven regulation categories, the "Energy/carbon tax" regulation is ranked the top one with highest percentages of companies in all three countries considering it as significant risks. This can be seen from Table 5, a total of 40.3% of the 203 companies considering it as significant risks to their companies. Further analysis shows that 37.4% of the 123 companies in Japan, 43.4% of the 53 companies in Korea, and 48.1% of the 27 companies in Taiwan consider "Energy/carbon tax" regulation as significant risks to their companies.

Table 4.2 Distribution of Regulatory Risks among Japan, Korea, and Taiwan

Type of Regulatory Risk		Country			Total # Corp.
		Japan (a)	South Korea (b)	Taiwan (c)	
Cap-and-trade system	International	14 (11.1%)	5 (9.4%)	2 (7.40%)	21 (10.3%)
	Domestic	45 (36.5%)	18 (34.0%)	1 (3.70%)	64 (31.5%)
Energy/Carbon tax		46 (37.4%)	23 (43.4%)	13 (48.1%)	82 (40.3%)
Emission targets		10 (8.10%)	7 (13.2%)	4 (14.8%)	21 (10.3%)



Emission	14	21	7	42
Calculation/Verification/Reporting	(11.4 %)	(39.6 %)	(25.9 %)	(20.7 %)
Product efficiency regulation	9	7	6	22
	(7.14 %)	(13.2 %)	(22.2 %)	(10.8 %)
Product labeling regulation	8	11	4	23
	(6.50 %)	(20.7 %)	(14.8 %)	(11.3 %)
Total # Corporations	123	53	27	203

Note. Column (a)-(c) indicate the numbers of companies (or percentages of companies with respect to the 123, 53, and 27 companies in Japan, Korea, and Japan, respectively) considering the corresponding regulation category as significant risk.

Among the seven regulation risk categories, “Domestic cap-and-trade system” regulation and “Emission calculation/verification/reporting” obligation are ranked as the 2<sup>nd</sup> and the 3<sup>rd</sup> significant regulation risk, respectively. A total of 31.5% and 20.7%, respectively, of the 203 companies consider the two types of regulations as significant risks to their companies. However, the rankings of the seven regulation risk categories in individual country are different. In Japan, the “Domestic cap-and-trade system” ranked the 2<sup>nd</sup> significant regulation risk. However, in Korea and Taiwan, the “Emission calculation/verification/reporting” obligation is ranked the 2<sup>nd</sup> significant regulation risk. There are a total of 39.6% and 25.9%, respectively, of Korean and Taiwan’s companies consider “Emission calculation/verification/reporting” obligation as significant risk to their companies. On the other hand, the “Emission calculation/verification/reporting” obligation is ranked the 3<sup>rd</sup> significant regulation risk in Japan. For Korea, “Domestic cap-and-trade system” regulation is ranked the 3<sup>rd</sup> significant regulation risk; while “the “Product efficiency regulation” is ranked the 3<sup>rd</sup> significant regulation risk in Taiwan.

In contrast to Japan and Korea, the “Domestic cap-and-trade system” regulation is ranked the last category with a percentage of 3.70% of companies in Taiwan considering it as a significant risk. This might highlights the fact that



the “Greenhouse Gas Reduction Act” is still scheduled for examination in the Legislative Yuan, and no relevant cap-and-trade system will be phased in in the near future.

In Table 4.3, corporations’ perceptions on the six regulation risk categories including International cap-and-trade system, Domestic cap-and-trade system, Energy/carbon tax, Emission calculation/verification/reporting obligations, Product efficiency regulation, and Product labeling regulation by the twenty sectors are analyzed.

Table 4.3. Distribution of Different Regulatory Risks among Twenty Sectors

Sector	Cap-and-trade		Tax		Emis sin Repo rt (e)	Prod uct Labe l (f)	Prod uct Effic iency (g)	Tot al # Cor p.
	Inter na- tiona l (a)	Dome stic (b)	Fue l (c)	Carb on (d)				
Bank/Finan ce	1 (5.55 %)	2 (11.1 %)	0 (0.0 %)	1 (5.55 %)	3 (16.7 %)	0 (0.0 %)	0 (0.0 %)	18
Chemicals	1 (6.67 %)	7 (46.7 %)	2 (13.3 %)	6 (40.0 %)	3 (20.0 %)	1 (6.67 %)	2 (13.3 %)	15
Insurance	0 (0.0 %)	2 (25.0 %)	1 (12.5 %)	2 (25.0 %)	2 (25.0 %)	0 (0.0 %)	0 (0.0 %)	8
Metals& Mining	1 (12.5 %)	3 (37.5 %)	1 (12.5 %)	4 (50.0 %)	0 (0.0 %)	1 (12.5 %)	0 (0.0 %)	8



Utilities	0 (0.0 %)	3 (30.0 %)	1 (10.0 %)	2 (20.0 %)	0 (0.0 %)	0 (0.0 %)	0 (0.0 %)	10
Auto Manufactur e	2 (25.0 %)	3 (37.5 %)	3 (37.5 %)	1 (12.5 %)	3 (37.5 %)	0 (0.0 %)	1 (12.5 %)	8
Communic ate Services /Broadcasti ng	0 (0.0 %)	3 (42.9 %)	0 (0.0 %)	2 (28.6 %)	1 (14.3 %)	0 (0.0 %)	0 (0.0 %)	7
Computer Hardware/ Peripherals	0 (0.0 %)	3 (20.0 %)	2 (13.3 %)	3 (20.0 %)	1 (6.67 %)	0 (0.0 %)	3 (20.0 %)	15
Constructio n/Building products	1 (6.67 %)	1 (6.67 %)	0 (0.0 %)	1 (6.67 %)	1 (6.67 %)	0 (0.0 %)	1 (6.67 %)	15
Consumer staples	3 (14.3 %)	7 (33.3 %)	2 (9.52 %)	6 (28.6 %)	5 (23.8 %)	5 (23.8 %)	3 (14.3 %)	21



Electrical component/equipment	1 (11.1%)	6 (66.7%)	2 (22.2%)	4 (44.4%)	2 (22.2%)	4 (44.4%)	1 (11.1%)	9
Electronic component/equipment	7 (28.0%)	7 (28.0%)	4 (16.0%)	7 (28.0%)	5 (20.0%)	4 (16.0%)	6 (24.0%)	25
Industrial Machinery	2 (14.3%)	6 (42.9%)	1 (7.1%)	2 (14.3%)	5 (35.7%)	0 (0.0%)	4 (28.6%)	14

Pharmaceuticals	0 (0.0%)	3 (60.0%)	0 (0.0%)	0 (0.0%)	2 (40.0%)	0 (0.0%)	0 (0.0%)	5
Semiconductor	1 (14.2%)	3 (42.9%)	6 (85.7%)	6 (85.7%)	5 (71.4%)	5 (71.4%)	2 (28.6%)	7
Transportation	1 (12.5%)	2 (25.0%)	0 (0.0%)	2 (25.0%)	0 (0.0%)	0 (0.0%)	2 (25.0%)	8

Others	1	2	2	4	2	1	0	10
	(10.0	(20.0	(20.0	(40.0	(20.0	(10.0	(0.0	
	%)	%)	%)	%)	%)	%)	%)	

Note. Column (a)-(g) indicate the numbers of companies in each sector (or percentages of companies with respect to each sector) considering the corresponding regulation category as significant risk.

Among the six regulation risk categories, the “Energy/carbon tax” regulation has the highest percentage of companies considering it as significant risk within the following seven sectors, including the chemicals, insurance, metal and mining, utilities, computer hardware and peripheral, semiconductor, and others. On the other hand, the “Cap-and-trade system” (international or domestic) regulation has the highest percentage of companies considering it as significant risk within the following eight sectors, including the chemicals, utilities, auto manufacturer, the communication services/broadcasting, the consumer staple, the electrical components and equipment, the electronic equipment and instruments, the industrial machinery, the pharmaceuticals, and the transportation sector. Note that the two regulation categories, i.e., the “Energy/carbon tax” and the “Cap-and-trade system”, have the same percentage of companies considering them as significant risk in the chemicals as well as utilities sector.

The “Emission calculation/verification/reporting” obligation is a significant risk (with a percentage exceeding 20%) for the chemicals, insurance, auto manufacturer, consumer staple, electrical components and equipment, industrial machinery, pharmaceuticals, semiconductor, and other sectors, respectively. The “Product efficiency” regulation is a significant risk (with a percentage exceeding 20%) for the computer hardware and peripheral, the electronic equipment and instruments, the industrial machinery, the semiconductor, and the transportation sector, respectively. Lastly, the “Product labeling” regulation is a significant risk (with a percentage exceeding 20%) for the consumer staple, electrical components and equipment, and semiconductor sectors, respectively.

In summarized, the semiconductor sector has the highest percentages of companies considering the following regulations as significant risks, including the “Energy/carbon tax” regulation, the “Emission calculation/verification/reporting” regulation, the “Product efficiency” regulation, and the “Product labeling” regulation. In addition to the semiconductor sector, the electrical components and equipment sector and the industrial machinery sector also have higher percentages of companies considering various types of regulations as significant risks. For the electrical components and equipment sector, higher percentages of companies consider the “Domestic cap-and-trade system” regulation, the “Energy/carbon tax”

regulation, and the “Product labeling” regulation as significant risks. Higher percentages of companies in the industrial machinery consider the “Domestic cap-and-trade system” regulation, “Emission calculation/verification/reporting” obligation, and the “Product efficiency” regulation as significant risks. In contrast to the semiconductor sector, the banking/finance and the construction /Building products are the two sectors that have the least percentages of companies considering the regulation risks as significant.

## 5. CONCLUSION

Given the global nature of climate change, severe weather events and changing weather patterns, the consistent regulatory requirements will inevitably impose a cost and an altered competitive environment in every business and investment portfolio. To a greater or lesser extent, these regulatory requirements is increasingly likely to have financial impact and therefore embedded risks on many sectors.

Climate change is increasingly being seen as a strategic issue, and leading companies are taking action now to mitigate the risks as a way to prepare for the emerging low-carbon global economy. When managed correctly, sustainability is a profitable strategy that helps to reduce costs, increase revenue and bolster a brand image. Through public disclosure of climate risks, a comprehensive analysis of these risks will not only help the board to

determine a company's strategy around climate change, but also help investors to choose companies with limited risk exposure and better competitive positioning. This is also the aim of this study in the hope that with more comprehensive and structured disclosure, the corporations will incorporate sustainability considerations into their daily business operations to address a pressing global need, i.e., carbon emission reduction.



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## **“I Believe...” The Normative Commitment of the Successful Entrepreneur**

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### **Abstract**

Do normative factors contribute to the shaping of entrepreneurial commitment and entrepreneurial success? Eight successful entrepreneurs were interviewed and an interpretative phenomenological analysis was conducted to explore what entrepreneurial commitment truly means to the entrepreneur and how it is interpreted specifically in the context of normative factors. It is found that all eight successful entrepreneurs stressed on “responsibility”, “righteousness”, and “moral obligations” as the main factors shaping perseverance and a strong determination to succeed. Our exploratory finding forms new grounds in

explaining the components of entrepreneurial commitment, particularly in a normative context. We also suggest policy makers and those involved in entrepreneurship development to relook into the existing entrepreneurship curricula and to introduce more subjects on virtues that shape normative commitment in the entrepreneur.

Keywords: Normative commitment, Entrepreneurial commitment, Successful entrepreneurship, Interpretative Phenomenological Analysis.

## Introduction

“If you deny yourself commitment, what can you do with your life?” - Harvey Fierstein

What is commitment? The American Psychological Association defines commitment, in general, as “a person’s determination to pursue goals” (“Encyclopedia of Psychology,” 2000, p. 188). Commitment is also characterized as “whatever it is that makes a person engage or continue in a course of action when difficulties or positive alternatives influence the person to abandon the action” (Brickman, 1987, p. 2). More often, the term commitment refers to the strength of one’s intention to pursue the goal or one’s

actual adherence to its pursuit. It may also refer to an individual's characteristic engagement with life or society by pursuing significant goals (Brickman, 1987). Commitment is an intention to a) perform action(s), b) create outcome(s), or c) produce consequences perceived as obligatory, requiring investment of personal or social resources (e.g., time, money, effort), over a period of time (Baxter, 1989). Commitment itself is a term that many of us are accustomed to seeing in a multitude of positions. In short, it is an everyday phrase among our society, inclusive of all the emotional connotations, special meanings, as well as the hidden implications it brings.

The application of commitment in the academic literature by psychologists encompasses a multitude of settings, each with its own set of goals and methods. From research on close relationships to topics on religion and beliefs, commitment theories have played a role in numerous fields of research. Throughout the years, because commitment is mainly treated as a multidimensional construct, it has been defined and measured in diverse ways (see Meyer & Allen, 1991; Mowday, Porter, & Steers, 1982).

### Commitment in the Entrepreneurial Process

What is the role of commitment in the entrepreneurial process? In a recent work, Fayolle (2007) argues that an individual's commitment is the determining factor in understanding the entrepreneurial act and hence, the

actual emergence of a firm; “I see in the individual’s commitment a synonym of motivation and implication, and a source of internal energy...it makes going back all but impossible...the individual after reaching this point will go all the way, as the costs of disengagement would be too high” (p. 177). At this juncture, the entrepreneur often takes strides in his levels and efforts of persistence, leading to significant entrepreneurial activities (Sinclair & Bruce, 2009) and positive entrepreneurial performance, even when adapting to changes along the process (Simon, Elango, Houghton, & Savelli, 2002). However, despite the importance and the significant value of commitment in the entrepreneurial process, there exists little effort in applying commitment theories into entrepreneurship research and that the idea of ‘commitment’ itself is not harmonized (Fayolle, 2007). Although there have been studies associating commitment with entrepreneurship, on the whole, these studies seem to focus on the preliminary stages in the entrepreneurial process, where individuals decide on becoming an entrepreneur, and in particular, during start-up establishment (Carter, W, & Reynolds, 1996; Krueger, 1993). In short, these studies have associated commitment to the intention to start-up, rather than the amount of effort they are prepared to invest, and that “little is known about the entrepreneur’s commitment while they are in the process of setting up a business” (De Clercq, Menzies, Diochon, & Gasse, 2009, p. 124), moreover in the survival and growth stages. In an effort by Bruyat (2001), he explains that the new business founder has a bounded rationality and progressively commits

to the process until total commitment. Here, commitment is related to the sets of action / decision that spread over time, where these actions and decisions are united in the process, making it hard to categorize a string of events. At this point, escalation of commitment directs to a phase of irreversibility (with the exception of the individual opting out), thus leading the person to focus heavily on their projects. It thus would be very difficult and often impossible to turn back, as the costs of detachment are high (financial, social costs, career, psychological and cognitive dissonance). The commitment process which leads to total commitment may be incremental or revolutionary, relying in particular, on the resistance to change.

Fayolle (2007), argues that what is more important for us to understand is the process that leads to a person's total commitment rather than the process during which he/she remains committed in spite of whatever the costs. This is in line with what Kiesler earlier argued; "Commitment is a continuous variable, rather than a dichotomous one, that is, individuals are labeled as having more or less commitment to a behavior, rather than simply being committed or not" (Kiesler, 1971, p. 30). In a work by Tang (2008) on entrepreneurial alertness and commitment, building on the previous literature on organizational commitment, Tang (2008) applied the theories of commitment into his study suggesting that entrepreneurial alertness is influenced by entrepreneurial self-efficacy in performing roles and tasks in the new venture creation process in a



munificent environment. Results show a strong relationship between environmental munificence (defined as the scarcity or abundance of critical resources needed) and alertness, especially when entrepreneurs have high levels of self-efficacy which, in turn, affects entrepreneurial commitment.

In a more recent development on entrepreneurial commitment, it was found that nascent entrepreneurs goal commitment is shaped by the desirability and feasibility of goal accomplishment (De Clercq, et al., 2009). An entrepreneur's perceived self-efficacy and perception of the availability of external private financial resources positively affect goal commitment, whereas their perception of the availability of public financial support negatively affects goal commitment. With regards to desirability of goal attainment, both the value associated with entrepreneurship as a career choice and their perception of normative support are positively related to goal attainment. The effort by De Clercq and colleagues (2009) enlightens the understanding on why many people intend to start-up but are not willing to exert the effort do so. In another work by Sinclair (2009), it seems that entrepreneurial commitment can be measured via the cognitive mechanisms of both self-efficacy and entity-schema. Nonetheless, Sinclair and Bruce's (2009) work is limited to determining entrepreneurial commitment in the pre-entrepreneur, very much identical to what De Clercq and team mates have concluded, so much so, that their works portray the importance of commitment only in the nascent entrepreneur. Up to

today, works on determining entrepreneurial commitment in the successful entrepreneur, i.e. “what makes a successful entrepreneur entrepreneurially committed?” have yet to materialize.

### Normative Commitment in the Entrepreneur

One of the approaches in viewing commitment is seeing it as a belief about one’s responsibility to the organization, referring to normative commitment. The Oxford dictionary defines a norm as “something that i) is usual, typical, or standard, ii) a standard or pattern, especially of social behaviour, that is typical or expected, or iii) a required standard; a level to be complied with or reached” while normative is defined as an adjective “establishing, relating to, or deriving from a standard or norm, especially of behavior” (“Definition of normative,” 2013). One of the authors defined commitment as “the totality of internalized normative pressures to act in a way which meets organizational goals and interests” (Wiener, 1982, p. 471), suggesting that “individuals exhibit behavior solely because they believe it is the ‘right’ and ‘moral’ thing to do” (p. 421). In the same vein, other authors have identified personal norms (defined as internalized moral obligations) as significant contributors to behavior (Prestholdt, M., & Mathews, 1987). Normative commitment develops following the feeling of obligation to remain employed with the organisation resulting from normative pressures i.e. familial, cultural, organisation socialization (Wiener, 1982) , or perhaps, by

rewarding the employee in advance i.e. paying college tuition fees, training fees, etc. Role models play a significant role in shaping the ‘felt obligation’, especially when observing or having experienced rewards and punishments. For instance, when a parent stresses the importance of being loyal to an employer, this establishes the platform of strong normative commitment in their children. In short, employees feel ‘indebted’ to the organization, hence deciding to remain employed until the debt is repaid (Scholl, 1981). At a macro level, collective norms play a major role in cultures. These unwritten rules of conduct are often termed as social norms (Elster, 1989) and are defined as the preferred behaviours plus the associated approval for not obeying these behaviors in a society (Kandori, 1992). When a person does not comply with the given norms, he often experiences unwelcomed emotions such as guilt and shame. Nonetheless, in an organizational setting, people may oppose a norm upon accepting a contending norm from a different group (Biddle, 1986; Warren, 2003). On the internalization of these norms – being originated from familial, cultural or organization experiences – may be explained according to social learning theory principles (Davis & Luthans, 1980). However, according to a conclusion by Meyer et al. (2012), given that a great extent of research on normative commitment is theoretical-based, rather than empirical-based, opportunities to develop research on its antecedents still remains.

## The Role of Norms in Entrepreneurship

In a local study of 163 entrepreneurs running businesses for at least three years, it was interestingly found that religious duty, and being honest, in particular, is perceived to be the best factor affecting entrepreneurial success when compared to others factors (Makhbul, 2011). This finding is in line with the three criteria perceived by entrepreneurs as needed characteristics to exhibit a healthy organization; i) honesty, ii) spirituality, and iii) ethics (Kriger & Hanson, 1999) and that they perceive how rogue and immoral entrepreneurs tend to harm others as well as the economic system of their nations (Machan, 1999). In another cross border study which covers more than 30 countries, Pollit (2004) claims that entrepreneurs respect honesty, trust and accountability, and these are the core values portrayed by their firms. In a more recent work by Parbootheah and Cullen (2003), it was found that entrepreneurs highly value ethics and moral and regardless of demographic or cultural aspects, these two factors are highly respected by entrepreneurs in the global markets. An up to date study also found how the right norms shape entrepreneurial action and thus spur entrepreneurial activity, in particular during venture gestation (Meek, Pacheco, & York, 2010).

### Conducting Interpretative Phenomenological Analysis

Interpretative Phenomenological Analysis (IPA) is a newly developed, upward trend in qualitative research. IPA originated and is popular in the fields of psychology, but seems to be increasingly applied in other disciplines, including

the social sciences. IPA is a qualitative research technique aimed to examine how individuals make sense of their major life experiences. Because IPA is deeply concerned with exploring experiences in its own terms, it is considered highly phenomenological (Smith, Flowers, & Larkin, 2009) and follows Edmund Husserl's (2006) famous lead to go 'back to the things themselves'. We therefore trust that by going 'back to the things themselves' fits the discovery-oriented nature of our study for an apparent reason; the lack of clear ideas, theories, and definitions of constructs/variables on entrepreneurial commitment provides little and un-rooted foundation and structure to start with. IPA provides a powerful means to contribute to the scarcity of information by dwelling deep into the real experiences (phenomenon) dictated by entrepreneurs themselves, by the stories that they narrate and the emotions that accompany them.

IPA involves a 'double hermeneutic' (Smith, et al., 2009) where it is the researcher's duty to make sense of each participant (the entrepreneur), who in turn, is making sense of the phenomenon (entrepreneurial commitment). Research applying IPA often begins with a description of an experience that is to be understood psychologically. This step is typically accomplished by the means of an interview(s) where it normally results in a faithful and detailed experience of a situation that the researcher is seeking. A researcher could easily learn much about emotions, i.e. anger, frustration, excitement, etc of the

respondent from the interview, thus representing the needed raw data (the transcribed interview) (Giorgi & Giorgi, 2003; Smith, 2004). Once securing the descriptions, the researcher then is prepared to conduct the analysis. In short, our decision to utilize IPA corresponds with the aim to investigate the gaps between real-life occurrences as well as the theoretical concepts on one side, and the individuals' interpretation on the other (Berglund, 2007; Smith, 1996).

### The Sampling Design

In consistent with the qualitative paradigm in general, and with IPA's point of reference in particular, samples were selected purposively, rather than through probability arrangements so as to offer this study an insight into the experiences of entrepreneurial commitment per se. Participants were selected on the basis that they could grant access to a particular perspective on the phenomena under study, and that they 'represent' a perspective rather than a population (Smith, et al., 2009; Smith & Osborn, 2008). Here, sampling was based from lists provided by two organizations participating in the development of Malaysian entrepreneurs; the Small and Medium Enterprises Corporation (SME Corp.) and the Malaysian Trust Fund (MARA). In line with the purposive sampling technique, these lists were then inspected to highlight the best 'person-fit' for the in-depth interviews, which resulted in twenty four successful entrepreneurs being shortlisted and personally contacted. However, due to the very strict timeline and complexity of the interpretative

phenomenological analysis, only eight entrepreneurs were finally selected. All eight represented fairly dissimilar industries and business scopes, from the information technology industry, the food and beverage industry, up to very high-tech industries involving commodity-based production. These entrepreneurs are successfully running at least one business for the past four to twenty five years, with four of them successfully in the international markets. One of the respondents is a renowned icon for Malaysian entrepreneurship, having bagged multiple awards and recognitions and having contributed his life to edify sustainable entrepreneurship.

#### The IPA Research Question and Research Objective

Seeing that IPA deeply emphasizes on meaning, sense-making and communicative action, the emphasis of ‘making sense of what happens’ is crucial towards understanding the true meaning of commitment in normative terms. For this reason, the primary research question at this stage would be;

“How do entrepreneurs make sense of entrepreneurial commitment in a normative context?”

This research question focuses on the personal meaning and sense-making in a particular context. In other words, how does an entrepreneur ‘see’ commitment (the personal meaning) in a particular context (normative context)? The finding

of the IPA portrays a visual conceptualization of ‘normative commitment’ in the venture life-cycle process. The following section elucidates.

### Making Sense of Normative Commitment

All eight interviews were transcribed in verbatim. The most visible interpretation of normative commitment is embedded within the term “righteousness” and “good deed”. To illustrate, one entrepreneur deliberated;

“But, because our intention is not to err...for us to buy a Bentley, or things like that [grins]...it’s just that umm...a lot of righteousness [emphasizes] that we are doing...we know that, we keep telling umm...especially me, how I...comfort myself, is that the reason why I faced so much hardship in taking off is because of the good that I’m doing for my people”.

Another stated;

“I see myself as doing the right thing...yes...the right thing, you see? Working hard, thinking hard...spending hard to make more money...yeah...it seems... right! As long as you go according to the principles, you’ll be safe...it makes you feel right. It doesn’t matter whether you succeed or not, it’s the feeling of doing good, and right...[smiles]”



One said;

“Err...I guess what I’m doing is...umm...good. Is...err...right. For me, for my family...yeah...for the people around me too. Doing business is right you see. It’s the best career for a person because it makes you a better person each day...of course...you must do it properly. I think people should be in business, it makes people think hard and work harder. It’s right because it’s one of the best form of discipline you see? A successful entrepreneur is a very disciplined person...yeah...I see it that way”

The most successful out of the eight said;

“What made me go this far? Well...I guess because I’ve been treating my businesses as some sort of a ...umm...good deed. Yes, good deed...which makes me feel right by doing the right things...like giving back to the people and society...after all, they were the ones who’ve pushed me this far [grins]. When I perform, I feel I’ve achieved a sense of goodness done not only to myself, but to others”.

A lady entrepreneur stated;

“Hmm...I worked so hard to achieve what I have now because I know that it’s the best for me and my family. It’s the most perfect thing to be done

and I enjoy it...it makes me feel so right and I'm very happy...even though faced with so many failures back then. But working hard and not giving up is the best attitude...makes you feel...good. Because you've done the right stuff...you know that...it makes you stand up after you fall down”

Another entrepreneur said;

“To be successful is [the] best goal to strive for. What more when you're a businessman! Why?... It's the hardest of jobs! Because it uses up your entire being...your energy, your mind, emotions...every single cent you have...your family...sacrifice! But you know that it's right...all this, it makes you satisfied because you know that you have the hardest of all jobs...and it's the best for you”

One more said;

“Ah...I've been aiming for success for a long time...and worked real hard...even spent everything I had...made my family really unhappy... but deep inside I know I had to do it...I failed so many times yet I didn't give up. Why? I think...umm...because I believed that I'm doing something good...It wasn't an easy victory, it took me more than five years to break even! And my family managed to survive! I believed that what I'm aiming for is something really good for everyone...yeah...so I struggled real hard”

One even emotionally emphasized;

“Why I work this hard? Because people are supposed to work hard! Not just sit and hope for the best! People must work hard, then only hope for the best! What more when you decide to become a successful businessman! The problem now is that many want to succeed but are not willing to commit themselves! They fail, and they give up! Just like that? That’s never right! The right thing is to struggle real hard...it’s hard, yes...sure it is, but it’s the right thing to do, because it’s like...transforming you from a caterpillar into a butterfly...wiggling...very difficult at first, but flying high at last!”

“Right” and “good” are the two recurring themes embedded in all eight entrepreneurs’ texts. These themes are interpreted as being directly related to their personal beliefs on why they had to “work hard” to achieve entrepreneurial success. They strongly believe that they are highly committed to success because of the righteousness and goodness entrepreneurship brings, not only for them but also for the society. They believe that prospective entrepreneurs must work hard and not easily give up when faced with challenges and failures. To them, commitment derives from the sense of willingly doing good deeds and performing for the people around them. To them, commitment is interpreted as an endless struggle yet beautifully camouflaged as a continual transformation into a better person. In short, they feel good with what they do, and truly believe in entrepreneurship as a process

that makes the most out of a person, and is the most “right” package for personal success.

Another visible theme recurring from the texts was “responsibility”. For instance, one entrepreneur stated;

“I believe that both of us, we’re committed to make this thing fly ...for our family. For our religion...It’s a long and hard learning process...and we were responsible to groom ourselves and develop many other people along the way too...yes...it’s worth it...that’s the beauty of an entrepreneur [laughs]”

And one lady participant stated;

“I believed that I [am]... highly responsible for all my actions, decisions...when I perform and not. I believe that it’s my duty to work hard...no matter what people say. I have a company to develop, so I must commit to working hard for my company, right? If I’m wrong, I’ll admit it...people respect me as a very responsible business lady, and I am [smiles]”

One entrepreneur said;

“Oh, I always regard everything I do as a huge responsibility to myself, my family, the people around me...my nation, my religion. A great job, being

an entrepreneur...a huge responsibility too”

The most established out of the eight mentioned;

“People see me as a very responsible man...because I am. Ever since I was a boy, I was already responsible for Haji Tasnim’s business. I guess it’s in me...I’m different from my other family members...because I treat business as a great responsibility, even though the business was not mine”

One entrepreneur said;

“Success is all about being responsible for your actions, admit your mistakes, be humble when [you] succeed”

While one said;

“It’s tough being an entrepreneur because you have to always be responsible for your actions and decisions. But when you succeed, it’s worth the responsibility”

And another said;

“Working hard...I believe it’s a responsibility to work hard. No matter what your job is. Play hard, work hard [smiles]. But ah...to become a successful entrepreneur, work harder! [grins]”

Here, “responsibility” seems to be another favourite phrase used by almost all participants. As entrepreneurs, they believe that they are responsible for their actions and decisions, responsible to work hard and responsible to become successful entrepreneurs.

Another recurring theme is “to help people”. One of them stated;  
“All the years....I’ve been doing this to help people, not for myself...but for the people. They needed a good product”.

While a lady entrepreneur said;

“...because I sell not just for the money, because if this is not beneficial, people won't buy you know.”

And one deliberated;

“It’s sort of self satisfaction...yes...satisfaction when you get to help people with your services and products. Also when you get to help those who dream to become entrepreneurs like us”

And one said;

“Oh, I’m doing this for my society...I help young people to work with me, teach them how to conduct a proper business...I help them grow their business. See? This is what I was working for all this while...it’s to help the

people, because I want to give back in return”

The most renown said;

“Twenty five years in business...yes...[it’s] worth the struggle! Why? Because I’ve helped so many...many people along the way! I’ve helped myself, my family, and so many others around me. People see me as a successful, wealthy man...yes, I am [smiles]...but what’s important...I guess, I’ve inspired a lot of people [smiles]”

While one said;

“What more can make you satisfied than to [have] helped people? In business, you must be able to do this! Work hard for yourself and for others. That has always been [my] life’s principle”

Internalized moral obligations was also an evident recurring theme in the texts. To illustrate, one entrepreneur pronounced;

“Hmm...I work hard because I know I have to...it’s sort of an obligation to myself...that I have to do it. Besides, I was taught to work hard. My religion emphasizes on work[ing] hard for success. I believe in putting two hundred percent of my effort in whatever I do. Not ninety or one hundred [smiles]”

While one entrepreneur said;

“I carried on because I had to! No choice! It’ll be shameful if I quit! I’m not a quitter...never will be [grins]. I stick to my principles...my faith... that’s why I’ve always believe[d] in working hard... no matter what”

The lady entrepreneur stated;

“...belief in faith...but you must also work hard! Every religion asks its followers to work hard, right? Like in business, my religion states that ninety percent of source of income comes from business. I’ve always believed in this”

And one said;

“I stayed because I felt obligated to see myself succeed. If I’ve turned back, I wouldn’t be what I am now...it’s like...there are always voices in me saying I have to carry on no matter what happens...that... I’ll become a better man if I keep going”

While one also said;

“It gives me the energy...yes...when I’m down, I think of my obligations...to myself, family...it gives me a sort of...energy...then I bounce back....[smiles]”



Normative commitment refers to a feeling of obligation to continue with an act/goal (Meyer & Allen, 1991; Meyer, Becker, & Vandenberghe, 2004). The sense of “righteousness”, “responsibility” and “internalised moral obligations” shapes the normative commitment within, only to persuade the entrepreneur to stay loyal and believe in entrepreneurial commitment. In the same vein, Meyer et al.’s seminal works on organisational commitment (1991, 1997; 2001; 2010; 2012) argue that normative commitment implies to the feeling of an obligation to continue with employment. An employee with a strong normative commitment will stay employed because the employee feels he “oughts to”. Existing within is a strong sense of responsibility to remain with his employer, and the belief that “it’s the right (and moral) thing to do”. The worker perceives that his loyalty is valuable to the organisation, thus willingly makes sacrifices for the organisation to prosper. The same goes with the entrepreneur. To a certain extent, an entrepreneur performs because he perceives what is pursued to be the best and as a noble act of responsibility and moral obligations. This is in line with two local studies recently conducted to investigate the factors associated with entrepreneurial success, and both suggest that “religious responsibility” is the main driver of entrepreneurial growth (Bustamam, 2010; Makhbul, 2011).

All in all, when asked to sum up, one entrepreneur said;

“It’s all about effort you see...”

One of them emotionally uttered;

“I closed my printing factory, I put everything here. I closed my law firm, I put everything here. My wife, having more than 10 years as a managing director of a successful law firm. Our law firm was the leading law firm for Telekom Malaysia. 50,000 files each month! One file, 1,000 plus [RM] income. We closed that, put everything in here [the business] and without [a] maid...and she became a fulltime housewife. From during the times when she had her own driver! It's...err...I don't think the commitment can get any higher! And...oh, I've had three strokes. Did I give up? No. Never. Not till I die [smiles]”

While one participant said;

“I'll never give up. Giving up is like giving up all that I have...my life, this is my life. I can't give up. Yeah, I'm struggling real hard...but I will never give up. If I don't succeed here, maybe I'll succeed somewhere else [smiles]. God bless...I'll never give up”

And one deliberated;

“Ah! Don't become an entrepreneur if you can't accept the challenges!  
So, if you're scared, don't even think of making through the first month!

Yes...I've experienced all this. If you're scared, don't mention it! Just stay employed [laughs]. But if you got the guts, be it, go for it...umm...people like me, you see, we're not afraid of anything else...sabotage, this and that...just afraid of God. You must be determined that you want success, then God will help”

Seeing commitment as a “force that binds an individual to a course of action that is of relevance to a particular target” (Meyer & Herscovitch, 2001, p. 301), commitment, in some way, does exist throughout the narrative of these eight entrepreneurs. Commitment as made sense by the entrepreneurs and by the authors is the force that binds the entrepreneurs to their entrepreneurial goals and motivates them to strive harder and to persevere. It empowers them to bounce back, even after a series of bad falls and crumpled hopes.

## Conclusion

In an exploratory attempt to make sense of entrepreneurial commitment in a normative context, we find that “righteousness and responsibility” as well as “internalized moral obligations” stand as the main components of normative commitment in the entrepreneur. In short, the IPA finding concludes the following; that commitment exists and somehow impacts business start-up and entrepreneurial performance, and that it is partly embedded in the forms of normative commitment. This normative commitment is reflected by the

feelings of righteousness and responsibility, as well as a sense of internalized moral obligations within the entrepreneur. This normative commitment is the force that drives the entrepreneur to remain loyal to entrepreneurship, and to persevere for success (see Figure 1).

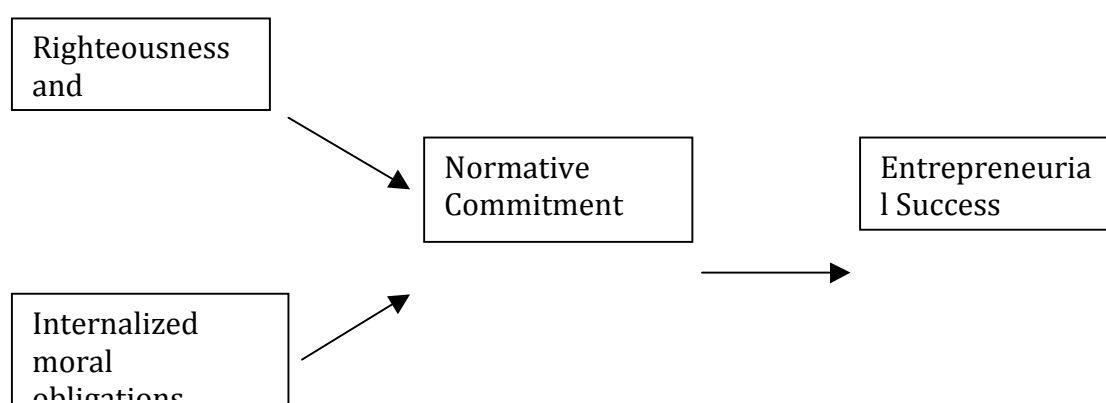


Figure 1: Normative commitment in the successful entrepreneur

Our exploratory findings pave ways for further empirical and longitudinal studies on successful entrepreneurship, focusing in particular on the components of entrepreneurial commitment. For instance, if both the components of normative commitment contribute to the drive for entrepreneurial success, it would then be important for policy makers and those

actively involved in promoting entrepreneurial development to focus on nurturing righteousness, responsibility and moral obligations to prospective entrepreneurs in order for them to remain with entrepreneurship, and to sustain success. To add, perhaps a special curricula could be introduced other than the conventional ones focusing on business planning and pre-entrepreneurship education where instilling the right virtues in the entrepreneur may contribute as new curricula ingredients. This curriculum may be focused on guiding those especially in the first years of business to commit for the long run. We believe that nothing could stop the prospective entrepreneur if what he/she believes is right.

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