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Enterprise related factors influencing entrepreneurial orientation: Evidence from Khyber Pakhtunkhwa Province of Pakistan

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This purpose of this study is to examine the association and influence of enterprise related factors on entrepreneurial orientation. Primary data were collected through self administered questionnaire with backup interview from two hundreds and nineteen randomly selected samples. Questionnaire was distributed among members registered with different (Khyber Pakhtunkhwa, Hazara and D.I.Khan) chambers of commerce and industry in Khyber Pakhtunkhwa province of Pakistan. The collected primary data were analyzed in both descriptive and inferential ways. Study also examined the association between the independent variables (enterprise informalization, value based compensation and access to resources) and dependent variable (entrepreneurial orientation). Pearson correlation matrix shows a positive relationship between the dependent and independent variables. Hence, results of all hypotheses were in expected direction which means that positively correlated with each other. Similarly, multiple regressions were used to measure the influence of independent variables (enterprise informalization, value based compensation and access to resources) on the dependent (entrepreneurial orientation) due to the continuous nature of data. The results show that model is perfectly fit and explaining 45.4% variation in entrepreneurial orientation due to enterprise informalization, value based compensation and access to resources. Furthermore, the beta score indicates that access to resources is the most significant predictor whereas enterprise informalization is the next leading predictor. Hence, it is in line with conclusion that enterprises related factors play an important role in flourishing entrepreneurial orientation and has positive influence on entrepreneurial orientation at 5% level of significance.

Key words: Entrepreneurial orientation, Khyber Pakhtunkhwa, enterprise informalization, value based compensation, access to resources.

INTRODUCTION

Nowadays, entrepreneurship is playing very vital role in uplifting the economies of developing countries. The successful entrepreneurship stories are not only coming from Silicon Valley and Cambridge Research Park but also coming from Beirut, Saudi Arabia as well as from Pakistan; specifically, Air Blue Success story (the first paperless airline in the world which quickly acquired 30% share of the country domestic market) (Keyes and

Shadow, 2010). Entrepreneurship is occurring in Pakistan and it is important that successful entrepreneurs such as those created Servaid Pharmacy, Air Blue or the university start up and enterprises emerging now in different cities of Pakistan are recognized and receive visibility that they need to grow into larger business and this will compel the economy of the country forward. Such trends will motivate young generation to be not

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only job seeker rather jobs creators and entrepreneurs. Entrepreneurship contributes towards the economic development of a country especially by creating employment, service provision, new technology induction, product and market innovation etc, which ultimately reduces poverty and increases per capita income of a country (Batra, 2002; Samli, 2002). Interest, concentration and research in entrepreneurship have been rising over the past few years (Green et al., 1996; Outcalt, 2000; Alstete, 2002; Morrison, 2000) due to its role in boosting economic growth and development of a country. It is the entrepreneurial activity that builds industries and businesses which turn companies and countries into big economic power houses (Naqi, 2003).

In addition, the research is found among the major industrialized G-7-countries (Canada, France, Germany, Italy, Japan, The United Kingdom, and The United States) in particular "a very strong relationship between the level of entrepreneurial activity and annual economic growth" (Mary, 2005). From global perspective, it can also be concluded that entrepreneurial activities play important role in a country's economic growth.

Entrepreneurship researchers are interested in entrepreneurial orientation due to "its positive implications that entrepreneurial process have on firms' growth and performance" (Lumpkin and Dess, 1996, 2001; Wiklund, 1998, 2003; Zahra et al., 1999). Moreover enterprises, creating and introducing new products and technologies, can generate extraordinary economic performance and have been seen as the engines of economic growth (Schumpeter, 1934, 1954; Brown and Eisenhardt, 1998). Further "a positive relationship between entrepreneurship and economic growth has been widely agreed upon" (Carree et al., 2002). Finally, there has been an increase in research in this area (Low and McMillan, 1988).

Most of the emerging theories and literature reviews regarding entrepreneurship development are derived from the growing body of knowledge comprising studies conducted in developed countries. One of the main reasons is the scarcity of research conducted on entrepreneurship development in developing countries (Allen and Truman, 1993) like Pakistan. Most of this work has been conducted by the international development agencies, which tended to focus on 'macro-perspective' (Wees and Romijn, 1987). But in Pakistan most of the present researches on entrepreneurship tend to focus more on the field of entrepreneurship in general; the success factors of actual entrepreneurs and to a certain extent characteristics of entrepreneurs (Mohar, 2007).

In the field of entrepreneurship, there is limited research available in developing countries particularly in Pakistan due to the fact that government has not focused too much in this field until SMEDA and SME bank emerged during last decade. SMEDA has played important role in the enhancement of entrepreneurial orientation particularly for small and medium enterprises because in developed countries, more than 90% of all firms fall under

the umbrella of SMEs (Schaper, 2006). In Pakistan, there are 2.3 million SMEs contributing about 30% of GDP and 25% in export earnings (Sinha, 2003). These SMEs provide employment to approximately 70% of the industrial labor (State Bank of Pakistan, 2008).

Khyber Pakhtunkhwa province possessed rich opportunities in different sectors of business but enterprises are not performing successfully because business community is not utilizing technology and skills effectively and efficiently. Thus they are not properly contributing in the economic development of country, in the sense that neither creating more job opportunities and nor reducing poverty as the need of province which ultimately not promoting entrepreneurial culture in the society.

As stated above that entrepreneurial orientation theories have emerged primarily from research in developed countries, it is important to examine the extent to which these apply in the context of developing countries such as Pakistan and particularly KPK province. Hence, this research study focused on measuring empirically the impact of different enterprise related factors affecting entrepreneurial orientation in Pakistan with special reference to KPK province. In this study, entrepreneurial orientation is dependent variable while enterprise related factors (enterprise informalization, value based compensation, access to resources) are independent variables.

LITERATURE REVIEW

Entrepreneurial orientation

The word "entrepreneurship" has been defined for the last two centuries from different perspectives (Hebert and Link, 1988). Traditionally, it emphasized efforts on part of a single person whose innovative behavior translates his dream into prospering business enterprise (Collins et al., 1964). Whereas presently entrepreneurship implies a "process" which exists in enterprises of different sizes and types and which is different from, but dependent upon, particular individuals (Burgelman, 1983; Gartner, 1985; Kao, 1989; Miller, 1983; Wortman, 1987). Thus, entrepreneurship can be defined as "process of creating value by bringing together a unique package of resources to exploit an opportunity" (Stevenson et al., 1989). Entrepreneurial event as well as entrepreneurial agent is part of this process. The event points toward conceptualizing and implementing of a new enterprise. While agent on the other hand is a single person or group of persons who takes up personal responsibility in order to bring the event into successful business enterprise.

The entrepreneurial process comprises attitude and behavior as components (Bird, 1989; Long Tan and Robinson, 1995). In terms of attitude, it implies the willingness of an individual or enterprise for seeking new avenues and assumes responsibility in order to bring forth a creative change (Miller et al., 1982, 1884). This

willingness implies an “entrepreneurial orientation”. In terms of behavior, it comprises the group of activities needed for evaluating an opportunity, clarifying a business concept, assessing and getting the vital resources followed by operating and harvesting the rewards through the firm’s creation (Stevenson et al., 1989).

Entrepreneurial orientation means all those practices, processes and decision-making activities adopted by entrepreneurs to act entrepreneurially that carries one into initiation of an entrepreneurial firm (Lumpkin et al., 1996). Miller (1983) defines an entrepreneurial firm as “one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch”. However, each dimension is correlated positively as suggested by Lumpkin et al. (1996), which has been validated empirically by Rauch et al. (2004). So Entrepreneurial firms are those whose entrepreneurial behavior focuses on risk taking, innovation, and proactiveness. So the entrepreneurial orientation is visible through observable entrepreneurial tendency towards innovativeness, proactiveness and risk taking.

The construct entrepreneurial orientation (multidimensional construct consists of firm innovativeness, proactiveness and risk taking) is getting more attention in the field of entrepreneurship (Stevenson and Gumpert, 1985). This entrepreneurial orientation construct seems to be applicable in all types of enterprises. Further Kreiser et al. (2002) found out that the entrepreneurial orientation construct gave valid results inside different national contexts and is applicable through out the world. Empirically, positive influence of entrepreneurial orientation on the performance and growth of a firm has been supported by several studies (Stuart, 1990; Lumpkin and Dess, 1996, 2001; Wiklund, 1998, 1999, Wiklund et al., 2003; Zahra et al., 1999; Dess et al., 1997).

The conceptualization of entrepreneurial orientation consists of three dimensions: proactiveness, risk taking, and innovativeness. A literature review verified that the above mentioned three dimensions as are used most commonly in entrepreneurial research (Covin et al., 1989, 1991; Knight, 1997; Morris et al., 1987; Miller, 1983; Zahra and Covin, 1995; Zahra, 1993). Innovation implies the seeking of creative, extraordinary or strange solutions to problems and needs. These solutions appear in the guise of new processes and technologies besides taking the form of new products and services (Vesper, 1980; Schumpeter, 1934). Risk taking implies willingness for committing huge resources to opportunities which involve probability of high failure (Stewart, 2001; Gasse, 1982), Proactiveness is the tendency to anticipate and meet the future needs and opportunities of the market (Schwartz et al., 2005; Kouriloff, 2000; Lumpkin and Dess, 1996) and has first mover advantage to become pioneer and also always struggle to have an upper hand over their competitors (Kerin, 1992).

Enterprise related factors influencing entrepreneurial orientation

Many studies focused on the association between entrepreneurial orientation and its determinants (Zahra et al., 1999; Bygrave, 1989). According to Guth and Ginsberg (1990) and Morris et al. (1994), enterprise related factors include “enterprise size and its structure, strategic decision-making process, enterprise resources and its culture”

Previous studies verified that many enterprises related factors have an impact on firm's entrepreneurial behavior (Zahra, 1991) and by these factors opportunities might be identified, evaluated and exploited effectively. Zahra (1991) made differentiation between intangible and tangible enterprise related factors. According to Zahra (1991) “Intangible mainly refers to the enterprise's set of values which represent managerial philosophies and ideals and the formal norms that guide employee behavior”.

Following is the detail of organization related factors affecting entrepreneurial orientation:

Enterprise informalization

Entrepreneurship researchers (Stevenson and Gumpert, 1985; Covin and Slevin, 1991; Zahra, 1993) consider that a lower degree of formalization flourishes the new ideas. Enterprises where operations and procedures are operated by formal rules are less probable to promote innovation, because “they are more oriented towards realizing processes than goals” (Barringer and Bluedorn, 1999). According to Green et al. (2008) “Informal enterprises (organic structures) are those in which information is widely and openly shared among the employees, informal control mechanisms and the norm of cooperation are used to direct individuals' actions; lateral communication focuses consultation rather than command, the search of goals is often carried out with little concern for past practice or existing procedures; and finally informal patterns of interaction are used as the basis for adjusting and continually redefining processes and individual responsibilities”. In short activities are more flexible in enterprise.

With low formalization, delegation of power and participation of employees makes them more powerful to solve their problems, generate new ideas and hence increase their chances to deal with experimentation and novel ideas more frequently (Burgelman, 1984). Further, as employees engaged in “planning process free of formal restrictions, the willingness to express different viewpoints leads to innovation” (Dutton et al., 1987). Similarly, Covin et al. (1988) and Dane and Pratt (2004) talk about the importance of structural formation in entrepreneurial firms. Research on family enterprise indicates that the degree of delegation and informalization is positively

influencing entrepreneurial orientation (Salvato, 2002). Hence,

Hypothesis (H1): Enterprise informalization has a positive influence on entrepreneurial orientation

Compensation system based on value added by employees

Rewarding employees for performance motivate them to remain intact with enterprise for longer period of time and increase their loyalties as well as devotions (Stevenson and Gumpert, 1985). Employees consider the concept of owning the enterprise and enhance their loyalties against their competitor. According to Miller (1983) “value based compensation guides people to communicate both internally and externally to better scan for opportunities that increase enterprise value, making the whole enterprise more adaptive”. This act of owner or entrepreneur increases ability of their employees to make change when necessary in order to deal with different situations. Offering rewards to employees for their performance helps to attract and retains good quality members and increases satisfaction of employees which ultimately increases their entrepreneurial orientation. In other words, Salvato (2002) said that “Compensation systems in which the extent to which employees are rewarded on the basis of value added to the enterprise is positively associated to entrepreneurial orientation”. Hence, employees, value added based compensation system is significantly influencing entrepreneurial orientation.

Hypothesis (H2): Compensation systems based on value added by employees significantly predict the variance in entrepreneurial orientation

Access to resources

Access to resources enables the entrepreneur to aggressively exploit opportunities well before time compared to competitor due to environmental pressures (Wernerfelt, 1984; Barney, 1986). Resources such as physical and non physical assets are necessary to implement “value-creating strategies” (Eisenhardt and Martin, 2000) and to exploit opportunities by flourishing entrepreneurial orientation. According to Solymossy (2005), “Resources have been considered as necessary; however, existence is not sufficient and resources have to be efficiently utilized to achieve effective economic activity. So how resources are used or organized by the entrepreneur is as important as whether or not resources are available”.

Access to resources and then its efficient reallocation or reorganizing is essential to entrepreneurial orientation; otherwise, wastage of available resources is adverse or can offset entrepreneurship (Fahy, 2002). According to Timmons (1977), “effective entrepreneurial economic

activity requires the business person to access and leverage resources to create value addition”. Entrepreneurs should be able to grab an opportunity and then commit the necessary resources in order to effectively perform entrepreneurial role and exploit opportunity.

Access to capital is determined by owner's interaction with his/her formal and informal relations with others for the enterprise (Birley, 1985; Alvaro, 2005). His/her social status and links with other members of society enhance probability to motivate others for the “benefits of the task, have better access to resources, minimize transaction costs, diversify risks and exploit opportunities more easily” (Alvaro, 2005).

Similarly, Claessens et al. (1999) described that “specialization and competition for the available resources increase innovation” and ultimately increase entrepreneurial orientation. Access to resources includes both tangible and intangible. According to Fahy (2002) and Andersen and Kheam (1998) and Foss (1997) “tangible resources are key determinants of firm success”. Studies by Galun et al. (1998), Grant (1996) and Teece et al. (1997) reported how resources may be reorganized that is combining existing and new resources in innovation process. Innovation “consists of a substantial extent of recombination of conceptual and physical materials previously in existence” (Nelson et al., 1982). Thus, entrepreneurship can be seen as the result of combining existing and new resources (Schumpeter, 1934). Empirically, it has been stated that enterprises whose owner with easily access to resources are more likely to have higher entrepreneurial orientation (Covin et al., 1991; Brown, 1997; Wiklund, 1998). Hence, access to resources has a positive influence on entrepreneurial orientation.

Hypothesis (H3): Access to resources has a positive influence on entrepreneurial orientation.

Research framework and variables selection

Theoretical framework is displayed in Figure 1, which shows the relationship between the dependent variable, entrepreneurial orientation and independent variables, enterprise informalization, value based compensation system, access to resources. All variables are measured on interval scales.

Schematic diagram of the theoretical framework (independent variables and dependent variable)

This is shown in Figure 1

RESEARCH METHODOLOGY

Survey approach

Survey research is excessively used in social sciences for data

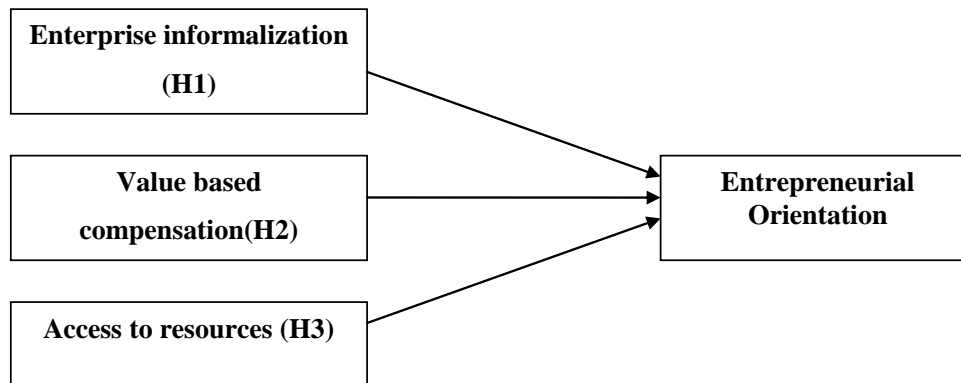


Figure 1. Influence of enterprise related factors on entrepreneurial orientation. (Enterprise related factors).

Table 1. Population size of the study.

Categories	Khyber Pakhtunkhwa (Sarhad) Chamber of Commerce and Industry	Hazara Chamber of Commerce and Industry	D.I.khan Chamber of Commerce and Industry	Total
Services Providers	171	56	24	251
Manufacturers and traders	291	88	51	430
Traders	2039	560	216	2815
Total	2501	704	291	3496

collection (Babbie, 1993). Similarly, survey strategy can also be “an excellent vehicle for measuring attitudes and orientation in large population” (Babbie, 1993). Survey approach was used to obtain data from the respondents registered with different chambers of commerce and industry in KPK through a self administered questionnaire with back up interview.

Population size of the study

The population of this study consists of 3496 members registered with different chambers of commerce and industry in KPK, working in different categories (www.kpcci.org.pk). The detail of population size provided by respective chambers is given in Table 1.

Sample size determination

To determine the readability, clarity of questionnaire and reliability of measures, the researcher conducted a pilot study. For sample size determination, the results of pilot study are given in Table 2. The sample size is determined using Cochran's sample size determination formula (Cochran and Snedecor, 1980). Cochran's sample size determination formula is shown as follows:

d = acceptable margin of error of +/- 2% (0.02 x 5 point Likert type scal

s =estimated standard deviation

z = acceptable risk (z at 0.05 is 1.96)

(Z is used instead of t because, to determine the critical value of t, the sample size needs to be known, but it is not known yet (Levine et al, 2005,p.259).

N = population size

n_0 = unadjusted sample size

n = adjusted sample size

Target population of this study included the total number of members registered with different chambers of commerce and industry in Khyber Pakhtunkhwa province of Pakistan working in different categories of traders, services providers and traders and manufacturers on small and medium scale with employment base up to 99. The formula for finite population was used to compute the sample-size for each population category. As population is the combination of three different groups, also the population of traders' group with respect to others is too large. It can be observed from Table 2 that results of proportionate sampling do not give proper representation to each group. Therefore, situations like this Sekaran (1999) described that “disproportionate sampling decisions are made either when some stratum or strata too small or too large, or when there is more variability suspected within a particular stratum”. Thus, disproportionate stratified sampling procedure was applied as shown in Table 2. In the social sciences, 95% confidence level is usable, which equals 1.96 z-values.

Questionnaire development

The questionnaire was divided into two sections. The first section consists of entrepreneurial orientation measurement. Entrepreneurial orientation is measured by asking nine questions about innovativeness, risk taking propensity and proactiveness collectively on five-point Likert scale from strongly agree to strongly disagree developed by Covin and Slevin (1989) with slight modification. Lyon et al. (2000) classify entrepreneurial orientation

Table 2. Sample selection procedure (pilot study statistics).

Sample (finite population)	Stratified samples			
Pilot Study Statistics	Disproportionate sampling (from formula)			
Standard deviation (s) or (σ)	0.78			
Acceptable margin of error (d)	0.10	Services providers	251	0.69 14
Z value at 95% confidence	1.96	Manufacturers and traders	430	0.79 29
Sample population (N)	3496	Traders	2815	0.86 176
Sample size (n)	219	N=	3496	n= 219

Formula: $n_0 = z^2 s^2 / d^2$; $n = n_0 / (1 + n_0 / N)$; sample size (n)=219. $n_a = [(n N_a \sigma_a) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$; $n_b = [(n N_b \sigma_b) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$; $n_n = [(n N_n \sigma_n) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$.

Table 3. Reliability statistics.

Variables	Cronbach alpha
Entrepreneurial Orientation (Dependent variable)	0.89
Enterprise informalization (Independent variable)	0.86
Value based compensation system (Independent variable)	0.88
Access to resources (Independent variable)	0.90

measures into three types: “managerial perceptions, firm behaviors, and resource allocations”. This study embraces the first type by investigating managerial perceptions on three types of organizational behaviors: innovativeness, risk taking and proactiveness.

Second section consists of enterprise related factors. Twenty three questions about enterprise related factors that is, ten questions about enterprise informalization, six questions about value based compensation system and seven questions about access to resources were asked from the respondents in the questionnaire. All these questions are asked on interval scale.

Statistical methods

Descriptive statistics (means, standard deviations and frequency distributions) were calculated to develop profile of the sample. To analyze the data and test the hypotheses specified in the study, multiple regression test was performed to investigate the influence of three independent variables on one dependent variable due to the continuous nature of the data. The regression model takes the following form:

$EO = \beta_0 + \beta_1 EI + \beta_2 VBC + \beta_3 AR + e$ where,
 β_0 = Constant
 EO = Entrepreneurial Orientation (Dependent variable)
 EI = Enterprise informalization (Independent variable)
 VBC = Value based compensation system (Independent variable)
 AR = Access to resources (Independent variable)
 E = error term

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

After collection of data from samples, the next step is to analyze it and test the research hypotheses. Different

kinds of analyses like *Reliability Analysis, Descriptive analysis, Correlation analysis and multiple regression analysis* were analyzed by using SPSS (V.16.0)

Reliability analysis

A Cronbach’s coefficient alpha was obtained to measure the reliability of all its item variables. According to Sekaran (1999), “Cronbach Alpha is a reliability coefficient that indicates how well the items are positively correlated to one another and closer the Cronbach’s alpha is to 1, higher the internal consistency”. Further Sekaran(1999) said that in general, the reliabilities less than 0.60 are considered to be poor, those in the 0.70 range, acceptable and those over 0.80 good. As the Cronbach’s Alpha is above 0.80, thus internal reliability of the measures can be considered good. The result obtained for Cronbach’s alpha test for the dependent (entrepreneurial orientation) and independent variables are depicted in Table 3.

Demographic characteristics of the sample

This is given in Table 4.

Descriptive analysis

Descriptive statistics such as means were obtained for both the dependent and independent variables measured

Table 4. Frequency distributions of sample (n = 219).

Demographic	Frequency	Percentage	Cumulative Percentage
Gender	Frequency	Percentage	Cumulative percentage
Male	202	92.2	92.2
Female	17	7.8	100.0
Total	219	100.0	
Age	Frequency	Percentage	Cumulative percentage
Below 20 years	13	5.9	5.9
20-40years	79	36.1	42.0
More than 40	127	58.0	100.0
Total	219	100.0	
Education level	Frequency	Percentage	Cumulative percentage
Primary	85	38.8	38.8
High	114	52.1	90.9
College	20	9.1	100.0
Total	219	100.0	
Domicile	Frequency	Percentage	Cumulative percentage
Non local	72	32.9	32.9
Local	147	67.1	100.0
Total	219	100.0	
Nature of business	Frequency	Percentage	Cumulative percentage
Services providers	14	6.4	6.4
Manufacturers and traders	29	13.2	19.6
Traders	176	80.4	100.0
Total	219	100.0	
Family orientation	Frequency	Percentage	Cumulative percentage
Business oriented	82	37.4	37.4
Jobs oriented	137	62.6	100.0
Total	219	100.0	
Birth order	Frequency	Percentage	Cumulative percentage
First born	91	41.6	41.6
Others	128	58.4	100.0
Total	219	100.0	
Type of ownership	Frequency	Percentage	Cumulative percentage
Sole prop	183	83.6	83.6
Partnership	36	16.4	100.0
Total	219	100.0	
Motivation	Frequency	Percentage	Cumulative percentage
Pull motivation	75	34.2	34.2
Push motivation	144	65.8	100.0
Total	219	100.0	

on 5-point interval scale. The results are shown in Table 5.

Mean value 3.38 for access to resources and 3.28 for value based compensation indicate that some of the

Table 5. Descriptive statistics.

Variables	Sample size(n)	Mean
Enterprise Informalization	219	3.0498
Value Based Compensation	219	3.2828
Access to Resources	219	3.3883
Average Entrepreneurial Orientation	219	3.0609

Table 6. Correlations among the variables.

Correlations		Enterprise Informalization	Value based compensation	Access to resources	Entrepreneurial orientation
Enterprise Informalization	Pearson Correlation	1	.461**	.763**	.616**
	Sig. (2-tailed)		.000	.000	.000
	N	219	219	219	219
Value based compensation	Pearson Correlation	.461**	1	.500**	.426**
	Sig. (2-tailed)	.000		.000	.000
	N	219	219	219	219
Access to resources	Pearson Correlation	.763**	.500**	1	.635**
	Sig. (2-tailed)	.000	.000		.000
	N	219	219	219	219
Entrepreneurial orientation	Pearson Correlation	.616**	.426**	.635**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	219	219	219	219

** . Correlation is significant at the 0.01 level (2-tailed).

respondents are optimistic about role of access to resources and value based compensation in the entrepreneurial orientation enhancement. While the mean values for enterprise informalization and entrepreneurial orientation are close to about 3.0 on a 5-point scale which indicates that most of the respondents are indifferent/neutral about these variables.

Inferential statistics: Pearson correlation

Correlation analysis was conducted between the dependent variable entrepreneurial orientation along with other three independent variables i.e. enterprise informalization, value based compensation system and access to resources in order to find out whether there was any relationship among the variables. The Pearson's correlation matrix obtained is showed in Table 6:

From the result in Table 6, it is concluded that the entrepreneurial orientation is positively correlated with all independent variables, which suggests that if entrepreneurial orientation is to be increased, then it is

necessary to enhance level of enterprise informalization, value based compensation system and access to resources. The correlations values computed among all the variables are in the expected direction, that is, positively correlated to entrepreneurial orientation.

Multiple regression analysis to test hypotheses

To test these hypotheses, multiple regression analysis was used .The results of three independent variables against one dependent variable can be seen in Tables 7, 8 and 9.

In Model Summary Table 7, R 0.674 is the correlation of the three independent variables with the dependent variable. In the model summary Table, R Square (0.454), which is the explained variance, is actually the square of the R (0.674) which means that 45.4% of the variance (R-Square) in the *entrepreneurial orientation* has been significantly explained by the three independent variables. In other words, all the three independent variables i.e. enterprise informalization, value based compensation

Table 7. Model summary.

Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	.674 ^a	.454	.447	.56977

a. Predictors: (Constant), access to resources, enterprise informalization, value based compensation

Table 8. ANOVA^b.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	58.082	3	19.361	59.638	.000 ^a
	Residual	69.797	215	.325		
	Total	127.880	218			

a. Predictors: (Constant), access to resources, enterprise informalization, value based compensation.

b. dependent variable: entrepreneurial orientation.

Table 9. Coefficients^a.

Model	Unstandardized coefficients		Standardized coefficients	T	Sig.	Collinearity statistics	
	B	Std. error	Beta			Tolerance	VIF
(Constant)	1.091	.161		6.765	.000		
1 Enterprise informalization	.229	.061	.294	3.731	.000	.409	2.447
Value based compensation	.087	.045	.113	1.920	.050	.734	1.362
Access to resources	.298	.068	.354	4.384	.000	.389	2.569

Dependent variable: entrepreneurial orientation.

system and access to resources together explain 45.4% of the variance in the perception towards entrepreneurial orientation. Overall variability of all independent variables over dependent variable (R²) is observed as 45.4%.

Table 8 shows degree of freedom (df) 215, which is calculated as (N-K-1), where N (219) is the total number of respondent and K(3) represents number of independent variables. Further in the same table the results are found to be highly significant as indicated by the F value 59.638 ($p < 0.05$). Thus enterprise informalization, value based compensation system and access to resources have positive and significant influence on entrepreneurial orientation.

The next titled Coefficients Table 9 indicates that among the three independent variables one has most significant influence on the entrepreneurial orientation. It can be said that the highest number in the beta is 0.354 for access to resources, which is significant at 0.000 levels. It may also be seen that the beta is 0.294 for the enterprise informalization, significant at 0.000 levels and 0.113 for value based compensation system, significant at 0.050 levels respectively. The positive Beta weight indicates that if entrepreneurial orientation is to be enhanced, it is compulsory to promote enterprise informalization; value based compensation and access to

resources. At the end it is concluded that three independent variables as discussed above have positive and significant influence on entrepreneurial orientation.

Similarly the above Table titled Coefficients also demonstrates the multi collinearity diagnostic between dependent and independent variables. There is no multi collinearity among the variables. The size of the $VIF(\hat{\alpha}_i)$ analyze the magnitude of multicollinearity problem. A common rule of thumb is that if $VIF(\hat{\alpha}_i) > 5$ then multicollinearity is high. Also 10 has been proposed as a cut off value (Kutner et al., 2004). In above Table titled Coefficients, VIF values are in range of 1.00 to 5.0 which shows there is no Multi collinearity issue in above stated variables.

DISCUSSION

The research found that enterprise informalization, value based compensation and access to resources are positively and significantly associated with entrepreneurial orientation. The results are also consistent with previous research studies as discussed in the literature review like Stevenson et al. (1985); Covin et al. (1991) and Zahra (1993). Similarly this is also in line with expectation that

Table 10. Summary of results.

Hypotheses		Supported/not supported
H1	Enterprise informalization influences entrepreneurial orientation	Supported
H2	Value based compensation influences entrepreneurial orientation	Supported
H3	Access to resources influences entrepreneurial orientation	Supported

these enterprise related factors can play an important role as source in the creation of opportunities in order to enhance entrepreneurial orientation particularly for small and medium entrepreneurs because the development of many large mechanistic organizations during 1950's and 1960's were "often incapable of adapting to changes in the environment in a timely fashion due to unending red tape and inflexible policies and decision rules" (Morris and Trotter, 1990, Keats and Hitt, 1988; Bluedorn, 1993). Smaller and more flexible enterprises having more ability of "identifying potential opportunities, reallocating resources, shifting managerial commitment quickly and developing products, services and/or processes to capitalize on opportunities that result from changing environmental conditions" (Foster, 1986; Burns and Stalker, 1961; Waterman, 1987). SMEs are considered as a backbone of economic growth in both developed and developing countries. This sector has contributed a lot in the removal of unemployment by creating employment opportunities for expanding rural and urban workforce as well as reducing poverty and introducing flexibility and innovation in the economy as a whole as compared to large units.

Employers may be able to improve their enterprise informalization, because of more flexible work practices and higher degree of delegation to employee in the enterprise facilitates in the emergence of new ideas. Similarly experimentation and novel ideas, open channels of communication, informal relationships in enterprise and making decision mostly rely on experienced-based intuition and more oriented towards realizing goals than processes facilitates innovation (Barringer et al., 1999; Burgelman, 1984; Dutton et al., 1987; Dane and Pratt, 2004).

Likewise, compensation system based on value added by employees is helpful and leads employees to communicate more, both internally and externally in searching of more opportunities. This is because opportunity creates pressure for innovation and ultimately produces a dramatic increase in entrepreneurial orientation (Gilder, 1984; Kaplan, 1987). Furthermore value based compensation system generates unusual motivation, cement loyalties and increases trust in the enterprise and increases their satisfaction and performance which ultimately increases firm entrepreneurial orientation (Stevenson et al., 1985; Miller, 1983 and Salvato, 2002).

Also access to resources (plants and equipments) and having better technology access as compared to competitors make the enterprise more entrepreneurial

oriented. More over easily access to take loan as well as qualified staff members, employees and their training boost-up to capture more opportunities by exploiting it and become more entrepreneurial oriented as compared to others (Covin et al., 1991; Brown, 1997; Wiklund, 1998; Nelson et al., 1982; Claessens et al., 1999; Timmons, 1977; Eisenhardt et al., 2000; Wernerfelt, 1984; Barney, 1986; Galunic et al., 1998; Grant, 1996; Teece et al., 1997).

At the end result of the research study clearly evidenced that there is strong and positive relationship between independent variables, (enterprise informalization, value based compensation and access to resources) with dependent variable entrepreneurial orientation. The results also demonstrate that enterprise related factors as mentioned above have positive effect on entrepreneurial orientation. Furthermore, in order to build up entrepreneurial culture in the society, then we must have to develop these enterprise related factors by creating awareness and by conducting different workshops, training programmes and through a proper support system from business development services providers like SMEDA particularly in Khyber Pakhtunkhwa (KPK) province of Pakistan. In the same way formal (social) and informal relationships (family, relatives and friends) relationships can also play an important role in this context (Table 10).

Conclusion

It is concluded that more flexible work practices and by conducting different types of training programmes for the employees increases their performance, motivations as well as job satisfaction. Training could ensure that skills were better utilized which might reduce the tendency to increase job turn over rate and ultimately enhance their loyalties which is necessary for the entrepreneurial orientation with in enterprise.

Pakistan raises its GDP growth rate from 4.3% in 2000 to 7.7 % in 2005 (State Bank of Pakistan, 2008) and is not among the worst affected countries of world recession. Similarly the strategic importance of Pakistan cannot be denied; despite all these plus points and potential for growth and development, Pakistan has been facing number of domestic and fiscal problems. The adverse law-and-order situation, electricity shortages, increasing fuel and electricity charges, war against terror as well as financial constraints are among the major

current problems faced by business community which reduces the entrepreneurial orientation and survival become major problem. Further it can create negative impact on existing and potential entrepreneurs in terms of their future status which may guide individuals to choose salaried jobs in public or private sectors instead of running their own business. Similarly, lack of sufficient incentives toward entrepreneurship and unfavorable business environment hinder the development of any entrepreneurial vision of individuals

But as this research is concerned, scarcity of resources and/or lack of access to financial markets are the most severe problems faced by the business owners in the Province of KPK-Pakistan. Limited access to financial resources is perhaps the major problem for SMEs around the globe too. A study of 30 countries (including 27 European Union member states, Norway, Iceland, and Turkey) also reported the similar results (European Commission, 2007). Several studies concluded that the lack of "access to capital and credit schemes as well as the constraints of financial systems" are considered barriers faced by entrepreneurs to become innovate and successful in developing economies (Marsden, 1992). As aforementioned, access or lack of capital are problems faced by Indonesian SMEs (Kristiansen and Indarti, 2004). A study among Vietnamese SMEs exposed that internal limitations which create obstacle for SMEs to succeed is "capital access or shortage" (Swierczek and Ha, 2003). Hence, access to resources especially financial capital is the most important factor affecting entrepreneurial orientation particularly in KPK.

Moreover, in KPK majority of the respondents from the sample have a preference to get finance from informal sources of friend and family for their businesses due to easy access and immediate availability without any lengthy procedure and proper collateral requirements. This creates demand for enhancing the role of supporting agencies like SMEDA, SME bank as well as for developing policy based on one window operation for providing loans which can encourage business community through networking to get capital through formal source of finance.

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