

The Impact of Spirituality on Individual Entrepreneurial Orientation: An Empirical Study of Pakistani University Students

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Abstract

With the varying research directions on exploring the factors influencing the entrepreneurial orientation, this research attempts to investigate the impact of individual's spiritual orientation on individual's entrepreneurial orientation. In theory, spirituality provides a sense of purpose, meaningful life, interconnectedness and community consciousness; all these attributes contribute in the development of an entrepreneur who has a positive attitude and strong motivation to be innovative, take calculated risk and be able to proactively foresee the possible hurdles. The Spiritual Orientation construct is used as a latent variable in this study and is measured by self-efficacy and life scheme, whereas the Individual Entrepreneurial Orientation construct is measured by three variables i.e. innovativeness, risk-taking and proactiveness. Data has been collected from 246 university level students, belonging to various degree programs, representing seven major cities of Pakistan. Structural equation modeling is used to test the impact of spiritual orientation on individual entrepreneurial orientation. Through exploratory and confirmatory modeling we find that the individual entrepreneurial orientation does vary with the level of spiritual orientation. This positive relation between the two constructs shows a new dimension which can be utilized in entrepreneurship pedagogy. The entrepreneurship development programs can thus use spiritual orientation as an antecedent to promoting individual entrepreneurial orientation.

Keywords: Spirituality, Individual Entrepreneurial Orientation, Structural Equation Modeling.

1. Introduction

With the growing literature supporting the stance that 'entrepreneurship can be taught', it becomes apparent to investigate the factors that enhance the entrepreneurial learning. In particular the factors which not only enhance and develop the entrepreneurial mindset but at the same time imbibe a socially, environmentally and ethically sensitive mindset rather than becoming selfish, arrogant, and impassive to society. In this context we intend to research on the individual entrepreneurial orientation with a focus on spirituality. Some of the main characteristics of an entrepreneur is innovativeness, the ability to take calculated risks, have high self-esteem, persevere, and the ability to foresee possible hurdles. The spirituality provides a sense of purpose, a meaningful life, interconnectedness and community consciousness. Recently there has been significant increase in the research on impact of spirituality on entrepreneurial behavior. These interests have led to the introduction of full fledge journals and international conferences e.g. Journal of Management, Spirituality and Religion (JMSR); Conference organized by European 'Spirituality in Economics and Society' (SPES) Forum at IFIM Business School, Bangalore, India in 2014.

In this paper we have two intentions; firstly to check the validity of individual entrepreneurial orientation (IEO) and the spirituality construct, secondly to explore the relationship between the two constructs - in the context of Pakistan. The data was collected from undergraduate and graduate level students participating in business plan completion (INVENT 2013, The Entrepreneurial Challenge), organized by Centre for Entrepreneurial Development of Institute of Business Administration, Karachi (IBA CED). Lot of research has been carried out in the context of firm level entrepreneurial orientation (EO). The concept of individual level entrepreneurial orientation (IEO) is relatively new and it measures the entrepreneurial orientation of the individual. We have used the IEO construct as developed by Bolton and Lane (2012) derived from the firm level EO construct developed by G Tom Lumpkin and Gregory G Dess (1996). For spirituality we have followed the construct developed by Frey et al. (2005), 'Spirituality Index of Well-Being', although it has been developed by keeping in view the health care sector, but still its relevance can be seen in management and especially in entrepreneurship. The empirical testing of the proposed model is carried out using factor analysis and structural equation modeling is used to test the causal

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relationship. This theoretical and empirical study is a pioneering work, especially when seen among the entrepreneurship literature available in Pakistan's context.

This paper is divided into three parts and a conclusion; literature review, empirical analysis and discussion. The literature part will cover important studies within the area of entrepreneurship and spirituality, while empirical part will discuss the data collection methodology and techniques employed, whereas the discussion part will look into the results and outcome of hypothesis. Conclusion part identifies some important research directions.

2. Literature Review

We will look into important studies available on the synergy of entrepreneurship and spirituality. To start off, Extant literature is available on the impact of spirituality at workplace. In a comprehensive literature review of 140 articles Karakas (2010), three different perspectives are explored which identify the role of spirituality in benefiting the employees and enhancing organizational performance. Firstly, spirituality positively impacts on quality of life and well-being; secondly, it provides a sense of purpose and meaning at work; lastly, a sense of interconnectedness and community is developed. These three perspectives have implications from the viewpoint of interpersonal commitment, human resource and philosophy. Interpersonal perspective is about relationships, social dynamics and collective dimensions which enhances loyalty, attachment and belonging to organization. From the human resource view, spirituality increases the morality, commitment and subjective well-being as it helps in overcoming uncertainty, fear and chaos. From a philosophical view, the spirituality addresses the questions which an individual tries to search i.e. meaning and purpose of life and work. It has deep implications in individual's life, needs, aspirations, career and passion. Karakas (2010) concludes that spirituality play a vital role in transforming the workplace into a more calling one, and practitioners have to positively connect it in their organizations. From an entrepreneurial point of view, spirituality is useful in nurturing creativity, innovation, honesty, trust, mindfulness, and develops down-to-earth attitude despite being successful (Chin et al., 2012).

Kauanui et al. (2010) studied the relationship between spirituality and entrepreneurship in the context of play and flow theory; where work and play are synonyms, and flow is the phenomena of fully engaging in an activity, thus it leads to better focus and job satisfaction. The flow characteristics are; clear goals and feedback, challenge skill, loss of ego, focused concentration, sense of control, time distortion, autotelic experience. It was concluded that the entrepreneurs who higher spirituality i.e. who saw meaning and purpose of life as integrated - also showed high values in flow characteristics – fully engage in respective activity. Amram (2009) listed seven dimension of spirituality related to entrepreneurs; consciousness, grace, meaning, transcendence, truth, serenity and inner directedness. In a conceptual paper on spirituality and entrepreneurship by Shinde and Shinde (2011) a construct has been developed which combines variables from commercial and social entrepreneurship in the light of perennial philosophy. They also presented a definition of spiritual entrepreneurship as, “an activity aimed at creating an organization with a universal outlook that fosters a spiritual program and recognizes existing opportunities and needs within its environment, by engaging in a process of innovation and adaptation, despite limited resources.”

A renowned construct 'Spirituality Index of Well Being (SIWB)' developed and empirically validated by Frey et al. (2005), captures the level of spirituality of an individual. The SIWB is based on two constructs; self-efficacy and life scheme. The self-efficacy of an individual shows the internal commitment of himself in overcoming the challenges which he confronts in real life, regardless of his capacity or perceived resources. Life scheme refers to 'meaning making', that provides a sense of purpose and order of one's life, it is described as “a positive, pervasive way of viewing the world and one's life in it, lending elements of comprehensibility, manageability, and meaningfulness”, (Frey et al., 2005). Although it has been tested in health related studies, but still it is of relevance in entrepreneurship – due to its sub constructs of self-efficacy and life scheme. In a more recent research impact of spirituality on entrepreneurship was tested on graduate level students, Agbim et al., (2013) studied the impact of spirituality on entrepreneurial intentions, entrepreneurial networking, entrepreneurial capability and entrepreneurial success. The spirituality scale was developed by the combination of variables i.e. vision, hope/faith, altruistic love, meaning/calling and membership. The study concluded that by introducing spirituality in entrepreneurship teaching it does away with all types of fear, jealousy, anger and guilt and develops constructive emotions

of loving fellow human beings, enhances commitment in learning and the ability to appreciate other people which are vital for an entrepreneur.

Bolton and Lane (2012) assessed and validated the entrepreneurial orientation scale at individual level (IEO); while following entrepreneurial orientation scale of G.T. Lumpkin and G.G. Dess (1996) which was earlier developed for firm level analysis. Firm level EO is defined as “the strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions” (Andreas Rauch et al., 2009). Whereas the IEO construct measures the personal characteristics or attitudes a person possesses that might increase propensity to engage in and be successful at entrepreneurial activity (Bolton & Lane, 2012). EO has been measured through five different sub constructs i.e. autonomy, competitive aggressiveness, innovativeness, proactiveness and risk taking. All these five dimensions can be considered collectively (Lumpkin et al., 2009) or separately (G.T. Lumpkin & G.G. Dess, 1996). The five dimensions defined by Andreas Rauch et al. (2009) are detailed below in Table 1. The performance of the firm is dependent on high EO scores. This EO can further be equated with the individual’s behavior, as the firms – particularly the SME’s – are initiated by individuals. EO has been significantly tested at firm level (Covin & Slevin, 1989; G Tom Lumpkin & Gregory G Dess, 1996; Runyan et al., 2008) so it can be tested on individual basis (Kuratko et al., 2005). Bolton and Lane (2012) developed the IEO construct to measure the three dimensions i.e. innovativeness, calculated risk taking and proactiveness. Factor analysis was employed to measure the IEO among university level students, resulting in an evidence of three behaviors of significance; risk taking, innovation and proactiveness. From this study it can be derived that psychological traits are useful in predicting individual entrepreneurial orientation (A. Rauch & Frese, 2007).

Table No. 1: Rauch et al. (2009)

Behavior	Definition
Autonomy	“Independent action undertaken by entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition”
Innovativeness	“Predisposition to creativity and experimentation through introduction of new products and services as well as technological leadership via R and D in new processes”
Proactiveness	“An opportunity-seeking, forward-looking perspective characterized by new products and services ahead of the competition and acting in anticipation of future demand”
Risk-taking	“Taking bold action by venturing into the unknown, borrowing heavily and/or committing significant resources to ventures in uncertain environments”
Competitive Aggressiveness	“Intensity of a firm’s effort to outperform rivals”

3. Empirical Analysis

The constructs developed by Frey et al. (2005) and Bolton and Lane (2012) have been used in this study. Frey et al. (2005) developed the spirituality construct by using focus group interviews in order to capture the patient voice regarding well-being concept. Bolton and Lane (2012) replicated the five behavior study of G Tom Lumpkin and Gregory G Dess (1996), after transforming the sentences of questionnaire from firm level to individual level. The constructs were reduced to three variables due to insignificant results in reliability analysis; this step increased the overall cronbach alpha. These two variables – autonomy and competitive aggressiveness – are the least studied variables in entrepreneurship literature, (Andreas Rauch et al., 2009). The questionnaire is given in the appendix.

The spirituality construct is based on two sub-constructs; self-efficacy and life scheme. Where each constructs contains a set of six questions, with a scale of 1 to 5, representing ‘strongly disagree’ to ‘strongly agree’. The IEO contains three constructs; risk, innovativeness and proactiveness. With three questions assessed for risk and proactiveness, and four questions assessed for innovativeness. The scale for IEO ranged from 1 to 5, representing ‘strongly disagree’ to ‘strongly agree’.

Data was collected from university level students (undergraduate and graduate) participating in a business plan competition, ‘INVENT – The Entrepreneurial Challenge’, organized by Centre for Entrepreneurial Development, Institute of Business Administration, Karachi. It started from January 2013

and concluded in August 2013. Workshops were held across the country in this regard, in April 2013, in which students were given training on developing an entrepreneurial mindset, developing a business plan, preparing a rocket pitch. The training was reinforced with internal and external mentoring. Workshops were conducted in seven major cities of Pakistan; Karachi, Sukkur, Multan, Faisalabad, Lahore, Islamabad and Peshawar. IBA-CED had a prior MoU with the hosting university in respective cities. Around 1500 students from different HEC recognized university attended these workshops, 350 ideas were registered in this process and 50 teams submitted their business plans for the competition – where each team comprised of 4 members. Questionnaires were distributed and collected on the day of workshop. A total of 311 responses were collected out of which 246 were found to be useful. The questionnaires which were significantly incomplete were dropped out, as for the few missing variables; we opted for logically deducing the few missing items, in line with Wang et al. (1992) methodology. Viewing the number of questionnaires received, it seems reasonable, as the total members who submitted their business plans were 200. We received no questionnaire from the participants of Lahore, resulting in a data collection from six major cities of Pakistan; Table 2 shows the survey response frequency city-wise.

Table No. 2: City-wise Respondents Distribution

City	Frequency	Percent	Male	Female
Karachi	89	36.2	67	21
Peshawar	65	26.4	58	7
Multan	28	11.4	10	18
Islamabad	26	10.6	17	9
Sukkur	21	8.5	11	8
Faisalabad	17	6.9	8	9
Total	246	100.0	171	72

The data was analyzed by using SPSS. The questions related to SO (Spiritual Orientation) were transformed as it contains all reversed questions from the scale of 1 to 5, to, 5 to 1, in order to match it with IEO construct. Overall reliability analysis of all items showed Cronbach's Alpha of 0.853, showing very reliable constructs. Factor analysis was then used to check discriminant validity between constructs. Varimax rotation methodology was employed to check the loading of variables on the latent constructs. The factor analysis also resulted in five latent factors, with eigenvalues greater than one, explaining 56 percent of total variance. It shows that five latent variables successfully extracted on 22 variables. Table 4 shows the factor loadings between 0.840 and 0.519. The only problem was seen in the first variable of innovation construct, which loads with the risk construct. This can be due to the question, as it contains the words similar to risk construct.

Structural equation modeling (SEM) was used to test the impact of spiritual orientation (SO) on individual entrepreneurial orientation (IEO). For initial level causal testing we opted for going towards second order SEM. The result shown in Figure 1 depicts a strong positive impact of spirituality on individual entrepreneurial orientation. The regression analysis shows that when SO increases by 1 the IEO increases by 0.73. Fit indices shows that the model has a good data fit; Normed chi-square (i.e. CMIN/DF) is 2.104 well below the cut-off of ≤ 3 ; the Comparative Fit Index (CFI) shows result of below the threshold value of 0.92 i.e. 0.859; and the Root Mean Square Error of Approximation (RMSEA) falls between the acceptable range of 0.5 and 0.8. Chi-square probability is significant, but it doesn't show any problem as it can be due to large sample size and it can happen due to the non-normal distribution of the data. In our case the data had to be right skewed for IEO and SO, reflecting higher orientation in both scales.

Table No. 3: Model Estimates

Fit Indices	
Chi-square	429.270
Degree of Freedom	204
Probability Level	0.000
CMIN/DF	2.104
CFI	0.859
RMSEA	0.67

Table No. 4: Rotated Component Matrix^a

	Component				
	1	2	3	4	5
IEO - R1				.793	
IEO - R2				.519	
IEO - R3				.608	
IEO - IN1				.566	
IEO - IN2					.657
IEO - IN3					.669
IEO - IN4					.692
IEO - PA1			.598		
IEO - PA2			.788		
IEO - PA3			.686		
SO - SE1 (r)		.745			
SO - SE2 (r)		.746			
SO - SE3 (r)		.649			
SO - SE4 (r)		.604			
SO - SE5 (r)		.549			
SO - SE6 (r)		.678			
SO - LS1 (r)	.725				
SO - LS2 (r)	.760				
SO - LS3 (r)	.840				
SO - LS4 (r)	.793				
SO - LS5 (r)	.706				
SO - LS6 (r)	.643				
Eigenvalues	3.673	3.058	1.983	1.904	1.843
% of Variance Explained	16.697	13.9	9.012	8.654	8.375
Cronbach Alpha	0.858	0.789	0.686	0.603	0.575
KMO	0.813				
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 6 iterations.					

4. Conclusion

In exploratory study in context of Pakistan, we qualitatively and quantitatively assessed the role of spirituality in the field of entrepreneurship. The empirical analysis verified our hypothesis that spirituality does play a significant positive role in shaping the individual entrepreneurial orientation. Thus variables of spirituality – self-efficacy and life scheme – do play a vital role in enhancing innovativeness, proactiveness and risk-taking attitude – key traits of an entrepreneur. For future research directions, we recommend to carry out a comprehensive literature review which would direct towards many other dimensions within the domain of entrepreneurship and spirituality. For empirical analysis, we recommend to study the latent variables one-on-one basis so that the impact of individual construct could be apprehended.

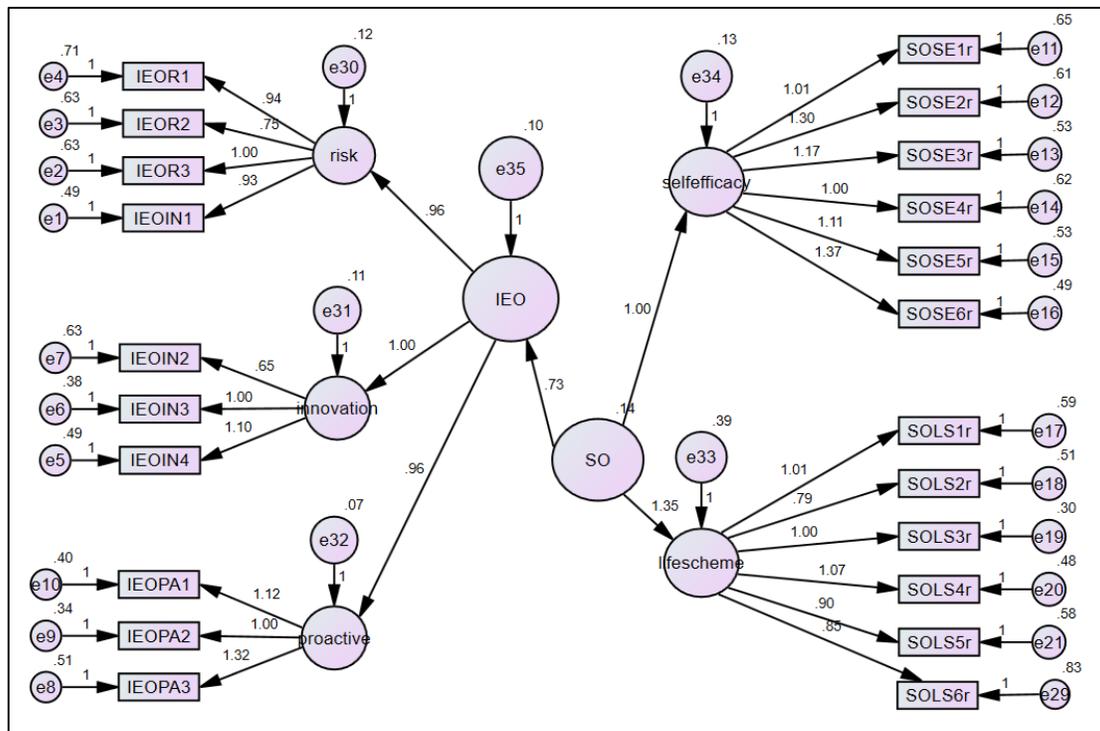


Figure 1: Second Order Structural Equation Modeling; SO and IEO

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