

A Study of Psychological and Non Psychological Factors of Owner Influencing Entrepreneurial Orientation: Evidence from Khyber Pakhtunkhwa-Pakistan

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Abstract

The objective of this study was to empirically investigate the impact of owner psychological and non psychological factors on entrepreneurial orientation collectively in Pakistan with special reference to Khyber Pakhtunkhwa province. Data was collected through questionnaire from samples of two hundred and nineteen respondents by using stratified random sampling method. Questionnaires were distributed among members registered with different chambers of commerce and industry in Khyber Pakhtunkhwa province of Pakistan. Multiple regressions and correlations were used to measure the influence and relationship between the dependent (entrepreneurial orientation) and independent variables (psychological and non psychological factors) due to the continuous nature of data. A positive relationship between the dependent and independent variables was found and the results of all hypotheses were in expected direction. Empirically the role of psychological is more influencing as compare to non psychological factors as well as is highly correlated at a 0.05 level of significance.

Key words: Psychological factors; Non psychological factors; Entrepreneurial orientation

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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, p.55). 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 country forward. Such trends will motivate young generation to be not only job seeker rather jobs creators and entrepreneurs.

Entrepreneurship is contributing a lot in generating employment opportunities, rapid growth, services provision, new technology induction, product and market innovation etc, which ultimately reduces poverty and increases per capita income of country. It is the entrepreneurial activity that builds industries and businesses which turn companies and countries into big economic power houses (Naqi, 2003, p.4).

Since the entrepreneur is the first one from which the entrepreneurial opportunity springs, so the role of entrepreneur is an important one in both new and established enterprises. Similarly to establish enterprises and their growth has been considered to be an important source of new jobs creation and significant "factor in market economy variation and regional development" (Reynolds & White, 1997). Further, the entrepreneurial orientation that guides to new firm creation helps to "prevent economic decline and fuels overall economic growth" (Reynolds *et al.*, 1997). 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).

Entrepreneurial activity is and continues to be important in every developed and developing economy. Its importance can be shown in three *areas*: innovation, number of new startups and job creation (Mary, 2005, pp.11-13) which ultimately reduces poverty.

The importance of an entrepreneurial activity may be divided into three distinct **categories** that include the benefits *to individual, to society and to the nation*.

In order to promote entrepreneurial culture in society there is need to study those factors affecting entrepreneurial orientation. These trait and non-trait related variables of entrepreneur are key to measure their impact on entrepreneurial orientation, which ultimately increases business performance (Chell, Haworth, and Brearley,1991). Although there is sufficient literature about how individual factors affecting (psychological and non psychological factors) on entrepreneurial orientation. But there is little empirical evidence to measure impact of individual factors affecting (psychological and non psychological factors) entrepreneurial orientation in developing countries like Pakistan with special reference to Khyber Pakhtunkhwa (KPK).

The objective of this study focused to measure empirically the impact of different psychological and non psychological factors on entrepreneurial orientation at gross root level in Pakistan with special reference to Khyber Pakhtunkhwa province.

1. LITERATURE REVIEW

1.1 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, 1988; Long Tan and

Robinson,1995). In terms of attitude, it implies the willingness of an individual or enterprise for seeking new avenues and assume 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, clarify a business concept, assess and get the vital resources followed by operating and harvesting the rewards through the firm’s creation (Stevenson, Roberts and Grousbeck, 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, Wiklund, Freese, and Lumpkin (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 & 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 throughout the world.

Empirically, the positive influence of entrepreneurial orientation on the performance and growth of a firm has been supported by several studies (Stuart, 1990; Lumpkin & Dess, 1996, 2001; Wiklund, 1998,1999, Wiklund *et al.*, 2003; Zahra, Jennings, and Kuratko, 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 & 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, Teach, and Birch, 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).

Following is the detail of different individual related psychological and non-psychological factors affecting the entrepreneurial orientation.

1.2 Psychological Factors

Following is the detail of psychological factors affecting entrepreneurial orientation.

1.2.1 Need for Achievement Motivation

Persons having needs for achievement motivation, are those individuals who want to solve their problems themselves, see destination and make struggle to achieve destination, express best performance and innovative in this way that looking for new and improved ways to get better output (Littunen, 2000; Utsch et al., 2000). Moreover in literature evidence indicated that strong relation between need for achievement and entrepreneurial orientation has been discussed (Robinson et al., 1991; Johnson, 1990; McClelland in 1961 and Shaver et al., 1991)

1.2.2 Internal Locus of Control

locus of control is concerned with the perception of an individual whether he or she has capabilities "to control the events in life" (Leone et al., 2000). Individual feelings "about the rewards and punishments in his/her life" are demonstrated by Locus of control (Pervin, 1980)

Personnel with an "internal locus of control" consider that they are capable to control life events, While personnel with an "external locus of control" feel that life events are the consequence of external elements, "such as chance, luck or fate and other individual affect their performance across range of activities" (Koh, 1996; Riipinen, 1994; Hansemark, 1998 and Barney, 1986). Rotter (1996) stated that "individual with an internal locus of control are more likely to make struggle for achievement as compared with those with an external locus of control". Empirical analyses about internal locus of control characteristic of an entrepreneur had been discussed by various researchers (Ho and Koh, 1992, Robinson, et al., 1991, Mueller et al., 2000; Hansemark, 1998; Koh, 1996 and Utsch et al., 2000).

1.2.3 Tolerance for Ambiguity

A situation is called to an ambiguous one or unclear when insufficient or incomplete information is available about an activity or in other word it is called uncertain situation. Entrepreneur respond positively to ambiguous situations as compare to others who have low level of tolerance for

ambiguity, feel uncomfortable in unclear and uncertain situation and hence make effort to keep away from such ambiguous or uncertain situations (Busenitz et al., 1997 and Mitton, 1989 and Koh et al., 1997). Therefore person having entrepreneurial tendency is likely to show more "tolerance for ambiguity" than others (Ho & Koh, 1992; Schere, 1982; Sexton, and Bowman, 1985, 1991).

1.2.4. Role of Intuition

Intuition can be powerful source of new ideas if you learn to use it (Mary, 2005). Studies have shown that intuition is used regularly in decision making (Burke & Miller, 1990). An person who has experience with a particular or even similar type of problem or opportunity often can act quickly with what appears to be limited information, Under these circumstances the entrepreneur does not rely on systematic and through analysis of the problems or opportunity and evaluation of alternatives, but instead uses his/her past experience, knowledge and judgment to make a decision (Dane & Pratt, 2004, 2007). Entrepreneur's intuition play very important role to run enterprise with higher entrepreneurial orientation than others.

1.3 Non Psychological Factors

Following is the detail of non psychological factors affecting entrepreneurial orientation.

1.3.1 Role of Education

Historically education has been recognized as an important component in entrepreneur's human capital development with positive influence on entrepreneurial orientation (Bruderl, Preisendorfer and Ziegler, 1992). Miller (1983) said that the entrepreneur and his/her education have an impact on entrepreneurial orientation particularly in small and medium enterprises. Educated entrepreneurs have more probability to operate their enterprise with higher entrepreneurial orientation, as compare to non educated (Storey, 1994, 1996, Wiklund, 1998). According to Gustafson (2004) "education changes cognitive processes within the individual, which may provide new skills for solving complex problems". Thus there is a positive relation between entrepreneur's education and entrepreneurial orientation.

1.3.2 Role of Multiple Skills (Diversity of Skills)

Entrepreneur's abilities and skills are main determinant in exploiting the opportunities, (Chandler & Jansen, 1992; Dahl et al., 2005 & Helfat et al., 2002). According to Nieman (2001), the skills required by entrepreneur can be classified into three main areas, "technical skills, business management skills and personal entrepreneurial skills". Bruderl et al. (1992) said that more skills (both in the specific activity and in general management) possessed by entrepreneur, increases the productivity which reduces chances of failure and, therefore, may be important factors of firm's entrepreneurial orientation". All these skills e.g. industry knowledge, managerial and entrepreneurial skills have been considered as significant in prior research

studies (Macrae, 1992; Birley & Westhead, 1994). These diversity of skills of the entrepreneur increases his/her familiarity with various issues and make it easy to find solutions of problems effectively (Gustafsson, 2004).

1.3.3 Role of Informal Relationship (Parents/Family)

The overall parents' relationship to his/her child is also an important aspect to create the desirability to establish his/her own business and to enhance entrepreneurial orientation (Minniti, 1999). Parents of entrepreneurs require being supportive and should promote their independence level, achievement and responsibility. This supportive role (particularly the father) seems to be the most important for entrepreneurs (Segal, 2005). Further more the entrepreneurial mother also increases the feeling of independence. Similarly according to Kolvereid (1996) entrepreneurs tend to have parents with entrepreneurial mind set. Various studies described that that it is not easy to set up a business for the first generation entrepreneurs, but majority of the entrepreneurs set up their business if they already have a family background of business and mostly capital for start up is provided by family and friends (Lee and Tsang, 2001). According to Alvaro (2005) "family is a potential source of information which provides complementary resources, managerial capabilities, networks and funds". According to Hisrich, R and Brush. G (1986) "entrepreneurs tend to grow up in middle-to-

upper class environments, where families are likely to be relatively child centered and tend to be similar to their fathers in personality". Results indicate that family environment that encourages creative thinking can increase level of entrepreneurial orientation (Young, 1971).

1.3.4 Role of Formal (Social) Relationship [e.g. Memberships and Association with Bankers, Different Business Clubs etc.]

Formal (social) relationships [e.g. bankers, memberships/ association and politicians etc.] with other members of society act as supporting tool in the exploitation of opportunities and flourish entrepreneurial orientation (Cochran, 1971). Entrepreneur who has social relationships use formal contacts as agents to accomplish their own objective and discusses problems and opportunities with those members and ultimately increases entrepreneurial orientation (Reynolds, 1991; Shapero and Sokol, 1982 stated in Solymossy, 2005). Social system that make easy for "development of networks, provide forum for entrepreneurs to share information, identify opportunities and reallocating resources" are beneficial for entrepreneurial orientation (Aldrich & Zimmer, 1986; Carsrud & Johnson, 1989). Formal relationships with other members of society is helpful in search of new ideas and encourage s innovativeness, promote risk taking capacity and finally enhance proactiveness.

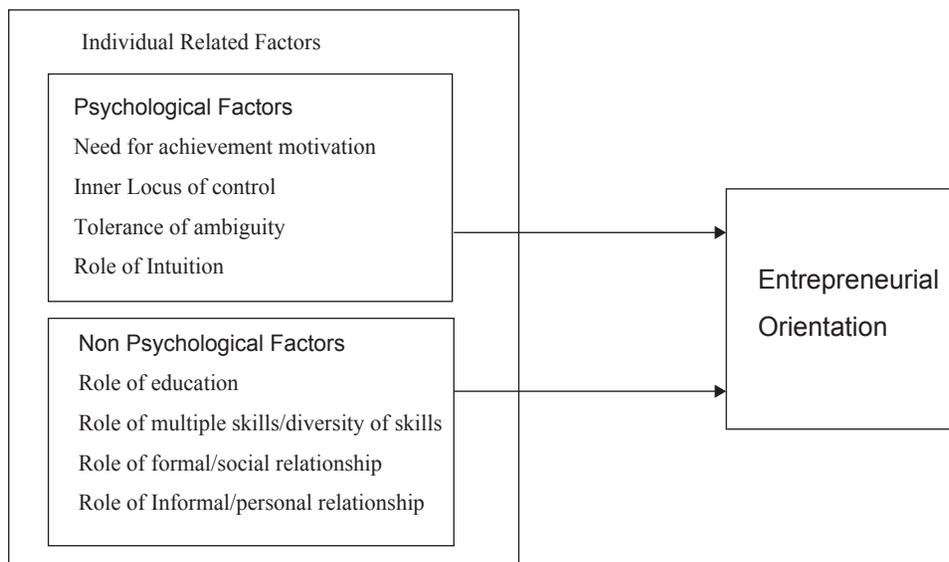


Figure 1
Individual Related Psychological and Non Psychological Factors Affecting Entrepreneurial Orientation

2. RESEARCH METHODOLOGY

2.1 Survey Method and Data Collection

Survey research is excessively used in social sciences for data collection (Babbie, 1993). The potential of survey

research is questionnaire technique. In social sciences researchers use survey approach because survey strategy can also be "an excellent vehicles for measuring attitudes and orientation in a large population" (Babbie, 1993: 257). Survey based methodology was used to collect data

through questionnaire from the respondents registered with different chambers of commerce and industry in KPK.

2.2 Questionnaire Development

The questionnaire was composed of two sections. The first sections consists of entrepreneurial orientation measurement. Entrepreneurial orientation is measured by asking nine questions about innovativeness, risk taking propensity and proactiveness on five-point Likert scale from strongly agree to strongly disagree developed by Covin *et al.*,1989). All these questions were asked on

interval scale. The second section consist of individual related psychological and nonpsychological factors collectively affecting entrepreneurial orientation. All question were measured on interval scale .

2.3 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 retrieved from www.kpcci.org.pk. The detail of population size provided by respective chambers is given bellow in Table 1.

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

2.4 Sample Size Determination

To determine the readability, clarity of questionnaire, validity and reliability of measures the researcher conducted a pilot study. Researcher distribute questionnaire among

thirty eight members in pilot study and chonbach’s alpha was above the acceptable range .For sample size determination, the result of pilot study are given in the following Table 2.

Table 2
Sample Selection Procedure (Pilot Study Statistics)

Sample (FINITE population)	Stratified Samples				
Pilot Study Statistics	Disproportionate sampling (from formula)				
Standard Deviation (σ)		N	SD(σ)	N	
Standard Error (E)		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)		N=	3496	n=	219
Formula $n = \lceil \frac{\sigma^2}{(E^2/Z^2) + (\sigma^2/N)} \rceil$	Formula $n_a = [(n N_a \sigma_a) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$ $n_b = [(n N_b \sigma_b) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$ $n_n = [(n N_n \sigma_n) / ((N_a \sigma_a) + (N_b \sigma_b) \dots + N_n \sigma_n)]$				
Sample size(n)=219					

The target population of the study included the total number of members registered with chamber of commerce and industries in Khyber Pakhtunkhwa (KPK). The formula for finite population (Najeebullah, Shah & Nawaz, 2008) was used to compute the sample size for each population category. The population was made up of traders, services providers and traders and manufacturers working in Khyber Pakhtunkhwa (KPK) on small and medium scale. In the social sciences, 95% confidence level is usable, which equals to 1.96 z-values.

Note As population is the combination of three different groups, and also the population of traders' group with respect to others is too large. It can be seen from the above table that results of proportionate sampling do not give proper representation to each group. Therefore, situations like this Sekaran (2000) comments 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". So we applied disproportionate stratified sampling procedure which is shown in the right most to the above Table 2.

2.5 Statistical Methods

To analyze the data and test the hypotheses specified in study, multiple regression was used to investigate that how much significantly independent variables had influence on dependent variable entrepreneurial orientation, one at a time conducted by using SPSS 16.0. The regression model can be presented in the following form:

$$EO = \beta_0 + \beta_1 \text{Psy} + \beta_2 \text{Non Psy} + e \text{ where,}$$

Where β_0 stands for constant, EO for Entrepreneurial Orientation, Psy for Psychological factors, Non Psy for Non Psychological factors and e for error term

3. DATA PRESENTATION AND ANALYSIS AND INTERPRETATION

After collection of data then the next step is to analyze it and to test the research hypotheses. Different kinds of analyses like *Correlation analysis and multiple regression analysis* were analyzed by using SPSS (V.16.0)

3.1 Pearson Correlation

Correlation analysis was conducted between the dependent variable entrepreneurial orientation along with other two independent variables i.e. psychological and non psychological factor of owner operating business in order to find out whether there was any relationship among the variables.

3.2 Testing Hypotheses

Hypothesis: Psychological and Non Psychological of individual are Interco-related.

Correlation analysis was conducted between independent variables i.e. psychological and non psychological factor of owner operating business in order to find out whether there is any relationship among the variables. The Pearson's correlation matrix obtained is showed in Table 3:

Table 3
Correlations

		Psychological factors	Non psychological factors
Psychological factors	Pearson Correlation	1	.767**
	Sig. (2-tailed)		.000
	N	219	219
Non psychological factors	Pearson Correlation	.767**	1
	Sig. (2-tailed)	.000	
	N	219	219

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

From the result in Table 4.4, it is concluded that both owners' psychological and non psychological factors positively associated.

Similarly to test 2nd **Hypothesis: Individual both Psychological and Non Psychological factors are**

positively correlated with entrepreneurial orientation. Following table 4, indicated that correlations values calculated among the variables are significantly positively correlated with each other.

**Table 4
Correlations**

		Psychological	Non psychological	Entrepreneurial orientation
Psychological	Pearson Correlation	1	.767**	.765**
	Sig. (2-tailed)		.000	.000
	N	219	219	219
Non psychological	Pearson Correlation	.767**	1	.645**
	Sig. (2-tailed)	.000		.000
	N	219	219	219
Entrepreneurial orientation	Pearson Correlation	.765**	.645**	1
	Sig. (2-tailed)	.000	.000	
	N	219	219	219

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

Hypothesis (H3): Individual's both psychological and non psychological factors collectively explain variance in the entrepreneurial orientation.

To test this hypothesis (H3), multiple regression analysis was used. The results of two independent variables against one dependent variable can be seen in Table 5, Table 6 and Table 7, which are given below:

**Table 5
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.771 ^a	.594	.590	.49043

a. Predictors: (Constant), Non psychological, psychological

**Table 6
ANOVA^b**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	75.926	2	37.963	157.834	.000 ^a
	Residual	51.953	216	.241		
	Total	127.880	218			

a. Predictors: (Constant), Non psychological, psychological

b. Dependent Variable: Entrepreneurial orientation

**Table 7
Coefficients^a**

Model		Un standardized coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.724	.148		4.877	.000
	Psychological	.622	.064	.657	9.727	.000
	Non psychological	.152	.073	.141	2.091	.038

a. Dependent Variable: Entrepreneurial orientation

Table 5 indicates lists the four independent variables that are entered in the Regression model and R (**0.771**) is the correlation of the two independent variables with the dependent variable. In the model summary Table5, R Square (**0.594**), which is the explained variance, is actually the square of the R (**0.771**) which it means that **59.4%** of the variance in the entrepreneurial orientation has been significantly explained by the two independent variables. Or in other words All the two independent variables (Psychological and non psychological) together explain **59.4%** of the variance in the perception towards entrepreneurial orientation.

ANOVA Table6 shows that the degree of freedom (df) is 216, the first number represents the number of independent variables (2), the second number (219) is the total number of complete responses for all the variable in the equation (N) minus the number of independent variables (K) minus 1 *i.e.* (N-K-1) (219-2-1) =216. Moreover in the same Table the results are found to be highly significant as indicated by the F value 157.834 (**p<0.05**). Hypothesis has been accepted *i.e.* The individual Psychological and non psychological factors of entrepreneur significantly explain the variance in the entrepreneurial orientation.

Table 7 titled Coefficients helps to see that among the two independent variables which has most significant influence on the Entrepreneurial Orientation. Looking at the column Beta under the Standardized Coefficients, it can be stated that the highest number in the beta is **0.657** for the individual Psychological factors which is significant at 0.000 levels. It may also be seen that the beta 0.141 for the individual non psychological factors is significant at 0.038 levels. The positive Beta weight indicates that if entrepreneurial orientation is to be improved, it is necessary to enhance both individual Psychological and non psychological factors. At the end it is concluded that two independent variables, as stated above has positive and significant influence on entrepreneurial orientation.

4. DISCUSSION

Results supported the psychological characteristics school of entrepreneurship (Cunningham & Lischeron, 1991) and are also consistent with previous research studies reported in the entrepreneurship literature as mention above in literature review section. It means that entrepreneurs have more need for achievement motivation (McClelland,1961; Shaver *et al.*,1991; Littunen, 2000; Utsch *et al.*, 2000; Robinson *et al.*, 1991; Johnson, 1990), high internal locus of control (Leone *et al.*, 2000; Rotter,1996; Pervin, 1980; Koh, 1996; Riipinen, 1994; Hansemark, 1998; Barney, 1986; Shane, 2003; Busenitz *et al.*,1997; Mitton, 1989; Utsch *et al.*, 2000; Mueller *et al.*, 2000; Hansemark, 1998; Ho *et al.*,1992; Brockhaus *et al.*,1986) greater tolerance

for ambiguity (Teoh & Foo, 1997; Schere, 1982; Sexton, *et al.*,1985) and has more level of intuition (Dane *et al.*, 2004; Wild,1998; Burke *et al.*,1990; Mary, 2005). Thus influence of four independent variables on entrepreneurial orientation was statistically significant at 5% level of significance.

Similarly, results also confirmed that individual non psychological characteristics are significant predictors of entrepreneurial orientation and has a positive influence on it. Theses results also validate to the hypothesized sign and supported the previous research studies as already discussed in the literature review section. Similarly this is also in line with expectation that individual non psychological 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 as well as to promote entrepreneurial culture in the society particularly in Khyber Pakhtunkhwa.

As per analysis, role of education has a positive influence on entrepreneurial orientation, as well as validated the previous research studies (Bruderl *et al.*, 1992, Miller, 1983; Cooper *et al.*, 1994; Storey, 1994, 1996, Wiklund, 1998; Shane, 2000).

Similarly the owners multiple skills also play an important factor in entrepreneurial orientation, and proved significant predictor of entrepreneurial orientation and hence supported the previous researches(Chandler *et al.*, 1992; Dahl *et al.*, 2005; Nieman, 2001; Bruderl *et al.*, 1992; Macrae, 1992; Birley *et al.*, 1994; Gustafsson, 2004)

Social system that makes easy for development of networks, provide forum for entrepreneurs to share information, identify opportunities and reallocating resources” are beneficial for entrepreneurial orientation (Aldrich *et al.*, 1986, Carsrud *et al.*, 1989). At the end it is stated that formal relationship of the owner with other member of society has a positive influence on entrepreneurial orientation.

Finally, the owners’ informal relationship especially with the parents and family members is also an important predictor of entrepreneurial orientation and has a positive influence on entrepreneurial orientation, as discussed earlier in the literature review (Alvaro, 2005; Minniti, 1999; Segal, 2005; Matthews *et al.*, 1996; Kolvereid , 1996; Lee *et al.*, 2001; Hisrich *et al.*, 1986; Young, 1971; Rodermund, 2004). Informal relations play very important role in this context especially from family member’s side.

CONCLUSION

Results of this study present valuable information in the preparation of entrepreneurship development programs for both who are working in the field as well as for the potential entrepreneurs because entrepreneurs are not

born, they are made. Previous research has suggested that “psychological characteristics can be learnt or changed” (McClelland, Winter., 1969; Timmons, Smollen & Dingee, 1985)

It is also concluded that all these non psychological factors of individual are positively correlated with entrepreneurial orientation especially informal relationship with the family members. In Khyber Pakhtunkhwa mostly the family oriented businesses exist, like Arsheen ,London Book Stall, Saeed Book Bank of Peshawar are involved in family business. Similarly Al Syed medicos and Shaheen chemist expended their family business on large scale in Peshawar as well as setup their branches in Islamabad. Similarly in district Bannu Hafiz Food Massalajat in spices. Similarly, Qurtaba University D.I.Khan. It started from private Public School, grown to High school then college and now University at D.I.Khan with campus in Peshawar. In this study majority of successful entrepreneurs were those whose families already had a business background and in most of the cases start-up capital were provided by their family and friends. In this study it has shown that social system that facilitates orientation. Further, education and different multiple skills of owner also plays vital role in the development of entrepreneurial culture in our society

In this research the proportion of entrepreneurial oriented owners was low, because of economic, social and political instability in the country, which can pose a negative impact on existing and potential entrepreneurs in sense of their future status which may guide individuals to choose salaried jobs in public or private sectors instead of operating their own business. Similarly limited incentives toward entrepreneurship development and lack of sound entrepreneurship education hinder the development of any entrepreneurial vision of individuals

Since entrepreneurship can contribute significantly to the economy of a country, so there is need that entrepreneurship education should also be promoted by encouraging more universities to offer courses on entrepreneurship and offer a major on entrepreneurship. In order to raise income per capita and to decrease the rate of unemployment enterprising people can constitute a driving force in this process

It was concluded that owners who possessed high need for achievement motivation, more internal locus of control, greater tolerance for ambiguity and has more intuition level plays an important role in the enhancement of entrepreneurial orientation. However this is important that new entrepreneurial ventures should not only be created but should be successful too. For that purpose as well as to develop entrepreneurial culture in the society particularly in Khyber Pakhtunkhwa (KPK), then we must have to developed theses psychological factors among the existing as well as in potential entrepreneurs. This can be done by conducting different workshops, seminars and

programmes. Team work, networking .Similarly through a proper support system and including these factors and many others in the curriculum of our business graduates and by the developing managerial competencies may create the potential entrepreneurs for our nation.

Working on this issue, it is significant that developing countries like Pakistan with reference to Khyber Pakhtunkhwa must explore further the development of entrepreneurial talent and must provide the opportunities for an entrepreneurial class to emerge.

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