

*Full Length Research Paper*

# Psychological capital intervention towards women entrepreneurship development and entrepreneurial orientation

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Accepted 5 May, 2014

**This study focused on a structure which encounters three factors namely: Psychological Capital (PC), Entrepreneurial Orientation (EO) and Women Entrepreneurship Development (WED). Questionnaires were distributed on cross-sectional basis among 450 registered staff members of Small Medium Enterprises Development Authority (SMEDA) and Women Business Development Center (WBDC) Peshawar, and women entrepreneurs of KP, Peshawar, Kohat, Abbottabad, Haripur and Swat city. Structure equation modeling (SEM) and multiple regression analysis was used for analyzing the data. Future research area dimension along with study recommendations were also tinted in the study.**

**Key words:** Psychological capital (PC), entrepreneurial orientation (EO), women entrepreneurship development (WED), structure equation modeling (SEM).

## INTRODUCTION

In recent era, entrepreneurship is considered as a pivotal part of an organization's long-term survival. Entrepreneurship is all about implementing new ideas and practices or improving existing practices of an organization. Sulehri (2010) reported that the future of Pakistan lies in the hands of its young entrepreneurs which are approximately 25 million between the ages of 15 to 24 years. In Pakistan, the concept of women entrepreneurs is vivid and emerging. The women entrepreneurs are also working under the same macro and institutional level as their male counterparts. Akanji (2006) argued that in the field of entrepreneurship, male entrepreneurs are dominant performers as compared to female entrepreneurs and this happens due to lack of training, education, saving and social capital (Shane, 2003). Considering the issues which are related to women entrepreneurs, it would seem that successful women entrepreneurs must possess a high degree of mental hardness in order to make them competitive and effective in a market.

Psychological Capital (PC) is a mental or psychological ability which enhance the different sectors of human life. The construct of PC is based on the emerging field of positive organizational behavior (Luthans and Yousef,

2007). The study objectives are to investigate the impact of PC towards entrepreneurial orientation (EO) and how PC impact on women entrepreneurship development (WED) in Pakistan. Furthermore, study also explores how EO impact towards WED in Pakistan. In order to meet those objectives, the researcher targets both public and private organizations which assist and improve women entrepreneurship in Pakistan. This particular research study examines the PC intervention towards entrepreneur's orientation and its impact towards improving women entrepreneurship in Pakistan. In present time, women entrepreneurs are very rare in Pakistan because of huge amount of adversity associated with this particular field and a lesser amount of consideration given by the government and private stakeholders (Ullah et al., 2012). This study contributes towards encouraging and providing a pathway to improve women entrepreneurship in Pakistan through implementation of PC intervention.

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## LITERATURE REVIEW

### Psychological capital and entrepreneurial performance

PC has become the emerging area of organizational behavior (Luthans and Yousef, 2004). There are four major dimensions of PC. The first capacity or dimension of PC is hope. Hope can conceptually be defined as a positive motivational state that rests on the synergistically derived sense of pathways (planning to meet goals) and agency (goal-directed energy) (Synder et al., 1991). The second capacity of PC is self-efficacy. Based on the theory and research of Bandura (1997), efficacy can be defined as the employee's confidence about his or her abilities for the mobilization of cognitive resources, motivation, or strategies required for the successful execution of a definite task within a given situation (Stajkovic and Luthans, 1998). The third capacity that makes up PC is resilience. According to Maten and Reed (2002), resilience is defined as a phenomenon that is portrayed by positive adaptation in situations of risk or adversity. Optimism is the fourth criteria-meeting capacity of PC. According to the distinction drawn by Carver and Scheier (2002), optimists expect good happenings, while pessimists anticipate bad things to happen. Self-efficacy produces high levels of task performance. Individual workers with self-efficacy are more satisfied with their job and are overwhelming to the average workers (Bandura, 1997). Studies examined the relationship between entrepreneurs, self efficacy and firm's growth and found that there exists positive relationship (Baum and Locke, 2004; Hmieleski and Corbett, 2008). Similarly, Kubler and Forbes (2005) reported that there is positive relationship between entrepreneurial self-efficacy and performance. Optimism is positive outcome expectancy (Carver and Scheier, 2002). Scheier et al. (2001) found that entrepreneurs are optimistic rather than pessimistic and enjoy different forms of adversity. Furthermore, in a face of adversity, pessimistic entrepreneurs often easily give up while optimistic entrepreneurs retaliate with adversity (Carver and Scheier, 2002). Another construct of PC is hope which found a buffer against psychological distress and a coping mechanism to deal with stressful event (Alexander and Onwuegbuzie, 2007). Masten (2001) in his study found that individuals with resiliency learn and succeed in a situation of adversity and perform better.

To sum up, all four elements of PC give a strong construct to develop individual psyche on various circumstances (Fredrickson, 2001) including EO and WED. An entrepreneur with PC increases well being along with overall entrepreneurial process. According to Hmieleski and Ensley (2007), PC must have to be considered as a fundamental tool for developing individuals in the existing dynamic industries. To this end, the following hypotheses are developed in this study:

**H-1:** PC has significant positive impact on EO.

**H-2:** PC has significant positive impact on WED.

### Entrepreneurial orientation (EO) and performance

In recent era, EO is considered as the most important contributor for organizational success. Miller (1983) was the first researcher who gave a detailed concept of EO along with its three dimensions, that is, pro-activeness, risk-taking and innovativeness. According to Lumpkin and Dess (2004), pro-activeness is the opportunities to remain more competitive in the market and change the business environment in accordance with market demand while organizational creativity along with experimentation and implementation of new ideas for new products and services development is associated with innovativeness (Lumpkin and Dess, 2001). Risk-taking is the probability of making high returns or high failure and is associated with entrepreneur's behavior. Study reported that entrepreneurs who take risks are more successful than those who are not taking risks (Kuratko and Hodgetts, 2001). Combination of these three parts of EO must give strategic orientation to the individuals (Miller, 1983). Most of the studies exhibit the positive relationship existing between performance and EO (Al Swidi and Mahmood, 2011). In addition, EO also plays a significant role in growth of small firms, profitability, organizational success and export performance (Gurbuz and Aykol, 2009). Based on these discussions, the following hypothesis is formulated:

**H-3:** EO has significant impact towards WED.

### Conceptual framework

The conceptual framework of this study is the WEP Model, and is shown in Figure 1.

## METHODOLOGY

### Sample and population

The study population comprised 450 registered staff members of small medium enterprises development authority (SMEDA) and women business development center (WBDC) Peshawar and including women entrepreneurs of KP, Peshawar, Kohat, Abbottabad, Haripur and Swat city. Participants of this study consist of low, middle and top level staff members of SMEDA and WBDC along with 200 business women from Peshawar, Kohat, Abbottabad, Haripur and Swat city. Total population consisted of 450 staff members including women entrepreneurs which took part in the survey study. The final sample consists of 400 people of which 200 were women entrepreneurs and 200 were staff members of SMEDA and WBDC.

### Measures

Questionnaire was the data collection instrument which

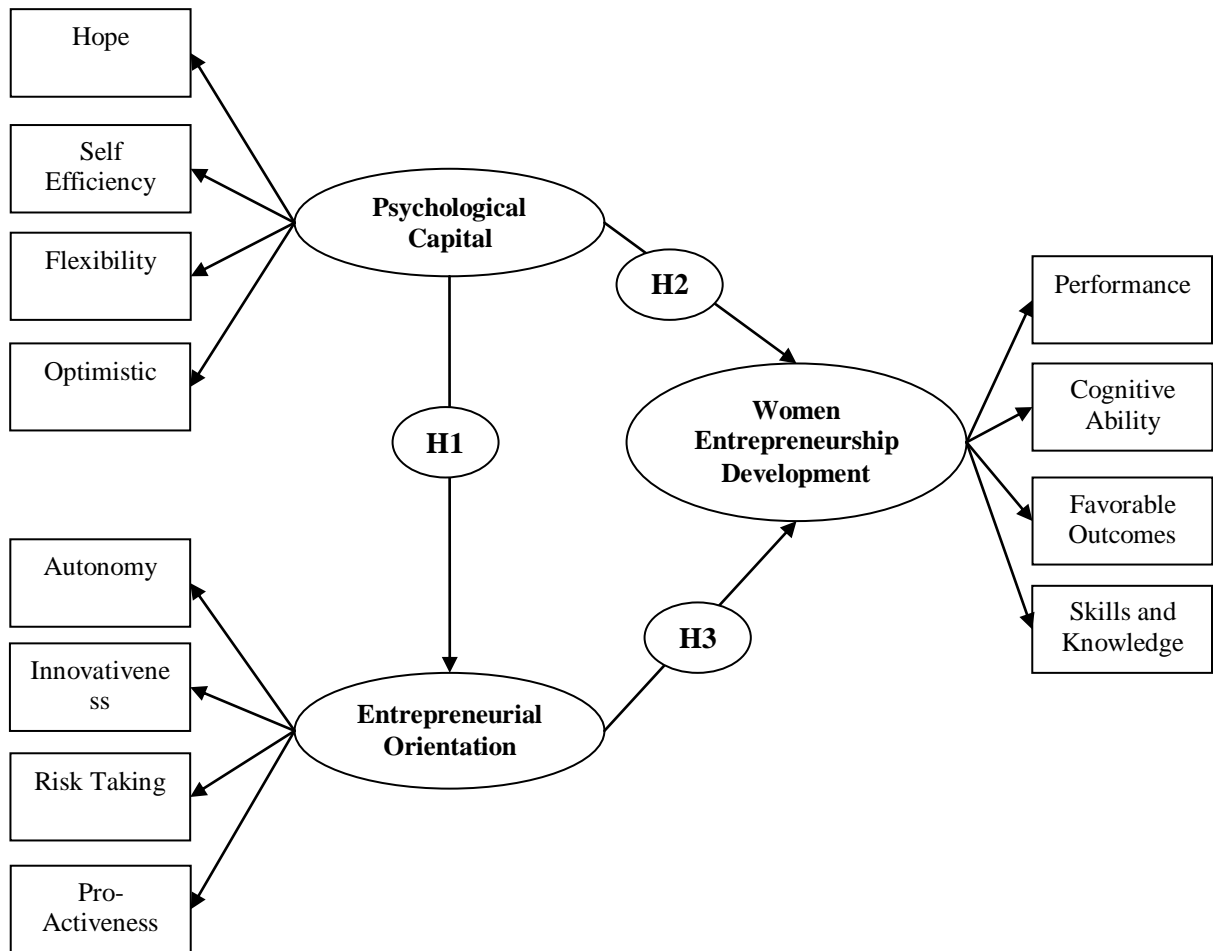


Figure 1. The conceptual framework of this study.

consists of two sections, that is, 1 and 2. The content of section 1 was based on demographic variables such as gender, age, level of management, etc., and section 2 consists of Likert Scale (five point) and items about PC and its effect on EO and WED.

**Psychological capital**

The PC including hope, optimism, self-efficacy and resilience was measured from the studies of Snyder et al. (1991), Scheier et al. (1994), De Noble et al. (1999), and Wagnild and Young (1993) respectively. Five items were used for each on the basis of Likert Scale ranging from (1) strongly disagree to (5) strongly agree. According to Sekaran (2003) acceptable range of Cronbach’s  $\alpha$  is above .79 result depicts that reliability scale was 0.821.

**Entrepreneurial orientation**

The measurement tool for entrepreneurial orientation (autonomy, innovativeness, pro-activeness and risk taking) of the firm was taken with slight changes from the

study of Covin and Slevin (1989) and Danson (1999). On the basis of Likert Scale, five items were used for each. The reliability scale Cronbach’s  $\alpha$  was 0.822.

**Women entrepreneurship development**

In order to asses WED, 8 items on the Likert Scale base were taken from the study of Makombe (2006). The scale reliability  $\alpha$  was 0.842.

**RESULTS**

The results of this study were tabulated through multiple regression, correlation, descriptive statistics, structure equation modeling (SEM) and confirmatory factor analysis (CFA).

Table 1 shows the descriptive analysis of management, gender and age. The acceptable range of Cronbach’s  $\alpha$  is between 0.79 and 0.82 which depicts questionnaire reliability. Table 2 demonstrates that all values are in acceptable ranges. As shown in Table 3, correlation matrix shows that there exist positive relationship at ( $r=0.751^*$ ,  $p \leq 0.01$ ), ( $r = 0.620^*$ ,  $p \leq 0.01$ ) and ( $r = 0.615^*$ ,

**Table 1.** Descriptive analysis.

	<b>Gender</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Frequency (%)</b>	<b>Mean</b>	<b>SD</b>
<b>Age</b>	20-28 years	22	135	157	39	1.72	0.415
	29-39 years	18	162	180	45	1.04	0.134
	40 years and above	9	54	63	15	2.90	0.139
	Total	49	351	400			
<b>Title</b>	<b>Management level</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Frequency (%)</b>	<b>Mean</b>	<b>SD</b>
	Top level	0	16	16	4		
	Middle level	16	85	101	25		
	Low Level	33	50	83	20	2.55	0.321
	Entrepreneurs	0	200	200	50		
	Total	49	351	400			

**Table 2.** Reliability statistics.

<b>Composite measure</b>	<b>Items</b>	<b>Mean</b>	<b>SD</b>	<b><math>\alpha</math></b>
Psychological capital	Hope	3.92	0.588	0.821
	Self efficacy	3.83	0.472	
	Resiliency	3.62	0.559	
	Optimism	4.07	0.511	
Entrepreneurial orientation	Autonomy	4.06	0.612	0.822
	Innovativeness	4.09	0.593	
	Risk taking	3.01	0.683	
	Pro-activeness	4.02	0.757	
Women entrepreneurship development	Performance	3.14	0.582	0.842
	Cognitive ability	3.42	0.593	
	Favorable outcome	4.02	0.683	
	Skills and knowledge	3.12	0.581	

**Table 3.** Matrix correlation.

<b>Variable</b>	<b>Mean</b>	<b>SD</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1. Age	1.62	0.516					
2. Gender	1.13	0.143	-0.013				
3. PC	3.20	1.26	0.115	-0.061			
4. EO	3.29	1.17	0.080	-0.064	0.620*		
5. WED	3.27	1.21	0.137	-0.046	0.751*	0.615*	1

\* $p \leq 0.01$  (2-tailed).

$p \leq 0.01$ ) level respectively between PC, EO and WED.

Model of the study was analyzed through SEM and the result of the CFA's analyses exhibits the validity of all variables. For model fitness, the above captioned 7 indexes were utilized as shown in Table 4. All values were found in acceptable ranges according to

recommended values given by Usuel et al. (2008), that is, ( $X^2/df \leq 3.00$ ,  $RMSEA \leq 0.06$  or  $\leq 0.08$ ,  $AGFI \geq 0.80$ ,  $GFI \geq 0.90$ ,  $CFI \geq 0.90$ ,  $RMSR \leq 0.10$ ,  $NNFI \geq 0.90$ ). A three factor model demonstrates fit than all other models and all correspondence had significant loadings on their own factors.

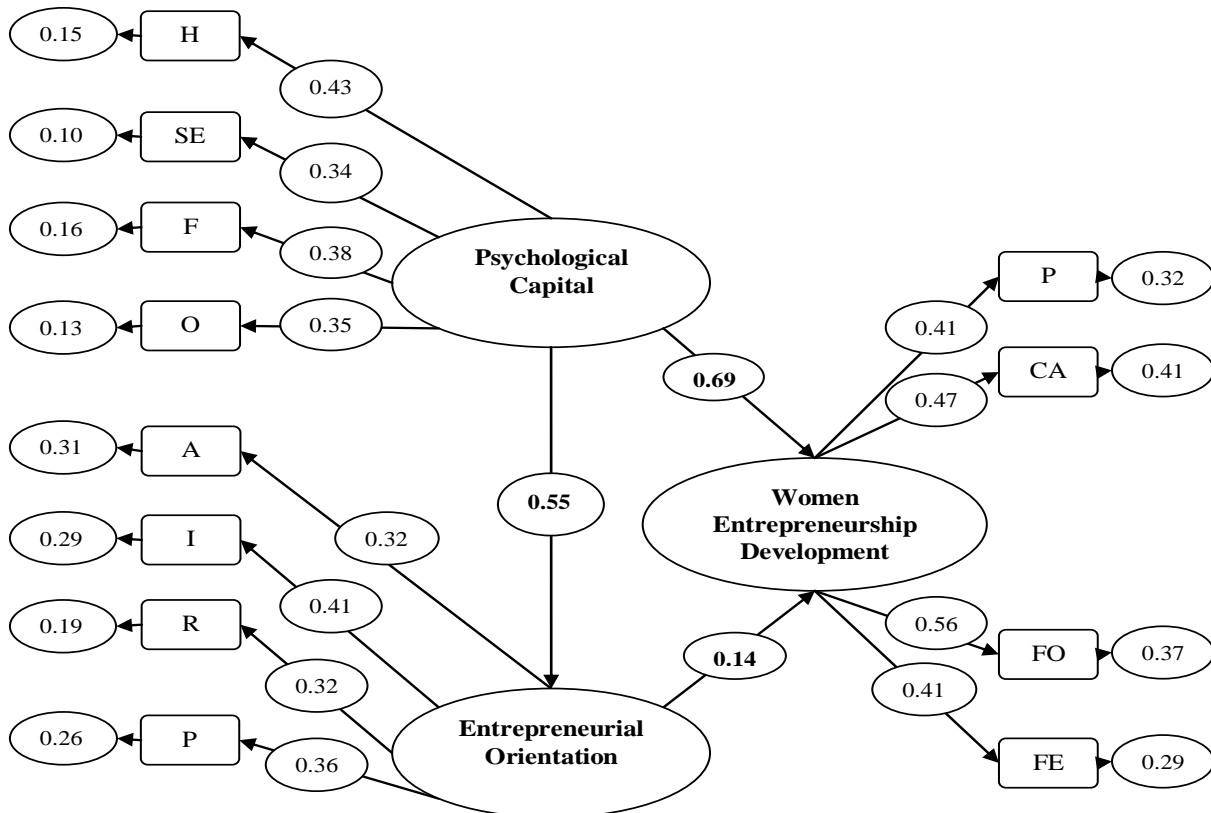
**Table 4.** CFA result.

Models	$\chi^2/df$	GFI	AGFI	NNFI	CFI	RMR	RMSEA
Model 1: 3 factor model	2.9	0.94	0.87	0.93	0.91	0.02	0.08
Model 2: 2 factor model (PC and WED)	2.6	0.93	0.90	0.95	0.96	0.02	0.06
Model 3: 2 factor model(EO and WED)	3.0	0.92	0.85	0.93	0.94	0.03	0.08
Model 4: 2 factor model (PC and EO)	2.3	0.91	0.90	0.92	0.97	0.02	0.06

**Table 5.** Multiple regression model for PC, EO and WED.

Variable	B	SE (B)	$\beta$	T	Sig.	R <sup>2</sup>
<b>Step 1</b>						0.727*
(Constant)	0.264	0.201		1.31	0.191	
PC* WED	0.720	0.061	0.756	12.2	0.000	
EO* WED	0.111	0.057	0.107	1.94	0.050	
<b>Step 2</b>						0.605*
PC* EO	0.776	0.058	0.045	6.70	0.000	
Final model: F = 159.802 R = 0.76 Adj R <sup>2</sup> = 0.72						

Predictors - PC, EO; Dependent variable - WED.



**Figure 2.** Structural model analysis. RMSEA=0.080, Chi-Square=170.62, P-value=0.00000, df=57.

PC and EO accounted for 72.2% of the variance in WED. The direct path PC, EO and WED were significant and the regression coefficients were  $\beta=0.75$ ,  $t=12.2$ ,

$p<0.05$  and  $\beta=0.10$ ,  $t=1.94$ ,  $p<0.05$  respectively (Table 5 and Figure 2). Both hypotheses were supported, which specified that PC and EO have significant direct effect on

**Table 6.** Summary of result.

<b>Hypotheses</b>	<b>Supported/Not Supported</b>
H1: PC has positive and significant impact on WED	Supported
H2: PC has positive and significant impact on EO	Supported
H3: EO has positive significant impact on WED	Supported

WED. The third hypothesis is also accepted because the direct path PC and EO was significant since the regression coefficient was  $\beta=0.45$ ,  $t=6.70$ ,  $p < 0.05$ .

## DISCUSSION

Scholars become more aware with the importance of the development of women entrepreneurs. Yet, little concentration has been given towards the WED by enhancing PC and EO in eastern work setting. Drawing on the conservation of researchers (Snyder et al., 1996; De Noble et al., 1999; Covin and Slevin, 1989; Danson, 1999; Makombe, 2006), this study investigated the impact of PC and EO towards WED. The study depicts the three-factor model, that is, PC, EO and WED was compared with a series of alternative models. CFA result demonstrates that all the goodness of fit statistics are in acceptable ranges. Model testing result shows that PC have direct impacts on EO and it further impacts on improving WED. PC and EO accounted for 72% variation in WED. The result of this study shows that PC have strong direct impact on EO which further lead towards improving WED (Table 6).

### Theoretical contributions

The study makes two significant contributions towards entrepreneurship literature. Firstly, previous researches on entrepreneurship in Pakistan did not focus vividly on WED (Ullah et al., 2012). So, this research study enhances the literature on EO and WED in Asian countries especially in Pakistan. Furthermore, the results of this study may also have direct implications on the development of women entrepreneurial culture in Asian countries.

### Practical implications for entrepreneurs

This study draws some important implications for the managers. Firstly, entrepreneurs become more aware of the importance of PC and EO and its influence on WED. Secondly, women entrepreneurs should have to give high level of encouragement towards PC and EO for WED. Thirdly, this study suggested that entrepreneurs can enhance WED by directly influencing two predictors: PC and EO. However, entrepreneurs consider the rising interference which directly influences a broader range of WED.

## RECOMMENDATIONS

Government should have to focus on the proper implementation of such strategies that develop women entrepreneurial culture in Pakistan through fair PC and EO practices which encounter WED. It is momentous to construct such an ambiance where women entrepreneurs are well satisfied and motivated. This research study strongly suggests that PC and EO practices must exist within the organization which purely deals with the development of entrepreneurial culture. In this way, entrepreneurs develop in Pakistan.

## FUTURE RESEARCH SUGGESTIONS AND LIMITATION

This study was partially generalized because the sample was taken in only one province of Pakistan (that is KP), and also the study was carried out on a cross-sectional basis. So, this acknowledges the fact that there is the possibility of common errors in some of our results. Thus, it is recommended that future research study should be carried out on a longitudinal basis and should be performed on a larger sample size in order to cover for a larger population. However, it should be noted that future research study will also encounter some more important mediators' variables which influence on WED.

## Conclusion

Three important factors of SEM model (PC, EO and WED) demonstrate significant relation among the variables. However, PC result depicts the most significant point, thus having a strong relation with WED. PC and EO were found to be of significant importance if properly oriented and implemented towards women entrepreneurs of Pakistan. Moreover, PC and EO were found to have a positive impact on WED which brings benefits in terms of higher performance and productivity, increased cognitive ability, favorable outcome and enhancement of skills and knowledge pertaining to entrepreneurship. Findings of this study also exhibit that the PC and EO are very much beneficial and have direct effect on WED.

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