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Full Length Research Paper

Determinants of key favorable environment for entrepreneurship development: An empirical study of some selected companies in Bangladesh

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The global economy is creating substantial changes for organizations and industries throughout the world. These changes make it necessary for business firms to carefully examine their purposes and to devote a great deal of attention to selecting strategies. These strategies are in pursuit of the levels of success that have a high probability of satisfying multiple stakeholders. In response to hyper-globalized changing economic environment, many established companies have restructured their operations in fundamental and meaningful ways. These research gaps induce the authors to undertake the present study. For primary data some companies were selected randomly in Chittagong, Bangladesh with the sample size of forty. Sophisticated statistical model Principal Component Analysis (PCA) was used for secondary and primary data. The study has identified four key favourable environments for entrepreneurship development. According to mean value, the dominant factors are: (1) Technically skilled labour force (2) Layout of the organizations (3) Knowledge of the market and (4) Availability of secrecy.

Key words: Favorable environment, entrepreneurship development and global economy.

INTRODUCTION

This century is focused heavily on corporate strategy innovations. This has led to a new emphasis on entrepreneurial thinking developed during the entrepreneurial economy of the 1980s and 1990s. Today, a wealth of popular business literature describes a new "corporate revolution'' taking place; thanks to the infusion of entrepreneurial thinking into large bureaucratic structures. Continuous innovation (in terms of products, processes and administrative routines and structures) and an ability to compete effectively in international markets are among the skills that are increasingly expected to influence corporate entrepreneurship. It is envisioned to be a process that can facilitate firms' efforts to innovate constantly and cope effectively with the competitive realities that companies encounter when competing in international markets. Entrepreneurial attitudes and behaviours are necessary for firms of all sizes in order to prosper and flourish in competitive environments. In recent years, the subject of entrepreneurship has become quite popular, though very few people thoroughly understand the concept. Most researchers agree that the term refers to entrepreneurial activities that make use of organizational sanction and resource commitments for the purpose of innovative results. The major thrust of entrepreneurial activities is to develop the entrepreneurial spirit within organizational boundaries, thus allowing an atmosphere of innovation to prosper. Hence, the present study is initiated as determinants of key favorable environment for entrepreneurship development: An empirical study of some selected companies in Bangladesh.

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Literature review

Many companies today are realizing the need for cooperate entrepreneuring. Articles in popular business magazines (Business Week, Fortune and Success, U.S. News and World Report) are reporting the infusion of entrepreneurial thinking into large bureaucratic structures. In fact, Peters (1997) devoted entire sections to innovation in the corporation. Quite obviously, business firms and consultants or authors are recognizing the need for in-house entrepreneurship. Pramodita and James (1999) defined corporate entrepreneurship as a process whereby an individual or a group of individuals, in associations with an existing organization, creates a new organization or instigates renewal or innovation within the organization. Under this definition, strategic renewal (which is concerned with organizational renewal involving major strategic and or structural changes), innovation (which is concerned with introducing something new to the market place) and corporate venturing (corporate entrepreneurial efforts that lead to the creation of new business organizations within the corporate organization) are all important and legitimate parts of the corporate entrepreneurial process.

Fariborz (1991) noted that corporate innovation is a very broad concept that includes the generation, development and implementation of new ideas or behaviors. An innovation can be a new product or service, an administrative system, or a new plan or program pertaining to organizational members. According to Burgelman (1983), the entrepreneurship approach to entrepreneurship advocates that innovation can be achieved in existing organizations by encouraging people to be entrepreneurial. Further, entrepreneurial success depends on the awareness and ability of key managers (entrepreneurs) to explore and exploit the environmental opportunities. On the other hand, Shaker (1991) observed that "corporate entrepreneurship may be formal or informal activities aimed at creating new business in established companies through product and process innovations and market developments. These activities may take place at the corporate division (business), functional, or project levels, with the unifying objective of improving a company's competitive position and financial performance. William and Ari (1990) have stressed that corporate entrepreneurship encompasses two major phenomena such as: (1) new venture creation without existing organizations and (2) the transformation of organizations through strategic renewal. Cunningham and Lischerson (1991) attempted to provide people with the opportunity to think as entrepreneurs. So, entrepreneurship is a "team" model whereby individuals are asked to work together in solving problems and creating opportunities. Based on the literature reviews done on various studies, it has been clearly revealed that a detailed study has not yet been conducted in Bangladesh context, especially in entrepreneurship development. This research gap induced the authors to undertake the present study.

Objectives

1. To examine factors necessary for the favorable environment for entrepreneurial development.
2. To determine the factors for favorable environment in entrepreneurial development.

MATERIALS AND METHODS

Sampling design

The sample for this study was companies in Chittagong port city in Bangladesh. A purposive sampling technique was used to select the organizations. Initially, the researchers identified forty companies, and then decided to distribute questionnaires to the managing directors of each company. In this way, forty companies were used for the study as an ultimate sample.

Data collection

Primary and secondary data were used for the study. Primary data were collected through the questionnaire, while secondary data were gathered from Journals, books, magazines, and so on.

Measures

The questionnaires were administrated among managing directors in companies. It was designed by the researchers as a seven item scale ranging from strongly agree (-1) to strongly disagree (3), and was adopted to identify key favorable environment indicators. In this study, the model "Factor Analysis" (Principal Component Varimax Roated Factor Analysis Method) was used to group the indicators. Finally, ranking of the indicators was made on the basis of mean scores.

Reliability of the data

The reliability value was 0.898 for indicators of favorable environment. Crobach's alpha (1951) was more accurate with Nunnally and Bernstein's (1994) recommendation of 0.7 and Bagozzi and Yi's (1988) of 0.6 hence, the variables are highly reliable for data analysis.

RESULTS AND DISCUSSIONS

Data adequacy

Before using factor analysis, the data adequacy was tested. Data adequacy shows KMO (Kaiser-Meyer-Olkin) and Bartlett's Test of Sphericity. KMO indicator varied from 0 to 1. In the case where the indicator is closer to 1, data adequacy is higher. The criterion of Bartlett's test of sphericity of chi-square value is 358.123 with 120 degree of freedom at 0.05 level of significance. According to Table 1, KMO indicator 0.756 shows that data is adequately near to 1 and also Bartlett's Test of Sphericity shows that significant is valued perfectly because of the significance $P < 0.05$. It also decided the appropriateness

Table 1. KMO and Bartlett's test.

Kaiser – Meyer- Olkin measures of sampling adequacy	0.756
Bartlett's test of sphericity	
Approx. chi- square	358.123
df	120
Significance	0.000

Source: Survey data (Table-annexure-I).

Table 2. Principal component analysis- varimax rotation factors of favorable environment for entrepreneurship development.

Name of the indicators	Indicators			
	Factor - I	Factor - II	Factor - III	Factor -IV
Layout of the organization	0.853			
entrepreneurial participants	0.805			
New project meetings	0.743			
Informal communication	0.613			
Mentality of the employees	0.556			
Knowledge of the market		0.807		
Encouraging the actions		0.725		
Reward of the personnel		0.616		
Team work		0.556		0.523
Availability of the Secretly			0.793	
Innovative ideas			0.719	
Environment for creativity and diversity		0.573	0.609	
Identification of the potential entrepreneurs			0.568	
Technically skilled labour force				0.824
Sponsoring the entrepreneurial projects				0.701
Taking actions	0.528			0.533
Eigen values	6.658	2.113	1.249	1.034
% of variance	41.610	13.207	7.809	6.465
Cumulative percentage (%)	41.610	54.817	62.626	69.091

Source: Survey data (annexure-II).

the appropriateness of factor analysis and suggested further investigation using the Principal Components Analysis method.

When the original 16 variables were analyzed by the Principal component analysis (PCA) with varimax rotation, four factors were extracted from the analysis with an Eigen value of 1, which explained 69.091% of the total variance. The result of the factor analysis is presented in Table 2. The factor loadings ranged from 0.853 to 0.523. The higher a factor loading, the more its test reflects or measures as indicators. Furthermore, the present study has interpreted the competencies loaded by variables having significant loadings of the magnitudes of 0.50 and above (Pal, 1986).

Factor 1

Layout of the organizations: This factor was represented by five variables with factor loadings ranging from 0.853 to 0.556. They were layout of the organization, entrepreneurial participants, new project meetings, informal communication and mentality of the employee. This competency accounted for 41.610% of the rated

Table 3. Ranking of factors according to their importance.

Factors	No. of variables	Mean	Rank
Factor 1: Layout of the organizations	05	2.6000	2
Factor II: Knowledge of the market	04	2.2813	3
Factor III: Availability of secret	04	2.2313	4
Factor IV: Technically skilled labour force	03	2.7333	1

Source: Survey data.

variance.

Factor II

Knowledge of the market: Four variables with loadings ranging from 0.807 to 0.556 belonged to this factor and they included knowledge of the market, encouragement of the actions, reward of the personnel and team work. Further, the variable "team work" was loaded fairly high on Factor IV as well, because of its higher loading and greater relevance it was also included in this factor. This factor explained 13.207% of the rated variance.

Factor III

Availability of secrecy: This factor comprised four variables, namely, the availability of secrecy, innovative ideas, environment for creativity and diversity and identification of potential entrepreneurs. Factor loadings of these variables ranged from 0.793 to 0.568. Although, the variable "environment for creativity and diversity" was correlated fairly high with Factor II as well, considering its higher loading and importance, it was included in Factor III. A variance of 7.809% was explained by this factor.

Factor IV

Technically skilled labour force: This last factor consisted of three variables relating to the technically skilled labour force. They were the technically skilled labour force, sponsoring the entrepreneurial projects and taking actions. Their factor loadings ranged from 0.824 to 0.533. The variance explained by this factor amounted to 6.465%. Although, the variable "taking actions" was loaded fairly high on Factor I as well, because of its higher loading and greater relevance, it was also included in this factor.

Relative importance of indicators

The ranking of the above four factor in order of their importance, along with mean, is shown in Table 3. The importance of these factors, as perceived by the respondents, has been ranked on the basis of their mean values. According to Table 3, the ranking followed the order of: (1) Technically skilled labour force (2) Layout of the organizations (3) Knowledge of the market (4) Availability of Secrecy from 2.7333 to 2.2313

Conclusion

Through an empirical investigation, this study has identified four factors as key favorable environment for entrepreneurship development which is determined in companies. The dominant factors are: (1) Technically skilled labour force (2) Layout of the organizations (3) Knowledge of the market and (4) Availability of secrecy.

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