

Entrepreneurial Environment In Pakistan For Start-Ups

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This paper is focused on the Entrepreneurial environment in Pakistan and the strategy to restructure it to allow entrepreneurs to play an effective role in the economic development of the country. The academic perspectives of entrepreneurship will be reviewed. In Pakistan innovation and risk taking is severely inhibited by the intrusive role of government in the marketplace. People are extremely risk averse and that is the main reason they do not start up their new business ventures/ enterprise. The purpose of this paper is to highlight the key factors which are the main stumbling block for new and promising entrepreneurs in Pakistan to startup a new enterprise. Today entrepreneurship is most commonly viewed as undertaking innovation and bearing risk. This paper will discuss how to identify and characterize promoting innovation, the role of leadership in sustaining innovation play a vital role in successful enterprise. The underlying concepts for entrepreneurship will be discussed which are generally not given their due attention. The cultural, social and financial issues will be discussed in detail, with emphasis on the mind set of new and promising entrepreneurs. A survey will be conducted about the opinion of young Pakistani graduates from any discipline, that after completing their graduation why most of them opt to work for someone else instead of starting up their own businesses. Recommendations will be made based on the survey about how to develop an entrepreneurship culture in Pakistan. In this paper the realization regarding that entrepreneurship is the process of identifying, developing, and bringing a vision to life will be discussed. A comprehensive and detailed experience of some promising entrepreneurs will be discussed in this paper which will prove that, providing the entrepreneurs with the right environment is of vital importance. They play a crucial role in stimulating change in the market system and revolutionizing it. This paper signifies the need for creation of enterprise and new business environment in Pakistan and how entrepreneurs can give competitive edge to a developing nation.

Keywords

Entrepreneurs, Social, Motivation, Angel Investors, Strategy.

1. Introduction

It is almost customary to start a paper on entrepreneurship by delineating the concept and discussing the way in which it can be measured. This is because of the number of different ways in which entrepreneurship can be approached. One definition of entrepreneurship sees entrepreneurs as the self-employed; based on the notion that a person can either be unemployed, self-employed, or in wage employment. It is measured either statically through the number of self-employed or dynamically through the rate of start-ups [1].

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This definition is often used in the economic development literature, due to the fact that in developing countries many formally-registered unemployed or low-wage employees in large sized enterprises or government departments seek to survive or to increase their income through informal self-employment in Small Medium Enterprise (SME).

According to the traditional view of entrepreneurship, there are a small number of exceptional people, such as Bill Gates, Richard Branson and James Dyson, who are the charismatic individuals who successfully commercialize new ideas, manage their own organizations and are incapable of working for anyone else. In practice, however, many people are entrepreneurial and succeed in implementing new ideas. The development of entrepreneurship is seen essentially as the process of starting and continuing to expand new businesses; either by necessity because of the lack of wage employment or poverty, or by choice in order to exploit some perceived 'opportunity'. In Asian developing countries, entrepreneurship development is currently an important issue related to economic development. It is publicly believed that the lack of entrepreneurship together with limited capital, skilled workers and technology have been the main important causes of relatively economic backwardness in most of these countries. The main aim of this paper is to examine the importance of entrepreneurship development in a developing country like Pakistan.

2. Why Entrepreneurship is Important?

Entrepreneurship is the transformation of an innovation into a sustainable enterprise that generates value. An entrepreneur is "any entity, new or existing, that provides a new product or service or that develops and uses new methods to produce or deliver existing goods and services at lower cost [2]. Entrepreneurs innovate new ways of manipulating nature, and new ways of assembling and coordinating people [3].

Entrepreneurship emerges from the realm of commerce, but it cannot be restricted there. Cultural and social values and economic policies and behaviors shape and validate one another. For entrepreneurship to be a mainstream and routine business practice, it must reflect society's view of how the world should work and how human beings should behave. Social attitudes, political practices, economic policies and the legal system must support creativity, risk-taking, and the implementation of new enterprises. Entrepreneurship cannot thrive if its society's values are undermined.

It is not only a self-actualizing and a self-transcending activity but is also a social responsibility. To suppress or constrain innovation and improvement and their implementation, results in ignored society's needs and wants, holds it back from harvesting the benefits accruing from the innovation. This may have direct influence on the current and future development of the society. Entrepreneurship is the unique process that, by fusing innovation and implementation, allows individuals to bring new ideas into being for the benefit of themselves and others [4].

Thus Entrepreneurship is a distinctive form of human agency that fuses the human desire for the ever better with confidence in the human ability to fulfill that desire. It mixes optimism with realism. Entrepreneurship is about devising and implementing new ideas and practices or improving old ones.

3. Entrepreneurs and Recession

The central role that entrepreneurial ventures play in our economy varies from job creation, to innovation and improvements in our overall standard of living. Here a very basic question arises that why might we expect fewer companies founded during recessions, For example, First, entrepreneurs might decide to delay creating companies until the economy into which they anticipate selling products or services is more robust. This argument applies most strongly to entrepreneurs in service industries where there is little lag time from company founding until first product/service sale. If there is a longer lag between company founding and product launch, we might not expect entrepreneurs, all else being equal, to hesitate as much in starting their new ventures. Because first revenues might be anticipated to more likely coincide with a resurgent economy.

There are other reasons to expect fewer companies to be founded during economic downturns. One has to do with entrepreneurs' unwillingness to leave their current places of employment during a weak economy. Another, and perhaps more compelling, obstacle to company founding in weak economic periods might be the limited availability of risk capital during such periods. To the extent that it is difficult to raise money for a new entrepreneurial venture, we might expect fewer companies founded during such periods [5]. In short fewer companies will be founded during weak economic periods and companies founded during those periods might be expected to fail at higher rates than companies founded during more economically receptive periods.

4. Emerging Entrepreneurship in Pakistan

In Pakistan, all the policies have always been biased towards the élite. This is especially true of the economic policy which has been biased towards the large scale sector. The result is that this sector has developed on the incentives of rent-seeking rather than entrepreneurship. The development of small scale sector to some extent reflects the characteristics of entrepreneurship however this sector has largely grown up as an informal sector continually besieged by the state in its quest to protect its favorite child the large formal sector [6]. Rather than entrepreneurship, policy planned for investors and investments became the norm. Incentives were offered to attract investment. Such incentives included licensed monopolies in protected markets, cheap land and credit and subsidized inputs.

Keeping the economic definition of entrepreneurship in mind, we see that entrepreneurship in Pakistan is seriously impaired by government policy, legislation and regulation. The government has continuously been of the opinion that investment especially at the large industrial level is entrepreneurship. As a result, it has been unable to promote genuine entrepreneurship and promoted cartelization and rent-seeking instead.

In the last few years the entrepreneurial class in Pakistan has been on the rise for the first time. This trend has been recognized by the media both in Pakistan and abroad as well as by quite a few bloggers. The interesting thing is that the trend of rising entrepreneurship continues in spite of the growing political challenges and unstable business environment. A young breed of entrepreneurs has shown remarkable contribution in technology,

entertainment, businesses about lifestyle and many more fields. Examples of successful new companies include these US based companies and have their operations in Pakistan, Scribe, Pix Sense, Peanut Labs, Mobile complete, Techlogix, TRG, Cavium Networks. They have successfully tapped the venture capital market of the US which is well-known to provide funding for promising new ideas and products. Other successful startups are local to Pakistan NetSol, Rozee, Alchemy, Inov8, and BrightSpyre [7].

5. Economic Model-A Policy Making

Economic development is the basis and precondition for solving the various problems. The current international financial crisis is still sprawling and deepening, inflicting a heavy toll on the economic development and people's livelihood of countries around the world. Due to the weak economic basis and self-repair capacity, developing countries are worst hit by the crisis. If the trend is not curbed and turned around timely, the development achievements made over the years will be nullified.

When it comes to entrepreneurship in Pakistan, for the longest time now, it seems that most of us have been rehashing and repeating the same things over and over again. 'Revamp Education system', 'Lack of funding', 'No ecosystem', 'No product companies', 'Pakistani mindset and culture', 'Bureaucratic red-tape' and many other such reasons seem to be getting over our nerves. Pakistan does not have a large pool of successful entrepreneurs unlike India and Bangladesh who have built global level companies and are keen on mentoring the next generation of entrepreneurs.

We probably need someone to lead and pave the way just like what Anil Dhirubhai Ambani of Reliance Industries Limited and NR Murthy did to the outsourcing market in India. Dr. Muhammad Yunus of Grameen Bank, Shahnaz Hussain of the Shahnaz Husain Group: one of the largest producers of ayurvedic and herbal products in the world, Saurabh Srivastava, founder of Indian Angels Network and Nasscom; Raj Desai of Rhythm New Media and founder of TiE Global are some of the examples.

5.1 Indian Experience

The geographical advantage that India enjoys and the eco-system which the government is trying to develop along with key organizations like Nasscom, Indian Angels Network, The Indus Entrepreneur (TiE), Young Indians (CII initiative), makes the region the best place to invest as well as to encourage local entrepreneurship. The setting up of independent bodies like the Entrepreneurship Institute of India (EDI) fosters innovative training techniques, consultancy and quality teaching & training material.

C.K. Prahalad, author of *The Fortune at the Bottom of the Pyramid; Eradicating Poverty through Profit*, has long championed the notion that business, rather than government handouts represents the most effective solution to poverty. In a keynote speech at the recent TiE Entrepreneurship Summit in New Delhi, he noted that India must pay more attention to entrepreneurship, which he described as "the essence of development." He emphasized that businesses could create wealth for themselves, too, through poverty alleviation. Agreeing with Prahalad's point about the need for speed, V. Vaidyanathan, executive director of ICICI Bank, noted that "small and medium enterprises that have a sense of urgency can outperform even their larger counterparts." He also said that India's per capita income when seen over a 300-year period in real term has not grown. He

proclaimed that during the last two years, India's consumer spending, which totaled Rs 17 trillion in 2005 has ballooned to Rs 34 trillion in 2007. Even more importantly from an entrepreneur's perspective, venture capitalists (VC's) are now willing to value that kind of growth when acquiring a stake in a startup firm. [8].

The government of India has put efforts in education and training to inculcate and develop entrepreneurial capabilities in people so that they could set up their own enterprises. Subsequently programmes directed towards this goal were conceptualized. The birth of training efforts for the promotion of entrepreneurship in the country is purely an indigenous initiative, i.e. the 'Technician Scheme' launched in the year 1969 by two state-level agencies of Gujarat. The scheme visualized 100% finance without collaterals. A large number of people took advantage of this scheme. The real gain of the scheme was the realization that there is vast entrepreneurial potential available in the country that could be tapped and developed through appropriate training intervention [9].

The entrepreneurship bandwagon in India has been fueled by a combination of a number of overseas residents returning to the homeland and local residents eager for opportunity based ventures. A legacy of entrepreneurship and availability of enough role model entrepreneurs in family, society and country to emulate and follow; unlike Pakistan, where the economic unrest, lack of trade deficit, and unhealthy government policies do their best to kill the entrepreneurial spirit. The presence of entrepreneurship-oriented bodies in India such as the TiE network (The Indus Entrepreneurs) or Wadhvani Foundation gives encouragement to local entrepreneurship. Unfortunately no entrepreneurship oriented body to give encouragement to local entrepreneurship exists in Pakistan and if it does, it hasn't itself reached that level where the young entrepreneurs can look up to them.

5.2 A way forward for Pakistan

The prevalent social structure underpins the incubation and growth of entrepreneurship in the subcontinent. Strikingly, the Indian mentality supports entrepreneurship, the mentality to break free from the struggle by doing something amazing. It is possible and eminently laudable to generate a large number of regular jobs in manufacturing or service sector by providing specific skills and training to a vast multitude, by creating world class infrastructure and by attracting big ticket investment. The Indian academics are putting in the courage to create their own concepts and steer India to next level. 'Problems have no precedent since they are huge in scale, so let's invent our own concepts', is what they believe.

Pakistani entrepreneurs need to start inventing their own concepts. As a community we need to teach our young children to be risk taking and promote small adventures from childhood. Instead at present we force them into taking tuitions and memorizing text books so they get good scores in HSSE, SSC exams etc. Together, the committed capital chasing Pakistan is abundant. We need to make sure that we employ the latest cutting edge marketing strategies to look out for potential markets thus ensuring that the young Pakistani entrepreneurs get a chance to prove themselves in the International market.

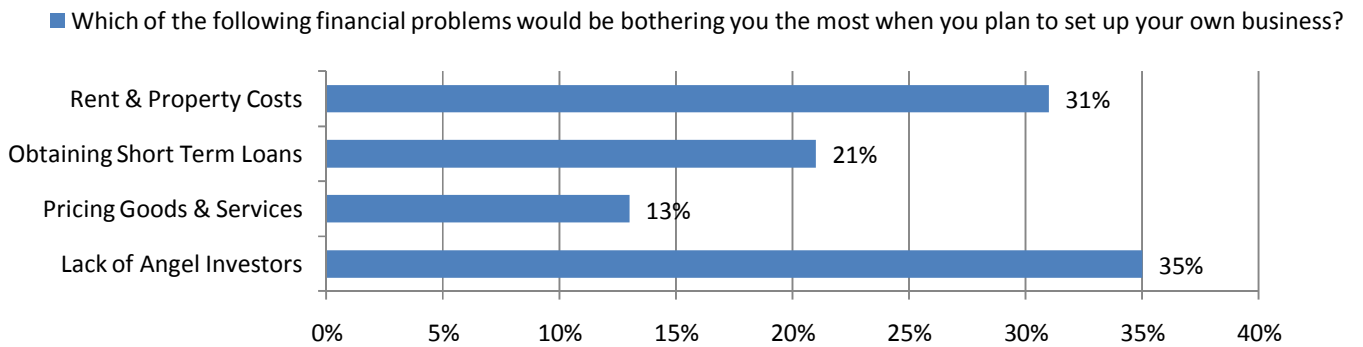
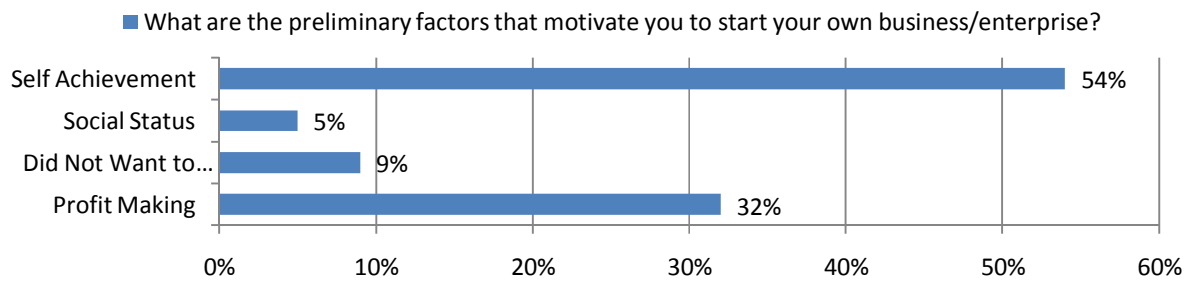
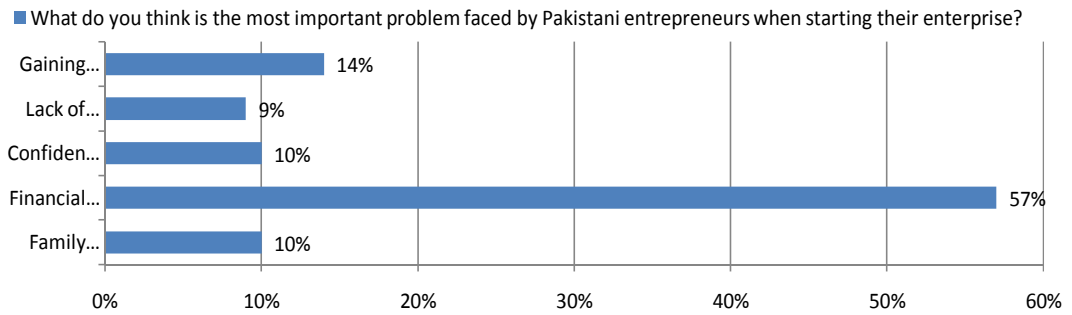
6. Survey Results

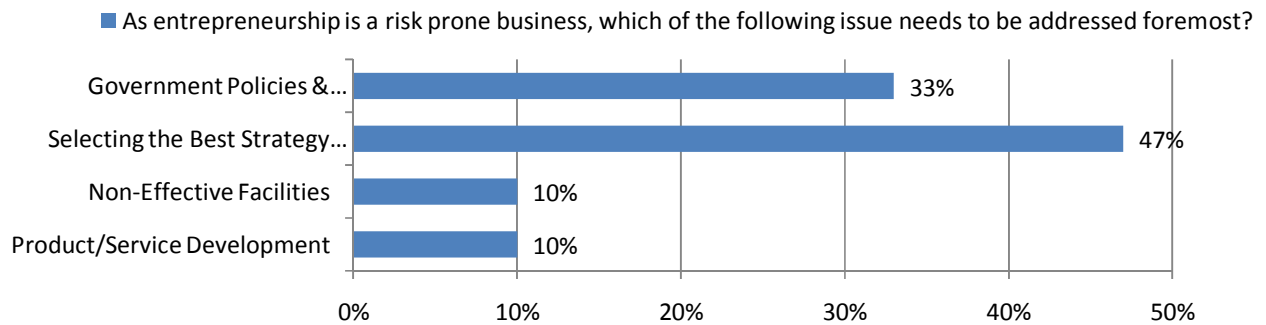
We conducted a survey in order to recognize the problems faced by young Pakistani entrepreneurs. We choose a focus group of about 100 fresh graduates from various disciplines including Engineering, Business Studies, Economics, Policy Studies, Political Science and Chartered Accountancy while focusing on renowned institutions in Pakistan like NUST, FAST, LUMS, and IBA Karachi and LSE. The main aim of the survey was to find out what problems hinder the young Pakistani generation in taking up Entrepreneurship as a possible career path.

Given that only about one-half of new business ventures survive five years, and 95 percent of all businesses are small (less than 500 employees), we need to learn as much as possible to positively impact the success rate for new business ventures. This study focuses on four key operational areas: social presence, finance, management, and marketing. General responses were also collected about the size of their enterprises, their educational backgrounds, the preliminary factors that motivate them to start up a new venture, their priorities in life and the preferred ways of learning and adapting to new business practices in order to complete the picture. A sound understanding of business finance, access to capital, and relationships with lenders are integral to the success of any business. When starting a business, approximately one-third of the to-be entrepreneurs (35%) found the Lack of Angel Investors in Pakistan followed by Rent & Property Costs (31%) be the most problematic. Though obtaining short term loans was also a problem worth looking into but a few considered pricing goods and costs to be the main financial issue. In beginning their business, many potential entrepreneurs stated that their management problems were diverse and focused on themselves. Though about 47% found selecting the best strategy for their businesses should be foremost taken in to account, many also complained about the Government Policies and the lack of trade unions (31%) therefore highlighting them as the issues that need to be addressed foremost.

The survey concluded that Understanding the Costumer (31%) was the most pressing issue faced by Pakistani entrepreneurs with respect to Marketing of their ventures. Actual selling (20%), Getting Positive Publicity (17%), branding the Product (16%) and Negative Impressions about their Products (16%) were shared equally as a common problem by the majority. A better understanding of the problems entrepreneurs face at varying points in their business lives provides tremendous opportunities to shape programs, products, services, and tools to meet these needs. Just as problems change over time, preferred ways of learning have also changed. With 43% of the young people showing their resolve in working 12hours/day, the pressures and stresses of owning your own business, information overload, and lack of time are ingredients that need to be factored into any attempt to assist the business owner whether they are starting, operating, or growing a business. We found that majority of the Pakistani entrepreneurs prefer Professional Courses over any other form of learning format such as Online Forums , One Day Seminars or Topical Workshops.

Here are some of the results that have been discussed above:





7. Recommendations

Entrepreneurship is a hard game to play on your own. Actually, there is no game on your own. The name of the game is to crack out your Monopoly board game, pick your favorite shiny piece and roll the dice. This gives you not only control over life but also gives you a great sense of achievement. Highly publicized corporate downsizings have cast a spell over the traditional path to success, and fueled a general perception that well-paying jobs with room for advancement are scarce [12]. The days when professionals could expect to stay with the same company for a lifetime are long gone. It is the need of the hour to carve out a set of guidelines and support system for young Pakistani entrepreneurs.

Any good business strategy starts with an assessment of the market, including the economic and political factors influencing demand, and the opportunities for sales in export markets. The best strategists start by identifying the strengths and weaknesses of their enterprise in the face of market opportunities. Salient of strategy for revitalizing the Entrepreneurial environment in the obtaining Pakistani environment are as follows:

7.1 Government support and Policies

While Pakistan has countless enthusiastic young people with ideas and technical skills, there are many challenges facing these youthful entrepreneurs. Government and public policy officials and opinion leaders from all spheres have a key role to play in creating a culture that validates and promotes entrepreneurship throughout society. Promoting entrepreneurship and enhancing the entrepreneurial dynamic of a country should be an integral element of any government's commitment to boosting economic well being.

To be effective, government programs designed to encourage and support entrepreneurial activity must be carefully coordinated and harmonized so as to avoid confusion and to enhance their utilization by those for whom such programs were designed.

7.2 Reforming the Educational Infrastructure

Long-term, sustained enhancement of entrepreneurial activity requires a substantial commitment to and investment in education at the post secondary level i.e., college, university or graduate program. Developing the skills and capabilities required to start a

business should be integrated into specific educational and vocational training programs at all educational levels.

Regardless of education level, emphasis should be placed on developing an individual's capacity to recognize and pursue new opportunities. An attempt should be made to initiate programs for management development of entrepreneurs in order to increase their skills. The university could create an office to promote the interaction with firms and to create mechanisms to facilitate the formation of strategic alliances and networks of knowledge.

7.3 Raising awareness

Government should support initiatives at the national and local levels; in order to raise awareness of the possibilities of entrepreneurship among the vibrant youth. The presence of entrepreneurship-oriented bodies should be ensured, so that people come to know about its importance.

7.4 Promoting equal opportunities

There is a need to setup both general and specialist support organizations in the country at various levels. This will increase awareness of existing support programmes among entrepreneurs. Also there is a need to support and promote campaigns to counter discrimination against members of the youth groups. This can be done by financial institutions, business organizations and regulatory bodies.

Unfortunately in our social setup women entrepreneurship is not given its due importance. Also social status is one the core cause for getting support from financial institutions regarding start-up businesses. To encourage business support and membership, organizations should record the age, gender and ethnic status of their clients/members so that equal opportunities may be monitored.

7.5 Encouraging and facilitating the international exchange of 'good practice'

A National commission needs to be setup which should be entrusted to an important role in assisting in intensifying the international exchange of ideas, experiences and good practice between support organizations concerned with the entrepreneurial groups.

The survey has highlighted the need for special support to be provided for young entrepreneurs across Pakistan, delivered both through 'mainstream' business support organizations and through specialist organizations for young entrepreneurs.

7.6 Creating awareness about Self employment

Organizations supporting young entrepreneurs should be involved in Pakistan-wide promotion campaigns to highlight the opportunities of entrepreneurship for young people. They should make a serious attempt to increase co-ordination, in order to ensure that youth training and related programmes provide relevant information, advice and support for young people who might consider self employment as a career option.

General literature and other material on business support at the National level needs to contain positive images and role models of successful young entrepreneurs. The Government bodies should start supporting young entrepreneur awards on a City/District level.

7.7 Availability of Financial instruments

Keeping in mind the survey results, it can be easily comprehended that when starting a business, approximately one-third of the to-be entrepreneurs found the Lack of Angel Investors in Pakistan to be the most problematic issue. It is extremely important to ensure that a range of appropriate financial instruments are available to young entrepreneurs, including:

- Small scale grants and low cost loans for start-ups
- Loan guarantee schemes
- Access to targeted equity funds for innovative ventures
- Comprehensive support packages for those who link finance to business training and advice.

7.8 Creation of National Commission

The National Commission can encourage the level of awareness in mainstream support organizations of the potential of and problems facing young entrepreneurs. They can raise awareness by supporting learning activities, such as exchanges and international seminars. It can also play important role by:

- Assisting with the administrative costs of financial support schemes
- Encouraging the exchange of experience through supporting international meetings, conferences and exchange visits
- Lobbying national governments to influence policy where appropriate.

7.9 Encouraging young entrepreneurs to enhance networking

Young and promising entrepreneurs should be encouraged to become involved in formal and informal networks. Supporting a Pakistan-wide Web site could be a positive move in helping to promote and exchange experiences in this respect.

Mentoring programmes, which provide ongoing access to business management experience, are a particular priority in view of the fact that such experience is typically lacking in businesses owned by young entrepreneurs.

7.10 Establishment of Independent bodies

Keeping in mind our current socio economic environment it is extremely important to establish Independent bodies for fostering innovative training techniques, consultancy and quality training material for promising entrepreneurs. They need to be taught how to make use of all the available resources. Lack of access to capital can often become a challenge for young entrepreneurs. With a bit of thinking, however, many of these problems can be alleviated by taking advantage of the resources at hand.

These bodies can arrange sessions between successful business tycoons and young entrepreneurs. They should try to create discussion forums where everyone from Executive Leaders, Managers, Employees, Interns and Students meet frequently and discussed challenges that the industry faces in the path to progress. In this way they will be able to motivate youngsters who are willing to face the challenges of starting up their own business.

8. Conclusion

Entrepreneurship is the transformation of an innovation into a sustainable enterprise that generates value. Innovation is about partnerships which entail advancing new and innovative ideas which are relevant to various communities. Partnerships create and promote entrepreneurship, the development of technology and its commercialization. Human resource development and its capacity building are vital factors in support of competitive innovation and an entrepreneurial system. Keeping in mind the problems faced by Pakistani entrepreneurs it can be easily concluded that only about one-half of new business ventures survive five years, and 95 percent of all businesses are small. We need to learn as much as possible to positively impact the success rate for new business ventures.

Government and public policy officials have a key role to play in creating a culture that validates and promotes entrepreneurship throughout society. Promoting entrepreneurship and enhancing the entrepreneurial dynamic of a country should be an integral element of any government's commitment to boosting economic well being.

Entrepreneurialism demands enthusiasm and total commitment backed by matching intellect without which serious impediments can impact adversely posing major challenges in the business environment. That is where those enlightening words from a wise man became relevant that every challenge is parenthesized with a matching opportunity.

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