

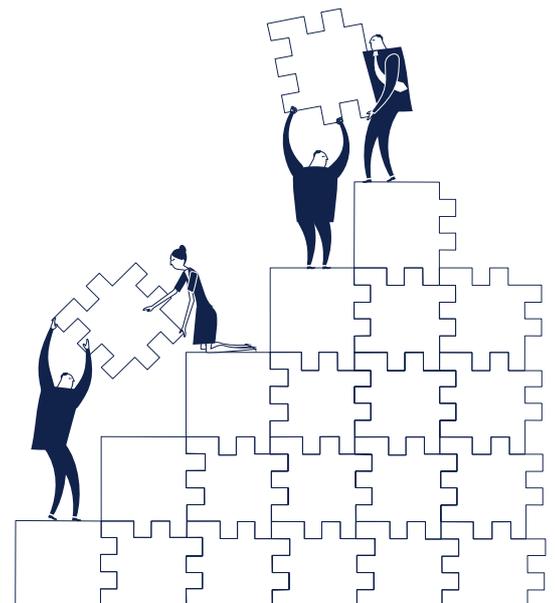
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# Entrepreneurial Leadership and Islamic Perceptions: Institutional, Market, and Cultural Approaches

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# Entrepreneurial Leadership and Islamic Perceptions: Institutional, Market, and Cultural Approaches

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## ABSTRACT

This paper reviews different theoretical approaches to understanding entrepreneurial leadership in an Islamic context in order to determine the best means of researching it more rigorously, and of promoting more of it. Neo-institutional, market-based and culturally informed theory are proposed as better able to explain and develop Islamic entrepreneurial leadership. Several embryonic models of Islamic entrepreneurial leadership are also critiqued.

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## *1. Introduction*

In previous research (Roomi & Harrison, 2011) we asked how leaders learn to be entrepreneurial, and how entrepreneurs learn leadership. After reviewing the literature and conducting a fairly simple survey, we concluded that the current constructs for understanding these processes, and the current methods for teaching entrepreneurial leadership are not quite adequate to the task. We made some recommendations for improving the situation, consisting largely of a number of teaching techniques for stimulating critical debate about the two topics, with the practical outcome of enhancing students' ability to lead in an entrepreneurial context.

Encouraging more critical debate, we feel, is crucial. This is a challenge of relevance: of making leadership relevant to entrepreneurship and entrepreneurship relevant to leadership. But we laid out this challenge within a fairly specific educational context—a conventional, high-education, social-science, classroom-based, developed world, gender-neutral context. The experiential learning methods that we recommended for enhancing critical engagement with the topic, while tried-and-tested in that conventional context, are not necessarily applicable in other contexts. And as we have learned in other work (Roomi & Harrison, 2010), many people and environments engaged in entrepreneurial leadership, and in need of entrepreneurial leadership development, operate in different contexts: women in Pakistan, for example, have very different considerations from white male students in the USA.

Thus, restating and recombining the research questions of our earlier work, this chapter will ask what is entrepreneurial leadership and how should it be promoted in a much broader compass of contexts. How should it be understood in specific socio-cultural contexts? Can we observe how it is conceptualised and conveyed in non-formal educational environments such as non-literate social groups, disenfranchised populations, or otherwise marginalised categories? What can be learned from the observation that entrepreneurship and entrepreneurial leadership manifestly occur, and are learned, in contexts far outside most entrepreneurship and leadership research? To approach these questions, this chapter will look specifically at insights into entrepreneurial leadership from the Muslim world, in both scholarship and practice.

## 2. *Empirical Challenges and Theoretical Suggestions*

There are many things in the world that are true but not provable. The idea that Muslim entrepreneurs learn how to be leaders in ways that will also be instructive for others is probably just such a thing. But can we prove it? If there is an insight in asking the question, in debating it, then there is value. It will be a challenge to add a higher degree of certainty about the enquiry through empirical engagement, and we enthusiastically invite that sort of research from others. Prior to that, we believe there are additional, and equally important, ways of approaching valuable insights.

Certainly some excellent scholars are beginning to do so: Zelecha, Avnimelech and Sharabi (2014) focus on the impact of religious institutions generally on entrepreneurship through a quantitative analysis, and find clear evidence that different religious institutions have a significantly different impact on the tendency to become an entrepreneur. They propose empirical evidence in which the country's main religion significantly influences its level of entrepreneurship at the macro level, in addition to theorising about the mechanisms that characterize the effects of religion on entrepreneurship. But when they suggest that such large-scale effects of religion underpin a country's dominant culture and institutions, as well as the logics of the dominant cultural artefacts within it, they do not greatly enhance what thinkers of many sorts have known from time immemorial. It is not new to observe that religious institutions affect social behaviour, including economic and entrepreneurial activity. And neither is it sufficient to explain this through social science methods using statistical analysis. We have always known THAT religion affects economic behaviour; Zelekha et al take us no closer to knowing WHY this is true.

Other work presses further. Gümüşay (2014) offers a different conceptualisation and approach. Here, entrepreneurship from an Islamic perspective is framed in ways specifically different from other entrepreneurship, resting on three pillars: entrepreneurial, socio-economic/ethical, and religio-spiritual. Again, the idea is that Islam "shapes" entrepreneurship at all levels—although here no overly intricate attempt is made to prove this. Instead, Islam is said to be "an entrepreneurial religion" insofar as "it enables and encourages entrepreneurial activity" (2014, p. 5) How it does this, and why it works—in other words how it can be a model for learning how to become entrepreneurial by looking at Islamic examples, and learning how to be more self-aware as a leader by considering Islamic models—is an intriguing and fresh notion. Gümüşay concludes that entrepreneurship from an Islamic perspective is "a core activity within a global entrepreneurial landscape.... a multi-

dynamic concept transforming as context changes” (2014, p. 8). The further research necessary to confront the challenges Gümüşay raises is necessarily inter-disciplinary; pushing beyond the tools and techniques of most entrepreneurship research, rooted as that has been in mono-disciplinary methods, is an appropriately entrepreneurial turn.

These two recent sources— (Zelekha, Avnimelech, & Sharabi, 2014) on the one hand and (Gümüşay, 2014) on the other—represent twin poles of research into entrepreneurial leadership with an Islamic perspective: one attempts to be highly scientific and empirical, the other more ethics-oriented and conceptual. Is there some value in combining the two perspectives? How might we complement a still-rigorous proof process with a more interdisciplinary and humanistic conceptualisation?

Gümüşay’s framework suggests that an approach less oriented around the individual entrepreneur, or on how s/he learns to be entrepreneurial (i.e. a social-cultural perspective) might be more valid. This is also suggested by the idea that context at its most broad is the dominant influence on shaping everything within it—so we should examine and understand that broad context first. Some attention has been paid in the anthropology literature to the influence of contemporary Muslim subjectivities on economic practice (Hefner, 1998; Osella & Osella, 2009; Rudnycky, 2009; Sloane, 1999; Soares, 2005). Osella and Osella (2009) particularly look at the intersection of Islam, entrepreneurship and leadership, and stress that current modes of enquiry into this intersection are inadequate to explain how it works, and why it is significant:

By promoting modern education among Muslims, entrepreneurs seek to promote economic development while also embedding economic practices within a framework of ethics and moral responsibilities deemed to be ‘Islamic’. Inscribing business into the rhetoric of the ‘common good’ also legitimizes claims to leadership and political influence. Orientations towards self-transformation through education, adoption of a ‘systematic’ lifestyle, and a generalized rationalization of practices have acquired wider currency amongst Muslims following the rise of reformist influence and are now mobilized to sustain novel forms of capital accumulation. At the same time, Islam is called upon to set moral and ethical boundaries for engagement with the neoliberal economy. Instrumentalist analyses cannot adequately explain the vast amounts of time and money which Muslim entrepreneurs put into innumerable ‘social’ projects. (Osella & Osella, 2009, p. s202)

While it is very interesting to note that “instrumentalist analyses” cannot explain why Muslim entrepreneurs do what they do, this more anthropological enquiry attempts to explain it as an “economic calculation” that will bring increased prosperity and power. We find this conceptualisation of entrepreneurial leadership somewhat cynical, highlighting as it does the accumulation of economic and social capital by harnessing religious custom and authority.

Nonetheless, it points to the validity of taking a broad view of the topic, and of enquiring into what an Islamic social context might have to say about entrepreneurial leadership generally.

Also, it is important to stress that “Islam” is no one thing. It is an enormously multivalent, multi-vocal, counterpoint of forms, purposes, meanings, aspects, practices *et cetera*, widely varied around the world, practiced in different ways and to differing degrees by 2 billion Muslims in a hugely varying set of socio-cultural environments and influences. And of course Muslims everywhere are affected by these other contextual forces as well as by Islam, and also by numerous factors like education, physical environment, ethnicity, gender, etc. This chapter in no way assumes a unitary conceptualisation of Islam—except to indicate that as a lens through which to conceptualise entrepreneurial leadership it has been inappropriately neglected, and that there is considerable relevance to exploring how Islamic perspectives can help to widen our insights.

### 3. *Theories about the social context of entrepreneurship*

At its most basic, entrepreneurship is “the pursuit of opportunity without regard to the resources currently controlled” (Stevenson, 1983, p. 1). In slightly more detail, entrepreneurship concerns the environment conditioning opportunity, the process of discovering opportunity, the evaluation and exploitation of opportunity, and the individual decision-makers who do these things (Shane & Venkataraman, 2000). In an inherently resource-constrained context such that in which most entrepreneurs are (almost by definition) operating, manifold obstacles prevent other actors from perceiving and pursuing opportunities, because of obstructed access to resources and the presence of social risks—whereas entrepreneurs perceive these conditions not as constraints but as opportunities.

Do these theoretical models appropriately accommodate the social context of entrepreneurship? An early enquiry into this raised questions (Shapiro & Sokol, 1982) but encouraged other scholars. Theory of embeddedness concerns the role of entrepreneurs within society and its informal institutions such as family and gender. For Granovetter (1985) almost any research, of any sort, underplays the social context of human actions despite being inextricably embedded in it. For Aldrich and Cliff (Aldrich & Cliff, 2003, p. 573) “transformations in the institution of the family have implications for the emergence of new business opportunities, opportunity recognition, business start-up decisions, and the resource mobilisation process”. Similarly, Jack and Anderson (2002, p. 476) note that “being

embedded in the social structure creates opportunity and improves performance”, and that “embedding enabled the entrepreneurs to use the specifics of the environment. Thus, both recognition and realisation of opportunity are conditioned by the entrepreneur’s role in the social structure.”

Building on the notion that the social context conditions the development of competencies, our research in Pakistan (Roomi & Harrison, 2010) takes up the theoretical challenge of investigating entrepreneurial competencies within a specific social context that is constrained by aspects of Islamic tradition. Those findings point to the importance of culturally-conditioned networks as a means of pursuing and accessing resources not currently controlled. Empirical work from Sri Lanka demonstrates that an ability to mobilise scarce resources is more important to success in new venturing than innovative ideas, and that most important of all is an ability to extract value from social networks (Kodithuwakku & Rosa, 2002). This might have negative implications for entrepreneurs in Islamic societies insofar as their access to networks of social capital can be impeded by certain Islamic socio-cultural norms, which in turn limits their access to other forms of capital; or it might have positive implications if social capital is conceived and appropriately identified actually to enable access to capital. Either way, can we deduce from this theoretical debate that entrepreneurs anywhere are equally embedded within their social structures? Are these models are theoretically relevant in the context of Islamic societies?

#### 4. *Why study Islamic Entrepreneurial Leadership?*

Currently, there are about 2 billion Muslims on the planet, out of a total of about 7.125 billion people, (World Bank, 2014); thus Muslims represent more than a quarter of the world’s population, and are more numerous than the populations of China and Brazil combined.<sup>1</sup> Also, this number is growing at 2.5% per annum. 43% of Muslims are currently under 25; by 2050, 53% will be under 18—so the growth and the rate will continue to accelerate. Even earlier, by 2025, the UK will be one third Muslim. For other demographic indicators about the global Muslim population, see (Pew Research Center, 2009; Pew Research Centre, 2011; Pew Research Center, 2012).

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<sup>1</sup> Brazil: 200,361,925. China: 1,357,380,000. India: 1,252,139,596.

Globally, Muslim industry comprises over \$800 billion, comparable to the \$900 billion global automotive industry; this is bigger than either India or China (Temporal, 2011). It comprises a “vertical segment” in which there are no dominant corporate models, no easy means or points of entry for Western corporations, and no clear understanding of how the numerous, disaggregated entities that constitute the economies in most Muslim regions, nations, and societies even operate, much less get started as entrepreneurial ventures. The implications of this ignorance are considerable. Imagine not sufficiently understanding how Japanese businesses or socio-economic patterns work; had scholars and practitioners missed the opportunity to learn from them in the 1960s and 1970s, and to improve operations, manufacturing, supply chain management, *et cetera*, the world would be very different today. Moreover, in contrast to the comparatively coherent example of Japan, “Islam” is a vastly complex set of categories that must also be understood in the context of other concurrent cultural patterns—the warp to many wefts.

Generally we need better insights, theoretical and methodological, to pursue our understanding of the enabling environment for entrepreneurship in Islamic regions which are themselves widely diverse. The basic foundations of management and entrepreneurship theory seem ill-equipped for this task, and will require contributions from other disciplines like history, sociology, anthropology, and political science to proceed (Goody, 1996). The tenets of the religion, moreover, are less at issue than the many varieties of cultural context represented by the full spectrum of Islamic social values and traditions (Carswell & Rolland, 2004; Goody, 1996; Greenblatt, 2010), and by those with which it interacts. Thus, when we speak about Islamic entrepreneurship, we are speaking not only about a religious or spiritually determined view of entrepreneurship, but also about a dynamic network of social contexts for the understanding of entrepreneurial activity. Islam comprises major set of social forces—even if only for reasons of sheer demographic quantity—and we need to consider how this will alter our understanding of other, major intersecting social forces such as entrepreneurship and leadership.

More specifically, most research on entrepreneurship looks at the phenomenon without much respect for cultural context. As we will see below, especially in Section 6.3, there are only limited means of accommodating cultural perspectives in entrepreneurship research, and by extension, entrepreneurial development efforts. Whether we are talking about Islamic or Japanese or gay or youth “culture”, or anything comparable, current theory and research dispute how these concepts help to explain, and shape, entrepreneurial activity. Again, entrepreneurial theory is not quite up to the task of shaping entrepreneurial development in

cultural environments substantially different from that in which such theory has been evolving, and we feel it is important—given the rapid expansion of highly varied Muslim cultural impacts in the world—to contribute this new dimension to entrepreneurship research.

Another good reason to study Islamic entrepreneurship in general, in addition to the fact that it is not properly conceptualised in current research, is that it is also not properly quantified. Most work creates the impression, or states, that there is less entrepreneurship (both relatively and absolutely) in certain regions dominated by Islamic societies, for example the Middle East (Essers & Benschop, 2009; GEM, 2014). But it is possible to argue that the great bulk of economic activity in the Muslim world is in fact entrepreneurial, at least in a broad sense of the term. The contribution of small firms to the GDP of most Muslim-dominated countries is above 50%, and is even as high as 76% in Egypt. Admittedly, in some significant countries the opposite is true—Saudi Arabia, for example, scores only an approximate 29% (SRCC, 2003), cited in (Kayed & Hassan, 2013, p. 266). But oil accounts for this difference. In countries without oil, there are few other dominant industries and the bulk of economic activity consists of disaggregated small or “factor-driven” micro-enterprises, dominated by subsistence agriculture and extraction businesses, with a heavy reliance on labour and natural resources (WEF, 2014). Moreover, the Global Entrepreneurship Monitor notes that “unregistered businesses, in fact, can compose as much as 80% of economic activity in developing countries,” (GEM, 2014). And an earlier GEM report stresses that even in Saudi with its low entrepreneurial contribution to GDP, over 75% of the population perceive significant entrepreneurial opportunity (GEM, 2010: 19). As in Egypt and Iran, the potential for job creation from entrepreneurial activity is very high in the Kingdom because the pressure to diversify the economy is mounting. (GEM Home Page, 2014)

On the leadership front, there is a call from the more rigorous voices in the research community to deal with issues of universal relevance. Gupta, MacMillan, & Surie (2004, p. 7) state that “there has emerged an increasing need for entrepreneurial leaders”, and thus an increasing need to understand what they are and how they emerge. But Gupta et al go on to say that the cultural referent for existing theory is too narrow:

We feel that this increasing need for entrepreneurial leadership is not confined to the US, or even the so-called Anglo cultures, but is something which pervades all economies in our increasingly global society. We need to explore the extent to which the underlying concepts are similar and where they differ from culture to culture. For instance Hartog et al. (1999, p. 225) find evidence to the effect that universal endorsement of a leadership prototype does not preclude cultural differences of such a prototype. Leadership prototypes are based on a cognitive categorization process in which the respondents infer

the effectiveness of various elements of the prototype based on their perceptions of their environment. The environmental perceptions are moderated by the values and beliefs of the respondents, as well as situational conditions, as is suggested by the information processing perspective (Shaw, 1990).... Therefore in the development and validation of the entrepreneurial leadership construct, an important issue is the extent to which it operates across contexts like culture, industry, geography and circumstances. (2004, p. 7)

Building on Hofstede's explorations of cultural difference (1980), much work has been done with Project GLOBE: Global Leadership and Organizational Behavior Effectiveness Research (House, Javidan, Hanges, & Dorfman, 2002; Javidan, Dorfman, Howell, & Hanges, 2010; Javidan & Dastmalchian, 2009; Javidan, Dorfman, De Luque, & House, 2006), including some testing of its ideas and findings by other researchers specifically concentrating on Islamic societal clusters, especially in Arabic and Southern Asian cultures; see especially (Kennedy, 2002; Mansor & Kennedy, 2000; Dastmalchian, Javidan, & Alam; Neal, Finlay, & Tansey, 2005). But one problem with this body of work is that its societal clusters mingle Islamic and non-Islamic cultures: eg, "Southern Asia" includes both Malaysia and Thailand, both Iran and the Philippines; "Sub-Saharan Africa" includes both Nigeria and South Africa, both of which are highly syncretic societies; and even the "Middle East" cluster includes relatively liberal and multi-cultural societies like Turkey and Egypt, but not Saudi Arabia. Also, none includes Islamic social groups embedded in other dominant cultures: Muslims in the UK, France or Germany, for example. So with its emphasis on these clusters, and on countries, this work on leadership and culture is of limited relevance when trying to understand the contextual influence of a specifically Islamic identity on entrepreneurial leadership. What is more, in all of these cases and others (and there are relatively few of them), the extent to which a model of entrepreneurial leadership is varied by any version of an Islamic cultural context is not frontally discussed. For example, Gerstener & Day (1994), who specifically set out to engage in cross-cultural comparison, do not engage at all with countries where Islam is prevalent (the only approximation is India, but its Islamic sub-cultures are not acknowledged). Beekun and Badawi (1999) do take a specifically Islamic perspective on leadership, but a very theological one, and do not discuss the entrepreneurial context. Generally speaking, the leadership literature, even the strands dealing with culture, do not accommodate Islam, and engage even less with the project of understanding Islamic entrepreneurial leadership.

So, why study Islamic entrepreneurial leadership?—because there are a great many Muslims on the planet; there is a great deal of entrepreneurial activity in the Muslim world; there is too

little understanding of how it is led; and it is worth understanding a bit more about how all this works. Research on how to create and sustain an appropriately Islamic entrepreneurial environment is of vital import for the continuing development of many world regions. Though we do not propose our own model of Islamic entrepreneurial leadership here, we do argue strongly that one is needed and offer a critique of the inadequate few that have been proposed by others, in order properly to understand entrepreneurial leadership in an Islamic context and to determine the best means of promoting more of it.

##### 5. *How to study Islamic entrepreneurship?*

One way to begin doing this is to look at history. Timur Kuran (2008; 2012) reviewing the differing interpretations of the role of entrepreneurship in Middle East history points out that some sources see Islam as inhibitive because it fosters fatalism, conservatism and conformity (Lewis, 2002; Patai, 1983; Sayigh, 1958); he also demonstrates that others sources see the opposite, that Islam promotes shared-risk taking, creative experimentation in science, technology, and economics, and that its scriptures and commentaries actively encourage trade as a religious and social responsibility (Sadeq, 1990; Siddiqui, 1979). As Kuran notes, each of these readings is selective and incomplete; but in balance, he inclines to the view that the effect of Islam on entrepreneurship—at least in the Middle East—is more inhibitive than developmental. His reasoning is that “decisions to innovate depend on institutions,” and that “no matter how motivated people are to take chances, if they cannot raise capital, or their entrepreneurial rewards are insecure, they will turn their energies elsewhere” (2008, p. 2). This seems debateable. Three points that are central to Kuran’s argument—namely institutions, markets and culture—are often defined and represented rather differently in much entrepreneurship literature, so Kuran’s approach is worth questioning. In what follows we try to look deeper at each point separately and to situate them better in entrepreneurship and leadership research.

Kuran goes on to say that “the supply of entrepreneurship depends on the suitability of the prevailing institutions to the challenges at hand” (2008, p. 2). Again, this is heavily interpretative. It seems to imply that economic activity in the Islamic Middle East was well suited to small-scale entrepreneurial activity but incapable of scaling up to an industrial level. But since this definition of entrepreneurship is somewhat limited, Kuran’s explanation of the effects of Islam upon entrepreneurial development seems incomplete.

Kuran cites Casson (2003) on entrepreneurs as people who “create new markets... enhance their productivity in existing ones... generate new forms of organizations, find novel ways to deploy the new forms, and initiate refinements,” (2008, p. 4). This is a decent definition of entrepreneurship but it is not the only one, and it is itself quite limited. It concentrates on the person, for example, not the personality or the process or the context or indeed anything else; entrepreneurs can also be defined by what they do, not necessarily who they are or why they are that way. Moreover, the *idea* of entrepreneurship is not defined, but instead derived from the *identity* of entrepreneurs. The argument seems to be that if there are few entrepreneurs, there is little entrepreneurship. This is circular, and one could equally argue it the other way around: that with little entrepreneurship going on there will be fewer entrepreneurs. It is in any case descriptive, and not explanatory, of the nature of entrepreneurship. So it is unfair to jump to the idea that Middle Eastern Islamic institutions historically and systematically suppressed entrepreneurial activity and the population of entrepreneurs, insofar as commercial practices and contract law did not evolve significantly between the 10<sup>th</sup> and 17<sup>th</sup> centuries (CE). From evidence about the lack of development in contract law, Kuran (2012; Lewis, 2002) deduces “institutional stagnation” as an inhibitive factor on entrepreneurship, without extensively exploring whether some other shared constraint has inhibited both entrepreneurship and the evolution of institutions. There is no proof of causality here. In any case, explaining the lack of entrepreneurial activity through the paucity of change in contract law as a proxy for the entire Islamic institutional environment is a very specific approach, based on a tight definition of entrepreneurship. This general critique of work such as Kuran’s has been levelled elsewhere, for example (Ul-Haq, S., & Westwood, 2012), arguing that it repeats orientalist tropes of the backwardness of Muslims societies and institutions.

#### 6. *Alternate theoretical approaches to entrepreneurial leadership*

Kuran’s paper and book do not offer sufficiently specific recommendations for stimulating entrepreneurship in the Middle East, largely because of their conceptualisation of entrepreneurship and of how it relates to Islam. We propose to strengthen this analysis by examining three alternate bodies of theory about entrepreneurial leadership: institutional, market-oriented, and cultural.

Neo-institutional theory derived from Douglass North (1990) has been exceedingly influential in thinking about organizations and their leadership in a broader context. It has also given rise to the idea that the role of institutions is limited, as outlined by Tarun Khanna and colleagues in the notion of institutional “voids” (Khanna & Rivkin, 2006; Khanna & Palepu, 2000; Khanna & Palepu, 1997; Khanna, Palepu, & Sinha, 2005). Other sources posit a more nuanced understanding of how markets form without, or around, institutions (Mair, Martí, & Ventresca, 2012; Dorado & Ventresca, 2013). Thinking about the connections between these perspectives allows us to situate analysis specifically in cultures infused with Islam whose observable entrepreneurship activity is not explained by dominant models.

### *6.1 Institutional approaches*

Northian neo-institutional theory has for some time strongly influenced development economics (Grief, 2006; Ogilvie, 2011; Rodrik, 2008; Sen, 1999; Toye, 1995), as well as management and leadership studies (DiMaggio & Powell, 1991). There are also some fairly recent studies connecting it to entrepreneurial leadership, including Veciana and Urbano (2008). The questions approached by neo-institutional theory are fundamental: why in the long term do some countries grow while others stagnate? Inefficient outcomes persist in economic activity because all economic agents must act on incomplete information; where formal or informal institutions exist to render that asymmetry a benefit rather than a deficit, growth occurs. Entrepreneurial leaders, for example, can be construed as the sort of agents that benefit from economic inefficiency—being able to profit from conditions of uncertainty and risk—and thus represent (informal) institutional drivers of growth.

Some writers following North look less at institutions themselves and more at the spaces around them, or replacing them. The term “institutional void” has acquired a degree of currency; it can be defined as a situation where institutional arrangements that support markets are absent, weak or lack meaning or do not accomplish the role expected of them. This is derived to some extent from the work of Karl Polanyi and followers (Hann & Hart, 2009; Polanyi, 1944). The idea of the institutional void has been identified as both a barrier to entrepreneurship (without supporting institutions, entrepreneurship cannot flourish) and as an enabler (without supporting institutions, entrepreneurs find ways to flourish while others flounder). The relationship between institutions and entrepreneurship is either “because of” or “in spite of”, and debate continues about which interpretation is best.

Obviously, neo-institutional theory is enormously more complex than this, but connecting it to entrepreneurial leadership theory in this way allows us to return to the line of enquiry

into whether Islamic institutions drive growth or inhibit it? Is this influence mutable at different times, and in different places? Does neo-institutional theory help to explain entrepreneurial activity in an Islamic cultural context, and can this be the basis for a systematic understanding of entrepreneurial leadership?

For a start, does it allow us to look at the right institutions? Does Islamic “culture” constitute a set of formal and informal institutions? Concepts such as *musharakah* (مشاركة) and *mudarabah* (المضاربة), for example, betoken radically different conceptualisations of risk and venturing, in which risk is shared more-or-less equally and complications of agency that so affect the relationship between investor and entrepreneur are diffused. Even the word “*rizk*”—which might be etymologically related to the English word “risk”, and can be translated loosely as “sustenance” or “provision” or even “adventure”—emphasizes that everything someone has or does comes not from his or her own effort, but from God; this is a very different notion of “risk” as it more familiarly applies to the practice of entrepreneurial venturing and leadership. Moreover, all of these notions are very much enshrined in Islamic law and practice—albeit to widely differing degrees in many countries: in Sudan and Saudi, an Islamic regulatory environment is explicit, while in the Gulf and South East Asia it runs in parallel with other systems, and in countries like Egypt and Jordan it is neither supported nor opposed (Sherbiny, 1986). It is worth enquiring into how these notions—formally or informally, explicitly or implicitly—condition the structure of entrepreneurial ventures as well as the practice of leadership within them. It behoves us all, as such conceptualisations disseminate more broadly and variously around the globe, to understand them, how they work, and how they define entrepreneurial leadership.

In light of this, it is dispiriting to see Kuran state that such Islamic institutions inhibit the entrepreneurial activity. But Islamic entrepreneurs do raise capital (often from family and tribal networks, at times on a large scale), and their rewards are secure (defined differently and balance risk in ways different from non-Islamic ones, according to the notions of *mushtarak* and *mudarabah* and *rizk*)—see, for example, Rodinson (1978, orig. 1966). Capital and security happen, if not in the same manner as in Silicon Valley, then in ways and through channels that look perhaps less specifically “institutional” and more “cultural”. In any case, it will take more thought and research to explore this issue properly.

A bottom-up approach of practice-led research in an institutional context is certainly emerging as an appropriate and rigorous methodology. Smets, Morris and Greenwood (2011) observe that change originates in the everyday work of individuals, which then results in a shift of field-level logic. By concentrating on the earliest moments of change that extant

research neglects, and by contesting existing accounts that focus on “active entrepreneurship”, they highlight the importance of observing what is happening right before our eyes, but not currently part of our understanding. Their study is “the first empirical multi-level account of the reciprocal relationships between micro-level practices and field-level logics,” (2011, p. 880) and is a suggestive model for confronting the challenge of accommodating the increasingly unavoidable Islamic context into the field-level logic of entrepreneurial leadership.

Another methodological example of the sort of work that needs to be done, a paper exploring options available to policy makers seeking to replicate the success of Silicon Valley, questions whether establishing institutions, such as deep and liquid stock markets, is the right approach to enabling innovation. Armour and Cumming (2006) use rigorous empirical means to show that government programmes more often hinder than help the development of private equity; that liberal bankruptcy laws stimulate entrepreneurial demand for venture capital; and that the legal environment matters as much as the strength of stock markets. These comprehensive results suggest that although institutional conditions might be necessary for enabling entrepreneurship, they are not sufficient; they also suggest that similar rigor applied to the analysis of comparable environmental factors such as cultural factors might reveal similarly stimulating effects—see also (Casson, 2003; De la Costa & Coulson, 1965). We cannot know until we test it. But certainly, the legal “culture” of Islam is highly distinct from that of Silicon Valley in any variety or expression, as are the formal Islamic laws governing entrepreneurial finance and the informal narratives of leadership, just as more formal Islamic cultures and institutions themselves vary enormously around the world, especially in the extent to which financial systems and banking policy are the law of the land (Sherbiny, 1986). But these variations as a whole, as much as any individual instance, remain understudied. A specifically Islamic environment, in whatever form it takes, matters as much as other institutional factors, formal and informal, to the development of entrepreneurial leadership capacity.

Moving in this direction, the findings of a recent doctoral thesis looking specifically at the MENA region suggest that “the pattern of internationalisation into antagonistic environments with scarce infrastructure” demonstrate how entrepreneurial leaders specifically target markets with weak institutions to identify, evaluate and exploit opportunities (Hatem, 2012). This is an important new dataset, unique in being a compilation of rapidly internationalising MENA enterprises, and as such it will provide a basis for further study of entrepreneurial

leadership that is informed by both institutionalism and Islam—although it does not explicitly explore how that entrepreneurial leadership itself is influenced by Islam.

Neo-Institutional theory suggests other angles on Islamic entrepreneurial leadership worth exploring empirically. Friedland & Alford (1991) include Christianity in their assessment of the institutional logics governing organizational activity in society. Organizations include and respond to multiple institutional logics, including religion (Greenwood, Diaz, Li, & Lorente, 2010; Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). And institutions themselves change as multiple logics re-combine in ways determined by evolving practice (Smets, Morris, & Greenwood, 2011; Pache & Santos, 2010), including the “practice” of faith-based logics such as religion.

Inside this swirl of institutional complexity, the entrepreneurial leader, with a generally high tolerance for uncertainty, sits perhaps more comfortably than another sort of actor. And within Islamic institutions, deriving as they do from a context denoted by the very name “submission”, is the Islamic entrepreneurial leader essentially empowered where others might be confounded? An institutional approach, more nuanced and practice-led and grounded in an understanding of the Islamic context, suggests this might be so.

## *6.2 Market approaches*

Some recent work has re-framed this debate by looking at the complexity of institutions, and how their origins can be “traced back to a complex knitting together of practices and beliefs that are associated with the communal/societal, political, and religious spheres” (Mair, Martí, & Ventresca, 2012); see also (Dorado & Ventresca, 2013). This approach offers insights into how entrepreneurial activity actually occurs within cultural contexts that do not readily fit Western notions of market economies. The findings go beyond the formation, infrastructure and role of institutions by highlighting the activity and work involved in market building—in other words, they help to explain how entrepreneurship develops within specific social-cultural contexts, without presuming that Western-derived models of entrepreneurial development necessarily apply in non-western environments. This work suggest that the development of entrepreneurial leadership capacity will need to prioritise cultural factors over institutional ones, including those derived from or operating with Islam.

How does this work on market formation apply to the challenge of entrepreneurial leadership development in an Islamic context? As market architecture is re-interpreted and indeed re-made, as new actors are legitimated and enter the market, the resulting activity is essentially entrepreneurial and determined by the deep, thick complexity of cultural factors

including Islam. Islamic entrepreneurship can be better explained by this sort of market-oriented, culturally rooted theorising than by traditional entrepreneurship research or classical institutional and development theory—not least because it acknowledges the myriad different influences of cultural context on entrepreneurial activity in an integrated way. It will be important, when feasible, to test this market-model of entrepreneurial leadership development in a specifically Islamic empirical context.

### 6.3 Cultural approaches

We want to stress again that we are treating Islam as a set of socio-cultural phenomena, not as religion. Others are looking at religion and management generally: (Chan-Serafin, Brief, & George, 2013; Gundolf & Filser, 2013; King, 2008; Tracey, 2012; El Garah, Beekun, Habisch, Lenssen, & Adai, 2012). A few others focus on religion and entrepreneurship directly (Dana, 2010; Dodd & Gotsis, 2007; Dodd & Seaman, 1998; Kaye & Hassan, 2013; Audretsch & Bönte, 2007), but do so by regarding entrepreneurship through lenses like spirituality, theology, ethics, and the like. Very few engage holistically with the intersection of Islam and entrepreneurship (Adas, 2006; Gümüşay, 2014; Kaye & Hassan, 2013; Sloane, 1999), or take the view, with Adas that “a new synthesis between religion and capitalism is unfolding where culture has not been outdone but is creatively transformed and integrated to capitalism” (2006, p. 113).

In the case of Islam, there are many reasons why we feel a different approach is also appropriate, not least because Islam represents itself in a more holistic way as more than spirituality, more than religion—as “a complete way of life”:

not only concerned with the spiritual upliftment of human beings, it is equally concerned about their material and physical well-being. Islam guides its followers in financial and economic matters, in social and political affairs, and also in moral and personal spheres of human life... Islam is a compact system of life in which all its aspects (religious, ideological, social, political and ethical) are well synchronized (Rizvi, 1993).

Other Islamic thinkers make this same point in various ways: Muhammad Iqbal, for example, poet-philosopher and political hero in Pakistan, wrote on Islam as a political and legal philosophy as well as a religion; different from Christianity and Hinduism, Islam consisted integrally of legal and civic concepts that are integral to the spiritual ones (Iqbal, 1934).

In a special issue of *Entrepreneurship Theory and Practice* exploring the relationship between entrepreneurship and culture, the editors point to “substantial gaps in our knowledge of this relationship” and adopt broad definitions: “culture is ... the enduring set of values of a

nation, a region, or an organization” (George & Zahra, 2002, p. 5). This, like most other research on culture and entrepreneurship, looks comparatively at behavioural indicators for certain traits (locus of control, need for achievement, etc.), thereby reading culture rather differently as an aggregation of personality characteristics in a population, assessed and analysed through psychometrics. Even George and Zahra themselves (George, Zahra, & Hayton, 2002) concentrate on behavioural research, rather than models of cultural analysis, and point out that in any case, twenty-one previous studies of entrepreneurial culture have mainly relied on a problematic conceptualisation of national culture advanced by (Hofstede, 1980). Looking beyond behaviour at an organizational level, Edgar Schein’s work on culture (1985), though enormously influential, cannot easily be extrapolated above the organization to larger units of analysis; the same is true for other organizational researchers whom he influenced (Altman & Baruch, 1998; O’Reilly, Chatman, & Caldwell, 1991; Smircich, 1983).

It is worth enquiring whether more analytical models for studying culture and entrepreneurship than the behavioural and organizational ones glimpsed above can be applied in a cultural landscape infused by Islam. Little has been written in English; there is much that is interesting and suggestive in Adas (2006), though its range of reference is largely confined to Turkey and a Turkish form of Islamism. A recent review of entrepreneurship training literature by Saudi authors does not mention an Islamic social context at all (Azim & Al-Kahtani, 2014). One other, bigger study pushes further and looks at Islamic entrepreneurship head on. Though mainly focused on Saudi Arabia, Kayed and Hassan (2013) develop the idea that there is a specifically Islamic form of entrepreneurial leadership, and that Islamic approaches to economic activity are coming into greater prominence and stability. A values-based argument, rather than a behavioural one, their work is methodologically less rigorous; also, it deliberately sets out to raise the profile of a Saudi understanding of Islamic entrepreneurship and to promote economic alternatives for Islamic nations that are over-dependent upon extractive or manufacturing industries; thus it pursues a fairly strong social development agenda. Nonetheless, it suggests that model of entrepreneurship inflected by Islamic perspectives might be possible and beneficial to improving our understanding entrepreneurial leadership in general.

A general theme of “modernisation without westernisation” governs this enquiry as it seeks a source in the tenets of a specific sort of Islam for the observable entrepreneurial activity in certain societies and for the developmental trajectory of future economic well-being. In other words, if Japan and South Korea, for example, can innovate in ways that are uniquely Japanese and Korean, but still compete head-to-head with western innovation

systems (Dore & Whittaker, 2001; Freeman, 1995; Friedland & Alford, 1991), can we find this potential in the wide variety of Islamic societies as well? And where we find economic potential in Islamic countries being under-realised, as in Malaysia for example, how can we explain the problem (Yusuf & Nabeshima, 2011)? In approaching such questions, Kayed and Hassan separate themselves from much main-stream entrepreneurship and leadership literatures: instead of discussing economic empowerment, or related concepts, they embed the culminating sections of their analysis in Islamic concepts *falah* (فَلَاحٌ) and *tawhid* (تَوْحِيدٌ), which they translate as human well-being and the unity of God, and which derive to some extent from the work of Islamic economic writers (Chapra, 1993; 2000; Sardar, 1997; Siddiqui, 1979). Even without discussing the spiritual dimension (which is evidently important in their analysis) it is possible to see alignment between the work of Kayed and Hassan and that of socio-economists attempting to re-connect economic theory with humanistic values (Backhouse, 2011; Bronk, 2011; Easterlin, 1995; Geroski, 2003; Kagan, 2011; Nelson, 2006). Though these sections of Kayed and Hassan's book are less well-argued than others, being grounded less on research or theory and more on theological interpretation, nonetheless they point toward a structured "model" of entrepreneurial leadership that is notably different from ones not rooted in Islamic religious and cultural values.

Kayed and Hassan's specific model for Islamic entrepreneurship is interesting (if rather too intricate). Its key element appears to be the notion of balance between common obligation and self-interest. This is nothing new and hardly unique to Islam in general—it could apply equally to Weber's conceptualisation of the Protestant work ethic, for example, which has been intensively analysed (Furnham, 1984), empirically (Furnham, 1990; Furnham, et al., 1993; Miller, Woehr, & Hudspeth, 2002), and even in a few old cases with reference to a Muslim context (Bellah, 1963; De la Costa & Coulson, 1965; Furnham & Muhiudeen, 1984). All this work observes that where inputs are informed by Islamic social forces as opposed to others, their outputs will be distinctive. That basic understanding is absent from, or at best only implied in other models of entrepreneurial development.

How do Kayed and Hassan root their model of entrepreneurship in Islamic culture? Put simply, they filter two strands of entrepreneurial theory, behaviour and attitude through a lens of specifically Saudi Islamic values, traditions, and customs, and look for consistencies and inconsistencies. Entrepreneurs that can be seen to behave in certain ways inconsistent with these particular Islamic values are not Islamic entrepreneurs, even if they happen to be Muslims living and working in a Muslim society. This is somewhat tautological, but it is

interesting as a mode of analysis in its difference from other models that seek to explain entrepreneurship by other means—personality, behaviour, institutions, markets, etc. More specifically, Kayed and Hassan denote two “pro-entrepreneurship” institutions—religion and family—as generative (not just tolerant) of entrepreneurial activity. Because of these factors, Islam is for them, too, “an entrepreneurial religion” (2013, p. 299). Similarly, they see the family-based, tribal structure of society as conducive to a notion of shared risk and reward, and to certain notions of return and value that are consistent with (and perhaps even derived from) *halal* parameters (2013, p. 300)—and thus indicative (or at least suggestive) of a specifically Islamic entrepreneurship.

Why might (or might not) a culturally informed model of entrepreneurial leadership development be more valid than other approaches like those informed by institutions and markets? Essentially, for all their limitations, Kayed and Hassan helpfully suggest that classical varieties of entrepreneurship theory do not readily explain entrepreneurial leadership activity in *any* Islamic cultural context. Behavioural and organizational analysis conceptualise both entrepreneurship and leadership in ways inconsistent with Islam, and fail to offer the field-level logics to explain the entrepreneurial leadership we see in Islamic societies. Similarly, theory that explains entrepreneurial activity mainly through institutions cannot easily identify ways to move beyond comparatively low levels of development and competitiveness in most Islamic nations. But in reality there is plenty of entrepreneurial leadership in Islamic societies, if we can but adjust our lenses for detecting and explaining it. The institutional barriers seem not to be posing as much of a problem as they are supposed to. Why is this? How can we explain what we see? How, moreover, can we harness this unsystematic activity and channel it into a more comprehensive understanding of Islamic entrepreneurial leadership?

## 7 Conclusion

Gümüřay observes that “religion matters in practice—it should also in theory” (2014, p. 8). Our review of theory suggests that diffuse cultural forces are highly determinant of the sustainability of any systematic attempt to encourage entrepreneurship and to develop entrepreneurial leadership. Essentially, the challenge faced in many Islamic environments is to enable an appropriate environment for entrepreneurial leadership, and for those interacting with or in those socio-cultural contexts the challenge is to understand how they adapt

dominant models of entrepreneurial leadership. Until there is more empirical research of the practice-led sort represented by Smets, Morris, & Greenwood (2011) that will change the field-level logic of entrepreneurial leadership in general, we do not feel ready to propose a model of Islamic entrepreneurial leadership ourselves. For now, we feel it is important to suggest that current direction in research and policy could be based on richer and stronger theoretical grounds, and that the few models proposed in the literature could be improved. Traditional models of entrepreneurship are inappropriate to an Islamic cultural context and the emerging models are not yet fit for purpose. Until we understand why, and how to adjust them, efforts to promote entrepreneurial leadership in Islamic environments will have limited success.

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