



## Journal of Management Development

### Emerald Article: Public sector managers and entrepreneurship in Islamic Republic of Iran

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#### Article information:

To cite this document: Farhad Analoui, Seyed Mohmmad Moghimi, Hossein Khanifar, (2009), "Public sector managers and entrepreneurship in Islamic Republic of Iran", Journal of Management Development, Vol. 28 Iss: 6 pp. 522 - 532

Permanent link to this document:

<http://dx.doi.org/10.1108/02621710910959684>

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# Public sector managers and entrepreneurship in Islamic Republic of Iran

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## Abstract

**Purpose** – In Iran the role of entrepreneurs in developing communities is considered to be a special issue by planners and policy-makers; thus the aim of this paper is to explore and examine some of the main structural, behavioural and environmental barriers faced by entrepreneurs in Iranian public industrial corporations.

**Design/methodology/approach** – A survey (questionnaires and interviews), observation and available documentation formed the main methods (triangulation) for the generation of relevant data. Thirteen public organisations responsible for social affairs in the country's budget document were involved. Using an unlimited sampling formula and a categorised random sampling method 220 organisations were accessed, from which 169 questionnaires were received and analysed.

**Findings** – There is a direct relationship between managerial characteristics and organisational entrepreneurship. Also, there is a significant correlation between employees' characteristics and organisational entrepreneurship in public social cultural organisations. However, a host of constraints such as low income and a lack of research have caused a decrease in organisational entrepreneurship.

**Research limitations/implications** – The survey is concerned with managers in public organisations. Future studies should include private-sector organisations, which ought to provide a basis for comparative analysis.

**Practical implications** – There is a need for sustained structural and managerial reform. To achieve this, realistic human resource development policies should be formulated which lead to changes of attitude and behaviour in managers.

**Originality/value** – This is a first attempt to study managers and their entrepreneurial tendencies in public sector organisations. It has policy implications for future development of the sector.

**Keywords** Managers, Public sector organizations, Entrepreneurs, Iran

**Paper type** Research paper

## 1. Introduction

In an ever changing and challenging environment, modern organisations are becoming increasingly more complex. In an information age, organisations that can effectively use digestible information and utilise the cognitive abilities of their human resources can assure their survival, growth and profitability. However, this requires creativity, innovation, strategic thinking and entrepreneurship in providing products and services (Goldsmith, 1995).

Arguably, there is a need to adopt a more entrepreneurial attitude to ensure the above (Daft, 2000). In Iran the role of entrepreneurs in developing communities has been considered a special issue by planners and policy-makers of the Islamic Republic of Iran for the last decade. Thus, relevant measures and mechanisms have been



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proposed to develop entrepreneurship in the private sectors as well as civil societies in the third and fourth Economic and Social Development Programmes of the Islamic Republic of Iran. Since the turn of the century, as a first step, a plan named “Karad” involving more than 50 universities has been undertaken to train entrepreneurs and carry out research into entrepreneurship by the Ministry for Sciences, Research and Technology.

In addition to universities, the government has also attempted to support entrepreneurial individuals and firms by establishing supportive legislation and providing necessary facilities. Despite these efforts, there are still barriers that have posed serious challenges in developing the entrepreneurial individual in the Islamic Republic of Iran. This paper is based on the findings of a field study that aimed to explore and examine some of the main structural, behavioural and environmental barriers faced by entrepreneurs in Iranian public industrial corporations. Following this introductory section, the literature on entrepreneurs and entrepreneurship will be reviewed. Subsequently, the scope of the study, the main findings and the implications for the managers involved will be discussed in some detail. Finally, attempts will be made to provide realistic guidelines for the development of entrepreneurs and entrepreneurship in similar organisations.

## 2. Entrepreneurs and entrepreneurship: a review

It is a growing belief that entrepreneurship, innovation and new ventures provide the fuel for the engines of the modern development. Economists and writers on entrepreneurship define entrepreneurial behaviour as “entrepreneurial discovery” that is ubiquitous in all human action, not just economic activity (Shockley *et al.*, 2002, p. 1). It would not be too far-fetched to claim that the terms “entrepreneur” and “entrepreneurship” are inevitably synonymous with uncertainty and the unknown (Hamilton and Harper, 1994, p. 5). Individuals who best tolerate ambiguity seem to be also more innovative, take more risks and display more proactive behaviour. In the same vein, there are significant differences in entrepreneurial orientations depending on the degree of tolerance for ambiguity. Those individuals who best tolerate ambiguity seem to be the most entrepreneurial. Successful managers seem to tolerate ambiguity more and adjust to changing circumstances (Entrialgo *et al.*, 2000, p. 147).

Despite the popular belief that entrepreneurial managers are only associated with the private sector, studies show that they can also be found in non-profit organisations (Kakabadse *et al.*, 1996). A typical list of the attributes and qualities required for the success of entrepreneurs in NGO sectors include cognitive ability, and correct self- and managerial perception (see Appendix 1). Analoui (2007) also examines the effectiveness of senior managers in public sector organisations and points to the importance of their perception as “a parameter for their effectiveness” at work.

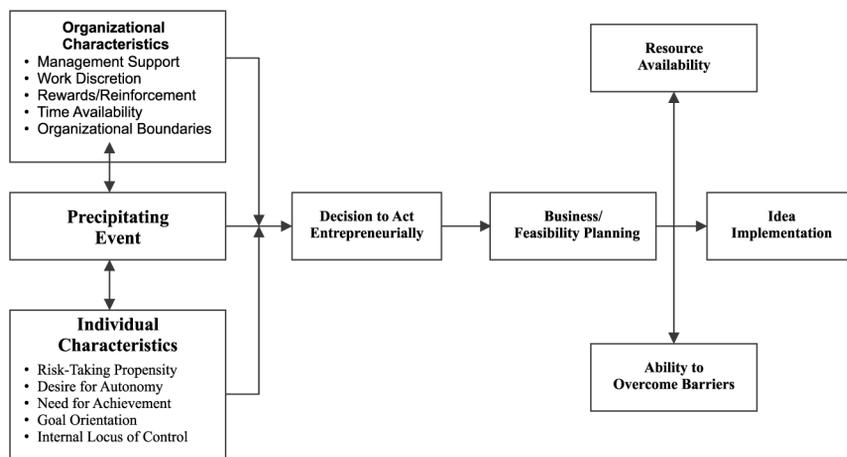
The process of entrepreneurship has been defined as managerial behaviour that consistently exploits opportunities to deliver results beyond one’s own capabilities. Entrepreneurs are typically described as individuals who perceive a vision, commit themselves to that vision, and almost single-handedly carry the vision to its successful implementation (Analoui and Karami, 2003; Kakabadse, 2001). It is stated that the traditional economist’s view of the entrepreneur is that of an opportunity seeker, someone who combines the factors of production in an innovative manner and who seeks out and exploits opportunities and gaps in the market.

Entrepreneurship has been conceptualised as a process by which individuals, either on their own or inside organisations, pursue opportunities without regard to the resources they currently control. In other words, entrepreneurship centres itself on a vision, a vision that allows the entrepreneur to see beyond the confines of resource constraints and identify opportunities missed by others (Thompson, 1999).

Entrepreneurs respond to environmental turbulence and uncertainty, attempting to establish a strong strategic position, albeit temporary in nature; they also create uncertainty for others with proactive initiatives. They create opportunities by disturbing the existing *status quo*, they spot and seize new opportunities ahead of any competitors, and they stay vigilant to potential threats (Wehrich and Koontz, 1993). Indeed, organisations need managers who are willing to challenge existing norms, not accepting that things always have to stay the way they are, but who are also willing to take responsibility for their actions. Without decentralisation and empowerment, organisations, especially those that have grown in size and complexity, will simply not be able to deal with the threats and opportunities in their environment (Jansen and Wees, 1994).

The new management movement has focused on how the performance of the state agencies could be improved. One suggestion is “to let the managers manage and make it possible for entrepreneurs to do their job as if they were in the private sector” (Bernier and Hafsi, 2003, p. 3). The entrepreneurial state, by and large, defines the growth, productivity and competitiveness of its economies thus: it explores opportunities and sets the direction for private business to follow (Fu-Lai Yu, 2001, p. 754). Government entrepreneurship is particularly important in the times of recession, when the private sector fails to respond (Fu-Lai Yu, 2001, p. 754).

Numerous studies have been carried out on organisational strategies for the development of entrepreneurship, and the individual traits and characteristics of entrepreneurs (Entrialgo *et al.*, 2000, p. 146). Figure 1 illustrates the key elements of this process as illustrated by Naffziger *et al.* (1994). Naffziger *et al.* (1994) also believe that the decision to act entrepreneurially occurs as a result of interactions among



**Figure 1.**  
An interactive model of corporate entrepreneurship

**Source:** Naffziger *et al.* (1994) cited in Kuratko and Hodgetts (2001, p. 73)

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organisational characteristics, individual characteristics, and some kind of precipitating event. The precipitating event provides the impetus to behave entrepreneurially when other conditions are conducive to such behaviour.

A review of the literature related to entrepreneurial characteristics reveals the existence of a large number of factors that can be consolidated into a much smaller set of profile dimensions. For example:

- total commitment, determination and perseverance;
- drive to achieve and grow;
- opportunity and goal orientation;
- taking initiative and personal responsibility;
- persistent problem-solving;
- realism and a sense of humour;
- seeking and using feedback;
- internal locus of control;
- calculated risk taking and risk seeking;
- low need for status and power; and
- integrity and reliability (Kuratko and Hodgetts, 2001, p. 97).

Kuratko and Hodgetts (2001) present an outline of the entrepreneurial organisation that reveals such characteristics as imagination, flexibility, and willingness to accept risks. Hornaday (1982; cited in Kuratko and Hodgetts, 2001) examined various research sources and formulated a list of 42 characteristics often attributed to entrepreneurs (see Appendix 2).

Clearly, entrepreneurial motivations represent a complex and somewhat ethereal weave of psychological, social and economic factors that appear to present a certain research challenge (Morrison, 2001, p. 785). It is argued that an entrepreneur is a person who focuses on innovation and creativity, and who transforms a dream or an idea into a profitable venture. They are willing to take a personal risk (Analoui and Karami, 2003).

### 3. Scope of research

This study is concerned with entrepreneurship in public organisations. It aims to identify managerial characteristics that have an influence on organisational entrepreneurship in public sector organisations and to identify the factors that develop managers and employees in Iran.

The study commenced in 2003 and terminated in 2004. It is descriptive in nature and the adopted strategy to generate the relevant and adequate data was triangulation. Thus, a survey method (questionnaires and interviews) formed the main method for the generation of relevant data. Observation and available documentation formed the secondary data, which enriched the collected data.

Since the Iranian public sector forms a large community, 13 organisations responsible for social affairs in the country's budget document were considered using the unlimited sampling formula and categorised random sampling method. The sample consisted of 151 organizations; however, 220 organisations could be

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realistically accessed and were included in the sampling process, from which 169 questionnaires were received and analysed. The organisations selected are classified into sectors and regions involved in the study. The sectors included:

- universities and organisations affiliated with the Ministry of Health, Treatment and Medical Education;
- universities and organisations affiliated with the Ministry of Sciences, Researches and Technology;
- organisations affiliated with the Labour and Social Affairs Ministry;
- organisations affiliated with the Ministry of Education;
- organisations affiliated with the Ministry of Culture and Islamic Guidance; and
- other societal and cultural organisations funded by the budget.

The regions involved in the study were:

- developed provinces (Tehran, Khorassan and Fars); and
- less-developed provinces (Qom, Semnan, Kermanshah).

Statistical descriptive methods (average, medium, and mode) and inferential statistics (correlation test) were applied to analyse the collected data.

#### **4. Findings**

In this section, first descriptive statistics of the statistical community are provided. Then the results of data analysis inferential tests are dealt with. Finally, using the results, the behavioural characteristics of managers in the Iranian public sector are discussed.

##### *4.1 The rate of entrepreneurship in public organisations*

To measure the rate of entrepreneurship in public societal and cultural organisations, 12 applied indicators were used. These indicators as well as the statistical description of collected data from the field are presented in Table I.

As seen in Table I, the average entrepreneurship in the organisations studied is almost 3.1. This clearly shows the low rate of entrepreneurship in these organisations. Amongst the indicators, the rate of client satisfaction according to the polling forms of the management and planning organisations is relatively at an appropriate level. However, the low rate of income, low rate of financial resource attraction, low rate of consigned activities and tasks to the non-public section, the non-reduction of ongoing costs, and the lack of research and development teams in organisations are among the issues that have caused a decrease in organisational entrepreneurship (see Figures 2 and 3).

##### *4.2 Managers' characteristics in Iranian public organisations*

In order to evaluate the rate of managers' entrepreneurship in government, social and cultural organisations, eight important characteristics are used in the form of quantitative and descriptive statistics (see Table II).

As shown in Table II, the score for the characteristics of managers (3.42) seems to be better than the employees' average. Among managerial characteristics, the ability to work long hours and negotiate seems to be better than, for example, risk taking,

					Public sector entrepreneurship in Iran
Entrepreneurship indicators	Average	Median	Mode	Total	
1 The rate of client satisfaction according to polling forms of management and planning organisations	4	4	4	580	
2 The number of tasks and activities consigned to non-governmental sections	2.64	2	2	430	
3 The rate of attracting non-governmental financial sources via the helps of people, other organisations, service selling, etc.	2.18	2	1	336	<b>527</b>
4 The rate of income resource variety	2.06	2	1	309	
5 The rate of providing new services and products based on the new needs of people and those who receive such services	3.06	3	3	478	
6 The rate of reducing ongoing budget (costs like salary, official costs, etc.) and increasing non-ongoing budgets (activities and programmes)	2.81	3	3	424	
7 Establishing research and development teams in the organisation in order to recognise the social and cultural needs of the community	2.91	3	3	460	
8 The rate of quality of the services provided	3.82	4	4	622	
9 The organisation's initiatives in recent years for removing parallel and unnecessary units	3.22	3	4	503	
10 Easy access to services through establishing providing service centres inside the organisation	3.48	4	4	563	
11 The amount of help to the development of the community's social, cultural and economical capabilities through enforcing NGOs	3	3	3	456	
12 Emphasising planning in order to stop problems before they occur (prevention rather than treatment)	3.59	4	4	585	
The rate of entrepreneurship	3.08	3.14	3.16	518	<b>Table I.</b> Entrepreneurship in the organisations studied

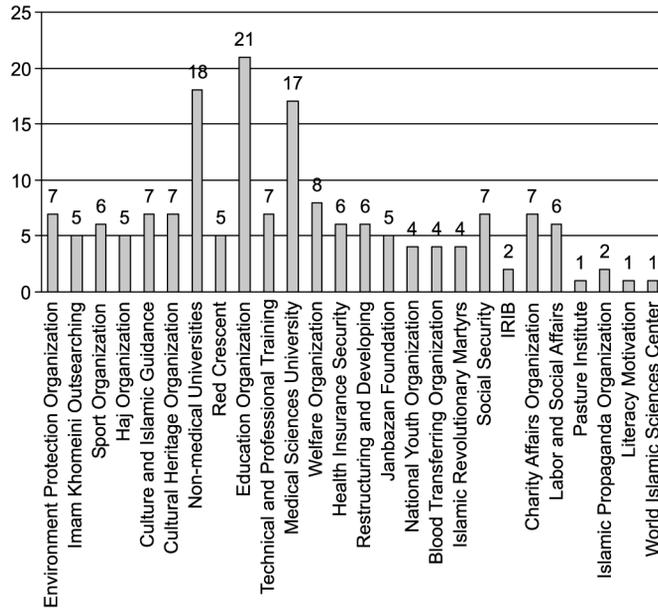
adapting to changes and seeking opportunities, all which are important for entrepreneurship.

#### 4.3 Developing entrepreneurial characteristics in managers

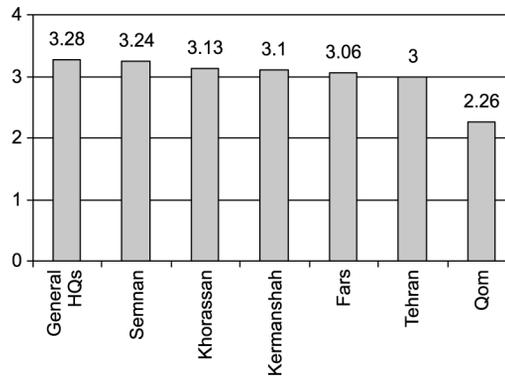
Undoubtedly, managers play a critical role in an organisation's success. They guide their organisations (Analoui, 1999, 2007). Therefore, their entrepreneurial characteristics are among the principal factors that ensure their success (Kakabadse *et al.*, 1996; Karami, 2002; Analoui and Karami, 2003). The findings of this study confirm that there is a direct relationship between managerial characteristics and organisational entrepreneurship (correlation coefficient: 51 per cent). Moreover, the results indicate that although managers have more appropriate entrepreneurial characteristics than employees, their characteristics in public societal and cultural organisations cannot be classed as entrepreneurial in nature.

### 5. Research limitations and implications

The study utilised a survey questionnaire as the main method of data gathering. With hindsight, this has limitations. Future studies ought to provide managers with an opportunity to describe their perception and views concerning the successes and failures



**Figure 2.**  
The average rate of entrepreneurship in organisations studied



**Figure 3.**  
The average rate of entrepreneurship in provinces

**Table II.**  
Survey of managers' characteristics in governmental organisations

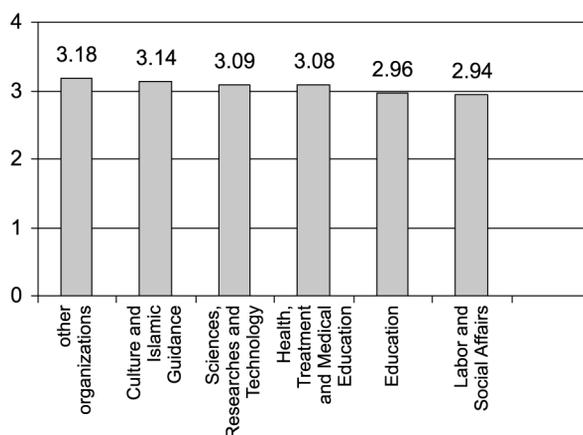
Total	Mode	Median	Average	Managerial characteristic	
460	3	3	3.15	Adapting to changes and seeking opportunities	1
495	3	3	3.11	Venture and taking risk	2
610	4	4	3.83	Ability to work long hours	3
542	4	3	3.36	Creativity and innovation	4
540	3	3	3.39	Foresight and desire to the progressive	5
532	4	3	3.32	Accept challenges and team work	6
565	4	4	3.67	Having suitable organizational skills	7
580	4	4	3.64	Ability to negotiate	8
557	4	3.5	3.4	Managers' characteristics	

of the entrepreneurs in both public- and private-sector organisations. However, the findings of this study will provide measures to improve the capability of managers in charge of entrepreneurial activities in societal and cultural organisations. These include:

- preparing the ground for risk-taking and bold behaviours in managers;
- creating opportunity-seeking and change-accepting in managers;
- increasing managers' preparedness to work long hours;
- fostering creativity and innovation;
- creating visionary attitudes in managers;
- enhancing team working morale;
- improving the negotiation ability of managers; and
- developing appropriate managerial skills in managers.

The data analysis reveals that the average score for employees' characteristics is 3.11 (see Figure 4). This has an interesting but disappointing implication. The data suggests that attributes such as the desire to take risks and tolerating ambiguity are in short supply.

Moreover, the findings of the present survey indicate that there is a significant correlation between employees' characteristics and organisational entrepreneurship in



**Figure 4.**  
The average rate of entrepreneurship in ministries

Total	Mode	Median	Average	Elements of employee characteristics	
523	3	3	3.33	Desire to do work to a high standard	1
448	3	3	2.81	To attribute successes with shortcomings to oneself	2
445	3	3	2.78	Desire to venture and take risks	3
564	4	4	3.52	Need for independence	4
479	3	3	2.99	Put forward new ideas and creativity	5
423	3	3	2.72	Tolerate ambiguity	6
551	4	4	3.5	Take responsibility	7
511	3	3	3.21	Foresight	8
507	3.25	3.12	3.11	Employees' characteristics	

**Table III.**  
Survey of employees' characteristics in related organisations under study

public social and cultural organisations (correlation coefficient: 51 per cent). However, the findings also suggest that there is a need for the development of employees' potential so that such characteristics can be demonstrated confidently by them (see Table III). Since the study confirms the presence of an adverse relationship between organisational entrepreneurship and the low rate of employee entrepreneurship characteristics, the following steps are recommended to improve and promote public social and cultural characteristic of employees:

- motivating employees towards achieving a higher performance standard;
- creating self-awareness amongst employees so that entrepreneurial success can be perceived and attributed to one's own effort;
- increasing the locus of control through effective delegation, meaningful responsibility and authority to improve self-esteem and the positive self-perception necessary for entrepreneurial success;
- encouraging employees to communicate freely and share new ideas and creativity in the organisation; and
- training employees in understanding the nature of open system thinking and the need to tolerate ambiguities.

## 6. Conclusions

Arguably, entrepreneurship is one of the principle factors for economical development and prosperity and as such plays a critical role in individual and organisational activities. Since governments and public organisations have wide influence in all economical, social and cultural grounds, reforming organisations from the traditional and bureaucratic form to a more entrepreneurial form is deemed particularly important. According to the results of this study, Iranian public societal and cultural organisations by and large have not been successful in promoting and using entrepreneurship initiatives in public-sector organisations. However, to improve managerial and entrepreneurial characteristics in these organisations there is a need for sustained structural and managerial reform. It is unlikely that the present situation can be improved unless efforts are invested in the formulation of realistic human resource development policies which can bring about real change in the attitude and behaviour of the managers and employees involved.

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### **Appendix 1. Required characteristics of leaders of non-profit organisations engaged in entrepreneurial activities**

- Accept change as good.
- Bold.
- Capable of working long hours.
- Creative and innovative.
- Desire to be a leader in the field.
- Dynamic.
- Forward-looking.
- Persistent.
- Possess good organisational skills.
- Possess an understanding of basic business skills.
- Team worker.
- Welcome challenges
- Willing and able to negotiate.
- Willing to take risks.

## Appendix 2. Characteristics often attributed to entrepreneurs

Confidence.  
Perseverance, determination.  
Energy, diligence.  
Resourcefulness.  
Ability to take calculated risks.  
Dynamism, leadership mistakes.  
Optimism.  
Need to achieve.  
Versatility, knowledge of product, market machinery, technology.  
Creativity.  
Ability to influence others.  
Ability to get along well with people.  
Initiative.  
Flexibility.  
Intelligence.  
Orientation to clear goals.  
Positive response to challenges.  
Independence.  
Responsiveness to suggestions.  
Time competence, efficiency.  
Ability to make decisions quickly.  
Responsibility.  
Foresight.  
Accuracy, thoroughness.  
Cooperativeness.  
Profit orientation.  
Ability to learn from mistakes.  
Sense of power.  
Pleasant personality.  
Egotism.  
Courage.  
Imagination.  
Perceptiveness.  
Toleration for ambiguity.  
Aggressiveness.  
Capacity for enjoyment.  
Efficacy.  
Commitment.  
Ability to trust workers.  
Sensitivity to others.  
Honesty, integrity.  
Maturity, balance.

*Source:* Hornaday (1982; cited in Kuratko and Hodgetts, 2001, p. 98).

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