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

Objective: In previous research (Roomi & Harrison, 2011) we asked how leaders learn to be entrepreneurial, and how entrepreneurs learn leadership. 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. Thus, restating and recombining the research questions of our earlier work, this study 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? 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 paper will look specifically at insights into entrepreneurial leadership form the Muslim world, in both scholarship and practice.

Prior Work: Zelekha et al. (2014) studied the impact of religious institutions generally on entrepreneurship through a quantitative analysis, and found clear evidence that different religious institutions have a significantly different impact on the tendency to become an entrepreneur. It is not new to observe that religious institutions affect social behaviour, including economic and entrepreneurial activity. We have always known that religion affects economic behaviour; Zelekha et al take us no closer to knowing why this is true. Gümüşay (2014), however, 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. These two recent sources— (Zelekha et al., 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? Some attention has been paid in the anthropology literature to the influence of contemporary Muslim subjectivities on economic practice (Hefner, 1998; Osella & Osella, 2009; Rudnyckyj, 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?

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 paper 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.

Methodology/Approach: 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 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 10th and 17th centuries (CE). From evidence about the lack of development in contract law, Kuran (2012) 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 Muslim societies and institutions. 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. Thus we propose to strengthen this analysis by examining three alternate bodies of theory about entrepreneurial leadership: institutional, market-oriented, and cultural.

Islam and entrepreneurial leadership - Institutional Approach: 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. 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* 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 world "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 not 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 balancing 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.

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.

Islam and entrepreneurial leadership - Market Approach: 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. The work conducted by Mair et al. (2012) and Dorado & Ventresca (2013) 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.

Islam and entrepreneurial leadership - Cultural Approach: We want to stress again that we are treating Islam as a set of socio-cultural phenomena, not as religion. 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" (Rizvi, 1993). 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* (ح الف) and *tawhid* (دي حوت), 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). 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?

Value and Implications: 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 prosed by others, in order properly to understand entrepreneurial leadership in an Islamic context and to determine the best means of promoting more of it.

Key Words: Entrepreneurial Leadership, Islam, Institutions, Market, Culture

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