
Entrepreneurial Ecosystem - What Boosts Herders' Business Most in Mongolia?

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Abstract

Entrepreneurship is a creation of new combinations of goods and services. Today, every aspect of business operations has been changing, which we call development. The conventional business included production and manufacturing of goods and serving things the customer needed. Today, the business has changed form so that the demands of customers are shaped by the good or service which has been created by the businesses. Entrepreneurship in Mongolia is not a new concept but nowadays the number of entrepreneurs in Mongolia has grown sharply. Mongolia was a nomadic culture during its history and is probably the only nomadic culture left in the world today. Mongolian herders are the largest and the most powerful representation of successful entrepreneurs in Mongolia. Another practice of herders in the world are in Australia. Along with a comparison of the policy and government support system of Australia, this study intends to assess how 6 factors of the entrepreneurial ecosystem fit herders in Mongolia. As a result of this assessment, we propose policy to support the entrepreneurial mechanism of herders and identify cultural factors which support the existence of herding.

Keywords

entrepreneur, business, ecosystem, Mongolia, Australia, herding

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1. ENTREPRENEURIAL ECOSYSTEM

1.1. Introduction

Entrepreneurship – this word is used everywhere and every day, as the term entrepreneurship is a creation of modern times. The understanding of entrepreneurship in Mongolia is not a new concept. After the collapse of the USSR in the early 1990's, which was the biggest political influence on Mongolia, a democratic transformation has taken place in Mongolia. The economy opened up and people were able to travel abroad, leading a foreign culture inflow. Following the foreign culture, international trade has grown and many Mongolians started to launch their own businesses. Many started to travel to the neighboring country, China, to purchase cheap products and resell them in Russia for a higher price. Some purchased automobiles, electronic goods and other products from Western countries and sold it back to Mongolians at more than double the original price. This trading path was a major entrepreneurial point of departure for some of people the biggest business-people in Mongolia today. Since the 1990s, the definition of Entrepreneurship has expanded and changed.

Recent Mongolian entrepreneurship is quite different from the past, and entrepreneurship in Mongolia is growing to match the classic definition of Bolton and Thompson (2000, as cited in Suwachananont & Apibunyopas, 2016), who defined an entrepreneur as “a person who habitually creates and innovates to build something of recognized value around perceived opportunities (p. 11).” The number of entrepreneurs in Mongolia has grown sharply with businesses in many different sectors including service, retail, real estate, information technology, media, and so on.

Mongolian herders might be considered as the earliest original entrepreneurs in the world. Within nomadic culture, throughout time, herder families have developed and improved their animal husbandry ways and have implemented different animal technologies. The population of Mongolia is only 3 million, but there are more than 60 million animals in the country. These 60 million animals belong to and are raised by less than 10% of the national population. Herders are the largest and the key representative of successful entrepreneurs of Mongolia¹.

There is a Union of Entrepreneurs in Mongolia, which organized the Entrepreneurs conference held in December 2016 to exchange views on developing entrepreneurship, start-up, and entrepreneurial environments – to create a focused ecosystem encouraging and promoting ideas of individuals and businesses. It is the intent of the Union to encourage and organize such events every year, with the purpose of learning about international practice, introducing national strategy and encouraging the operation of local entrepreneurs.

Aside from adult entrepreneurs, there are many Mongolian youths starting up businesses. Many

¹ Although it covers only small portion the population, herders are largest representative of entrepreneurs, meaning that there is a small number of entrepreneurs in Mongolia.

of them are likely to fail, so there is a high necessity to learn and study factors which contribute to failure of the business process. The success of an entrepreneurship relies heavily on government policy, financial institutions and other large companies, and data and outcomes from R&D centers.

1.2. Research Purpose

Entrepreneurship is a universal concept and it covers common traits globally; however, its presence differs in each country due to countries' cultural features. Entrepreneurial activity is an important avenue to stimulate economic growth and to reduce the gap between poor and wealthy classes, particularly in less-developed countries (Yasin, 1996). This means that one entrepreneurial theory does not have to fit economies in other countries. One stimulation method is that the entrepreneurs create a job or jobs, and thus there is a money flow which is the framework for economy. The wealthy and poor classes are least likely to start businesses. The wealthy class are unlikely to as they either have an established, grown business or another source of income. The priority of the poor class is food and shelter. So, the middle class is most likely to start their own business. Unless the government works hard to protect and increase the middle class, the gap between rich and poor classes tends to increase. The Mongolian government has been executing various policies for SMEs and entrepreneurs to encourage their business. However, the legal environment to support this goal has yet to be developed.

The biggest group of entrepreneurs in Mongolia is, with no doubt, herders. The elements of the entrepreneurial ecosystem mentioned above are the basis for the number of livestock to increase. Mongolian herders are the middle class, but the number of herders compared to the population is relatively low. Therefore, increasing the number of herders in Mongolia can be a potential way to expand the middle class and to expand the overall economy. Therefore, it is crucial to study and to determine the core elements underpinning herder families.

By conducting this research about the ecosystem, I want to identify:

- whether the ecosystem theory suits herders,
- what element within the ecosystem encourages herders,
- the differences in entrepreneurial ecosystems between developing and developed countries, based on the research on the Australian herding system,
- if there is any element specifically encouraging Mongolian herders.

In order to reach this goal, the following steps will be taken during the research:

- collect the data about the local entrepreneurship ecosystem,
- collect data related to Mongolian herders,
- collect data about Australian herders,
- conduct and analyze/compare between local and Australian herders' operations,
- propose an idea to ensure that the Government of Mongolia strengthens the element found to be specifically favorable to Mongolian herders.

1.3. Theoretical Overview

Entrepreneurship, according to Onuoha (2007) (as cited in Tran & Von Korfflesch, 2016 p. 19), is “the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities.” Schumpeter (1965) defined entrepreneurs as “individuals who exploit market opportunity through technical and/or organizational innovation (pp. 99-102).” Hisrich (1990) characterized an entrepreneur as “someone who demonstrates initiative and creative thinking, is able to organize social and economic mechanisms to turn resources and situations to practical account, and accepts risk and failure (as cited in Eroğlu & Piçak, 2011, p.146).” Entrepreneurship has developed throughout many countries, but has had different implementation in each country. As a result, scholars have identified the main 6 factors within the entrepreneurial ecosystem and tried to associate each factor with the entrepreneurial features developing in specific countries.

An entrepreneurial ecosystem is the system including the main factors that affect and determine whether a business will grow further or fail. The factors may vary depending on the country, but the main aspects that decides the future of the entrepreneurship are the market, human capacity, financing, government policy, the educational background and finally the culture of the country. Well proceed to elaborate on each of the factors.

1.3.1. Markets

Markets are the key to the development of the entrepreneurship. This relates not only to small businesses, but to any business including small- and mid-sized enterprises (SME), large companies and even international businesses. Markets include the domestic and foreign markets, and an entrepreneur’s involvement in these will depend on whether the product or service the entrepreneur is creating and providing is useful to or supplies the need of the SMEs, large companies or even the foreign governments. It is a crucial factor for any business to have a viable market and customers ready to purchase your product.

1.3.2. Human Capital Workforce

The capacity building of the entrepreneur is core as well. Even if an idea is brilliant and definitely offers what customers want, the skill to manage the progression of an idea to becoming a product or service is crucial. Along with management skill, organizational skills and technical knowledge, experience in the field has great importance in turning ideas into businesses.

1.3.3. Funding and Finance

Another fundamental factor that affects the growth of businesses is financing. It is difficult to access any financial source, if the business has just recently started and has no production or profit as yet. The availability of financial institutions or venture capitals to lend funds to entrepreneurs depends on the country and the idea itself. Sometimes a source may be found near the entrepreneur, such as family and friends who can support the first phases. Even so, financial resources are vital in directing the success of an entrepreneur. In many countries, there are platforms where entrepreneurs with good ideas but no financing meet with an “angel investor” to seek investment.

1.3.4. Mentors, Advisors and Support System, Education and Training

When someone has a good idea or starts a business, having a mentor to give advice, provide training or to share experience is necessary. An alternative is networking areas where entrepreneurs come together to exchange their experiences and to learn about the latest developments and achievements around the world. Also, training and education can support entrepreneurs regardless of the level of their enterprise.

1.3.5. Regulatory Framework and Infrastructure

The legal environment and framework have a heavy influence on the business development of entrepreneurs. The ease of starting a business, any low tax incentives, regulations, and access to the authorities are important. The complexity of the paperwork and any tax impositions to new starters may be difficult and may dissuade entrepreneurs, while having a friendly environment will encourage the entrepreneurs to proceed with the development of their idea.

1.3.6. Cultural Support

The culture of the economy is another influence on entrepreneurs. There is no theory suggesting that entrepreneurship is universal and a “good” entrepreneurship theory in a country will also be “good” in another country. Elements like previous experience, success stories and role models will have great impact. Also, the perception of the public about the entrepreneurs and their business will have some effect at certain point. If it is common in the culture to have entrepreneurs and business owners, the chance to succeed is higher. There is an effect of culture on entrepreneurship where an entrepreneur reflects the dominant values of his or her national culture; therefore, some countries’ entrepreneurship is lower compared to other countries. Weber (1956) pointed out that entrepreneurship behavior might be linked to cultural values and suggested that values and beliefs are factors that encourage entrepreneurship. Based on the framework of Hofstede (1984), individualistic culture emphasizes the values of personal initiative and achievement, while collectivistic culture favors group decisions. McGrath and MacMillan (1992) found that entrepreneurs across several cultures share a set of values such as collectivism, and some entrepreneurial beliefs that are independent of their culture.

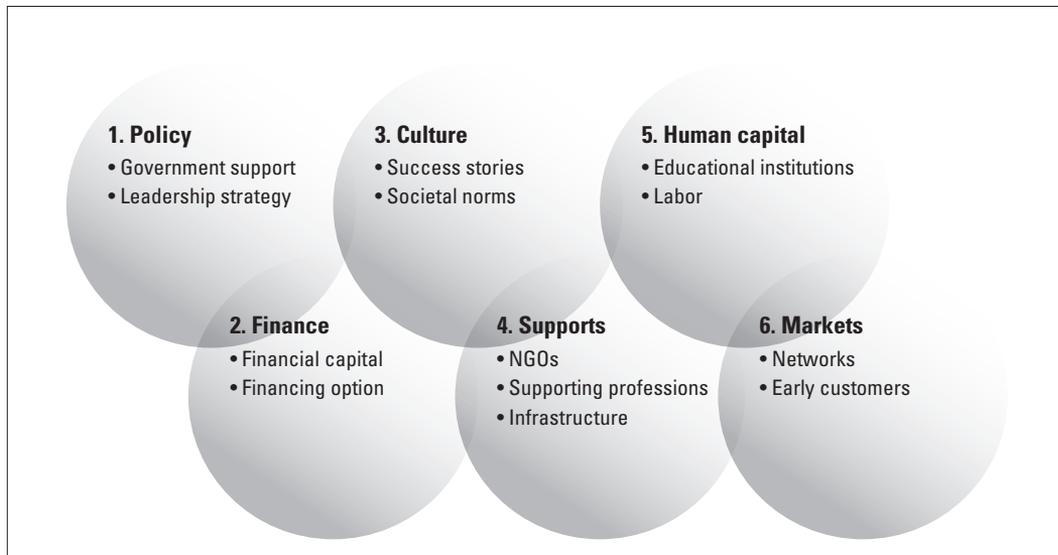
2. MONGOLIAN ECOSYSTEM FOR ENTREPRENEURS

2.1. Development of Ecosystem

The entrepreneurial ecosystem has been defined by many scholars and institutions. Daniel Isenberg (2011), one of the biggest representatives of entrepreneurship theory, defined the ecosystem as being composed of core elements including policy, finance, human capability, culture, market and education supports. Each of them has detailed factors affecting the potential development of the entrepreneur. The foundation of this system assumes the potential growth of the business itself without any other challenges.

The following figure shows the main elements of the entrepreneurial ecosystem as Isenberg (2011) defined it.

FIGURE 1. Entrepreneurial Ecosystem



Source: Isenberg (2011)

2.2. Mongolian Herding

The Gross Domestic Product (GDP) of Mongolia is composed of 3 main sectors: The service sector (approximately 40%), the industrial sector (approximately 37%) and the agricultural sector (less than 20%). Within the 20% of agriculture, 85% comes from the animal husbandry and the rest (15%) comes from crop farming.

Mongolia is the only nation which has reserved its nomadic culture in the present time. The population of Mongolia is 3 million and we have more than 60 million livestock, including cattle, horses, sheep, goats and camels. These 60 million animals supply the overall domestic demand of milk and meat, and in addition, the hides and skin are exported to other countries. The average nomadic family has around 200-300 animals, which are their only assets. Of the 3 million Mongolians, only 30% live in rural areas. Out of this 30%, less than 20% live a nomadic life, meaning that approximately 500,000 people or around 150,000 households live the nomad culture (estimating one household to have 4-5 people).

Throughout the years, nomads move to different areas seeking fresh water and palatable food for their animals; during the summer, nomads move to open Steppes, while in winter nomadic families move to mountain areas, where it is warm and there is less wind. The animal husbandry is very

much dependent on the weather. During the cold winter (for which the local word is ‘dzud’), families may lose some or all of their animals if they are insufficiently prepared for the winter. Even with enough preparation, the possibility of losing animals during the cold winter still exists. The nomad family has traditionally fulfilled their needs by selling the meats and milks of their animals. Now, nomad families need to be more competitive to match the more developed demand of the market.

The newly established government of Mongolia is concerned about sustaining the national animal husbandry. In order to encourage and support the nomad families, the government has approved a mid-term program to enhance the living standard of nomads. The main strategies supporting the development of animal husbandry, herders’ living standards, and high-quality crops include:

- increasing animal production to encourage economic flow, update the technologies and equipment, and to implement the innovation and further, to accelerate the implementation of the ‘Mongol Animal National Program’
- implementing programs ‘Government Policy toward Mongolian Herders,’ ‘Mongolian Herder,’ ‘To Increase the Number of Animal of a Nomad Family’²
- developing animal husbandry, build cattle farms and promote the export of meat and meat products, reaching 50 thousand ton of meat export per year, and to increase the income of the herders
- laying a solid foundation for the sector by training herders to implement the international experiences of the pastoral sector and to implement a program which aims to provide information and knowledge to herders
- offering financial access to herders and farmers by providing soft loans, investments, tax incentives and insurance programs
- protecting animal products from price devaluation
- extending a special fund to supports the herders in any way possible
- taking measures in order to provide an apartment³ to herders and to help solve other social difficulties for them
- vaccinating the animals to protect them from disease
- building animal processing factories in each region
- saving the necessary amount of feed for the animals.

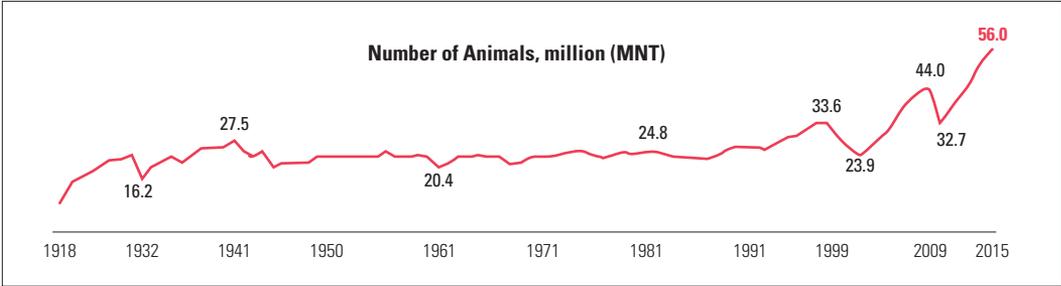
Along with the mining sector, the agriculture sector is the key to the development of the local economy. The main goal of the government of Mongolia is to establish a fair social system where herders’ work is valued, the animal products are valued and consumed under the proper cost and regulation, and the herder family is able to supply its own necessities by selling its products or getting bank loans with reasonable conditions to develop their business or to send their children to university.

² Action Plan for the Government of Mongolia 2016-2020. <http://legalinfo.mn/annex/details/7409?lawid=12120>

³ The herders seek for an apartment in the city, to live during the winter time. However, it is to expensive for them to afford.

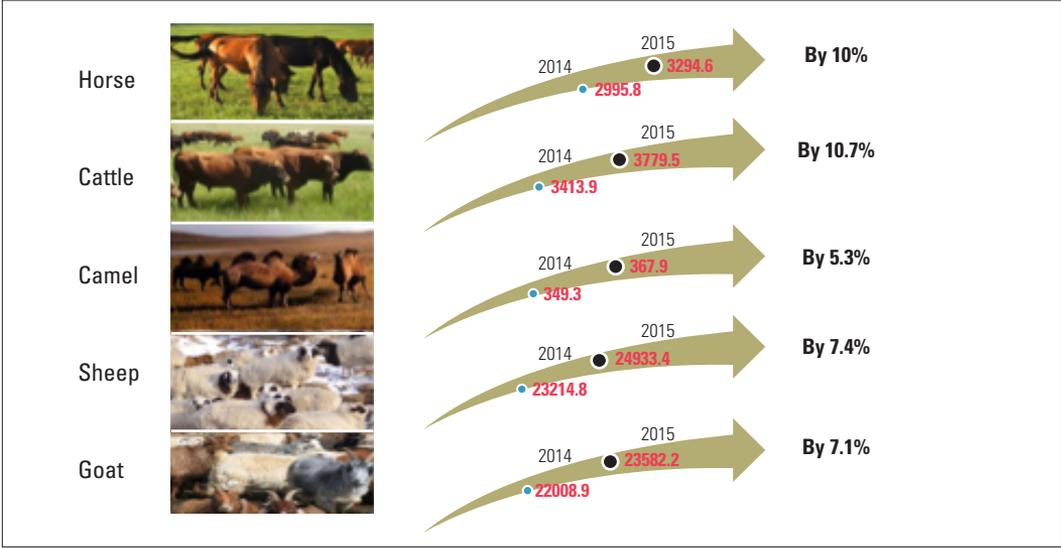
With this new system, the Government is aiming to create a self-managed organization in each level of the hierarchy, where herders discuss and solve their issues by themselves without any intervention of the Government. The government has mandated that the amount of Government financing toward herders must be 1% or higher of the Government annual budget. The average annual budget for the Government is around 6 trillion Mongolian tugrik (MNT), meaning that at least 6 billion MNT is earmarked for expenditure to herders.

FIGURE 2. Number of Animals in Mongolia



Source: Danforth & Dash (2017)

FIGURE 3. Difference in Animal Number in Years 2014-2015, by type



Source: Danforth & Dash (2017)

Although the education level of herders is relatively low, their knowledge and skill with technology to raise animals is highly valuable.

2.3. Australian Herding

Australia is one of the primary examples where the agriculture sector has developed according to classic tradition, as herding has developed over the past 200 years. About 54% of Australia's land is used in stock raising. Animal husbandry is concentrated in the eastern highlands, but it also spreads across the wide interior spaces and even to low-rainfall areas. Sheep raising has been a mainstay of the economy since the 1820s, when mechanization of the British textile industry created a huge demand for wool. In 1800, there were only 6,124 sheep in Australia; it grew to 17 million by 1850 and 100 million by 1894, and reached almost 200 million by the year of 1970. Now the Australian sheep constitute approximately 11% of the world's sheep but produce about 30% of the world's wool supply. The wool production is the largest in the world and about 95% is exported, mostly to China.

Australian cattle's 'rangelands' are about 70% of the total land. Australia has developed from a set of lightly populated colonies that highly relied on agriculture to a major economy in the world. As in the Mongolian case, Australian animal husbandry had to adapt and survive the harsh, unpredictable climate. This was supported by the high world demand for wool, and large capital investments which enabled rapid development of the sector.

The one thing different from Mongolia, is that Australian herders were able to become rich and politically powerful due to the wealth generated by the wool export of the sheep industry. So politically powerful pastoralists were able to develop strong policies protecting and promoting herding. These policies included subsidies, infrastructure development, price supports, structural adjustment assistance, and tax incentives.

Another key to the development was technology implementation such as meat freezers and machines to move the earth which provides good quality feed for the animals. Although Mongolia has a longer history of herding, developed countries as Australia truly supported the development of herding through strong, sustainable policy.

As in the Mongolian economy, the mining sector is one of the core economic sectors in Australia. Following the development of the mining sector, immigrants came to the country increasing the population and influencing the rapid development of the agricultural sector. Economic reliance on animals made the system highly vulnerable to rainfall and market fluctuations.

Herders have stronger links to alternate land uses, but weaker links to governance. Some alternatives, such as tourism, amenities, and ecosystem services⁴ lands were put to use by herders. Due to the decreasing importance of animal husbandry production relative to these alternative land uses, the political power of herders in Australia who still focus on animal production has been somewhat reduced. Pastoralists have stronger links to the global economy, and variable links to finance. Herd-

⁴ To have alternate income source by renting the land as place for to tourism or any other services which encourages the eco-friendly service.

ing has been keenly linked to global markets of the products and as competition with other suppliers of animal products has risen, Australian pastoralists have transitioned from price setters to price takers. Also, with the decline in political power in the sector, the financial benefits have been decreasing, particularly the increase of interest rates at the bank loans.

Ultimately, herding is likely to remain as the core activity in rangelands, but with a whole new set of linkages to post-production economy, information, and social networks, and as part of a more diverse group of land users. The herding industry in Australia has become one of the key sectors to feed the economy. The herders are not entrepreneurs any longer; they have become large business owners with crucial support from the Australian government. There is a huge difference in entrepreneurship between developing and developed countries; therefore, there are not necessarily the exact same 6 elements of the entrepreneurial ecosystem in Australia.

2.4. Comparison of Mongolian and Australian Herding

Before comparing the entrepreneurial ecosystems, let me discuss the linkage between Mongolian and Australian herding. Both nations have a long history of herding and high number of animals: Australia has 27 million cattle and 67 million sheep, while Mongolia had 4 million cattle, 27 million sheep and 25 million goats by the end of 2016. However, the biggest difference between two countries is in the role of such these numbers of animals in its economic development. Australia has been developing its herding sector so that the animals play key role in its economic development: 60% of farm products (beef, sheep meats etc) are exported, and it composes 12% of total export of Australia. Australia produces 3% of the world's beef supply and is the third largest beef exporter in the world after India and Brazil. In terms of sheep, Australia produced approximately 8% of the world's lamb and mutton supply and is the largest exporter of sheep meat in the world (MLA, 2017).

This means that although the potential is the same, Mongolia has had insufficient policy to encourage the herders⁵. The example of Australian herding proves that there is a vast opportunity to enhance the Mongolian herding system and to increase the value of the animals, hence to increase the number of middle income class in Mongolia. Australian herders were initially small farmers like the Mongolian herding families we have today, but expanded their herding operation and became bigger companies. Similarly, Mongolia can learn and implement the Australian path to support its herding families, who are at their entrepreneurial phase currently, to develop bigger business ventures and to contribute to the economic development of the nation.

2.5. The Entrepreneurial Ecosystem in Mongolia and Australia

There is no 'one size fits all' approach; every ecosystem is unique, and many of the components

⁵ Compared with the number of animals in Australia (100 million), number of Mongolian animals are almost the same (60-70 million)

will differ from one ecosystem to another. Local cultural attitudes, the structure of local banking systems, and educational policies will all affect the nature of these local ecosystems. An approach which simply seeks to duplicate other ecosystems is therefore inappropriate and likely to fail. Every ecosystem needs a different approach that is customized to local circumstances. Although Mongolia and Australia have many differences, the economic development and composition are similar to one another, and we have much to learn from Australia as a developing sector.

The previously mentioned 6 factors of an entrepreneurial ecosystem will be assessed for the Mongolian herders.

2.5.1. Markets

The development of animal husbandry is very important. The five different groups of animals, totalling 60 million, is a vital asset to the Mongolian economy. The main products from the animals are the meat, milk and wool. In terms of meat and milk, the products supply the domestic demand fully. Mongolian cashmere is already known to the world in terms of its quality and warmth. Mongolia has started to export most of the raw cashmere and wool to our south neighbor, China. Due to the lack of technology and investment, the capacity of local production cannot meet the foreign demand. Only a few small-capacity companies are producing the cashmere into well designed clothes to export to Europe. Small capacity and a technological shortage is the main reason that the production cost ends up quite high. Western and Asian countries are interested in Mongolian cashmere only as long as the cost is not high.

Furthermore, countries from the Middle East, East Asia and even our south neighbor China are interested to import Mongolian beef and mutton. Mongolian beef is well-known as an organic meat, as cattle feed themselves in nature. However, due to the lack of technology we have no capacity to raise the number of animals to fill the demand. Another thing is that in order to match the foreign market requirement, vaccination needs to be done. The government is aiming to take action to solve the lack of capacity and the disease issues associated with lack of vaccination. There is, however, definitely high demand for the animal products locally and internationally.

2.5.2. Human Capital

The nomad culture is well-kept in Mongolia. People who were born and raised in rural areas, in nomadic families, start their training from their age of three. They start to ride horses, to milk cows, and manage groups of animals during the entire day and learn from their parents every single minute. Children are trained from a young age in animal husbandry, including how and where to feed, how to inseminate, how to fatten animals and prepare them for the winter. Once they reach around 15 years, most of the kids from nomadic families know the details of the herding and are proficient in the necessary practices. So in herding, the human resource is plentiful.

2.5.3. Funding and Finance

Funding and access to finances that are open to herders are mostly bank loans, rather than the “angel” investors or venture capitalists. The bank does have some requirements, however, and herder

families with low numbers of animals are likely to get refused or to be given small loans with high interest due to the animal becoming their guarantee.

In recent years, a new investment model has developed where one person buys animals and hires a herder family to do the husbandry work. The risk of losing the animals during the harsh winter time is borne by the owner, not the herder, who likewise receives the profit from the animal products.

The government requires the herders to insure their animals and to register each of them for tracking. And following that, banks, when they provide the loans to herder, likely to give the loans to herders who have insured their animals. If a herder has uninsured animals, the monthly interest rate for the loan will range from 2.17 - 2.67%, but if insured – it is 1.7% (Khan Bank, n.d.). In order to receive a low interest loan, herders also need to have at least 100 animals, and proof of any other source of income guaranteeing the ability to pay back the loan.

2.5.4. Mentors and Advisors

Herders, as stated above, are early learners as Mongolian children start to learn the husbandry of the animal from their parents. In terms of herders, there are many successful herders who inherited their family's capital or successfully increased the number of their animals. If the herder has more than 1,000 animals, the reputation grows among the herders and in society, and this is highly valuable in Mongolian culture. Young herders look up to these successful herders.

In terms of community, there are many communities and an NGO in nearly every aimag (province); their role is to link herders with relevant government authorities.

2.5.5. Regulatory

The regulations and restrictions toward the herders are not strict. The government aims to implement various programs, which support the growth of the animals and the herders themselves. Although it seems many regulations and programs have been implemented by the new and previous governments, there are not major regulations which prominently encourages the growth of the animal. One of the main reasons is that the herding and animal are highly dependent on the weather and there is no guarantee that all 60 million animals will survive. During the last decade the government aimed to register all the animals and insure them to avoid loss due to the harsh winter times. However, the registration and insurance have not worked as hoped, as this is a cost to the government and the benefits of the insurance is not broadly known by the herders. There are many programs scheduled to be implemented in the future. Most of them are supporting the animal health, its growth and followed by the desire to export the meat products. Other programs promoting the education of herders are expected to be implemented.

In terms of tax, there is a very small income-type of tax imposed to each animal, considering the animal as an income source to herders. This tax is more like the government fee to herders for using the state grassland, as the land of Mongolia belongs to the state.

2.5.6. Culture

Nomad culture is a huge part of Mongolian history and heritage. The life style and the knowledge of nomads has shaped modern Mongolians. In the last century, despite great influence from the Russians and the West, Mongolian were able to save our nomad culture and the herding life. Mongolians have great respect toward herders, and still we have so much to learn from the nomad life. As the number of herders has decreased over the past decade, this inheritance of the culture is in danger.

Nevertheless, with the government support and the Mongolian mindset and respect to the herders, I believe the discontinuation is far beyond.

The herder with more than 1,000 animals is considered to be very rich financially and valuable in the culture as well. The image of the herders provides a good role model to other Mongolians that by being a herder and working at husbandry, anyone can live a high quality and prosperous life. As a result, there are many people who prefer to live in the rural area and take care of animals, rather than living the stressful city life.

3. CONCLUSION

3.1. Suggestion

Mongolia is a unique country with extensive natural lands and a rich culture. We are almost the only country whose citizens keep a nomadic lifestyle to this day. The herders are a unique part of our culture as entrepreneurs who are operating their businesses. Herders take immense risks in terms of the impact of the weather throughout the year. The herder's 'business structure' is upgrading due to economic and technological development. As the economy grows, the customer requirements have been increasing, and herders are advancing their business operations with improvement on the traditionally inherited methods of animal husbandry.

The issue is that the number of herders is decreasing due to their fading social protection and low guarantee of a desirable living standard. The decline is mainly based on the lack of social safety net from the government. Mongolia has not created a system where herders pay for social insurance and are enabled to receive pensions and health care.

Another concern is the cost of raw materials – meat and milk products. Unstable government policies cause the sudden decrease of value of any raw products deriving from the animal, including the skin, the wool, the meat, the milk, et cetera. Although the government of Mongolia is establishing various mechanisms to support the herders and their life standard, somehow, these policies do not yet match the requirements of majority of herders.

A supporting factor for herders is the long history and solid culture. Culture is very important when

it comes to maintaining traditions. With more than 800 years of culture, Mongolians do have respect towards herders and will continue to have it. National culture has an essential impact on the continuing evolution of entrepreneurship.

I believe the most important focus of the government is to keep the herding culture. So in order to do so, a support system for herders and their families is necessary, including transportation, health care, financial services and education. Stabilizing the prices of animal goods to guarantee a standard of living is one necessary step. It is also necessary to conduct internal research as well as learning from foreign experiences. The practices of other countries in delivering social services to remote regions is essential.

Once the herder-entrepreneurs are confident in their living standard, they will create a job for at least 2 persons. One nomad family with more than 200 animals will have another family with no animals, to live next to them to help taking care of the animals. This is the result – creation of jobs, reduction of poverty, flow of funds and ultimately improvement of the economy.

3.2. Policy Implication

As mentioned earlier, the government of Mongolia has been attaching importance to developing its agriculture sector and to supporting the herders. Various policies and foreign aid programs are implemented towards establishing a solid platform for herders' business operation. However, the outcomes have not yet reached expectations.

The most optimal policy is to lower the interest rate and other requirements for herders who is willing to expand their business. The current annual interest rate for loans from commercial banks ranges from 26%-32% (Khan Bank, n.d.), which is a good deal higher than the global average for any business. Such high interest rates are almost impossible to herders to burden along with the climate-associated risk. There are many programs and projects targeting the herder family financed by the foreign and global financial institutions including World Bank, Asian Development Bank (ADB), Japan International Cooperation Agency (JAICA), and Korea International Cooperation Agency (KOICA). Still, there are very little results from such projects.

Instead, the policy proposal is to establish a fund, called the Herders' Fund, with main goal of boosting and support herding families to increase the number of their animals. The second key purpose of the Fund is to add value to the raw materials (skin, meat, milk, wool, etc.) and to allocate points to it systematically. The Fund shall be in charge of balancing the supply and the demand of the raw materials in order to avoid the price fluctuation. The third purpose is to maintain the nomadic culture around herding. Sustaining the value of herding in the Mongolian culture is important; therefore, preserving and further developing the nomadic culture is a key task for Mongolians.

3.3. Summary

The purpose of this study was to review and examine the application of the entrepreneurial ecosystem to the development of the primary Mongolian entrepreneurs, the herder. We also identified how the 6 main factors, market, human capital, funding, mentor, regulatory and culture are influences at certain levels. After the assessment of entrepreneurial ecosystem factors for the Mongolian herders, it turns that the culture is the biggest influence to the herders and preserving the herding business. The other five factors do have certain stimulus value and enhance herders to motivate and proceed on, but not the as much as the culture. The identification of culture involves more of the inherited custom, rather than the market tendency. With the absence of the inherited culture itself, regulatory, financing and market are not the primary factors to encourage the herding and animal husbandry. The human capital might have some effect to encourage the herding, as a core part of the culture. We see that the entrepreneurial ecosystem is certainly developed in Mongolia and the most influential factor boosting the herders in Mongolia is the culture, along with minor involvement of the human capital.

Eventually, in order to develop the herding sector and to increase its contribution to the economic development as the Australian herders did, this research paper proposes to establish a “Herding Fund” with the purpose of offering regulatory and financial support as well as to preserve and protect the nomadic culture.

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