

The Process and Outcome of Entrepreneurial Competencies Development

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Abstract

Persons can be drawn the prospect of entrepreneurship for many reasons: from capitalizing on a business idea and building wealth, to sensing the appeal of startup culture and aspiring to be their own boss. While there are numerous benefits associated with entrepreneurship, not all entrepreneurs are capable of spearheading a successful high-growth business venture. While some entrepreneurs may possess many of the skills necessary to increase their chances of success, others may benefit from complementing their expertise with knowledgeable team members. Entrepreneurs come from a wide range of backgrounds and possess a variety of different motivations, networks, and resources. There are a number of demographic characteristics, however, that successful entrepreneurs share.

This paper is designed to assist with personal decision-making. Although many people are curious about the prospect of entrepreneurship, they may also be unsure of the competencies necessary to succeed in high-growth, high-value, innovation-based entrepreneurs. Readers interested in self-evaluating their "fit" with entrepreneurship may use the traits, motivations and competencies to assess how well their existing qualities align with those predictive of entrepreneurial success. This piece of literature provides an explanation of the mechanisms of entrepreneurial competence development by suggesting that changing action control beliefs and the formation of entrepreneurial identity which are crucial in the development of entrepreneurial competence.

Key words: *Competency Approach; Entrepreneur; Non-Entrepreneur; Venture.*

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Introduction:

At present, entrepreneurship is of fundamental importance for our society. Entrepreneurial competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship. Such entrepreneurship is often associated with the development of small and new business, although there is increasing interest in corporate entrepreneurship and entrepreneurship. Scholars researching in the field of entrepreneurship distinguish between managerial competencies and entrepreneurial competencies. Some suggest that entrepreneurial competencies are needed to start a business, while managerial skills are needed to grow the business competencies in both areas.

All current research that involves entrepreneurial competencies implicitly presumes that entrepreneurs are different from non-entrepreneurs in terms of the competencies they possess. However, no one has empirically examined whether or not entrepreneurial competencies can discriminate between entrepreneurs and non-entrepreneurs. Entrepreneurs have many different profiles. They come from a wide range of backgrounds and age groups, and have diverse experiences and skill sets. While there is wide variation among successful entrepreneurs, the typical entrepreneur is married, has children, and comes from a middle-class or upper-lower class background. Entrepreneurs are usually driven to become entrepreneurs by the prospect of building wealth, capitalizing on a business idea, owning their own company and desiring not to work for others. Starting early in life, entrepreneurs tend to excel in academic endeavors. They do particularly well in high school and are often better educated than their parents. While the average entrepreneur starts their first company at age 40, they often indicate early interest in starting their own venture – with the majority of entrepreneurs being attracted to the idea of entrepreneurship during college. However, many entrepreneurs also indicate the importance of prior work experience when launching a successful venture. The vast majority of entrepreneurs work for larger organizations before starting their own companies with almost half of all entrepreneurs reporting that he worked for at least ten years before launching their own business venture. Together, these findings explain the wide variation in the ages of successful entrepreneurs with an interest in entrepreneurship manifesting for some during early college years and for others emerging after decades of valuable work experience.

Entrepreneurial companies contribute to economic welfare as they increase the innovative capacity of the economy. These enterprises also lead to more flexible

markets and intensified competition. Moreover, through entrepreneurship, new business and jobs are created, which is of critical importance in today's global business environment. As Low and MacMillan (1988) argued, new firm creation is a critical driving force of economic growth, creating hundreds of thousands of new jobs, as well as enhancing federal and local tax revenues, boosting exports, and generally increasing national productivity.

Entrepreneurial Characteristics Motives & Competencies

Various types of entrepreneurial characteristics have been suggested and examined for their relationships with firm performance. One category of these characteristics is demographic characteristics like gender, age, ethnic and parental background. A common theme in these literatures is that whether possessing some certain characteristics will make the firm more successful or less successful.

A second category is the entrepreneur's psychological and behavioral characteristics by making use of different approaches like motivation, personality attributes, values, goals and attitudes. While the approaches may vary, prior studies have highlighted the importance of individual characteristics like need for achievement or achievement motivation, internal locus of control, risk-taking propensity and tolerance of ambiguity, type A behavior, creativity, and innovativeness. These characteristics are found to have effects not only on the decision to start up, but also on the continuous success of the business.

The third category is human capital factors like their education level, work experience, start-up experience, training and skills and technical know-how. These characteristics determine whether an entrepreneur possesses the appropriate abilities, the possession of which in turn affects his or her decision to start up the business and also its success. A particular kind of human capital is the entrepreneur's networks or social relationships, which are affected by the entrepreneur's background, affiliation with different associations and also his or her personality. These relationships may in turn affect the entrepreneur's ability to seek resources, supports and business opportunities.

Entrepreneurial Motives

- 1. Locus of control:** The degree to which a person believes that their actions can directly affect an event, or that they can control and outcome. Researchers have discovered that founders of successful entrepreneurial firms have a high internal locus of control, meaning they feel like they have significant control over the outcome of events.

2. **Need for Achievement:** Maintaining high standards and aspiring to accomplish difficult tasks. People with a high need for achievement take responsibility for outcomes, engage in activities that have a moderate degree of risk and require skill and effort. This motive has also been found to predict firm founding and the successful performance of firms.
3. **Self-Efficacy:** A person's belief in their own ability, in other words, their task-specific self-confidence. Entrepreneurs with high self-efficacy will persist even in the face of setbacks, will take negative feedback more positively, will use feedback to improve their performance, will set more difficult goals, and will exert more effort over a longer period of time. Researchers have found that when entrepreneurs have high self-efficacy, that there is a strong relationship between this motivation and firm growth.
4. **Goal Setting:** Entrepreneurs who are motivated to set goals, particularly business growth goals, have been found to increase firm growth, along with firm performance and innovation. Challenging goals of all types have repeatedly been found to lead to greater performance, highlighting the importance of setting goals that are specific, attainable and time-bound.

Popular Entrepreneurial Competencies

The list and elaboration thereof is as follows:

1. **Opportunity-Seeking and initiative:** Entrepreneurs seek opportunities and take the initiative to transform them into business situations. This category of competencies comprises of the entrepreneurial activities in spotting opportunities, actively seeking new opportunities and developing the opportunities.
2. **Fulfilling of commitments:** Entrepreneurs keep their promises and usually don't care for personal sacrifices.
3. **Persistence:** When most people tend to abandon an activity, successful entrepreneurs stick with it.
4. **Demand for quality and efficiency:** Entrepreneurs try to do something better, faster or cheaper.
5. **Calculated risk-taking:** Taking calculated risks is one of the primary concepts in entrepreneurship.
6. **Information-seeking:** Entrepreneurs gather information about their clients, suppliers, technology, and opportunities.
7. **Goal-setting:** This is the most important competency because none of the

rest will function without it. Entrepreneurs set goals and objectives that are meaningful and challenging.

8. **Persuasion and networking:** Entrepreneur influence other people to follow them or do something for them.
9. **Systematic planning and monitoring:** Systematic behavior means acting in a logical way. Planning is deciding what to do. Monitoring means checking. This group of competencies calls for the ability to lead, control, monitors, organizes and develops the external and internal resources towards the firm's capabilities through the entrepreneur's organizing competencies in different areas.
10. **Independence and self-confidence:** Entrepreneurs have a quiet self-assurance in their capability or potential to do something. These personal competencies are gender neutral and could describe successful entrepreneurs throughout the world. With regard to core competencies, a successful entrepreneur:
 1. Capitalizes and leverages her strengths.
 2. Understand which competencies she needs to develop.
 3. Commits to a process, person or program that will help her build the complete range of competencies she needs for success.

Entrepreneurial Competencies Development

Competencies consist of more than just a single characteristic. Competencies consist of a group of attributes, some of which are applicable to all entrepreneurs, while others are occupation/industry specific. Because some competencies are more or less universal than others, many researchers depict competency models as pyramids, with universal competency occupying the bottom portion of the pyramid and specific competencies located near to the top. However, this is not to give priority to one competency over the other- it is simply to depict the layers of competencies that are beneficial for entrepreneurs in different industries and occupations. Because this guide is intended to assist potential innovation based Entrepreneurs across a wide range of sectors, the majority of the competencies covered in detail are applicable to all entrepreneurs.

Personal Effectiveness Competencies

- i. **Interpersonal Skills:** An entrepreneur with strong interpersonal skills has a knack for working well with people from diverse backgrounds. These entrepreneurs are very insightful with regards to the behavior of others-

understanding motives and actions, quickly aware of strained relationships and well attuned to both verbal and nonverbal

- ii. **Strong Initiative:** Entrepreneur with high initiative are often driven to work hard. These entrepreneurs frequently work independently and are often driven to achieve task mastery, regardless of the extra effort necessary to do so. Entrepreneurs with strong initiative set specific, time bound, challenging goals. These entrepreneurs are often very confident in their capabilities to perform well and enjoy seeking out novel opportunities.
- iii. **Ambition:** Ambitious entrepreneurs are motivated, persistent and persevere even in the face of difficult challenges. These entrepreneurs are patient and persistent, passionate and driven. They embrace new challenges while striving to exceed set expectations and standards.
- iv. **Adaptability & Flexibility:** Entrepreneurs who are highly flexible and adaptable often deal very well with ambiguity and have a unique ability to choose actions even without all necessary information. These types of entrepreneurs are innovative and creative, often developing novel solutions to complex problems. They handle change well, often generating new goals and actions to deal with unforeseen events.
- v. **Willingness to Take Risks:** Not only are successful entrepreneurs willing to take risks, they are also capable of identifying and calculating risk assessments. They are typically skilled at developing alternative plans and articulating worst-case scenarios. These types of entrepreneurs take calculated risks, and learn from past mistakes.
- vi. **Willingness to Learn:** An entrepreneur with a strong willingness to learn often pursues opportunities that allow him or her to acquire new skills and expertise. These entrepreneurs initiate personal career development and often employ the feedback of others to help them make shrewd career decisions.

Academic Competencies

Following are the core academic competencies that an entrepreneur should develop from the very beginning:

- Reading
- Writing
- Mathematics
- Science and technology

- Communication: Listening and speaking
- Critical and Analytical Thinking

Workplace Competencies

Workplace competencies have been defined as “the application of knowledge, skills, attitudes, values and behaviors” in the workplace. Workplace competencies develop from the synthesis of an individual’s skills, knowledge and abilities with on the job tasks and work related experiences. These competencies are:

- Creative thinking
- Networking with people\
- Planning and organizing
- Problem Solving and Decision Making
- Checking examining and recording
- Computer savvy
- Business and Management Fundamentals

Industry Wide Technical Competencies

Entrepreneurs spearheading a new venture have to be competent at managing intellectual property (i.e file for patents), engaging in commercialization efforts (i.e sale of new technologies/products) and securing funding for research and design. To manage growth, successful entrepreneurs build expert teams whose members have diverse, complementary skills. These entrepreneurs typically offer incentive compensation manage business operations, build a strong entrepreneurial culture around determination and high work ethic and form effective boards of directors and advisors. Following are some of the Industry Specific Technical Competencies:

- Knowledge of basic principles of entrepreneurship
- Innovation and Inventions
- Planning and Marketing
- Risk Assessment and Risk Management
- Control over business operations
- Proper management of Finance

Industry Sector Technical Competencies

These competencies are industry specific. These are developed in according with nature of the business concerned. Basically following competencies are focused upon:

- Resource planning and utilization

- Growth and expansion of the concerned business
- Investment Decisions and their efficiency
- Innovation and Agility

Management Competencies

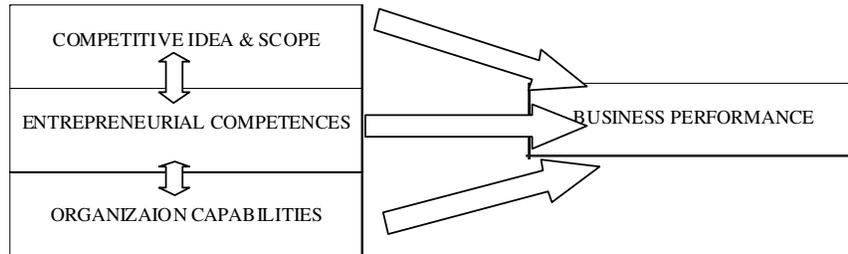
The managerial competencies focuses are the kinds of competencies underlying successful performance of an entrepreneur. These competencies cannot be seen separately from any other competency development. Management competency development is a never ending process and it keeps on going till the very end. These are must for any entrepreneur to be successful in the long run.

The pyramid of competence development shows how entrepreneurial competence development goes from the development of core competencies such as personal and academic to high level competencies development. This is a systematic approach to view the whole development process. Although we cannot ascertain the real sequence of events that take place in the core competence development because traits of different individuals differ in each case and so are their priorities.

Consequence of Entrepreneurial Competencies Development

Several models are proposed to explain how entrepreneurial competencies would affect firm performance, besides most studies empirically examine the relationship between entrepreneurial competencies and firm performance. In general, significant relationships are reported in empirical studies.

The competitive scope and organizational capabilities represent the constructs external environment factors and internal firm factors, respectively. Central to the model are the relationships between entrepreneurial competencies and other constructs. These relationships are conceptualized as three principal entrepreneurial tasks: forming the competitive scope of the firm, creating the organizational capabilities and setting a goal and taking actions for the goal through assessing competitive scope and using organizational capabilities. Entrepreneurial competencies play a key role in determining firm performance. Although competitive scope and organizational capabilities still are two determinants of firm performance, they are influenced by entrepreneurial competencies.



Consequence of Competence development

Major Impacts of Entrepreneurial Competence Development on Small Business

- Full and effective utilization of resources available
- Comprehensive and systematic planning, policy formulation etc.
- Increased productivity
- Lesser wastages and lower chances of failure.
- Credibility in the market place and easy availability of funds.
- Specific Direction to the Business; Vision & Mission Well Defined.
- Greater overall business performance.

Conclusion

In recent years, the competency approach has become an increasingly popular means of studying entrepreneurial characteristics and significant relationship between entrepreneurial competencies and firm performance has been established. It is observed that the entrepreneurs generally possess higher level of entrepreneurial competencies than the non-entrepreneurs and the entrepreneurs and the non-entrepreneurs can be discriminated based on their entrepreneurial competency level. For instance, the business owners generally possess higher level of entrepreneurial competencies than the managers, and the business owners and the managers can be discriminated based on their entrepreneurial competency level. By the means competence development process one can assess the minimum requirements of being a successful entrepreneur. Moreover the impact of Core competence development and evaluation of entrepreneurial characteristics can be directly seen upon the firm's performance. Therefore the study of competence development process and its consequences has very much of importance in finding the right path towards entrepreneurial success.

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