

**Entrepreneurial Competencies and Contextual Determinants of Successful SME Business Startups in Bangalore, India**

**\*Dr. Latha Krishnan**

\*Director&Professor, Dayananda Sagar Institutions MBA-BU , Shjavige Malleshwara Hills, Kumaraswamy Layout, Bangalore – 560 078

**Abstract**

Research in SME startups has been growing during recent times. Entrepreneurial competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship (Mitchelmore & Rowley, 2010). This chapter examines primarily the constructs of entrepreneurial competencies and attempts to identify personal competencies along with a secondary objective to gain an improved understanding of the context (such as industrial sector, dynamism of market places, customer type etc.) in which successful startups thrive. While examining the links between the performance of startups and economic growth, the secret behind entrepreneurial success has been of great fascination to researchers. The Global Entrepreneurship Monitor (GEM) 2012 stated that a positive attitude towards entrepreneurship in an economy could indicate the prosperity of people who engage in this activity. In addition, attitudes can signify the extent to which a society may provide cultural and financial support to assist the efforts of entrepreneurs. The national level of entrepreneurial activity has a significant relationship with the subsequent levels of economic growth. Hence a sample of 250 entrepreneurs of SME startups is chosen from Bangalore, India for the study. Two analytical scales, entrepreneurial competency scale and entrepreneurial personality scales will be used to measure their impact on entrepreneurial success.

The mission of this study is to build entrepreneurial leadership through competency and personality, knowledge and skills to carry out ideas for personal and professional success with specific reference to startups in India. Our study confirms that Small and Medium Enterprise (SME) entrepreneurs need to build competencies to survive and face challenging situations. Lussiers and Pfeifer (2001) study found that in addition to competencies and personality traits, human capital of an entrepreneur plays an important role in contributing to entrepreneurial success. These studies also support our hypothesis. The concerns of this study are to understand the challenges they face during their entrepreneurial journey.

Key Words: Entrepreneurial Competency, Entrepreneurial Personality, Entrepreneurial Success, SME Startups.

**Introduction**

Recent development in research on entrepreneurship have seen increased attention to small and medium- sized enterprises (SMEs), largely due to the realisation that SMEs play a significant role in a country's economy. The collective impact of SMEs on the economy of both developed and developing countries is considerable. Given that increasing the chances of success among SMEs would have huge implications for growth and socio-economic well being of a country (Asia-Pacific Economic Cooperation, 2004), understanding antecedents of success in SMEs is critical. The creation of more successful SME startups could potentially create jobs, increase trade, and consequently GDP in the region. Unfortunately, literature on SMEs shows a lack of consistency with regard to the key factors that determine SME success (O'Regan, 2004). Contrasting views exist, with some scholars attributing success to the influence of the individual (i.e., the entrepreneur) and others highlighting the importance of external and environmental factors (such as the state of the economy, government policy, availability of financial support and infrastructure).

It is noteworthy that, among the limited number of studies that investigate the influence of the individual characteristics of the entrepreneur on business performance, most adopt a

personality traits approach (Pearson and Chatterjee, 2001) or include a focus on selected demographic variables. This approach has been criticized because of the mixed results generated in the replication studies (Entrialgo, 2000). Given the results of efforts to develop a model of business success in SMEs, there was a need for more research in this area.

Researchers are in general agreement about the numerous difficulties experienced by SMEs. In particular, smaller firms have higher failure rate than larger firms (Storey, 1994). They are also more likely than larger firms to be affected by changes in their internal and external environments (Man and Lau, 2005). Although it has been difficult to ascertain why, in similar situations, some entrepreneurs fail while others succeed, it is thought that the focus on 'entrepreneurial attitude, entrepreneurial competency and personality' offers a practical means of addressing this phenomenon.

### **The Research Problem**

Developing relevant attitude, competencies and personality among the managing entrepreneur is considered to be a crucial step in providing an SME with a sustainable competitive advantage, primarily because this sort of business is critically dependent on the owner's capabilities (Sadler-Smith, 2003). According to McGregor and Tweed (2001), the competencies of the owner-manager in smaller firms can be seen as 'individual specific' and not 'organizational indexed' as they are with larger firms. This implies that in SMEs, the owner's skills and competencies can be equated with firm's competencies thereby allowing a researcher to focus on individual entrepreneurs as the unit of analysis.

In India, entrepreneurship is definitely of prime importance today. Small Industry Development Organization (SIDO) marked the beginning of planned development of entrepreneurship in India. It was also realized that for achieving economic development, it is inevitable to increase entrepreneurship both quantitatively and qualitatively (Bishth and Sharma, 1991).

An entrepreneur is an individual who creates a new organization or founds a new venture. Clearly, the definitions of entrepreneurs range from those that emphasise broad criteria (e.g. venture creation) to those that emphasise more specific criteria (e.g. novel creation, management of risks, and persistence in goal attainment). Thus, entrepreneurship, is evergreen as before, and has been characterized as opportunity recognition; to explore the entrepreneurial drive among entrepreneurs by bringing together all resources necessary for success.

Entrepreneurship has acquired a special significance in the control of economic growth and industrial development in the rapidly changing socio economic and socio cultural climate, both in the developing and developed countries. The entrepreneur is an economic man, who tries to maximize his profits by innovation. Innovation involves problem solving and he gets satisfaction in using his capabilities in solving problems (Gardner, 1988). Schumpeter (1997) envisioned that an entrepreneur is the agent who provides an economic leadership that changes the initial conditions of the economy and causes this discontinuous dynamic change. Hence by nature, he is neither a technician nor financier, but considered as an innovator.

The Global Entrepreneurship Monitor (GEM) 2002 report shows that the national level of entrepreneurial activity has a significant association with subsequent level of economic growth. There are no countries with high levels of entrepreneurship and low level of economic growth (Reynolds et al., 2002). The growth of entrepreneurship in India and its importance can be gauged by the Global Entrepreneurship Monitor (GEM) 2007 report which states that an entrepreneurial boom exists in India, where one in every ten is engaged in entrepreneurial activity. Interestingly, the report also states that, India has the highest level of business (15%) among GEM nations in 2006. India has nearly three million SMEs, which account for almost 50 percent of industrial output and 42 percent of India's total exports.

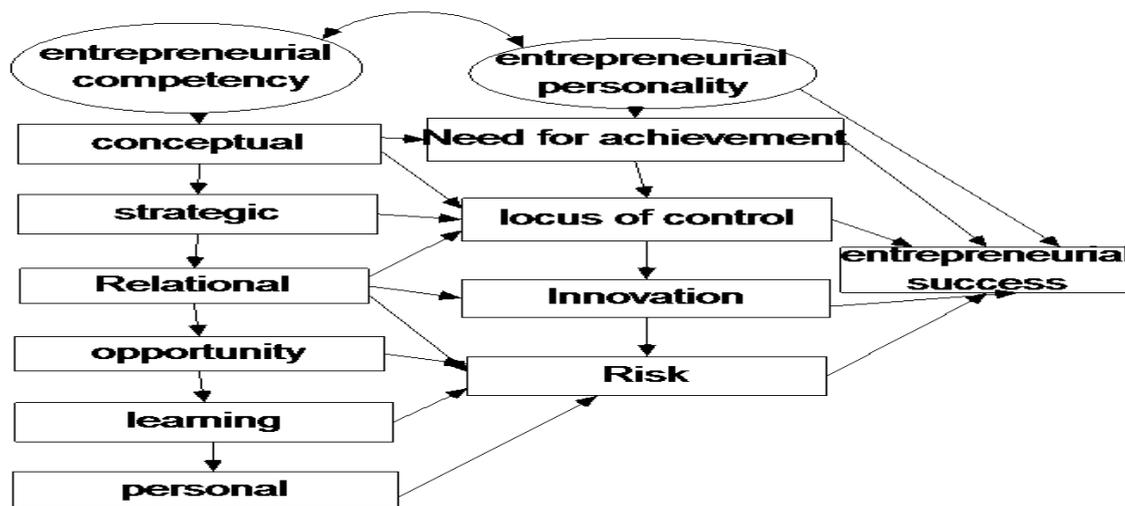
According to the Economic Survey (2006), this sector contributed over 50 percent of the new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (National Bureau of Statistics, 2007). According to Amyx (2005), one of the most significant challenges is the negative perception towards SMEs. Potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. Often larger companies are selected and given business for their clout in the industry and name recognition alone. Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a small management mistake is likely to lead to sickness and even death of small business; hence there is no opportunity to learn from mistakes. Entrepreneurial competencies have been identified as a specific group of competencies relevant to the exercise of successful entrepreneurship (Mitchelmore& Rowley, 2010). This chapter examines primarily the constructs of entrepreneurial competencies and attempts to identify personal competencies along with a secondary objective to gain an improved understanding of the context (such as industrial sector, dynamism of market places, customer type etc.) in which successful startups thrive. While examining the links between the performance of startups and economic growth, the secret behind entrepreneurial success has been of great fascination to researchers. The Global Entrepreneurship Monitor (GEM) 2012 stated that a positive attitude towards entrepreneurship in an economy could indicate the prosperity of people who engage in this activity. In addition, attitudes can signify the extent to which a society may provide cultural and financial support to assist the efforts of entrepreneurs. The national level of entrepreneurial activity has a significant relationship with the subsequent levels of economic growth. E-commerce and online business is also on the rise. While examining the links between the performance of SMEs and economic growth, the secrets of entrepreneurial success have continued to be a great fascination to researchers. Hence this study aims to find out the characteristics of entrepreneurs towards success in SMEs leading to life satisfaction among this entrepreneur.

### **Gaps in Literature Addressed**

- Studies have been done only in organizational context, and not in entrepreneurial behavioral context
- Lack of an integrated institutional framework to explain entrepreneurial competencies and performance among successful business startup

**Conceptual Model**

**Conceptual model**



**Figure 1**

A review of entrepreneurial competencies saw the competencies of entrepreneurs as having dual characteristics: first, domain are personalized background (i.e. traits, personality, attitudes, self image) and second, domain that could be acquired through theoretical or practical learning (i.e. skills, knowledge, and experience), according to Man and Lau (2005). The first components are the ‘internalised elements’, inherent aspect of an individual’s character and personality, while the latter is often referred to as ‘externalised elements’ which could be acquired through learning and training (Muzychenko and Saeed, 2004). Therefore, both competency constructs and personality constructs are studied in order to have a thorough understanding and insight into entrepreneurial success. According to Man, Lau and Chan (2002), six main areas of entrepreneurial competencies are identified i.e. opportunity, relationship, conceptual, learning, strategic, and personal competencies.

Strategic competency involves strategic thinking and reflects on the ability of an entrepreneur to develop a future vision (Stonehouse and Pemberton, 2002). This directs entrepreneurs to focus their action and decisions strategically to give their firm a competitive edge over others. Conceptual competency is related to the ability of an entrepreneur to ‘think out of the box’ and to stimulate new ideas and concepts which are exceptional from the normal way of doing things (Michalko, 2000). Another aspect of entrepreneurial competency is the ability of being alert when an opportunity arises and to grab it. This competency is associated with the ability of an entrepreneur to identify, acknowledge and develop market opportunities (Man and Lau, 2005). To be successful in business, an entrepreneur should develop cordial relationships with his stake holders. Bird (1995) reiterates that in order to successfully secure business dealings, an entrepreneur should build relationships or forge ‘entrepreneurial bonding’, that reflects establishing and strengthening relationships with the most important stakeholders, like customers and suppliers, as the company grows. A personal competency, which deals with the personal qualities and personal rapport, is seen as an important competency which enhances the effectiveness of an entrepreneur (Man, 2000). These above mentioned competencies are linked to the performance of SME’s.

Central to the model are the relationship between entrepreneurial competencies construct and constructs of personality traits, together are responsible for the success of the SMEs. In other words, by making use of their competencies, an entrepreneur can create more opportunities

for creativity and sustained growth, and partnering for technological advancement. Much of the past research on entrepreneurship has been founded upon the premise that entrepreneurs embody distinctive personality traits which can be identified and used to indicate potential for entrepreneurship (Carland *et al.*, 1984). Self-efficacy is an individual's belief about his or her capability to begin and to perform a task successfully. The entrepreneur's inner belief in himself or herself is that he or she can start a new venture company and can make it a successful business. According to these theories, major personal attributes that distinguish entrepreneurs from others include need for achievement, self-efficacy, locus of control, willingness to bear risk and tolerance for ambiguity (Begley and Boyd, 1987; Brockhaus, 1982; Brockhaus and Horwitz 1986; McClelland, 1961; Shane *et al.*, 2000). The need for achievement is a drive to excel and achieve a goal to adhere to set standards (Chell *et al.*, 1991). Individual with high internal locus of control believe they control events and relate to their need for achievement. People with an internal locus of control believe that they are in total control of their destiny (Chell *et al.*, 1991). Innovativeness is perhaps the most distinctive entrepreneurial trait. Another key dimension of the entrepreneurial psyche is risk-taking propensity. How entrepreneurs perceive and manage risks in their environment, conditions the success and growth of the business. Risk-taking propensity has also been widely studied in the past by Brockhaus (1980). Thus an entrepreneur can develop a better entrepreneurial personality such as the drive to achieve, locus of control, risk taking propensity and innovativeness. Finally, an entrepreneur can work towards his or her competencies, along with entrepreneurial personality for entrepreneurial success. This has led to the following broad-based hypotheses:

*Hypothesis 1: The conceptual, relational, learning, strategic, ethical competencies of the entrepreneur have a direct effect on the entrepreneurial success of an SME.*

*Hypothesis 2: The strategic and conceptual competencies of the entrepreneur are positively related to his risk taking propensity.*

*Hypothesis 3: Entrepreneurial competency has a direct effect on entrepreneurial personality.*

### **Research Methodology**

To understand the basis for entrepreneurial success, a sample of two hundred and fifty entrepreneurs from Small and Medium Enterprises (SMEs) startups from Karnataka Small Scale Industries Association (KASSIA), Peenya Industrial Association (PIA) and Federation of Karnataka Chambers of Commerce and Industry (FKCCI) was chosen for the study. A preliminary study of thirty five entrepreneurs was conducted to assist the development of the main survey instrument. The purpose of the pilot study was to identify the most appropriate instrument and items that represent the constructs and to test the efficacy and the reliability of the questionnaire considered for the analysis. The main survey, with 250 respondents from selected districts of Karnataka was collected on the basis of the pilot survey. A questionnaire was adopted as an instrument to collect the data. Closed ended questionnaire with nominal and interval scales were used to get suitable responses from the targeted sample. A categorical scale was used to capture the demographics of the respondents, and interval scale was used for the measurement of variables deployed in the study. Purposive sampling technique was used in this research study. Snowball sampling technique was also used to strengthen relationships with entrepreneurs at every stage of data collection. In both phases of the research survey, the questionnaire was handed over in person.

### **Survey Instrument**

In order to measure entrepreneurial competencies, a measure of entrepreneurial competency developed by Man (2000) and further extended by Ahmad *et al.* (2006) was employed. The constructs include Conceptual, Strategic, Relational, Opportunity, Learning, Personal skills, Social responsibility, Ethical and Familism which were used to test the hypotheses. The internal consistencies reported were above 0.70. With regard to entrepreneurial personality;

the constructs of risk taking propensity, need for achievement, locus of control and innovativeness were assessed using the personality scale by Muellor and Thomas (2000). The internal consistency reported was 0.77. Regarding entrepreneurial success; the constructs of profitability, sales, return on investment and employment generation was assessed using the scales of Chandler and Hanks (1994). The internal consistency reported was 0.70. A five-point Likert scale was used to describe this comparison with 1 representing strongly disagree and 5 representing strongly agree.

### ***Instrument Validation***

When the survey was completed, the data was organized and the statistical software SPSS was used to test the internal consistency of the items in the survey. Construct validity was determined using factor analysis procedure. Principal component factor analysis was performed on all the indicators for all the constructs in the study. Factor analysis was done for all the items that showed a higher factor loading. In order to ascertain the internal consistency of the constructs, Cronbach's alpha was computed for each factor, with a value of >0.60 considered to be acceptable and a value of >0.70 considered to be good (Nunnally and Bernstein, 1994). The Cronbach's alpha value for all competency constructs was found to be good (i.e. above 0.70). Reliability co-efficient for all constructs, as per personality scales, were found to be reliable as Cronbach's alpha ranged from 0.65 to 0.74.

The Entrepreneurial success consisted of five items and the internal consistency of the constructs was adequate with alpha co-efficient exceeding 0.61.

### ***Data Analysis and Results***

Factor analysis were conducted to determine the number of factors in every competency constructs and personality sub-constructs to give goodness of fit, together with reliability and correlation analyses was conducted. It was found that all factors have an Eigen value above 1, ranging from 1.89 to 5.93. Cumulative variance aggregated from 49% to 76%.

A Confirmatory factor analysis was run for each of the three scales on all the dimension of entrepreneurial competencies, personality and entrepreneurial success. CFA contains inferential statistics that allows for a stricter and more objective interpretation of validity (Anderson and Gerbing, 1988). More specifically, unidimensionality, convergent and discriminant validity tests can be used. Goodness of fit for the model is given in Table 1.

**Table: 1.**

**Goodness of fit statistics for the model of Entrepreneurial competency and personality constructs**

<b>Competency and Personality Constructs</b>	<b><math>\chi^2</math></b>	<b>NFI</b>	<b>GFI</b>	<b>CFI</b>	<b>RMSEA</b>
Conceptual	10.96	0.96	0.99	0.98	0.059
Strategic	9.09	0.97	0.98	0.94	0.047
Relational	7.36	0.96	0.98	0.96	0.042
Opportunity	7.34	0.97	0.97	0.98	0.034
Learning	7.87	0.98	0.99	0.98	0.052
Personal	11.64	0.98	0.99	0.97	0.039
Ethical	13.56	0.98	0.99	0.99	0.034
Social Responsibility	12.79	0.97	0.99	0.93	0.043
Risk	13.97	0.99	0.97	0.95	0.048
Need for Achievement	4.87	0.94	0.96	0.94	0.042
Locus of control	4.69	0.96	0.99	0.98	0.048
Innovation	2.69	0.97	0.94	0.96	0.034

Source: Primary Data

As can be seen from Table 1 that the overall goodness of fit indices established for the latent factors of entrepreneurial competency and personality reflect a good fit of the model given in the data. Given the results of the reliability and goodness of fit, it was concluded that all the dimensions of entrepreneurial competency and personality were suitable for use in the model testing.

**Table: 2**

**Descriptive Statistics, Reliability Coefficients and Correlation**

**Descriptive Statistics and Zero –order correlation of all constructs for SME Data**

Constructs	1	2	3	4	5	6	7	8	9	10	11	12	13
Conceptual	-												
Strategic	.62**	-											
Relational	.72**	.70*	-										
Opportunity	.75**	.66*	.71**	-									
Learning	.76**	.74*	.65**	.67*	-								
Personal	.63**	.67*	.72**	.71*	.82*	-							
Ethical	.64**	.62*	.69**	.65*	.59*	.73**	-						
Social Responsibility	.70**	.69*	.60**	.81*	.83*	.68**	.49**	-					
Familism	.85**	.87*	.65**	.63*	.71*	.52**	.69**	.65**	-				
Risk	.42**	.53*	.34**	.68*	.49*	.63**	.41**	.42**	.32**	-			
Need for Achievement	.76**	.72*	.63**	.65*	.68*	.60**	.42**	.32**	.41**	.21**	-		
Locus of control	.69**	.51*	.56**	.59*	.68*	.62**	.42**	.59**	.62**	.41**	.58*	-	
Innovation	.66**	.63*	.55**	.44*	.77*	.54**	.55**	.57**	.67**	.36**	.38*	.51*	-
Mean	6.04	5.92	5.97	5.98	6.18	6.09	5.51	5.74	5.49	5.60	3.72	3.37	2.51
SD	.72	.75	.77	.68	.70	.73	1.07	.90	.98	.89	.74	.79	.83

Note. \*\*Correlation is significant at  $p < .01$

The inter correlation analysis between entrepreneurial competency and personality were also examined separately for SME data. It was clear from Table 2 that almost all competency areas and personality traits were strongly correlated ( $r > .50$ ,  $p < .01$ ) except for risk which had a moderate relationship with conceptual skill ( $r = .42$ ,  $p < .01$ ), relational ( $r = .34$ ,  $p < .01$ ), social responsibility ( $r = .41$ ,  $p < .01$ ) and familism ( $r = .42$ ,  $p < .01$ ).

**Hypotheses Testing Using Structural Equation Model (SEM)**

In testing the hypotheses developed for this study, Structural Equation Modeling (SEM) was used. SEM takes into account the measurement error in the observed variables, resulting in a more accurate estimation of the model. SEM allows for the testing of an entire model simultaneously instead of testing each bivariate relationship in a step-by-step fashion (Shumaker and Lomax, 1996). SEM therefore offers greater precision in model estimation.

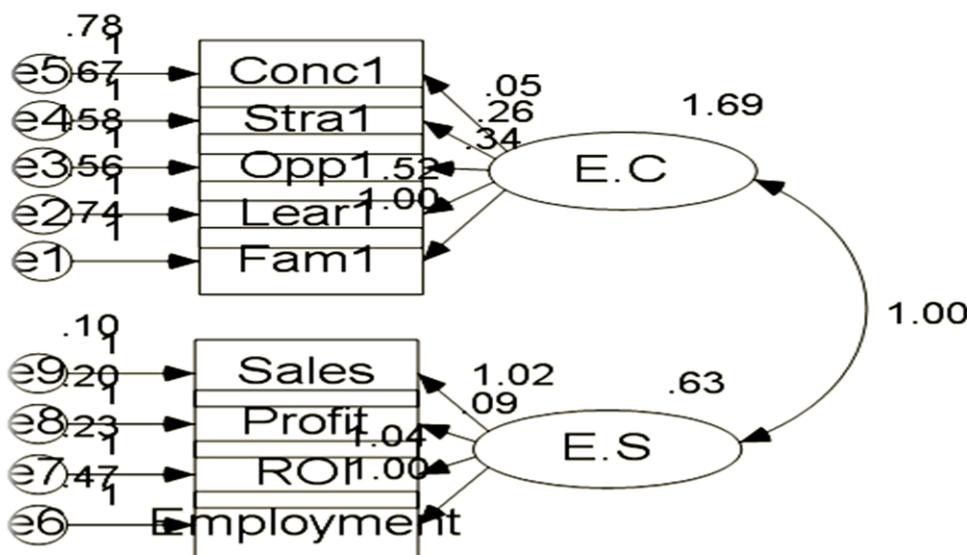
Analysis of Moment Structures (AMOS) version 16 was run to analyze the data by using Structural Equation Modelling (SEM). AMOS graphics were used to graphically assess the model fit for all parameter estimates, sample means, variances, co-variances and correlation (Stine, 1989). Hypotheses testing for multiple models like entrepreneurial personality, entrepreneurial competencies, entrepreneurial success and their direct effect and relationship, was assessed using SEM in this study. Properties were analyzed with standardized estimates, minimization, residual moment and modification indices. Standardized estimates displayed estimates of co-variance between the observed variables. Correlation estimates were derived after the relevant variances and co-variances have been estimated. Seven measures of fit:

$\chi^2$ ,  $\chi^2/df$ , Goodness of fit (GFI), Absolute fit (AGFI), Incremental fit (IFI), Tucker-Lewis Index (TLI), and Root Mean-Square Error of Approximation (RMSEA) were explicitly estimated in the model specified.

**Hypothesis 1: The conceptual, relational, learning, strategic and ethical competencies of the entrepreneur have a direct effect on the entrepreneurial success of an SME.**

**Figure 2**

Structural Model: Entrepreneurial competency and entrepreneurial success



Note: Stra=Strategic, Opp= Opportunity, Lear= Learning, Fam= Familism, ROI= Return on investment

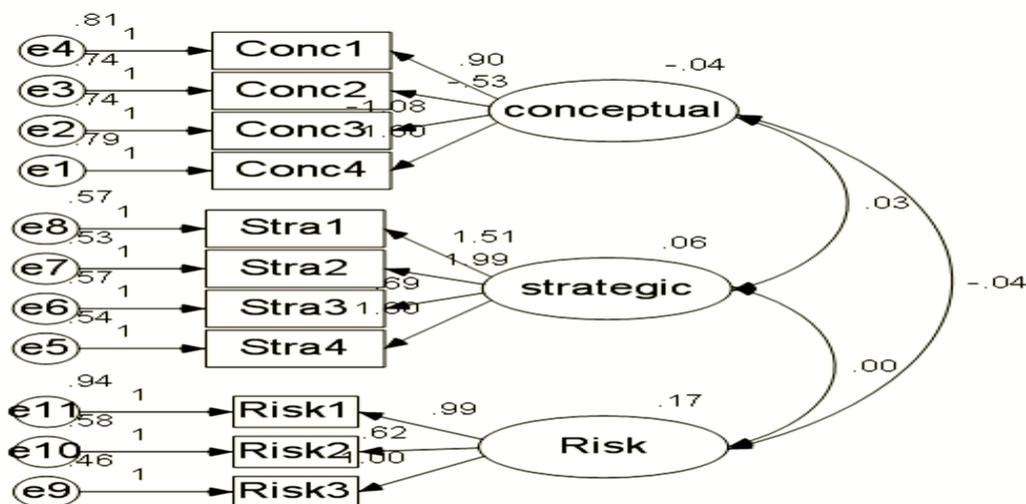
As depicted in the Figure 2, the analysis of data using SEM procedure showed a significant direct relationship of entrepreneurial competencies like conceptual skill, strategic skill, opportunity skill, learning skill and familism; and entrepreneurial success in terms of sales, profit, return on investment and employment. This model yielded a moderate fit of  $\chi^2 = 117.0$ ,  $p = 0.000$ ,  $\chi^2/df = 2.00$ , GFI is .746, AGFI is .922, IFI is .878 and RMSEA is .0514. The result therefore, supported the hypothesized relationship.

This finding is consistent with the study undertaken by Thompson (1999), who opined that an entrepreneur with conceptual skill is more creative, innovative and flexible in dealing with opportunities, risks and uncertainties and thus make a difference in his entrepreneurial venture and success. Parnell, Lester, and Menefee (2000) also confirm that strategic skills bridge the gap between firms’ resources and capabilities to gain competitive advantage to overcome uncertainty. Both these studies show a positive correlation between competency and entrepreneurial success. In ‘Study on Malaysian SMEs’, Noor Hazlima Ahmad (2009) confirms that a higher level of entrepreneurial competencies (i.e. Strategic, Conceptual, relational, learning familism and ethical) is associated with greater business success among SMEs in Malaysia. All these studies support our hypothesis.

**Hypothesis 2: The strategic and conceptual competencies of the entrepreneur are positively related to his risk taking propensity.**

Figure –3.-

Structural Model: Conceptual, strategic competency and risk

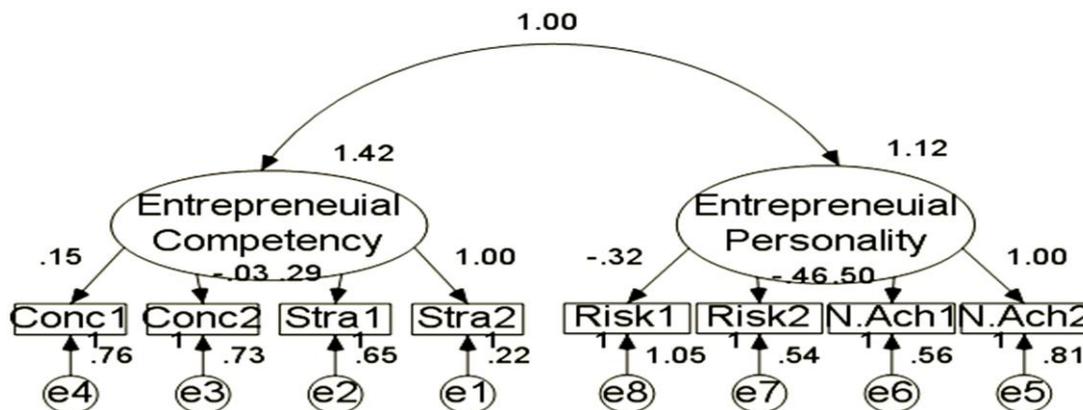


As depicted in Figure 3, analysis of data using SEM procedure showed a significant direct relationship of entrepreneurial competencies like conceptual skill, strategic skill and entrepreneurial personality like risk taking propensity. This model yielded a model fit of  $\chi^2 = 44.4$ ,  $p = 0.033$ ,  $\chi^2/df = 2.00$ , GFI is .968, AGFI is .949, IFI is .954, TLI is .924 and RMSEA is .066. The result therefore, supported the hypothesized relationship.

Risk taking is an essential characteristic for entrepreneurial success. Mill (1984) confirms that risk taking is a key factor in distinguishing entrepreneurs from non entrepreneurs. The entrepreneurs risk taking ability is moderate and calculated according to (Kent *et al.*, 1982). Other results are split, entrepreneurs who have the ability to control their actions (internal locus of control) are less risk takers, when compared to entrepreneurs who believe that they cannot exercise control over events (external locus of control) (McClelland, 1961; Chell *et al.*, 1991). These studies support our hypothesis. Some researchers have cast a doubt on risk taking propensity as an entrepreneurial personality. In particular, Brockhaus (1982) found no significant statistical variation in the general risk taking patterns of a set of entrepreneurs and a set of managers. But in our studies, there is a significant direct relationship between competencies and risk taking propensity. It is believed that entrepreneurs take a greater degree of risk, especially in areas where they have control and exhibit competencies in realizing profit.

**Hypothesis 3: Entrepreneurial competency has a direct effect on entrepreneurial personality.**

Figure-4 Structural Model: Entrepreneurial Competencies and Entrepreneurial personality



Note: EC= Entrepreneurial competency, EP= Entrepreneurial personality, Conc= Conceptual, Stra- Strategic, N.Ach= Need for achievement, Risk= Risk taking propensity

As depicted in figure 4, analysis of data using SEM procedure showed a significant direct relationship of entrepreneurial competencies like conceptual skill and strategic skill; and entrepreneurial personality constructs like risk and need for achievement. This model yielded a model fit of  $\chi^2 = 144.50$ ,  $p = 0.000$ ,  $\chi^2/df = 2.10$ , GFI = .968, AGFI = .949, IFI = .954 CFI = .943 and RMSEA is 0.051. The result therefore, supported the hypothesized relationship.

McClelland (1961) asserts that people who have high need for achievement possess certain critical attributes/ characteristics. High achievers take responsibilities to control situations and find workable solutions to their problems (Sexton and Smilor, 1986). High achievers avoid both very easy and very difficult tasks (Chell *et al.*, 1991). McClelland (1961) concludes that a high need for achievement drives people to become successful entrepreneurs. The above studies confirm our findings.

This finding is consistent with the study undertaken by Begley and Bond (1987), who found that entrepreneurs scored significantly more as they are more innovative than non entrepreneurs and their need for achievement is greater and risk taking propensity is also higher. Brochhaus (1982) reviewed a number of psychological characteristics and concluded that need for achievement, locus of control and risk taking propensity are attributes contributing to entrepreneurial success in a new business start up. Brochhaus and Horwitz's (1986) empirical findings affirmed that entrepreneurs with internal locus of control i.e. having control over their actions strive for high need for achievement. Innovativeness is the focal point for entrepreneurship and an essential entrepreneurial characteristic. Our study confirms that SME entrepreneurs need to build competencies to survive and face challenging situations. Lussiers and Pfeifer (2001) study found that in addition to competencies and personality traits, human capital of an entrepreneur plays an important role in contributing to entrepreneurial success. These studies also support our hypothesis.

**Discussion**

The purpose of the study was to ascertain whether entrepreneurial competencies and entrepreneurial personality influenced business success. The findings confirmed the relationship, in the context studied. The results were in consonance with the observations of Weserberg *et al.* (1997), who emphasized the critical role of business owners in acquiring and

developing knowledge, skills and abilities that influence a firm's success. In respect of SME startups, the firm's competencies actually refer to the capability of the entrepreneurs in exploiting resources for business goals. Thus a direct link was found between competencies, personality and growth, leading to entrepreneurial success. This confirmed the observation of Gibb (2005), that in SMEs, competitive advantage is achieved and sustained through the ability of the entrepreneur, despite constraints associated with the firm's size. Though entrepreneurial success in small businesses depends on many variables, like management and business skills, family background and experience, it was found that certain personality characteristics contributed largely to entrepreneurial success.

Respondent entrepreneurs generally agreed that while competencies, personality and attitudes were to a large extent personalised, these attributes could be increased or reoriented towards achievement. The accelerating drive towards this end was motivation, which was found among small and medium businessmen in Karnataka.

Another key dimension of the entrepreneurial psyche is risk-taking propensity. It is essential for the success and growth of a business, and how entrepreneurs perceive and handle risks in their setting and business ventures, influences its success. Risk taking, whether financial, or else, is a distinctive trait of an entrepreneur. Early writers such as McClelland (1961) opined that even entrepreneurs with a high need for achievement often prefer reasonable levels of risks. In fact, some of the entrepreneurs interviewed were of the opinion that risk taking is inevitable and they had to take calculated risks in order to be successful, without being rash or hasty in their decision making. It was also observed that many respondents took up entrepreneurship when they experienced stress factors, which acted as precipitators, e.g. loss of job, sudden calamity, desertion, separation or death of spouse. This led them to 'do something' to augment their incomes and get a sense of recognition and well being.

The results showed that most of the active entrepreneurs were in the age group of 28 to 50 years. This finding is corroborated by Reynolds *et al.* (2002) who found that individuals ranging from 25 to 44 years were most entrepreneurially active. Sinha (1996) opined that successful entrepreneurs were relatively younger in age. He found a significant correlation between age of an entrepreneur and business success (25 to 40 years). Various studies have endorsed that identifying opportunity; recognition of talent and development are the heart of entrepreneurial activities (de Koning, 2003). Successful entrepreneurs possess a high level of confidence and have a tremendous personal vigor and drive, and the capacity to work extended hours (Timmons, 1978). They also possess a high level of determination and desire to overcome hurdles, resolve issues, continue with the same zeal and enthusiasm to pursue their goals; which are quite often high and challenging, yet realistic and achievable. This was corroborated in our study. It is therefore, predicted that personal competency and personality would enhance the effectiveness of entrepreneurs in performing all roles that have a positive impact on entrepreneurial success.

## **Conclusion**

From this study, it is evident that a thorough comprehension about the goal of entrepreneurial success, through the twin paths of entrepreneurial competencies and personality, is of vital concern since it provides entrepreneurs in SME startups with a road map and the know-how of their existing skills and behaviour. Their personal traits of innovativeness and risk-taking propensity condition their level of performance. It is clear that entrepreneurs in SMEs undertake complex tasks in running successful business ventures. This complexity and prevailing uncertain business environments necessitates them to prepare themselves with the appropriate attitudes, competencies and personality. This study has conclusively shown that entrepreneurial competencies and personality are critical components for success in SMEs.

### Limitations and Directions for Future Research

Classifying the entrepreneurs in SME startups based on the type of business is not within the scope of this study. Such an analysis would have shown more interesting results. To understand more about the findings of this research, a detailed study on each one of the SME entrepreneurs' entrepreneurial traits and the reasons underlying them can be taken up using a case study approach. This research study could also be replicated and refined in other research contexts covering SMEs of other states.

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Notes:

1. **Small Enterprise** are those engaged in the manufacture of goods and whose investment in plant and machinery does **not exceed Rs. 5 crore**.
2. **Medium Enterprises** are those Enterprise engaged in the manufacture of goods and whose investment is more **than Rs. 5 crore** but **does not exceed Rs. 10 crore**.