

## The Role of Competencies and Personality in Determining Success of Entrepreneurs in SMEs in Karnataka, India

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**Abstract:** This study examines the constructs of entrepreneurial competencies and entrepreneurial personality among entrepreneurs in Small and Medium Enterprises (SMEs) and their impact on entrepreneurial success. Research in Small and Medium Enterprises (SMEs) has grown in leaps and bounds during the last decade. 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. The Global Entrepreneurship Monitor (GEM) 2002 report shows that the national level of entrepreneurial activity has a significant association with the subsequent level of economic growth. Hence, this study aims at finding out the characteristics of entrepreneurs towards success in SMEs. A sample of 250 entrepreneurs from SMEs was chosen from selected districts of Karnataka, India. The two analytical scales, entrepreneurial competency scale and entrepreneurial personality scale were used to measure their impact on entrepreneurial success. Structural Equation Modeling (SEM) was used for testing of the hypotheses. The findings of the study revealed that entrepreneurial competencies and entrepreneurial personality are unique constructs that influence entrepreneurial success.

**Key words:** Entrepreneurial competencies, entrepreneurial personality, entrepreneurial success, competencies, small and medium enterprises, India

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### INTRODUCTION

Shane (2003) defined entrepreneurship as an activity that involves the discovery, estimation and exploitation of opportunities to set up new products and services, ways of organizing markets, processes and raw materials through organizing efforts that earlier had not existed. Thus entrepreneurship, evergreen as before has been characterized as opportunity recognition to explore the entrepreneurial drive among entrepreneurs by bringing together all resources necessary for success.

The Global Entrepreneurship Monitor (GEM), 2002 report shows that the national level of entrepreneurial activity has a significant association with the subsequent level of economic growth. There are no countries with high levels of entrepreneurship and low levels of economic growth (Reynolds *et al.*, 2002). The growth of entrepreneurship in India and its importance can be gauged by the GEM report which states that an entrepreneurial boom exists in India where 1 in every 10 is engaged in entrepreneurial activity. Interestingly the report also observes that India had the highest level of business (15%) among GEM nations in 2006. India has nearly 3 million SMEs which account for almost 50% of her industrial output and 42% of her total exports according to National Institute of Micro, Small and Medium Enterprises (NIMSME) report, 2006.

Research in Small and Medium Enterprises (SMEs) has grown in leaps and bounds during the last decade. 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 at finding out the characteristics of entrepreneurs towards success in SMEs.

Many individuals have been motivated to become entrepreneurs as it offers them an opportunity to create wealth and also being their own boss. This drive which is due to their personal characteristics and personality traits is considered as the focal point to assess the performance of SMEs (Erikson, 2002; O'Farrell and Hitchens, 1988; Roper, 1998). This has been confirmed by studies on entrepreneurial firms in which the entrepreneur has significant place in contributing for the success (Daily *et al.*, 2002; Goedhuys and Sleuwaegen, 2000; Glancey, 1998). Researchers have also explored the various entrepreneurial personality characteristics affecting the performance of SMEs, like the entrepreneur's background and demographic profile like education, age and gender (Changanti and Parasuraman, 1996; Honjo, 2004; Robb, 2002) and psychological and behavioural pattern (Barkham, 1994; Begley and Boyd, 1985; Kotey and Meredith, 1997; Sadler-Smith *et al.*, 2003). Other factors which are conditional to organizational and strategic nature also determine SMEs' performance

(Chandler and Hanks, 1994; Chaston *et al.*, 1999; Ensley *et al.*, 2006; Lumpkin and Dess, 1996; Roper, 1998). The study showed entrepreneurial characteristics and SMEs' performance have diverse and inconsistent findings (Chandler and Hanks, 1994; Cooper, 1993; Fenwick and Strombom, 1998; Reuber and Fischer, 1994). The reasons for these inconclusive results are based on the inability to predict entrepreneurial success using these entrepreneurial characteristics (Cooper, 1993). The inadequacy of a comprehensive model for SME development (Gibb and Davies, 1990) also poses a constraint. Therefore, further research was suggested relating to the entrepreneurial characteristics of SME performance, taking into view the theoretical framework and its relationship (Cooper and Gimeno-Gascon, 1992; Murphy *et al.*, 1996).

In reply to this, Man *et al.* (2002) developed a model making use of the competency approach to study entrepreneurial characteristics leading to entrepreneurial success. Entrepreneurial personality factors like risk taking tendency, need for achievement, locus of control and innovativeness were assessed by Mueller and Thomas (2000). Under this background, an empirical study was conducted on the relationship between entrepreneurial competencies and entrepreneurial personality leading to entrepreneurial success in SMEs in the context of Karnataka, India.

**Literature review and hypotheses development:**

Entrepreneurial competencies are defined as the those characteristics, such as facts, skills, quality, attributes, roles and specific knowledge which leads to venture creation, survival and growth (Bird, 1995). Baum *et al.* (2001) define this concept as the individual traits, such as competencies needed to perform a specific task. While competencies and competitive spirit are both needed, it was found that merely possessing the competencies do not necessarily make a SME entrepreneur successful. Such competencies have to be demonstrated with one's behavior. Competencies are seen as behavioural characteristics of an entrepreneur (Bird, 1995). Kiggundu (2002) conceptualises entrepreneurial competencies as the total sum of entrepreneurs' attributes, such as attitudes, values, knowledge, skills, abilities, personality, expertise and behavioural tendencies needed for successful and sustaining entrepreneurship.

**Conceptual model:** 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

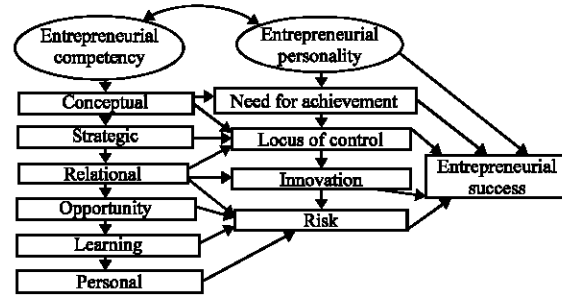


Fig. 1: Conceptual model

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) (Fig. 1). Therefore, both competency constructs and personality constructs are studied in order to have a thorough understanding and insight into entrepreneurial success. According to Man *et al.* (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 and Lau, 2000). These earlier 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.*, 1988). 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, 1985; Brockhaus, 1980; Brockhaus and Horwitz, 1986; McClelland, 1961; Shane and Venkataraman, 2000). The need for achievement is a drive to excel and achieve a goal to adhere to set standards (Chell and Brearley, 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 and Brearley, 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 (1982). 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.

**Hypothesis 4:** There is a direct relationship between entrepreneurial competencies, entrepreneurial personality and entrepreneurial success of the entrepreneur.

## MATERIALS AND METHODS

To understand the basis for entrepreneurial success, a sample of 250 entrepreneurs from Small and Medium Enterprises (SMEs) 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 35 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 and Lau (2000) and further extended by Ahmad (2009) 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 Mueller 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 5-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, 1978). The Cronbach's alpha value for all competency constructs was found to be good (i.e., >0.70). Reliability co-efficient for all constructs as per personality scales were found to be reliable as Cronbach's alpha ranged from 0.65-0.74.

The entrepreneurial success consisted of 5 items and the internal consistency of the constructs was adequate with alpha co-efficient exceeding 0.61.

**RESULTS**

Factor analyses 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 1.89-5.93. Cumulative variance aggregated from 49-76%.

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

| Competency and personality constructs | $\chi^2$ | NFI  | GFI  | CFI  | RMSEA |
|---------------------------------------|----------|------|------|------|-------|
| 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 |

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.

**Descriptive statistics, reliability coefficients and correlation:** 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 ( $r > 0.50$ ,  $p < 0.01$ ) except for risk which had a moderate relationship with conceptual skill ( $r = 0.42$ ,  $p < 0.01$ ) relational ( $r = 0.34$ ,  $p < 0.01$ ) social responsibility ( $r = 0.41$ ,  $p < 0.01$ ) and familism ( $r = 0.42$ ,  $p = < 0.01$ ).

**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 (Schumacker 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. The 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.

Table 2: 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             | 0.62** | -      |        |        |        |        |        |        |        |        |        |        |      |
| Relational            | 0.72** | 0.70** | -      |        |        |        |        |        |        |        |        |        |      |
| Opportunity           | 0.75** | 0.66** | 0.71** | -      |        |        |        |        |        |        |        |        |      |
| Learning              | 0.76** | 0.74** | 0.65** | 0.67** | -      |        |        |        |        |        |        |        |      |
| Personal              | 0.63** | 0.67** | 0.72** | 0.71** | 0.82** | -      |        |        |        |        |        |        |      |
| Ethical               | 0.64** | 0.62** | 0.69** | 0.65** | 0.59** | 0.73** | -      |        |        |        |        |        |      |
| Social responsibility | 0.70** | 0.69** | 0.60** | 0.81** | 0.83** | 0.68** | 0.49** | -      |        |        |        |        |      |
| Familism              | 0.85** | 0.87** | 0.65** | 0.63** | 0.71** | 0.52** | 0.69** | 0.65** | -      |        |        |        |      |
| Risk                  | 0.42** | 0.53** | 0.34** | 0.68** | 0.49** | 0.63** | 0.41** | 0.42** | 0.32** | -      |        |        |      |
| Need for achievement  | 0.76** | 0.72** | 0.63** | 0.65** | 0.68** | 0.60** | 0.42** | 0.32** | 0.41** | 0.21** | -      |        |      |
| Locus of control      | 0.69** | 0.51** | 0.56** | 0.59** | 0.68** | 0.62** | 0.42** | 0.59** | 0.62** | 0.41** | 0.58** | -      |      |
| Innovation            | 0.66** | 0.63** | 0.55** | 0.44** | 0.77** | 0.54** | 0.55** | 0.57** | 0.67** | 0.36** | 0.38** | 0.51** | -    |
| 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                    | 0.72   | 0.75   | 0.77   | 0.68   | 0.70   | 0.73   | 1.07   | 0.90   | 0.98   | 0.89   | 0.74   | 0.79   | 0.83 |

\*\*Correlation is significant at  $p < 0.01$

As depicted in the Fig. 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  $\chi^2 = 117.0$ ,  $p = 0.000$ ,  $\chi^2/df = 2.00$ ,  $GFI = 0.746$ ,  $AGFI = 0.922$ ,  $IFI = 0.878$  and  $RMSEA = 0.0514$ . 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 *et al.* (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, 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 the hypothesis.

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

As depicted in Fig. 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  $\chi^2 = 44.4$ ,  $p = 0.033$ ,  $\chi^2/df = 2.00$ ,  $GFI = 0.968$ ,  $AGFI =$

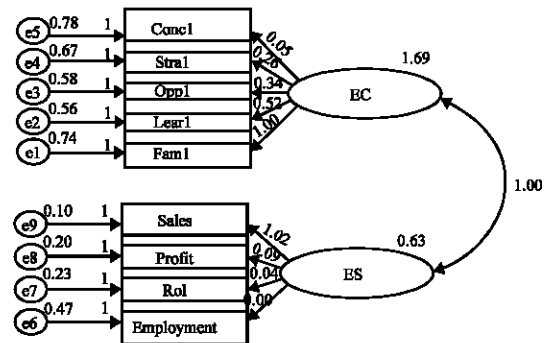


Fig. 2: Structural model: EC = Entrepreneurial Competencies; EP = Entrepreneurial Personality; Stra. = Strategic; Opp. = Opportunity; Lear. = Learning; Fam. = Familism; ROI = Return on Investment

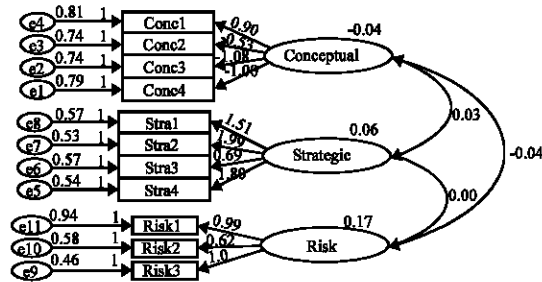


Fig. 3: Structural model: Conceptual, strategic competency and risk

0.949,  $IFI = 0.954$ ,  $TLI = 0.924$  and  $RMSEA = 0.066$ . 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 and Brearley, 1991). These studies support the 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 the 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.

As depicted in Fig. 4, analysis of data using SEM procedure showed a significant direct relationship of entrepreneurial competencies like conceptual and strategic skills 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 = 0.968, AGFI = 0.949, IFI = 0.954, CFI = 0.943 and RMSEA = 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, 1986). High achievers avoid both very easy and very difficult tasks (Chell and Brearley, 1991). McClelland (1961) concludes that a high need for achievement drives people to become successful entrepreneurs. The earlier studies confirm the findings.

**Hypothesis 4:** There is a direct relationship between entrepreneurial competencies, entrepreneurial personality and entrepreneurial success among entrepreneurs.

As depicted in Fig. 5, analysis of data using SEM procedure showed a direct relationship between entrepreneurial competencies like conceptual, strategic, opportunity and familism and entrepreneurial personality constructs like risk, locus of control, need for achievement and innovation and entrepreneurial success constructs like profit, sales and employment.

This model yielded a model fit of  $\chi^2 = 104.50$ ,  $p = 0.000$ ,  $\chi^2/df = 2.00$ , GFI = 0.938, AGFI = 0.929, IFI = 0.954, CFI = 0.924 and RMSEA = 0.065. The result, therefore supported the hypothesized relationship.

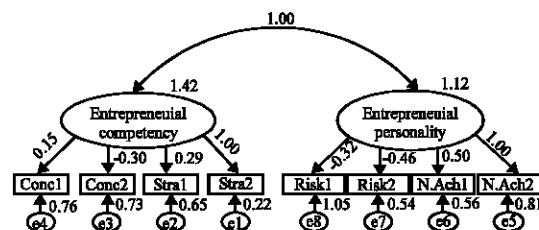


Fig. 4: Structural model: EC = Entrepreneurial Competencies; EP = Entrepreneurial Personality; Conc. = Conceptual; Stra. = Strategic; N.Ach = Need for Achievement; Risk = Risk taking propensity

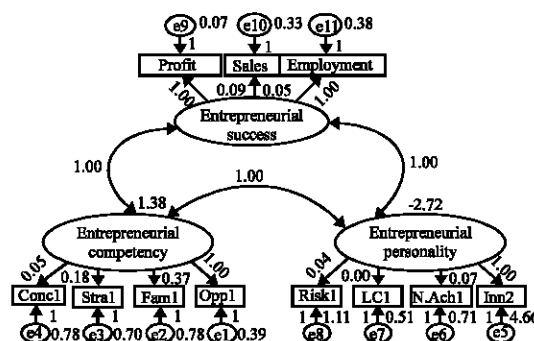


Fig. 5: Structural model: EC = Entrepreneurial Competencies; EP = Entrepreneurial Personality; Conc. = Conceptual; Stra. = strategic; N.Ach = Need for Achievement; Risk = Risk taking propensity; Fam = Familism; Opp. = Opportunity; LC = Locus of Control; Inn. = Innovation

This finding is consistent with the study undertaken by Begley and Bond (1985) 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. Brockhaus (1980) 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. Brockhaus and Horwitz (1986)'s 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. The 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 the 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 Westerberg *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 SMEs, 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 researchers, 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 lead 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 28-50 years. This

finding is corroborated by Reynolds *et al.* (2002) who found that individuals ranging from 25-44 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 (25-40 years). Ratan Tata of the house of the Tatas, probably felt the same when he pressed for the selection of Cyrus Mistry in his early forties, as his successor as Chairman of Tata Sons Ltd.

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 the 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 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**

Classifying the entrepreneurs in SME 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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