

BUSINESS SUCCESS

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Abstract:

Entrepreneurial characteristics play an important role in running businesses effectively and efficiently, arranging resources and making enterprises successful. Extant literature on the theme indicates that there are psychological factors such as need to achieve, risk taking, self-confidence, etc. and non-psychological factors such as human capital and social capital as well as personal characteristics such as education, training, motivation which together contribute to business success of new ventures. This paper critically examines various entrepreneurial characteristics/competencies which are likely to boost chances of business success on a wider scale.

Keywords: competency, entrepreneurial characteristics, business success

INTRODUCTION

Entrepreneur is a person responsible for the successful performances of the business. His skills, knowledge and attitude required to run and achieve fruitful results from the business is called his competency or entrepreneurial characteristics. Competency as a concept has evolved over the years and in spite of having its roots in McClelland's writings (1973), the concept as we see it today has been refined to hold broader connotations. This paper is a humble effort to understand the concept of entrepreneurial competency and how it works in specific socio-economic and cultural contexts to facilitate or ensure success in business operations

It is imperative to define the term 'entrepreneur' at the outset. 'Entrepreneur' has its origin in the French term 'entreprendre' which implies 'to do something'. French economist Cantillon (1755) was the first philosopher who described an entrepreneur as a person who tends to buy factor services i.e. land, labour, material, capital etc. at a certain price and produce products with the help of factor services and sell these products in the market to gain profit. Entrepreneur uses his ability to organize a business venture to achieve the goals. Other researchers have visualized entrepreneur as a person who changes raw material into goods by taking risk in the market for profit. This analysis recognizes the fact that an entrepreneur has to be willing to bear risk.

Entrepreneurship can be viewed as a combination of entrepreneur's skills and innovation, and an entrepreneur as one who builds the organization with a handful of inputs, scans the market, creates the business environment, and makes efforts to achieve the goals. Entrepreneurship is a purposeful behavioural adaption launched for initiating, promoting and

maintaining economic activities for the production and mobilization of monetary resources (Gartner, 1990; Shane and Ventakaraman, 2000; Johnson, 2001; Histrich and Peters, 2002). In the present era, it is being realized that entrepreneurship contributes to development of a country in several ways i.e. assembling the service sectors, bearing the risks, innovating and initiating the techniques of production to reduce the cost and increase the quality of the products, organize and co-ordinate the resources at all levels and serve the economy by offering the products in the market.

ENTREPRENEURIAL COMPETENCY

important role in the performance rather than his intelligence level alone. Further, Boyatzis (1982) defined competency as ‘a capacity that exists in a person that leads to behaviour that meets the job demand within the parameters of organizational environment, and that, in turn brings about desired results’. Herein Boyatzis related competency to a person’s behaviour, which is required in organizations in order to achieve the desired objectives for which the organization is running

Further, Spencer and Spencer (1993) defined competency as an underlying characteristics of an individual that is causally related to criterion referenced effective and/or superior performance in a job or situation. This indicates that these are certain identifiable traits that constitute to a person’s characteristics and level of performance in a job situation. Underlying characteristic implies that competency is a fairly deep and enduring part of a person’s personality and can predict behaviour in a wide variety of situations and job tasks. Causally-related implies that a competency causes or predicts behaviour and performance while criterion-referenced means that the competency actually predicts who does something well or poorly, as measured on a specific criterion or standard.

In the world of management, the term ‘Competency’ has been used since the last many decades. It is defined as the sum of experiences, knowledge, skills, and attitude, which a person acquires during his lifetime for effective performance of a business task. The term competency has number of definitions, which depend upon the ability characteristics, and personality of individuals who undertake the responsibility of performance of business activities with an aim of achieving full potential.

Entrepreneurial competency is the knowledge, skills and attitude which are required by the entrepreneur to run the business successfully and produce maximum profit with minimum resources. Bird (1995) maintains that the entrepreneurial competencies are underlying characteristics possessed by a person which result in a new ventures creation, survival, and/ or growth. Thus, Entrepreneurial Competency plays an important role for business survival and its success. It is a purposeful behavioural adaptation launched for initiating, promotion and maintaining economic activities for the production and mobilization of monetary benefits.

ENTREPRENEURIAL CHARACTERISTICS

An entrepreneur is a person who possesses certain characteristics such as risk bearing, forward thinking and creativity. Social scientists have studied and enlisted the characteristics of an entrepreneur and broadly defined them as psychological, nonpsychological, and personal. Entrepreneur’s psychological characteristics are the need to achieve, risk taking, self-efficacy, and locus of control. On the other hand, non-psychological characteristics include human and

social capital and opportunity recognition. Personal characteristics include age, education, gender and experience.

Psychological Characteristics: Entrepreneurs are individuals who have unique values, attitudes and needs which help to drive the business successfully. It is based on the assumption that people behave in accordance with their values and behaviour results from attempts to satisfy needs. Brockhaus (1980) reviewed a number of psychological characteristics and concluded that need for achievement, risk taking, locus of control and a risk-taking tendency as attributes that contributing to the success of new business start-ups.

Need to achieve: Need to achieve drives the entrepreneurs towards willingly completing the work, to achieve the targets and enhance their satisfaction level. Herein skills and experience play an important role. Entrepreneurs with higher need for achievement tend to set higher and difficult standards for themselves while running their business enterprises. Cooper (1986) observed that the need to achieve is related to independence orientation and risk taking. Measuring the orientation of need for achievement in the entrepreneur's personal characteristics is likely help in predicting whether he or she will be successful in the new venture (Shantha Kumar, 1992; Solymossy, 1998).

Risk taking: Risk-taking refers to the tendency to engage in behaviors that have the potential to undertake business activity that may or may not be profitable, at the same time provide the opportunity for some kind of outcome that can be perceived as positive herein profits. Adam Smith (1776) stated that risk taking is important for an entrepreneur. Covin and Slevin (1989) differentiates an entrepreneur from a nonentrepreneur on the concept of risk taking. Bird (1989) described the four types of risks for an entrepreneur. These risks are economic risks, social risks, career development risks, psychological and health risk. Oosterbeek et al. (2008) explained that an entrepreneur can become successful if he has the ability to work in an uncertain environment and take risk and has capacity to bear losses. Further, Caliendo et al. (2008) and Bashie & Mahmood (2008) observed that entrepreneur who is a risk taker, has more chances of survival and success.

Locus of control: It refers to the extent to which individuals believe that they can control events that affect them. Locus of control is entrepreneur's self-confidence about their skills, knowledge, and ability to control the environment of the organization, leading to performance and success of the organization. Levenson (1981) explained locus of control as two aspects i.e. internal and external locus of control. Internal locus of control is personal belief that success and failure happened due to his hard work and efforts. On the other hand, in case of external locus of control, person relates his/her failure and success with the efforts/action of the others and thinks that it depend upon luck and chance. Entrepreneurs with greater internal locus of control are more likely to succeed in their business ventures as compared to those having higher degree of external locus of control.

Non-Psychological Characteristics: Non-psychological characteristics include the human capital, social capital and opportunity recognition. It plays an important role to run the business efficiently.

Human capital: Human capital includes the skills and knowledge which a person gathers in formal and informal learning. Human capital encompasses both abilities, which are influenced by genetic factors (e.g., intelligence, health, personality, attractiveness) as well as acquired skills such as education, job training, tenure, work experience, and interpersonal relationships (Shanahan & Tuma, (1994). Entrepreneurs possessing higher level of human capital are more likely to succeed in their business ventures.

Social Capital: Social capital is the network, trust and shared values that bring to life a human's values, skills, experience, and knowledge. Social capital results from effective communication. Bruder & Preisendorfer (1998) studied 1700 firms in Germany and found that there is positive relationship between social capital and success of organization. According to Nahapiet and Ghoshal (1998) the concept of social capital can be described in three dimensions of an individual's social capital i.e. structural capital – the structure of the overall network of relations, relational capital – the quality of an actor's personal relations and cognitive capital – the degree to which an individual shares a common code and systems of meaning within a community.

Opportunity Recognition: Entrepreneur who has capacity to recognize the opportunity may succeed in his her business venture (Christensen et al., 1989). Sambasivan et al. (2009) observed that opportunity recognition for the entrepreneur is necessary for business to survive and for profit making. Kickul and Walters (2002) maintained that opportunity recognition plays an important role in strategic orientation of entrepreneurs

Personal Characteristics: Personal characteristics include age, gender, education and experience. Age and gender are the trait characteristics while education and experience are the characteristics, which can be attained by the age.

Age: Age is the factor of personal background. Many researchers have conducted studies and all have expressed different opinions. Bosma et al. (2000) related age with knowledge and business success. They found that age is positively related with knowledge rather than business success. They described knowledge leads towards the success of business. Mario, Arminda & Joao (2008) were of the opinion that a person up to age of 24, usually did not feel positive to start his/her own business or become entrepreneur and argue that willing to start own business decreases with increase in age, but opportunity increases with decrease in age.

Gender: Gender plays a significant role to step up business and get success. Arnold & Kendele (1995) studied the abilities of male and female to start and run the successful business and found that both have similar abilities, but female entrepreneur have high satisfaction level. Further, Mario, Armida & Joao (2008) found that most of the women want personal and economic independence, but they have less confidence level and capability to run an organization.

Education: Education enables an entrepreneur to perform better in his/her task. Education has a positive influence on performance and success. Guzman (1994) studied relationship between education and intrinsic motivational factors. He found positive relationship. Michael & Pamela (1995) conducted study on creative education and standardized education. They found that an entrepreneur who has creative education leads to high success and entrepreneur with

standardized education leads to low success. Further, Thapa et al. (2008) observed that education helps in making decisions, understanding and adoption of new technology and ability to understand the market better.

Experience: Experience always contributes to success of business. Cooper (1985) .described experience as a motivational factor that leads to entrepreneurial success. Michael & Pamela (1995) found that a person who has good experience with a job is not likely to become an entrepreneur. On the other hand, a person who has bitter experience with a job is likely to become an entrepreneur. Brockhaus (1980), Rose et al. (2006), Bosma et. al. (2000) studied the factor of experience and concluded that experience leads to the success of business of an entrepreneur and contributes to the economy of the country by the way of foreign exchange.

CONCLUSION:

Extant literature conforms that there are certain entrepreneurial characteristics/competencies which lead to greater success of business enterprises. These characteristics have been categorised as psychological, non-psychological and personal. Researchers have found positive correlation between certain psychological characteristics such as higher achievement need orientation, greater risk-taking orientation and internal locus of control and success in new ventures. At the same time, it has been found that nonpsychological characteristics such as human capital, social capital and opportunity recognition play a crucial role in ensuring success of entrepreneurial ventures. Personal factors such as age, gender, education and experience also have the potential to determine whether an entrepreneur will succeed or fail in his/her new venture.

However, literature on this theme is scarce. It is imperative that more empirical studies are conducted especially in the developing countries to build substantial cases linking entrepreneurial characteristics with entrepreneurial success. At the moment, it sounds plausible to accept that there already exists such a connection. New evidences based researches in different parts of the world will provide a fillip to training programmes in competency-based entrepreneurship development.

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