Impact of Entrepreneurial Qualities on Performance in SMEs

MURLIDHAR NEBHANI*, KANAYA LAL KHATRI**, AND UZMA SYED***

RECEIVED ON 11.11.2012 ACCEPTED ON 20.03.2013

ABSTRACT

Entrepreneur is known as a person who believes in hardworking in his entire period of life. Rest and respite for entrepreneurs seem unacceptable and are treated as enemy of entrepreneur's success. Entrepreneur is constantly involved in thinking for growth and prosperity of his/her business venture. For this he/she tries to gain the secrets of business success. As a result, this research explores few of the secrets of success in the life of every individual. These secrets are recognized as basic qualities or attributes of entrepreneurs which bring them from bottom to top. There are many qualities, some of the key attributes are: innovativeness, risk taking, confidence, commitment and decision making. These qualities of entrepreneurs were investigated by evaluating the performance of entrepreneurs in SME (Small and Medium Enterprise) in province of Sindh, Pakistan. Performance indicators were considered as investment/worker and sales turnover/worker. For analyzing the data, statistical tools such as mean, standard deviation and coefficient of correlation (r) were computed. SPSS and Excel Softwares were used. One way ANNOVA was also used to work out F-value to examine significance of data/variance among groups. Results show positive relationship between qualities of entrepreneurs and their performance. Empirical evidence suggests proportional increase of entrepreneurial qualities with increase in performance.

Key Words: Entrepreneur, Qualities, Innovativeness, Risk taking, Confidence, Commitment, Decision making, Performance and SMEs.

1. INTRODUCTION

There has been debate over a decade that what makes entrepreneurs to operate successful venture. Also, what makes an individual a successful entrepreneur and non-entrepreneur?

In practice, entrepreneurship often links to establishing business, however on other hand it is also a decision making process which makes venture successful and generates more income and improves living standard, whereas, non-entrepreneur does not show these qualities [1]. Establishing a venture is not only one thing that entrepreneur does, but also bringing business to top from scratch. This is due to his/her potentials, knowledge and abilities which entrepreneur has obtained through

* Professor, Department of Industrial Engineering & Management, Mehran University of Engineering & Technology, Jamshoro.
** Associate Professor, Department of Civil Engineering, Mehran University of Engineering & Technology, Khairpur Mirs Campus.
*** Assistant Professor, Department of Textile Engineering, Mehran University of Engineering & Technology, Jamshoro.
experience. That is why entrepreneur's judgments and decisions for company cannot be ignored because of qualities and capabilities he/she possess [2]. They can be acknowledged as full of potentials such as personality and psychological behavior, which make them exceptional from non-entrepreneurs; therefore, these potentialities boost efficiency and bring positive output [3]. Moreover, success of small businesses is dependent on entrepreneur's abilities to do things differently and successfully which also bring benefit for economy as a whole [4]. Furthermore, there have been vast discussions, thoughts and judgments over features and potentialities of entrepreneurs which can be found in various scholarly journals and articles, economic and social sciences books, online books and websites. However, after going through literature one can also find that there are specific talents and abilities which differentiate effective entrepreneur from un-successful entrepreneur for example innovativeness, risk taking, confidence, commitment and decision making. However, qualities themselves are identified important yet ignored. Apart from above discussed qualities; additional qualities might also prevail to operate business efficiently and productively. In this paper, above mentioned qualities are examined in relation to success of SMEs, particularly in developing nations.

2. RESEARCH METHODOLOGY

In this paper, research methodology is based upon literature survey and data analysis. Data was collected from forty (40) SMEs in Sindh province. Two main techniques viz. qualitative and quantitative were used and collected data was analyzed in depth. Designed questionnaire contains two parts, part-1 is concerned with companies' background and part-2 is concerned with entrepreneurial qualities.

Primary data was gathered from SMEs, considering the policy of SMEDA (Small Medium Enterprises Development Authority), which is framed by the Government of Pakistan. Authority provides/suggests some rules and regulations to be implemented by the SMEs for boosting the economic growth by generating revenues. According to this policy, any enterprise with paid-up capital up to PKRS. 25 million, Sales turnover up to PKRS. 250 million and workforce up to 250 workers are recognized as SME [5].

The reason behind this research work was to investigate the consciousness of entrepreneurs and personal attributes as indicated in Table 2 and their impact on business success parameters. In general, impacts of qualities on the performance of entrepreneurs were evaluated. For analyzing the data sample statistics, SPSS and Excel Softwares were used.

3. REVIEW OF LITERATURE

To make any venture successful, one needs to consider effective tool for increasing performance i.e. entrepreneur. Performance is a key factor in entrepreneurship success and can be achieved through personal qualities. Some qualities are usual in entrepreneurs and need to be played actively because; these are very important in success of their business. Often, these qualities can take time to appear or noticed in entrepreneur, such as; education of an entrepreneur, experience and managerial tactics. Other qualities can be natural or built-in in individual character such as; innovative personality, risk taking, confidence, commitment to do things and decision making are discussed.

3.1 Innovativeness

The entrepreneurs are often busy and aspiring to enhance services and products. As a result, they regularly initiate and look for different aspects to improve business wherever possible. Entrepreneurs are
Impact of Entrepreneurial Qualities on Performance in SMEs

artistic, visionary, hard-worker and creative. Therefore, entrepreneurs often asks themselves as why venture need to be modified. That is why many businessmen focus on different products and services even after long business gain in market. This can be further clarified that many businessmen who possess excellent knowledge of market, many years of experience and also capability to run business are now generating low profit or in some cases experience failure. Therefore, companies in progressive business atmosphere have now established practice to manage diversification of business portfolio [6]. However, it is not clear yet what makes them to start new business in spite of market understanding and experience. However, since companies can emphasize on creating reputation in market through innovation and ideas instead of diversifying into risky businesses [6]. Therefore, it is entrepreneur who creates atmosphere which uplifts reputation of company in market.

An entrepreneur has extraordinary courage to take risk and come up with fresh ideas and promote them in market according to needs [7]. He/She generates ideas by looking at market opportunities and determines the sources of supply and applies new strategies to produce product/service and make sure it is easily available in market for sale/use. Therefore, success of small businesses can be measured through business progress and its turnover together with new ideas and innovation [8]. Innovation usually refers to bringing original and different ideas which can be shaped into novel development [8]. Entrepreneurs must realize that innovation and ideas are an important part of successful business in competitive era. Moreover, innovations and inventions are playing equal role in success of business in market [9].

3.2 Risk Taking

Entrepreneur has basic behaviour called risk taking, whereas common people try not to involve in risk taking, if possible. On other hand, entrepreneurs are involved actively in risk taking which make them successful at the end. It is commonly found in managers that they never show off till they achieve their goal out of risk taking. At one stage researcher says that entrepreneurs who have confidence in their ability take more risks accordingly [10]. There is profit hidden behind risk therefore; entrepreneur's first step is found to be risk taking; those who believe in risk taking also believe that there is no business without risk. Furthermore, entrepreneur's level of profit increases by taking more risk in business, once achieves the goal they can minimise investment [11].

Entrepreneur refers to risk taker and innovative individual who work towards growth of business and wealth [12]. Entrepreneur takes risk in current time because he/she knows; if project is successful then it will give high return in future [11]. In addition, entrepreneurs believe in risk taking which is also an opportunity and ultimately brings benefit for business in long term [13].

3.3 Confidence

Entrepreneurs motivate everyone with his/her distinctive personality of risk taking, intelligence, innovativeness, imitativeness and decision making. In simple word, that is confidence which make entrepreneur successful throughout his careers in business/company. Confidence is inner feeling of an entrepreneur which is intangible asset for an individual and cannot be sold physically because it cannot be sensed, affected or heard. More often, entrepreneur leave positive impression among million people within few meetings, it is only because confidence plays an important role in success.
It is overall noticed that entrepreneur is an individual who doesn't believe in disappointment, always seems positive for change, opens doors for new knowledge and experience even does not hesitate to learn from competitors and trust himself/herself and finalize task effectively [14]. Sometime, entrepreneur takes less risk because of priorities but; that does not affect his/her confidence [10]. It is observed previously that there is no business without risk. Similarly, there is no decision power without confidence that is why entrepreneur trust on his/her decision and takes more risks [15].

3.4 Commitment

There is nothing more important than commitment to finalize the task and no doubt it has no rule. However, it is essential for an individual to be ready to succeed which of course require hard work. Maintaining balanced life on one hand and putting more efforts and time for accomplishment goals on the other is prerequisite of good leader. Scholars also indicate that company's success relies on individual's efforts and that is why individual is called entrepreneur [14]. Moreover, entrepreneurship is the mixture of talents and abilities which includes individual's commitment to grow business by putting efforts, knowledge and skills [14]. Furthermore, entrepreneurship is individual's own way to increase capital and investment by taking risks, time management and commitment with career [10].

Entrepreneurship is an exercise of bringing novel product/service at needed time in market by putting efforts and taking financial risks to earn personal satisfaction and income by balancing psychological and social freedom [14]. Also entrepreneur commit him/herself to help employees, complete task on time, caring personality and sometime personal sacrifice together with customer satisfaction [10].

3.5 Decision Making

Entrepreneurial skills are basic requirement to make any business successful; however, decision making is pre-requisite to enter into entrepreneurial world. They need to be learned throughout business career and developed during tough and unpredictable situations. Problems may be of different nature every time; which may include problems with business plan, financial, colleagues or marketing. However, entrepreneurs take decision differently from common individuals. It is because decision making becomes routine in entrepreneurs' life and they deal with different situation regularly that is why it is different from common individual [16].

The entrepreneurs' decision making process is self-motivated due to experience and knowledge gained in routine, that is why he/she finds better solution which would be useful for business [17]. Furthermore, entrepreneur's approach is never pre-planned and always on the spot which make him/her better decision maker every time in all tough situations. Entrepreneur examines facts and figures before coming to conclusion. Therefore, it is also known as cautious entrepreneur [18]. Entrepreneurs' decisions not only effect inside business but also surroundings [19]. Therefore, entrepreneurs need to understand fact and figures before rushing to take decision in favour or against of anything.

4. PERFORMANCE OF ENTREPRENEURS

Performance means doing task to generate productivity which can create more profitability. Consequently, if an individual could not accomplish the expected result, he/she has not performed well enough. In simple words, performance play major role in success of business. It can only be achieved by persons willingness to complete task
with his/her full energy and eager to compete with others in similar tasks. There is no doubt; success is based on performance and which can be measured through the positive or negative results. Therefore, efforts play role between mind and performance. But, it is hard to assess required positive result only through efforts; it is because there is probability at the end. Whereas efforts often help to achieve required outcome which not only benefit individual him/herself but also bring benefit for economy as a whole [20]. These benefits do not just happen; they are the result of entrepreneurial efforts and courage to boost business which not only benefit developing but also developed economies [21]. Therefore, one can find association between efforts and performance. Individual should believe on his/her performance and outcome achieved with own efforts, this also indicates solid link between efforts and performance. Also, performance can be boostup with other entrepreneurial attributes such as individual's training, skills gained through experience and management competencies which of course require efforts too [22].

5. **EMPIRICAL DATA ANALYSIS**

In this empirical study, the entrepreneurs under study were inquired about the degree of importance for the qualities such as innovativeness, risk taking, confidence, commitment and decision making. These entrepreneurs were provided the criteria for replying and Likert Scale was used 1-5. Where, 1 =not important, 2 =Less important, 3 = important, 4 = more important and 5 = most important. Number of entrepreneurs assigned the degree of importance to these qualities were calculated, sum up and put in Table 1.

Analysis reveals that 9 entrepreneurs replied that innovativeness is less important and they were rated at 2. Majority i.e. 16 entrepreneurs responded that it is important and they were rated at 3. Also 12 entrepreneurs mentioned that innovativeness is more important therefore; they were rated at 4. Whereas; 3 entrepreneurs replied this quality is most important therefore, they were rated at 5. However; no any entrepreneur considered that this quality is not important as reflected in Table 1.

In the same way 2 entrepreneurs considered risk taking as a not important quality therefore; they were rated at 1. Also, 9 entrepreneurs said that it is less important and they were rated at 2. Likewise 16 entrepreneurs mentioned that risk taking is important and they were rated at 3. Accordingly, 11 entrepreneurs informed that this is more important quality therefore; they were rated at 4. Similarly, 2 entrepreneurs replied that said quality is most important for them therefore, they were rated at 5.

Similarly 3 entrepreneurs informed that confidence is less important and they were rated at 2. Likewise 13 3 entrepreneurs informed that confidence is less important and they were rated at 2. Likewise
entrepreneurs said that this quality is important and they were rated at 3. In addition 14 entrepreneurs replied that it is more important and they were rated at 4. Whereas 10 entrepreneurs mentioned that confidence is most important and they were rated at 5. But none of entrepreneur in the sample size considered this quality as not important.

Alike; 6 entrepreneurs considered commitment as less important for them and they were rated at 2. In the same way 12 entrepreneurs informed that this is important and they were rated at 3. Similarly, 11 entrepreneurs mentioned that it is more important and they were rated at 4. Also other 11 entrepreneurs replied that said quality is most important for them and they were rated at 5. But, no one among them considered commitment as not important quality.

Likewise 9 entrepreneurs stated that decision making is less important for them and they were rated at 2. Similarly 13 entrepreneurs replied that it is important and they were rated at 3. Also 11 entrepreneurs mentioned that this quality is more important and they were rated at 4. In the same way, 7 entrepreneurs said that this is most important therefore, they were rated at 5. But, none of entrepreneur considered that this quality is not important for them.

Analysis further reveals that the entrepreneurs under study were also inquired to mention the investment, turnover and employment of your enterprises, since these parameters are considered as key business variables. Therefore, they were provided the fixed options to reply this section, and response of the entrepreneurs is sum up and mentioned in Table 2.

Moreover, performance of entrepreneurs was evaluated on the basis of these important business variables. Among these variables two pairs i.e. turnover/worker and investment/worker were set. To know the degree of relationship between these pairs, coefficient of correlation \((r)\) was computed as 0.85 and 0.79 respectively.

Table 2 reflects enterprises from where data for various business variables was obtained for this research work. Analysis reveals that there were 10-25 workers with 05-10 million investment and 25-50 million sales turnover in glass manufacturing industries. Similarly, 25-75 workers with 10-25 million investment and 50-200 million sales turnover in garments industries. Likewise, 25-100 workers with 15-25 million investment and 100-250 million sales turnover in rice husking industries. Also, 25-100 workers with 15-25 million investment and 50-200 million sales turnover in auto parts manufacturing industries. In the same way, 50-100 workers with 15-25 million investment and 150-250 million sales turnover in cotton and ginning industries.

Data was statistically analyzed i.e. mean of these variables was estimated. Then variables were normalized to identify

<table>
<thead>
<tr>
<th>TABLE 2. BACKGROUND OF ENTERPRISES AND BUSINESS VARIABLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature of Enterprises</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Glass Manufacturing</td>
</tr>
<tr>
<td>Garments Industries</td>
</tr>
<tr>
<td>Rice Husking Industries</td>
</tr>
<tr>
<td>Auto Parts manufacturing</td>
</tr>
<tr>
<td>Cotton &amp; Ginning Industries</td>
</tr>
</tbody>
</table>
the investment per worker and sales turnover per worker in sample size. It was found that minimum investment per worker was Rs. 0.20 million and maximum Rs. 0.74 million with an average of Rs. 0.37 million. Whereas, minimum sales turnover per worker was Rs. 1.99 million and maximum Rs. 4.62 million with an average of Rs. 3.11 million.

To know the impacts of entrepreneurial qualities on performance, entrepreneurs were classified in three groups on the basis of their sales turnover per worker. Therefore, 07 entrepreneurs belonged to group 1 whose investment and sales turnover per worker was 0.37 and 2.06 million respectively. Similarly, 18 entrepreneurs belonged to group 2 whose investment and sales turnover per worker was 0.32 and 2.84 million respectively. Likewise, 15 entrepreneurs lay in group 3 whose investment and sales turnover per worker was 0.42 and 3.93 million respectively. Using sample statistics, mean and standard deviation for degree of importance to qualities assigned by each group of entrepreneurs and overall sample size were computed as shown in Table 3.

To identify the significance of data/variance among groups on 95% confidence level, ONE WAY ANOVA was applied, for this purpose criteria p=≤ 0.05 was recommended and F-value of the analysis between various groups of all qualities was recorded to be significant since; p value was 0.00<0.05.

Analysis reveals that degree of importance on scale to innovativeness was recorded for groups 1, 2 and 3 entrepreneurs, and an average was computed as 2.29, 2.89 and 4.07 respectively with an overall average of 3.30 degree. Whereas standard deviation for above groups was also computed as 0.49, 0.58 and 0.59 respectively with an overall average of 0.89. It is seen from the results that entrepreneurs of G1, G2 and G3 consider this quality as less important, important and more important respectively but; none of entrepreneur considers it as a most important. As whole entrepreneurs in sample size consider innovativeness only as important quality as reflected in Table 3.

Likewise degree of importance on scale to risk taking was recorded for groups 1, 2 and 3 entrepreneurs, and an

<table>
<thead>
<tr>
<th>Qualities of Entrepreneurs</th>
<th>Sample Statistics</th>
<th>Average Degree of Importance to Qualities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Group-1(G1)</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>Mean</td>
<td>2.29</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.49</td>
<td>0.58</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>Mean</td>
<td>2.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.82</td>
<td>0.62</td>
</tr>
<tr>
<td>Confidence</td>
<td>Mean</td>
<td>2.71</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.49</td>
<td>0.70</td>
</tr>
<tr>
<td>Commitment</td>
<td>Mean</td>
<td>2.57</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.54</td>
<td>0.84</td>
</tr>
<tr>
<td>Decision Making</td>
<td>Mean</td>
<td>2.43</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.54</td>
<td>0.73</td>
</tr>
</tbody>
</table>
average was computed as 2.00, 2.83 and 3.80 respectively with an overall average of 3.05 degree. Whereas standard deviation for above groups was also computed as 0.82, 0.62 and 0.68 respectively with an overall average of 0.93. It is seen from the results that entrepreneurs of G1, G2 and G3 consider this quality as less important, important and more important respectively but; none of entrepreneur considers it as a most important. As whole entrepreneurs in sample size consider risk taking only as important quality.

Similarly degree of importance on scale to confidence was recorded for groups 1, 2 and 3 entrepreneurs and an average was computed as 2.71, 3.61 and 4.47 respectively with an overall average of 3.78 degree. Whereas standard deviation for above groups was also computed as 0.49, 0.70 and 0.74 respectively with an overall average of 0.92. It is seen from the results that entrepreneurs of G1 consider this quality as important, G2 and G3 consider it as more important respectively but; none of entrepreneur considers it as a most important. As whole entrepreneurs in sample size consider confidence as more important quality.

In the same way degree of importance on scale to commitment was recorded for groups 1, 2 and 3 entrepreneurs, and an average was computed as 2.57, 3.33 and 4.47 respectively with an overall average of 3.62 degree. Whereas standard deviation for above groups was also computed as 0.54, 0.84 and 0.74 respectively with an overall average of 1.03. It is seen from the results that entrepreneurs of G1 and G2 consider this quality as important and G3 consider it as more important respectively but; none of entrepreneur considers it as a most important. As whole entrepreneurs in sample size consider commitment as more important quality.

Also degree of importance on scale to decision making was recorded for groups 1, 2 and 3 entrepreneurs and an average was computed as 2.43, 2.94 and 4.33 respectively with an overall average of 3.37 degree. Whereas standard deviation for above groups was also computed as 0.54, 0.73 and 0.72 respectively with an overall average of 1.03. It is seen from the results that entrepreneurs of G1, G2 and G3 consider this quality as less important, important and more important respectively but; none of entrepreneur considers it as a most important. As whole entrepreneurs in sample size consider decision making only as important quality.

Analysis further reveals that entrepreneurs of G1, G2 and G3 consider innovativeness, risk taking and decision making as less important, important and more important qualities respectively but; none of entrepreneur of these groups considers these qualities as a most important. As whole entrepreneurs in sample size of these groups also consider these only as important qualities. Similarly entrepreneurs of G1 consider confidence as important, G2 and G3 consider it as more important. Likewise entrepreneurs of G1 and G2 consider commitment as important and G3 consider it as more important respectively but; none of entrepreneur also considers confidence and commitment as most important qualities. As whole entrepreneurs in sample size consider confidence and commitment as more important qualities.

6. PERFORMANCE EVALUATION

To evaluate the impact of entrepreneurial qualities on performance in terms of average investment per worker and average sales turnover per worker, comparison have been made for each group as indicated in Table 4.
Table 4 reflects that an average turnover per worker of entrepreneurs belong to group 1, 2 and 3 was Rs. 2.06, Rs. 2.84 and Rs. 3.93 million respectively with an average investment per worker of Rs. 0.37, Rs. 0.32 and Rs. 0.42 million respectively. Furthermore, average sales turnover per worker of group 1 entrepreneurs was 5.57 times higher as compared to their average investment per worker. Whereas average sales turnover per worker of group 2 and 3 entrepreneurs was 8.88 and 9.36 times higher as compared to their average investment per worker respectively.

Furthermore; entrepreneurs of G1 consider innovativeness, risk taking and decision making as less important qualities whereas; they consider only confidence and commitment as important. Therefore their performance is achieved as lower among all groups. Similarly, G2 entrepreneurs consider innovativeness, risk taking decision making and commitment as important qualities whereas; they consider only confidence as more important. Therefore; their performance is achieved as moderate among all groups. However, G3 entrepreneurs consider all these qualities as more important. Therefore their performance is achieved as higher among all groups.

7. CONCLUSION

An effective entrepreneur is a person who is not only competent to bring new product/service in market but also making venture top of the market. The potentials and qualities are assets for an entrepreneur, which help him/ her to do business effectively and take decisions on proper time. The link between characteristics of entrepreneurs and business performance were evaluated. It was confirmed that there is strong relationship between business performance and entrepreneurial qualities. Study also found out that positive result is backed by qualities of entrepreneurs. As the qualities increase proportionally performance also increases. Therefore, it is concluded that venture's success lies on entrepreneurial qualities. Furthermore, qualities discussed above are most beneficial in developing countries environment like Pakistan, India and in such developing countries. It is because developing countries are altering their needs and moving towards success. Therefore, if enterprises are willing to increase the performance, must focus on development of qualities in entrepreneurs. It is also noticed that entrepreneurs are well aware of these qualities and strengths, but more often forget to adopt and apply.

ACKNOWLEDGEMENT

Authors are thankful to the Owners/Entrepreneurs and staff of Small and Medium Enterprises considered in this research for providing required information and cooperation.
REFERENCES


