



Searching for entrepreneurs among small business ownermanagers in agriculture



T. Lans^{a,*}, M.A. van Galen^b, J.A.A.M. Verstegen^b, H.J.A. Biemans^a, M. Mulder^a

^a Education and Competence Studies, Wageningen University, P.O. Box 8130, 6700 EW Wageningen, the Netherlands

^b Agricultural Economics Research Institute (LEI), Wageningen University and Research Centre, P.O. Box 29703, 2502 LS the Hague, the Netherlands

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ABSTRACT

The relationships between entrepreneurial competence, competence development and entrepreneurial performance in small firms represent an area that has fascinated researchers for decades. Identifying such linkages is also important for agricultural research and practice. In this study modern concepts of individual competence were integrated with entrepreneurship and organizational learning theory, leading to the following research question: How do high- and low-performing small agricultural firms differ in terms of the extent to which their owner-managers develop and use specific entrepreneurial competence? A multiple-source case study was conducted in which quantitative and qualitative data from 19 horticultural firms in the Netherlands were combined. Based on the differences between high- and low-performing firms, seven propositions were formulated that further specify the relationships between entrepreneurial performance, the owner-managers' competence and the development of this competence. The results indicate that the relationship between entrepreneurial performance and competence is influenced by business goals and the owner-managers' competence awareness. It is proposed that entrepreneurial performance is correlated with the development of competence associated with the first phase of the identification and pursuit of an opportunity. Furthermore, the results suggest interdependence between existing competence and competence development within competence domains (horizontal development), and between competence domains (vertical development).

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1. Introduction

What is entrepreneurialism in agricultural firms, and how is it learned and developed in a sector traditionally dominated by family firms, a production orientation, protectionism and an innovation infrastructure in which knowledge used to be freely available? Entrepreneurialism in agriculture is often equated with a particular role or style of farmer/horticulturalist which focuses on gaining profit, efficiency, specialization, expansion and optimization of management [1,2]. Entrepreneurs are thus solely portrayed as money-driven, efficiency-orientated, optimizing managers. This representation, however, only partly reflects the conceptualization of entrepreneurship which has gained ground over the last decennium among entrepreneurship scholars, who see entrepreneurship as the scholarly examination of the processes of identification, evaluation and pursuit of opportunities, including the individuals who identify, evaluate and pursue them [3]. A focus on the identification and pursuit of opportunities as the core of entrepreneurship

emphasizes the creative, alert, pro-active and networking aspects of entrepreneurial activity, which proved to be a rich venue for studying entrepreneurial learning and development [4–6]. What is more, a conceptualization like this opens up the possibility of studying other forms of entrepreneurship aside from new start-ups [7], such as innovation and portfolio entrepreneurship in existing firms [8].

Identification and pursuit of entrepreneurial opportunities are (also) considered to be important processes for agricultural firms [9–11]. Through these processes farmers and growers are able to effectively respond to changes in the policy environment, markets, competition, technology, societal demands and sustainability. It can be observed from specific, often anecdotal, examples in daily practice that some farmers/growers seem to be quite successful in developing themselves as 'entrepreneurs' as conceptualized above, for instance through diversification or product innovation. However, it is not clear what they have learned in this process and whether this learning is indeed related to performance. To contribute to current understanding of entrepreneurialism in agriculture, the following overarching research question in this paper was addressed: *How do high- and low-performing small agricultural firms differ in terms of the extent to which their owner-managers*

* Corresponding author. Tel.: +31 317 48 43 43.

E-mail address: thomas.lans@wur.nl (T. Lans).

develop and use specific entrepreneurial competence? In other words, how are entrepreneurial competence, its development and entrepreneurial performance related in small agricultural firms?

This question is intriguing from a scientific as well as practical point of view. From a scholarly perspective, there is a growing body of research that acknowledges the importance of moving beyond classical entrepreneurial human capital variables (i.e. education and prior experience) in explaining performance, for instance by focusing more on cognitive abilities, social skills and behaviours [12,13]. Furthermore, researchers stress that learning and development of entrepreneurial human capital by owner-managers of existing small firms has been a neglected area of research [14]. From a practical point of view, entrepreneurial learning and development requires that owner-managers have insight into their own entrepreneurial profile, strengths and weaknesses and an awareness of typical (often implicit) behavioural patterns. A better focus on what is relevant for owner-managers and what is subject to learning and development could improve learning for entrepreneurship in agriculture.

This paper is structured as follows. The next section unfolds the underlying theoretical framework central to this study. This is done by introducing four perspectives on owner-managers' inputs to entrepreneurial endeavours. The discussed literature strands include trait, human capital, competence and organizational learning perspectives on entrepreneurship. Subsequently, the firm performance, or output, side of entrepreneurship is discussed. The theoretical framework is followed by sections in which the applied methods and results are reported. Finally, conclusions and implications for researchers, practitioners and policy makers are suggested.

2. Theoretical framework

2.1. Beyond traits and general human capital

In research on desirable assets of entrepreneurs, a variety of characteristics have been scrutinized. Rooted in theories of personality psychology, essential, stable traits of entrepreneurs have been identified such as high need for achievement and internal locus of control (see Rauch and Frese [15] for an overview and meta-analysis). In the beginning of the 1990s, approaches like these were heavily criticized for suffering from a 'superman' syndrome (no one has the complete package), and influential scholars in the field questioned whether this research tradition would lead to a better understanding of entrepreneurial behaviour [16] given the generic nature of traits. Furthermore, a stable characteristics view could never explain why studies reported significant relationships between participation in entrepreneurship education programmes and entrepreneurial success (based on growth, survival rates and income) [17]. A second stream of research which studies the relation between entrepreneurial inputs and firm success has its origin in management/economic theory. Studies which traditionally focus on the relation between financial success and human resources have their roots in human capital theory [18]. This theory was used to study the effects of employee investments in human capital on earnings and consumption [18]. Later, human capital theory was applied to small firm settings as well, where it has been studied as a characteristic of the entrepreneur in relation to business performance. Human capital in such studies includes a hierarchy of knowledge and skills at a given point in time, which are more or less transferable [19]. A well-established body of literature outlines the positive relationship between all sorts of human capital variables of the entrepreneur and firm performance [20,21]. Such studies human capital share a pragmatic, but simplistic operationalization

of human capital. Typical examples of such operationalizations include years of experience and types of education, which only touch superficially upon the behaviours and activities implemented by entrepreneurs when performing their work [22] and provide little insight into the complex relationships and synergistic effects often observed between human capital and performance [13,23]. The concept of competence can be seen as a third conceptual strand for studying specific entrepreneurial human capital in small firms [24]. Although a focus on competence in relation to performance is not essentially new [25,26], its meaning and use in the scientific literature have changed considerably in a variety of professions during the last decade [27–32]. Unlike previous definitions of competence as a unique de-contextualized construct which could be anything from a trait to specific knowledge, current interpretations of competence represent a comprehensive, context-specific conceptualization of the construct. Competence is here defined as the ability to apply a set of integrated knowledge, skills and attitudes within a specific position and context [33]. *Entrepreneurial* competence can thus be seen as the competence related to the identification and pursuit of opportunities; which is a specific but essential task in small business management that relates to firm innovation, diversification and growth. More specifically, it refers to activities such as identifying customer needs, scanning the environment, formulating strategies, bringing networks together, taking initiative, introducing diversity and collaboration [24,34–38]. This task excludes other important, typically technical or managerial tasks such as managing production processes, supply-chain management, personnel administration, finance and control. Thus, contrary to the trait and general human capital approaches, competence as defined here introduces a more task-specific lens to the study of the enterprising owner-manager in small firms.

2.2. Entrepreneurial competence from a dynamic perspective

In small business and entrepreneurship literature two sets of research questions that address entrepreneurial competence have been studied. One aims at the explorative identification of all sorts of relevant aspects of entrepreneurial competence in a variety of industries including primary production [39,40]. A second, much smaller, strand of research has tried to link self-assessed competencies of owner-managers to venture performance [23,35]. However, both types of studies reveal little about the dynamics involved in the use and development of competence. Furthermore, approaches like these suggest that entrepreneurialism is a purely individualistic practice, and this assumption is not supported by narratives and case studies of professional practice and entrepreneurship which identify social interaction as a major driver for entrepreneurial learning and development [6,41–43]. While there are various models of organizational learning, the so-called four I (4I) model of Crossan and colleagues [44] is particularly applicable for a more dynamic approach to entrepreneurial competence. It is the only (organizational) learning model we know of which has been described in close relation to the process of identification and pursuit of opportunities [5] and which allows for studying individual development without neglecting social mediation. The original Crossan et al. [44] model consists of four processes, which mark different phases associated with the overall, ongoing process of identification and pursuit of opportunities. It begins with *intuiting* (the first I), which is the phase in which the individual (i.e. entrepreneur) begins to develop insight with respect to a possibility or business opportunity. Important aspects of this process are experience, alertness and information-seeking behaviour [44,45]. The second and third processes in the 4I model are *interpreting* and *integrating*. In these two processes there is a move away from the individualistic character of learning. Whereas interpreting

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