



# Entrepreneurial competencies: Assessment and predictive value for entrepreneurship

Eva Kyndt\*, Herman Baert

Centre for Research on Professional Learning & Development, and Lifelong Learning, University of Leuven, Belgium

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## ABSTRACT

Prior research has stated that entrepreneurs and more specifically their competencies are central to the success of small and medium sized organisations. The current manuscript reports two studies. The first study assesses the psychometric quality of a questionnaire assessing competencies considered to be important for entrepreneurs in the literature. In total, 34,968 (aspiring) entrepreneurs were asked to indicate how often they perform selected behaviours as indicators of their competencies. Results demonstrated the psychometric quality and measurement invariance across groups of the instrument. Competency ratings of aspiring entrepreneurs were consistently and significantly lower than those of nascent and experienced entrepreneurs, however effect sizes were limited. The second study examined the predictive value of these competencies for being active as an entrepreneur three to five years after completing the instrument. Administrative data on the status regarding entrepreneurship was retrieved for a subsample of 3239 participants. Results indicated that perseverance and insight into the market contributed positively to being and remaining active as an entrepreneur.

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## 1. Introduction

The question as to what makes a business a successful business has received a lot of attention in prior research (e.g., Baron & Markman, 2003; Man, Lau, & Chan, 2002; Markman & Baron, 2003; Rauch & Frese, 2007). Multiple authors have stated that the entrepreneur is central to the success of small and medium sized business (Man, Lau, & Snape, 2008; Man et al., 2002; Mulder, Lans, Versteegen, Biemans, & Meijer, 2007; Volery, Mueller, & von Siemens, 2015). Markman and Baron (2003) boldly stated “even economists suggest that firm performance and personal success are determined – to an important extent – by human variability rather than mere exogenous factors such as product differentiation, barriers to entry, or economies of sale” (p. 287). According to Kuratko (2014)

*The entrepreneur is one who undertakes to organize, manage, and assume the risks of a business. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money or skills; assumes the risks of the competitive marketplace to implement these ideas; and realizes the rewards from these efforts.*

[(Kuratko, 2014, p. 23)]

\* Corresponding author at: Centre for Research on Professional Learning & Development, and Lifelong Learning, KU Leuven, Dekenstraat 2, PB3772, 3000 Leuven Belgium.

E-mail address: [Eva.Kyndt@ppw.kuleuven.be](mailto:Eva.Kyndt@ppw.kuleuven.be) (E. Kyndt).

When investigating entrepreneurs' roles in the start-up or success of small and medium size businesses, two research approaches can be distinguished: the personality and competency approach (Wagener, Gorgievski, & Rijdsdijk, 2010). Where research starting from the personality approach focuses on mostly inflexible traits and fixed dispositions of the individual, studies adopting a competency approach concentrate on aspects of entrepreneurship that can be developed. The current study starts from the competency approach because it has been argued that developing entrepreneurial competencies is a more important issue than directly providing more resources and a positive environment (Man et al., 2002). These claims offer a positive perspective for supporting (aspiring) entrepreneurs as most authors are in agreement that competencies are not fixed traits but can be developed and learned through experience and training (Man et al., 2002; Mulder et al., 2007; Wagener et al., 2010).

The current manuscript, comprising two large-scale studies, investigates entrepreneurship starting from this competency approach. In a first study, the reliability and validity of a survey assessing entrepreneurs' competencies is examined. The second study examines which competencies are predictive for future successful and sustainable entrepreneurship. Administrative data was retrieved about the entrepreneurship status of the participants three to five years after completing the survey.

## 2. Entrepreneurial competencies

In general, competencies have been defined as combined and integrated components of knowledge, skills, and attitudes. As such competencies are changeable, learnable and attainable through experience, training or coaching (Man et al., 2002; Volery et al., 2015; Wagener et al., 2010). Which abilities an entrepreneur needs to possess to run a successful business has been conceptualised in a holistic as well as specific manner. According to Mulder et al. (2007), the holistic notion of competency focuses on 'the ability to successfully meet complex demands in a particular context' (p. 34). However, there are also a lot of authors who preferred to determine the specific competencies entrepreneurs need to possess in order to be successful in a more analytical and behaviour oriented way (e.g., Chwolka & Raith, 2012; Karlsson & Honig, 2009; Man et al., 2002; Markman & Baron, 2003). When identifying which competencies are considered important for entrepreneurs in a variety of sectors, several authors start from the fact that – regardless of sectors or branches – taking risks seems to be an inherent and very important part of the life and success of an entrepreneur (e.g., Estay, Durrieu, & Akhter, 2013; Latham, 2009; Makhbul, 2011; Wagener et al., 2010). However, taking risks also opens the door for failures and setbacks (Baron & Markman, 2003; Shane & Venkataraman, 2000) and it is important that entrepreneurs possess the competencies that allow them to deal with these risks and possible consequences. Hence a first competency that has been identified is *perseverance*. Successful entrepreneurs are able to continue vigorously despite these difficulties (McClelland, 1987). Their perseverance enables them to apply themselves to the job and hold on until the goal is reached (Valtonen, 2007). Successful entrepreneurs strive to finish assignments even when they are tired of it. They persevere when facing obstacles or failures (Markman & Baron, 2003; Rauch & Frese, 2007).

However, successful entrepreneurs also seek to reduce risks when planning for the future. For an entrepreneur it is important to think ahead and have a vision for the midterm or even long-term goal(s) of the organisation. The *ability to plan ahead* involves translating their vision into a workable and realistic planning that depicts the different steps necessary to achieve their goals (Brinckmann, Grichnik, & Kapsa, 2010; Chwolka & Raith, 2012; Karlsson & Honig, 2009).

Their *insight into the market* also helps the entrepreneur to assess the potential risks. Successful entrepreneurs know their current and future competitors and how they are positioned within the continuously evolving market (Chwolka & Raith, 2012; De Clercq, Sapienza, Yavuz, & Zhoua, 2012; Man et al., 2002; Wagener et al., 2010). This continuously evolving market makes it important for entrepreneurs to stay up to date with the latest developments and to maintain a proper position in the market. Successful entrepreneurs become and stay successful when they have the ability and wish to keep on learning to deal with new challenges such as technical and economical changes and innovations. An *orientation towards learning* refers to the fact that successful entrepreneurs search for new knowledge and skills in order to develop themselves. It refers to participating in training and development activities, following up on new developments, knowing where to find relevant information and being interested in new methods and techniques that are relevant for their profession (Lans, Bergevoet, Mulder, & Van Woerkum, 2005; Lans, Hulsink, Baert, & Mulder, 2008).

Taking risks also provides opportunities for success. Successful entrepreneurs possess the *ability to identify and seize these opportunities* (Gras & Mendoza-Abarca, 2014; Man et al., 2002; Markman & Baron, 2003; Philips & Tracey, 2007; Rezaei-Zadeh, Hogan, O'Reilly, Cleary, & Murphy, 2014; Tumasjan & Braun, 2012). At the same time they are *aware of potential returns*. They have the ability to gauge the advantages and disadvantages of (financial) decisions as well as assess the factors that contribute to potential profit or loss (Man et al., 2002). Besides identifying and assessing opportunities, risks and returns, an entrepreneur should also be able to make clear-cut decisions. *Decisiveness* is an essential asset for entrepreneurs in order to move ahead (Man et al., 2002; Rezaei-Zadeh et al., 2014; Wagener et al., 2010). Successful entrepreneurs are able to draw conclusions based on different sources of information and recommendations offered for example by experts, consultants, and colleagues, in order to advance the organisation. They dare to take decisions even when not everyone agrees with them and the outcome is not fully predictable. Closely related to this is the ability to act independent of others. *Independence* refers to the ability to decide and determine for oneself what to do. It also entails trust in oneself as well as taking responsibility for one's actions (Rauch & Frese, 2007; Wagener et al., 2010). However, this also requires a great deal of *self-knowledge and justified self-confidence*. Successful entrepreneurs score high in self-knowledge enabling them to identify their weaknesses and prioritise which aspects they need to work on by themselves and for which ones they need help from others (Hayward, Forster, Sarasvathy, & Fredrickson, 2010). *Building networks* and the ability to persuade others are also at the core of successful entrepreneurship (Davidsson & Honig, 2003; McClelland, 1987). It is important for entrepreneurs to be able to build relevant (internal and external) networks and maintain these networks in order to recruit and retain clients (Baron & Markman, 2003; Man et al., 2002; Markman & Baron, 2003). At the same time, the *ability to persuade* others is beneficial

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