

Impact of Entrepreneurial Characteristics on the Organizational Development of the Small Business Entrepreneurs

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Abstract

The main objective for the study is to assess how the characteristics influence the organizational development. To measure entrepreneurial characteristics, achievement competences, planning competences and power competences were selected as independent variables and their impact on organizational development was measured through a sample of 105 entrepreneurs from Kandy district by using random sampling technique. The Regression and correlation analysis was done to find out the contribution of each variable. The correlation analysis showed that the characteristics of the small business entrepreneurs in Kandy district had significant relationship with organizational development. According to the regression model, achievement competencies and power competencies are of low level contribution to organizational development whereas the planning competencies contribute comparatively more. This study concluded that characteristics significantly influenced organizational development.

Key words: competencies, entrepreneurship, organizational development

1. Introduction

Compared with large and medium industries, small enterprises are the back bone of all developing nations. Sri Lankan economy is also a predominantly small and medium enterprise economy, where over 50% of GDP is produced by this sector (Economy of Sri Lanka). The Government also gives significant emphasis for the development of Small and Medium Enterprises (SMEs).

As the characteristics of the entrepreneurs pave way or related to the development of the organizations, this research is attempts to understand how the characteristics of the small business entrepreneurs of the Kandy District contribute to their organizational development. As the available information indicate that a considerable number of small business ventures have been closed in Kandy district in the recent past, the researchers attempts to do this study as a remedial measure.

Therefore, the aim of this study is to evaluate the characteristics of the entrepreneurs and the extent of the success gained in the enterprise through the organizational development. The researchers try to find out the level of entrepreneurial characteristics, their relationship with organizational development and how they influence the organizational development.

Hashim, Wafa, and Suliman (1999) have proven empirically that entrepreneurial characteristic of the owner / managers are closely related to the success of the firm. A study specific in this industry is very important because the characteristics of the owner/manager have been shown to be influenced by industry practices (Kotey and Meredith, 1997).

As Stainer and Solem (1988), and Wijewardena and Zoysa (1993) indicate that organizational development depends on the characteristics of an entrepreneur, it is uncertain and possibly questionable the extent to which the Sri Lankan entrepreneurs inherently possess such qualities to have their organizational development. Being a high –achieving entrepreneur is not that easy. An entrepreneur should have several special characteristics that help them to become a successful businessman. An entrepreneur should be a risk taker; he/she should be innovative, self-confident, goal setter, hard worker, and accountable person (Siropolis, 1997).

Since this study specifically focuses on the entrepreneurs in the Kandy district and the secondary data also indicate that a considerable number of small business ventures have been closed (28 in 2007, 39 in 2008, 27 in 2009, 35 in 2010 and 23 in 2011 (source: Business Registration and Cancellation Record Books), the specific research problem of this study is:

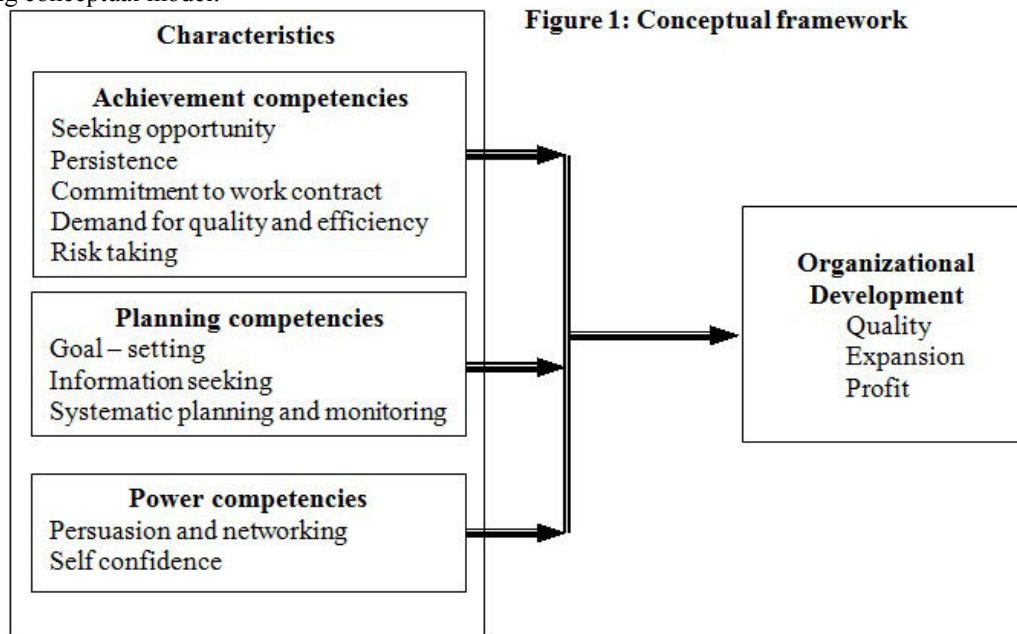
Do the characteristics of the small business entrepreneurs in Kandy district have impact on their organizational development?

The main objective of this study is to explore how the entrepreneurial characteristics are useful for organizational development and to the existence of small ventures in business environment in Kandy, thus assessing the relationship between the entrepreneurial characteristics and organizational development. Further, this study attempts to assess the level of achievement, planning, and power competencies, of the entrepreneurs in

Kandy district and to measure the impact of each competency on organizational development. Through the findings researchers expect that the this research will pave way to produce more entrepreneurs in the future, with successful performance in order to develop their organizations. However, the researchers also accept that the number of competencies can be more than the entrepreneurial competencies considered in the research, namely, achievement competencies, planning competencies and power competencies.

2. Methodology

How the characteristics of the entrepreneur affect the organizational development can be explained by the following conceptual model:



(Source: Fonacier and Mueller (2007) Journal of Asia Entrepreneurship and Sustainability)

The above model is operationalized as follows:

Table 1: Operationalization of variable

Variables	Indicators	Statement No.
Achievement competencies	Seeking opportunity	A1 – A4
	Persistence	B5 – B8
	Commitment to work contract	C9 – C12
	Demand for quality and efficiency	D13 – D16
	Risk taking	E17 – E20
Planning competencies	Goal – setting	F21 – F24
	Information seeking	G25 – G28
	Systematic planning and monitoring	H29 – H32
Power competencies	Persuasion and networking	I33 – I36
	Self confidence	J37 – J40
Organizational Development	Quality	K41 – K44
	Expansion	L45 – L48
	Profit	M49 – M52

(Source: - Fonacier and Mueller (2007) Journal of Asia Entrepreneurship and Sustainability)

To design the Sample, stratified random Sampling is used for the purpose of the study. Information for the period of five years which starts from the year of 2007 to 2011 was considered and 105 entrepreneurs are

selected for the sample that fits the requirement of 10% of the total population.

Table 2: Population and Sample

	Items	Population	Percentage	Sample	Percentage
1.	Commodities	192	18%	19	18%
2.	Food and Beverage	147	14%	15	14%
3.	Textiles	151	14%	15	14%
4.	Construction Material	164	16%	16	15%
5.	Agro Product	136	13%	14	14%
6.	Services	147	14%	15	14%
7.	Miscellaneous	115	11%	11	11%
	Total	1052	100%	105	100%

(Source: - Kandy Divisional Secretariat Office, Year 2007 – 2011)

For this research, the data was collected from Primary as well as secondary sources. Primary data are collected using Questionnaires and by interviews. Secondary data are collected from business registration record book, business registration cancellation record book available at Kandy divisional secretariat office.

Based on the variables and their dimensions, questionnaire was prepared. Selected entrepreneurs were asked to put score to appropriate case in the questionnaire.

To measure data, 5 point Likert scale from strongly agree to strongly disagree was used. SPSS (Statistical Package for Social Science) version 13.0 was used to analyze the responses obtained from questionnaires.

The correlation analysis was used to measure the magnitude and the direction of the relationship between the role of entrepreneurial characteristics and the organizational development of the small business entrepreneurs. The significance level of the correlation coefficient is considered to explore the meaningful linear relationship between the variables. In addition, multivariate regression technique is used to quantify the relationship between variable.

3. Results

This cross sectional, correlational field study was carried out with an intention of find out whether the special characteristics of the entrepreneurs have a bearing on the organizational development directly. After testing the reliability of the questionnaire (Cronbach's alpha was 0.777) the correlation matrix was obtained which shows that no correlation exceeds 0.6 and all competencies are positively and significantly correlated to organizational development. The correlation of 0.441 ($p < 0.000$) between achievement competencies and organizational development substantiates the positive relationship between them. The positive correlation of 0.557 ($p < 0.000$) between planning competencies, and organizational development indicates that as planning competencies improve there are chances for the organization to develop. The correlation of 0.314 ($p < 0.001$) between power competencies and organizational development also substantiates the positive relationship between them. As per the results of the correlation analysis, it could be summed up, that achievement competencies, planning competencies, power competencies are positively and significantly correlated with organizational development. As such, greater the competencies the higher the chances for the development of the organization.

Table 3. Correlation coefficients between the study variables

		Competencies			Organizational development
		Achievement	Planning	Power	
Achievement competencies	Pearson Correlation	1	.652(**)	.343(**)	.441(**)
	Sig. (2-tailed)		.000	.000	.000
Planning competencies	Pearson Correlation	.652(**)	1	.378(**)	.557(**)
	Sig. (2-tailed)	.000		.000	.000
Power competencies	Pearson Correlation	.343(**)	.378(**)	1	.314(**)
	Sig. (2-tailed)	.000	.000		.001
Organization development	Pearson Correlation	.441(**)	.557(**)	.314(**)	1
	Sig. (2-tailed)	.000	.000	.001	

(source: output from the data analysis)

Table 4: Coefficients of the study variables

Model		B	SEB	Beta	t	Significance
	R ²	0.331				0.000
	Constant	1.637	0.253		6.467	0.000
Competencies	Achievement	0.106	0.098	0.118	1.089	0.279
	Planning	0.364	0.091	0.440	4.002	0.000
	Power	0.061	0.051	0.107	1.205	0.231

Dependent Variable: organizational development.

To test whether that achievement competencies, planning competencies, power competencies are able to significantly explain the variance in the dependent variable organizational development, the three entrepreneurial characteristics were regressed against the dependent variable. The results, which are shown in the Table 4, indicate that the R² value of 0.331 at a significant level of $p < 0.000$ with degree of freedom (3), confirms that 33% of the variance in the dependent variable organizational development is significantly explained by the three competencies. Through the findings and discussions it is affirmed there is direct relationship between the characteristics of the entrepreneur and the development of the enterprise.

According to the model, it is also important to note that the achievement competencies and power competencies are low level contribution with organizational development. So other factors may be of more influence with organizational development. Such as personal background, institutional support, government trade policies, environmental factors, infrastructure facilities and etc. Contribution of these factors could be evaluated by further researches by incorporating those variables.

4. Recommendations

Findings of this research revealed that the main determinant of organizational development of the small business enterprises in Kandy District is planning competencies. However, it was expected that other two competencies, namely achievement and power competencies, to have greater effect, but not. Taken together, these findings indicate that developing those attitudes should be the target of entrepreneurship initiatives. These findings might be a key point for educators either from state sector or private, and educational initiatives to be more aware of

the attitude role in entrepreneur behaviour when providing training programmes. At school level current educational programmes are considered to enhance students' basic knowledge and techniques, but not student attitude. In fact, an effective training /education programme might change attitude towards specific behaviour related to each competencies.

Findings also revealed that male as well as female entrepreneurs of small business enterprises have problems in developing their enterprises related to social factors such as Secondary socialization agents which might have been resulted in the low level contribution of the achievement and power competencies. Secondary socialization agents are referred to those agents outside of the home which mostly students are involved them after attending in school, such as peer and media. To lessen the negative effect of these agents on entrepreneurial behavior, there is the need to introduce entrepreneur literacy programmes at school level and expand practical subtitles. An efficient programme must teach not only the basic knowledge and techniques but also ways to enhance self-efficacy, stress management, problem solving and life skills as well, and methods for the wise and even righteous use of resources.

To improve achievement and power competencies to the next best level, the small businesses could strengthen their social networks by forming clubs for them to get connected with large scale businesses. Collective action through clubs would bring beneficial effects, such as information and experience sharing, technical knowhow and bargaining power to small entrepreneurs. Based on the interviews it was known that most small business entrepreneurs start their businesses by using their own money or borrowing from the friends and relatives. Most entrepreneurs also expressed that borrowed money is not sufficient when expanding the business. The formation of clubs could also act as a guaranteeing agency when entrepreneurs approach banks for loans. As advice and counseling services as essential for improving achievement and power competencies, mentoring could be offered through these clubs. Especially, it is an urgent need for the women entrepreneurs.

The entrepreneurs should develop a culture for quality and efficiency. Efficient administration is very important for the success of any industrial venture whether it is big or small. Very often in some small enterprises the owner himself is the investor, producer and also the seller and the promoter of his products. This state of affairs makes the entrepreneurs to get fatigued. So it is advisable to go for job division. Entrepreneurs can also fix different targets to their employees such as selling requirement per day.

Where ever mistakes occur, the reasons for them should be explored and entrepreneurs skills, such as risk taking should be developed accordingly. To avoid mistakes or failures it would be better to evaluate one's own weaknesses and deficiencies and choose suitable partners and do the work in partnership rather than sole proprietorship. Having up to date information about their clients, currency values, import and export systems, government policies and etc. would help to face market challenges efficiently. The fear of expansion could be eliminated through proper business counseling and by sensitizing the entrepreneurs the adverse effects of stagnation. By facilitating them to identify their talents and goals, they would be able to advance their organizational development.

As conclusion, through the development of the three competencies and maintaining the quality of the service/product would definitely pave way for expansion thereby the increase in net profit.

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