

## **UNIT 2: EXPLORING AND DEVELOPING ENTREPRENEURIAL COMPETENCIES**

### **ENTREPRENEURIAL COMPETENCIES:**

Entrepreneurial competencies are very important for the growth and success of any business. Thus, the success of an entrepreneur is governed by entrepreneurial competencies. If he/she has all these competencies, he/she can be expected to achieve his/her entrepreneurial goal. Elements of entrepreneurial competencies as follow:

- a) Body of knowledge
- b) Set of skills
- c) Clusters of Appropriate Motives

**a) Body of knowledge:**

Innovation or creation of any ideas is only possible through knowledge. Knowledge is necessary for performing a task but not sufficient. For example, a person by reading understands the meaning of driving car. The person can describe how to drive car. But, mere description will not enable the listener to drive a car unless something more than knowledge is there. That is precisely the reason we see in real life that people, or say, entrepreneurs possessing merely the entrepreneurial knowledge have miserably failed while actually performing task. Which suggest that one need to have skills to translate that set or body of knowledge into action or practice.

**b) Set of skills:**

Skill is the ability to demonstrate a system and sequence of behavior that are functionally related to attaining a performance or goal. An entrepreneur is required to have certain skills and these skills also constitute his leadership quality. Along with this anticipatory skills, visioning skills, empowerment skills, self-understanding skills.

**c) Clusters of Motives and Traits:**

Motives deals with recurrent concern for goal, state or condition appearing in fantasy, which drive, directs and selects behavior of individual. The trait may be defined as characteristics way in which the person responds to an equivalent set of stimuli. These responses represent intelligence, charisma, decisiveness, enthusiasm, strength, bravery, integrity. Thus, these skills form an entrepreneur.

Thus, for achieving success in his entrepreneurial behavior, entrepreneur is required to have entrepreneurial competencies and these consist of set of skills, motives and traits.

### **Entrepreneurial traits**

*John Hornday of Bobson College* was among the first to develop a composite list of entrepreneurial traits. These are summarized below:-

- Self Confidence and Optimism
- Positive response to challenges
- Ability to take calculated risk
- Flexibility and ability to adapt
- Knowledge of markets
- Ability to get along with others better
- Independent mindedness
- Versatile knowledge
- Energy and efficiency
- Creativity, need to achieve
- Dynamic leadership
- Responsive to suggestions
- Take initiatives
- Resourceful and persevering
- Perceptive with foresight
- Responsive to criticism

## **Developing Entrepreneurial Competencies**

Competency results in superior performance. This is exhibited by one's distinct behavior in different situations. Many experiments conducted has proved beyond doubt that the Entrepreneurial competency can be injected and developed in human minds through proper education and training. Competency finds expression in human behavior.

### **Competency identification and recognition**

Acquisition of new behavior like Entrepreneurial behavior begins with understanding, identifying and recognizing of what Entrepreneurial behavior means. In other words the first step involved in developing the Entrepreneurial competency is first to identify and recognize the set of competencies required of effectively behave like and entrepreneur.

### **Assessment of decision making attitudes**

Once the set of competencies is identified and recognized to behave like an entrepreneur, the next step is to see what Entrepreneurial competencies the person actually possess. In other words the actual competencies possessed by an entrepreneur are examined against the required set of competencies to effectively behave or act like an entrepreneur. Where one stands with respect to a set of competencies to effectively behave or act like an entrepreneur or what is the level of one's competence can be ascertained by asking the relevant questions to a competence.

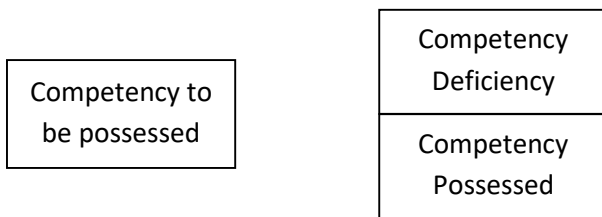
#### **SELF-RATING QUESTIONNAIRE**

1. I welcome challenges and opportunities.
2. Before starting a new project, I collect a great deal of information.
3. I devote the most of my time to my work.
4. I try to find ways and means to accomplish my task within the shortest possible time.
5. I start my work with full confidence that I will succeed.
6. I prefer to do tasks that I know-well.
7. I try to persuade people to do what I want.
8. I work for long hours to complete my work.
9. I think of many new ideas.
10. I change my decisions when others succeed to convince me that I am wrong.
11. I look for new opportunities like a watch-dog.
12. I always try to continue my efforts in spite of several odds come in the way.
13. I try to find ways to do things for less cost.
14. When I am confused, I seek others' advice.
15. I take the advantages of opportunities as and when there arise.
16. I want to see my enterprise the best of its type.
17. I do not let my work interfered by others.
18. I try to get the maximum return from my limited resources.
19. I do my work systematically and logically.
20. I apply alternative approaches to solve the problems.
21. I stick with my decisions even if others disagree with me.
22. I am always in search of people who can help me in my work.
23. I prefer to do risky ventures.

- 24. I try to take lessons from my past doings.
- 25. I do my level best to satisfy others through my work.

**Assessment of Decision making attitudes**

Competency Mapping: Now, the actual competencies possessed by an entrepreneur are compared with the competencies required to become a successful entrepreneur to ascertain the gap in the entrepreneurial competencies of an entrepreneur. This is called in the human resource training and development lexicon as 'Competency Mapping/ In other words, this is just like 'training needs identification' in case of HR training. This is presented as follows



A popular performance tool used to map the (entrepreneurial) competency, is based on "Skill to Do / Will to Do' chart. "Skill to Do' refers to the entrepreneurs / individual's ability to do the job and 'Will to Do' refers to the entrepreneurs individual's desire or motivation to do the job. In other words, the 'Ability to Do / No Ability to Do' dimension of this comes within the purview of the '**Entrepreneurial Competence and the will to do /No will to do dimension comes** within the purview of the '*Entrepreneurial Commitment/* This may result in four possible situations as shown in the following Figure 11.2:

<i>No Ability to do</i>	<i>Ability to do</i>	
(B) <i>Passenger</i> (Train him)	(A) <i>Star/Ideal</i> (Keep motivation high)	<b><i>Will to do</i></b>
(D) <i>Deadwood</i> (Either bear the burden or off load it)	(C) <i>May Run</i> (Involve, Counsel and Motivate)	<b><i>No will to do</i></b>

These four situations mean the following:

**(A) Ability to Do / Will to Do:** Among all four situations, this is the ideal one. The entrepreneur is fully able, ie, qualified and is performing his job as designed and desired. He is supposed to be star or ideal performer as an entrepreneur.

**(B) No Ability to Do / Will to Do;** In this situation, the entrepreneur *is* putting out his efforts to perform the job, but is not getting the desired results out of his efforts. It means he is lacking ability or skill to perform the job. Thus, it implies that the entrepreneur needs training, or say, 'competency building,

**(C) Ability to do / No Will to Do:** Here, the entrepreneur is qualified or possesses the ability to do his job but is not willing to perform the same. This implies the lack of desire or motivation. Thus, the entrepreneur needs to be motivated to perform his job.

**(D) NO ability to do / NO will to do:** The entrepreneur has deficiency in both ability and will (motivation). In a sense, he is just like deadwood and his entrepreneurial job is in jeopardy. Thus, the entrepreneur either needs to continue like this or disappear from the entrepreneurial role.

**Development Interventions** After understanding, internalizing and practicing a particular behaviour or competence, one needs to make an introspection of the same in order to sharpen and strengthen one's competency. This is called 'feedback'<sup>7</sup>. In simple terms, feedback means to know the strengths and weaknesses of one's new behaviour. This helps one know how the new behaviour has been rewarding. This enables one to sustain or give up the exhibition of a particular behaviour or competence in his future life.

### **Risk taking Behavior and risk minimization.**

One of the entrepreneurs's personality traits is risk – taking. Many of people think risk – taking is extreme risking, but entrepreneurs intend to receive medium and rational risks. Most of people intend to go to their own attitude extremes about risk and risk – taking. But the entrepreneurs select the medium limit; it means they prefer the medium risk. This is because they feel their attempts and abilities would influence the result of the work. In general, the entrepreneurs wouldn't consider every kind of risk, but they consider rational and certain risks. It means the entrepreneurs, not only follow the ideas as working situation, but also consider the current risks of these ideas. The risks are in the form of chance or uncertainty. When a work is high risk, it means its return is uncertain.

In general, entrepreneurs accept four types of risk s as follows:

#### **Financial risk**

Most of entrepreneurs finance by savings and personal effects and if they fail, they will loss it. They take risks of failure. Since they don't want and can't risk their own saving, house, effects and rights, are not success in their job and its risk – taking.

#### **Job risk**

There is always this question "can an entrepreneur fines a new job or return to his /her previous job if he /she fail in his / her economic activity?" This is the biggest concern of managers who want to have a secure organizational job with ideal emoluments. In general, the entrepreneurs wouldn't consider every kind of risk, but they consider rational and certain risks. It means the entrepreneurs, not only follow the ideas as working situations, but also consider the current risks of these ideas.

#### **Social and family risk**

The beginning of entrepreneurial job needs a high energy and is time – consuming. Because of these undertakings, he may confront some social and family damages like deficiencies and the problems resulted of her or his absence in the home and its effects on his / her family.

#### **Mental risk**

Perhaps the biggest risk that an entrepreneur takes it is the risk of mental health. The risk of money , home , spouse , child , and friends could be adjusted but mental tensions , stress ,anxiety and the other mental factors have many destructive influences because of the beginning and continuing of entrepreneurial activity . Therefore entrepreneurship requires risk and the organization's resources or

entrepreneur continually confront the failure risk. This time – means the time which is the introduction of the later successes – is a part of entrepreneurship. Profitability, as one of the signs in entrepreneurial individuals and organizations, is achieved by high return. In the emulative world, the high return requires high risk. And entrepreneurial risk – taking is the risks of the possible failures that power the persons to do risky activities or high return.

Now, given to these 4 important risks above mentioned, we must consider the entrepreneurs must be risk – taker to realize their ideas. Risk greatly influences entrepreneurship. After selecting the objective , entrepreneur tries realize it. Risk – taking and the objectives have a direct relationship as the bigger objective, the bigger risk .Also challenging results in improving quality and services of entrepreneurs. As a result it should be said when an entrepreneur consider the risks of a work , he /she considerers the chance of success or failure in order to continue it or not. When he/ she continue it regardless to the possibility of failure has taken risk.

### **Risk Minimization**

From large corporations to small sole-proprietorship businesses, every single one of them carries with it many kinds of risks. Risks such as consumer market transitions, legal issues and personnel safety. For every potential risk, a system of controls needs to be implemented to reduce the amount of risk. In small business, how capable are you of supporting outcomes of potential crisis so that you are able to continue your business operations after an event? This is the reason why small businesses in particular must work towards reducing the risks to ensure that they obtain continued success and make use of every new opportunity that comes their way.

All businesses need to assess the risks within their firms and in their industries to come up with the best ways to reduce the chances of risk. Small businesses face a large number of risks which are indeed preventable.

We'll take a look at some of the ways in which business owners can minimize their risks:

#### **1. Obtain insurance.**

Although insurance doesn't completely reduce risk, but it helps the small businesses by supporting them from taking the entire financial burden that is associated with either defective inventory or an employee that has been injured, and thus reduces the risk of the business folding. We need to seriously consider insuring our inventory, the company property, business equipment and vehicles and also maintain a workers compensation policy.

#### **2. Expand the offerings of the business.**

Whether the business is involved in deals with services or tangible goods, the more the number of offerings provided, the lesser the amount of risk because of the availability of backup sources of funding. If a business depends on just one single product, there is a higher probability that it may shutdown once the public loses interest in their product or alternatively a large competitor takes over the marketplace or there is government or legislative change which hugely affects that business. You know the expression – don't have 'all your eggs in one basket'.

#### **3. Stick to short-term commitments.**

Until and unless a small business is a strongly established, long-term commitment which includes mortgages or car lease payments needs to be avoided. Private automobile usage can help to reduce the business costs and also the initial risks because the upfront investment of cash is not required. Be realistic, if the business doesn't take off as expected, are you locked into long-term commitments you cannot afford?

#### **4. Practice safety at all times.**

Ensure that you take all safety measures when it comes to your employees. Safety precautions are also important for your inventory protections such as installing security cameras, burglar alarms, sprinkler systems and smoke detectors. This needs to be taken care of mainly because small businesses face the biggest risks when it comes to employee injuries and major loss of inventory based on preventable disasters.

#### **5. Review the existing system of the internal controls.**

Internal controls provide regular checks and balances for every single aspect of the company. Internal controls can be as simple as having a checklist of precautions before one enters the work area. This is especially with regards to safety issues for the employees. With regards to finances, it could be, for instance, placing different employees in charge of factors such as approving payments or signing cheques, or authoring supplier contracts. Small businesses face the biggest risks when it comes to theft and fraud; due to often lax or no systems or accountability in respect of money. Don't underestimate the value of staff training when it comes to risk reduction.

#### **6. Create a management risk plan.**

Having sufficient insurance is not enough to secure your business. Proactive steps need to be taken to cross-train in order to avoid risk. For instance, you can have two people working on the same job. Thus, in any case, if one of the employees leaves without notice, the other employee can always take over and look after his or her job. Thus, the job wouldn't suffer or worse, clients leave due to lack of service. In small business this is hard as often only one person fulfils many roles. If you cannot handle having double coverage, you can have an extra weekly staff meet up to keep the employees up-to-date on what is happening and ensure documented processes or systems are kept up to date.

#### **7. Work with an internal control consultant.**

This usually refers to a professional outside your business that will review your systems and investigate the weaknesses, if any, with your company's processes. An outsider, with a fresh set of eyes, will be able to give the right judgement when it comes to viewing the operations of the business and will also provide unbiased opinions that will help the higher officials to look after and identify the areas of improvement more effectively

#### **8. Finances**

One of the biggest issues that most small business owners face is financial risk, not just in day to day operations but also in growth. Many business owners feel that marketing and sales is the most important aspect of business, however, the money side of things is equally, if not more so, important. You can minimise risk through strong and well worded (legally-reviewed) client contracts or Terms & Conditions and Staff Agreements. Having cash-flow forecasts and budgets in place reduces risk. Knowing your margins and break evens and tracking budget versus actual reduces risk. Having short-term trading terms (7 days versus 30 days) reduces risk. Great collection processes reduce risk.

#### **9. Planning**

Having a solid business plan and marketing plan also reduces risk. If you know what you're doing, have a strategy and plan (not just a dream where you wander aimlessly), this will give you a better chance of success. Having expert advice and a documented action blueprint has been proven time and time again (statistically) to give a business a better chance of success and reduce the risk of failure.

## CREATIVITY AND INNOVATION IN BUSINESS

The term creativity and innovation are often used to mean the same thing, but each has unique connotation (association or intimation). Creativity is the ability to bring something new into existence. This definition emphasizes the ability not the activity of bringing something new into existence. A person may therefore conceive of something new and envision how it will be useful, but not necessarily take the necessary action to make it reality. Innovation is the process of doing new things. This distinction is very important. Ideas have little value until they are converted into new products, services or processes. Innovation is therefore, is the transformation of creative ideas into useful applications, but creativity is prerequisite for innovation.

Creativity is the driving force behind innovation and the incorporation of looking at things from a different perspective and freedom of restrictions by rules and written or unwritten norms.

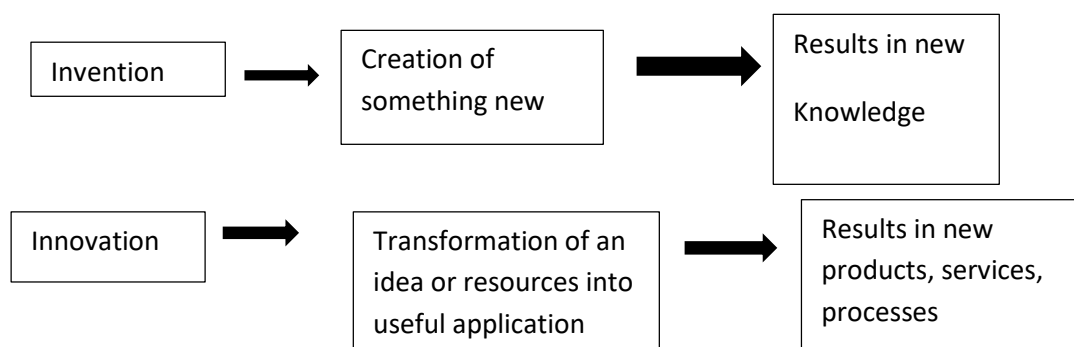
### CREATIVITY PROCESS

Creativity is defined as conceiving of something new. The process of creativity has five stages: idea germination, preparation, incubation, illumination and verification.

**Germination** is when the seed of an idea is implanted, arising from one's curiosity or interest in a problem or area of study. During **preparation**, a person embarks on research and a conscious search for bringing the idea to life. Although this search seldom produces results, a creative person becomes "prepared" by gathering information and knowledge related to the problem. During this incubation stage, a person "sleeps on problem", often for years of periodic subconscious reflection on the idea or the problem to be solved. **Illumination** occurs when the idea surfaces through **incubation**, often seeming to have been a sudden flash of genius when, in fact, it was the culmination of conscious preparation and subconscious incubation. Once the idea becomes clear, a person will seek to verify it. **Verification** is the process of determining whether the idea has merit whether it is useful and realistic.

## INNOVATION

If creativity is the seed that inspire entrepreneurship, innovation is the process of entrepreneurship. Innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. It is important to recognize that innovation implies action, not just conceiving new ideas. When people have passed through illumination and verification stages of creativity, they may have become inventors, but they not yet innovators. The main difference between innovators and inventors is as shown:



Innovation is the translation of an idea into an application. It requires persistence in analytically working out the details of product design or service, to develop marketing, obtain finances, and plan operations. If the entrepreneur is going to manufacturing a product, the process includes obtaining materials and technical manufacturing capabilities, staffing operations, and establishing an organization.

### **Difference between creativity and innovation**

<b><u>Creativity</u></b>	<b><u>Innovation</u></b>
Creativity is the ability to bring something new into existence	Innovation is the process of doing new things or bringing new ideas or new process or new products or new services into reality.
Creativity is pre-requisite for innovation	Innovation is the process that transforms creative ideas into useful realities
A creative individual may just have a vision but may not have the necessary resources or the drive to convert the idea into action	An innovator may have the right ability to transform the ideas into products and services but may suffer from shortage of creativity thoughts and ideas.

### **Entrepreneurial Competencies:**

#### **Types of Competencies**

The competencies may be classified into following categories:

1. Personal entrepreneurial competencies
2. Venture initiation and success competencies
  - a) Enterprise launching competencies
  - b) Enterprise management competencies

#### **1. Personal Entrepreneurial competencies**

It is the personal characteristics of an individual who possess to perform the task effectively and efficiently. Personal entrepreneurial competencies include the following:

##### **a) Initiative**

The entrepreneur should be able to take actions that go beyond his job requirements and to act faster. He is always ahead of others and able to become a leader in the field of business. He Does things before being asked or compelled by the situation and acts to extend the business into new areas, products or services.

##### **b) Sees and acts on opportunities**

An entrepreneur always looks for and takes action on opportunities. He Sees and acts on new business opportunities and Seizes unusual opportunities to obtain financing, equipment, land, work space or assistance.

##### **c) Persistence**

An entrepreneur is able to make repeated efforts or to take different actions to overcome an obstacle that get in the way of reaching goals. An entrepreneur takes repeated or different actions to overcome an obstacle and Takes action in the face of a significant obstacle.

##### **d) Information Seeking**

An entrepreneur is able to take action on how to seek information to help achieve business objectives or clarify business problems. They do personal research on how to provide a product or service. They



seek information or ask questions to clarify what is wanted or needed. They personally undertake research and use contacts or information networks to obtain useful information.

**e) Concern for High Quality of Work**

An entrepreneur acts to do things that meet certain standards of excellence that gives him greater satisfaction. An entrepreneur states a desire to produce or sell a top or better quality product or service. They compare own work or own company's work favourably to that of others.

**f) Commitment to Work Contract**

An entrepreneur places the highest priority on getting a job completed. They make a personal sacrifice or take extraordinary effort to complete a job. They accept full responsibility for problems in completing a job for others and express concern for satisfying the customer.

**g) Efficiency Orientation**

A successful entrepreneur always finds ways to do things faster or with fewer resources or at a lower cost. They look for or finds ways to do things faster or at less cost. An entrepreneur uses information or business tools to improve efficiency. He expresses concern about costs vs. benefits of some improvement, change, or course of action.

**h) Systematic Planning**

An entrepreneur develops and uses logical, step-by-step plans to reach goals. They plan by breaking a large task into subtask and develop plans, then anticipate obstacles and evaluate alternatives. They take a logical and systematic approach to activities.

**i) Problem Solving**

Entrepreneurs identify new and potentially unique ideas to achieve his goals. They generate new ideas or innovative solutions to solve problems and they take alternative strategies to solve the problems.

**j) Self-Confidence**

Entrepreneur with this competency will have a strong belief in self and own abilities. They express confidence in their own ability to complete a task or meet a challenge. They stick to their own judgment while taking decision.

**k) Assertiveness**

An entrepreneur confronts problems and issues with others directly. Entrepreneur with this competency vindicate the claim to asset their own rights on others. They demand recognition and disciplines those failing to perform as expected. They asset own competence, reliability or other personal or company's qualities. They also assert strong confidence in own company's or organization's products or service.

**l) Persuasion**

Entrepreneurs with this competency successfully pursue others to perform the activities effectively and efficiently. An entrepreneur can persuade or influence others for mobilizing resources, obtaining inputs, organizing productions and selling his products or services.

**m) Use of Influence Strategies**

An entrepreneur is able to make use of influential people to reach his business goals. Entrepreneurs with this competency influence the environment (Individuals/Institution) for mobilizing resources organizing production and selling goods and services to develop business contacts.

**n) Monitoring**

Entrepreneurs with this competency normally monitor or supervise all the activities of the concern to ensure that the work is completed by maintaining good quality.

**o) Concern for Employee Welfare**

Entrepreneurs with this competency take action to improve the welfare of employees and take positive action in response of employee's personal concerns.

**2.Venture Initiation and success Competencies**

In addition to personal competencies Entrepreneur must also possess the competencies required to launch the enterprise and for its growth and survival.

It is further divided into two categories of competencies:

- i. Enterprise **launching** competencies
- ii. Enterprise **management** competencies

**i. Enterprise launching competencies**

- **Competency to understand the nature of business**
- **Competency to determine the potential as an entrepreneur**
- **Competency to develop a business plan**
- **Competency to obtain technical assistance**
- **Competency to choose the type of ownership**
- **Competency to plan the market strategy**
- **Competency to locate the business**
- **Competency to finance the business**
- **Competency to deal with the business**
- **Competency to comply with government regulations**

**ii. Enterprise Management Competencies**

- **Competency to manage the business**
- **Competency to manage human resources**
- **Competency to promote the business**
- **Competency to manage sales efforts.**
- **Competency to keep business records**
- **Competency to manage the finances**
- **Competency to manage customer credit and collection**
- **Competency to protect the business**