Entrepreneurial Traits of SriLankan Entrepreneurs

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Abstract- There is a general agreement among experts that entrepreneurial traits and general behaviour of entrepreneurs are very strong. However, experts have arrived at contradictory conclusions regarding whether these influences have been favourable or unfavourable for the growth of entrepreneurship. Empirical evidence regarding the role is also inadequate and therefore inconclusive as well. It cannot be denied that there is a growing need in this country to study the entrepreneurial traits of SriLankan entrepreneurs. In the above background an empirical study was conducted using a sample of 54 small scale entrepreneurs who obtained the ‘Mihijaya’ loan in year 2008 from Bemmulla Samurdi bank society in Aththananagalla division of Sri Lanka. The study involved a comparative measurement of levels of noticeable entrepreneurial traits and entrepreneurial success achieved by small scale entrepreneurs, examining links between these variables. The findings suggest that the entrepreneurial traits have a major influence towards the entrepreneurial behaviour. However, it is also observed that the nature of these factors and can make all these attributes of entrepreneurial traits play a favorable role for growth of entrepreneurship in the SriLankan society.

Index Terms- Entrepreneurial traits, Risk taking propensity, Innovativeness, Managerial skills

I. INTRODUCTION

Desirable rate of economic growth calls for rapid emergence of a multitude of enterprises in all walks of life. This requires the creation and maintenance of an environment that is conducive to growth of existing enterprises and would help build up a wider base of population capable of successful entrepreneurial behaviour.

Many economists now discuss the role of non-economic factors in economic growth, including concepts developed in Sociology and Psychology (Lipset, 2000). In the above context, the views of Weber (1958) are relevant. A thesis suggested by Weber (1958) is that: Given the economic conditions for the emergence of a system of rational capital accumulation, whether or not such growth occurred in a systematic fashion would be determined by the values present. This means that an appropriate socio-cultural environment is a prerequisite for industrial or economic growth. The event of enterprise creation, the essential activity in entrepreneurship, can therefore be seen as a consequence of similarity between environmental conditions and the entrepreneurial behaviour of individuals. Tripathi & Dwijendra (1992) has reported that the personality, by and large, remained ‘unentrepreneurial’, if not anti-entrepreneurial.

However, it cannot be denied that there is growing need in this country to create and maintain an appropriate environment that is conducive to growth of existing enterprises and would help build up a wider base of population capable of successful entrepreneurial behaviour. It would be meaningful to empirically examine the possible links between growth of entrepreneurship and entrepreneurial trait factors like Risk Taking Propensity, Innovativeness and Managerial skills that can be designed to make the influencing entrepreneurial traits attributes play a favourable role for growth of entrepreneurship in Sri Lanka.

It is common knowledge that the proportion of entrepreneur population of Sri Lanka is miniscule. In this context it would be relevant to find out whether there are any differences between the entrepreneurs with respect to the levels of success achieved by them. In case if any differences are observed it would be interesting to find out whether these differences are due to the reasons of entrepreneurial traits. There is almost universal agreement regarding the fact that all the three traits discussed above is essential traits of entrepreneurs. But, there is no conclusive causal relationship that has been determined to establish the significance of these traits for entrepreneurial success. An attempt was made to quantify the relationship between different levels of entrepreneurial traits and degrees of success.

II. LITERATURE REVIEW

This is as per a very widely accepted definition of the term ‘Entrepreneur’, given by Hisrich & Brush (1978). Entrepreneur is a person who creates something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks, and receiving the resulting rewards of monetary and personal satisfaction (Hisrich & Brush; 1978). Diversification decision of the entrepreneur is a suitable indicator of innovativeness and risk taking propensity of the entrepreneur.

Most experts have agreed that entrepreneurs possess certain distinctive qualities. As reported by Joseph Schumpeter (1951) claims that entrepreneurship requires "no ordinary skill," and he laments the fact that there is no good English equivalent word to encompass the specific meaning of the French term ‘Entrepreneur’ (Schumpeter, 1951). Marshall (1994) suggests that the skills associated with entrepreneurship are rare and limited in supply. He claims that the abilities of the entrepreneur are "so great and so numerous that very few people can exhibit them all in a very high degree". Marshall (1994), however, implies that people can be taught to acquire the abilities that are necessary to be an entrepreneur.

Various studies have been conducted to identify the important entrepreneurial traits. There is a general agreement among writers that the four most important traits of an
entrepreneur are his Risk taking propensity, Innovativeness and Managerial skills.

Weber (1958) suggested that: Given the economic conditions for the emergence of a system of rational capital accumulation, whether or not such growth occurred in a systematic fashion would be determined by the values present. The event of enterprise creation, the essential activity for entrepreneurship, can be seen as the consequence of congruence between environmental conditions and the entrepreneurial behavior of individuals determined (Robinson et al 1991). From the above discussion it can be inferred that an individual develops the above-mentioned entrepreneurial attributes through his upbringing as he undergoes the process of socialization in a given society promote entrepreneurship.

A. Risk Taking Propensity
Taking decisions and acting on an uncertainty is understood as a risk-taking activity. Risk taking propensity is undoubtedly the most widely discussed entrepreneurial trait. Although it has not been empirically established that Risk taking is a distinguishing characteristic of entrepreneurs there is almost universal agreement on the fact that it is an essential trait found among entrepreneurs all over the world (Hisrich & Peters, 1998). Risk taking, whether financial, social, or psychological, is an integral part of the entrepreneurial process. All recent definitions of entrepreneurship mention a risk-taking component. Cantillon (1975) who was the first to formally define the term ‘Entrepreneur’, explained that the entrepreneur is a specialist in taking on risk. He "insures" workers by buying their products for resale before consumers have indicated how much they are willing to pay for them. The workers receive an assured income, while the entrepreneur bears the risk caused by price fluctuations in consumer markets. (Cantillon, 1755).

Knight (1921) refined this idea. To Knight (1921), “entrepreneurs bear the responsibility and the consequences of making decisions under conditions of uncertainty, that is, where the uniqueness of the situation denies an objective, qualitatively determinate probability.” He distinguished between risk, which is insurable, and uncertainty, which is not. Risk relates to recurring events whose relative frequency is known from past experience, while uncertainty relates to unique events whose probability can only be subjectively estimated. Changes affecting the marketing of consumer products generally fall in the uncertainty category. Individual tastes, for example, are affected by group culture, which, in turn, depends on fashion trends that are essentially unique. Insurance companies exploit the law of large numbers to reduce the overall burden of risks by "pooling" them. Knight (1921) observed that while the entrepreneur can "lay off" risks much like insurance companies do, he is left to bear the uncertainties himself. He is content to do this because his profit compensates him for the psychological cost involved.

\[ H_1: \text{Higher the risk taking propensity of the entrepreneur higher the business success} \]

B. Innovativeness
The concept of innovation and newness is an integral part of entrepreneurship. It was Schumpeter (1934) who associated innovativeness with entrepreneurship for the first time. According to him Innovativeness involves doing something new. The newness can consist of anything from a new product to a new distribution system to developing a new organizational structure (Schumpeter, 1934).

There is a lot of disagreement regarding the definition of innovation. Kirzner (1985) suggests that the process of innovation is actually that of spontaneous "undeliberate learning". Thus, the necessary characteristic of an entrepreneur is alertness, and no intrinsic skills-other than that of recognizing opportunities, are necessary. Other economists of the innovation school claim that entrepreneurs have special skills that enables them to participate in the process of innovation.

Drucker (1985) referred to the process of innovation as it occurs in developed countries as, "creative imitation of innovations made in the developed countries." The term appears initially paradoxical; however, it is quite descriptive of the process of innovation that actually occurs in the developing nations. Creative imitation takes place when the imitators better understand how an innovation can be applied, used, or sold in their particular market niche (namely their own countries) than do the people who actually created or discovered the original innovation.

\[ H_2: \text{Higher the innovativeness of the entrepreneur higher the business success} \]

C. Managerial Skills
Managerial skills are also a very important trait of entrepreneurs. Managerial skills are required for ensuring smooth operations of the firm, effective planning, successfully coping with competition and for long-term survival and growth of an enterprise. According to Katz (1974) there are three types of managerial skills, technical, human and conceptual skills.

\[ H_3: \text{Higher the managerial skills of the entrepreneur higher the business success} \]

Accordingly, the conceptual framework (Figure 1) can be established as follows.

![Figure 1 - Conceptual Framework](www.ijsrp.org)
III. RESEARCH METHODOLOGY

In the above background an empirical study was conducted on the entrepreneurs of Bemmulla Samurdhi bank society in Aththanagalla division of Sri Lanka. The study involved a comparative measurement of levels of entrepreneurial traits and success achieved by male and female entrepreneurs, examining links between these variables.

A sample of 54 entrepreneurs was selected from the Bemmulla Samurdhi bank society in Aththanagalla division of Sri Lanka who took the mihijaya loan in year 2008. Relevant information was collected from the respondents with the help of the case study strategy. The findings reported in this paper are from a study carried out during 2013.

A. Success of the Entrepreneur

Entrepreneurial success can be defined in many different ways. Comparison of the levels of success achieved by entrepreneurs is a difficult task. One may use some quantified performance indicators like financial performance, awards won or intangible measures like happiness, satisfaction etc. that may be difficult to quantify. On review of scales used for measurement of entrepreneurial success by Akhouri (1979) a set of 3 key variables was selected for measurement of success of the respondents of this study. These variables are growth in investments, growth in employees and growth in turnover of their enterprises.

The reasons for this difference may be due to differences in their entrepreneurial traits. This will be explored later in this discussion.

The scale for Measurement of success was based on a study of scales used by Akhouri (1979). For measurement of success three parameters were used:

(a) Growth in investment
(b) Growth in employees
(c) Growth in turnover

The performance of the unit of each respondent was rated on each of these variables on a 3- point scale and resulted (a) Economically successful commercial families - 18 families and (b) Economically unsuccessful commercial families – 36 families.

IV. RESULTS AND DISCUSSION

A. Risk Taking Propensity:

Risk Taking Propensity was in different percentages among the small scale entrepreneurs. Overall we find that a substantial proportion of respondents 34 (63%) have low level of Risk Taking propensity. This suggests that people in this region do not like to take high levels of risks for their ventures.

Findings revealed that, if the commercial climate is favorable that is, there is an availability of market incentives, governmental support, and sufficient banking and transport facilities industrial entrepreneurship is bound to develop. In this approach the development of entrepreneurship that is, the employment of capital and other productive means for industrial production was placed in a broader political and economic frame.

B. Innovativeness

52 (93%) of the respondents are showing their trait of innovativeness by locating new ways to market their products either by identifying a new market away from the village or by identifying new types of channels, new products and moving to new income generating activities. Innovations in the form of developing new innovative products or moving to new income generating activities were very few.

C. Managerial Skills

20 (37%) of business operators possess all the three managerial skills including planning of capitalization entrepreneurial opportunities, organizing effective resources allocation and decision making to create potential opportunity. 34 (63%) of business operators possess only the managerial skill relates to planning of capitalization entrepreneurial opportunities.
V. CONCLUSIONS

Overall, it is observed that the respondents possess 37% of risk-taking propensity and 37% of them possess all the three managerial skills. However, they have 93% of Innovativeness. Success achieved by the entrepreneurs is positively related with their levels of entrepreneurial traits.

The overall conclusion that can be drawn is that the family and the social context do influence the levels of entrepreneurial traits that in turn affect the success levels achieved by entrepreneurs.

REFERENCES


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