

Analysis of Entrepreneurial traits of the Small Business owners in Sri Lanka

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Abstract- Small business entrepreneurs play a significant role in the economic development of Sri Lanka. However statistics indicate that most of the small businesses fail, despite their importance to the economy. Researches signify several reasons for their failure, in which lack of entrepreneurial traits being a major reason. Siropolis (1994) had identified six major entrepreneurial traits to be found in entrepreneurs, while four of them such as creativity and innovation, risk taking, self-confidence and hardworking which are believed to be most significant have been taken in this study for consideration. Pickle (1964) points out that if entrepreneur characteristics condition a business success or failure, then identification of these features is a important value as a predictor, to degree, of a success or failure.

The purpose of the paper is to discuss the presence of entrepreneurial traits among different types of small business owners in the Gampaha District and to determine their impact on small business success. Study was conducted by taking 50 small business owners in Gampaha District. Primary data were collected by administering a well structured questionnaire and holding short interviews while secondary data were gathered through published research articles, text books and other related documentary evidences.

Collected data were presented by using descriptive analysis, like mean and the correlation analysis and it was reported that the small business owners posses entrepreneurial traits to a significant level as per the outcomes generated through spss(version 14+) software. As a result, it was concluded that the small business owners do posses entrepreneurial traits and they have a significant impact on the success of small business owners in the Gampaha district.

Index Terms- Entrepreneurial Traits, Small business owners, Business success, personal characteristics

I. INTRODUCTION

As a developing country, Sri Lankan economy consists of three major sectors namely agricultural, industrial and service sector. During the early stage of independence, importance of the agricultural sector to the economy was around 46% but today (2013) it has reduced to around 12%. Most important thing to highlight here is that the importance of the service sector has increased significantly and today its importance to the economy is around 60%. This shows that the economy has moved towards the service sector. Despite of the current state still there is unemployment prevailing in the workforce for around 4.4% (2013). Central Bank report (2013)

indicated that small and medium enterprises play an important role in the economy through the generation of employment, contributing to the growth of GDP, embarking innovation and stimulating other economic activities. In this circumstance, by providing the opportunity to start up small businesses and promoting entrepreneurship may provide vast range of benefits to the economy.

There are different definitions given for small business based on number of employees, capital invested, asset turnover, etc. Snogress & Biggs, 1988 as cited by Akomea-Bonsu & Sampong, (2012) defined small business as an entity consisting 5-9 employees. World Bank has highlighted it as having less than 49 employees. The statistical definition of small businesses varies by country to country and is usually based on the number of employees or the value of the assets. The lower limit for small scale enterprise is usually set at 5-10 workers and the upper limit at 50-100 workers. (Hallberg 2000, p.01) .U.S. Small Business Administration (SBA) has more than 800 definitions of a small business based on industry categories. A common delineation of a small business is one that employs fewer than 100 employees. (Zimmer & Scarborough, p. 21). Therefore categorization of small businesses based on number of employees can be taken as the most valued criteria based on the definitions given by different authors, institutions and countries.

II. LITERATURE REVIEW

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The issue of what is the essence of entrepreneurship is a long debated one. How to define an entrepreneur is also a long debated issue. One of the ways proposed takes in to consideration the personal characteristics of an individual and states that certain characteristics are typical of an entrepreneurial

personality, concluding that individuals who strongly present those traits are potential entrepreneurs (Macmillan,1988)

On the other hand Entrepreneur can be defined as a Person who is the founder of market opportunities and combine & allocating resources to perceive them. In other words, carrying out of new combination of organizations under new products, new services, new source of raw materials, new methods of production, new markets are presented (Schumpeter, 1934.)

Although mostly entrepreneurs are defined as those who launch new ventures, entrepreneurship is far more widely practiced in old businesses as well as new ones, and in big businesses as well as small ones. In the words of Professor Nathaniel H. Leff, "Entrepreneurship is the capacity for innovation, investment, and expansion in new markets, products, and techniques." (Siropolis,1994, p. 41)Therefore it is much more important to identify the entrepreneurial traits invested in the small businesses by the owners and also to identify what they lack of. Here the researcher has focused on several entrepreneurial traits and extent of it used in the small businesses.

The term entrepreneur has also defined differently by the authors. Cale (1959) defined the entrepreneur in different angles. An entrepreneur is a person who has possession of an [enterprise](#), or [venture](#), and assumes significant accountability for the inherent risks and the outcome. Entrepreneur in English is a term applied to the type of personality who is willing to take upon herself or himself a new venture or enterprise and accepts full responsibility for the outcome (Hodgetts (2001). But basically can identify that "entrepreneur is a person who manages his/her venture independently with a sense of risk." All these definitions provide an insight in to the entrepreneurship highlighting the importance of the existence of entrepreneurs in the society.

When it comes to the classification of entrepreneurs, Webster (1977) has considered classification schemes for both the individual entrepreneur and for their ventures. Four types of individual entrepreneurs are recognized with this scheme as Cantillon entrepreneur, industry maker, administrative entrepreneur & small business owner. According to Verma and Singh (2002), Entrepreneurs are classified as innovative, adoptive, fabian, drone and other. Landau (1982) has classified the entrepreneurs based on the characteristics of innovation and risk taking as gambler, entrepreneur, consolidator and dreamer. Jones-Evans (1995) based on Technology as it is an important aspect of modern business. Here the Entrepreneurs are categorized in to four. After going through several classifications it has been understood that these classifications are based on different factors such as Businesses motive, capital investment, country tradition, major characteristics, etc and there is no specific way of categorizing Entrepreneurs.

Although there does not seem to be a single entrepreneurial type there is a great deal of consistency in the way in which entrepreneurs approach their tasks. When identifying the traits of entrepreneurs, Siropolis (1994) has identified six major traits that an entrepreneur should possess. They are Creativity and innovation, risk taking, self confidence, hard working, goal setting and accountability.

In defining those six major entrepreneurial characteristics, creativity and innovation of entrepreneurs takes the focal consideration. Entrepreneurs are highly creative people. They

always try to develop new products, processes or markets. (Ramakishen, 2000) Innovation is generally the most distinctive entrepreneurial trait.

As exemplified by Henry ford,

"entrepreneurs tend to tackle the unknown; they tend to do things in new and different ways; they weave old ideas into new patterns; they offer more solutions than excuses."

Any new business poses risks for entrepreneurs. They may succeed or they may fail, and they cannot foresee which it will be. For protection, entrepreneurs are likely to shun ventures in which the odds against them are high. (Siropolis, 1994) At the same time, most entrepreneurs also shun a sure thing because the satisfaction would be too small to justify the effort. Entrepreneurs are not likely to be found performing routine chores like sorting buttons, grinding coffee, etc.

When it comes to self confidence, a man with self – confidence has clear thoughts and well- defined goals to achieve in his life. An entrepreneur gets into business or industry with a high level of self- confidence. He puts forward his case confidently and gets needed help from concerned agencies/authorities (Ramakishen, 2000).

In defining hard working, entrepreneurs put a lot of physical and mental effort into developing their ventures. They often work long and antisocial hours. After all, an entrepreneur is there own most valuable asset. That said, balancing the needs of the venture with other life commitments such as family and friends is one of the great challenges which faces the entrepreneur (Wickham, 2006)

Psychologists often define happiness as a striving towards meaningful goals, not necessarily the achievements of those goals. This definition of happiness fits many entrepreneurs. Happiest with goal in front of and not behind them, they rarely feel that they have arrived. (Siropolis, 1994)

Entrepreneurs generally want full credit for their success and assume full blame for their failure. To measure their performance, entrepreneurs may use any of the several yard sticks, among the return on investment and rate of profit growth. (Siropolis, 1994)

Apart from these basic traits Wickham (2006) has identified several other traits such as, self starting, assertiveness, eager to learn, commitment to others & comfort with power. Zimmerer and Scarborough (2005) have also identified several other traits relating to entrepreneurs apart from the above as desire for immediate feedback, future orientation and value of achievement over money. A study by Pleitner (1986) found that certain characteristics such as a high need for achievement, and a high degree of self-confidence can determine whether an entrepreneur will be successful or not. Hornaday (1982) identifies 19 characteristics for successful entrepreneurs. These include self-confidence, perseverance, diligence, resourcefulness, ability to take calculated risks, need to achieve, creativity, initiative, flexibility, positive response to changes, foresight, independence, dynamism and leadership, versatility and knowledgeable, ability to get along with people, responsiveness to suggestions and criticism, profit orientation, perceptiveness and optimism. So it is obvious that apart from the major six entrepreneurial traits mentioned by Siropolis (1994), researchers and writers have identified many traits relating to successful entrepreneurs but

depending on the basics of having the major six traits under them.

The most common method people use to measure business success is financial worth. The financial success of a business is best measured by focusing upon the *company profits* for the year (Huplao,2000). But too much focus on profit alone may lead to less customer satisfaction which may eventually lead to less success in future. As per Hupalo (2000), there are many other measures of success, besides profits, which can be evaluated by looking at the company's financial statements. Increasing profit margins, paying down debt, increasing the effectiveness of advertising are some examples.

Through the revision of preceding literature relating to entrepreneurship, provides an opportunity to understand the true nature of it as well as the real impact it has on the business success & also to determine what should be possessed by an individual to become a true entrepreneur.

III. PROBLEM STATEMENT

Based on the definitions and the traits associated with the entrepreneurship, the researcher has attempted to identify whether the sample entrepreneurs possess the entrepreneurial traits mentioned in the literature. Do those qualities have helped them to succeed in their businesses and whether they have been failed to succeed though they have possessed those traits. Also researcher will be able to provide advice to the entrepreneurs regarding the qualities they are lacking of or explain them theoretically the reasons behind their success.

In describing further, the researcher has to identify whether the small business owners in Gampaha district possess higher levels of creativity and innovation, risk taking, self confidence and hard working as they are identified as main entrepreneurial characteristics that an entrepreneur should possess.

IV. METHODOLOGY

Objectives of the study

Following objectives were developed to be identified through the research.

- To identify level of Creativity and Innovation can be seen in entrepreneurs.
- To identify the extent to which entrepreneurs take risks in the business.
- To identify the extent to which entrepreneurs have self confidence.
- To identify the extent to which entrepreneurs are hard working.
- To identify any relationship between demographic factors and entrepreneurial traits.

Conceptual Framework

This study is of quantitative nature. A conceptual framework was developed to explain the incident under the study which is supported by an extensive literature review. The researcher has identified four major entrepreneurial traits and the idea here is to test whether these traits are possessed by the small business owners and to what extent. Entrepreneurial traits have

been taken as the independent variable while Entrepreneurship (High, Moderate, and Low) has been taken as the dependent variable.

Hypotheses of the study

- H₁ - Small business owners possess entrepreneurial traits.
- H₀ - Small business owners do not possess entrepreneurial traits.

Sample of the study

Small businesses which consist of employees less than 49 were selected for the research study according to World Bank (2009) classification. The sample consisted of 50 small businesses located in Gampaha district. Convenience of reaching and meeting the small business owners was considered when selecting the sample. Hence by using convenience sampling technique, questionnaire was disseminated to 50 small business owners in manufacturing industry out of the population.

Data Collection

Primary data and secondary data have been collected for the research study. Here quantitative as well as qualitative data were collected, since the entrepreneurial traits have been taken as the dimensions. Secondary data were gathered from various sources such as management journals and internet research articles, etc. The primary data were collected through questionnaire and by conducting short interviews. Observations were made for further verification of the data collected from the questionnaire. Well structured questionnaire was built up according to the conceptualized variables, and it consisted of two parts. First part of the questionnaire attempted to gather information of demographic factors, company information, etc. Second part developed to measure the level of entrepreneurial traits possessed by the small business owners.

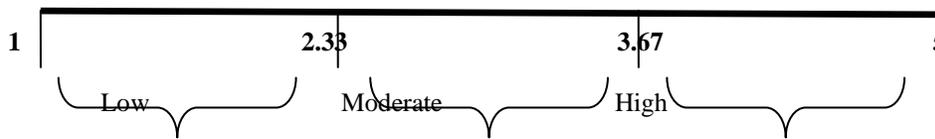
Data Analysis

Collected data were analyzed as follows. First responded data were sorted and tabulated. Secondly Responded data were tested under the scaling method of Likert's five point scaling. The items were phrased as statements with the possible response continuum linked to a Likert-style five-point scale (1 = strongly disagree to 5 = strongly agree). There were fifteen (15) questions in the questionnaire apart from the demographic factor related questions. It is important to bear in mind those responses to the self-assessment sections are based on the perceptions of small business owners themselves. Following continuum is developed based on the five point scale in order to measure the level of Entrepreneurial traits based on the **mean** calculation.

$$\begin{aligned} \text{Score for extreme favourable} &= 5 \\ \text{Score for extreme unfavourable} &= 1 \\ \text{Range} &= 5-1= 4 \\ \text{Number of classes} &= 03 \end{aligned}$$

Figure 02: Range categorization

The total range can be defined as follows.



Source: author

Further, to analyze and present demographic factors statistical tools; rates, percentages, pie charts, etc were used. In order to measure the relationship between entrepreneurial traits and small business success correlation analysis was employed. Analysis was made using spss 15+ software and also using Microsoft excel.

.733	50
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Source: Primary data

Overall reliability of the questionnaire was at .733 which indicated that the questionnaire had been reliable in gathering relevant data.

V. DATA PRESENTATION AND ANALYSIS

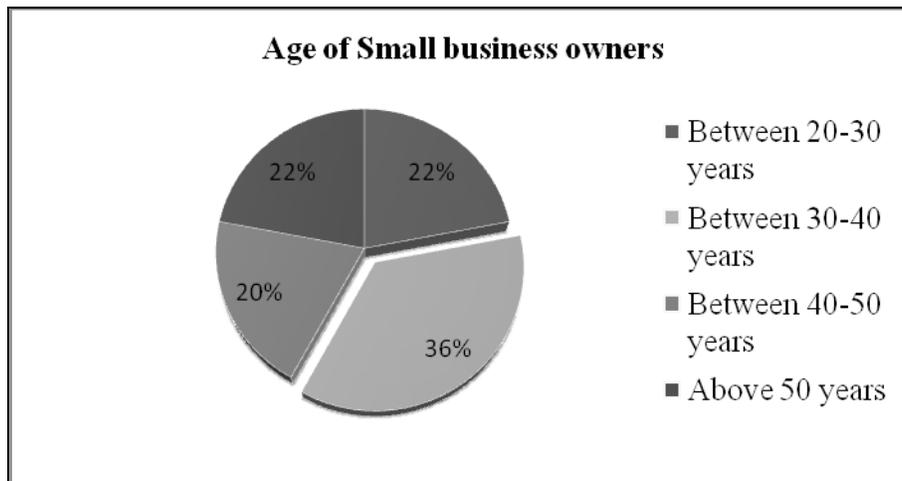
Table 01: Reliability Statistics

Cronbach's Alpha	N of Items
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Analysis of Demographic Factors and Company Information

Here in order provide a descriptive idea regarding the small businesses and the nature of the small business owners, the demographic data as well as the company information were analyzed and presented as follows.

Figure 03: Age

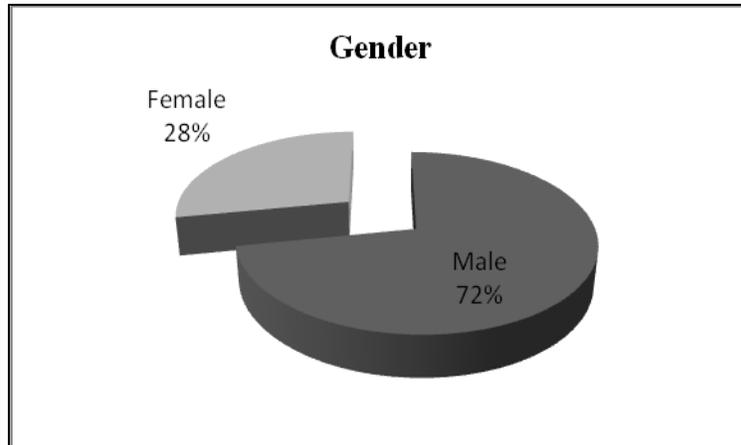


Source: Primary data

According to primary data collected, 36% of the small business owners were in the in the age category between 30 to 40

years. It was also determined that another 44% of the sample were above 50 years and between the age group of 20-30years.

Figure 04: Gender



Source: Primary data

In analyzing the Gender of the sample, 72% of the small business owners were men and only 28% were female. This indicated that majority of the small business owners were men.

Table 02: Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below G.C.E (O/L)	11	22.0	22.0	22.0
	Passed G.C.E(O/L)	10	20.0	20.0	42.0
	Passed G.C.E(A/L)	10	20.0	20.0	62.0
	Passed G.C.E(A/L) & Followed extra vocational courses	19	38.0	38.0	100.0
Total		50	100.0	100.0	

Source: Primary data

There were 38% of small business owners who had passed G.C.E.A/L and also done some other educational or vocational courses. That was the majority. From the sample, 20% had only passed G.C.E O/L. 20% had only done G.C.E.A/L while 22% of small business owners had not passed G.C.E O/L.

Table 03: Age of the Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Less than 4 years		4	8.0	8.0	8.0
Between 4 to 8 years		12	24.0	24.0	32.0
Between 8 to 12 years		9	18.0	18.0	50.0
More than 12 years		25	50.0	50.0	100.0
Total		50	100.0	100.0	

Source: Primary data

According to the analyzed primary data, majority of the small business owners has being conducting their businesses for more than 12 years. 50% of the sample has started their businesses 12 years ago and small business owners who were in the industry for 4-8

years were 30% of the sample. It was also noticed that only 8% had started the business around 4 years. **This indicates fewer tendencies towards starting new businesses in the recent past.**

Based on the primary data collected, researcher attempted to produce a correlation analysis between the demographic factors and the entrepreneurial traits but the output was not significant indicating that based on the collected primary data no correlation can be identified between the demographic factors and entrepreneurial traits.

Analysis of Entrepreneurial Traits

Table 04: Descriptive Statistics on level of entrepreneurial traits

	N	Minimum	Maximum	Mean	Std. Deviation
Creativity & Innovation	50	3.00	5.00	4.3200	.55107
Risk Taking	50	4.00	5.00	4.7400	.44309
Self confidence	50	3.00	5.00	4.7800	.54548
Hard working	50	3.00	5.00	4.1200	.52060

Source: Primary data analyzed on SPSS

According to the descriptive analysis, it was identified that the entrepreneurial traits; creativity and innovation, risk taking, self confidence and hard working have obtained overall mean in the values of 4.32, 4.74, 4.78 and 4.12. This provides an insight that small business owners possess higher level of creativity and innovation, risk taking, self confidence and hard working abilities. Overall mean of the four traits is 4.34, which is a higher value.

Testing Hypotheses

Objective of analyzing four characteristics of Entrepreneurs was to test whether the small business owners possess the high levels of traits. Through the analysis it was found that the sample small business owners possessed high levels of Creativity and Innovation risk taking ability, self confidence and were mostly hard working. When reaching to a general conclusion, it was determined that small business owners of the Gampaha District possess Entrepreneurial traits with an overall higher mean of 4.34 out of 5. Therefore it has been concluded that small business owners possess higher levels of entrepreneurial characteristics.

Therefore as the final conclusion can determine that, small business owners possess entrepreneurial traits. According to that H_1 - ‘Small business owners possess entrepreneurial traits’ is accepted. As the H_1 is accepted, H_2 - ‘Small business owners do not possess entrepreneurial traits’ is rejected.

Conclusion: “Small Business owners in Gampaha District possess Entrepreneurial Traits.”

VI. RECOMMENDATIONS AND CONCLUSION OF THE STUDY

The main force behind this research study was to test whether Small business owners’ possess true entrepreneurial characteristics. And there are various questionnaires available in internet and other recorded materials to test whether the individuals interested in starting their own business are made of true entrepreneurial material.

Therefore this study can be taken as the mile stone in helping the small business owners to understand what they are lacking of

entrepreneurial qualities or to confirm that they have taken the right decision in starting their own businesses. This study also provides an insight into the validity of those questionnaires as this has been tested on entrepreneurs who already started their own enterprise.

Therefore this research study will be useful for the individuals who take the risk of starting their own businesses with huge investments after taking those entrepreneurial tests which are available in internet and other recorded materials. It is recommended that the conclusions and the questionnaires should be distributed to the institutions where young people studying and boost up their morale in an early stage by helping them to understand whether they are made up of entrepreneurial material and this would benefit the society and government in whole which at the end helps in developing an Entrepreneurial culture.

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