



ENTREPRENEURIAL COMPETENCIES AND ENTERPRISE PERFORMANCE: A STUDY ON THE STREET FOOD CART OWNERS IN KHULNA CITY OF BANGLADESH

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Abstract:

Academicians and practitioners have unanimously accepted that the entrepreneurs infuse dynamism and growth in the economy by developing new ideas and realising the ideas by creating new ventures. However, there is limited understanding about whether or how the entrepreneur influences the firm's performance that he or she has created. The focus of this paper is to explore the influences of entrepreneurial competencies on a firms' performance with the empirical data from the hospitality service sector micro-enterprises in Bangladesh. Partial least square (PLS) regression analyses results generated using the primary data from 73 small restaurants from Khulna, the third-largest city of Bangladesh with an estimated population of 1 million, reveal that the conceptual competence of the entrepreneurs is the most commonly contribute entrepreneurial competence in terms of producing business performances. This revelation of this research once again highlights the mental front of entrepreneurship as the front side performance driver.

JEL: L10; L20

Keywords: entrepreneurship; micro-enterprises; PLS-SEM; entrepreneurial competencies; firm performance

1. Introduction

Audretsch and Belitski (2017) opined that entrepreneurship is an essential organ that propels a country's economic growth. Entrepreneurship and small business are related to each other from a conceptual and functional point of view (Urbano & Apariciom, 2019). According to Sebikari (2019), both entrepreneurship and small business establish an economic development hub by engaging productive resources. Entrepreneurship is the central determinant of the performance of micro-enterprises (Sadeghi et al., 2019). From

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this perspective, entrepreneurship research (*see, for example, Liñán et al., 2020; Ebrahimi et al., 2018*) has made efforts to explain how entrepreneurship determines the performances of micro-enterprises. Researchers have delineated different entrepreneurial competencies and explored their relationships to the business performances of the firms (*see, for example, Alam et al., 2016; Man, 2001*).

According to Onstenk (2003), *competence* could be defined as a broad concept that associates skills, knowledge, motivations and attitudes as facets that entrepreneurs must be capable of practicing (Alam et al., 2016). Competence is constituted by a set of underlying characteristics of a person, including the person's trait, motive, aspect, skill of one's social role or self-image or a body of knowledge that may result in successful performances in an occupational area (Hogg, 1993). In an entrepreneurial and business firm context, competencies are mainly associated with the formation, sustainability and progression of a particular firm (Bird, 1995). In this case, entrepreneurial competencies are demonstrated through how the entrepreneur organises and applies the inputs and manages the outputs for realising his or her entrepreneurial objectives (Wani & Butt, 2017).

This paper focuses on exploring the entrepreneurial competencies in small-sized restaurants concerning their business performances in Khulna, a divisional city of Bangladesh. Entrepreneurs need to possess innovative capability as the restaurant industry is usually affected by environmental turbulence and increasing consumer awareness globally (Skokic et al., 2016). Products offered by the restaurants are hard to protect through trademarks and patents. Thus, to beat competitors, services and products must be incessantly innovated (Chou et al., 2020). Entrepreneur of the restaurants plays a pivotal role in such innovation and keeping up with the market. Restaurant entrepreneurs continuously look for ways of building competitive advantages by enhancing production processing, implementing mass customisation, and employing innovative technologies to generate better performance (Oukil et al., 2016). Through their products, concepts, innovations and ideas, hospitality and tourism entrepreneurs meet customer needs, arrange new service standards, and sometimes even engage in demand innovation by changing customer preferences (Kandampully et al., 2016). This paper has focused on how and which of the competencies of these entrepreneurs contributed to the performance of these firms. Ahmad (2007) commented that research on entrepreneurial competencies and small firm success in different countries and industrial settings could contribute to the critical understanding of why some entrepreneurs succeed and some fail in similar situations.

2. Literature Review

2.1 Entrepreneurial Competence

Generally, entrepreneurs could be described as people who generate an advancement both for society and other entities (Hisrich & Peters, 1989). According to Suryana (2013), an entrepreneur should possess a benefit that is strength for himself/herself and his/her

business and should learn to reduce his/her weaknesses to generate a competitive advantage for the business. Entrepreneurs are recognised for what they do: entrepreneurs produce innovative services, processes and products for the market (Schmitt-Rodermund, 2004). The failure or success of any micro-enterprises is influenced by the abilities and skills, known as competencies, of the entrepreneur (Aisyah et al., 2017).

Iandoli et al. (2007) described entrepreneurial competence as the capacity of entrepreneurs to contract realistically with a challenging condition by stimulating internal resources and relations and knowing the constraints of the environment. Entrepreneurial competence can also be specified as *“the knowledge, skills, and abilities of individuals that directly affect performance”* (Fithri & Sari, 2016). Therefore, it can be easily construed that successful entrepreneurs are somebody who possesses the quality, skills and knowledge which comprises behaviour, attitudes and values.

Furthermore, entrepreneurial competence is the entrepreneurial attributes, for instance, beliefs, attitudes, knowledge, abilities, skills, personality, behavioural tendencies, and skills required to sustain (Kiggundu, 2002. p. 239). Bird (1995) characterized entrepreneurial competence as *“individual traits, such as knowledge, motives, features, self-image, social roles, and abilities that will make a company successful”*. Some competencies could be discovered through conventional education, while some other competencies are silent (Munir et al., 2019). Recognising the entrepreneurs’ role offers a better understanding of what competencies are desired by businesses to guarantee business success as well as business survival (Ahmad et al., 2010).

2.2 Entrepreneurial Competence and Firm Performance

The essence of entrepreneurship lies within the act of the entrepreneur. Schumpeter (1934) perceives it as doing an economic activity in a newer way. Kirzner (1973) perceives the act of the entrepreneur as identifying opportunity in the market and initiating actions to exploit the opportunity (John & Storr, 2018), while Knight (1961) assumes the risk of uncertainty associated with specific economic actions (Dana, 2017). For doing such types of jobs, an entrepreneur must be endowed with skills, knowledge, behaviours, and attitudes (Brophy & Kiely, 2002). The non-entrepreneurs are not expected to have similar ways or magnitudes entrepreneurs have. Armuña et al. (2020) noted that such a group of related knowledge, attitude and skills are correlated with the performance. Bird (1995) forwards that entrepreneurial competence includes motives, knowledge, traits, self-image, social roles and skills, resulting in the formation, growth of the venture and survival (Man, 2019). Adam and Chell (1993) identified four key managerial competence domains: business strategy, marketing strategy, financial strategy, and human resource management strategy, demonstrating the mix of different personal attributes, knowledge, and skills.

According to Bird (2019), McClelland (1987) discovered the competencies of successful entrepreneurs (proactiveness, achievement orientation, commitment to others) and the competencies that are not the characteristics of successful entrepreneurs than

average entrepreneurs (persistence, self-confidence, persuasion, expertise and information seeking, use of influence strategies). Man and Lau (2000) have outlined the specific areas of entrepreneurial competencies, e.g., relationship competencies, opportunity competencies, conceptual competencies, commitment competencies, strategic competencies and organising competencies. These competencies drive and facilitate the formation of the competitive scope, creating the organisational capabilities and mobilising the organisational capabilities toward a focused goal within the competitive scope (Alam et al., 2016) and hence the firm's birth, survival, and success. Extant knowledge about the small firms' success factors notes the influence of environmental and entrepreneur and owner-manager components (Ahmad, 2007). Small firms are more vulnerable to external and internal environment fluctuations than their bigger counterparts (Man and Lau, 2005) due to their limited market power and smaller customer base (Stokes, 2006). Gibb (2005) noted that entrepreneurs' competence lies in the core of the capabilities of the small firms to cope with such changes.

3. Methodology

3.1 Constructs and Measures

This paper applied the concepts and the constructs of entrepreneurial competencies as suggested in Man and Lau (2000) and Man (2001). This paper measured the firm's performance through '*firm's relative performance*', e.g., sales growth, growth of the net earning, and growth of market share compared to the firm's competitors.

In this research, the questionnaire developed by Man and Lau (2000) and Man (2001) has been used for measuring the entrepreneurial competencies, which contains a total number of 30 ordinal scaled questions. Among the 30 questions, four are targeted to measure opportunity competencies, 5 for organising competencies, 4 for relationship competencies, 5 for strategic competencies, 3 for commitment competencies and 9 for conceptual competencies. For each of the items, a 5-point Likert scale was used. In this research, we have measured a firm's business performance by measuring the firm's growth parameters as the proxy for business performance (Alam et al., 2016). This paper has used growth in sales, growth in net profit and market share growth compared to the competitors as the measures of the firm's performances. This research asked the entrepreneurs/key managers of the firms to rate their positions in their firms on a 5-point Likert scale. Due to the reservation of the firms to share their financial information in their absolute forms and non-uniform accounting practices in the small firms in Bangladesh, this paper considered perception-based growth measures to be appropriate in this case.

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Table 1: PLS Regression Model Validity and Acceptance Criteria

Models	Factors	AVE	Composite Reliability	Cronbach's Alpha	Redundancy	Q ² Redundancy	Communality	Q ² Communality
Model I	Commitment	.676	.878	.781				
	Concept	.601	.901	.858				
	Opportunity	.603	.853	.863				
	Organizing	.767	.877	.824				
	Relations	.607	.887	.873				
	Strategy	.775	.911	.807				
	Revenue				.033	.293		.998
Model II	Commitment	.674	.868	.781			.701	
	Concept	.858	.937	.858			.612	
	Opportunity	.692	.898	.863			.693	
	Organizing	.697	.842	.824			.621	
	Relations	.634	.799	.873			.639	
	Strategy	.702	.887	.807			.702	
	Net earnings				.019	.226		.997
Model II	Commitment	.682	.859	.781				
	Concept	.685	.931	.858				
	Opportunity	.601	.781	.861				
	Organizing	.672	.801	.824				
	Relations	.609	.866	.757				
	Strategy	.669	.809	.807				
	Market share				.123	.261		.998

3.2 Population and Sample

The population taken in this research is the restaurant industry. In Bangladesh, the restaurant industry's market size has been growing for quite a few years now. One of the integral reasons behind the increasing number of restaurants in Bangladesh is that it is deemed quite profitable. People go to restaurants for good quality food, consume quality time, and the dining experience relevant to modern-day customers. The restaurant industry has converted itself into a recreational source for the people, especially for youths.

Table 2: Number of Indicators Retained in the Final Models

Factors	Number of Indicators	Retained Indicators		
		Model I (Sales Growth)	Model II (Net Profit)	Model III (Market Share)
Opportunity competencies	04	04	04	04
Organizing competencies	05	03	03	04
Relational competencies	05	05	05	03
Strategic competencies	04	04	04	04
Commitment competencies	03	03	03	03
Conceptual competencies	09	07	07	08

Adapted from the original model by Man and Lau (2002)

Nationally, more than 50,000 restaurants are employing around 1.5 million people, according to industry experts. Dhaka, the capital of Bangladesh, alone has over 10,000 restaurants that employ more than 300,000 people. In contrast, more than 1,500 restaurants, irrespective of size, are available in Khulna city, employing more than 50,000 people (The Business Standard, 2020). Considering the size, approximately 800 small restaurants are running their business from where around 10,000 people earn their livelihood. This study employed non-probability judgmental sampling along with a convenience sampling technique to collect data from the respondents. A disguised, structured questionnaire was developed and applied to gather the data. This study targeted 100 small restaurant owners but received 73 completely filled-in questionnaires for measuring the relationship in this research.

3.3 Analytical Approach

Considering the small number of samples, this study engaged partial least square (PLS) regression analysis as the principal analytical technique for this research. PLS is particularly suitable for a small sample size (Alam et al., 2021). Chin and Newsted (1999) suggest that PLS based path modelling can be applicable at a sample size as small as 20. For the reflective models, the *rule-of-thumb* for determining the appropriate sample size suitable for PLS analysis is ten times the biggest number of structural paths aimed at a specific construct in the inner path model (Hair et al., 2019). This paper has conceptualised three different models with three different outcomes, e.g., sales growth, growth of net profit and growth, and market share growth. This study used six input constructs for each model, e.g., opportunity, strategic, relational, organising,

commitment, and conceptual competence. The sample size of this study is 73, which satisfies the rule of thumb for the sample requirement for PLS modelling in each of the three models (Hair et al., 2019). The development of alternative conceptual models is beneficial in the absence of robust theoretical models.

Additionally, it helps refine early concepts and develop more robust theories (Hulland, 1999). Extant works on entrepreneurial competence have generally concentrated on the influence of entrepreneurial competencies on the firms' performances as a whole (Alam et al., 2016), not on any specific one. This paper has focused on the effect of entrepreneurial competencies on the selected individual performance parameters of the firm, which is not well evidenced in the extant literature. Keeping this state in mind, this study has operationalised three different conceptual models focusing on three different performance parameters.

Following the suggestion of Werts et al. (1974), this research has checked the internal consistency of the constructs used in the models by the score of the composite reliability of each construct. Nunnally and Bernstein (1994) suggested that composite reliability should be at least 0.60 for any conceptual model (Masroor et al., 2020b). This research has applied 0.70 as the minimum acceptance criterion for the composite reliability score of the constructs. This research has checked the indicators' convergent validity by examining the constructs' AVE (average variance extracted) score. Götz et al. (2009) recommended that an AVE value of at least 0.5 implies adequate convergent validity (Rakib et al., 2021), which suggests a latent variable can rationalize more than half of the variance of its indicators on an average. This study maintained this standard in work. This study tested the discriminant validity of the constructs by examining the cross-loadings of each indicator. Götz et al. (2009) suggested that in the appropriate case, the loading of each indicator should be larger than all of its cross-loadings (Masroor et al., 2020a; Chin, 1998). The indicators in this paper have satisfied this cross-loadings criterion.

In the case of the structural model's assessment, keeping according to the prescription of Chin (1998), this paper accepted the R^2 of the endogenous latent variables that are only 0.19 or above. Individual path coefficients of the structural models are similar to standardised beta coefficients in the ordinary least square regression. For determining the confidence intervals and statistical inference of the structural path coefficients in the model, Tenenhaus et al. (2005) suggested applying re-sampling techniques like bootstrapping. This research has bootstrapped each of the models with 5,000 sub-samples. The effect size f^2 is determined as the growth in R^2 compared with the percentage of variance of the endogenous latent variable that stays inexplicable (Hair et al., 2019; Henseler et al., 2009). Cohen (1988) suggested that f^2 0.19 is the bottom line effect size for the R^2 . This paper has considered f^2 0.19 as the minimum acceptance criteria for this research. This paper has tested structural models' ability to predict the outcome of the Stone-Geisser's Q^2 (Geisser, 1975; Stone, 1974) by applying the blindfolding process. This paper has considered the endogenous latent variable with $Q^2 > 0$ to have predictive relevance. This study ran each of the conceptual models initially with all 30 indicators of

entrepreneurial competencies suggested by Man and Lau (2000) and Man (2001). Later, the indicators with outer loading < 0.50 were removed from their respective constructs. The final models are with only the indicators with outer loading ≥ 0.50 .

4. Results and Discussions

Man et al. (2002) showed the relative importance of the entrepreneurial competencies in respect to the micro-enterprises competitive and operational dimensions, e.g., relationship, opportunity and conceptual competencies are positively connected to the competitive scope of the micro-enterprises; conceptual, relationship and organising competencies are positively correlated organisational capabilities of the micro-enterprises; commitment and strategic competencies are positively interrelated to the long-term performance of the micro-enterprises (moderated by competitive scope), while strategic and commitment competencies positively affects the long-term performance of the micro-enterprises (moderated by the organisational capabilities of the firm).

Model I in Table 3 shows that the conceptual competency of the entrepreneurs has a significant positive relationship with the sales growth of the firm in comparison to their competitors. The services industry, especially the restaurant industry, is a knowledge-based industry, where the firms' innovation capabilities differentiate between the successful and the unsuccessful firms. Cottrell and Nault (2004) show that an increase in the variety of the firm's products and services (in the form of new services development within the same category and developing new category of the service) is positively related to the firms' performance (Úbeda-García et al., 2020).

The innovation process begins with the generation of an idea (Keum & See, 2017), which is the outcome of a complex process of learning and integrating the learning to the purposes and contexts of the firms. Findings in Model I confirm Stoner's (1987) realisation that the vital distinctive competence of the micro-enterprises lies in the experience and knowledge of the workers and owners. Man and Lau (2005), in their work on Hong Kong entrepreneurs, have shown that the entrepreneurs have rated analytical competence as more important than innovative, operational, strategic and human competence (Hashim et al., 2018) irrespective of the industry to which their firms belong (in this research, small restaurant firms were included). In the context of the booming economic condition of Bangladesh, the market is getting diversified rapidly than ever. How well the entrepreneur can conceptualise what difference he or she can deliver can make a difference in the firm's revenue.

Table 3: Results of the PLS Regressions

Models	Paths	Path Coefficient	t-Value
Model I	Commitment → Sales growth	.241	.346
	Concept → Sales growth	.482	2.38*
	Opportunity → Sales growth	-.013	.075
	Organising → Sales growth	-.009	.045
	Relations → Sales growth	.037	.405
	Strategy → Sales growth	-.151	.698
	R ²	.305	
	f ²	.317	
Model II	Commitment → Net profit	-.021	.153
	Concept → Net profit	-.171	.587
	Opportunity → Net profit	.391	1.637***
	Organising → Net profit	.279	1.094
	Relations → Net profit	.021	.125
	Strategy → Net profit	.029	.137
	R ²	.238	
	f ²	.307	
Model III	Commitment → Market share	.181	1.358
	Concept → Market share	.347	1.934**
	Opportunity → Market share	.142	.462
	Organising → Market share	-.019	.286
	Relations → Market share	-.369	1.861**
	Strategy → Market share	-.157	.621
	R ²	.252	
	f ²	.201	

*significant at <.05 level (2 tailed) ** significant at > .05 <.10 (2 tailed) *** significant at .10 (2 tailed)

Model II in Table 3 shows that the opportunity competence of the entrepreneurs has a positive and significant relationship with the net profit of the small restaurant firms in Khulna, Bangladesh. Kirzner (1973) views the opportunity identification function of the entrepreneur as *entrepreneurial alertness*, which later pushes the entrepreneur to realise the opportunity being subject to other organisational and environmental conditions (Terán-Yépez et al., 2020). Shane and Venkataraman (2000) note that entrepreneurship is fundamentally centred on discovery, evaluation and exploitation of the opportunities relating to the creation of future goods and services (Acs et al., 2018). Financial reward is one of the essential motivations of entrepreneurs (Schumpeter, 1934). Shepherd and DeTienne (2005) showed a positive relationship between the number of opportunities identified and financial reward, which means opportunity identification is positively related to the financial rewards (Gielnik et al., 2018). In the growing Bangladeshi economy, where newer markets and niches are emerging, a firm's financial performance depends on how well the entrepreneur can scan the market and environment and find his position in this scene (Parvin et al., 2020). Bangladeshi restaurant firms are mainly service-providing firms that provide the best possible eating-out experience compared with the context. The restaurants not only provide food but also enable their clients to experience the environment and other things. The financial success of such firms depends

on how well and quickly they can figure out who needs what in the market and how their needs could be met within the least possible time.

Model III in Table 3 shows that conceptual competence has a significant positive relationship with the market share growth of the firm. In particular, in the case of the Bangladeshi restaurant firms, the overreaching effect of the conceptual competence in terms of firms' performance falls in line with the Bangladeshi reality. Bangladesh is increasingly being integrated with the global economy with a fair amount of success, which has exposed the Bangladeshi firms to the hyper-competitive dynamic of the markets and institutions of the world. Such exposure offers opportunities and threats to the firms for their performance and growth simultaneously. The key competence for survival in this dynamic condition includes how well the entrepreneurs/managers can apprehend the opportunities and threats relevant to them and figure out how to optimise their return by deploying the right resources. The result of this research, conceptual competence as the dominant competence, presents the confirmation of the Bangladeshi micro-enterprises compliance with such realities.

Model III in Table 3 shows that the relational competence of the entrepreneurs is negatively related to the market share growth of the Bangladeshi restaurant firms in this research. This outcome contradicts the previous findings (*see, for example, Man & Lau, 2005*). Organisational ambidexterity refers to a firm's ability to pursue two disparate things simultaneously (Hughes, 2018). One dimension of organisational ambidexterity includes applying both the transactional and relational competence of the firm to gain a competitive advantage in each market context. The restaurant market context of Bangladesh, as described previously, has allowed the small restaurant firms to be more relatively non-ambidextrous. They are primarily focused on the transitional achievements in terms of their investment priorities, bringing out their competencies relating to identifying the opportunities and figuring out how to exploit them at the forefront than other competencies at the moment. Respondents have revealed that belonging to kinship and peer networks and the role of such networks in realising the business transactions are part of the Bangladeshi culture. Entrepreneurs habitually maintain their presence in such networks. Proactive and planned efforts to develop and maintain long-term relationships with different stakeholders is a definitive objective focused move, which may or may not produce the desired performance direction, e.g., market share growth.

5. Conclusion

Results of this research, overreaching performance impact of conceptual competencies and opportunity competencies, shed more focus on the behavioural faculties of the entrepreneurs, in the form of the entrepreneurial competencies, in terms of the firm performance. It confirms extant literature's market arbitrage focused interpretation of entrepreneurship, i.e., entrepreneurial realisation depends on how efficiently the entrepreneur discovers and exploits opportunities. The findings of this research add

more specification to Man's (2001) proposition that entrepreneurial competence influences business performance, which proposed the standard set competencies and their performance impacts. The finding of this research confirms Gibb's (2005) observation that entrepreneurs are at the core of adaptation by the micro-enterprises in the context of the dynamic changes in the external and internal environment of the firms. Controls for the change in business conditions and firms and the entrepreneur's endowments and characteristics (age, education and experience) have not been applied in this research. Despite that, the results are quite important as it has been successful in figuring out the specific competencies for the specific outcomes of the firms.

Conflict of Interest Statement

The author declares no conflicts of interests.

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