

# Relationship between Entrepreneurial Competencies of SME Owners/Managers and Firm Performance: A Study on Manufacturing SMEs in Khulna City

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## Abstract

This study is aimed at investigating the relationship between the entrepreneurial characteristics and the performance of Small and Medium-sized Enterprises (SMEs) under the context of manufacturing industry in Khulna. Based on literature review, a theoretical model relating entrepreneurial characteristics from a competency approach to the performance of SMEs has been developed. The empirical research involved quantitative stages. Data were collected from 100 owners or managers of SMEs in the field of manufacturing industry in Khulna. The six groups of competencies including opportunity, organising, relationship, strategic, commitment, and conceptual competencies were identified. The findings of the study show that all the competencies are required by entrepreneurs of manufacturing industry to enhance the performance of their firms. Among them, opportunity, organising, relationship, and strategic competencies have significant impact on the performance of the firms. Other two competency areas-commitment and conceptual competencies are not significant for firm performance at this moment. But in the long run, entrepreneurs should focus on all the competencies for better future performance.

**Keyword:** SME, Entrepreneurship, Competencies, Firms-Performance

This notion has been supported by number of studies (Barkham 1994; Ardichvili & Cardozo, 2000) over the years. As the entrepreneurship is considered as the determining factor of SME performance (O'Farrell & Hitchens, 1988), researchers have attempted to find out the inner relationship between entrepreneurial competencies and the firm performance (Chandler & Hanks, 1994; Man, 2001). SMEs are undoubtedly quite predominant in the industrial structure of Bangladesh comprising over 90% of all industrial units (The Daily Star, 2008). They are often characterised by family ownership and heavy involvement of the family members. This characteristic seemed less obvious in the field of manufacturing sectors which require highly skilled labours. Entrepreneurship has not existed much in the mind of owners or managers in Bangladesh. The lack of SME and entrepreneurship research focusing on the manufacturing industry in Bangladesh is the core reason behind this. There are many studies conducted on the entrepreneurship and issues related to this concept such as competitiveness sources and enterprise's performance (Harvie & Tran, 1997). However, most of these studies have involved developed countries context and in the general service sectors. Very few studies have been done for developing countries and in the field of manufacturing industry as well as none in Bangladesh. The value of this study in adding to existing literature rooted there.

## Objectives of the Study

The purpose of this study is to investigate the relationship between entrepreneurial characteristics and firm performance through the competency approach

## Introduction

Entrepreneurship is commonly regarded as an important factor which can influence organisational performance.

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and a model of relationship between entrepreneurial competencies and firm performance. The research answered two research questions given as follows:

**Research Question 1:** What are the competencies required by the SME entrepreneurs in manufacturing industry?

**Research Question 2:** How do these entrepreneurial competencies impact on the performance of SMEs?

## Literature Review and Conceptual Framework

### Entrepreneur

An entrepreneur is one who plays with uncertainty, consumed labour and materials, and sells products afterwards. He is one who assumes risks and likely to adopts innovation. Lumpkin & Dess (1996) considered the entrepreneur as a catalyst for economic change and development. The modern use of the term “entrepreneur” is usually attributed to Joseph Schumpeter. McClelland (1987) pointed out that an entrepreneur always searches for change, responds to it, and exploits it as an opportunity. In their study, Hofer & Sandberg (1987) stated that entrepreneurs are people who have the ability to see and evaluate business opportunities; to gather the necessary resources and to take maximum benefits; and also to initiate appropriate action for ensuring success. Based on the above review it can be conceptualised that entrepreneur is a change agent, an innovator who is also a risk taker, who exploits business opportunities in his environment, and utilizes resources effectively to develop new technologies, produces new products and services to maximise his profits and contributing significantly to society’s development.

### Entrepreneurship

Entrepreneurship is “about learning the skills needed to assume the risk of establishing a business, developing the winning strategies and executing them with all the vigor, persistence and passion needed to win any game” (McClelland, 1987). Kravis & Lipsey (1992) stated entrepreneurship as “the willingness and ability of an individual to seek for investment opportunities, to establish and run an enterprise successfully”. Entrepreneurship serves as a key moderator between

invention, innovation, and introduction of new products and services in the marketplace (Murphy, Trailer & Hill, 1996). Entrepreneurship is therefore linked to entrepreneurial opportunities, the compelling forces enabling entrepreneurs to introduce new products or services.

### Entrepreneurial Competencies

The competency approach has become an increasingly popular mean of studying entrepreneurial characteristics (For example, Barney, 1991; Kravis & Lipsey, 1992; Feurer & Chaharbaghi, 1994; Lumpkin & Dess, 1996; Chaston, 1997). According to Barney (1991), competencies are seen as behavioural and observable, and therefore are more closely linked to performance than any other entrepreneurial characteristics such as personality traits, intentions or motivations (Grant, 1991; Herron & Robinson, 1993). Porter (1985) has categorized six major areas of entrepreneurial competencies relating to an SME context. Those are opportunity, relationship, conceptual, organising, strategic, and commitment competencies. They are supposed to play different roles in affecting SME’s performance directly and indirectly. Helfat (2003) took the view that competencies were keys to entrepreneurial success. Changanti & Parasuraman (1996) identified abilities associated with predominant roles played by entrepreneurs in their businesses, finding them to be associated with successful entrepreneurs. In a subsequent study, Chandler & Hanks (1994) found evidence of the direct relationship between the founders’ entrepreneurial and managerial competencies and firm’s performance.

### Entrepreneurial Competencies and Firm Performance

Entrepreneurial competencies are closely associated with the firm’s performance and competitive capacity building (Man, 2001). It is also highly correlated with business growth and success (Begley & Boyd, 1987). Acquiring and leveraging entrepreneurial competencies are of key importance for those entrepreneurs who are willing to achieve high performance. Chaston (1997) pointed out that different competencies needed at different stages of business development whereas Man (2002) suggests that entrepreneurial competencies are more important during

the start-up phase, while managerial competencies are more significant at the growth stage. Roper (1998); Keats & Bracker (1987), argued that the lack of formal structural frameworks has led to uncertainty in the mechanism by which different entrepreneurial characteristics affect SME performance. Hence, it is necessary to make use of a sound theoretical model for examining the relationship between entrepreneurial competencies and firm performance.

### Conceptual Framework and Model

To conceptualize entrepreneurial competencies, at first it is important to define what is competence. A competence is simply the ability, which an individual requires to do an assigned task. In the words of Lau, Chan & Man (1999) competence is “A work related concept which refers to areas of work at which the person is competent”. Therefore, competent employees or individuals are those who meet the expectations of their employer. In management literature, “competencies” is used to describe the set of disparate skills managers require to perform their jobs up to full potentials. Competencies therefore constitute a cluster of related knowledge, attitudes, and

skills, which an individual acquires and uses together, to produce outstanding performance in any given area of responsibility (Feurer & Chaharbaghi, 1994).

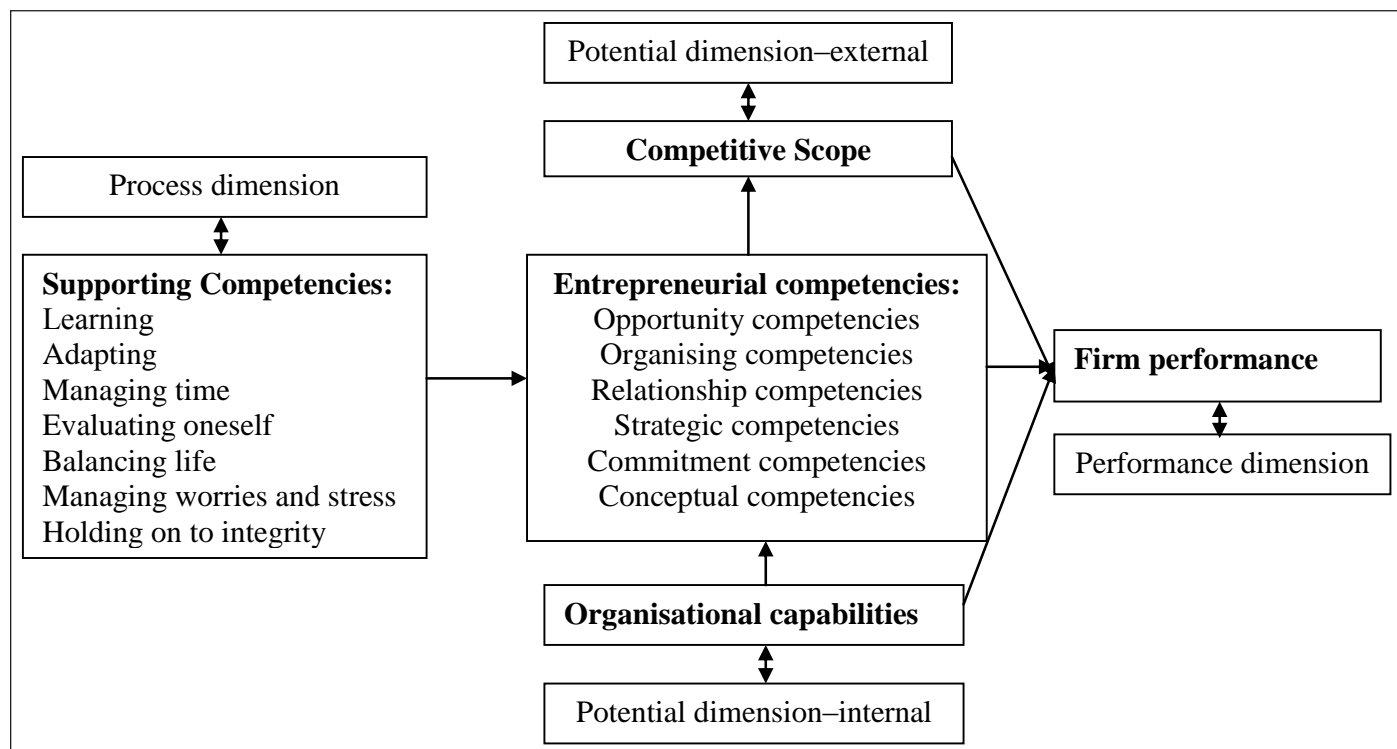
### Model of the Impacts of Entrepreneurial Competencies on Firm Performance

This research used the study of Thomas Wing Yan Man at the Hong Kong Polytechnic University, 2001 (Entrepreneurial competencies and the performance of small and medium enterprises in the Hong Kong services) as the theoretical framework to investigate the relationship between entrepreneurial competencies and firm performance on manufacturing SMEs in Khulna.

#### The model of SME competitiveness

In summarizing the prior studies and adapted the model of SME competitiveness (Man, 2001), six competency areas were incorporated to the model of relationship between entrepreneurial competencies and firm’s performance, these are shown in Table 1.

**Figure 1: Model of SME Competitiveness**



Source: Adopted from Man (2001)

**Table 1: Entrepreneurial Competencies**

<i>Entrepreneurial competencies</i>	<i>Behavioural focus</i>	<i>Preliminary Elements</i>
<b>Opportunity competencies</b>	Competencies related to recognising market opportunities through various means	Opportunity recognition Opportunity seeking, development
<b>Organising competencies</b>	Competencies related to the organisation of internal and external human, physical, financial and technological resources	Organising, Planning Controlling and Leading
<b>Relationship competencies</b>	Competencies related to person-to person or individual-to-group-based interactions	Communication, Relationship building, Networking
<b>Strategic competencies</b>	Competencies related to setting, evaluating and implementing the strategies of the firm	Visioning Strategic thinking Goal setting
<b>Commitment competencies</b>	Competencies that drive the entrepreneur to move ahead with the business	Committing, Having drive and taking, initiative
<b>Conceptual competencies</b>	Competencies related to different conceptual abilities which are reflected in the behaviours of the entrepreneur	Analysing, Problem solving and decision making, Innovating, Risk taking

Source: Adopted from Man (2001)

### Construct of Firm Performance

Firm performance is one of the dimensions of competitiveness. In works by Buckley *et al.* (1988), Kravis & Lipsey (1992), Feurer & Chaharbaghi (1994), there are some key findings in measuring performance for competitiveness. Competitive performance is usually measured by the business volume (including various profitability measures, sales, and outputs), efficiency (productivity, return on equity, net profit on turnover), business growth, and sustainable growth (duration, percentage of total revenues dedicated to independent research and development). In the work of Man (2001), six of these items were adopted for the 7-point scale including sales growth, return on sales, cash flow, return on investment, net profit, and growth in market share. These items represent a SMEs competitiveness performance in comparison with its competitors. After consulting the idea of expert and some entrepreneurs, three items that carry high weight in the comparison with the rivals were chosen for the 5-point Likert scale. They are sales growth, net profits, and growth in market share.

### SME

To determine sampling frame, SMEs were selected based on the following definitions. *Proposed definition by the Govt. of Bangladesh*: Small Enterprise has less

than 50 employees and/ or less than 15 million Taka in Fixed Capital Investment. Medium Enterprise has 51-99 employees and/ or Fixed Capital Investments between 1.5 and 100 million Taka. *Bangladesh Bank Regulations for Small and Medium Enterprises*: Private entity with less than 60 employees for small enterprise and less than 100 employees for medium enterprise in manufacturing sector. Committee for Economic Development (1974), which suggests that a firm is classified as small and medium if it meets two or more of the following criteria: management is independent (usually the manager is also the owner); capital is supplied and ownership is held by individual or small group; the area of operation is mainly local; the business is small when compared with the biggest unit in its field.

### Methodology

#### Research Design

This is a structured questionnaire based survey research. First, it explored the status of entrepreneurs' competence that the SME owners and managers have in the manufacturing industry in Khulna. Then it was identified whether there is any relationship between the competency areas and firm's performance through literature review. Then it was found feasible to conduct the study with the entrepreneurs in manufacturing industry.

## Questionnaire Development

A structured questionnaire was used for data collection which contains four parts including personal information, company information, entrepreneurial competencies, and firm's performance. The total number of questions is 37. In entrepreneurial competency section, five point Likert scale (strongly disagree to strongly agree) was used. There were 25 questions in this section and all of them were grouped in six competency areas namely opportunity, organising, relationship, strategic, commitment, and conceptual competency. For measuring the relative performance in comparison with the rivals, the respondents were asked to rate on a five-point Likert scale (where 1= Significantly lower, 2= Moderately lower, 3= About the same, 4=Moderately higher and 5= Significantly higher).

## Population and Sample

The population of the research is all the SME owners, managers or their representatives in manufacturing industry in Khulna city. The sample size was 100. Convenience sampling technique was used to select the sample.

## Data Collection

Both primary and secondary data were used to prepare the report. Primary data were collected through surveying the 100 respondents. For literature review, conceptual framework and questionnaire development, secondary data from various publications, magazines, and Internet were used.

## Analysis and Findings

### Sample Profile

This part gives an overview on the descriptive characteristics of the sample, so as to present understanding on the entrepreneurs and enterprises such as position, age, gender, level of education, number of employees, and age of enterprises.

## Position of the Respondents

The majority of respondents (61%) were manager in the enterprises. They are involved in the day-to-day executive operation of the firms and participate in the strategic decision making with owner and CEO. These managers do have the information and knowledge about the overall function of their firms, majority of them in the sample contribute to richness and accuracy of the data and information sought for this research. 37% of them were MD (Managing Director). They are direct owner of the business. The rest (2%) held the position of operator of the firm. Yet they have all the necessary information regarding the business.

## Gender

Women entrepreneurs are rare in manufacturing industry especially in Khulna city. In our country, women are less common in entrepreneurship. It is even far less common in Khulna city. Currently they are not encouraged enough in this field. The study shows that the ratio of male to female among these owner/managers is 98% to 2% which reflected the big deviation among the two genders engaged in entrepreneurial activities.

## Education Level

The majority of respondents attained high school education. Very few of them hold master degree. It means people with higher degree are less interested in entrepreneurship, especially in manufacturing industry.

## Age of Business

Most of the surveyed SMEs (59%) are more than 10 years old. Their old age reflects the fact that the manufacturing industries are the not new in Khulna. So the respondents are more experienced about the business. There are 7% firms with less than 3 years age. 34% of the firms have 3 to 10 years of operation.

## Number of Employees

The survey was carried out with employees of 10 to 100. The average number of employees in a manufacturing

industry is 35 with the smallest one having 10 employees and the largest one having 97 employees. The result shows 76% of the firms have 10 to 40 employees.

### **Type of Ownership**

There were four types of ownership in the questionnaire namely private enterprise, cooperative enterprise, partnership company, and joint stock company. Almost all the firms (96%) are private enterprise and rest 4% are joint stock companies. There is no partnership or cooperative enterprise in the surveyed SMEs.

### **Entrepreneurial Competency Analysis**

This study used a five-point Likert scale to measure the entrepreneurial competencies. "Strongly disagree" was assigned to 1 point, which meant the very weak performance of competencies. 5 point was the highest score in measuring entrepreneurial competencies, meaning the very good performance of competencies.

#### **Understand what people want**

Here, mode is 4, which mean most of the respondents (44%) agree with the statement that they can understand what people want. The total percentage of agree and strongly agree is 69%. It is quite a good percentage who can understand the need of people. Also certain percentage (23%) of entrepreneurs disagree with the statement, that's why the standard deviation is 1.281, that means there is lack of consistency among the answers of respondents and they are widely dispersed from mean. Actually the entrepreneurs have said that, they can understand what people want, but they cannot satisfy the customers always. They have to consider the cost, number, ability, and availability of employees. So they need to develop the products according to their ability.

#### **Find Out the Needs That are Not Fulfilled by Other Firms**

Here mode is 4, that means highest percentage of respondents (36%) believe that they can find out the needs that are not fulfilled yet. Standard deviation is 1.336, so the answers are not consistent. Some of them are agreed

with it and some of them feel that they cannot find out the unfulfilled needs. Those who cannot identify unfulfilled needs conduct their business based on current level of demand. They don't have deep understanding about what people may want, nor do they consider acquiring new customers. They just concentrate on holding their existing customers.

#### **Able to Predict and Take the Opportunities in Right Time**

The results shows that higher percentage of respondents (62%) is disagree and neutral about their ability to predict and take opportunities in right time. Only 26% of them (total of agree and strongly agree) have positive feelings about the statement. Standard deviation is also high which indicates the inconsistent results. Most of the entrepreneurs in manufacturing industry were not highly educated, nor do they have professional training on entrepreneurship. They don't feel that there are many opportunities in manufacturing industry. So they don't bother about predicting and taking opportunities in right time.

#### **Can Manage and Arrange Different Resources like Physical (Land, Building), Financial (Money, Deposit), Human (Staffs), And Information**

Most of the entrepreneurs can manage and arrange different resources for their firms. Here agreed and strongly agreed percentage is 79. Very few of them (15%) cannot manage the resources. Standard deviation is 0.9 which indicates somewhat consistency than previous statements. The result shows that entrepreneurs are not strongly confident about managing their resources.

#### **Can Plan The Daily Routine Works As well As Short Term Operations of Business**

The result shows that almost all of the respondents (93%) can plan routine works as well as short term operation of business. Very insignificant percentage (7%) thinks that they are unable to plan the operation. The standard deviation is 0.875 which indicates consistent results of the respondents. So it can be said that, entrepreneurs in manufacturing industry are good to plan their works, so there is little chance of their failure.

### **Able to Maintain Comfortable Working Environment for the Employees**

The respondents show somewhat negative feelings about their ability to maintain comfortable working environment for their employees. Some of them are strongly disagreed with it, that means they face dilemmas to maintain pleasant working environment. Sometime it also hampers their operations and customers are also affected by it. Here mode is 2 that means higher portion of respondents (47%) are disagreed with the statement. 31% are agreed and 6% are strongly agreed with it. Standard deviation is slightly more than 1, so the answers are slightly inconsistent.

### **Link Various Tasks of Business through Coordination**

The result shows very consistent answers among the respondents. Almost all have positive opinion about linking various tasks of business through coordination. Only 6% of them are neutral and none of them are disagreed or strongly disagreed. It means the entrepreneurs particularly in manufacturing industry have enough ability to link the task according to their opinion.

### **Effective Leader of Subordinates**

This statement determines the entrepreneurs' feelings about their leadership quality. The result shows that 37% people are agreed that they are effective leader of subordinates, whereas 36% have neutral opinion. The answers are also consistent among the respondents. But they are not strongly confident about their feeling that is reflected by the percentage of strongly agrees (6%). Yet it is very positive thing that none of them strongly think that they are not effective leader.

### **Easily Interact with Others**

Among the respondents, 66% think that they can easily interact with others, whereas only 13% think that they cannot easily interact with others. But the answers are not that much consistent as the standard deviation is 0.911. In modern world of technology, the entrepreneurs should not face any problem to interact with others. But they are not that much updated with modern technology due to shortage of capital, lack of education and skilled manpower.

### **Negotiate with Other**

The entrepreneurs have positive opinion about their ability to negotiate with others and the total percentage is 82%. But there is distance between mode and mean, and standard deviation is 0.953. So the respondents have mixed feelings about the statement. It is a good sign that majority of them think that they can negotiate with others that is helpful for their business.

### **Determine Long-Term Issues, Problems and Opportunities**

The entrepreneurs in manufacturing industry show negative feelings about determining long-term issues, problems, and opportunities. Only 11% of them have positive opinion about the statement. On the other hand, a big percentage of people (27%) have neutral opinion about it. The mode is 2 and standard deviation is 0.903 which indicates somewhat consistent results.

### **Capable Enough to Respond to Changes**

For this statement, the mean is 4.51 that mean most of the respondents are agreed with it. Majority of the respondents (67%) said they are strongly agreed that they are capable enough to respond to changes. Only 6% think that they are not capable to cope with changes. Standard deviation shows somewhat inconsistent result. Those who are disagreed with the statement operate very small business. They need not to be serious about changes. There is little scope for changes in their business.

### **Link Short Term Task with Long Term Direction**

Although the mode is 4 for this statement, a significant percentage of people (40%) are disagreed with their ability to linking short term task with long term direction. Only 5% are strongly agreed with it. The standard deviation is more than 1, which indicates inconsistency among the answers of the respondents. The result shows the answers follow normal distribution as in the extreme cases there are 10 and 5.

### **Able to Maintain Extremely Strong Internal Drive to Run the Business**

Almost all of the respondents (96%) show positive mentality towards their ability to maintain extremely

strong internal drive to run the business. Only 2% are disagreed and 2% are neutral. None of them are strongly disagreed with it. It is a positive sign for the entrepreneurs that anyhow they want to continue their business and it may be one of the reasons for their success. The standard deviation is 0.623 that means the answers are consistent.

### **Committed to Long-Term Business Goal**

Like the previous statement, this statement also shows consistency of answers among the respondents. Here mode is 5 and 78% are strongly agreed. No entrepreneurs are strongly disagreed and 4% are disagreed which is very insignificant. Though some of the entrepreneurs are not able to predict opportunity and long term issues, they are very strict about what goal they set for business. This also shows their dedication in business.

### **Apply Ideas, Issues and Observations to Alternative Contexts**

This statement shows different result compared to previous statements. Here mode is 1 and 42% are strongly disagreed that they can apply ideas, issues and observations to alternative contexts. But the answers are widely dispersed as the standard deviation is 1.258; that means there is variation among their answers. The result shows that what the entrepreneurs learn from different sources and experience, they cannot apply it to alternative context. This is a negative scenario for them. Some of them have said that if they are provided enough training, they may overcome this barriers and this will have a positive impact on their business.

### **Possible to Learn from Different Sources about Business**

Most of the respondents (89%) believe that it is possible to learn from different sources about business. That means they learn from different sources but they cannot apply it in alternative context. A small percentage of people (4%) are strongly disagreed with it and they operate business on a small basis. They have limited interaction with other people. They have some fixed customers and suppliers. That's why they scope of learning is limited. Mean and mode are almost same. The answers are consistent as the standard deviation is 0.805.

### **Keep Business Up To Date**

Most of the respondents (60%) say that they can keep their business up to date. Only 8% can't keep it and none is strongly disagreed. But 13% are indifferent about it. Overall it is positive opinion from the respondents. The variation of answers is also low as the standard deviation is 0.798. Some entrepreneurs think that what they are doing is very much up to date. They are not aware about new fashion, taste, and demand of people. So they are unconscious about updating their business.

### **Apply Learned Skills and Knowledge into Actual Practices**

Most of the entrepreneurs (90%) think that they can apply learned skills and knowledge into actual practices. That means whatever they learned from education or training, they apply it in their business successfully. In reality, most of the entrepreneurs in manufacturing industry do not have formal education in entrepreneurship. So they do not have learned skill and knowledge in this field. So it may be effective for them if they get enough training and if entrepreneurial courses are included in education system.

### **Ready to Take Reasonable Job-Related Risks**

Here 89% of the respondents are ready to take reasonable job-related risks according to their opinion. Mode is 5, so majority (69%) is strongly agreed with the statement. This result supports the definition of entrepreneurs. Only 5% do not support the statement. Standard deviation shows relatively consistent result of the study.

### **Have the Ability to Look at Old Problems in New Ways**

The result shows negative outlook of respondents about their ability to look at old problems in new ways. Here mode is 2; that is higher percentage of people (53%) are disagreed with the statement, among them 9% are strongly disagreed. A significant percentage of people (29%) are neutral and only 18% are agreed and strongly agreed with the statement. Standard deviation shows somewhat inconsistency among the answers, as it is close to 1.

### Able to Explore New Ideas

Almost half of the respondents (47%) are able to explore new ideas according to their viewpoint. But there is variation in their opinion as the statistics suggests it, because a significant portion of the respondents (37%) is disagreed and strongly disagreed with the statement.

### Manage Time to Effectively Operate the Business

Most of the respondents (56%) feel that they have limitation to manage their time to effectively operate the business. On the other hand, total 40% respondents can manage time. So there is lack of consistency among the answers of the entrepreneurs. So a big percentage of people are in a dilemma to balance their family life and business. They have to sacrifice their personal time for business. Sometimes it hampers their daily life. In fact, they cannot maintain a routine life for the sake of business.

### Assign the Tasks of Business to the Subordinates Correctly

Almost all of the entrepreneurs (93%) are confident about the correctness of assigning the tasks of business to the subordinates. It is a good sign for the entrepreneurs of manufacturing industry that they think they can assign the tasks to their subordinates correctly and there is consistency among their answers.

### Maintain Long Term Relationship with Others

All the respondents have said that they can maintain long term relationship with others. 85% are strongly agreed and 15% are agreed with the statement and there is no disagreement with it. Standard deviation is 0.359 which

is close to 0. This is the highest consistent answer among the respondents.

### Firm Performance

To analyze firm performance, three variables that carry high weight in the comparison with the rivals were chosen for the 5- point Likert scale. They are sales growth, net profits, and growth in market share. The entrepreneurs were asked to indicate the growth of their firm relative to their major competitors according to these three variables. In this part, the entrepreneurs were asked for the comparison between their firm and majors competitors. The means of sales growth, net profits, and growth in market share were similar one to another, at the average level, ranked from 3.01 to 3.60. In fact, the enterprises in the sample are small sized. So the growth in market share was not significantly much enough to affect to the whole market.

### Correlation

This study aimed to investigate the relationships between the entrepreneurial competencies and firm performance in order to give the managers of SMEs in the field of manufacturing industry in Bangladesh a better understandings on their competencies and the their impact on firm performance.

Table 2 shows correlation among competencies and sales growth. The correlation analysis using Spearman's rho coefficient has shown that there are significant level of correlations among variables. A medium significant level of correlation ranked from 0.247 to 0.543 was found between competency area and firm performance one. From the table, it can be said that, the better the entrepreneurs

**Table 2: Correlation Among Competencies and Firm Performance**

	1	2	3	4	5	6	7
1.Firmperformance	1.000						
2.OpportunityCompetency	.247*	1.000					
3.OrganisingCompetency	.429*	.111	1.000				
4.RelationshipCompetency	.325*	.022*	.063	1.000			
5.StrategicCompetency	.543*	.018	.065*	.128	1.000		
6.CommitmentCompetency	.267	.059	.211*	.138	.014	1.000	
7.ConceptualCompetency	.412	.199*	.127	.119*	.051	.098*	1.000

\*. Correlation is significant at the 0.05 level (2-tailed).

were in the opportunity, organising, relationship, and strategic competencies, the more successful is the firm's performance. The highest level of correlation is found between firm performance and strategic competency. The variables those are included under strategic competencies are understand what people want, find out unfulfilled need, link tasks through coordination, determine long term issue, respond to change and explore new ideas. The entrepreneurs gave positive opinion for most of the variables. That means they think that they have those abilities that are needed for setting, evaluating and implementing the strategies of the firm. So obviously it has positive impact on the performance of the firm. The second highest correlation is found between organising competency and firm performance. The variables those are included in organising competency are arrange and manage resources, plan short term operation, maintain comfortable environment for employees, and assign tasks of subordinates correctly.

These variables produce positive outcome for business if the entrepreneurs can efficiently do these. They think that they have ability to perform those tasks. So they have organising competency and that has positive influence on business. Under relationship competency there are interacting and negotiating with others and maintaining long term relationship with them. The entrepreneurs have said that they need to interact frequently with other firms and customers and without it, they cannot grow their business. Though some small businesses have limited interaction with others, they consider relationship building has positive influence on firm performance. Ability to predict and take opportunity and look at old problems in new ways is included under opportunity competency. Though the manufacturing industry has limited opportunity, predicting it in right time affects the performance of firms. Some of the entrepreneurs have said that they perform very routine work and there is little chance of innovation. But still the result says that if they improve their opportunity competency, they can increase their firms' performance.

The rest of the variables are included under commitment and conceptual competency. These competencies have no significant impact on firm performance. According to the result, there is positive relationship between commitment and conceptual competency with firm performance, but they are not significant because of high level of p-value. Throughout the study, it was found that

the entrepreneurs were less concerned about conceptual and commitment competencies and without these, they can perform better with other competencies. So these competencies are not significant for the firm performance. Some of the surveyed entrepreneurs recommended for training facility so that they can enhance their level of competency. So it is obvious that they believe about the impact of competencies on their firm performance. Actually the entrepreneurs in manufacturing industry focus on short term operation of their business instead of long term. But they need to be more oriented for long term performance of the firm. They are not aware about the necessity of entrepreneurial competencies and their impact on firm's performance. Moreover they are not familiar with various terminologies used in business. So they needed interpretation to answer the questions. Most of the surveyed SME follow niche marketing and they perform their operation within a very limited area. Their level of education was not also very high. But still most of them have shown good performance in competency area without conscious knowledge about it. It proves that without sufficient level of competency, no one can be an entrepreneur and can operate the business for long run.

## Conclusion

This study provides the better understanding on the owners/managers in term of their profile and the competencies needed in carrying out their business in the field of manufacturing industry in Khulna. In the study, the owners or managers in manufacturing industry SMEs in Khulna were asked for determining their level of performance in 6 competency areas including opportunity, organising, relationship, strategic, commitment, and conceptual competencies. The result indicated that all the competencies have positive relationship with the firm performance that means all the competencies are required by entrepreneurs of manufacturing industry. If the competencies are increased, then the firm's performance will be increased. The highest level of correlation was found between strategic competency and firm's performance. Opportunity, organising, relationship, and strategic competencies are linearly correlated with firm's performance, as they have level of significance less than 0.05. Other two competency areas i.e. commitment and conceptual competencies are not significant for firm's performance, which seem improvable by training and experiences. The organising

and strategic competencies affected critically the firm performance. Therefore, enhancing the organising and strategic competencies of entrepreneurs should be an efficient measure to get better firm performance. Meanwhile, the high level of p value for the relationship between the commitment and conceptual competencies of the entrepreneurs and to the firm's performance indicated that changing of these entrepreneurial competencies had no great impact on the firm's performance in the context of manufacturing industry in Khulna at the moment of conducting this research. But based on the literature review, it is possible to confirm that these entrepreneurial competencies would affect the long-term performance of the firm. Hence, the SMEs should take account of the all the competencies of the entrepreneurs if they want to enhance their long term performance. In conclusion, it can be said that, the entrepreneurs are performing well to run their business without clear and conscious knowledge about entrepreneurial competencies and their impact on firm's performance, because most of them don't have high degree and none of them have formal learning on entrepreneurship course. Yet the study shows positive relationship among the competencies and firm's performance. It proves that all competencies are required by entrepreneurs for enhancing their firms' performance.

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