Entrepreneurial Competencies and Networks: A Qualitative Study

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ABSTRACT
Achieving success is a highly critical issue for the small size construction firms in order to survive and grow in competitive and hostile business environments. There has been little research directed toward understanding how small and medium enterprises specifically the construction industry could systematically achieve entrepreneurial success with a synergy of competency and network. The objective of this research was to analyze the effects of entrepreneurial competency and entrepreneurial networks on small sized construction firms in Malaysia. Through in-depth interviews, salient dimensions of the competencies emerged. Entrepreneurial competency can be categorized as personal competency, strategic management competency, learning competency, opportunity competency, social network and inter-organization network as main themes. In addition, social and inter-organizational networks pursue to a better success as compared to firms that own business networks. Therefore this creates a new contribution by establishing a framework on research concepts and proposes a model of integration between these constructs and their relationships.

Keywords: Entrepreneurial Competencies, Entrepreneurial Networks, Construction Firms, Entrepreneurship
JEL Classifications: L26, L20

1. INTRODUCTION
Small and medium enterprises (SMEs) have benefit from the interests in the field of management due to their strategic role in promoting a nation’s economy by providing employment opportunities (Okpara and Wynn, 2007). These sectors of economic activities are seen not only as a tool in terms of social, employment and political stability but also by enhancing their innovativeness and competitiveness (Wennekers and Thurik, 1999).

The higher need in comprehending organizational learning among small firms and individuals are rooted from the capacity of SMEs in being the national and regional engines of growth in Asia, North America and Europe (Dutta and Crossan, 2005; Sadler-Smith et al., 2000). Storey (1994) noted that SMEs are portrayed as a constitution of a large group of enterprises in sectors around the world. In this regard, these firms must not be undervalued in any other way (Bygrave, 1994; Timmons, 1994).

The unstable economic environment forces small sized contractors to face severe challenges which are highly dependent of their capacity to sustain and grow. The construction SMEs whom obtained the essential competencies are the ones that are able to endure with the turbulent changes of the global business domain. Abubakar (1993) attempted to examine the factors affecting the growth of the construction companies in Malaysia and had identified three elements which are: Technical expertise, profitable company management and good financial backing. Numerous studies studied on critical factors that influence the increasing number of failure among small sized contractors.

In today’s business environments, establishing networks competencies are the core of entrepreneurial activities and critical to the survival and growth of businesses. Network competency is critical to the firm’s transactions costs and the development of its credibility with its “community” (Carney,
Specifically, the objective of this research is to evaluate the contribution of both entrepreneurial competencies and networking towards the success of small sized construction firms.

3. LITERATURE REVIEW

In this entrepreneurial age, today's world small businesses and specifically new startups businesses are seen more than ever as vehicles for entrepreneurship, contributing to not just employments, political and social stability but also innovation and competitive advantages (Wennekers and Thurik, 1999). Recent econometric evidence suggests that entrepreneurship is vital determinant of economic growth (Audretsch and Thurik, 2000; Audretsch et al., 2002; Carree and Thurik, 1999; Carree et al., 2002; Audretsch et al., 2001). Confronted with uncertainties in the world economic, unemployment rate, job creation, economic growth, and international competitive in the market place, governments and the policy makers acted to this new evidence to promote the creation of new businesses.

According to Gartner (1988), entrepreneurs and business success are completely interlinked with business growth dependent on their passion; they drive for excellence as well as being consistently innovative and creative. In addition, an entrepreneur is required to formulate the business model, financial, networks, and adapt risk-taking strategies into their business.

Numerous empirical and theoretical studies recognize three most common psychological characteristics in descriptions of the entrepreneur: Risk-taking propensity (Brockhaus, 1980), achievement motivation (McClelland, 1961) and locus of control (Brockhaus, 1980; Brockhaus and Horwitz, 1986). An entrepreneur who owns the elements to be a strategic leader which includes the knowledge, skills and abilities will influence their success (Markman, 2007). This is carried out by formulating strategy, aware of the opportunities and transforming it into a business activity (Beaver and Jennings, 2005).

In a study conducted by Gurol and Atsan (2006), they had identified six personality characteristics that relate to entrepreneurship, which are; (1) the need for achievement, (2) locus of control, (3) risk taking propensity, (4) tolerance for ambiguity, (5) innovativeness, and (6) self-confidence. Other studies found that people are motivated due to the following factors; (1) need for achievement, (2) risk taking, (3) tolerance for ambiguity, (4) locus of control, (5) self-efficacy, and (6) goal setting as a part of the entrepreneurial process.

In essence, the personal attributes of an entrepreneur plays an important role in determining a serious commitment in their business. Man and Lau (2005) had carried out an in-depth analysis on entrepreneurial competencies that consists of components that are from the background of an entrepreneur, such as traits, personality, attitudes and components derived from practical learning (skills, knowledge, experience). This will allow them to recognize opportunities to become profits (Stokes, 2006). According to Rauch and Frese (2007), traits of an entrepreneur include need for achievement, locus of control, risk taking propensity, tolerance for ambiguity, innovativeness behaviour and self-efficacy.

Once the entrepreneur makes a decision, he/she has to take full responsibility and as well as the risks associated with it. Several other empirical evidences support the idea that personalities of entrepreneurs do give impact to the growth of SMEs (Krauss et al., 2005; Rauch and Frese 2007).

According to Jack et al. (2010), networks could be in a form between markets and hierarchies, as well as an entirely new form of organization. It involves potential network partners such as family members, friends, business partners, other founders, but also contact persons at institutions such as universities, large companies, and authorities (Jack et al., 2010). A considerable amount of literature has been published on business networks as a determinant of business growth both theoretical (Nohria and Eccles, 1992; Staber, 1996) and empirical aspects (Coviello and Munro, 1995; 1997; Yeung, 1998; Rauch and Trindade, 2002). Network ties are considered tremendously beneficial as it improves the capability of entrepreneurs in key entrepreneurial processes, such as spotting opportunities, acquiring resources and gaining legitimacy (Elfring and Hulsink, 2003).

Anderson and Park (2007) argue that entrepreneurship is largely conducted among networks, social relation and social interaction. The more vary their contacts of network, the better position they have to gather valuable information for their growth and survival (Aldrich, 1989; Burt, 1982; Lee and Jones, 2008; Low and MacMillan, 1988; Robinson and Stubberud, 2009; Zhao and Aram, 1995). The application of networks is viewed as tapping into an information channel to venture into more opportunities as well as giving access to knowledge about market, ways to serve these markets and ways to deal with customers (Elfring and Hulsink, 2003).

There is an issue of disharmony among researchers pertaining to the dependence of small firms on their supporting networks (Donckels and Lambrecht, 1995; Greve, 1995; ILO, 1995; Hansen, 1995; Sarder et al., 1997), and the social networks (Aldrich, 1989; Chu, 1996; Johannisson, 1988; Ostgaard and Birley, 1996; Veciana and Clarke, 1996). According to Smeltzer and Fann (1989), a diversity of ideas, opinions and other resources are more available by people that are not familiar with rather than with networks that comprises of family and friends. This enables them to be more opportunity-driven and able to identify potential resources more effectively (Cromie et al., 1994; Johannisson, 1988; Sadler and Chetty, 2000; Szarka, 1990; Weick, 1991).
Business success is a multidimensional phenomenon. It includes multiple criteria of a financial and non-financial character (Crook et al., 2011; Dej, 2010; Gorgievski et al., 2011; Orser and Dyke, 2009). Success is assessed on organizational performance indicators such as company survival, profits, employee and sales growth, market share or return on investment (Baron, 2007; Chandler and Hanks, 1993). These assessments are collected from objective accounting and financial market information (Richard et al., 2009). On the other hand, performance indicators measures their achievement qualitatively, which are indicated through their knowledge and business experience, the ability to offer quality products and services, the capacity to develop new products and processes, the ability to manage and work in groups, labour productivity, and corporate responsibility to the environment. Firm growth is relatively similar to success (Baum et al., 2001; Covic and Slevin, 1997; Low and MacMillan, 1988).

4. METHODOLOGY

In this study, interviews are chosen as they are able to provide depth to a particular issue. The respondents in this qualitative study are the owners of the small firms and they are capable of answering the interview questions accurately. Data saturation is the point in which no more interviews are needed because no further new or relevant information is likely to emerge from additional respondents (Corbin and Strauss, 2008). In this study, the researcher adapts these particular points in deciding the number of respondents. The respondents for the in-depth interviews are selected during the data collection in the quantitative phase. A total of six owners of the firms were willing to participate in the in-depth interview. To provide a complete picture of the construction industry in Malaysia, interviews were also conducted with CIDB and a representative from Muslim Construction Association of Malaysia (Table 1).

The data analysis in the qualitative phase involves “systematically searching and arranging interview transcripts, field notes and other materials that the researcher accumulates to enable you to come up with findings” (Bogdan and Biklen, 2007). There are several steps involved such as transcriptions, coding, analysis and interpretation.

### Table 1: Respondents’ details

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
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<td>Small size construction firms</td>
<td>6</td>
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<td>Government agency</td>
<td>1</td>
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<tr>
<td>Association of contractor</td>
<td>1</td>
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<td>Total</td>
<td>8</td>
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</table>

The semi-structured interview was digitally recorded and transcribed using the denaturalized convention (MacLean et al., 2004). The emphasis on informational content is particularly relevant to the study, as it is concerned with “the meanings and perceptions created and shared during the conversation” (Oliver et al., 2005). It is necessary to check the translations to avoid potential inaccuracies and errors. The participants were contacted about the contents of the interviews via telephone to ensure they give informed consent. Field notes data were taken during the interviews and were typed using a word processor. Once the transcription was completed, the researcher proceeded with coding.

5. RESULTS

5.1. Minor Findings: Demographic Profile of Participants

Based on the criteria of selecting knowledgeable key informants for the in-depth interview, rigorous attempts were made to select respondents in G1, G2 and G3 category of the construction firms. The owner or the entrepreneur in each firm is eligible and has consented to participate in the in-depth interview. Two representatives from organizations that are related to the construction industry are also included. All the interviews are recorded and each interview took about 90 min to complete. In order to ensure richness of the qualitative data, respondents’ years of experience, highest education qualification, firm grade, job position, are also recorded. The results are summarized in Table 2.

These findings were emerged from the interviews conducted to answer the research question; how does entrepreneurial competencies and network contribute to the success of the small sized construction firms?

The open-ended views by the respondents on the issues they stressed, highlighted and affirmed, demonstrates a deeper understanding on their first hand experiences in handling their competencies and networking to strive for greater success in their businesses. The influential factors and the magnitude of their influences are discussed in the following sub-section and matrices are developed. Based on the in depth interviews that had been conducted, the themes emerged are as follows; (1) personal, (2) strategic management (3) learning, (4) opportunity (5) social network and (6) inter-organization network.

More specifically, Table 3 depicts the themes and sub-themes derived from these eight interviews.
Table 3: Overall emerging themes and sub-themes

<table>
<thead>
<tr>
<th>Theme</th>
<th>Sub-Theme</th>
<th>Supporting details by interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>Relationships, conceptual,</td>
<td>Relationships – teams, familism, close friends</td>
</tr>
<tr>
<td></td>
<td>commitment, passion</td>
<td>Conceptual – honesty, integrity, ethical, keep promise, trustworthy,</td>
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<td>dut (initiative, taqwa, strive, pray)</td>
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<td></td>
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<td>Passion – internal drive (desire, optimistic, endurance, perseverance)</td>
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<td>Commitment – hardworking, hand on, self-esteem, patience, intelligence</td>
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<td></td>
<td>Seeking knowledge, non-technical,</td>
<td>Seeking knowledge – industrial experience (training, set back/failure, activity based costing), marketing (future trend, forecast)</td>
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<tr>
<td></td>
<td>technical</td>
<td>Technical – specifications, activities, CPM, skills, knowledge</td>
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<td>Non-technical – Marketing PR, management (resources, project management), financial (cash flow, budgets)</td>
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<tr>
<td>Opportunity</td>
<td>Risk management, feasibility study</td>
<td>Risk management – assets, debts, payments</td>
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<tr>
<td>Strategic management</td>
<td>Strategic implementation, Strategic</td>
<td>Strategic implementation – SWOT analysis, resources, set targets, act swiftly, create competitive advantage, organizing and leading (teamwork, high performance, motivation, good etiquette)</td>
</tr>
<tr>
<td></td>
<td>business plans</td>
<td>Strategic business plans – vision, mission, process and systems, business model</td>
</tr>
<tr>
<td>Social network</td>
<td>Close friends, mentors, family</td>
<td>Close friends – non businessmen, businessmen</td>
</tr>
<tr>
<td></td>
<td>members, government/private, contracts</td>
<td>Mentors – successful businessmen</td>
</tr>
<tr>
<td>Inter-organizational</td>
<td>Sub-contractors, suppliers,</td>
<td>Subcontractor – electrical and mechanical, buildings and structures</td>
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<tr>
<td>network</td>
<td>financial institutions, contractor</td>
<td>Suppliers – systems, building materials</td>
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<td>association, CIDB</td>
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</table>

All the dimensions of competency except the social responsibility are significant to the business success. F1 described other attributes by saying.

“Successful entrepreneurs are highly motivated in what they do. Typically, they are self-starters and appear internally driven to achieve their own self-imposed standards. Once he has set his mind, he manages the firm through thick and thin.”

As a Muslim F1 strongly prescribed the teachings of ISLAM by what he termed as DUIT. He said.

“Besides that as a Muslim, I strongly believe in what our guru always say DUIT, D= Doa (pray), U=Usaha (strive), I= Istiqamah (perseverance) and T=Tawakal (Trust in ALLAH).”

Parallel to comments made by F1; F2 also has the same arguments. He referred to his personal business endeavour and emphasized that an entrepreneur must have the strong desire as a pre requisite to be successful in any business venture.

As words of advice to the aspiring entrepreneurs, F6 summed his explanation by saying.

“I came to a conclusion that passion is the very essence of entrepreneurship. Commitment, confidence, honesty, hardworking, knowledgeable, open minded, ability to plan and emotionally stable at all times are the entrepreneur’s net values.”

In the case of networking, all interviewees also agree that business networking does not contribute to the success of constructions firms. However, the social networking and inter-organizational networking are significant to the business success. Supplementary to this, each theme consists of sub-themes according to each variable.

All participants highlighted the importance of networking and contacts that influence toward successful ventures. Entrepreneurs normally established contacts and networking with family members, friends, suppliers, bankers, consultants and various officers in the government and private sectors. Family members and close friends normally give moral supports and the financial supports. F1 further defines network as:

“Networks and contacts include family members, friends, suppliers, consultants, architects, bankers and sub-contractors. In my case, I need support emotionally and morally from my family members and friends. They are the one who I always consult, seek ideas and opinions.”

F3 commented by saying;

“Networking is important in the construction industry and surely, entrepreneurs cannot work in isolation. I strongly believe that through strong networks, an entrepreneur get access to knowledge, information, business opportunities and resources. A successful project implementation is very much dependent on the networks.”

In situations when entrepreneurs have problems in managing positive cash flows, not enough initial capital or delay payments from clients, entrepreneurs will seek financial assistance from family members and close friends. The “soft loans” acts as a stop gap measure to ensure continuity of the project implementation. The majority of the contractors identified relationships with the sub-contractors as other type of networking. However, there are also participants who revealed that do not rely on these financial institutions. Rather, their projects are self-financing or by mean of soft loan from family members and close associates. This may be the case where the initial capital of the project is small.
They do not need financing from banks or other financial institutions. Another reason for this is that the project life cycle is short. If the contract amount is small, project can be completed <1 month. Once the firm submitted the invoice for payment, payment usually will be paid within a month. Thus, there is no point for them to apply for financing from banks or any financial institution, where the process itself will take 1 month.

On the issue of funding, F3 revealed that his firm used his own resource. He said;

“So far our projects are funded through our own resources. This is due to the facts that each of the jobs is value about RM50, 000.00 and it is considered a fast track project. The completion time is 2-3 weeks and payment is due within 30 days. So far the company manages to maintain a positive cash flow. But when need arises, where the value of the project exceeds RM 300,000.00, and we sought financial help from family members or close friends.”

Normally, certain specialized jobs need to be out-sourced to the sub-contractors. The sub-contractor has the skills, capability and expertise in a particular trade. Good working relationships with these sub-contractors will benefit the entrepreneurs and provides a competitive advantage to the firms. The entrepreneurs and the sub-contractors formed strategic alliances and they work together as a team. Some firms have established that kind of relationships for more than 6 years. Once the entrepreneur has recognizes a business opportunity, the entrepreneurs and the sub-contractors will carry a feasibility study. They will conduct the costs and benefits analysis, their strengths and weaknesses and potential competitors.

Based on their analysis, they put forward the best price which is competitive in order to increase their chances of getting the jobs. Another important form of contact and networking they spoke about are networking with Consulting Engineers, Quality Surveyor and Architects. This type of networking provides the entrepreneur with some forms of expert advices. The expert advices may be in the form of technical, pricing or design. An entrepreneur is not an expert of everything. He needs advices from these experts group of people.

One of the participants highlighted the importance of inspiring entrepreneur to keep close and special relationship with successful entrepreneur as his mentor. It is about a relationship of learning, sharing experience, dialogue, and challenge. Entrepreneur must also keep and maintains his close contact and networking with key officers in charge in the government departments or in the private sectors.

Networking with banks and other financial institutions is also critical when dealing with project financing. There are also entrepreneurs who used the factoring facilities. SME factor is one example quoted by the participant which provides the factoring facility. However for G3 Company, since their contract amount is bigger, they sometimes need financing assistance from banks. Hence, entrepreneurs should maintain networking with banks for future needs. However, it is quite surprising to note that, none of the participants mentioned about establishing a business networking with another construction firms. This means that business networking with fellow construction firms does not exist and deems not important and risky. This could be due to the competitive nature of the business. Since the construction business is tough and challenging, companies are competing to outdo each other. The competing firms used their strengths and competitive advantages to compete and put forward their best proposals to the potential clients. Construction firms must also be involved in competitors’ analysis in order to identify their potential rivals.

Since the firms are looking at the same opportunity and jobs, secrecy and confidentiality are of importance. In summary, construction firms do not collaborate and they do not trust one another (Table 4).

6. DISCUSSION

It is revealed from the above study that personal, strategic, learning, strategic, social and inter-organizational competencies influence entrepreneurial success of the small size construction firms. The level of effects of entrepreneurial competencies as expressed by the participants during the in depth interviews as a summary was shown in Table 5.

The sub-themes of passion, commitment, relationship and conceptual are the underlying dimensions under personal competency. Seeking knowledge, technical and non-technical competencies are the underlying dimensions under learning competency. In fact the non-technical competency is a new emerging sub-theme during the process. Feasibility study and risk management competency are underlying dimensions under opportunity competency. These two sub-themes emerged during the interviews. Strategic business plans and organizing and leading are the underlying dimensions under the strategic management competency. The strategic business plans is a new emerging sub-theme during the process. Social and inter-organizational competencies are significant to the entrepreneurial success which is in line with the quantitative finding. Business network is not significant and does not contribute to the entrepreneurial success.

7. CONCLUSIONS

Achieving success is a highly critical issue for the small size construction firms in order to survive and grow in competitive

<table>
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<tr>
<th>Theme</th>
<th>Sub-theme</th>
<th>Details of sub-theme</th>
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<tr>
<td>Social network</td>
<td>Close friends, mentors, family members, government/private, contracts</td>
<td>Close friends – non businessmen, businessmen</td>
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<td>Inter-organizational network</td>
<td>Sub-contractors, suppliers, financial institutions, contractor association, CIDB</td>
<td>Mentors – successful businessmen</td>
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<td>Subcontractor – electrical and mechanical, buildings and structures</td>
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<td>Suppliers – systems, building materials</td>
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and hostile business environments. The construction industry is an industry where there is strong competition partly due to a large number of construction firms. The construction industry is changing constantly with the developments of new business methods and technologies. Thus, construction firms must adopt these applications and develop appropriate competencies and business strategies to be more competitive and to succeed in their business ventures. As construction is a risky business venture and the possibility of business failure always exists, entrepreneurs have to consider the factors that can have a direct effect to their success in business.

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**Table 5: Entrepreneurial and network competencies by respondents**

<table>
<thead>
<tr>
<th>Variables</th>
<th>F1</th>
<th>F2</th>
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<td>Inter-organization network</td>
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