

Impact of Entrepreneurial Skills on Success of Micro-entrepreneurs: A Case of Jharkhand Region in India

Global Business Review
17(1) 238–240
© 2016 IMI
SAGE Publications
sagepub.in/home.nav
DOI: 10.1177/0972150915610847
<http://gbr.sagepub.com>


Ramakrushna Panigrahi¹

The case study discusses the impact of skill-related dimensions of micro-entrepreneurs on the success of their business ventures in the state of Jharkhand in India. The skill-related efficiency parameters are well articulated in the traditional economic theory of production,¹ but in the traditional theory, the efficiency parameter is considered in the context of overall entrepreneurial–organizational aspects of the production. Better efficacy should necessarily result in higher output, and should subsequently enhance the profitability of a firm. In the present case study, however, entrepreneurial efficacy is referred to in the context of perceived skill sets of the entrepreneurs in micro-enterprises. Although entrepreneurial success has always been measured in terms of profitability in the traditional theories, this case study considers ‘perceived business success’ as a measure of entrepreneurial success.

The case has aptly articulated the importance of micro, small and medium enterprises (MSME) sector, which contributes significantly to economic growth and gross domestic product (GDP) of India. Jharkhand being a natural resource-rich state in India, better entrepreneurial skills among the entrepreneurs of the state should enhance the productivity and profitability in the MSME sector. In turn, such outcomes and success stories should inspire more number of entrepreneurs who would focus on creating jobs in the MSME sector. This should effectively address the concerns of regional backwardness of the state which faces acute poverty and low unemployment levels.

The case study finds that in the literature, though ample emphasis is being given on entrepreneurial skills, quantification of the same has remained a challenge. In contemporary research, more so in recent decades, quantification has helped the cause of policy making to a great extent. The MSME sector, with its vast potential of employment creation, can provide a platform on which India can move from the jobless growth experience in recent years to an employment-led growth in the coming years. With renewed focus on skill development by the present union government of India, all the aspects related to entrepreneurial skills have found fresh and intense focus. However, in literature, entrepreneurial skills could at most be divided into technical skills, business management skills and personal skills that focus on risk taking, innovativeness, a penchant (by the entrepreneurs) for bringing continuous change to the ‘processes’ in the enterprise. However, the question remains whether these are enough to guarantee success in terms of profitability and financial viability for an enterprise. The empirical findings, however, go against the potential of this sector as a majority of the enterprises find it hard to remain viable in the MSME sector in India and face closure. This case study has made an attempt to identify the

¹ Associate Professor, International Management Institute, Bhubaneswar, Odisha, India.

Corresponding author:

Ramakrushna Panigrahi, Associate Professor, International Management Institute, Bhubaneswar, Odisha, India.
E-mail: ramakrushna@imibh.edu.in

key set of skills responsible for success in business enterprise and instil such skills in entrepreneurs to attain the desired goals.

This case study identifies 'leadership' skills as the most important one among the skill sets. The author describes 'leadership' as a process through which one uses power to direct and coordinate the activities of his followers, or in a group to establish a goal. It may be noted here that most authors agree to leadership skill significantly influencing business success. The author finds that the next most important skill is the 'communication' skill, which impacts competence, interrelationship and cognitive skill for better entrepreneurial performance. The 'human relation' skills assume importance with growing predominance of human capital in business ventures. It is obviously challenging for an entrepreneur in contemporary environment to deal with employees who are armed with the latest information, and are considered knowledge workers. 'Technical' skills have become essential as entrepreneurs can better relate to handling and operating business-related tasks. The case identifies 'inborn aptitude' skills as a significant contributor to the success of a business enterprise, as certain aptitude and skills cannot be imparted to entrepreneurs through training. The author identifies 'business success' as a dependent variable in this case study. Since success has many financial and non-financial parameters, the author considers 'perceived business success' as a variable to represent the success of an enterprise. The study hypothesizes that each of the entrepreneurial skills has a positive significant relationship as well as influence on the 'perceived business success'.

The case study deals with a sample size of 147 and data are collected through a questionnaire, using a five-point Likert scale for the constructs. The sample size, as claimed by the author, is quite representative of microenterprises collected from three industrial districts, namely, Dhanbad, Bokaro and Ranchi, of the state of Jharkhand. The demographic profile of the sample is also fairly representative, with micro entrepreneurs from all caste and creeds making it to the list, including a small share of female entrepreneurs. The education profile of the entrepreneurs is quite diverse with two-thirds of the sample being graduates and a very small percentage (3.4 per cent) of entrepreneurs having received only primary education.

The descriptive statistics of the variables obtained in the case study are quite enthusiastic for the MSME sector. However, the following caveats need to be exercised while interpreting these statistics. The mean value of 4.803 for the variable 'perceived business success' is unreasonably high on a five-point Likert scale. In the MSME sector, the entrepreneurs' self-adulation quotient is very high in the absence of credible internal screening of business decisions and their corresponding financial outcomes. Usually, in family-run business enterprises in India, which constitute a majority in the MSME sector, internal audits are not in place, and the decisions of the entrepreneur (owner) go unchallenged. In addition, the employees have very little stake in the affairs of the enterprise, and do not intervene with managerial decisions as the threat of losing their job is very real and scary, with very high unemployment levels. It is necessary to correlate such high values (based purely on self-perception) by the entrepreneurs with tangible financial outcome parameters such as profitability to validate such constructs.

In the case of leadership skills, communication skills and human relation skills, the mean values of the constructs are very high. Unlike 'perceived business success', these constructs are reliable and valid as the quantification of these skills are often based on perception. In the literature, these skills are well articulated, and such high values are consistent in the micro-scenario, where the number of employees are very limited, ensuring that the entrepreneur strikes a natural chord with the employees to attain better productivity. The construct on 'technical skill' has a comparatively lower mean value of 3.565, which may be attributed to the education profile of the entrepreneurs. Yet again, caveats need to be exercised due to the following reasons. The entrepreneurs might perceive themselves a little deficient on technical skills, owing to their lesser educational qualifications. In reality, these enterprises may not require highly

trained and technically skilled entrepreneurs. In the MSME sector, specifically micro- and small-scale enterprises, educational qualification and technical skills are often poorly correlated. Unlike the perception-based constructs of leadership, communication and human relations skills, certain outcome parameters like production efficiency and technical efficiency of the firms need to be correlated to validate the construct on technical skills. The case study finds a low mean value of 2.986 for the construct 'Inborn Aptitude'. This is quite consistent considering the rank and profile of the entrepreneurs in the MSME sector.

The study finds very high correlation between 'perceived business success' and communication, leadership and human relation skills, but poor correlation with inborn aptitude and technical skills. The leadership and communication skills are significantly correlated, with a coefficient of 0.756. In addition, human relation skill is significantly correlated with leadership and communication skills, and therefore, reinforces the notion that these two skills are prerequisites for employee management, and to provide a congenial ambience at the work place to enhance employee productivity. However, 'Technical skills' and 'Inborn Aptitude' are poorly correlated with rest of the variables in this case study for unexplained reasons.

The results of regression analysis in the case study find that all the variables have a significant influence on 'perceived business success', barring technical skills. The influence of technical skills on success is found to be insignificant. This could be due to the fact that the perception of the entrepreneurs of this case study could be biased due to their profile of educational qualification, as mentioned earlier. With a very high coefficient of determination (0.876), the regression results reinforce the findings in the past studies that leadership, communication, human relations and inborn aptitudes have a significant positive impact on the success of an enterprise. However, as mentioned above, the caveats need to be exercised, as the variables must be correlated with outcome parameters. The case study will provide insights to macroeconomic policymaking for the MSME sector, if the constructs are made more robust by introducing more outcome parameters of financial viability and profitability, thereby correlating them with the perceived success.

Note

1. Traditional production function includes capital, labour, returns to scale and efficiency parameter.