

# The Effects of Entrepreneurial Competencies and Networks towards the Success of Firms from Quantitative and Qualitative Lens

<sup>1</sup>Puteri Fadzline Tamyez, <sup>2</sup>Azlinna Azizanand, <sup>3</sup>Nazaruddin Ishak, <sup>4</sup>Juhary Ali

<sup>1</sup>University Malaysia Pahang, Lebuhraya Tun Razak, 26300, Kuantan, Pahang, Malaysia

<sup>2</sup>Prince Sultan University, Riyadh, KSA

<sup>3</sup>Asia e University, Kampung Atap, 5000, Kuala Lumpur, Malaysia

\*Corresponding Arthur E-mail: fadzline@ump.edu.

## Abstract

The construction industry has made significant contribution to both the economy as well as the national development. Various researches has mentioned on high rates of failures and bankruptcies in construction projects. Thus, it is difficult to ignore the sustainability of this industry and for them to anticipate growth. This paper will focus on the impact of the entrepreneurs in terms of their competencies and networks towards their success in Malaysian construction companies. This study adopts the mixed-methods sequential explanatory design. As a result, a strong relationship between two factors; personal competency and entrepreneurial success, with ( $\beta=0.41$ ). Interesting findings from qualitative method were the emerging themes, which are personal, strategic management, learning, opportunity, social network and inter-organization network. These findings have important implications for developing a competitive edge, by integrating two main variables, entrepreneurial competencies and entrepreneurial networks. These elements will give support to their business growth, particularly among the SMEs.

**Keywords:** Entrepreneurial Competencies; Entrepreneurial Networks; Construction Firms; Small Medium Enterprises

## 1. Introduction

The Malaysia Construction Industry Master Plan [6] had a vision for Malaysia to spearhead in the construction industry as a world class in 2015. It consists of seven strategic thrusts, along with 21 recommendations throughout the industry's growth [6]. However, research has consistently shown that delays in completion, delays in material arrival at construction sites, exceeding budgets, lack of quality, and ultimately failure in projects have been an increasing concern among construction firms in Malaysia ([2]; [1]). Hutchings and Christofferson (2001) stated that far too little attention has been paid to entrepreneurship as one of the important elements in pursuing towards successful projects.

Studies have shown that entrepreneurship is closely related to the expansion on small and new businesses (Colombo and Grilli, 2005; Nuthall, 2006. Schollhamer (1982) has demonstrated that entrepreneurship could consistently assist in attaining success and staying relevant in the industry. The research to date has tended to focus on entrepreneurship rather than its competencies and networks. Thus, this paper seeks to remedy these issues by analysing the integration between entrepreneurial competencies and entrepreneurial networks towards the success of Malaysian construction firms.

## Research Questions

RQ1: What entrepreneurial competencies that influence the success of small sized construction firms?

RQ2: What is the most contributing factor that determines the success of small scale construction?

RQ3: How does entrepreneurial competencies and network contribute to the success of the small-sized construction firms?

## 2. Literature Review

A considerable amount of literature is in harmony with the notion that excellent entrepreneurial competencies on an individual could transform businesses to a higher level. Observation on their skills and attitudes are studies that molded into a competency theory that consists of superior performance. Man (2005) had in fact developed the entrepreneurial competencies measurement, which were further validated by [21]. Man (2005) provides in-depth analysis based on a mixed method approach. There are 12 elements that formed construct, which are; strategic, conceptual, opportunity, relationship, learning, personal, commitment, organizing & leading and technical, ethical, social responsibility and familism.

Networking is another set of elements that determine superior performance in businesses [17]. There is a large volume of published studies describing the role of networks in business growth ([27]; Greif, 1993; [32]; [9]; [10]; [35]; [29]). Networking

varies among friends, family members and business partners. It could also involve partners from institutions, authorities and large companies. Elfring (2004) highlights the needs of network ties that were proved to give tremendous benefits to the entrepreneur's capability particularly in identifying opportunities, resource acquisition and legitimacy ownership. Businesses can gain a competitive advantage if one depend on the capabilities of others with his or hers (Loasby, 1988). Numerous studies have attempted to explain that the involvement of firms with their resources through interdependent activities are best to describe business networking ([22]; [26]; [20]).

### 3. Methods

This study incorporates a mixed method approach, to enable a more rigorous data produced, and both breadth and in depth. It was considered that qualitative measures would usefully supplement and extend the quantitative analysis. Thus, sequential explanatory strategy is adopted in this research [8]. In quantitative research,

stratified random sampling is used which encompasses categories of contractors of G1, G2, and G3. These construction managers are totaled of 8188 in the population of Selangor, with a sample size of 368 respondents. From the qualitative approach, interviews were conducted on six construction firm owners, as well as a representative from CIDB and Muslim Construction Association of Malaysia. It is preceded to transcriptions and thematic analysis (MacLean, Mechthild & Alma, 2004).

## 4. Results

### 4.1 Quantitative Study

The effects of the entrepreneurial competency and networks towards the success of small size contractors are examined through regression analysis, as shown in Table 1. Fifteen factors were measured the extent to which variable that give positive and significant impact on entrepreneurial success.

**Table 1:** The regression weight of independent variables (competency and network) in predicting business success

Variable	Beta coefficient	P-Value	Result
Inter-organizational network	.23*	.014	Significant
Social network	.22**	.002	Significant
Business network	-.00	.966	Not significant
Personal	.41**	.003	Significant
Commitment	.39**	.012	Significant
Opportunity	.32**	.004	Significant
Technical	.36**	.021	Significant
Organizing and Leading	.35**	.042	Significant
Strategic	.29**	.005	Significant
Relationship	.30**	.000	Significant
Learning	.28**	.013	Significant
Conceptual	.27**	.000	Significant
Ethical	.21**	.005	Significant
Familism	.21**	.002	Significant
Social Responsibility	-.03	.014	Not Significant
F Value		46.695	
R <sup>2</sup>		.474	
Adjusted R <sup>2</sup>		.460	**p<0.05

It was found that the R<sup>2</sup> was 0.460 indicating 46 per cent of the variance in entrepreneurial competencies which was explained by 13 variables, familism, ethical, conceptual, learning, relationship, strategic, organizing and leading, technical, opportunity, commitment, personal, social network and inter-organizational network. The model was significant (F=46.695, p<0.05). A closer examination revealed that personal competency (Beta=.41, p<0.05), is positively related to entrepreneurial success and that it gives the biggest impact on entrepreneurial success.

This study produced results which corroborate the findings of Man et al (2002) who found that one of the competencies, strategic competency has a positive link with the firm's success. This finding is also in agreement with [28] who described that implementing the strategies were one of the most significant

elements towards entrepreneurial success. There are also similarities between the acceptance of passion by Timmon (2000) in his study as a habitual that every entrepreneur needs to own while dealing with business turbulences. These findings further support the idea of Thompson (2001) who stressed the close connection between commitment and success.

### 4.2 Qualitative Study

Result from qualitative approach accords with the previous quantitative findings. It has revealed 6 themes from the interview and included all the variables under these themes. The overall emerging themes and sub-themes were shown in Table 2.

**Table 2:** Overall emerging themes and sub-themes

Theme	Sub-Theme	Supporting details by interviews
Personal	Relationships, Conceptual, Commitment, Passion	Relationships – Teams, Familism, Close friends Conceptual – Honesty, Integrity, Ethical, Keep promise, Trustworthy, DUIT (Initiative, Taqwa, Strive, Pray) Passion – Internal drive (desire, optimistic, endurance, perseverance) Commitment – Hardworking, Hand on, Self-esteem, Patience, Intelligence
Learning	Seeking knowledge, non-technical, technical	Seeking knowledge – industrial experience (training, set back/failure, activity based costing), marketing (future trend, forecast) Technical – specifications, activities, CPM, skills, knowledge Non-technical – Marketing PR, management (resources, project management), financial (cash flow, budgets)
Opportunity	Risk management, feasibility study	Risk management – assets, debts, payments Feasibility – costs and benefits, profitability analysis
Strategic Management	Strategic implementation, Strategic business plans	Strategic implementation – SWOT analysis, resources, set targets, act swiftly, create competitive advantage, organizing and leading (teamwork, high

		performance, motivation, good etiquette) Strategic business plans – vision, mission, process and systems, business model
Social Network	Close friends, mentors, family members, government/private, contracts	Close friends – non businessmen, businessmen Mentors – successful businessmen
Inter-organizational Network	Sub-contractors, suppliers, financial institutions, contractor association, CIDB	Subcontractor – electrical and mechanical, buildings and structures Suppliers – systems, building materials

## 5. Discussion

The present study was to determine the effect of entrepreneurial competencies and networks in firm's success. One of the most major findings emerged from this study is that both phase, quantitative followed by qualitative approach clearly support that personal, strategic, learning, commitment, relationships, conceptual, technical, opportunity, organizing and leading, familism and ethical are significant to the success of the small sized construction firms. The results of this investigation also show that social and inter-organization networks gives impact to the success of the businesses. However, this study has been unable to demonstrate that social responsibility competency and business networks are not positive related to the success of the small construction firms.

More specifically, the findings from the qualitative approach categorize entrepreneurial competency as personal competency, strategic management competency, learning competency, opportunity competency, social network and inter-organization network as the main themes.

Ontop of that, the sub-themes of passion, commitment, relationship and conceptual are elements under personal competency. Seeking knowledge, technical and non-technical competencies are dimensions under learning competency. Contrary to expectations, this study from the qualitative lens found non-technical competency as a new emerging sub-theme during the process. Additionally, feasibility study and risk management competency are underlying dimensions under opportunity competency. These two sub-themes emerged during the interviews. Finally, strategic business plans and organizing and leading belong to the strategic management competency. Social and inter-organizational competencies are positively related to entrepreneurial success which is consistent with the quantitative findings. It is somewhat surprising that business network is not positively linked with entrepreneurial success.

## 6. Conclusion

The entrepreneurial competencies and networks that were identified therefore assists in the understanding of the role of these two important factors towards the success of firms. The issue of social responsibility competency and business networks that was not positively linked to success is an intriguing one which could be usefully explored in further research. Moreover, more variables should be made available to examine the impact of entrepreneurial success.

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