

Study Unit 2

Personal Entrepreneurial Competences

Study Session Outline

Introduction to
entrepreneurship

- Developing Entrepreneurial competences
- Personal entrepreneurial competences
- Planning cluster
- Power cluster

Study Session

Duration

This Study Unit requires a 40 hours of formal study time.

You may spend an additional 2-3 hours for revision

Introduction

This study unit is an introductory session which deals developing personal entrepreneurial competencies (PECs) such as goal setting, systematic planning and monitoring, information seeking, opportunity seeking and initiative, risk taking, demand for quality and efficiency, risk taking and so on.

Learning Outcomes of Study Unit 2

Upon completion of this study unit, you should be able to:



2.1 Define the concept of entrepreneurship

2.2 List the five PECs grouped under planning and power cluster

2.3 Explain the three clusters which are essential for personal and entrepreneurial success.

2.4 Describe result oriented planning of successful entrepreneurs'.

Terminologies

Entrepreneurship	a process through which opportunities are sought, evaluated and put into use by introducing new goods and services
PECS	Personal Entrepreneurial Competences

2.1 Introduction to Entrepreneurship

Entrepreneurship is defined differently by different scholars. For this course we will use the definition of Shane and Venkataraman (1997). According to them, entrepreneurship is defined as; "...an activity that involves the discovery, evaluation, and exploitation of opportunities to introduce new goods and services, ways of organizing, markets, processes, and raw materials through organizing efforts that previously had not existed." According to the definition, entrepreneurship is a process through which opportunities are sought, evaluated and put into use by introducing new goods and services. In addition, according to the definition opportunities are exploited not only through the introduction of new products and services but also through new ways of organizing, markets, process and raw materials. This implies that entrepreneurship is highly related to innovation which we will discuss it in more detail in the next sessions. In other words, a self-employment, new firm formation or any business that has nothing to do with newness is, thus, not an entrepreneurship.

2.1 Developing Personal Entrepreneurial Competencies

Professionals who work closely with entrepreneurs have often speculated about what makes entrepreneurs "entrepreneurial". So as to answer the question of what makes entrepreneurs entrepreneurial, in the 1980s professor David McClelland and Winter interviewed large number of entrepreneurs from three countries namely India, Malawi and Ecuador. According to this study, ten personal entrepreneurial competencies are what makes entrepreneurs entrepreneurial. These competencies are categorized in three clusters namely planning, power and achievement clusters. Under the planning cluster there are three personal entrepreneurial competencies (PECs) viz. goal setting, systematic planning and monitoring, and information seeking. power cluster consists two PECs namely, persuasion and networking, and self-confidence. The last cluster is the achievement cluster, in this cluster there are five PECs namely opportunity seeking, persistence, commitment, demand for quality and efficiency, and risk taking. Discussions on each of the five PECs groped under planning and power clusters follows in the next sections.

2.1.1 Goal setting

The main characteristic of successful entrepreneurs is to know what they want to achieve in their life. They are able to visualize the future and use these images to guide themselves and others. Research shows that entrepreneurs with goal setting competence demonstrate specific behaviors such as setting goals which are meaningful and challenging, articulate clear and specific long-term objectives and setting short term objectives which are measurable.

Have you ever had set goals and objectives which are meaningful and challenging to you? Successful entrepreneurs always challenge themselves through setting and pursuing to achieve goals which give them enjoyment once they attained them. Therefore, their goals and objectives are established based on challenges, something that requires commitment and dedication to perform and also are marked with great personal meaning - something that is very essential to them. In addition, successful entrepreneurs establish short-term goals which are written in tangible terms. They know that the cumulative results obtained with such short term objectives will lead to great results, and will make every day more effective.

Furthermore, entrepreneurs know where they want to go and they have a clear vision of their future. Much of the success of entrepreneurs comes from the fact that they converge all efforts to achieve what they want in their life. Entrepreneurs do not lose focus, even at times of uncertainty and tough times, because they recognize the importance of remaining firm in their purpose. They are resilient people during hard times.

"If you don't know where you are going, every road will get you nowhere." Henry Kissinger

2.1.2 Systematic Planning and Monitoring

Successful entrepreneurs know that having a smart goal is not a guarantee for success. It should go with appropriate planning to enhance the achievement capability. They know that planning leverages their results. So, they are disciplined in designing and implementing their plans.

They know the complexity of large tasks, and they subdivide them into smaller actions with deadlines. This division ensures more objectivity in the execution, transforming complex tasks

into something simple to run. Besides, entrepreneurs are aware that results are not always as planned, or that changes sometimes need to happen when facing new circumstances. Thus, they

use strong monitoring over their plans. The flexibility in the face of unforeseen is a remarkable feature in successful entrepreneurs. In order to make such decisions entrepreneurs keep a complete record of all financial transactions that need the inversion of financial resources. Further, successful entrepreneurs make use of their records as a source of information in order to provide greater certainty to their choices, thus avoiding unnecessary risks. They also use a result oriented planning which includes five steps. These steps are discussed in the following section.

Step 1: Identify the business objectives. The objectives must necessarily be linked to the results expected by the company such as sales, market share and profitability. A good objective fulfills at least five criteria which are commonly known as SMART. The acronym SMART is a tool to remember the fundamental characteristics of a good objective. The extended form of SMART is Specific, Measurable, Achievable, Relevant and Time-bounded.

Step 2: Identify the activities required to achieve objectives. to attain the objectives a set of activities must be accomplished. The activities should have interdependence and a priority that must be observed when preparing a plan. When you write these activities, the goal becomes more accessible, bringing motivation for the task-holders to perform.

Step 3: Set a schedule or timeframe: In this step the entrepreneur outlines the time frame for implementing each of the activities required to be implemented.

Step 4: Identify the responsible persons for implementing each task. In this step, the entrepreneur assigns a person responsible for implementing and follow up of each of the listed activities.

Step 5: Identify resources required: Implementing the activities require resources/cost. How much cost is expected to be incurred for executing each of the necessary activities to achieve the goals? In this step, the resources/cost should be outlined.

Quote: *"One must have strategies to execute dreams." Azim Premji*

2.1.3 Information Seeking

Successful entrepreneurs always seek information from their customers, suppliers and competitors. They know that they have little control over them, and therefore it is necessary to know who they are, where they are, what they want and what they do. This market information is useful for the entrepreneur to detect business opportunities, to develop business plans and for defining differential products and services. Successful entrepreneurs, before leaving to seek information, they define which data is needed to get where they want, and what is the best strategy to achieve it. They elaborate a plan or roadmap for gathering information.

Entrepreneurs understand the importance of personally visiting the information sources so as to avoid distortion and to obtain reliable, real and accurate data. They know that the information is usually complementary, and sometimes the situation requires confirming before taking the decision. Moreover, successful entrepreneurs do personal research regarding the provision of a product or service. It means they examine carefully, inquire, search for traces and details. Successful entrepreneurs are aware of the details of how to make a product or provide a service. They personally learn the processes used and seek to know all the details surrounding it, such as machinery and equipment and its operation; materials, cost, time, utensils and tools necessary; manpower, knowledge and skills required; and physical facilities necessary. They want to know every detail to reduce risks and do the best they can.

In addition, successful entrepreneurs recognize that it is essential to seek the cooperation of other people who know more than them, when necessary. They consult and seek information from people specialized in the specific technical or commercial ability needed. They act like that because technical and commercial information is mandatory for business success. The specialist consulted must be a profound expert, an expert of the technical or commercial areas.

"Information is power." Unknown

2.1.4 Persuasion and Networking

Successful entrepreneurs know that they cannot accomplish everything alone. They acknowledge the importance of getting the support of others so as to achieve their goals. They seek to know very well the path that leads to their goals, and clearly define who are the people that can help them to

achieve these outcomes. They know that for every situation, there is someone who will be key for them to get the desired result. Therefore, they always seek to influence others for collaboration and cooperation and make use of their deliberate strategies, designed and developed in advance. They prepare their influencing strategies according to their goals, circumstances and people involved. They also seek to have other alternatives in case things do not happen as predicted.

Entrepreneurs are strategic, they always predict the reactions of others, whether allies or opponents.

When negotiating with others, they clearly define what they want and seek to know what the other wants, so they can develop effective trading strategies and to enable them to give the other the most at the lowest cost to them. They recognize that it is critical to have a good network of business or personal contacts. For this reason, they are always working to develop new contacts and keep them. They act primarily to increase the number of customers and to keep them. They know it's much easier to develop contacts than to keeping them, and for that they often make use of tools or even advice to achieve what they want.

"What separates those who achieve and those who do not is in direct proportion to the one's ability to ask for help." Donald Keough

2.1.5 Independence and Self Confidence

Successful entrepreneurs like to feel free from standards and the control of others. They know that they must act according to the law and business ethics, comply with established contracts, adapting their behavior to social norms. However, when they realize that a standard or a contract is harming them or that a person or group is trying to control them, they act decisively in pursuit of their autonomy, to decide and act according to their own beliefs. They negotiate changes in the rules and contract terms, avoid people who can control them and seek situations where they can be in control or influence others.

Successful entrepreneurs have strong convictions about what they want, so even with the possibility of failure they demonstrate their conviction, maintaining their point of view, expressing and acting toward what they believe. They pay attention to what others say, circumstances and trends, but act according to their own ideas. They know they must do so to protect their self-

confidence and determination. They believe in their own ability to do what needs to be done - they are self-reliant. They know that the results depend on them for their decisions and actions, so prepare to perform difficult tasks and challenges. Just getting ready, overcoming the difficulties and challenges they develop increasingly self-confidence and are willing to new tasks and goals. They express their confidence with conviction by courageous and responsible decisions and actions. Entrepreneurs trust themselves that they can overcome the challenges they face during their course of action.

Self-Review Questions

1. What is entrepreneurship and why is it important?
2. Describe the three clusters which make entrepreneurs entrepreneurial?
3. Briefly explain the PCEs under the planning cluster?
4. What is planning cluster and why is it important for entrepreneurs'?

References

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