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Entrepreneurial Competencies and Success of Small and Medium Enterprises (SMEs): Evidence from Ethiopia

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Abstract
Small business success has been a central phenomenon in business studies across time and remains to be the major concern across nations because SMEs play a vital role in economic development. However, it has been frequently quoted that the failure rate for smaller businesses is high due to the influences of a variety of internal and external factors. Past research for the most part has focused on the role of external factors in affecting small business success. Yet such focus on external factors though important to enhance our understanding of the entrepreneurship phenomenon, it overlooks the role played by the entrepreneur's competencies and behaviors. The purpose of this study hence is to examine the effect of personal entrepreneurial competencies (goal setting, systematic planning and monitoring, commitment, and persistence) on business performance on a sample of 462 small and medium enterprises (SMEs) in Amhara Regional State, Ethiopia. In addition to individual main effects, the combined effect of entrepreneurial competencies on business success is examined. The structural equation modeling was used to test the proposed SMEs performance model. The findings of the present study well suggest that the personal entrepreneurial competencies exhibited by the SMEs owners were the determining factors for the performance of SMEs. In addition to main effects, the interaction effects of competencies on business performance were more strongly evident when the business owners exhibit a considerable level of persistence and commitment competencies. Business owner-managers with motivational goals, plans and hard work (persistence and commitment) are able to look for opportunities, assess and exploit them to generate acceptable business outcomes. These resources are important to facilitate small business success particularly when the business owners possess a considerable level of these resources and integrate them for the pursuit of business success. Success in business results from a combination of inspiration and hard work. These core competencies are key characteristics of successful business people which enable them to convert an entrepreneurial vision into successful products or services that are required to meet or surpass market needs. Managerial and policy implications are also provided.
Keywords: Entrepreneurial behavior; entrepreneurial competencies; goal setting; systematic planning; commitment; persistence
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1. Introduction

Small and Medium Enterprises (SMEs) have been widely accredited as a vital part of economic development. They stimulate innovation, better utilization of local resources, mobilization of savings, industrial growth, and economic flexibility (Hisrich et al., 2007; Ebben and Johnson, 2005; Acs,1992). These firms constitute the majority of the private companies in world economies (95 percent) and generate a large share of new jobs (60 to 70 percent of employment) (Audretsch et al., 2006;OECD, 2000;Gunasekaran et al., 2011;Kandah, 2011;Hoque and Awang, 2016). They allow a huge number of the population to enter the society's economic and social mainstream, aiding culture formation, population integration, and social mobility (Hisrich et al., 2007). They involve the "broader society" including the youth, women, and the disadvantaged others, and are thus partly sought for their potential for assisting pro-poor growth. The strength and well-functioning of an economy are gauged against its dexterity in creating more jobs, industrialization and its strength to lift up the national economic output.

In consequence, creating productive and competitive private sector in which SMEs play a major role has been a central phenomenon of researchers, governments, and policymakers. The successful formation of SMEs and their subsequent evolution and development has long been a source of attention and issue for researchers, governments, development aid stakeholders and policymakers as SMEs are increasingly important to the economic growth of the economy.

In response, governments of countries of the world have undertaken institutional and market-based economic reforms to enhance the competitiveness of the domestic enterprises with an emphasis to the development of SMEs as a major means to reduce poverty particularly among the urban inhabitants (Egena et al., 2014; Chadee and Roxas, 2013). Governments have introduced a variety of strategies and policies, including the provision of consultancy, the provision of selling and working premises, to facilitate the formation of new firms, access to finance and marketing, training and industry extension services and to offer other supports to SMEs to aid their survival and foster improved rates of growth.

Ethiopian is not an exception, and as a developing country, it critically needs to gain the benefits offered by this sector. Its government has identified the SMEs as a priority sector and has shown its dedication to promoting the SMEs by issuing a National Micro and Small Enterprises Development Strategy for the first time in 1997 which was amended in 2011 with a greater emphasis to promote micro and small enterprises (FDRE, 2011). The government has introduced policy and institutional reforms with a greater emphasis on small business entrepreneurship and privatization of SMEs which were nationalized during the 1970s (UNCTAD, 2002; Asefa, 2001).

However, according to prior studies (e.g., Assefa et al., 2014; Tefera et al., 2013; Gebreeyesus, 2007), Ethiopia has failed to maximize the benefits derived from the sector. The private sector of the country is underdeveloped with limited competitiveness (the Ministry of Urban Development and Housing (MoUDH), 2013; Mohammed et al., 2015). Most of the SMEs are informal operators, characterized by low productivity and growth, generating meager profit where survival in business is difficult (Assefa et al., 2014). Generally very high failure rates for small enterprises have been quoted (Watson and Everett, 1996; Baldwin et al., 1997; Gebreeyesus, 2007; Tefera et al., 2013); three out of five new businesses cease to trade within three to five years of starting (Bridge et al., 1998). Only a few SMEs are exceptionally performing and growing to medium and to large-scale enterprises (MoUDH, 2013; Mohammed et al., 2015; Wondwossen, 2015; Talegeta, 2014; Sidik, 2012; Gebreeyesus, 2007). So, why are some SMEs more successful than others given the same operating environment? Or conversely, why do more SMEs fail?

Business performance or success has been a central phenomenon in business studies across time and remains to be the major concern across nations (Zhou and de Wit, 2009;Wiklund et al., 2009;Wolff and Pett, 2006;Seyoum et al., 2016;Watson and Everett, 1996;Yıldız and Karakaş, 2012;Sarasvathy et al., 2013;Venkatraman, 1986;Lee, 2010). Many factors are responsible for the success of business or performance. On one hand, SMEs have to compete with their counterparts and large-scale firms and strive to meet the dynamic and rising demands of their customers (Ndubisi and Iftikhar, 2012). And on the other hand, they have to face many internal and other external challenges. Some challenges internal to the firm include the chronic shortage of technical know-how, experience, entrepreneurship skills and enterprise management competencies (Hart, 1972;Akhouri and Mishra, 1990;Baldwin et al., 1997); lack of knowledge, attitude and skills to cope and direct the finances of their organization in a hardy, transparent, and professional way (Eniola and Entebang, 2016); and lack of marketing competencies (Morgan et al., 2009).

The external factors are those factors beyond the control of the owner. These challenges include such as harsh institutional environment factors (violation of rule of law, corruption, poor regulatory quality) (Roxas et al., 2013); unfavorable economic conditions, an increase in competition, government regulation, and customer difficulties (Baldwin et al., 1997); lack of access to capital, lack of working and selling spaces, lack of access to raw materials and markets, and lack of basic infrastructure and utilities, transportation and professional assistance (MoUDH, 2013;Mohammed et al., 2015). Besides, a number of other business success studies have paid more emphasis on the role of multiple external factors such as various forms of government support, facilitation of the basic infrastructure and shield against competition from larger businesses (Yusuf, 1995); training and education (Robertson et al., 2003); and organizational variables (e.g., venture strategy, internal resources, processes, systems and organizational structures) (Chrisman et al., 1998).

As such business performance or success is the result of the interplay amongst many factors but according to Oyeku et al. (2014: 15), " the greatest determinant of a business' success could be the entrepreneur himself/herself with his/her own strength ascertained coupled with the ability to build a winning team having complementary skills and talents to take care of his/her own weaknesses". This view is consistent with the assertion of Frese (2007) and Baum et al. (2007) that success of a business is fundamentally dependent on individual capabilities and behaviors/actions.

Although the focus on the environment and organizational factors enhance our understanding of the entrepreneurial phenomenon, it ignores the role of the entrepreneur's competencies and behaviors (Shane et al., 2003). The influence of the entrepreneur's own actions or behaviors such as: (1) a capacity to set goals and objectives; (2) a capacity to systematically plan and monitor; (3) a capacity to discipline and commit themselves toward the project and others/customers; and (4) a capacity to persist or persevere for long hours of work on entrepreneurial outcomes may be more important, yet we know little about their impacts.

This paper responds to Frese's (2007) call for research that values the entrepreneur's behaviors as important and a starting point for studying entrepreneurship success. The belief is that these core competencies are key characteristics of successful business people that enable them to convert an entrepreneurial vision into successful products or services which are able to meet or surpass customer requirements. Small businesses with greater entrepreneurial competencies are more likely to engage in identifying and exploiting opportunities for the hunt of innovation that facilitates their success (Shane and Venkataraman, 2000). Previous studies suggested that goal-setting behavior (Smith et al., 1990), systematic planning (Frese et al., 2007), persistence and commitment (Mansfield et al., 1987) are strong predictors of success.

Literature, however, is dearth on entrepreneurial success through the lens of the entrepreneur's own competencies and behaviors in Ethiopia due to less attention is given to research in this area despite ever-increasing business failures facing the country. Moreover, prior studies have addressed one or the other factor but not all these factors together in a single research model. Therefore, the need to give prime focus to this area becomes indispensable to conduct empirical studies on the small business success factors as an effort to look for new solutions to indicate how SMEs would improve their performance and to aid their survival of the dynamic and competitive business environment.

The paper claims that entrepreneurs with stronger capacity to set specific, challenging and meaningful goals are directed to decide what to do and are encouraged to exert prolonged effort which enables them to succeed. This study, therefore, explores the concepts and theoretical frameworks to study small business success; and provides empirical evidence on factors which influence the performance of small and medium enterprises in Ethiopia, Amhara Region.

2. Literature Review and Hypothesis Development

2.1. The concept of Business Performance and Dimensions

SME performance or success has been a central phenomenon in business studies. It refers to an organization's capability to generate pleasing outcomes and actions (Islam et al., 2011). Specifically, it may refer to the attainment of company goals and objectives related to profitability and growth in sales and market share, as well as the achievement of organizational long-term objectives (Hult et al., 2004). In addition to the firm's success in the market, business success can also be seen as the attainment of the founder's personal desires from business earnings (Nur and Zulkiffli, 2014).

Nevertheless, success is defined and measured in different ways. There are discrepancies in what establishes the right measure of success or effective business performance. Some scholars focus on the use of financial metrics while others use non-financial measures of performance. Before the works of Kaplan and Norton in 1990s, a firm's performance was measured primarily based on the financial accounting measures such as return on investment, return on equity, return on sales, and net profit margin. In their studies of innovative performance measurement systems, Kaplan and Norton (1996) argued that reliance on such obsolete, lagging performance indicators hinders organizations' abilities to create future economic value, and suggested a new and inclusive strategic management and performance measurement tool known as the "Balanced Scorecard".

The balanced scorecard is built around four perspectives of an organization: finance, customer, internal business process, and growth and learning. Measuring performance based on several traditional financial measures (e.g., return on investment, return on equity, return on sales, and net profit margin) and strategic performance indicators (e.g., customer satisfaction, market share, employees' growth, reduced customer delivery times, improved quality and manufacturing processes, and new product developments) enables business executives to diagnose whether they have improved one aspect at the expense of another and capture a total organizational performance (Kaplan and Norton, 2005).

SME performance is thus considered as a multidimensional concept represented by financial and non-financial performance dimensions used in prior research. The association between strategic performance objectives and financial performance is theoretically specified in the literature (Chen et al., 2009; Davis and Albright, 2004; Kaplan and Norton, 2005), suggesting that superior financial performance is likely to be the result of the achievement of non-financial performance benefits, such as occupying marketplace positions of competitive advantage. Success must be achieved on key non-financial measures such as high customer loyalty and a positive image and reputation and attract new customers better than organizations that do not prior to realizing success on key financial measures (Davis and Albright, 2004; Chen et al., 2009).

Therefore, SME performance in this paper is considered as a composite index of various financial and non-financial performance indicators used in prior research.

2.2. Method of SME Performance Measurement

SMEs often are not willing to divulge objective figures, such as the amount of profit. And even the actual figures are hardly found in SMEs, due to they lack the habit to keep records of financial matters for decision-making and the human resource necessary to establish performance standards, self-rating subjective measures have been used to determine firm performance in the past research. Indeed, though criticized by some, the subjective measures were found equally valid to objective measures (Nur and Zulkiffli, 2014; Wall et al., 2004). Using a self-rating subjective measure has been common too in many SMEs studies (e.g., Chandler and Jansen, 1992; Chen et al., 2009; Flatten et al., 2011).

2.3. Determinants of Small Business Success

A firm may have the most innovative business ideas, products, and valuable assets but that *per se* may not be enough to succeed. It should have owners/managers with distinct competencies who are capable of mobilizing the resources in recognizing economic opportunities and realizing them into new products and business ideas (or innovation) for the pursuit of sustained competitive advantage in the marketplace (Grant, 1991). An entrepreneur's knowledge, skills, ability, motivation, and competency are valuable organizational resources which can be combined with other resources to exploit business opportunities for the pursuit of continuous innovations that will help attain sustainable competitive advantage (Wernerfelt, 1984).

This paper claims that entrepreneurs with stronger capacity to set specific, challenging and meaningful goals are directed to decide what to do and are encouraged to exert prolonged effort which enables them to succeed.

2.3.1. Goal setting

Goal setting competency refers to the ability of a person to establish objectives from personal to the organizational level (Ciucan-Rusu, 2009), where often personal goals are transmuted into company policies and actions (Kotlar and De Massis, 2013). In entrepreneurship, goal setting behavior is considered central to the success of the business. A higher capability to set: (a) goals and objectives that are personally meaningful and organizationally relevant and challenging; (b) clear and specific long-term goals; and (c) measurable and achievable short-term objectives are important predictors for business success (Ciucan-Rusu, 2009; Mansfield et al., 1987). It is emphasized that the driving influence of goal setting is inseparable from the individual entrepreneur behavior even when the business grows beyond the dreams of the founding person (Baum, 2013).

Both field and laboratory studies on goal setting proved that individuals who are provided with specific, difficult but achievable goals perform better than people set easy, non-specific, or no goals at all (Locke and Latham, 2002). Smith et al. (1990) also endorsed that establishing specific and inspiring goals can strongly trigger behavior and enhance performance across contexts. A study on the relationship between goal-setting and individual performance found that even without monetary incentives, goal-setting enhances employee performance by 12 to 15 % in comparison to the condition whereby no goals were stated (Asmus et al., 2015). Studies on business success also confirmed that high goals are directly related to venture performance or growth (Baum et al., 2001; Baum and Locke, 2004). On the basis of these findings, we postulate the following:

Hypothesis 1: Goal setting has a significant positive effect on SME performance.

2.3.2. Systematic planning and monitoring

This set of competencies refers to one's ability to plan by breaking large tasks down into smaller tasks with clear time frames, revise the plans as well as keep track of financial transactions and use them for making business decisions (Ciucan-Rusu, 2009). Businesspeople with this competency were found running successful enterprises (McClelland, 1987). A person after setting or receiving a goal he/she is directed to the task and he/she must decide how to proceed prior to performing, indicating the need for planning.

The planning school holds that planning before taking action improves the quality of most human action thereby facilitating the achievement of goals. Business planning helps firm-founders to make decisions more quickly than with trial-and-error learning, manage resource supply and demand in ways that reduce time-consuming blocks, and to turn complex and general goals into simple, clear to implement activities more efficiently (Delmar and Shane, 2003). It is an efficient input for the success of the small business (Greene and Hopp, 2017). Good business plans are a vital part to the success of any business because they provide legitimacy to the founder for persuading venture capitalists and credit vendors to make funding decisions, and provide an outline of the actions necessary to develop a viable venture (Delmar and Shane, 2004). Past empirical studies have also established a positive relationship between planning behavior and business success (e.g., Mazzarol, 2001; Perry, 2001). Therefore, on the basis of these findings, we propose the following:

Hypothesis 2: Systematic planning and monitoring have a positive significant effect on SME performance.

2.3.3. Persistence

Entrepreneurial persistence is the drive to see firm creation through to fruition, which endows the entrepreneur the capacity and willingness to expend intense effort for long, hard hours (Chandler and Jansen, 1992). Persistence indicates a behavior that is related to the action or work performance over time, or one's tendency to persist and endure in the time of difficulty (Markman et al., 2005).

Of several people who envisioned of working for themselves by opening their own businesses, few attain their dreams and even fewer survive over the long-term, because of lack of persistence (Wu et al., 2007). As the nature of the entrepreneurship process is characterized by long hours, substantial work-load, and financial risk, it is expected that entrepreneurs exhibit considerably higher stamina and persistence than non-entrepreneurs (Markman et al., 2005). Recent studies have also shown that persistence is positively related to new venture formation (Nieuwoudt et al., 2017), venture development (Karunanithy and Jeyaraman, 2013), and higher annual earnings (Markman et al., 2005). It was also found that the entrepreneur's capacity for a continued effort for the success of the project is an important criterion used by venture capitalists to make financing decisions (Chandler and Jansen, 1992).

In summary, the extant literature emphasizes that persistence reliably predicts organizational success and performance under difficult circumstances. Thus,

Hypothesis 3: Persistence has a positive significant effect on SME performance.

2.3.4. Commitment

Once the entrepreneurs made decisions, then they must immerse themselves into the business for achieving their goals and objectives (Ahmad et al., 2010). At the same time, successful business people fulfill what they have promised, to satisfy their customers thereby achieving their goals and objectives (McClelland, 1987).

Business success requires the devotion of the entrepreneur's time, energy and financial, intellectual, relational and emotional resources to his or her project (Fayolle et al., 2011). When entrepreneurs are fully devoted they become mentally conditioned even to accept any obligations and compromises a business requires, or make personal sacrifices, or accept increased distresses (Markman et al., 2005).

Successful entrepreneurs are known by their ability to take personal responsibility for the performance necessary to achieve goals and objectives; cooperating with employees and others to get a job done; and striving to keep customers satisfied and place long-term goodwill above short-term gain (Ciucan-Rusu, 2009). Entrepreneur's commitment to the business enables a firm to effectively handle liabilities of smallness and newness which eventually lead to success (Lumpkin et al., 2010).

Commitment influences business success in a number of ways. It enables the entrepreneur to convince investors and other stakeholders such as employees the support of whom is necessary to acquire resources (Silberzahn, 2013). This is because a stakeholder invests in relation with the entrepreneur, and like any relation, the investment does make sense if both parties expect the relationship to continue for a prolonged period. Owner's commitment to the project may lead to employee commitment to the venture, where attaining employee commitment is a critical but challenging task (Breugst et al., 2012). As entrepreneurs are committed to their promises made to the third party, this would enable them to build long-term relationships with customers, and see interpersonal relationships as a fundamental business resource, and to place long-term business relationships over short-term profit (McClelland, 1987). Hence, those enterprise owners, who put their businesses first before anything else including the family and persist over long hours of work to fulfill their promises to their customers would attain competitive advantage in the market place, which in turn, lead to better firm performance. Thus,
Hypothesis 4: Commitment has a significant positive effect on SME performance.

2.3.5. Interaction Effects

In addition to main effects, the entrepreneurial competencies may have interaction effects on frim performance. Entrepreneurs successfully execute their plans and realize their goals because they act with determination, persistence, and commitment. Business success requires not only the capacity to see opportunities and then set goals and plans to capitalize on them, but also requires to have enough energy to move forward, even when facing considerable obstacles and challenges. Achieving business success is not an easy task; it requires enough energy and persistence.

But such behavioral patterns arise from motivational goals and objectives, which are clearly defined, are challenging and have personal meaning (Locke and Latham, 2006). Specific and meaningful goals lead to higher commitment than less specific goals (Heath et al., 1999). The vice-versa, the effectiveness of goal-setting and planning is predicated on the assumption that there is commitment and associated persistence to goals. Goals will not operate as proposed without commitment and persistence (Klein et al., 2013). An individual's grit to try for a goal and persistence in chasing it over time regardless of its origin is critical for goal success. All of these proposals support that specific, challenging and personally meaningful goals induce personal commitment and persistence which, in turn, drive the goals and plans to function. Challenging goals are attained if one exerts great effort and focus toward them, showing high interdependence among the variables. Hence, we propose that goal setting and planning competencies would interact with persistence and commitment competencies to positively influence frim performance. Hence, we propose the following:

Hypothesis a1: Persistence and goal setting would exert a joint positive significant effect on SME performance.

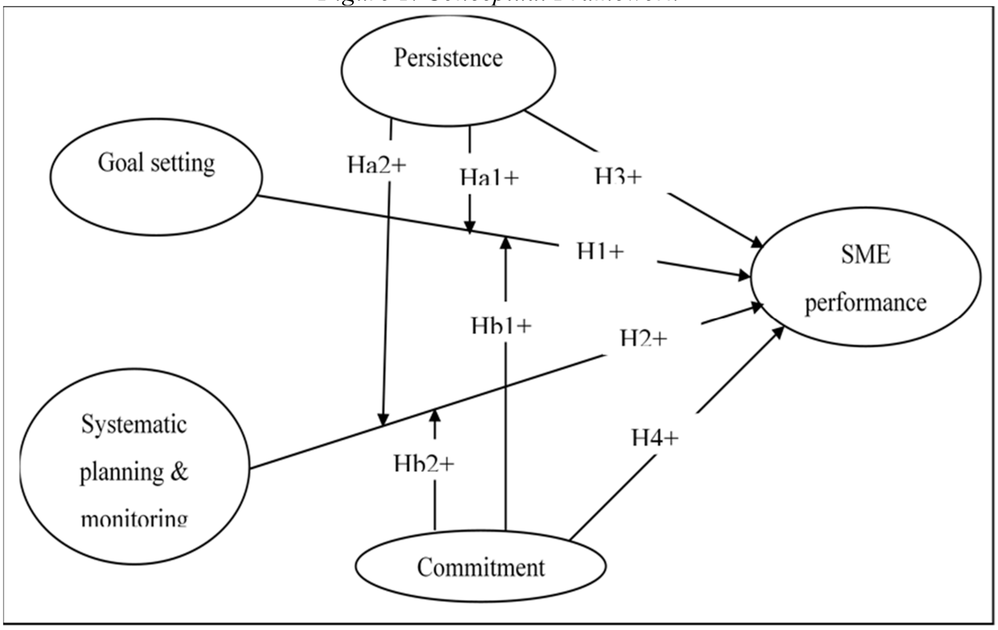
Hypothesis a2: Persistence and systematic planning when combined together will have a positive significant impact on SME performance.

Hypothesis b1: Commitment and goal setting will have a joint positive significant effect on SME performance.

Hypothesis b2: Commitment and systematic planning when combined together will have a positive significant impact on SME performance.

The foregoing discussion on the determinants of small business performance can be summarized diagrammatically as shown in Figure 1. The model provides that entrepreneurial competencies are the way by which the likelihood of realizing business success can be enhanced (Bird, 1995). It shows that individuals decide to determine what is valuable to their well-being, establish goals to achieve it, select the means for reaching these goals, and then they should perform sustainably on the basis of their decisions (Latham and Locke, 1991). The final output is the successful achievement of goals and objectives. Instead of flattering, SME owners initiate the cycle again by setting more challenging goals to ascend their solid business to the next level. This summary of the entrepreneurial role highlights the fact that competency must be demonstrated in many domains: goal setting, systematic planning, persistence, and commitment.

Figure 1. Conceptual Framework



3. Materials and Methods

3.1. Measurement of Constructs

Entrepreneurial competencies: Measurements for goal setting, planning, commitment, and persistence were adopted from the standard Personal Entrepreneurial Competencies (PECs) self-assessment questionnaire which was developed and refined by the collaboration of the Management Systems International (MSI) the USA, and McBer & Company (see Mansfield et al., 1987). The PEC is a standard list of questions which enables us to differentiate the strength of one's capability to engage in entrepreneurial activity (McClelland, 1987). Goal setting was measured with 5 statements (GS1 to GS5); systematic planning and monitoring with 5 statements (SPM1 to SPM5); persistence with 6 statements (PER1 to PER6); and commitment with 5 statements (COM1 to COM5). Each statement is measured on a 5-point Likert-type ordinal scale, where 5 is anchored as "always true" and 1 is "never true".

SME performance: In measuring firm performance, a number of financial and non-financial performance indicators have been used. Financial performance measures how well a firm achieves company goals and objectives related to profitability, and growth in sales and markets share, or a measure of cash flow, quarterly income growth, operating income, and growth in market share and return on equity (Chen et al., 2009; Hult et al., 2004). Non-financial performance indicators, on the other hand, measure how a well a firm achieves long-term operational objectives that emphasize the importance of increasing customer loyalty, attracting new customers, and enhancing the image and reputation of a firm. Hence, SME performance is modeled as a higher-order construct with two separate first-order factors, namely, financial and non-financial factors. The measures were adopted from (Chen et al., 2009) and extended by adding a few items from (Orser and Riding, 2003).

Financial performance was measured using five items (FP1 to FP5) which were stated in terms of profitability, market share and sales growth objectives, and overall performance in comparison to their competitors. They reflect whether a firm could enhance sales and profitability and exceed market share objectives; and whether the owner generated income to acquire personal properties (e.g., house or car). The non-financial performance was measured using five non-financial items (NFP1 to NFP5), e.g. whether the firm could increase its market acceptance, customer loyalty, attract new customers, etc. The response options for all the items on the performance criteria (both financial and non-financial) were on a 5-point scale, ranging from 1 "strongly disagree" to 5 "strongly agree".

3.2. Sample and Data Collection

A random sample of 462 SMEs which are defined as stand-alone firms with fewer than 50 employees operating in three cities viz., Bahir Dar, Gondar, and Debre Markos, Amhara Region, Ethiopia were used for the study. A structured questionnaire method was used to collect data (see the Appendix).

The sample is considered as sufficient enough for testing the overall model using multivariate techniques, CFA and SEM (Hair et al., 2010). This sample of informants was taken from the Regional Technic, Vocation and Enterprises Development Office (TVEDO) in February 2018. The study addresses a broad range of sectors in manufacturing, construction, urban agriculture, trade or commerce and service (restaurants and others) aimed to increase the external validity of the research findings. Owner-managers or chairpersons in case of cooperatives participated in the study. Presumably, these people are believed to have good knowledge and expertise pertaining to their own establishments' operations, strategic directions, and overall firms' operational activities lending more accurate responses to the research questions.

Table 1. Respondents' characteristics and business profile

Respondent profile			Firm profile		
Respondent's Gender			Sector of Operation		
Frequency		Percent	Frequency		Percent
Male	354	76.6	Manufacturing	279	60.4
Female	108	23.4	Construction	50	10.8
Total	462	100.0	Urban agriculture	34	7.4
Respondent's Age			Trade or commerce	40	8.7
Frequency		Percent	Services	59	12.8
Ages 20 to 30	120	26.0	Total	462	100.0
Ages 31 to 40	248	53.7	Firm's Age		
Ages 41 to 50	71	15.4	Frequency		Percent
Ages 51 to 60	17	3.7	2 to 3 years	150	32.5
Ages 61 and above	6	1.3	4 to 5 years	175	37.9
Total	462	100.0	6 to 7 years	92	19.9
Level of Education			8 to 9 years	34	7.4
Frequency		Percent	10 years and above	11	2.4
No formal education	6	1.3	Total	462	100.0
8th grade complete	31	6.7	Number of Employees		
10th grade complete	104	22.5	Frequency		Percent
12th grade complete	60	13.0	6 to 10 people	209	45.2
University/college educ.	261	56.5	11 to 15 people	161	34.8
Total	462	100.0	16 to 35 people	67	14.5
			36 to 49 people	10	2.2
			50 and above	15	3.2
			Total	462	100.0

The descriptive analysis of the respondents' characteristics and their business profiles is shown in Table1. A majority of respondents were in ages between 20 and 40 (79.7 percent), and 76.6 percent were male managers indicating gender inequality in business ownership and leadership of SMEs in the region. While a few had no formal education (1.3 percent), the majority of the respondents (56.5 percent) have attended university/college education indicating a culture shift from job-seeking to work for others to self-employment in the educated community of the region. However, a majority of businesses in the study had less than 15 employees (80.3 percent), most employing less than 10 employees (45.2 percent), indicating the level of employment and quality of jobs is a major concern. A majority of the participants were in the manufacturing sector (60.4 percent). While a majority of businesses had less than 5 years industry experience (70.4 percent), it is only a few had greater than 8 years industry experience (9.8 percent) indicating a consistent result to that most of the businesses are owned and lead by the youth in the study area.

4. Analyses and Results

All the variables (both exogenous and outcome variables) were combined into a single CFA analysis to evaluate the measurement model. The pooled CFA is a more recommended procedure than the individual CFA for it offers better results (Hair et al., 2010). The construct reliability and validity were assessed using various indexes such as construct reliability index (C.R.), average variance extracted (AVE), maximum shared square variance (MSV) and standardized factor loadings suggested by (Hair et al., 2010).

A structural equation modeling (SEM) procedure was used to examine the relationships among the latent variables in the study. According to Byrne (2016), the central point in analyzing structural models is the evaluation of the degree to which the hypothesized model "fits" or adequately describes the sample data. As such, the model fit was evaluated by examining several model-fit indices including CMIN/DF = x^2/df, GFI, TLI, CFI, RMR, SRMR, RMSEA, and PCLOSE as recommended in the literature (Byrne, 2016; Hair et al., 2010; Hu & Bentler, 1999). Besides to fit statistics, the effect of one variable on another was assessed as indicated by the standardized regression estimate (β), with a significance level set at $p \leq 0.05$. The maximum likelihood estimation (MLE) method was used for model fitting. AMOS v.23 and SPSS v.24 were used for the study.

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4.1. Measurement model- the CFA procedure

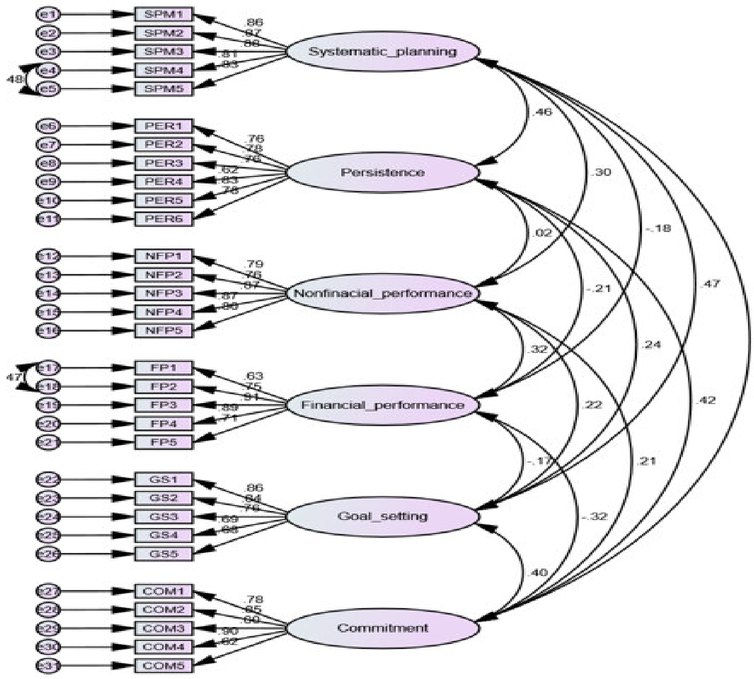
An analysis of a pooled CFA for 6 latent factors, viz., goal-setting (GS), systematic planning and monitoring (SPM), persistence (PER), commitment (COM), financial performance (FP) and non-financial performance (NFP) was undertaken to reveal whether these factors represent their respective measurement items. The measurement model is shown in Figure 2 and its model fitness index values are also shown in Table 2.

Table 2. Measurement Model Fit Summary

Measure	**Threshold limit**	**Current Model**
Chi-square (x^2) value with a certain degree freedom	p-value for the model > 0.05	X^2 (df= 417) =789.063; p < 0.05
Chi-square/df(cmin/df)	≤ 3 good; ≤ 5.0 acceptable	1.892
RMR	< 0.08	0.065
GFI	> 0.90 good	0.90
SRMR	< 0.08 good; < 0.1 acceptable	0.0512
RMSEA	< 0.05 well fitting; < 0.08 good	0.044
TLI	≥ 0.95 better; ≥ 0.90 acceptable	0.955
CFI	≥ 0.95 better; ≥ 0.90 acceptable	0.960
PCLOSE	> 0.05	0.983

As shown in Table 2, the measurement model yielded a good model fitting in all of the fit indices except the chi-square (x^2) statistic (Byrne, 2016; Hair et al., 2010; Hu & Bentler, 1999).

Figure 2. Measurement model – CFA



Construct reliability and validity analysis report is shown in Table 3. The internal consistency of the construct measurements was evaluated using the Cronbach's alpha and all showed a Cronbach's alpha (α) of greater than 0.850. The composite reliabilities (C.R.) values were far above the recommended value of 0.70, and C.R. > AVE, and AVE values > 0.50 verifying good convergent validity of the constructs. In addition, the AVE values were greater than the MSV values, and the square roots of AVE values (boldfaced values on the diagonal) were greater than the inter-construct correlations providing evidence of discriminant validity. Hence, there was no concern of the validity and reliability of the measurement model (Hair et al., 2010).

Table 3. Construct mean, validity, reliability results, and correlations

Construct	Mean	α	CR	AVE	MSV	SPM	PER	NFP	FP	GS	COM
Planning	4.32	0.933	0.933	0.737	0.211	0.858					
Persistence	3.55	0.887	0.888	0.572	0.204	0.452	0.756				
Non-fin p.	2.16	0.908	0.909	0.667	0.109	0.298	0.019	0.816			
Financial p.	3.03	0.893	0.894	0.631	0.109	0.161	0.204	0.330	0.794		
Goal setting	3.91	0.876	0.877	0.59	0.211	0.459	0.243	0.224	0.159	0.768	
Commitment	3.08	0.869	0.87	0.579	0.177	0.410	0.421	0.210	0.312	0.397	0.761

Consideration of Common Method Variance: As the data for all the variables were collected from a single respondent, we assessed if there was any influence of common method variance in the dataset using Harman's single factor test and common latent factor test. The Harman's single-factor test showed that the extraction sums of squared loading showed that only 14.2% of the variance (far less than 50%) is attributed to a single factor, indicating that common method bias is not a major issue in the data (Podsakoff et al., 2003). But because Harman's single factor test is considered as an outdated and inferior approach, a more accurate test of common method variance, CFA with CLF, was conducted to determine the influence of the common method bias on our measurement. A comparison was made between the standardized regression weights of the CFA model with CLF and the standardized regression weights of the model without the CLF. The maximum difference found was < 0.20 indicating that no concern of common method bias in the dataset (Gaskin, 2012). Hence, the measurement model is operating adequately and can be used to assess the hypothesized structural model.

4.2. Hypothesis Testing through SEM

To examine the impacts of the owner-managers' entrepreneurial actions on their enterprises' outcomes, the analysis of a structural model was carried out as shown in Figure 3. The SME performance structural model yielded a well-fitting model as indicated by many of accepted model fit index values (Byrne, 2016; Hair et al., 2010; Hu & Bentler, 1999) (see Table 4). Therefore, the structural model can be used to test the significance of the structural paths in the study.

Table 4. Structural model fit summary

Measure	**Threshold limit**	**Current Model**
Chi-square (x^2) value with a certain degree freedom	p-value for the model > 0.05	X^2 (df= 421) = 909.028; p < 0.05
Chi-square/df(cmin/df)	≤ 3 good; ≤ 5.0 acceptable	2.159
RMR	< 0.08	0.125
GFI	> 0.90 good	0.885
SRMR	< 0.08 good; < 0.1 acceptable	0.096
RMSEA	< 0.05 well fitting; < 0.08 good	0.050
TLI	≥ 0.95 better; ≥ 0.90 acceptable	0.942
CFI	≥ 0.95 better; ≥ 0.90 acceptable	0.947
PCLOSE	> 0.05	0.472

Figure 3.SME performance structural model

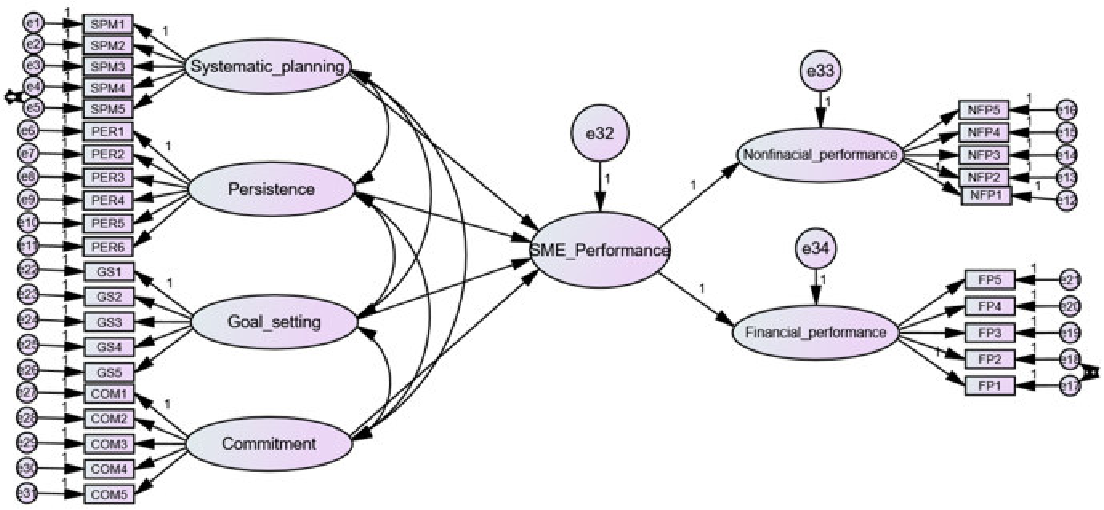


Table 5. Direct effects of entrepreneurial actions on SME performance

Regression weights:	Unst. Estimate	S.E.	C.R.	*p*	β	Result
Goal setting →SME Performance	.006	.041	.140	.889	0.012	Not supported
Systematic planning → SME Performance	.077	.039	1.956	.050	0.176	Supported
Persistence → SME Performance	.129	.053	2.428	.015	0.207	Supported
Commitment → SME Performance	.088	.040	2.180	.029	0.186	Supported

Significance level p ≤ 0.05

Table 5 shows the direct effects of the entrepreneurial behaviors on SME performance. Turning to the first,

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the findings show that the relationship between the entrepreneur's goal-setting capability and firm performance was positive. However, this relationship was found to be statistically not significant (β = 0.012, p = 0.889). Hence, the finding did not support hypothesis 1, goal *setting competency has a significant positive effect on SME performance.* The result does not corroborate the majority of the extant literature (e.g., Locke and Latham, 2005; Ibrahim and Ellis, 1993). In fact, it is consistent with the findings of goal setting studies in developing economies (Adegbite et al., 2007; Nieuwoudt et al., 2015), suggesting the need to work more to improve this competency in the business community.

With regard to the impact of systematic planning and monitoring on firm performance, the result showed that the entrepreneur's capacity to systematically plan ahead, revising it in accordance with performance or changing circumstances, and proper utilization and control of resources is a strong predictor for small business success (β = 0.176, p = 0.050). Hence, the result supports hypothesis 2, *systematic planning and monitoring have a positive significant effect on SME performance.* The result verifies past research findings, which suggested that planning leverages business success or achievement (Peake et al., 2018; Delmar and Shane, 2003; Mazzarol, 2001).

Similarly, the analysis result showed that entrepreneurial persistence is a significant predictor of small business success (β = 0.207, p = 0.015), which supports hypothesis 3, *persistence has a positive significant effect on SME performance.* The finding also corroborates prior research findings (Chandler and Jansen, 1992; Mansfield et al., 1987; Markman et al., 2005). A higher tendency of the entrepreneur to persist towards achieving own goals through (a) taking action when facing significant obstacles and challenges; (b) acting repeatedly or switching to alternative strategies to meet a challenge or overcome an obstacle; and (c) making personal sacrifice or expending an extraordinary effort to complete a job is a critical factor for entrepreneurship success (Mansfield et al., 1987). Persistence enables entrepreneurs to maintain zeal and high stamina to overcome obstacles and challenges in their businesses (Markman et al., 2005).

Regarding the impacts of entrepreneurial commitment on firm performance, the result showed a significant positive relationship between commitment and SME performance as we expected (β = 0.186, p = 0.029). The result hence supports hypothesis 4, *commitment has a significant positive effect on SME performance.* This finding confirms past studies findings, which asserted that once the entrepreneurs made decisions (set goals and plans), they must discipline and completely immerse themselves into their business, and implement their plans thereby achieving their goals (Ahmad et al., 2010). Those enterprise owners, who put their businesses first before anything else including the family (Johnson, 2013), and those who put customers first and fulfill their promises to their customers would attain competitive advantage in the marketplace (McClelland, 1987).

As an effort to examine the effect of individual-level entrepreneurial action on firm performance, we have also investigated the interactive or joint effects of entrepreneurial actions on firm performance. In testing our interaction models, we followed the procedures suggested by Baron and Kenny (1986). Each construct was standardized, i.e., the initial values were replaced with their corresponding z-scores (mean= 0, standard deviation = 1) and the interaction values were calculated in SPSS based on the standardized values (Gaskin, 2011). Then joint effects, using two-way interaction analysis within AMOS 5 were calculated. The goodness of fit statistics for the models showing the combined effects of entrepreneurial actions is shown in Figures 4 and 5. Table 5 shows the significance tests of the joint effects of goal setting with persistence and commitment, whereas Table 6 shows the significance tests of the joint effects of systematic planning with persistence and commitment on firm performance.

Figure 4. Model for the joint effect of goal setting and persistence, and commitment on firm performance

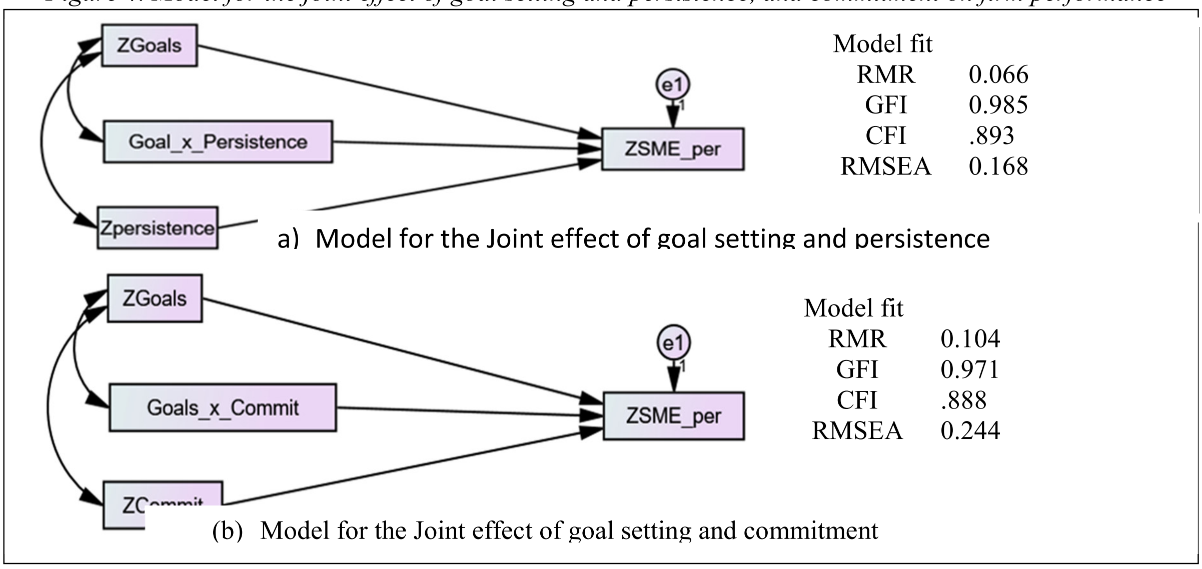

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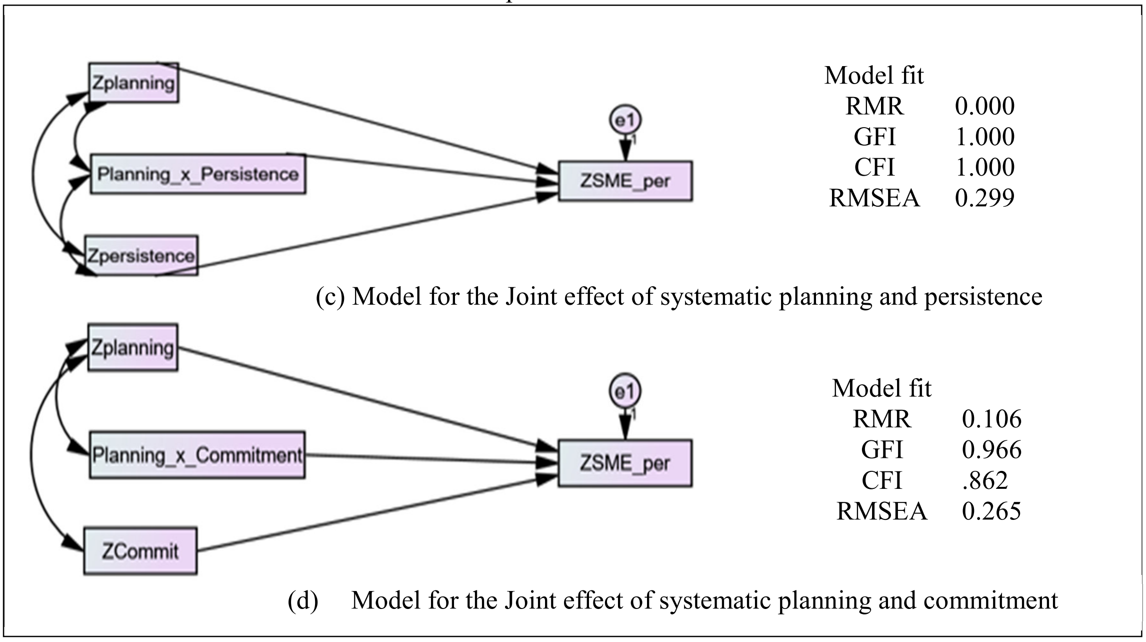
Table 6. The combined effects of goal setting with persistence, and commitment to firm performance

Hypothesis	Unst. β	S.E.	C.R.	*P*	β	Result
The joint effect of goal setting and persistence						
ZGoals → SME Performance	.041	.048	.841	.400	.040	
Goal_x_Persistence → SME Performance	.019	.042	.453	.650	.021	Not supported
Zpersistence → SME Performance	-.292	.046	-6.359	***	-.292	
The joint effect of goal setting and commitment						
ZGoals → SME Performance	.111	.054	2.051	.040	.108	
Goals_x_Commit → SME Performance	.037	.043	.864	.387	.042	Not supported
ZCommit → SME Performance	-.315	.048	-6.523	***	-.315	

Significance level $p < 0.05$

As shown in Table 6, though the interaction effects of entrepreneurial actions (goal setting, persistence and commitment) on firm performance indicated positive signals, they did not show statistical significance (goals with persistence, β = 0.021, p = 0.650; and goals with commitment, β = 0.042, p = 0.387). The results are only partial. Hence, these findings did not support the hypotheses *Ha1* and *Hb1*, suggesting that when persistence and commitment, combined with goal setting would exert a *joint positive significant effect* on SME performance, respectively.

Figure 5. Model for the joint effect of systematic planning and persistence, and commitment on firm performance



(c) Model for the Joint effect of systematic planning and persistence

(d) Model for the Joint effect of systematic planning and commitment

Table 7. The combined effects of systematic planning with persistence, and commitment to firm performance

Hypothesis	Unst. β	S.E.	C.R.	P	β	Result
The joint effect of systematic planning and persistence						
Zplanning → SME Performance	.167	.052	3.210	.001	.161	
Planning_x_Persistence → SME Performance	.079	.036	2.224	.026	.099	Supported
Zpersistence →SME Performance	.395	.049	8.015	***	.390	
The joint effect of systematic planning and commitment						
Zplanning → SME Performance	.127	.052	2.429	.015	.122	
Planning_x_Commitment → SME Performance	.088	.043	2.028	.043	.094	Supported
Zcommitment → SME Performance	.359	.048	7.470	***	.355	

Significance level $p < 0.05$

As seen in Table 7, both persistence and commitment when interacting with systematic planning and monitoring entrepreneurial competency, they showed positive significant effects on SME performance (planning with persistence, β = 0.099, p = 0.026; and planning with commitment, β = 0.094, p = 0.043). Therefore, the findings supported the hypotheses *Ha2 and Hb2.*

5. Discussion, Managerial and Policy Implications

The entrepreneurial competency/action is a valuable organizational resource that can be combined with other resources to exploit business opportunities for continuous innovations that will help firms attain sustainable competitive advantage. An entrepreneur with a set of competencies — goal setting, planning, persistence, and commitment — influences the success of business in many ways. The more competent entrepreneurs are, the better they could identify quality business opportunities. Competent entrepreneurs can formulate superior strategies that fit their businesses and execute them to convert opportunities into the business/venture. On the basis of RBV, entrepreneur's competencies are a critical and valued resource of an entrepreneurial firm; and ownership and control of such valuable capitals are in the hands of the entrepreneur in small firms. The competent entrepreneur is an innovator, a manager and a leader who makes decisions and with charisma and capacity of generating enthusiasm to build effective and efficient teams that can develop the business.

As per the findings of this paper, the entrepreneurial actions of planning, persistence, and commitment are perceived significant predictors of small firm performance. Once entrepreneurs determined their goals and objectives, they must anticipate problems, design strategies and systematically plan what to do in achieving their goals and objectives. Planning serves the entrepreneur to have a clear sense of direction, focus effort and evaluate the progress and success against goals and specific deadlines. It enables the entrepreneur to properly manage the scarce resources; provides greater performance benefits for small business owners which may give them an opportunity to compensate for initial resource disadvantages (Peake et al., 2018). The result is consistent with that planned behavior leverages achievement in general (McClelland, 1961).

Persistence and commitment or simply hard work are essential to a business-life real success and fulfillment. Entrepreneurial process is complicated; an entrepreneur needs to discover the right idea, acquire finance, purchase equipment and other supplies, establish an office, form a team, identify the target market, promote the products and/or services to that market, and engage in many other ancillary activities which all require the willingness and capacity to generate intense effort for long, hard hours.

Moreover, business operation is full of uncertainties, for instance, uncertainty about the market demand for, and acceptance of products and services, uncertainty about the flow of finance required, or market competition that represent challenges and obstacles having the potential to impede venturing process. Business success also requires enterprise owners to put their businesses first before anything else including the family, as well as fulfill their promises to their customers. All these require the entrepreneur to devote his energy, intellect, time and financial resources toward the success of a project from the side of the entrepreneurs and their entire team. Similarly, when these entrepreneurial competencies are combined with planning and monitoring competency, they also influence the performance of the small business in positive ways.

However, both main and joint effects of goal setting with other behaviors on firm performance were found to be statistically insignificant. This gives some important implications for business owners, in that they perceived that they do persist and commit themselves to their business, but they do not know why they do so. If business owners do not have the habit of setting specific, meaningful and challenging goals or do not have goals at all, "why" and for "what" do they persistently doing?

Fundamentally, it is believed that entrepreneurs achieve their goals because they act with determination, persistence, and commitment. And thus, hard work is essential for success. Yet such behavioral patterns often arise from motivational goals and objectives, which are clearly defined, challenging and have personal meaning (Locke and Latham, 2006). Such specific and challenging goals induce commitment and persistence. Entrepreneurs with stronger goal-setting competency are more likely to create firms that experience high growth and profitability due to the fact that goals have the effect of directing attention and action, mobilizing energy expenditure, prolonging effort over time or persistence, and motivating the individual to develop relevant strategies for goal attainment (Latham, 2004). Thus, goal-setting behavior is the foundation of all competencies; it is a pre-requisite of all entrepreneurial activities. But for its achievement, one should have enough energy and enthusiasm toward the project or work contract. Bursting with a deep sense of motivation and commitment to making a difference in the market is an even more valuable attribute. This is because success in business comes from a combination of inspiration and hard work; it results from motivational goals and commitment and persistence. Therefore, demonstrating a higher tendency for persistence and commitment, but low in goal setting is a bad combination, which leads to no clear results.

The verification of positive links between entrepreneurial competencies and SME performance provide valuable theoretical and practical contributions.

Managerial Implications:

- The extent to which the entrepreneurs are high on a number of distinct individual-difference dimensions or entrepreneurial competencies (setting goals and objectives, systematic planning and monitoring, entrepreneurial commitment, and persistence), the greater the likelihood or magnitude of their success. Higher entrepreneurial competencies are the determining factors for the effective performance of SMEs.

Stated differently, low entrepreneurial competencies are responsible for the dismal performance of SMEs.

- Understanding the SME performance though entrepreneurial competencies offer entrepreneurs with knowledge about the way they would run their business and enables them to be aware of the potential positive or negative influences of their own behavior or actions, too. And the entrepreneurs must take personal responsibility to improve their competencies for the continuing viability of their business.

Policy implications:

- The findings of the study may also help educators and trainers in identifying and teaching the determining factors of business success. Educators and policymakers must be aware of the fact that formulating relevant training programs that may improve existing and prospective entrepreneurs' competencies targeting the emergence of a strong and competitive SME sector.
- Policymakers and development aid organizations should focus on entrepreneurial development initiatives toward reinforcing those positively exhibited competencies and reducing the dependency on the weak entrepreneurial competencies (i.e., improving them) in the business life of operating entrepreneurs and would-be entrepreneurs too.
- Support facilities for innovation must consider providing a specialized approach for SMEs and other entrepreneurial businesses and linking business management consultancy on strategic planning to innovative projects for the SMEs. A credible regional or national support policy that fosters an entrepreneurial culture is indispensable to create a more competitive economy with increased job opportunities.

As a concluding remark, both practice and research should continue to give a prime focus on business success through the lens of the entrepreneur's competence or the clusters of business-related knowledge, attitudes, and skills that the entrepreneur can acquire and develop through training and development rather than the environment variables that the entrepreneur has little or no control over.

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Appendix: Survey Instrument

Entrepreneurial competency areas		Indicators
Goal setting (GS)	GS1	I like to think about the future.
	GS2[a]	I think it is a waste of time to worry about what I should do with my life.
	GS3	The more clarity I have as to what I want to achieve in life, the greater my chances are of attaining it.
	GS4	I have a clear idea of what I will do in life.
	GS5	I am as concerned about reaching my weekly goals as I am about my annual goals.
Systematic planning and monitoring (SPM)	SPM1	I plan a large task by breaking it down into smaller activities.
	SPM2	Before doing something, I carefully weigh the advantages and disadvantages of different ways of accomplishing it.
	SPM3	I try to take into consideration all the problems that may crop up and think about what to do if they happen.
	SPM4[a]	I deal with problems as they arise, rather than wasting time trying to anticipate them.
	SPM5	If one way of solving a problem does not work, I look for another approach.
Persistence (PER)	PER1	When faced with a difficult problem, I spend a lot of time looking for a solution.
	PER2	I keep persisting until I overcome the obstacle in my path.
	PER3	When something gets in the way of what I am trying to accomplish, I keep on trying.
	PER4[a]	When I have serious difficulties with something I am doing, I prefer to do something else.
	PER5	I try different ways of overcoming obstacles that get in the way of reaching my goals.
	PER6[a]	I do not give up when I do not get my way.
Commitment (COM)	COM1	I complete my work on time.
	COM2	I keep all the promises I make.
	COM3	If necessary, I do not mind doing other people's work to get a job done on time.
	COM4	When I am doing a job for somebody else, I try very hard to satisfy them.
	COM5[a]	Even if I have the deadline for delivering a job, my family is more important.

Note: a = item needs to be reversed. *Source of the instrument.* Empretec Program PEC standard self-assessment Mansfield et al. (1987).

SME performance		Indicators
Financial Performance (FP)	FP1	Our enterprise's overall profitability has been much better than our competitors.
	FP2	Our enterprise has been able to achieve profitability objectives.
	FP3	Our enterprise has been able to achieve sales objectives.
	FP4	Our enterprise has been able to achieve market share objectives.
	FP5	I, as an owner/manager, have acquired personal goods such as a house or car due to earnings from the business.
Non-financial Performance (NFP)	NFP1	We have been able to improve the loyalty of existing customers better than our competitors.
	NFP2	We have attracted a significant number of new customers.
	NFP3	Our enterprise has had market acceptance, for example, recognition, product quality, or good reputation.
	NFP4	Relative to major competitors, our enterprise has been able to better satisfy the customers.
	NFP5	We have been able to deliver what our customers want.

Sources: (Chen et al., 2009; Orser & Riding, 2003).