Understanding Entrepreneurial Competencies & Environment

Set by: Elias H.(MBA)

Identifying Personal Entrepreneurial competencies (PECs)

- *Competencies*: are defined as a body of knowledge, a set of skills and a cluster of traits.
- Knowledge: consists of a set or body of information stored, which may be recalled at an appropriate time.
- Skill: is the ability to apply knowledge
- Trait: is the total of peculiar qualities or characteristics that constitutes personal individuality
- Entrepreneurial competencies: refer to the key characteristics that should be possessed by successful entrepreneurs in order to perform entrepreneurial functions effectively

Levels of competencies required by entrepreneurs

- There are three levels of competencies, which all entrepreneurs need:
- ***Personal competencies*:** creativity, determination, integrity, persistence, emotional balance and self-criticism.
- ***Interpersonal competencies*:** communication, engagement, delegation, respect.
- ***Business competencies*:** business vision, resource management, networking, negotiating skills.

+ **P**ersonal **E**ntrepreneurial **C**ompetencies (PECs) are specific characteristics/ traits that can be achieved through education, hard work, and planning. There are ten most common Personal Entrepreneurial Competencies, often called ***the 10 PECs***, required by an entrepreneur; which can be grouped into three clusters as follows:

+ Table : Entrepreneurial Competency and Its Clusters

No	Personal Entrepreneurial Competency	Cluster
1	Opportunity seeking and initiative	Achievement
2	Persistence	
3	Fulfilling commitments	
4	Demand for efficiency and quality	
5	Taking calculated risks	
6	Goal setting	Planning
7	Information seeking	
8	Systematic planning and monitoring	
9	Persuasion and networking	Power
10	Independence and self-confidence	

i. Opportunity seeking and initiative

- An opportunity is a favorable set of circumstances that creates a need for a new product, service or business
- An entrepreneur always seeks out and identifies opportunities
- This is an important area for an entrepreneur as it determines his/her rate of expansion in business, e.g. new designs and use of products

Quotes

"Successful people move on their own initiative but they know where they are going before they start." – Napoleon Hill

"What is not started will never get finished." – Johann Wolfgang von Goethe

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty

ii.Persistence

True entrepreneurs face bureaucracy, make mistakes, receive criticism, and deal with money, family, or stress problems

It is the ability or the determination to takes action in the face of significant obstacles and challenges

True entrepreneurs take personal responsibility for the performance necessary to achieve goals and objectives

Quotes

1

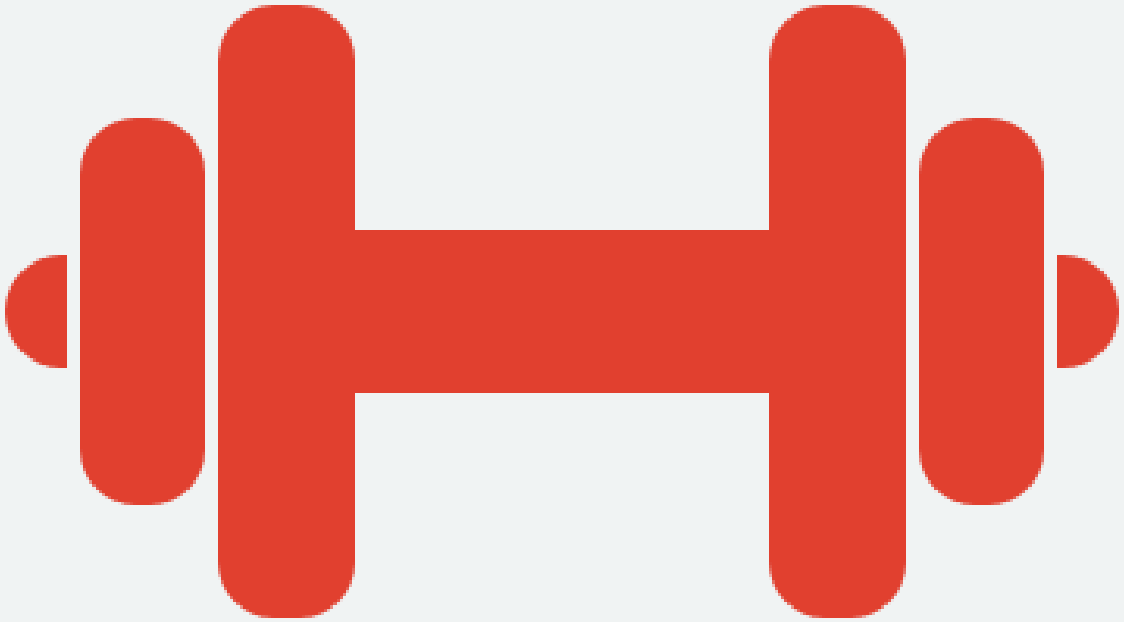
“If you can’t fly, then run, if you can’t run then walk , if you can’t walk then crawl, but whatever you do you have to keep moving forward” -Martin Luther King, Jr

2

“Success in life is not for those who run fast, but for those who keep running and always on the move.” -Bangambiki Habyarimana

iii. Fulfilling commitments

- An entrepreneur makes a personal sacrifice and extraordinary effort to complete a job, pitches in with employees, or takes their place if needed, to get a job done and strives to keep customers satisfied and places long-term good will above short-term gain



Quotes

"IF THERE IS NO STRUGGLE THERE IS NO PROGRESS" –FREDERICK DOUGLASS

"I NEVER DREAMED ABOUT SUCCESS. I WORKED FOR IT. –ESTEE LAUDER

iv. Demand for efficiency and quality

Find	find ways to do things better, faster and cheaper
Act	act to do things that meet or exceed standards of excellence
Develop and uses	develop and uses procedures to ensure that work is completed on time and that work meets agreed upon standards of quality

Quotes

"We are what we do repeatedly

"Almost all quality improvements come via simplification of design, manufacturing, layout, processes, and procedures."-Tom peters

"If a thing is worth doing, it is worth doing well"- Chinese proverb

v. Taking calculated risks

Successful entrepreneurs take risks in business such as starting businesses which have an equal chance of success or failure or resigning from a secure job to start a business

Taking risks, however, does not mean going in to business blindly and then expecting grate result; Taking risks involves careful planning and hard work

Entrepreneurs avoid low-risk situations because there is lack of challenge, but they also avoid high-risk situations because they want to succeed

Quotes

"If there is no risk, there is no reward." -Christy Raedeke

"Life is all about risks. If you never take a risk, you will never achieve your dreams. Take risks: If you win, you will be happy ;If you lose, you will be wise" – Unknown

Vi. Goal setting

- Goal setting is the process of deciding what you want to accomplish and devising a plan to achieve those desired result
- Successful entrepreneurs have the ability to set goals and objectives which are personally meaningful and challenging and articulate clear and specific long-term goals

Quote

"If you don't know where you are going, you'll end up someplace else." — Yogi Berra

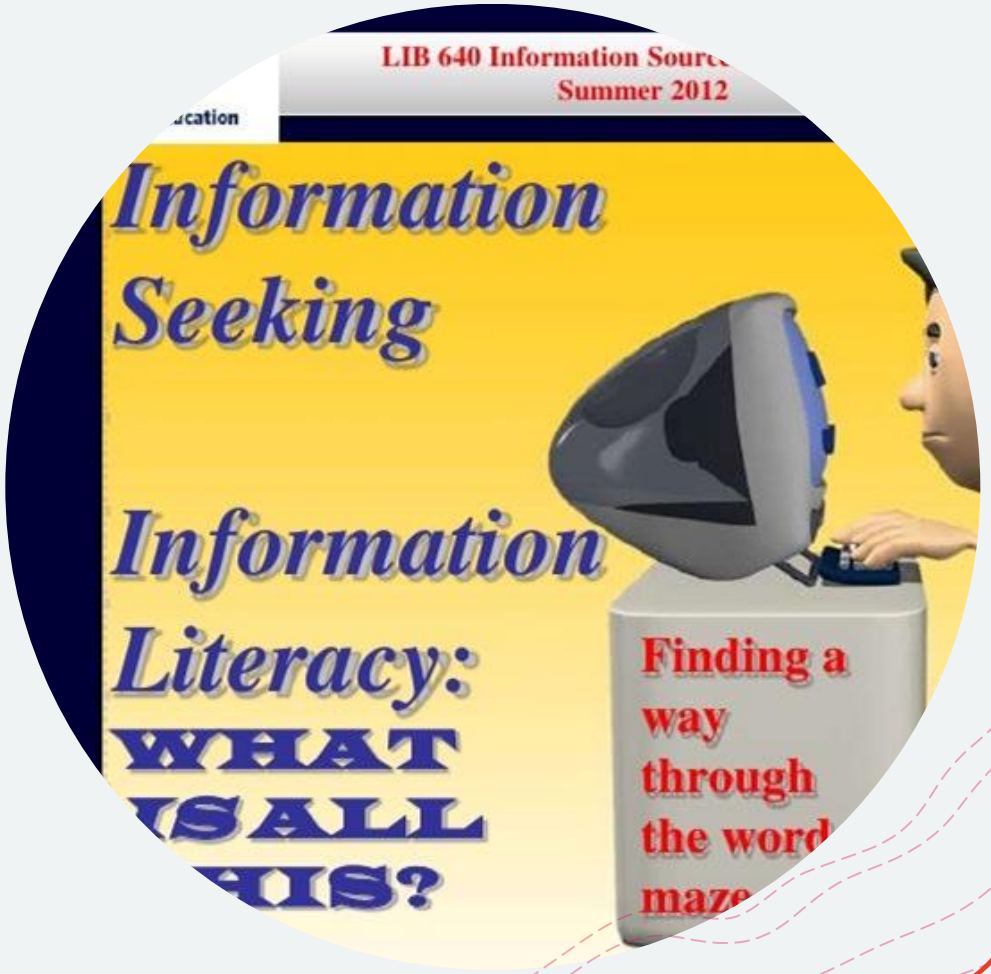
"The wind never helps the boat that has no clear destination." Seneca

Vii. Information seeking

Successful entrepreneurs do not rely on guesswork and do not rely on others for information

Instead, they spend time collecting information about their customers, competitors, suppliers, relevant technology, markets and they also consults experts for business or technical advice

Information on the area of market, supply, operations, finance, legislation, and infrastructure are important for entrepreneurs



This Photo by Unknown author is licensed under CC BY.

Quotes

"Information means power"
Unknown

"There are no foolish questions, only fools who do not ask questions." Unknown

Vii. Systematic planning and monitoring

plan by breaking large tasks down into sub-tasks with clear time-frame

Revise plans in light of feedback on performance or changing circumstances

Keep financial records and uses them to make informed decisions

Quote

"By failing to prepare, you are preparing to fail." — Benjamin Franklin

"Give me six hours to chop down a tree and I will spend the first four sharpening the axe." — Abraham Lincoln

Viii. Persuasion and networking

- Persuasion is a way of convincing someone to get something or make a decision in your favor. It is inducing or taking a course of action or embracing a point of view by means of argument, reasoning, or appeal; to convince; to succeed in causing a person to do or consent to something.

- Networking is a socioeconomic business activity by which businesspeople and entrepreneurs meet to form business relationships and to recognize, create, or act upon business opportunities, share information and seek potential partners for ventures

- Entrepreneurial networks are important for the mobilization and acquisition of scarce resources that are crucial to starting and developing a business

- Successful entrepreneurs use deliberate strategies to influence and persuade others, take action to develop and maintain a network of business contacts and uses key people as agents to achieve their objectives

Quotes

- "Everyone you will ever meet knows something you don't." Bill Nye
- "Networking is more about farming than it is about hunting." Ivan Misner

x. Independence and self-confidence

Self-confidence is the state of being certain that a chosen course of action is the best or most effective given the circumstances and

independence may refer to the ability to do what one wants, when s/he wants and where.

Entrepreneurs want to be their own boss this is what we call independence.

Cont…

- Entrepreneurs believe in themselves and the desire for control and the ability to make decisions often makes it difficult for them to work in a controlled environment.
- Hence Entrepreneurs:
  - Seeks autonomy from the rules and/or control of others
  - Attributes the causes of successes and failures to oneself and to one’s own conduct
  - Expresses confidence in own ability to complete a difficult task or to face a challenge

Quotes

"The best way to gain self-confidence is to do what you are afraid to do."-Unknown

"When you question if you have what it takes to be an entrepreneur, confidence says to you "of course you do!

Quotes

Entrepreneurial potential is a set of attitudes, motives and knowledge that enables entrepreneurial activity

A self-assessment is an evaluation of your actions and attitudes

Assessing Entrepreneurial potential

- **Entrepreneurial potential** is a set of attitudes, motives and knowledge that enables entrepreneurial activity. Such a definition shows the place of entrepreneurial potential in the whole process of becoming an entrepreneur.
- ***A self-assessment (personal-assessment)*** is an evaluation of your actions and attitudes. Self-assessments assist individuals get in touch with what their core competencies are and how those may overlap with what's needed to take on running a business.
- If you're starting or leading a company, it's beneficial to know yourself inside and out. Even though you've been with yourself your whole life, it's hard to identify your qualities.

Cont…

- Assessing your-self with professional self-assessment tools can:
  - Help you to understand how you perform your work, so you can make appropriate changes.
  - Help your employees to understand what are your motivates and drives.
  - Help you to recognize when you're in over your head difficulties and need someone’s help.
  - Help you to recognize your strengths and weaknesses.
  - See holes and spots where you need help.

• Understanding Entrepreneurship and Environment

- **Business environment** refers to the factors external to a business enterprise which influence its operations and determine its effectiveness. Business environment may be healthy or unhealthy.
  - ***Healthy business environment*** means the conditions are favorable to the growth of business.
  - **Unhealthy environment** implies conditions hostile or unfavorable to business operations.
- Business and its environment interact with each other. Economic system and other conditions in the environment determine the success of business enterprises.

Classification of Business Environment

Business environment may be classified into two broad categories; namely:

- **External** and
- **Internal** environment

External Environment

- It is the environment which is external to the business and hard to influence independently

Economic Environment

- the structure of the economy
- the industrial, agricultural, trade and transport policies of the country
- the growth and pattern of national income and its distribution
- the conditions prevailing in industrial, agricultural and other sectors,
- the position relating to balance of trade and balance of payments, and
- other miscellaneous conditions of the economy

Legal Environment

Business must function within the framework of legal structure.

Therefore, adequate knowledge of laws and rules is necessary for efficient managerial performance

There are several business laws in our country (such as law of contract, law of sales, law of agency, law of bankruptcy, law of negotiable instruments etc)

A working knowledge of these laws is very helpful for the entrepreneur

Political Environment

Businessmen should learn to take public opinion into account in the decision-making process because today's public opinion becomes tomorrow's legislation

Therefore, managers and entrepreneurs should understand the working of the political system in order to discharge their responsibilities to the satisfaction of the public

Socio-Cultural Environment

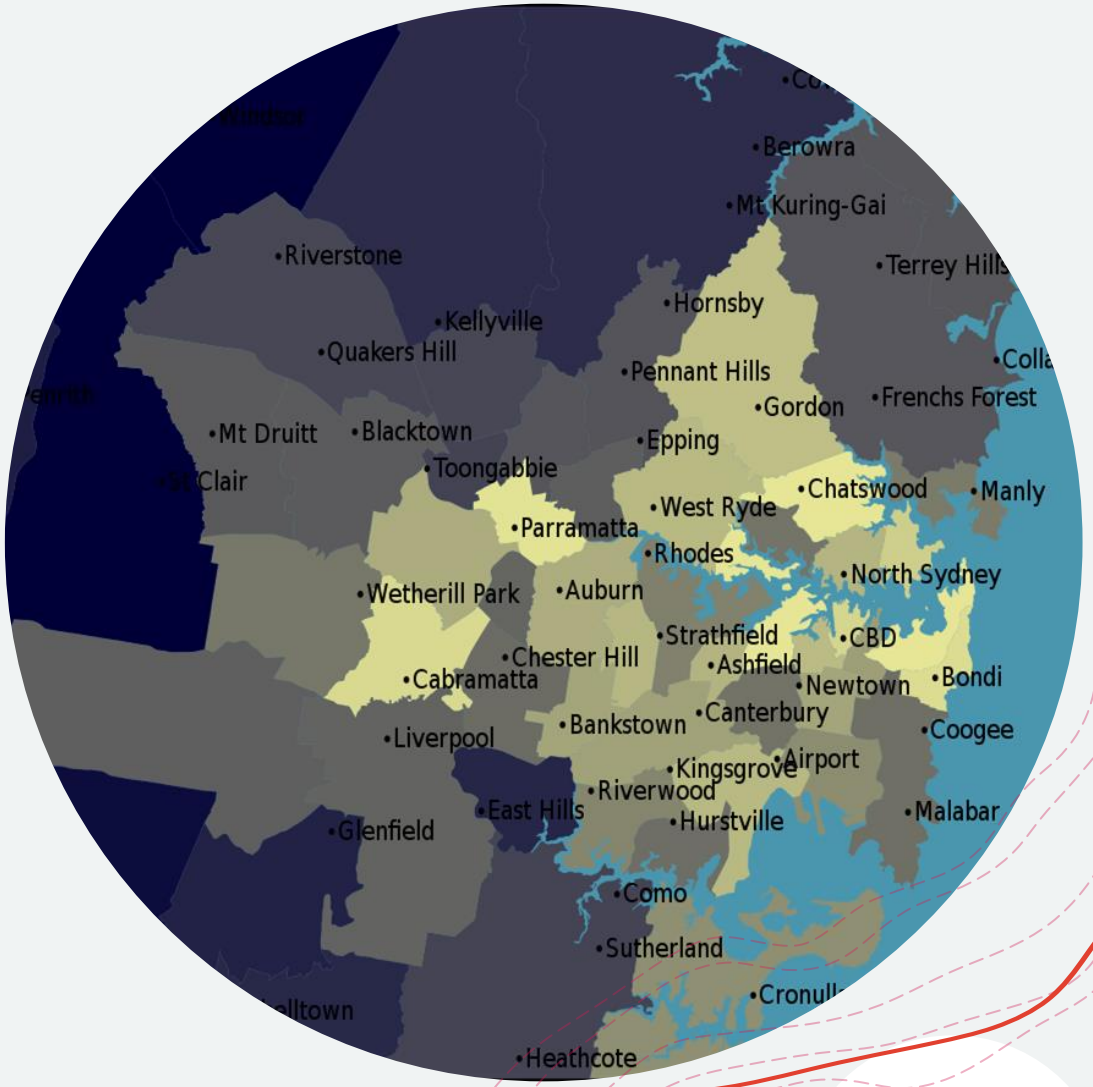
- It consist the social and cultural norms/customs of a society in a given period of time
- The level of rigidity/flexibility of a given society towards a new Product/service/concept depends on the socio-cultural practices of that particular society such as values, beliefs, norms, fashions and fads
- It is important to protect traditional culture as long as it is not a hindrance(እንቅፋት) to innovation, motivation, and development

Demographic Environment

It assesses the overall population pattern of a given geographical region

It includes variables like age profile, distribution, sex, education profile, income distribution etc

The demographic assessment can help in identifying the size of target customers



This Photo by Unknown author is licensed under CC BY-SA

Internal Environment

Internal environment is the environment which is under the control of a given organization

Following are the components of internal environment of a business:

- ***Raw Material:-*** It assesses the availability of raw material now and in the near future
- ***Production/Operation*:** It assesses the availability of various machineries, equipment, tools and techniques that would be required for production/operation.
- ***Finance*:** It assesses the total requirements of finance in terms start-up expenses, fixed expenses and running expenses. It also indicates the sources of finance that can be approached for funding.
- ***Human Resource*:** It assesses the kind of human resources required and its demand and supply in the market. This further helps in estimating the cost and level of competition in hiring and retaining the human resources.

Identifying Environmental Factors Affecting Entrepreneurship

A complex and varying combination of financial, institutional, cultural and personality factors determines the nature and degree of entrepreneurial activity at any time. The following are some of the environmental factors

- Sudden changes in Government policy
- Outbreak of war or regional conflicts
- Political instability or hostile Government attitude towards industry
- Excessive red-tapism and corruption among Government agencies
- Ideological and social conflicts
- Unreliable supply of power, materials, finance, labor and other inputs
- Rise in the cost of inputs
- Unfavorable market fluctuations
- Non-cooperative attitude of banks and financial institutions