MEDIATING ROLE OF SELF-EFFICACY BETWEEN ENTREPRENEURIAL TRAITS AND VENTURE GROWTH

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ABSTRACT
Small and medium sized enterprises (SMEs) are important for economic development of any country. As far as the small and medium sized enterprises are concerned, individual entrepreneurs play a significant role in terms of innovations, economic growth, and contribution to employment growth. Venture growth is a vital factor to achieve these outcomes. Growth of a venture is a prime purpose of a business. However, some ventures report higher growth whereas others do not. There are different explanations about the venture growth. Personality traits of entrepreneurs, organizational factors and environmental factors have been studied by the entrepreneurship researchers as causes of new venture success. As far as the venture growth is concerned the mediating role of self-efficacy between entrepreneurial traits and venture growth is also important. At the same time the mediating role of self-efficacy between entrepreneurial traits and venture growth has not studied much by the researchers. Therefore, this research study focused on to find out the mediating role of self-efficacy between entrepreneurial traits and venture growth. Several hypotheses were formulated in this regard using theory and empirical studies. Growth was measured using sales growth and employment growth. In this regard the study was conducted of three hundred (300) small and medium sized enterprises registered in Gampaha District. Data was collected by using a self-administered questionnaire. The respondents to the questionnaire were entrepreneurs of small and medium sized enterprises. The data were analyzed at three levels. Descriptive analysis, mean and standard deviation, were the statistical techniques used under univariate analysis. Correlation analysis was used under the bivariate analysis, while multivariate analysis was deployed by using the statistical technique of multiple regression analysis. The results show that the self-efficacy mediates the entrepreneur’s passion for work and venture growth with respect to employment growth. However, results show that self-efficacy do not mediate the tenacity of the entrepreneur and venture growth. But the results confirmed that the self-efficacy mediates the relationship between new resource skill and venture growth. Finally, results do not show any significant relationship between risk taking propensity and venture growth.

Key words: Traits, Self-efficacy, Venture growth,

INTRODUCTION
Small and medium sized enterprises (SMEs) have long been considered important in economic development within a country (Mazzarol, Yolery, Doss & Thein, 1999).

As far as the Sri Lankan economy is concerned there is no exception. Contribution of the SME’s to the Sri Lankan economy is vital. SME’s perform a strategic role in Sri Lanka. They account for a very high percentage of the total number of industries and business establishments, as in other developing countries. SME’s promote economic growth by import substitution as well as through direct exports, and they mostly supply goods and services to large scale directly exporting ventures and thereby contribute towards alleviating balance of payment difficulties (Hewaliyanage, 2001).

In the world of business organizations, individual entrepreneurs play a significant role. They are the people who initiate the business ventures and take risks and carryout business activities in a highly competitive business environment.

According to Covin & Slevin (1997), venture growth is the essence of entrepreneurship. The growth of a firm is important for an individual firm in different ways. Firstly, it helps the firm to be a market leader. Growth is also an important factor to achieve a stable business model within the industry that the firm operates. As far as business competition is concerned, growth is an essential factor to face competition successfully.

Different factors can influence venture growth. Personality traits, organizational factors and environmental factors have been studied by Entrepreneurship researchers as causes of new venture success (Baum & Locke, 2004).

Among the above factors, personality traits or founder characteristics would be more relevant for venture growth since human factor is key for a venture, from its planning to the operational activities and expansion decisions. entrepreneurial traits are still important for a venture growth. According to study conducted by Baum et.al (2001) it has been argued that the conclusion of personal characteristics is important for a new venture performance, missed important indirect effects and considered personal characteristics other than traits. At the same time the researchers have focused much about conventional traits such as need for achievement, locus of control and risk-taking propensity. But, as far as the non-conventional traits are concerned, there are a few studies conducted in international arena. Among these studies, a study conducted by Lock (2004), has identified the passion for work as a core characteristic of great wealth creators. It can be seen through the dedication and commitment of the entrepreneur.
towards the venture and his or her considerations of venture success or failure as personal events. Tenacity or perseverance is a trait that involves sustaining goal directed action and energy even when faced with obstacles (Locke, 2000). According to a study conducted by Timmons (2000), it was found that entrepreneurs who hold stubbornly to their goals and who hate to give up, increase their chances of startup, survival and success. Entrepreneurs’ new resource skill involves finding capital and human resources and setting up new operations and new systems. (Bhide, 2000; Stevenson,1985). Smith and Smith (2000) suggested that entrepreneurs’ successful efforts to arrange and organize resources are predictors of new venture success.

STATEMENT OF THE PROBLEM
As far as the venture growth is concerned the mediating role of self-efficacy between entrepreneurial traits and venture growth is also important. At the same time the mediating role of self-efficacy between entrepreneurial traits and venture growth has not studied much by the researchers. Therefore, this research study focused on to find out the mediating role of self-efficacy between entrepreneurial traits and venture growth.

LITERATURE REVIEW
RISK TAKING PROPENSITY
Risk taking propensity refers to the tendency to engage in behaviors that have the potential to be harmful or dangerous, yet at the same time provide the opportunity for outcome that can be perceived as positive. Driving fast or taking substance use would be examples of risk taking behavior. They may bring about positive feelings in the movement; however, they can also put you at risk for serious harm, such as an accident (Tull, M, 2009). According to McClelland (1961), entrepreneurs exhibit moderate risk-taking propensities. Ability to take risks is considered one of the key success factors of entrepreneurs (Hassan & Wafa) Many researchers have agreed that culture is a significant element in determining the decision-making process, especially in terms of risk taking (Kluckholn, 1951, Hodsteede, 1988; Roe et al,1986; and Schneider and Barsoux, 1997). Risk taking propensity has been defined in the entrepreneurship literature as the willingness to take moderate risks (Begley, 1995). Several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty (Venkataraman, 1997).

TENACITY
The startup process of a business involves confrontation or formidable barriers to market entry. Therefore, tenacity has been identified consistently as an archetypical entrepreneurship trait. Tenacity or perseverance is a trait that involves sustaining goal directed action and energy, even when faced with obstacles (House & Shamir, 1993; Locke, 2000). Tenacity and proactive initiative are important for successful establishment and operation of new ventures (Bird 1989, Chandler & Jassen, 1992) “Tenacity is one of the most important attributes in an entrepreneur. It’s the person who never gives up – who never accepts ‘no’ for an answer” (Suster,2009). Situational specific goals and self-efficacy mediate the effects of general traits on performance (Locke, 2001). According to Bandura (1986), personality traits (Proactivity and tenacity) affect self-efficacy. According to Baum & Locke, (2004), the tenacious striving should improve capability and therefore self-efficacy.

NEW RESOURCE SKILL
New resource skill is the ability to acquire and systematize the operating resources needed to start and grow an organization. (Baum & Locke, 2004). Finding capital, human resources and setting up new operations and new systems (Bhide, 2000; Stevenson, 1985). Successful entrepreneurs must know how to search for and acquire financial and human resources even while confronting new markets, resource shortages and extreme uncertainty (Bhide,2000; Stevenson, 1985). According to Bhide (2000); Smith & Smith (2000); Stevenson (1985); New resource skill should be distinguished from the organizational skill which is a general management skill involving oral presentation, use of power, diagnosis and decision making (Baum et al, 2001). Organizational skill involves managing established resources in established settings (Baum & Locke, 2004)

PASSION
Passion is a strong emotional response based on linking or love (Baron and Hannan 2002; Branzei and Zietsma 2003; Cardon et al, 2005) Passion has been identified by Locke (2000) as a core characteristic of great wealth creators. Passion is the most observed phenomenon of entrepreneurial process (Similior, 1997) and entrepreneurial behaviour is a passionate energy, drive and spirt (Bird, 1989). Passion is a strong indicator of how motivated an entrepreneur is in building a venture, whether she/he is likely to continue pursuing goals when confronted with difficulties, how well she/he articulates the vision to current and future employees and whether she/he will be able to influence, persuade and lead people in growing the venture (Valerand et al, 2003). Passion is associated with “love”, be it love in romantic relationships, or non-romantic settings such as work. Social psychologists have treated passion as a motivational construct that contains affective, cognitive and behavioral components. The entrepreneurship literature attempts to define passion that shares a common emphasis on effect, especially positive effect. For instance, Baum and Locke (2004) called passion (for work) “love for work”: Shane, Locke and Collins (2005) called it a “selfish love of work". Similior, (1997), defined passion as the “enthusiasm, joy and even zeal that come from the energetic and unflagging pursuit of a worthy, challenging and uplifting purpose”.

Although few rigorous academic studies about entrepreneurial passion exist, some recent studies have all added to the importance of passion in venture performance. For instance, Baum, Locke and Smith, (2001), empirically tested a multidimensional model of venture growth, with one of their main predictors being passion. These researchers also found that entrepreneur traits including tenacity, proactively, and passion for work exerted positive effects on venture growth. In whatever manner emotion is experienced by the entrepreneur or operational by the entrepreneurship scholar, there is no doubt that new venture creation involves intensely emotional experiences (Bird, 1989). Passion has been shown to have a positive effect on self-efficacy (Baum & Locke, 2004; Brannback et al, 2006; Branzei and Zeitsma, 2004) and in an empirical study in which it was
found that emotional elements play a prominent role in entrepreneurship. “Passion” was one of the key criteria used by entrepreneurs to define their high performance (Schindehutte et al., 2006).

SELF-EFFICACY
Self-efficacy reflects individual beliefs about whether they can achieve a given level of success at a task (Bandura, 1997). Self-efficacy reflects not only experience and attainment but, more important, the conclusion one draws about one’s capacity for performance attainment from these past experiences. Self-efficacy indicates feeling of capability, so it is a useful indicator of action in the entrepreneurship settings in which outcomes are highly uncertain. Those individuals who are confident that they have the requisite entrepreneurship capabilities (in terms of risk taking and business expansion), are more likely to choose an entrepreneurship career (Chen, Gireene and Crick, 1988).

Self-efficacy is a useful concept for explaining human behavior as research reveals that it plays an influential role in determining individual’s choice, level of effort and performance (Chen et al., 2004). According to Bandura (1977) if it simply stated, individuals with high self-efficacy for a certain task are more likely pursue and then persist in that task than those individuals who possess low self-efficacy.

An efficacy belief also affects self motivation and action through their impact on goals and aspirations. It is partly based on efficacy beliefs that people decide what goal challenges to undertake, how much effort to invest in the endeavor, and how long to persevere in the face of difficulties (Bandura 1997, Locke & Latham 1990). Entrepreneurship theorists have found that self-efficacy is relevant for entrepreneurship research because it deals with conditions of uncertainty; risk and challenge which are typical of entrepreneurship situation (Chandler & Jansen, 1992; Chen, Green & Crick 1988; Krueger & Dickson, 1994; Scherer et al., 1989) studies have found that self-efficacy to be a critical determinant of performance (Bandura, 1997; Scherer, Adms, Carley, & Wiebe, 1989). It has also been revealed that self-efficacy plays a crucial role in future performance independent of its relation to past performance (Chen, Green & Crick, 1998).

VENTURE GROWTH
Small business growth is defined in various dimensions by different scholars. According to Paige and Little (2002) its definition by intrinsic criteria include freedom and independence, controlling a person’s own future and being own boss, while the extrinsic outcomes are interested financial returns, personal income and wealth. Business success is commonly defined in terms of economic or financial measures which include return on assets, sales, profits, employees and survival rates and non pecuniary measures such as customer satisfaction, personal development and personal achievement (Masuo et al., 2001).

The concept of “growth” is used for both “change in amount” and for the process that leads to change (Davidson et al., 2008).

Entrepreneurship researchers have pointed out growth as the most used and most crucial indicator of new venture survival and economic gain (Bygrave, 1995; Covin & Slevin, 1997; Lyon, Lumpkin and Dess, 2000). However, the reviewers of literature often complain that despite the large number of studies that have been conducted in recent years it is not easy to distill a coherent picture of the phenomenon of small firm growth (Ardishvili, Cardozo, Harmon & Vadakath, 1998; Delmar, 1997, Stores, 1994; and Wikland, 1998). The phenomenon of growth is important for a firm due to several reasons. “Unlike established firms, which have already achieved a level of viability and survival, new ventures are subjected to liability of newness where in the absence of growth, their survival may be significantly reduced” (Buederal, Priesen, Dofer, & Zieger, 1992). Carroll (1983) also stated that many studies have similarly acknowledged that new ventures face an analogous liability of smallness. According to Freeman, Carroll and Hannan (1983), in the absence of growth, both new and small ventures are confronted by a lower likelihood of survival.

Rapid growth of a firm is however not a random or chance event but is associated with specific firm attributes, behaviors, strategies and decisions (Barringer, et al., 2004).

The determinants of firm growth can be classified into three dimensions; Individual, organizational and environmental determinants (Baum et al., 2001). According to Sandberg & Hofer (1986), strategy and external environmental structure are important determinants of venture performance.

METHOD
SAMPLE
The survey unit of the study is small and medium sized enterprises. The sampling methodology that was adopted for this study is convenient sampling. The decision regarding sample size of the study is important when considering the validity of the results. In this study, the sample size was decided based on the maximum possible that could be surveyed with the limited time that is available for this study. The maximum sample that we could handle is 300 small and medium sized enterprises selected from Gampaha district. This compares well with similar studies in similar areas carried out previously. It is also expected that a sample size of 300 small and medium sized enterprises will result in an error that is acceptable for this study.

DATA COLLECTION METHOD
The data for this study were mainly primary data. The data were collected by administering a questionnaire. According to the nature of the sample and information required, questionnaire method was considered as the best method. The questionnaires were personally administered through ten research assistants.
RELIABILITY

“The reliability of a measure indicates the extent to which it is without bias and hence ensures consistent measurement across time and across the various items in the instrument” (Sekaran, 2010, P.203).

The reliability test was conducted on the variables to check for the internal consistency of the measurement instrument. The Cronbach’s alpha for all the variable scales were in the range of 0.36 to 0.77.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passion</td>
<td>6</td>
<td>0.710</td>
</tr>
<tr>
<td>Tenacity</td>
<td>7</td>
<td>0.584</td>
</tr>
<tr>
<td>New resource skill</td>
<td>7</td>
<td>0.733</td>
</tr>
<tr>
<td>Risk taking propensity</td>
<td>7</td>
<td>0.364</td>
</tr>
<tr>
<td>Self-efficacy</td>
<td>7</td>
<td>0.776</td>
</tr>
</tbody>
</table>

VALIDITY

“When we ask a set of questions (i.e., develop a measuring instrument) with the hope that we are tapping the concept, how can we be reasonably certain that we are indeed measuring the concept we set out to do so and not something else? This can be determined by applying certain validity tests.” (Sekaran, 2010, P.206) The validity of the questionnaire was assured through expert check. The questionnaire was distributed among a few experts in the field of Entrepreneurship. Then the comments of these experts were incorporated into the questionnaire.

DATA ANALYSIS

The data were analyzed by using univariate analysis, bivariate analysis and multivariate analysis. Descriptive analysis, mean and standard deviation, were the statistical techniques used under univariate analysis. Correlation analysis was used under the bivariate analysis, while multivariate analysis was deployed by using the statistical technique of multiple regression analysis.

RESULTS

DESCRIPTIVE ANALYSIS

This section discusses about the variable with respect to measures of central tendency (mean), measures of dispersion (standard deviation). Mean and standard deviation was used to identify the degree of responses for each variable in the study. To identify the association between each variable, correlation matrix was also used.

The following table shows the mean and the standard deviation of the responses about the considered variables of the study.
**Table 1.1: Mean and Standard Deviation of the Considered Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passion</td>
<td>4.14</td>
<td>0.57</td>
</tr>
<tr>
<td>Tenacity</td>
<td>3.99</td>
<td>0.45</td>
</tr>
<tr>
<td>New resource skill</td>
<td>3.81</td>
<td>0.54</td>
</tr>
<tr>
<td>Risk taking propensity</td>
<td>3.48</td>
<td>0.42</td>
</tr>
<tr>
<td>Venture growth</td>
<td>3.92</td>
<td>0.72</td>
</tr>
</tbody>
</table>

Considering the mean values of responses for each trait, entrepreneurs demonstrate higher degree of “passion”. Lower degree of responses was shown towards the variable “risk taking propensity” by the entrepreneurs and those responses have been relatively more consistent. It is because of the least standard deviation that was recorded from the variable “risk taking propensity”.

**Table 1.2: Correlation Matrix of the Considered Variables**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Passion</th>
<th>Tenacity</th>
<th>New Resource Skill</th>
<th>Risk taking Propensity</th>
<th>Sales Growth</th>
<th>Employment Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passion</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tenacity</td>
<td>0.47**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New resource skill</td>
<td>0.37**</td>
<td>0.53**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk taking propensity</td>
<td>0.26**</td>
<td>0.44**</td>
<td>0.44**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Growth</td>
<td>0.23**</td>
<td>0.26**</td>
<td>0.33**</td>
<td>0.20**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Employment Growth</td>
<td>0.19**</td>
<td>0.13*</td>
<td>0.20**</td>
<td>0.17**</td>
<td>0.31**</td>
<td>1</td>
</tr>
</tbody>
</table>

**P < 0.01,  * P < 0.05 (n=300)**

According to the results shown in Table 1.3 all traits have significant positive linear relationship with sales growth, employment growth and self-efficacy. This implies that the quality of a trait improved, amount of self-efficacy and venture growth can also be improved.

**HYPOTHESES TESTING**

Hypotheses were tested using hierarchical linear regression.
The above table (5.8) shows results of the hypothesis testing. The first Hypothesis (H1) predicted that self-efficacy mediates the entrepreneur’s passion for work and venture growth. According to the result, self-efficacy shows a significant relationship with venture growth with respect to employment growth (0.290) ($p<0.01$). Therefore, H1 is supported.

In the second hypothesis (H2), it was hypothesized that self-efficacy mediates the tenacity of the entrepreneur and venture growth. However, the results do not confirm this hypothesis. Therefore, H2 is rejected.

It was further expected that self-efficacy mediates the new resource skill of the entrepreneur and venture growth under the third hypothesis (H3). The results confirm this hypothesis (0.091) ($P>0.01$). Thus, H3 is accepted.

Finally, it was predicted that self-efficacy mediates the entrepreneurs risk taking propensity and venture growth (H4). But, the results do not show any significant relationship. Thus, H4 is rejected.

CONCLUSION

OBJECTIVE 1 - RESULTS

Based on the review of literature, following personal factors of the entrepreneurs’ that affect to the venture growth could be identified.

Risk taking propensity
Tenacity
Passion
New resource skill
Need for achievement
Extraversion
Resilience

OBJECTIVE 2 - RESULTS

Considering the mean values calculated for each trait, “Passion” can be identified as the highly supported trait by the respondents positively. Among four traits, answers given for “Risk taking propensity” were relatively less positive. Referring the values of standard deviations, answers given by respondents for “Risk taking propensity” have been more consistent than the rest.

All four traits have been shown significant positive linear relationships with sales growth, employment growth and self-efficacy. That means the quality of a passion, tenacity, new resource skill and risk-taking propensity improved, amount of self-efficacy, sales growth and employment growth can also be improved.
OBJECTIVE 3 - RESULTS
Considering the four traits together, two of them have shown significant positive relationship with sales growth and employment growth, when self-efficacy was absent in the model. They were new resource skill and passion. Since both sales growth and employment growth were considered to measure venture growth, it can be concluded that higher the entrepreneur’s passion for work higher the venture growth and greater the Entrepreneur’s new resource skill, higher the venture growth.

Presence of the Self-efficacy with four traits, the same relationships could be observed.

Therefore, it can be inferred that Self-efficacy mediates the relationship between passion and venture growth as well as the relationship between new resource skill and venture growth.

OBJECTIVE 4 - RESULTS
Based on the results of this study following suggestions can be made;

• The educationists should develop entrepreneurship development programs to develop, new resource skill of the entrepreneurs.

• The policy makers should draft policies through which entrepreneurs enable to obtain new resources with minimum obstacles.

• The administrative procedures of commencing and carry out business activities should be minimized so that it paves the way to improve the self-efficacy of entrepreneurs’

• The networking of institutions will reduce the administrative barriers and helps to save time of entrepreneurs.

• The entrepreneurs should be knowledgeable about the importance of passionately engage in entrepreneurship activities

NEW CONTRIBUTION AND IMPLICATIONS
There are several contributions to the existing knowledge in the field of entrepreneurship have been made through this research. Firstly, it has been found out that the non-conventional traits such as passion, tenacity, new resource skill and risk-taking propensity have positive linear relationship with the self-efficacy, sales growth and employment growth.

Secondly, it was found out that, higher the entrepreneurs passion for work, higher the venture growth will be and, higher the entrepreneurs new resource skill, higher the venture growth will be.

Finally, it could be found out that the self-efficacy mediates the relationship between passion for work and venture growth and the self-efficacy mediates the relationship between new resource skill and venture growth.

RECOMMENDATIONS

• The entrepreneurship educators should include the new resource skill to the curriculum of entrepreneurship development programs.

• The importance of passionately engage in entrepreneurial activities should be stressed to the current and nascent entrepreneurs

• The policy makers should draft policies enabling entrepreneurs to obtain new resources with lesser obstacles.

• As the self-efficacy play an important role to mediate the traits of the entrepreneurs and venture growth, the trainers of entrepreneurs should incorporate training activities to develop self-efficacy of the entrepreneurs.

LIMITATIONS
This study was carried out only in Gampaha district. Therefore, other districts of Sri Lanka were not covered by this study. Another limitation of this study is that, among the entrepreneurial traits that affect to the venture growth only four traits (passion, tenacity, new resource skill and risk-taking propensity) have been selected. The results of this research are based on the sample of 300 Small and medium sized enterprises(SMEs) of Gampaha district. The results are limited to the period of study which is January 2012 to December 2012.
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