

**IMPACT OF ACHIEVEMENT COMPETENCIES ON BUSINESS PERFORMANCE:  
A STUDY OF SMALL SCALE ENTERPRISES IN THE  
VAVUNIYA DISTRICT, SRI LANKA**

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**INTRODUCTION**

Small and medium enterprises play a vital role in the economies of both developed and developing countries, representing well over 90 % of all manufacturing enterprises in the world (Wijewardana & Cooray, 1996). Furthermore, cottage and small scale industries play an important role in economic development through the creation of employment opportunities, the mobilization of domestic savings, poverty alleviation, income distribution, regional development, training of workers and entrepreneurs and contribution to the export earnings (Central Bank of Sri Lanka, 1998). Having understood the positive impact of the development and economic growth of SMEs, successive Governments in Sri Lanka have taken various steps to develop this vital sector (Gamage, 2000). However, various researchers have shown that in Sri Lanka 68% of the small businesses fail within the first 2-5 years of operation. In the United States of America the rate of failure is as high as 80% (Mendis et al, 1999).

Why do such a large number of small firms fail each year? It is important to identify the causes of failure and success factors as well as what characteristics of business operators are needed for the business success. Success of the organizational performance and development are in the hands of the business operators. Therefore, the business operators should have reasonable knowledge, skills and capacity to achieve the predetermined target. This study attempt to answer the basic question *how significantly do the business operators' achievement competencies influence their business performance?*. Therefore the main objective of this study is to evaluate the impact of business operators' achievement competencies on their business performance. Based on the objective of the study the following hypothesis is formulated

H<sub>1</sub>: Achievement competencies have a positive significant relationship with business performance.

**METHODOLOGY**

A stratified random sampling method was used to select the participants from different types of small-scale enterprises in Vavuniya district. To show the proportional representation from different sectors and to collect the data stratified a random sample of 68 business operators were selected from the 11 different types of small-scale enterprises in Vavuniya district. Out of 68 sample entrepreneurs, 56 participants responded to the study, 5 participants did not respond and 7 enterprises had dropped out of business activities during the last two year period. Primary and secondary data were used for the study. Primary data was collected through questionnaire survey following a direct personal interviewing technique and direct observation and the secondary data was collected through books, magazines, records, journals and selected enterprises' records. The fieldwork was carried out to collect data from June to August 2009. A structured questionnaire was used to collect the data. The questionnaire was divided into Part I, Part II and Part III. Part I of the questionnaire consisting 25 facts related to achievement competencies was used to measure the achievement competencies. Part II of the questionnaire consisted 20 questions to get information related to performance indicators, using a modified instrument developed by the Gupta and Govintharajan, Dess and Robinson (1984). Subjective measures which are perceptions collected from owners and stakeholders (Campbell, 1977) were used to measure the organizational performance in this study. For the Part I and II of the questionnaire a 5-point

Likert scale was used. Part III of the questionnaire was used to get a general idea and background information of their business.

To establish the reliability of the questionnaire, a pilot test was conducted with a convenient sample of 30 business operators of small scale industries in Vavuniya district. The Cronbach's alpha was used to measure the reliability of random errors. The reliability coefficient of all items of achievement competencies was 0.668 and indicators of business performance was 0.843 which indicated the accepted reliability (Gliner & Morgan, 2000). Therefore, the questionnaire was taken as an acceptable instrument to be administered.

The hypothesis was tested by using Pearson Product Moment Correlation Analysis and Multiple Regression Analysis.

## **RESULTS AND DISCUSSION**

### **Demographic survey responses**

The respondents consisted of 51 male (91.1%) and 05 female (8.9%) small business entrepreneurs. Tonge (2002) made a similar report that males had significantly higher entrepreneurial intentions than females. The age range between 41-50 is highly represented in the sample which was 37.5% of the sample. The age range between 21-30 is less represented in the sample which was 5.36 %. In terms of marital status, 92.86 % of entrepreneurs ( $N= 52$ ) were married and 5.35 % of entrepreneurs were not married ( $N= 03$ ) while 1.79% of entrepreneurs were widowed ( $N=01$ ). In the types of businesses, 92.86% of enterprises ( $N=52$ ) were sole proprietor enterprises, 3.57% of enterprises ( $N=02$ ) were partnership, 1.79% of enterprises were companies ( $N=01$ ) and 1.79% of enterprises were other types. The highest percentage of the respondents ( 55. 4% ) was Ordinary Level qualified. A very small percentage of respondents (5.4 %) consisted of Degree holders. 35.7 % of the sample had within 6-10 years of experience which is highly represented in the sample and 3.6 % of the sample had within 21-25 years of experience which is less represented in the sample.

In the descriptive analysis of the data, among the factors of achievement competencies persistence (mean 20.71) and commitment to work contact (mean 20.48) are of a high level and risk taking is of a low level (mean 17.55).

### **Relationship between achievement competencies and business performance**

Based on the opinion of the research by McClelland (1987) the World Management Institution /McBer team identified five key personal entrepreneurial characteristics (PECs) of business operators as essential individual factors which influence business performance. They are stated below as achievement competencies. Table 1 summarizes the results of the correlation analysis. Achievement competencies are composited within the combinations of opportunity seeking, persistence, commitment to work contact, demand for quality and efficiency and risk taking. Measures of growth in profitability, growth in turnover, growth in business and income level, growth in number of employees and customer satisfaction with managing change were used to measure the business performance.

Achievement competencies as a composite was significantly and positively correlated with business performance ( $r = .626$ ,  $p<0.01$ ). This means, all dimensions of achievement competencies as a composite was positively related with business performance. This revealed that the strongest level of achievement competencies are linked with the highest level of business performance.

	AC1	AC2	AC3	AC4	AC5	AC	BP
AC 1: Opportunity seeking	1						
AC 2: Persistence	.147	1					
AC 3: Commitment to work contract	.464**	.254	1				
AC 4: Demand for quality and efficiency	.091	.227	.082	1			
AC 5: Risk taking	.312*	.113	.259	.186	1		
AC : Achievement competencies	.665**	.554**	.645**	.548**	.629**		
<b>BP: Business Performance</b>	.359**	.417**	.315*	.446**	.356**	.626**	1

Source: Survey data

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed)

Table 1: Correlation matrix for achievement competencies and business performance

**Impact of achievement competencies on business performance**

The impact of dimensions of achievement competencies on business performance of the business operators are illustrated in table 2. The value of the coefficient of determination of dimensions of achievement competencies was; ( $R^2$ ) 0.420, whilst this result implied that 42% percent of the total variance in business performance could be explained by all five dimensions of achievement competencies. As the model reveals the remaining 58% of the variability was not explained. An Analysis of Variance (ANOVA) indicated that;  $F= 7.228$ ,  $p < 0.01$ , that the model was significant. Further, table 2 revealed that out of the five dimensions of achievement competencies, only two dimensions significantly influenced the business performance. Though, the remaining three dimensions were positively related to business performance, they were not statistically significant. A regression analysis was performed with a view to predict business performance from the combination of the predictors. Among the two most significant dimensions, ‘demand for quality and efficiency’ emerged as the most significant predictor with a beta weight of 0.326 ( $p < 0.01$ ) which resulted on business performance while ‘persistence’ had a lesser importance on business performance with a beta weight of 0.274 ( $p < 0.05$ ) compared to ‘demand for quality and efficiency’. This means that the higher/strongest level of the business operators’ achievement competencies in terms of demand for quality and efficiency and persistence will lead to the higher level of performance in their businesses.

Model	Independent Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.379	11.879		0.032	0.975
	Opportunity seeking	0.613	0.394	0.194	1.557	0.126
	<b>Persistence</b>	0.964	0.402	<b>0.274</b>	2.4	<b>0.02</b>
	Commitment to work contract	0.309	0.478	0.081	0.645	0.522
	<b>Demand for quality and efficiency</b>	0.993	0.342	<b>0.326</b>	2.903	<b>0.005</b>
	Risk taking	0.578	0.368	0.182	1.571	0.123
		$R^2 = 0.420$		$F = 7.228$		$P = 0.000$

Table 2: Results of Multiple Regression Analysis with business performance as dependent variable and dimensions of achievement competencies as predictor variables.

The hypothesis (H<sub>1</sub>) stated that, achievement competencies had a positive significant relationship with business performance. The results illustrated that achievement competencies had a positive significant relationship with business performance by influencing 42 % on business performance by all dimensions of achievement competencies and as a result H<sub>1</sub> is supported.

## CONCLUSION

The objective of the study was related to examining the impact of business operators' achievement competencies on business performance. According to the analysis carried out, achievement competencies of business operators' have a positive significant impact on business performance.

The findings of the study revealed that achievement competencies have a significant positive influence on business performance, which indicated that 42 % of the total variance in business performance is explained by all dimensions of achievement competencies. Further, finding revealed that some of the dimensions on achievement competencies contribute to play an aggressive role in determining the business performance. Among the five dimensions of achievement competencies, only demand for quality and efficiency and persistence have significantly influenced toward the business performance. 'Demand for quality and efficiency' emerged as the most significant characteristic having a higher impact on business performance than persistence.

The results of this study would elicit useful insight to the investors, managers and also academicians to comprehend the importance of business performance well on the way to create successful firm performance and sustain it in developing countries. Findings from the present study may have useful practical implication. Entrepreneurship scholars may like to consider using the business operators' characteristic variables as crucial elements to determining business performance. In entrepreneurial practice it may be useful for entrepreneurs to recognize the importance of their personal characteristics for successful development of enterprises.

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