



## Management Competencies for Startup Scalability: Perspectives of Experienced Entrepreneurs

Deepa Unnithan<sup>1</sup>, Prof.(Dr.) Hareesh N Ramanathan<sup>2</sup>

<sup>1</sup>Asst.Professor, Bhavans Royal Institute of Management, Thiruvankulam, Cochin-682305

<sup>2</sup>Professor &HOD, ToCH Institute of Management, Arakunnam, Cochin

**Abstract:** India has achieved a remarkable position in the newly emerging startup ecosystem with its much appreciated knowledge economy and supportive environmental initiatives through developmental schemes. This ambitious schemes like Startup India and its prerogatives become useful only if the beneficiaries are competent enough to manage the their ideated business venture to scalability. This study unveil the essential management competencies every aspiring youngster should have while venturing into business, as reported by 500 practicing entrepreneurs with substantial experience. An exhaustive listing of management competencies available in literatures was vetted by a host of practicing entrepreneurs and the resulting set showed that identified management competencies in the areas of Finance, Law, Marketing and Production should be considered as the deciding factors of a business aspirant's entrepreneurial success. Based on the research findings an Entrepreneurial Management Competency Inventory is also proposed in the paper.

**Keywords:** Entrepreneurial scalability, Management Competencies, Startup India, Entrepreneurial Management Competency Inventory

### 1. Introduction

Entrepreneurship is fast emerging as the panacea for economic uncertainties and progressive growth of countries into self reliance. Inculcating entrepreneurship among youth, right from student days is gaining wide acceptance among statesmen and policymakers as the pivotal strategy for building up a sustainable future. Uniform measures to nurture the entrepreneurial intention of people at large, and particularly youngsters is top listed priority of key decision makers of nations, resulting in a fast booming startup ecosystem. However, whether these plans and schemes could reap their intended outcomes is a concern as a proportionate number of successful businesses are not been churned out even after rigorous entrepreneurship development programmes

and mushrooming startups. Most of the businesses which started off with innovative and breakthrough product ideas plummeted in the real life due to lack of sufficient management capabilities needed for survival and growth. This reinforce the need to unravel the quintessential management competencies needed in entrepreneurship.

India is a forerunner in the newly emerging entrepreneurship ecosystem, namely startups. But despite the initial hype, the scene which followed was dismal. The Indian Express reported that, The Startup India campaign aimed at boosting entrepreneurship marked its first year anniversary January 16 but it has not yet rendered the desired results. The year 2015 saw an 87 per cent increase in the number of startups being founded, the number dropped by 67 per cent in 2016. At least



800 start-ups founded after 2011 have shut shop, signaling a deteriorating health of the sector (The Indian Express, 2017). In the year 2016 alone, 212 startups shut shop facing the harsh reality that finance alone is not the deterrent to growth as most of them had received huge investments as funding. (Times of India, 2016). Ironically, most of these startups were backed by notable venture capital firms such as SAIF Partners, Helion, Sequoia, Light speed, Matrix Partners as well as by angel investors such as Paytm's Vijay Shekhar Sharma and Flipkart's Sachin Bansal and Binny Bansal, among others (Singh, 2016)

Entrepreneurship is often considered as an agent of management. Every entrepreneur needs to have exceptional management skills in multiple functions demanded in production, marketing, manpower management, finance among several others. Essentially in the initial stages of entrepreneuring, the founder himself serve and execute all these functions as manager until the firm gain a footing and starts to scale up. This therefore makes management skills a necessity for the success of business enterprises (Mani, 2009; Agbim, 2013; Sailatha, 2014). Nevertheless, studies have proven that presence or absence of management skills decides the scalability of startup ventures (Newton, 2001) (Papulová & Mokroz, 2007).

Considering the turn of events, there is a huge gap of knowledge as to which all management competencies are inevitable and necessary to be imbibed by an aspiring entrepreneur to ensure that his venture succeeds in the turbulent business environment. Though theories in management put forth all management functions as equally important, their relative importance in day to day organisation vary with respect to the entrepreneurship as well as the specific environment. Moreover, working knowledge in

key management areas particularly needed for the business survival would be preferred over high level expertise as far as practicing entrepreneurs are concerned. Hence, this paper attempts to narrow the gap by identifying the essential management competencies needed for business success from the perspective of experienced entrepreneurs. An exhaustive listing of management competencies available in literatures was vetted by a host of practicing entrepreneurs and the resulting set is presented as findings.

## 2. Literature Review

Researchers have attempted to establish the link between management and entrepreneurship (Stevenson & Jarillo, 1990; Menefee Michael L., Powers, Ziemnowicz, & Ziemnowicz, 2006; Papulová & Mokroz, 2007). The decentralized leadership skills often considered to be a professional management competency is often considered to be lacking in entrepreneurs. Moreover, the rate of growth of managerial skills of entrepreneur directly proportional to the rate of growth of his venture (Rubenson & Gupta, 1992). Many a times the new entrepreneurs concentrate only on gaining familiarity and experience related to production, sales and supervision instead of a rounded managerial experience. (Louck, 1988).

A few of the aspiring entrepreneurs would be technically qualified MBAs whereas some others venture into entrepreneurship after working experience in businesses. Yet majority would be fresh without any experience or qualification but relying solely on a business idea or a promising invention fuelled with enthusiasm alone. Everybody garner their required skillset s for survival and growth mainly by practical experience of doing business hands on. Learning



by doing through several trials and errors enable them to gain different dimensions of market, nuances of capital management, needed technological knowhow, human resources management and so on (Newton, 2001).Some researchers have pinpointed areas essential areas of functional knowledge needed by entrepreneurs as jurisdiction, manpower, technological, marketing and competition. (Fisher & Duane, 2016). Based on an expansive survey conducted among 500 practising entrepreneurs, several myths related to the essential competencies of business people were busted to reveal the reality which led to a comprehensive listing of management competencies for entrepreneurial success (Timmons & Spinelli, 2009).

### 3. Research Methodology

Considering the complexity and diversity on opinions regarding the important management competencies needed for aspiring entrepreneurs, an instrument was developed as an adaptation of Management Competency inventory (Timmons & Spinelli, 2009) which was seemingly a more comprehensive listing of maximum competencies in management. The instrument contained 7 items on 46 dimensions. The scale reliability

corresponded to the Cronbach Alpha of 0.833 indicating good internal consistency.

The data was collected through systematic survey among 500 entrepreneurs in the state of Kerala, with more than 3 years experience in business, identified through researcher's own judgment, qualifying the judgemental sampling technique. The sample comprised manufacturers (38%), retailers(49%) and service business owners (65%).Only 8% of the sample reported to have some kind of business experience as a student.

The collected data was cleaned and analysed using Exploratory Factor Analysis(EFA) so as to reduce the dimensions from large variable set to the most pertinent factors.

### 4. Analysis & Findings

The Exploratory Factor Analysis (EFA) using the data enabled to uncover the underlying structure of the large set of variables. Principal Component Analysis using Varimax with Kaiser Normalization rotation was used in the EFA. The initial variable set comprised of competencies in the areas of Marketing, Operations/Productions, Finance, Administration, Law, Interpersonal competencies and Unique skills for entrepreneurial management.

**Table 1.1** Component Matrix Finance  
**Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
managing cash positions project cash requirements	.844	
determining appropriate bookkeeping and accounting systems preparing and using income statements and balance sheets analysing cash flow ,breakeven profit and loss etc	.821	
developing a business plan and offering memo managing shareholder relations		.984
negotiating with financial sources		



**Table 1.2** Component Matrix Law  
**Rotated Component Matrix<sup>a</sup>**

	Component		
	1	2	3
understanding tax reporting systems tax shelters tax planning etc	.826		
understanding the requirements of govt and commercial contracts licenses leases	.814		
understanding regulations of the sebi other agencies		.833	
understanding rights and obligations of shareholders officers and directions etc		.586	
understanding the preparations and revision of patent applications recognizing strong patent trademark copyright		.538	
understanding options and the forgivable and no forgivable liabilities of founders officers directors etc			.922

**Table 1.3** Component Matrix Marketing  
**Rotated Component Matrix<sup>a</sup>**

	Component	
	1	2
organising and managing the flow of product from manufacturing through distribution channels to customers	.841	
intergrating market information percieved needs research and development advertising to a rational product plan	.839	
organizing recruiting supervising compensating and motivational direct sales force analyzing territory and account sales potential managing sales force etc		.740
identyfing planning implementing appropriate internet based or telemarketing programmes		.687
planning overoll sales and advertisement and promotion		.551

**Table 1.4** Component Matrix Production  
**Component Matrix<sup>a</sup>**

	Component
	1
using techniques of controlling in process and finished goods inventories etc	.861
managing production to produce products within time cost and quality constraints knowledge of manufacturing resource planning	.829
setting up inspection systems and standard for effective control of quality in incoming in process and finished goods etc	.822
calculating labour and material costs developing standard cot systems conducting variance analysis calculating overtime labour needs managing and control ling costs etc	.807



analyzing work flow planning and managing production process managing the incoming flow	.804
analyzing worker productivity and needs for additional help calculating cost saving aspects of temporary versus permanent etc	.609
identifying appropriate sources of supply negotiating supplier contracts managing the incoming flow of material into inventory etc	

The analysis threw light to the significant competencies of management essential for aspiring entrepreneurs, from the experience of practicing entrepreneurs. Based on the factor loading, 8 items out of 46 had loaded on expected factor and hence they were converted to statements. The final set of identified dimensions is presented in the table below.

**Table 2.1** Management Competency Inventory for Entrepreneurial Aspirants.

S. No	Items	Construct
1	E1.I can manage the cash requirements of business with proper accounting.	<b>Finance</b>
2	E2.I know how to develop a business plan	
3	E3. I will be able to understand the regulations of tax, government, commercial contracts etc.	<b>Law</b>
4	E4. I will be able to understand matters related to shares, shareholder rights and patents	
5	E5. I Understand options and the liabilities of founders, officers, directors etc	
6	E6.I can organise and manage product marketing	<b>Marketing</b>
7	E7.I can identify and manage supporting marketing activities	
8	E8.I will be able to manage end to end production process within cost and quality constraints	<b>Production</b>

## 5. Discussion

The study intended to identify the essential management competencies needed for aspiring entrepreneurs, based on the opinion reported by 500 practicing entrepreneurs so as to improve the scalability of new ventures. The findings showed that managerial functional abilities on Finance, Law, Marketing and Production were found to be the most essential factors for business sustenance, from the experience of entrepreneurs operating in Kerala .Though the findings are congruent with (Timmons & Spinelli, 2009), the disparity in

significance level is obvious which could be attributed to the regional variability in business conduct and environmental operations, as the finding is drawn from a large sample. Nevertheless, the findings in the paper is bound to the limitation of application on the target set of aspiring entrepreneurs in the state. Hence future research need to focus on verifying the validity of the inventory generated on multiple population of entrepreneurial aspirants especially the prospective entrants in the startup business.



## References

1. Times of India. (2016, December 28). Over 200 startups closed down in 2016. *Times of India*.
2. Agbim, K. C. (2013). The Relative Contribution of Management Skills to Entrepreneurial Success: A Survey of Small and Medium Enterprises (SMEs) in the Trade Sector. *IOSR Journal of Business and Management (IOSR-JBM)*, 8-16.
3. Fisher, S., & Duane, J. (2016). *The Startup Equation*. New Delhi: McGraw Hill education India Pvt.Ltd.
4. Louck, K. E. (1988). *Training Entrepreneurs for Small Business Creation:Lessons from Experience*. Geneva: International Labour Org .
5. Mani, S. (2009). *The Growth of Knowledge intensive Entrepreneurship in India, 1991–2007*. World Institute of economic development research.
6. Menefee Michael L., P. A., Powers, E., Ziemnowicz, C., & Ziemnowicz, C. (2006). The Role of Human Resources in the Success of New Businesses. *Southern Business Review*, 9.
7. Newton, K. (2001). *Management Skills for Small Business*. Canada: Small Business Policy Branch.
8. Papulová, Z., & Mokroz, M. (2007). Importance of Managerial Skills and Knowledge in Management for Small Entrepreneurs. *E-Leader* , 8.
9. Rubenson, G., & Gupta, A. K. (1992). Replacing teh Founder:Exploding the Myth of Founder's Disease. *Business Horizons*, 52-57.
10. Sailatha, K. (2014). Managerial Skill of Entrepreneurs:A comparative analysis of male and female entrepreneurs. *International Journal of Marketing, Financial Services & Management Research*, 4.
11. Singh, A. (2016, December 6). *One funded Indian tech startup shut shop every 10 days this year*. Retrieved from VCC Circle: <https://www.vccircle.com/tag/vcc-startups/>
12. Stevenson, H. H., & Jarillo, C. J. (1990). A Paradigm of Entrepreneurship:Entrepreneurial Management. *Strategic Management Journal*,Vol.11,, 17-27.
13. The Indian Express. (2017, January 16). Startup India: 2016 not a good year as new startups decline by 67%. *The Indian Express*.
14. Timmons, J. A., & Spinelli, S. (2009). *New Venture Creation:Entrepreneurship for the 21st Century*. New York: Tata McGraw Hill.