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## **Entrepreneurial Competencies and Business Success Among Women Entrepreneurs: Social Capital As A Moderating Effect**

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### **Abstract**

Malaysian government is currently pushing and encouraging for women involvement in entrepreneurship, which will ultimately stimulate the country's economy. Furthermore, concerns regarding the survival and sustainability of business and women entrepreneurs have been brought up by the leadership, despite governmental recognition. The journey towards business success among these women entrepreneurs, especially those from developing countries, may be further complicated by the lack of competencies. Thus, the present study is aiming to propose a model for women business success aligning with the role of social capital and entrepreneurial competencies. It has utilised 6 dimensions of entrepreneurial competencies, which are: strategic competencies, commitment competencies, organizing competencies, relationship competencies, commitment competencies, opportunity competencies and conceptual competencies. In developing countries, social capital is a topic of interest that has yielded positive effect on business performance. It is resources that can be accessed by entrepreneurs via personal network, allowing them to identify opportunities, mobilize resources and ensure the legitimacy of their operations. For this study, social capital have been used as a moderating effect. Structural Equation Modeling (SEM) has been employed as the main statistical technique in this study.

**Keywords:** Entrepreneurial Competencies, Women Entrepreneurs, Social Capital.

### **Introduction**

The importance of women entrepreneurship to a nation and its economy is undeniable, especially due to their contributions towards economic development and poverty alleviation. Therefore, the reigning leadership must allocate a conducive environment for the purpose of entrepreneurship development, which encompasses elements like infrastructure, socio-cultural,

economic and legal policies (Carter & Wilton, 2006). Meanwhile, entrepreneurs themselves are also obligated to play their own roles in complementing the government's efforts to develop the sector. This calls for them to commit to making good business decisions, put forth efforts to acquire appropriate training or education, having the right motive, business acumen, innovation, market information, social networks and more. The Malaysian government are in recognition of potential contribution to the country's economy with the commencement of woman participation in business, despite the low rate of women's entrepreneurship (Rozita, Rozita, Akmal, & Zalinah, 2015). This can be substantiated by the different and myriad forms of support and assistance provided by the administration to nurture the sector. Encompassing various focuses, they include the materialization of national policy that spurs women's economic involvement, availability of business advice, and access to financial funding and entrepreneurial skill development (Sulaiman, Salleh, Mohamad, & Sern, 2015). These initiatives are all targeted towards reducing barriers and obstacles hindering women from becoming a successful entrepreneur.

## **Literature Review**

### **Underlying Entrepreneurial Competencies and Business Success**

The significance of competencies towards organizational or business performance is indispensable and directly impacting in nature. In fact, Hazlina, Ramayah, Wilson, and Kummerow (2010) have highlighted its status as key indicators towards business successes for SMEs, with them being strongly associated and more prominent in environments that are hostile and dynamic. Hence, Hazlina, Hasliza, and Rohaida (2010) have proposed a framework for 6 domains of competencies and business success, whereby competencies encompass opportunity, strategy, organization, conceptualization, relationship, personal and technical elements. Furthermore, Brophy and Kiely (2002) have reported that the concept of competence has resulted in an approach to identify behaviors associated with business success (similar to the approach for organization's owners). Difficulties determining such element in similar circumstances have caused for some entrepreneurs to succeed while others fail, whereby Brophy and Kiely (2002) have suggested to focus on entrepreneurial competencies as an effective solution. The success of a business can be measured by assessing an entrepreneur's business management, whether effectively and using the right methods. They must be able to perceive and adapt to uncertain variables as it produces entrepreneurs that are adaptable, dynamic and "self-regulating" (Haynie & Shepherd, 2009).

Furthermore, Gerli, Gubitta, and Tognazzo (2011) have highlighted the influence of competency towards organizational performance and business success. They include planning, efficiency orientation, self-confidence, persuasiveness, organizational awareness, teamwork, directing, leadership and benchmarking, all collectively culminating in better organizational performance and success. Works focused on the correlation between entrepreneurial competence and business success are generally based on Bird's theory of entrepreneurial competencies (Bird, 1995), due to their focal attention on entrepreneurial efficiency as a mechanism to improve chances for success. This is evident in the number of recent works adopting the approach despite being of different sectors in business and industry (Man, 2001; Mitchelmore & Rowley, 2010).

However, these studies have only provided the basic fundamental conceptualization of “entrepreneurial competencies”, which can be developed or used in future studies.

### **Understanding Social Capital as a Moderation Variable on Business Success**

Social capital is a key element in start-ups and growing business. Most works generally regard social networks as a bigger chunk of social capital while others use them interchangeably, but the primary idea remains that it requires having the right contacts in different places for accessibility to timely information and beneficial resources (Lawal et al., 2009). Putnam (1995) has defined social capital as “the features of social organization like networks, norms and trust that facilitate coordination and cooperation for mutual benefit, enhancing the benefits of investment in physical and human capital”. Fukuyama (2002) has described “networks” further as “local clubs, temple associations, work groups and other forms of association beyond the family and kinship group,” and also “large, publicly owned corporations”. Therefore, previous works have suggested that combining effective entrepreneurial management and social capital will generate more impact towards firm growth or business success.

Meanwhile, Maclean (2010) has asserted that development is a result of microfinance and social capital combined, which allows entrepreneurs to coordinate their actions and succeed in their ventures. Such statements are supported by women showing their increased capability for loan repayment. Despite AIM’s microcredit program generating such a significant impact in groups, its effectiveness in those with low income are still doubted (Coleman, 2000). This is because such impact is reliant on the borrower’s capability of utilizing the loan appropriately in generating income; it is commonly known that low income borrowers are more prone for less effective use of loan compared to those of high income (Datta, 2004).

### **Methodology**

This study has adopted a survey method, designed to investigate the social capital toward business success via different elements of entrepreneurial competencies. Therefore, the main questions to be tackled are focused on social capital acting as a moderating variable, which should be adopted to ensure entrepreneurial business success. Cross-sectional surveys have generally been recommended as a method appropriate for primary data collection so as to clarify a population that is too big for direct observation (Choo, 2001). In this study, the unit of analysis is women entrepreneurs, which are the target population due to their wide association with entrepreneurship capabilities (Mohd Rafi, 2010). In this study, the number of respondent and the associated calculation has been according to Krejcie and Morgan (1970), and Morris (2004). Based on the population of women entrepreneurs, the sample size for this study has been set to 377 respondents. The data obtained has been analyzed using Statistical Package for Social Science (SPSS) for Windows and Structural Equation Modeling (SEM) via AMOS.

### **Analysis**

#### **Assessment of the Structural Model**

SEM is conducted for the purpose of testing regression pathways present between dependent and independent variables. It has been run and the resulting fit indices have been presented in Table 1 below:

Table 1: Structural Model Fit Indices







Model Fit Indices	Value
$\chi^2$	960.857
$\chi^2/df$	2.189
RMSEA	0.055
CFI	0.944
TLI	0.936

The results have indicated no necessity for model re-specification as all indices have displayed the required level of significance. The ratio of  $\chi^2/df$  is within the acceptable range of 1-3 ( $\chi^2/df = 2.189$ ) (Musteen, Datta, & Butts, 2014). Furthermore, the RMSEA value (0.055) has been deemed satisfactory, as per Browne and Cudeck's (1992) suggested value to be equal or lower than ( $\leq$ ) 0.08. Meanwhile, the incremental fit indices, Tucker-Lewis index (TLI) and comparative fit index (CFI) have both scored higher than the acceptable values of  $\geq 0.90$  (Bagozzi & Yi, 1988).

### Result of Path Analysis

To examine the structural paths, z-value has been applied to the regression significance (beta coefficient). It will only be considered as statistically significant if the z-value (C.R.) is bigger than  $\pm 1.965$  at 5% significance level, or bigger than  $\pm 2.587$  at a 10% significance level, or bigger than  $\pm 3.313$  at a 1% significance level (Degree of freedom=439). As this study has opted for 5% significance level, the z-value must be greater than  $\pm 1.965$ . Table 2 below has subsequently displayed the parameter estimates, standard errors, critical ratios and significance values for all paths present in the model.

Table 2: Parameter Estimates, Critical Ratios and Significance Value of the Model

Path Analysis	Estimate	S.E.	C.R.(z-value)	Results	Decision
SF  OP	0.277	0.076	3.639	0.001	Supported
SF  OG	0.169	0.054	3.158	0.002	Supported
SF  ST	0.010	0.044	-.225	0.822	Not Supported
SF  RL	0.490	0.124	3.969	0.001	Supported
SF  CT	0.112	0.054	2.083	0.037	Supported
SF  CP	0.001	0.072	.018	0.986	Not Supported

SF= Success factor, OP= Opportunity, OG= Organizing, ST= Strategic, RL= Relationship, CT= Commitment, CP= Conceptual

As per Table 2 there are only four independent variables showing significance with women business success, proving the positive significant relationship between opportunity competencies and women business success, at z-value=3.639 (greater than  $\pm 1.965$  at a 5%

significance level). Furthermore, getting a critical ratio as large as 3.638 in absolute value has shown less than 0.001 probability, indicating that the regression weight for opportunity for predicting success is significantly different from zero at 0.001 (two-tailed). Next, positive significant relationship has been found between organizing competencies with women business success, at  $z$ -value=3.158 ( $\pm 1.965$  at 5% significance level). There is .002 probability of getting a critical ratio as large as 3.166 in absolute value, which means that the regression weight for organizing for predicting success is significantly different from zero at 0.01 (two-tailed). In addition, relationship competencies have also shown a positive significant relationship with women business success, at  $z$ -value=3.969 (greater than  $\pm 1.965$  at a 5% significance level). As the probability of getting a critical ratio as large as 3.931 in absolute value is less than 0.001, the regression weight for relationship for predicting success is significantly different from zero at 0.001 (two-tailed).

Moreover, commitment competencies have also displayed a positive relationship with women business success, at  $z$ -value= 2.083 (greater than  $\pm 1.965$  at a 5% significance level). With 0.37 probability of getting a critical ratio as large as 2.086 in absolute value, the regression weight for commitment for predicting success is significantly different from zero at 0.05 (two-tailed). In contrast, strategic competencies have displayed no significant relationship with women business success. Its  $z$ -value is at 0.822, whereas the probability of getting a critical ratio as large as 0.225 in absolute value is .822 and indicative of its regression weight for predicting success is not significantly different from zero at 0.05 (two-tailed). Lastly, the conceptual competencies have also displayed a lack of significant relationship with women business success. The  $z$ -value is at 0.986, whereas the probability of getting a critical ratio as large as 0.018 in absolute value is .986 and indicative of its regression weight for predicting success is not significantly different from zero at 0.05 (two-tailed).

### **Moderating Effects Analysis**

The hypotheses have subsequently suggested that in case of social capital is perceived to be high, it is associated with higher levels of business success compared to low perception of social capital. To test the moderating effect, a multiple-group analysis via AMOS 23 has been conducted (de Burca et al., 2006; Zainudin, 2010). Assessment of the significant effect of the moderators has been done in a two-stage manner, whereby the first step requires estimation of the parameter linking entrepreneurial competencies and business success. Done simultaneously for both groups (high and low), the resulting model has been referred to as the “baseline” or “unconstrained” model as per literature, as the estimate of the direct path has allocated for differences between the two groups (Zweig & Webster, 2003). To confirm the moderating effect of financial factor, the chi-square difference between the “unconstrained” and “constrained” models has been observed. Table 3 has consequently displayed the moderation effect for social capital.

Table 3: The Moderation Test for Social Capital

Moderated path	Unconstrained		Constrained		Chi-square difference Test		
	$\chi^2$	Df	$\chi^2$	Df	$\Delta\chi^2$	$\Delta df$	Decision
Social Capital							
High	119.44	61	146.26	62	26.83	1	Supported
Low	124.28	61	124.60	62	0.32	1	Not supported

To summarize, Table 3 has indicated that social capital (high) significantly moderates the relationship between entrepreneurial competencies and business success (chi-square difference = 26.83). However, the social capital (low) does not moderate the relationship between entrepreneurial competencies and business success. The moderation effect is said to occur due to the difference in Chi-Square value between the constrained and unconstrained model of more than 3.84 (de Burca et al., 2006; Zainudin, 2010).

### Conclusions

The model structure has discovered that only four of the independent variable (elements of entrepreneurial competencies), namely relationship, opportunity, organizing and commitment competencies to have significant relationship towards women business success respectively. Furthermore, the social capital have also shown significantly moderating effect on the relationship between entrepreneurial competencies and business success among women entrepreneur. Based on results, it can be concluded that the model entrepreneurial competencies adopted is fit for women entrepreneurs. By specifically seeking to understand and identify the importance of entrepreneurial competencies (i.e. opportunity, organizing, strategic, relationship, commitment, conceptual), it is designed as per the perception of women entrepreneurs. Therefore, the findings are likely to be useful to SMEs, with extra focus on the need for training so as to improve effectiveness. The government and other associated agencies should also consider providing more training to increase entrepreneurial competencies for women entrepreneurs. Meanwhile, this study can contributed in adding new knowledge to the field of entrepreneurship, especially in social capital.

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