The Impact of Entrepreneurial Proficiencies on Business Performance among Tea Small Holders in Galle District, Sri Lanka.

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Abstract: Entrepreneurship is a driving factor of economic development of any developing and developed nation and this paper seeks to analyze the impact of Entrepreneurial Proficiencies on Business Performance among Tea Small Holders in Galle district, Sri Lanka. This article also aims to highlight the importance of entrepreneurial proficiencies and develop a platform for future research, and practice in that respect. Entrepreneurial Proficiencies is the independent variable and business performance of Tea Small Holders is the dependent variable of the study. Based on the sound literature, three relevant dimensions were identified for performance of Tea Small Holders namely: Knowledge Proficiency, Skillful Proficiency and Attitudinal Proficiency, which comprised the independent variable. Self-developed structured questionnaires were distributed among 173 Tea Small Holders in Galle district, Sri Lanka, who participated in this study by responding to the questionnaire. Data analysis was done by using correlation analysis and multiple linear regression analysis using Statistical Package for the Social Sciences - 23 version. Findings of the study showed that Knowledge Proficiency, Skillful Proficiency and Attitudinal Proficiency have positive and significant influence on business performance. Skillful Proficiency is the most influencing factor to business performance of Tea Small Holders in this study. Probability sampling method is used for selecting the data from the population. The study is limited to several individual factors and business performance is measured using financial and non-financial perspective using limited dimensions.

Index Terms - Key Words: Tea Small Holders, Entrepreneurial Proficiencies, Business Performance, Know-how, SMEs

I. INTRODUCTION

As the Global Entrepreneurship Monitor (GEM) emphasizes the new businesses started each year amounts to more than a hundred million where most of these are small businesses operated by entrepreneurs. With the objective of achieving economic growth and innovation, Europe and the United States are shifting to advanced levels of the entrepreneurship concept (Osterbeek, Praag & Ijsselstein, 2010). Researchers believe that entrepreneurs serve as the backbone of developed and developing countries (Wijethunga, 2014). Meanwhile, entrepreneurship is regarded as the engine of economic growth that shows many positive effects by way of innovations, employment generation, poverty reduction and acceleration of the structural changes in the economy (Keong, 2008).

The Proficiency approach has turned into a progressively popular method of studying entrepreneurial characteristics in the recent years (Fan2015). Skillful Proficiency which is the experience or Knowledge Proficiency learnt from other individual’s way of life in doing things better than anyone, is how the Entrepreneurial Proficiencies are mainly defined. People possess different proficiencies among them and even when they have the same proficiencies these tend to be at different levels (Boyatzis1982). Proficiency or the capability of the entrepreneur is regarded as a very prominent feature. Sometimes, although individuals become entrepreneurs, they do not succeed their drive due to lack of proficiencies. The success of the entrepreneurial business can be elevated by a high level of proficiencies. However, in comparison to the western countries, it is clear that only few studies were conducted in relation to the Sri Lankan context by previous researchers in this field. Furthermore, a Knowledge Proficiency gap is identified in relation to research area (Sezen-Gultekin and Gur-Erdogan 2016). Moreover, only a limited number of empirical studies have been carried out to examine the impact of entrepreneurial Proficiencies on the performance of the businesses as shown in literature (Earnest, Matthew and Samuel 2015). It is also evident that in this field, practical consequences are much rarer. Considering the relevant literature, entrepreneurial Proficiency is identified as an essential element although many new business creators do not focus on research and development in this field. Hence, the major focus of this research is to examine the impact of applicable dimensions of entrepreneurial proficiencies on their business performance among Tea Small Holders. The problem statement of the research study is whether Entrepreneurial Proficiencies has an impact on Business Performance among Tea Small Holders in Galle District, Sri Lanka.
Creativity, pro-activity, risk aversion, tolerance for ambiguity, ability to foresee, which are known as entrepreneurial mindset and entrepreneurial Skillful Proficiency, also serve as important features for employees who are not entrepreneurs to be effectively used in non-entrepreneurial contexts, for enhancing the performance and the capability of the skilled person (Albuquerque, 2012). It is not an easy job to define proficiencies and many researchers use proficiencies in diverse perspectives. Proficiency has many meanings that are determined by the specific mission to be done by persons under different situations. A set of Skillful Proficiency and associated Knowledge Proficiency, which aspects that permits a person to successfully accomplish a duty or an activity of a definite function or job is known as the Proficiency (UNIDO, 2002). A combination of Knowledge Proficiency, Skillful Proficiency, and Attitudinal Proficiency needed by employees for performing their jobs or tasks are believed as proficiency (Stoof, 2005). As a subject that had been widely researched by many overseas scholars, the local applicability of those studies on the entrepreneurial proficiencies, is still a question (Koe et al. 2012). It appears that especially the proficiencies of Tea Small Holders in Galle district in Sri Lanka, show differences and uncertain in comparison to other countries in the world.

Literature Review

Many theoretical frameworks can be dealt with in explaining entrepreneurial proficiencies and business performance. The Proficiency Theory is useful in explaining the entrepreneurial proficiencies and based on this many dimensions can be included under entrepreneurial proficiencies. The author adapted three dimensions that directly affect the entrepreneurial proficiencies on business performance based on Earnest, Matthew and Samuel 2015,

Entrepreneurial Proficiencies

Since the entrepreneurial proficiencies necessary for business progress and survival in developing economies are not the same as those of developed economies, it is essential to understand entrepreneurs relevant to emerging economies (Solesvik, 2012). Mainly it is required to determine the people characteristics that increase their performance or effectiveness at work (Sanchez, 2012). Constituents that are deeply rooted in a person's upbringing such as traits, personality, attitudinal proficiency, social role, and self-image along with those that can be learnt at work or through training and education such as Skillful Proficiency, Knowledge Proficiency, and experience are the components of Entrepreneurial proficiencies (Man & Lau, 2005) Proficiency is regarded as a combination of Knowledge Proficiency, Skillful Proficiency, and Attitudinal Proficiency which are characterized by business owners in carrying out their businesses (Stoof, 2005).

Proficiency Elements

Literature envisages that proficiency is a blend of Knowledge Proficiency, Skillful Proficiency, and Attitudinal Proficiency as needed by employees and managers for carrying out their jobs or business tasks (Stoof, 2005). The major requirement for the enhancement of any system is identified as Advancing Knowledge Proficiency (Earnest, Matthew & Samuel 2015). The Knowledge Proficiency of entrepreneurship is a feature that has been recognized as making a remarkable effect on entrepreneurial achievement (Ahmed et al., 2013). Knowledge Proficiency is equivalent to water, which means that when Knowledge Proficiency is not shared and updated it gets deteriorated in a similar manner as stagnating water that becomes ruined and turn worthless. (Liao 2002 as cited in Fani 2015). The technical Knowledge Proficiency and know-how is a factor that had been depicted as creating a significant impact on entrepreneurial success (Ahmad et al., 2014). Knowledge Proficiency of Entrepreneurship assists in recognizing other types of factors; the professional competence has been widely represented by Knowledge Proficiency and Skillful Proficiency needed for successful professional conduct (Ahmad et al., 2010). It has been proven that successful entrepreneurs should be innovative, creative and risk-taking based on research done on entrepreneurial Skillful Proficiency by many researchers (Fani, 2015; Langlois, 2003). In order to turn ideas into action, Entrepreneurial Skillful Proficiencies are required. Hence, Skillful Proficiency permits the entrepreneurs to tackle challenges and uncertain situations which are characteristic in the events of business start-up and self-employment (Fani, 2015). The entrepreneurial Attitudinal Proficiency remains a critical dimension, that is identified as the individual awareness, a person would possess for forming his or her own business insights during the growth of a business (Thompson 2009). Many studies, have confirmed that Attitudinal Proficiency has a vital impact on the entrepreneurial competencies. In reality, Attitudinal Proficiency among other constituents, plays a main role in clarifying entrepreneurial competencies. Attitudinal Proficiencies are quite often, learned by the practice in the outside world and environment where persons face a variety of situations during their life or profession (Politis & Gabrielson, 2009). Attitudinal Proficiencies develop convincingly from the beliefs that people have about various things.
Performance of Small and medium-sized Tea Holders

The year 2020 was regarded as a special year relating to all matters such as the scope and tasks of many industries around the globe along with the capital allocation for most of the projects. The entire world considered small and medium-sized tea holders to be more important due to their flexible and compatible business structures in the environment (Kayadibi et al., 2013).

Based on the Tea Control Act, lands with less than 10 acres in extent are identified as “tea small holdings”. Provision of land development and extension services were delegated to Sri Lanka Tea Board and Sri Lanka Tea Research Institute respectively during the years of 2011/2012 (Annual Report, 2012). Total tea extent in Sri Lanka is approximately 221,968 Hectares, along with the 132,329 Hectares (including extents under 20 perches) of tea small holdings, as per the Census of Tea Small Holdings in 2005. Consequently, the tea smallholdings sector is 59% of the total tea extent in Sri Lanka. On analyzing details of the census of small holdings in 1994/95, tea extent in Sri Lanka had increased from 82,919 to 116,492 Hectares (only lands above 20 perches), which means 40% increase during a decade. Figure 1: presents the contribution of tea smallholdings as against total tea extent in Sri Lanka.

Figure 1: Contribution of tea smallholdings to the total tea extent in Sri Lanka

With the objective of overcoming the challenges and improving the performance of the Tea Small Holders, the Ministry of Plantations held a series of discussions in 2019 with stakeholders of the tea industry to formulate Six-Year Strategic Plan. This is an essential requirement in the present to protect the sector in a strategic manner. Because of these consultations for promotion of diversified tea and Handmade/Artisanal Tea, assistance was provided to launch a formal organization comprising the said tea manufactures and they were registered with the Sri Lanka Tea Board (Plantation industry Annual Report, 2019). The progress level of the Tea plantation in Sri Lanka present in table 1 as follows.
Entrepreneurial Proficiencies become more important during the start-up stage, while managerial Proficiencies get priority in the growth phase (Man, 2002).

Table 1: The progress level of the Tea Plantation in Sri Lanka

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 2018 - Progress</th>
<th>Year 2020 - Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tea Production (Mn. Kg.)</td>
<td>303.84</td>
<td>300.12</td>
</tr>
<tr>
<td>Export quantity (Mn. Kg.)</td>
<td>282.37</td>
<td>292.66</td>
</tr>
<tr>
<td>Export Revenue (Rs.Bn.)</td>
<td>231.70</td>
<td>240.60</td>
</tr>
<tr>
<td>F.O.B Price (Rs. / Kg.)</td>
<td>820.75</td>
<td>822.23</td>
</tr>
<tr>
<td>Re planting (Hectares)</td>
<td>1027</td>
<td>806.46</td>
</tr>
<tr>
<td>New planting (Hectares)</td>
<td>435</td>
<td>295.57</td>
</tr>
<tr>
<td>Productivity (Kg/made tea)</td>
<td>1958</td>
<td>1478</td>
</tr>
<tr>
<td>Average Sales Price per Kg. at CTA (Rs.)</td>
<td>581.53</td>
<td>545.02</td>
</tr>
</tbody>
</table>

Table 1 indicates the progress of the tea plantation for 2018 and 2020 highlighting the significant variances among the two years. Therefore, based on the literature the current need of an investigation is prominent in order to develop and protect the Tea Small sector in Sri Lanka.

Many definitions in relation to entire Small and Medium Enterprises (SME) sector can be found, based on different benchmarks. SMEs definition within the National Policy Framework for SMEs Development, pertinent to annual turnover and number of employees in the organization was formulated in 2015 by the Ministry of Industries and Commerce. An organization having a capital investment in plant and machinery which does not exceed Rs.4 million (US$ 42,000) where the total number of regular employees do not exceed 50 persons, is the definition of a small industry, established by the Central Bank of Sri Lanka, and Industrial Development Board (IDB) in 2018.

In any country, the Tea Small holding sector has a greater significance to its economy while the research done in this sector proves that the performance could be developed within this environment but these become failures or underperform in the present context (Darmaratne, 2012). Several researchers have acknowledged that among the reasons for underperformance, the absence of Entrepreneurship, mismanagement, competition by cheap labor countries, competition generated by highly innovative advanced economies, impractical goals, high factor cost of the country itself, deficiency of financial management and awareness, not updating Knowledge Proficiency; thinking within the box; lack of market orientation, less attention to product development, absence of planning, lessening customer base, use absolute technological support and unnecessary intervention of family members, are the major facts (Ahmed et al., 2017; Franco-Santos et al. 2012). In the Sri Lankan context, it is possible to recognize several characteristics of SMEs such as Lack of formalized approaches; absence of operational focus; misapprehension of performance measurement; low investment capital; low asset value; less number of employees; low sales turnover due to low production capacity; less energy consumption; and usage of local resource management (Darmaratne, 2012; Gamage, 2003). There are many indicators that can measure the performance of the Tea Small Holders, and few dimensions have been selected for this study. Mainly the financial and non-financial measurements are the two major types of indicators. Profitability and business growth were selected as financial measurements while customer satisfaction was chosen as a non-financial measurement for this research study: Profitability is considered as suitable to measure the individual performance of businesses and it is a decisive objective of any business association and shows the ability to make benefits (Ernest, Matthew, and Samuel, 2015). An increase in financial outcome, productivity, and the number of employees is characterized by business growth (Bosma & Levine, 2009). Revenue generation, value addition, and expansion in terms of the volume of the business can be used to define business growth. Further, it can also be measured in terms of qualitative features such as market position, quality of product, and goodwill of the customers (Kruger, 2004). Customer satisfaction explained as a person's view of pleasure or frustration that arises from comparing a product's perceived consequence or outcome as against his/ her expectations (Kotler & Keller, 2006). The customer satisfaction and perception of quality can be treated as tags we use to condense a set of noticeable actions relevant to the product or service (Ismail et al., 2009).

The firm’s performance and competitive capacity building have a close link with Entrepreneurial Proficiencies (Sok et al., 2017). Generally, numerous strategic aspects can affect the performance of a small firm while the most important are the entrepreneurial Proficiencies (Farashah, 2013). Therefore, business growth and success have a prominent association with Entrepreneurial Proficiencies. Consequently, the success of any business depends on a few main aspects out of which entrepreneurial Proficiencies are the most critical and intangible (Tehseen & Ramayah, 2015). In order to accomplish or reach higher performance in an organization, entrepreneurial Proficiencies serves a vital role. Research depicts that various types of Proficiencies are required at diverse stages in the business life cycle. This is prominent by the fact that Entrepreneurial Proficiencies become more important during the start-up stage, while managerial Proficiencies gets priority in the growth phase (Man, 2002).
Methodology

Firstly, this section will engage to initially discuss research philosophical environment of the study, proper research design and research strategy associated with the entire study. Secondly, the main constructs relevant concepts and variables of the research problem will be described in order to reach an effective conceptual framework of the study. Thirdly, the links between those constructs and variables which were generally hypothesized or generally accepted, would be highlighted. Finally, an effort would be forwarded to distinguish and enlighten on the sub variables, indicators and measures of those constructs and variables.

The Conceptual framework formulated based on literature, delivers the structure or content for the entire study (Vaughan, 2008). The conceptual framework is framed in relation to the entrepreneurial Proficiencies and business performance which has been designed to simplify the analysis. Figure 2 presents the conceptual Framework.

The design of the research study consists of few elements and the appropriate paradigm for this study is the positivist paradigm. A positivist approach has been followed by previous research that evaluated proficiencies, business performance and success, in their respective studies (Man, 2001; Rathna & Vijaya, 2009; Chye, 2012; Mokhtar, 2017). Based on the existing literature it is clear that unlike qualitative researchers, a quantitative researcher adopts a deductive approach. The main objective is to proceed towards specific understanding, starting from a general outlook (Manning & McMurray, 2009). The quantitative researcher defines a topic and determine the appropriate research questions. Research carried out by (Man, 2001), (Mitchelmore & Rowley, 2013), (Nakhata, 2007), (Rathna & Vijaya, 2009) and (Zwemstra, 2006) selected a quantitative procedure by means of quantitative research methods. Further, a quantitative approach was applied by (Mokhtar, 2017) which was a key reference for this study.

Since the questionnaire method allows the researcher to scrutinize and explain the impact on constructs in particular as well as cause and effect relationships, this study made use of the questionnaire tool as a survey strategy method (Saunders et al.2007). Due to time restriction, the study was carried out with a specific phenomenon at a specific time.

The target population is the precise, whole group relevant to the research study (Zikmund 2003). This study is in respect of the Tea Small Holders in Galle District, Sri Lanka and the number of Tea Small Holders in Sri Lanka was recorded as 388,645 in 2010; 389,561 in 2011; and 390,346 in 2012. Census of Tea Lands in Sri Lanka in 2012 recorded 400,000 as the total number of tea small holders in the country and 90,324 tea Small Holders in Galle District, Sri Lanka. The selected number units for this study was 200 individual Tea Small Holders who are running their businesses in Galle district.

Findings and Discussions

All the values of Cronbach’s alpha coefficient of the independent and dependent variables of the study, pass the required level. Literature emphasizes that if the Cronbach’s alpha value is greater than 0.7 it is acceptable. Therefore, it is clear that the questionnaire in this study is reliable. Factor analysis was conducted and the correlations among items within variables were investigated to guarantee the convergence validity and discriminant validity.

Initially, quantitative data were evaluated with the assistance of descriptive and advanced statistics with multiple regression analysis with the Statistical Packages for Social Sciences (SPSS) 23 version. It can be established that entrepreneurial proficiencies (EP) fall in to the group of knowledge proficiency (KP), skills proficiency (SP), and attitudes proficiency (AP) as relevant literature leads. The mean values are 3.7318±0.75087 for Knowledge proficiency; 4.0230±0.6841 for Skills proficiency; 3.4272±0.78141 for attitudinal proficiency; and 3.5498±0.54266 for Business Performance (BP).
Scatter plot diagram indicates that there is a high positive relationship between EP and BP. The increase of EP leads to enhanced BP. The results of this study depict that the selected independent variables such as KP, SP, and AP demonstrate positive links with the dependent variable of Total Business Performance (TBP) at the significance level of 0.01 (2-tailed test). A moderate positive relationship between KP and TBP with the correlation coefficient of 0.493 is indicated by the results of the Pearson correlation at a significant level of 99% (p=0.000). Correspondingly, there is a strong positive association between SP and TBP with the correlation coefficient of 0.692 at 99% significant level (p=0.000). Besides, a moderate positive relationship is shown between AP and TBP with the correlation coefficient of 0.511 at a significant level of 99% (p=0.000). Hence, results indicate that an increase of KP, SP and AP leads to enhance the TBP of respondents of this study.

The r² value is 0.526 as shown by the results of the Model Summary. The ANOVA test indicated that F statistic of 26.812 is significant at the 95% significant level (Sig value <0.001 is smaller than α 0.05). Hence, the model is statistically significant. VIF values in relation to all the independent variables reported to be less than 5. The fact that VIF value for all variables are less than (VIF>5) portrays that the model has no multicollinearity issue. Therefore, the model, which was constructed to identify the impact of independent variables towards BP in Tea Small Holders in Galle district, Sri Lanka, in this study, can be confirmed as a valid regression model.

The impact of the variables were explained by standardized coefficients (beta values). Consequently, KP, SP and AP show significant positive regression weights, demonstrating that respondents with higher scales on these variables were anticipated to have a greater BP. The fact that the ‘p-value’ of coefficients of all variables indicate values less than 0.05, the relationship is significant. The R² specifies the overall quality of the prediction while the model describes the majority (more than 50 percent) of the total variance. Combined KP, SP, and AP show 52.6 percent of the total variance of BP. Furthermore, independent variables demonstrate that all the values are significant at 95% of the confidence interval. Consequently, all the hypotheses have been supported by the analysis.

A statistically significant moderate positive correlation is depicted between KP and BP. Therefore, the association between KP and BP is fully reinforced by the empirical results of the study (Farashah, 2013). A statistically significant strong positive impact of SP is shown on BP. Therefore, the impact of SP on BP fully endorsed by the empirical results of the study (Fani, 2015). Furthermore, SP has the greatest significant impact on BP in Tea Small Holding in Galle district, Sri Lanka over the other factors. A statistically significant moderate level positive correlation is seen between AP and BP. Hence, the impact of AP on BP is in full agreement with the empirical results of the study (Ernest, Matthew & Samuel, 2015).

Findings of the study reflect that KP, SP and AP exhibits a positive effect on Business Performance among Tea Small Holdings in Galle district, Sri Lanka. The major fact is that the contribution of SMEs is essential for the drive of economic prosperity of the country. Further, to have the perception of entrepreneurship to be the engine of economic success is a responsibility the government, government organizations, non-government organizations and society. The scope of the research limited the present study to the Tea Small Holders in Galle District. However, any future researchers could expand the scope of the study to another research area or can select another population and sample to conduct the research. The results of the study indicated that business performance has a positive significant impact by knowledge of Proficiency. Further, a comparable kind of effect was found between skillful Proficiency and attitudinal proficiency on the Business Performance. Skillful Proficiency, Attitudinal proficiency and Knowledge Proficiency is the order of significance, based on the findings, when the variables are ranked according to their influence on the business performance.

References


