Research on Entrepreneur Ability’s Effects on the Core Competence of Small and Medium-Sized Enterprises

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Abstract. This paper is based on the entrepreneur theory and core competence theory. In 1990, C. K. Prahalad and Gary Hamel formally brought up the theory of core competence in The Core Competence of the Corporation published in the Harvard Business Review. Prahalad and Hamel hold that core competence was “a kind of accumulative knowledge in an organization, especially a kind of common knowledge to coordinate different production skills and organically integrate various techniques” \cite{1}. In order to promote the core competence of small and medium-sized enterprises, the author studies entrepreneur ability’s effects on the core competence of small and medium-sized enterprises by contrast method, citing instances method, literature method and classification method, and then finds that in the process of recognizing, molding, extending and improving the core competence of small and medium-sized enterprises, entrepreneur’s five abilities play important roles such as their honest character, spirit of leadership, acute discernment, learning ability and pioneering creativity.

Introduction

In 2011, the notice on printing and distributing the sizing standards of small and medium-sized enterprises explicitly stipulates what can be defined as small and medium-sized enterprise in diversified fields \cite{2}:

Firstly, in agriculture, forestry, animal husbandry and fishery, those of which operating income is below 20,000,000 Chinese yuan are small and medium-sized enterprises.

Secondly, in industry, those of which the number of employees is below 1,000, or operating income is below 40,000,000 Chinese yuan are small and medium-sized enterprises.

Thirdly, in information transfer industry, those of which the number of employees is below 2,000, or operating income is below 100,000,000 Chinese yuan are small and medium-sized enterprises.

Fourthly, in leasing and business services, those of which the number of employees is below 300, or operating income is below 120,000,000 Chinese yuan are small and medium-sized enterprises.

Although the sizing standards of small and medium-sized enterprises are different in diversified fields, the common characteristic of those enterprises is, compared with large-scale enterprises in the field, relatively small-sized in asset, operation and staff, usually funded by a single individual or a small number of people. \cite{3} Due to the highly centralization of administration authority, the enterprise is basically managed by the owner himself. So the core competence of small and medium-sized enterprise largely relies on the entrepreneur’s ability.

Content of Entrepreneur Ability

According to the findings of theories of entrepreneur, entrepreneur ability includes five aspects:
1. Honest character

Credit is the foundation of an enterprise, the most valuable resource of small and medium-sized enterprises, and a vital tool in market competition. So an entrepreneur must be honest to all the related people, from the stockholder and suppliers to the subordinates and customers. Honesty is the first principle to win popularity and a successful career. Honesty brings entrepreneur much more possibility to open up a new prospect and do a good job. For example, honesty helps entrepreneur to build a gold-lettered signboard for the enterprise and bring more vitality to it in addition to help him to get social acceptation and payback. On the contrary, hypocritical people who have two faces will only end up with failure. Therefore, the entrepreneur’s integrity is not only intangible assets which cannot be bought with money, but also a never-ending source of wealth.

2. Spirit of leadership

In the small and medium-sized enterprises, entrepreneurs transform the thought of a few people into the consciousness of a group of people, and transform enterprise values into enterprise behavior. It is a process of enterprise values being approved and shared, which is to make all the employees from different education backgrounds, knowledge accomplishments, ideological consciousnesses, and moral standards, approve and accept the management concept. Then employees can realize the conversion and sublimation—about the management concept from cognition to acceptation, in working attitude from making a living to devoting to work, in thoughts and feelings from joviality to affiliation, to the enterprise from trust to support. Therefore, with spirit of leadership and talents of command, entrepreneurs integrate ideologies and conceptions, unite the staffs, unify their actions, and change individual wit into team wit. Finally, the entrepreneur becomes the well-deserved spiritual leader and has important effects on the core competence of the enterprise. Naturally, in staffs and subordinates’ heart appears the sense of complying to the entrepreneur’s authority, and then they begin to trust the entrepreneur’s ability, adore and admire his spirits, finally take his words and deeds for the model of them.

3. Acute discernment

With acute discernment for objective things, entrepreneurs can observe issues and details that can’t be easily found in practicality such as contradiction between consumer demand and market supply. At the same time, entrepreneurs can observe the actual potential of employees relying on their own insight, then to make full use of the potential in the enterprise’s production and management. [4]

To cultivate acute discernment, firstly entrepreneur must have rich imagination and new perspective. With new ideas and unique perspective on the management issues, he will have advancing consciousness and quick thinking. Secondly, entrepreneur should devote himself to practical activities to find and sum up new knowledge of management, improve discernment to competitive advantage. In total, the discernment relies on the entrepreneur’s imagination, new perspective and management experience.

4. Learning ability

Market is full of risks and traps, and the economic globalization brings various uncertainties. Under the new situation, besides diligence and practice, an entrepreneur also needs foresight, sagacity and intelligence to develop and manage enterprise. These facts require entrepreneur to squeeze more time to study hard to fulfill himself, renew his knowledge and broaden his way of thinking. So entrepreneur always strengthens continually learning consciousness and ability in order to meet the needs of developing core competence. But entrepreneur is too busy with the enterprise’s production and operation to have enough, focused and regular times for studying. In view of this, if the entrepreneur wants to improve his learning ability, he can firstly make full use of spare time to read, this is the most important way to study for entrepreneurs. Secondly, he can grasp every chance to learn from professionals of the field by all means and in various occasions. For example, entrepreneur can obtain many things which are worth learning through listening professionals’ opinions, requirements and
suggestions, even ordinary employees’ ones. An entrepreneur can never be self-contented, but learn continuously and intensively, grasp new knowledge and methods to achieve a faster speed of learning than his rivals.

5. Creative ability

An entrepreneur builds up unique character and style of management through his creative ability. The creative ability includes: firstly, the courage and insight to exploit new field, plan new products, formulate new strategies; secondly, the ideology and ambition to seek information, to grasp opportunities, to make decision resolutely, to implement strategy promptly; thirdly, the pioneering creative spirit to be realistic and pragmatic, firm and indomitable. Finally entrepreneur with creative ability will surpass predecessors, surpass competitors, surpass himself and probe a new way of management.

The Effects of Entrepreneur Ability on the Core Competence of Small and Medium-sized Enterprises

1. Entrepreneur’s honesty is the starting point of the core values of small and medium-sized enterprises.

Core values are the kernel of the core competence of small and medium-sized enterprises. The shaping of core competence must be based on enterprise culture and values. The shaping of core values starts from the construction of entrepreneur’s honesty.

The secret of success of small and medium-sized enterprises is the close trust relationship between the entrepreneur and the subordinate, the entrepreneur and the external public. If the entrepreneur holds fast to the traditional virtues of “neither the old nor the young will be cheated”, “honesty and trustworthiness”, and brings honesty adequately into the core values of the enterprise to construct the enterprise’s credit culture, credit crisis will not appear. Then, inside the enterprise, the staffs can truly produce credit as a kind of product, so counterfeit and shoddy products will never access to market. A man without honesty cannot stand; an enterprise without credit cannot exist for a long time. Only when entrepreneur’s honesty is integrated into the core values of small and medium-sized enterprises can they realize a sustainable advantage of competition.

2. Entrepreneur’s spirit of leadership molds the core competence of small and medium-sized enterprises.

Entrepreneur’s spirit of leadership in molding the core competence of small and medium-sized enterprises mainly manifests as the participation and permeation to enterprise’s culture [5]. Since the entrepreneur is the first leader in the enterprise, the builder, pioneer and practitioner of the enterprise’s culture, his value orientations, characters and hobbies, qualities and abilities decide the enterprise’s operation principles, management styles, standard of value and code of conduct. Furthermore, his personal image decides the enterprise’s market image; his moral traits decide enterprise’s the credit; his character and volition decide the management style. This is to say, entrepreneur is the main representative of enterprise image, the chief builder of enterprise spirits, and the principal decider of enterprise’s destiny. He is the absolute authority figure, just as the commander in a battlefield. So his every order must be executed without fail. He has mighty cohesion power and centripetal force to gather people from management to staff around him to form a team with high effectiveness.

In addition, excellent entrepreneurs have strong infective personalities and penetration power. Their characters, for example, courage and sight, capacities, behavior, self-cultivation, have non-substitutable effects on the development of small and medium-sized enterprises. About enterprise culture and core values, their cognitive level, attitude, interests, devotion, measures directly decide the situation of the core competence of small and medium-sized enterprises. What is more, since the power of a good entrepreneur is infinite, the demonstration effect of entrepreneur makes the
enterprise culture be deeply rooted in the hearts of employees and show immense cohesion and charisma.

3. Entrepreneur’s discernment identifies the core competence of small and medium-sized enterprises.

Enterprise is a complicated combination of resource and environment, gradation and structure, conception and system. To recognize and cultivate the core speciality of small and medium-sized corporations, entrepreneur’s discernment is chiefly relied on. Entrepreneur can do internal audit of the operating business, the resources and capacities owned, and do external observation about the development tendency of market requirement and technology evolution. Especially global analysis and assurance on the enterprise’s advantage and disadvantage is necessary. Entrepreneurs can also utilize their discernment to coordinate and control each department, to optimize resource allocation in the principle of overall interests, and to scientifically forecast customer demands and market changing laws from a long-term perspective. So he can discern the development direction of his enterprise’s core competence, define the technologies which constitute the core competence of small and medium-sized enterprises, and make a blueprint of strategies to improve core competence.

4. Entrepreneur’s learning ability extends the core competence of small and medium-sized enterprises.

Entrepreneur’s learning ability can not only give full play to original functions of competitive edge, but also promote upgrading of competitive edge to new areas to extend core competence of small and medium-sized enterprises. It is a progress of continuous learning and hard exploration, with difficulties such as nondeterministic environment, contradictive emotion from personnel, obstacles in implementation, disavowals to new areas, etc. Only entrepreneur possessing the high learning ability can quickly find opportunities to extend enterprise competitive advantage in extant business and bring confidence of reformation to the subordinate. Therefore, entrepreneur’s learning ability can get rid of distracting thoughts, keep the direction of innovation and extending, and guarantee the effective implement of innovatory measures.

5. Entrepreneur’s creative ability enhances the core competence of small and medium-sized enterprises.

The core competence of small and medium-sized enterprises cultivated through long-time efforts will not exist forever. On the one hand, objectively speaking, the core competence of small and medium-sized enterprises will turn into the general ability with the development of science and technology, the intensification of competition and the change of market demand. On the other hand, subjectively speaking, long-time successful experience and knowledge easily lead to thinking inertia and organizational inertness in small and medium-sized enterprises. So the negative effects of core competence—core rigidities form. If an entrepreneur wants to overcome the disadvantages of core rigidities, get rid of the inertia and improve the core competence, he must give full play to his innovation ability from the inside to out. Firstly, out of the concern about profit and development of enterprises, entrepreneurs of small and medium-sized enterprises require voluntarily to change the old ways of thinking, to learn from the rivals. They have the spirit of reform and innovation. Secondly, since entrepreneurs have accumulated rich knowledge and experience during the commercial practice, they have the capacity of reform and innovation. So entrepreneur with innovative discernment is adept in discerning the potentials of market and has an insight into the prospect of some commodity. He is cleverer at finding the source of new markets and profits than others. Entrepreneur with innovation courage finds new markets and products, grasps opportunities, makes decisions decisively; in addition, he dares to invest, to take risks, and obtains excess profit. Entrepreneur with innovative operation abilities strengthens conception innovation, organization innovation and management innovation, and works as a leader uniting the staff to realize the improvement of enterprise competitive advantage. [6]
Therefore, the entrepreneur plays a very important role in recognizing, molding, extending and improving the core competence of small and medium-size enterprises.

Summary

The research work of this paper is not only on the ability and spirit of entrepreneur, but also on the influence of entrepreneur ability on small and medium-size enterprises’ core competence. To sum up, in order to enhance the persistent competitive advantage of small and medium-sized enterprises in China, it has very important practical significance to envisage the influence of entrepreneur’s personal ability such as honest character, spirit of leadership, acute discernment, learning ability and pioneering creativity.

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