ENTREPRENEURIAL TRAITS AND VENTURE GROWTH IN SRI LANKA

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ABSTRACT

Small and medium-sized enterprises (SMEs) are considered to be important for the economic development of any country. The growth of a venture is a prime purpose of a business. There are different explanations with regard to venture growth. Personality traits of entrepreneurs, and organisational and environmental factors have been studied by entrepreneurship researchers as causes of new venture success. This research study focused on whether there is an impact on venture growth from selected non-conventional traits. In this regard, research was conducted on three hundred (300) small and medium-sized enterprises registered in the Gampaha District. Data was collected using a self-administered questionnaire, and it's respondents were entrepreneurs of small and medium-sized enterprises. The data was analysed on three levels. Descriptive analysis, and mean and standard deviation were the statistical techniques used under univariate analysis. Correlation analysis was used under the bivariate analysis while multivariate analysis was deployed by using the statistical technique of multiple regression analysis. The results show that all four traits have shown significant positive linear relationships with sales and employment growth, and self-efficacy. It has also been found that among the four traits, passion and new resource skill have shown positive relationships with the venture growth. It was also found that self-efficacy mediates the relationship between passion and venture growth, as well as new resource skill and venture growth. Attention needs to be focused on developing new resource skills of entrepreneurs and enhancing facilities for entrepreneurs to obtain new resources. Further, the entrepreneurs' awareness about entrepreneurial passion needs to be enhanced.

Key words: *SME, Entrepreneurial traits, Venture growth*

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1. INTRODUCTION

Small and medium-sized enterprises (SMEs) have long been considered important in economic development within a country (Mazzarol, Yolery, Doss & Thein, 1999). As far as the Sri Lankan economy is concerned, there is no exception. The contribution of SMEs to the Sri Lankan economy is vital. SMEs perform a strategic role in Sri Lanka. They account for a very high percentage of the total number of industries and business establishments, as in other developing countries. SMEs promote economic growth by import substitution, as well as through direct exports, and they mostly supply goods and services to large, directly exporting ventures, and thereby contribute towards alleviating the balance of payment difficulties (Hewaliyanage, 2001).

In the world of business organisations, individual entrepreneurs play a significant role. They are the people who initiate the business ventures, and take risks and carry out business activities in a highly competitive business environment. Therefore, entrepreneurship has important implications to any economy as described below. The development of innovative products and services can be considered to be one of the important roles played by entrepreneurship. Through innovations, new products or services can be developed by applying new business models or applying existing technologies in new ways. Economic growth can be considered to be another important aspect of entrepreneurship. Entrepreneurial activity helps increase the value of goods and services produced by an economy. Therefore, it helps increase the economic growth rate. The analysis conducted by the Global Entrepreneurship Monitor (GEM) represents one of the most important sources with respect to statistical analysis regarding the links between entrepreneurial activity and economic growth. In its latest report, GEM shows that the national level of entrepreneurial activity has a significant association with the level of economic growth. According to Reynolds et.al (2007), the GEM data also suggests that there are no countries with high levels of entrepreneurship and low levels of economic growth. An increasing number of competitors have been used by Nickell et.al (1996) as a possible measure of entrepreneurship. Accordingly, by using data from around six hundred manufacturing firms from the periods of 1972-86 and 1982-94, the authors found that the

increase in the number of competitors has a positive impact on total factor productivity growth. Caree and Thunik (1998), who have examined how the share of small firms affects subsequent industry output growth, have established a positive effect between entrepreneurship and growth. This study was based on a sample of fourteen manufacturing industries in thirteen European countries. It was found that a higher share of small businesses, relative to some industries in other countries, performed better in terms of output growth during the subsequent 3-4 years. This evidence suggests the importance of entrepreneurship. This is referred to as a transformation from a "managed" to an "entrepreneurial" economy (Friijs et.al, 2002). It is also referred to as shifting economic activity from large enterprises to smaller entities.

The contribution of entrepreneurship to employment growth is another important aspect of entrepreneurship. A study published by Birch (1979) determines the importance of small entrepreneurs for employment growth. According to this study, small entrepreneurs, and in particular new entrepreneurs, accounted for the major part of new jobs created in the United States of America. There are a few researchers who have tried to summarise the empirical results on the relationship between entrepreneurship and employment growth, and their findings are contradictory in some cases (Geroski, 1995). Caves (1998) emphasises that while the short-term employment effects of new entrepreneurship formation may be small, the effects may be much more essential for long-term growth. Geroski (1995) claims that new entrepreneurship formation does not seem to be important for employment growth in the manufacturing industry.

As far as the above outcomes of entrepreneurship are concerned, the success and growth of the venture is vital to achieve the above outcomes. According to Covin & Slevin (1997), venture growth is the essence of entrepreneurship. The growth of a firm is important for an individual firm in different ways. Firstly, it helps the firm to be a market leader. Growth is also an important factor to achieve a stable business model within which the particular industry that the firm operates. As far as business competition is concerned, growth is an essential factor in facing competition successfully. Different factors can have an effect on venture growth. Personality traits, and organisational and environmental factors have been studied by entrepreneurship

researchers as causes of new venture success (Baum & Locke, 2004).

Among the above factors, personality traits or founder characteristics would be more relevant for venture growth due to the fact that the human factor is key for a venture, from its planning to operational activities and expansion decisions. The founder characteristic for the firm's growth is important for at least three reasons (Mullins, 1996). Firstly, it is widely believed that the founders of a firm place a lasting stamp on their companies that influences the cultures and behaviors of their firms. Secondly, investors and others often assess the potential of a new venture by evaluating the attributes of its founders. Lastly, launching a firm is a challenging process and human effects are indecipherable (Barringer et al). However, from 1961 to 1990, research on entrepreneurs' traits found only weak effects (Aldrich & Wieden-mayer, 1993). Beside all these arguments, entrepreneurial traits are still important for a venture growth. According to a study conducted by Baum et.al (2001), it has been argued that the conclusion of personal characteristics are important for a new venture performance, missed important indirect effects and considered personal characteristics other than traits. At the same time, researchers have focused much on conventional traits such as the need for achievement, locus of control and risk-taking propensity. As far as the non-conventional traits are concerned, there are a few studies conducted in the international arena. Among these studies, a study conducted by Lock (2004) has identified the passion for work as a core characteristic of great wealth creators. This is demonstrated through the dedication and commitment of the entrepreneur towards the venture and his/ her considerations of venture success or failure as personal events. Tenacity or perseverance is a trait that involves sustaining goal-directed action and energy even when faced with obstacles (Locke, 2000). According to a study conducted by Timmons (2000), it was found that entrepreneurs who hold stubbornly to their goals and hate to give up increase their chances of a startup's survival and success. Entrepreneurs' new resource skill involves finding capital and human resources, and setting up new operations and systems (Bhide, 2000; Stevenson,1985). Smith and Smith (2000) suggested that entrepreneurs' successful efforts to arrange and organise resources are predictors of new venture success. When considering the above non-conventional traits, very little research

has been done so far. Therefore, this study will fill this gap by investigating these non-conventional traits of entrepreneurs and venture growth.

2. LITERATURE REVIEW

Different schools have studied different personal characters that affect venture growth. Among them, the characteristic of risk-taking propensity has been more emphasised. Risk-taking propensity refers to the tendency to engage in behaviours that have the potential to be harmful or dangerous, yet at the same time provide the opportunity for some kind of outcome that can be perceived as being positive. Driving fast or banned-substance use would be examples of risk-taking behavior. They may bring about positive feelings in the movement; however, they can also put you at risk for serious harm, such as an accident (Tull, M, 2009). According to McClelland (1961), entrepreneurs exhibit moderate risk-taking propensities. The ability to take risks is considered to be one of the key success factors of entrepreneurs (Hassan & Wafa). Many researchers have agreed that culture is a significant element in determining the decision-making process, especially in terms of risk-taking (Kluckholn, 1951, Hodsteede, 1988; Roe et al,1986; and Schneider and Barsoux, 1997). Risk-taking propensity has been defined in entrepreneurship literature as the willingness to take moderate risks (Begley, 1995). Several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty (Venkataraman, 1997). In terms of risk-taking at the individual level of analysis, research suggests that entrepreneurs have higher risk-taking propensities than do managers in general (Brockhaus,1980). It has also been found that high-risk takers are more influential in discussions than low-risk takers (Wallach et.al, 1964). Begley and Boyd (1987) found that risk-taking had a curvilinear relationship with performance in entrepreneurial firms. They also concluded that risk-taking has a positive effect on return on assets. According to Delmar (1994), risk-taking propensity is essential for the success and growth of a business. Studies conducted by Mengel, 1972; Dart, 1971; Meyer et.al, 1961; and Broehl 1978, found that entrepreneurs take moderate or higher risks compared to non-entrepreneurs. An entrepreneur with high risk-taking propensity is more likely to succeed in coping with uncertainty and minimising role stress than one with low risk-taking propensity (Teoh & Foo, 1997). Entrepreneurs must be

willing to take risks under uncertainty. According to Kreuger and Dickson (1994), those of high efficacy focus on the opportunities worth pursuing, whereas the less self-efficacious dwell on the risks to be avoided. "Venturers who achieved high growth have a vision of what they wish to achieve, a firm belief in their efficacy to realize it, set challenging growth goals and come up with innovative production and marketing strategies" (Baum, Locke and Smith 2001; Baum & Locke, 2004).

The relationship of Entrepreneur's risk-taking propensity to Venture growth

Entrepreneurial risk behavior has been explained in the literature by both the personality approach (McClelland 1961, 1965; Brockhaus 1980, 1982; Brockhaus & Horowitz 1986; Sexton & bowman 1985; Begley and Boyd 1987) and cognitive approach (Kirzner 1973, 1979; Bird 1988; Palichand bagby, 1995). Risk-taking propensity has been defined in the literature on entrepreneurship as the willingness to take moderate risks. According to Smith-Hunter, Kapp & Yonlcers (2003), the usual interpretation of a risk-taker is someone who, in the context of a business venture, pursues a business idea when the probabilities of succeeding is low. Risk-taking propensity is considered to be an important trait of an entrepreneur. According to Venkataraman (1997), an entrepreneur can be characteriszed as someone who seeks opportunities, faces uncertainties and takes risks. Although the body of literature on entrepreneurship suggests the importance of risk-taking behaviour in any entrepreneurial activity, the level of risk-taking accepted for different kinds of industries and non-entrepreneurs remain elusive (Okhomina, 2006).

It has been indicated that the owners of young and established firms who are not risk averse are more likely to be ambitious to grow the firm (Bager & schott, 2004). In a study conducted by MacCrimmon &Wehrung(1990), drawing a sample five hundred chief-executives of businesses to determine the validity of common stereotypes of who takes risks and who avoids risks using factor and linear discriminant analysis, researchers found that the most successful executives were the biggest risk-takers while the most mature executives were the most risk averse. (Begley, 1995). Begley and Boyd (1987) found that risk-taking had a curvilinear relationship with performance in entrepreneurial firms. They also concluded that risk-taking

has a positive effect on return on assets. According to Delmar (1994), risk-taking propensity is essential for the success and growth of a business.

H4: The greater the entrepreneurs risk-taking propensity, the greater the venture growth.

Tenacity

The startup process of a business involves confrontation or formidable barriers to market entry. Therefore, tenacity has been identified consistently as an archetypical entrepreneurship trait. Tenacity or perseverance is a trait that involves sustaining goal-directed action and energy, even when faced with obstacles (House & Shamir, 1993; Locke, 2000). Tenacity and proactive initiative are important for the successful establishment and operation of new ventures (Bird 1989, Chandler & Jassen, 1992). "Tenacity is one of the most important attributes in an entrepreneur - it's the person who never gives up – who never accepts 'no" for an answer" (Suster,2009). Situationally specific goals and self-efficacy mediate the effects of general traits on performance (Locke, 2001). According to Bandura (1986), personality traits (proactivity and tenacity) affect self-efficacy. According to Baum & Locke (2004), tenacious striving should improve capability and, therefore, self-efficacy.

The relationship between entrepreneurs' tenacity and venture growth

Another important characteristic of entrepreneurs is tenacity. "Tenacity is the quality of being determined to do something in spite of difficulties and hurdles. If you are determined to achieve something in spite of the difficulties and risks involved in it, you have the tenacity. Holding on to something in spite of difficulties and dangers is tenacity. Mountain climbers do not stop until they reach the top only because of their tenacity. That is the quality of firmness and determination" (www.univsource.com).

Tenacity or perseverance is a trait that involves sustaining goal-directed action and energy even when faced with obstacles (Bass & Stogdill, 1990; House & Shamir, 1993; Locke, 2000). According to Gartner, Gatewood & Shaver (1991), tenacity has been identified consistently as being an analytical entrepreneurship trait, as the business start-up process involves the confrontation of formidable barriers to market entry.

"Entrepreneurs who hold stubbornly to their goals and who hate to give up increase their chances of

start – up survival and success" (Timmons, 2000). According to Bird (1989), "tenacity and proactive initiative are important for the successful establishment and operation of new ventures".Baum, Locke & Smith (2001), through an empirically tested multi-dimensional model found that entrepreneurs' traits, including tenacity, proactivity and passion for work exerted positive effects on venture growth.

H3: The greater the entrepreneur's tenacity, the higher the venture growth.

New resource skill

New resource skill is the ability to acquire and systematise the operating resources needed to begin and grow an organisation (Baum & Locke, 2004). Successful entrepreneurs must know how to search for and acquire financial and human resources even while confronting new markets, resource shortages and extreme uncertainty (Bhide, 2000; Stevenson, 1985). According to Bhide (2000); Smith & Smith (2000) and Stevenson(1985), new resource skill should be distinguished from organisational skill, which is a general management skill that involved oral presentation, use of power, diagnosis and decision making (Baum et.al, 2001). Organisational skill involves managing established resources in established settings (Baum & Locke, 2004). However, new resource skill is related to resources that are new to the organisation (Baum & Locke, 2004). According to Bygrave (1993), entrepreneurship has been described as the acquisition, combination and redeployment of resources to provide new products and services through new organisations to new markets. Furthermore, entrepreneurs' successful efforts to arrange and organise resources are predictors of new venture success (Smith & Smith, 2000). Timmons (2000) also pointed out that founders often experience limited growth because they lack new resource skill or fail to employ individuals who are skilled with resources.

The relationship of new resource skill to subsequent venture growth

New resource skill is defined as the ability to acquire and systematise the operating resources needed to start and grow an organisation (Bhide, 2000; Stevenson, 1985). According to Bhide (2000), successful entrepreneurs must know how to search for and acquire financial and human resources even while confronting new markets, resource

shortages and extreme uncertainty. New resource skill should be distinguished from organisational skill, which is a general management skill involving oral presentation, use of power, diagnosis and decision making (Baum et.al, 2001). It also involves managing established resources in established settings (Baum & Locke, 2004). According to Bygrave (1993), entrepreneurship has been described as the acquisition, combination and redeployment of resources to provide new products and services through new organization to new markets.

An entrepreneur's successful efforts to arrange and organise resources are predictors of new venture success (Smith & Smith; 2000). New resource skill is a significant direct predictor of new venture success (Baum & Loke, 2004). Thus, the direct effect of new resource skill on venture growth is hypothesised as follows.

H2: The greater the entrepreneur's new resource skill, the higher the venture growth.

Passion

Passion is a strong emotional response based on linking or love (Baron and Hannan 2002; Branzei and Zietsma 2003; Cardon et.al, 2005) Passion is the most observed phenomenon of entrepreneurial process (Similor, 1997) and entrepreneurial behaviour is a passionate energy, drive and sprit (Bird, 1989). Passion is a strong indicator of how motivated an entrepreneur is in building a venture, whether she/he is likely to continue pursuing goals when confronted with difficulties, how well she/he articulates the vision to current and future employees, and whether she/he will be able to influence, persuade and lead people in growing the venture (Valerand et.al, 2003). Passion is associated with "love", be it love in romantic relationships or non-romantic settings such as work. Social psychologists have treated passion as a motivational construct that contains affective, cognitive and behavioural components. For instance, Vallerand et.al (2003) defined passion as "a strong inclination towards an activity that people like (affective), that they find important (cognitive), and in which they invest time and energy (behavioural)". Similarly, Perttula (2003) defined passion for one's work as "a psychological state characterized by intense positive emotional arousal, internal drive and full engagement with personally meaningful work activities". The above two definitions suggest that passion helps direct one's

attention and actions, and that it is a domain-specific motivational construct. Therefore, one can be passionate about golfing, a single activity reflecting achievement or hedonism as a value or helping others through volunteering and raising money for charities and multiple activities, reflecting benevolence as a value (Schwartz and Bardi, 2001).

Literature on entrepreneurship attempts to define passion that shares a common emphasis on effect, especially positive effect. For instance, Baum and Locke (2004) called passion (for work) "love for work". Shane, Locke and Collins (2003) called it a "selfish love of work". Similor (1997) defined passion as the "enthusiasm, joy and even zeal that come from the energetic and unflagging pursuit of a worthy, challenging and uplifting purpose".

Although few rigorous academic studies about entrepreneurial passion exist, some recent studies have added to the importance of passion in venture performance. For instance, Baum, Locke and Smith (2001) empirically tested a multidimensional model of venture growth with one of their main predictors being passion. In whatever manner that emotion is experienced by the entrepreneur or operational by the entrepreneurship scholar, there is no doubt that new venture creation involves intensely emotional experiences (Bird, 1989). We know from past research and the anecdotes of entrepreneurs that it is their passion that sustains them through the turbulent process of opportunity recognition, and venture creation and exploitation – the fire in the belly that makes the impossible possible (Similor,1997). Entrepreneurs are described as being passionately committed to their ventures (Bradley et.al, 2008; Branzei and Zeitsma, 2004) and the metaphors used to describe the relationship between entrepreneurs and their business include those of romance, love and passion (Ashton and O'toole 1999; Cardon et.al, 2005; Dodd, 2002).

Passion has been shown to have a positive effect on self-efficacy (Baum & Locke, 2004; Brannback et.al, 2006; Branzei and Zeitsma, 2004) and, in an empirical study, it was found that emotional elements play a prominent role in entrepreneurship. "Passion" was one of the key criteria used by entrepreneurs to define their high performance (Schindehutte et.al, 2006).

Social Psychologists have treated passion as an emotional construct that contains affective, cognitive and behavioural components. Similor (1997) suggested

that passion is "perhaps the most observed phenomenon of the entrepreneurial process" According to Bird (1989), entrepreneurial behaviour is passionate, full of emotional energy, drive and spirit. "Passion can be witnessed over time in the long hours worked during venture start-up and growth phases, and in the tendency for entrepreneurs to experience their venture's success and difficulties as personal events" (Baum & Lock, 2004). "Passion is relevant in (an) entrepreneurial setting because it drives entrepreneurs to face extreme uncertainty and resource shortages" (Timmons, 2000). Passion is a characteristic of successful business leaders (Bass & Stogdill, 1990; House & Shamir, 1993). Further, entrepreneurs who are passionate have been thought to be more successful than those who are not (Baum & Locke, 2004; Cardon, Zietsma, Saparito, Mathernc & Dayis).

H1: The higher the entrepreneur's passion for work, the higher the venture growth.

The relationship between passion for work and self-efficacy

Passion has long been recognised as a central component of entrepreneurial motivation and success (Bird, 1998; Similor, 1997). Cardon, Zetsma, Saparito, Matherne and Davis suggest that entrepreneurship can be thought of as a "tale of passion" (2005:23). According to Similor, passion is "perhaps the most observed phenomenon of the entrepreneurial process". Bird (1997) noted that entrepreneurial behaviour is passionate, full of emotional energy, drive and spirit. as personal motivation mediates, personal characteristics and new venture performance. Goals in conjunction with self-efficacy often mediate or partially mediate the effects of other potentially motivating variables such as personality traits, feedback, and participation in decision-making, job autonomy and monetary incentives (Locke & Latham, 1990, 2002). The impact of passion on motivation shows similarly mixed results. It is the one variable that impacts positively on venture growth (Shane et.al, 2003). Its impact is indirect through non trait mechanisms such as goals, self-efficacy and vision (Baum & Locke, 2004).

Passion has been shown to have a positive effect on self-efficacy (Baum & Locke, 2004) and, in an empirical study conducted by Brannback et.al, (2006), it was found that emotional elements play a prominent role in entrepreneurship.

Passion was one of the key criteria used by entrepreneurs to define their high performance (Schindehutte et.al, 2006).

*H5: Self-efficacy mediates the relationship between an entrepreneur's passion for work and venture growth***.**

The relationship of new resource skill to self-efficacy

New resource skill is the ability to acquire and systematise the operating resources needed to start and grow an organisation (Baum & Locke, 2004). According to Bhide (2000) & Stevenson (1985), new resource skill is defined as the ability to acquire and systematise the operating resources needed to start and grow an organization. It is important to distinguish new resource skill from organisational skill. Organisational skill involves managing established resources in established settings. But new resource skill relates to the resources that are new to the organisation (Baum & Loke, 2004). According to Bandura (1997), self-efficacy is defined as task-specific self-confidence. Self-efficacy is a useful concept for explaining human behaviour as research reveals that it plays an influential role in determining an individual's choice, level of effort and performance (Chen et, al,.2004). Individuals with high self-efficacy for a certain task are more likely to pursue and persist in that task than those individuals who possess low self-efficacy (Bandura, 1997). According to Bandura (1997) & Lock and Lathem (1990), an efficacy belief also affects self-motivation and action through their impact on goals and aspirations. It is also partly on the efficacy belief that people decide what goals and challenges to undertake, how much effort to invest in a particular endeavour, and how long one perseveres in the face of difficulties (Bandra, 1997, Locke & Lathem 1990).

Social cognitive theory states that self-efficacy is affected enactive mastery that is skill through practice (Bandura, 1997). According to Baum & Locke (2004), the root of this proposition is that people are more confident about task performance when they believe they have sufficient skill due to experience or deliberate practice. "We expect that entrepreneur-CEOs who have new resource skill will recognize their competency and hold beliefs about their ability to create and guide their organization to growth" (Baum & Locke, 2004). According to Bandura (1997), self–efficacy is usually beneficial to performance. New

resource skill is a much stronger predictor of subsequent venture growth because of more significant indirect effects through vision, goals and self-efficacy (Baum & Loke, 2004). Furthermore, according to Baum & Locke (2004), entrepreneurs' passion, tenacity and new resource skill affect venture growth through communicated vision, goals and self-efficacy.

H6: Self-efficacy mediates the relationship between an entrepreneur's new resource skill and venture growth.

The relationship between tenacity and self-efficacy

The start-up process of a business involves confrontation or formidable barriers to market entry. Therefore, tenacity has been identified consistently as an archetypical entrepreneurship trait. Tenacity or perseverance is a trait that involves sustaining goal-directed action and energy even when faced with obstacles (House & Shamir, 1993; Locke, 2000). Tenacity and proactive initiative are important for the successful establishment and operation of new ventures (Bird 1989, Chandler & Jassen, 1992). Situational-specific goals and self-efficacy mediate the effects of general traits on performance (Locke, 2001). According to Bandura (1986), personality traits (proactivity and tenacity) affect self-efficacy. According to Baum & Locke (2004), tenacious striving should improve capability and, therefore, self-efficacy: This leads to the following hypothesis.

H7: Self-efficacy mediates the relationship between an entrepreneur's tenacity and venture growth.

The relationship between risk-taking propensity and self-efficacy

The ability to take risks is considered to be one of the key success factors of entrepreneurs (Hassan & Wafa). Many researchers have agreed that culture is a significant element in determining the decision-making process, especially in terms of risk taking (Kluckholn, 1951, Hodsteede, 1988; Roe et.al, 1986; Schneider and Barsoux, 1997).

Risk-taking propensity has been defined in the literature on entrepreneurship as the willingness to take moderate risks (Begley, 1995). Several theories of entrepreneurship view the entrepreneur as bearing residual uncertainty (Venkataraman 1997). Begley and Boyd (1987) found that risk taking had a curvilinear

relationship with performance in entrepreneurial firms. They also concluded that risk taking has a positive effect on the return on assets. According to Delmar (1994), risk-taking propensity is essential for the success and growth of a business. According to the studies conducted by Mengel, 1972; Dart, 1971; Meyer et.al, 1961; and Broehl, 1978, it was found that entrepreneurs take moderate or higher risks compared to non-entrepreneurs. An entrepreneur with high risk-taking propensity is more likely to succeed in coping with uncertainty and minimising role stress than one with low risk-taking propensity (Teoh & Foo, 1997). Entrepreneurs must be willing to take risks under uncertainty. According to Kreuger and Dickson (1994), those of high efficacy focus on the opportunities worth pursuing while the less self-efficacious dwell on the risks to be avoided. Hence. it is hypothesised that

H8: Self-efficacy mediates the relationship between an entrepreneur's risk-taking propensity and venture growth.

3. RESEARCH METHODOLOGY

The sample for this study consists of three hundred (300) small and medium-sized enterprises of the Gampaha District in Sri Lanka. The unit of analysis of the study is owner – managers of SMEs. Primary data was used for the study and data as collected by using a self-administered questionnaire.

There are four independent variables in the study, which are passion, new resource skill, tenacity and risk-taking propensity. Self-efficacy is the mediating variable of the study. The dependent variable of the study is venture growth. The questionnaire consisted of different statements to measure the above variables. The respondents were given the freedom to indicate their responses based on a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree). The data was analysed using univariate analysis, bivariate analysis and multivariate analysis. Descriptive analysis, and mean and standard deviation were used under univariate analysis. Correlation analysis was used to identify the relationship between variables while regression analysis was deployed to identify the degree of the relationship.

4. RESULTS AND DISCUSSION

This section discusses the variables with respect to measures of central tendency (mean) and measures

of dispersion (standard deviation). Mean and standard deviation were used to identify the degree of responses for each variable in the study. Correlation matrix was also used to identify the association between each variable.

The following table shows the mean and standard deviation of the responses with regard to the considered variables of the study.

The mean values of responses for each trait indicate that entrepreneurs demonstrate a higher degree of "passion". A lower degree of responses was shown towards the variable "risk-taking propensity" by entrepreneurs and those responses have been relatively more consistent. This is due to the least standard deviation that was recorded from the variable "risk-taking propensity".

Table 1: Mean and Standard Deviation of the considered variables

Variable	Mean	Standard Deviation
Passion	4.14	0.57
Tenacity	3.99	0.45
New resource skill	3.81	0.54
Risk-taking propensity	3.48	0.42
Self-efficacy	4.09	0.53
Venture growth	3.92	0.72

Table 2: Correlation among variables

Variable	Passion	Tenacity	New Resource Skill	Risk-taking Propensity	Self-Efficacy	Sales Growth
Passion	1					
Tenacity	0.47**	1				
New resource skill	0.37**	0.53**	1			
Risk-taking propensity	0.26**	0.44**	0.44**	1		
Self-efficacy	0.31**	0.52**	0.54**	0.49**	1	
Sales Growth	0.23**	0.26**	0.33**	0.20**	0.34**	1
Employment Growth	0.19**	0.13*	0.20**	0.17**	0.13*	0.31**

*** P < 0.01, * P < 0.05 (n=300)*

According to the results shown in Table 2, all traits indicate a significant positive linear relationships with sales growth, employment growth and self-efficacy. This implies that the quality of a trait improved, and that the amount of self-efficacy and venture growth can also be improved. Hypotheses were tested using hierarchical linear regression.

Table 3: Illustrations of regression models

Variable	Model - 1				Model -2			
	Sales growth		Employment growth		Sales growth		Employment growth	
	Coefficient	t-Statistic	Coefficient	t-Statistic	Coefficient	t-Statistic	Coefficient	t-Statistic
Passion	0.116	1.46	0.244	2.03*	0.110	1.41	0.243	2.03*
New resource skill	0.317	3.50**	0.248	1.82	0.236	2.52*	0.251	1.76
Tenacity	0.130	1.15	-0.093	-0.55	0.042	0.370	-0.089	-0.51
Risk-taking propensity	0.054	0.50	0.244	1.50	-0.034	-0.30	0.247	1.46
Self-efficacy					0.290	3.03**	-0.012	-0.08
R^2	12.5%		6.1%		15.2%		6.1%	
Adj. R^2	11.4%		4.9%		13.7%		4.5%	
ΔR^2	-		-		2.7%		0%	
F-statistics	10.58**		4.82**		10.53**		3.85**	

** Significant at 5% level, ** Significant at 1% level*

Table 3 above shows the results of the hypothesis testing. The first hypothesis (H_1) is that an entrepreneur's passion for work is positively related to venture growth. According to the results in the above table, passion for work has a significant positive relationship with

venture growth with respect to employment growth when self-efficacy is absent in the model (0.244) *(P<0.05)*. When the full model is taken into account, it has also shown a significant positive relationship with venture growth with respect to employment growth (0.243) *(P<0.05)*. Therefore, H_1 is accepted. This finding, that passion has a direct effect on venture growth, highlights the importance of emotional elements in venture performance. It also agrees with the venture capitalists' view that entrepreneurs' characteristics are extremely important for venture success (MacMilan & Siegel, 1985). It is especially important for developing countries as they face resource constraints. This result also agrees with the study by Baum et al (2001). However, this finding is contrary to the study conducted by Baum & Locke in (2004).

The second hypothesis (H_2) predicted that new resource skill is positively related to venture growth. According to the results in both the base model (0.317) (P<0.01) and full model (0.236) *(P<0.05*), it shows a significant positive relationship between new resource skill and venture growth with respect to sales growth. Therefore, H_2 is highly supported. This finding, that new resource skill has a direct effect on venture growth, is important to new ventures as new resource skill is especially relevant to the formation of new ventures. This finding is also consistent with the results of the study conducted by Baum & Locke (2004). Accordingly, new resource skill is a significant direct predictor of new venture success.

The third hypothesis (H_3) proposed that entrepreneurs' tenacity is positively related to venture growth. However, the results do not confirm this hypothesis. The relevant statistics are (0.130) (*P>0.05*) for sales growth and (-0.093) (*P>0.05*) for employment growth. Therefore, H_3 must be rejected. This result agrees with the Baum & Locke (2004) study. The finding that tenacity had no direct effect on venture performance suggests that the weak results of the previous studies of entrepreneurial traits may not have been caused by studying the wrong traits, but due to the fact that the traits have indirect rather than direct effects. In this respect, this result is contrary to the Baum, Locke & Smith (2001) study in which they found that entrepreneurs' traits, including tenacity, proactivity and passion for work, exerted positive effects on venture growth.

It was also hypothesised that entrepreneurs' risk-taking propensity is positively related to venture growth

under the fourth hypothesis (H_4). The results shown in the table indicates that this is not the case. The relevant statistics are (0.054) (*P>0.05*) for sales growth and (0.244) (*P>0.05*) for employment growth. Thus, H_4 is also rejected. This result shows that there may have been some indirect effects rather than direct effects between risk-taking propensity and venture growth. In this respect, the findings of the study agree with the study by Baum et.al (2001) in which the aggregated trait effect was indirect.

The fifth hypothesis (H_5) predicted that self-efficacy mediates the entrepreneur's passion for work and venture growth. According to the results, self-efficacy shows a significant relationship with venture growth with respect to employment growth (0.243) *(p<0.05)*. Therefore, H_5 is supported. This result indicates that passion has been helpful in improving the self-efficacy of the entrepreneur towards venture growth. This finding is fully consistent with the results of the study conducted by Locke (2001). Accordingly, situationally specific goals and self-efficacy mediate the effects of general traits on performance (Locke, 2001). The variable passion has shown a direct effect on venture growth, as well as a mediatory effect on venture growth through self-efficacy. When the results of this study are compared with similar studies, this is a new finding of this study.

In the sixth hypothesis (H_6), it was hypothesised that self-efficacy mediates the relationship between an entrepreneur's new resource skill and venture growth. The results confirm this hypothesis with respect to sales growth (0.236) (*P<0.05*). Thus, H_6 is accepted. This result is consistent with the Baum et.al (2001) study, which showed that general self-efficacy is indirectly associated with venture performance. According to this finding, entrepreneurs' new resource skill as well as entrepreneurs' belief of possessing such a skill is important for venture growth.

It was further expected that self-efficacy mediates the relationship between the tenacity of the entrepreneur and venture growth under the seventh hypothesis (H_7). However, the results do not confirm this hypothesis. The relevant statistics are (0.042) (*P>0.05*) for sales growth and (-0.089) (*P>0.05*) for employment growth. Therefore, H_7 is rejected. This study also found that tenacity is not directly related to venture growth.

Finally, it was predicted that self-efficacy mediates the entrepreneur's risk-taking propensity and venture growth (H_8). However, the results do not indicate a significant

relationship. The relevant statistics are (-0.034) (*P>0.05*) for sales growth and 0.247) (*P>0.05*) for employment growth. Thus, H_8 is also rejected.

5. CONCLUSIONS

Several contributions have been made to existing knowledge in the field of entrepreneurship through this research.

Firstly, it found that the non-conventional traits, such as passion, tenacity, new resource skill and risk-taking propensity have positive linear relationships with self-efficacy, sales growth and employment growth. This is also consistent with the research study conducted by Baum & Locke (2001).

Secondly, it was found that higher an entrepreneurs passion for work, the higher venture growth will be, and that higher the entrepreneur's new resource skill, higher the venture growth will be. It indicates that improved quality of passion for work and new resource skill can also improve the amount of venture growth.

Finally, the study found that self-efficacy mediates the relationship between passion for work and venture growth, and that self- efficacy mediates the relationship between new resource skill and venture growth. In this respect, the results agree with Baum et.al (2001) in which aggregated traits effects were indirect. These results are also in line with Lock's (2001) review in which he found that personality and other general motivational effects on performance are mediated by the situational and task-specific factors of goals and self-efficacy.

6. RECOMMENDATIONS

The following recommendations can be made to the different stake holders:

- Entrepreneurship educators should include new resource skill to the curriculum of entrepreneurship development programs.
- The importance of passionately engaging in entrepreneurial activities should be stressed to current and nascent entrepreneurs
- Policy makers should draft policies enabling entrepreneurs to obtain new resources with lesser obstacles.
- As self-efficacy plays an important role in mediating the traits of entrepreneurs and venture growth, trainers of entrepreneurs' should design training activities with a

view to developing the self-efficacy of entrepreneurs.

Limitations

This research study was carried out only in the Gampaha District. Therefore, entrepreneurs of the other districts in Sri Lanka were not taken into account. Further, only four variables (passion, tenacity, new resource skill and risk-taking propensity) were selected out of the variables that may affect venture growth. The study was based on a sample of 300 SMEs due to resource constraints. Therefore, all SMEs in the Gampaha District were not subjected to this study. The findings are confined to the duration of this study, which is the period of one year from January to December 2012.

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