A Cross Cultural Study of Entrepreneurial Competencies and Entrepreneurial Success in SMEs in Australia and Malaysia

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This thesis is submitted in fulfilment of the requirements for the degree of Doctor of Philosophy, the University of Adelaide
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DECLARATION

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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Noor Hazlina Ahmad
TABLE OF CONTENTS

Acknowledgments............................................................................................................. vii
List of Figures ........................................................................................................................ ix
List of Tables ........................................................................................................................ xii
Abstract ............................................................................................................................. xiv

Chapter 1 Introduction: A Comparative Study of the Factors Influencing Entrepreneurial Success in SMEs in Australia and Malaysia ................................................................. 1

1.1 Introduction....................................................................................................................... 1
1.2 Research Background ....................................................................................................... 3
1.3 Problem Statement .......................................................................................................... 4
1.4 Research Objectives ......................................................................................................... 7
1.5 Research Questions .......................................................................................................... 7
1.6 Significance of the Study ................................................................................................. 8
1.7 Organisation of Chapters ............................................................................................... 9
1.8 Conclusion ....................................................................................................................... 9

Chapter 2 Understanding the Linkage of Entrepreneurial Competencies, Business Environment, and Cultural Orientations with Entrepreneurial Success: Review of the Literature ....................................................................................................................... 10

2.1 Introduction....................................................................................................................... 10
2.2 The importance of SMEs ............................................................................................... 11
2.3 Predicting Business Success in SMEs ........................................................................... 13
2.4 Linking Entrepreneurs and Business Success ............................................................... 17
2.4.1 Personality traits approach ....................................................................................... 18
2.4.2 The competency approach ....................................................................................... 20
2.5 The Concept of Entrepreneurial Competencies .............................................................. 21
2.5.1 Linking entrepreneurial competencies and the roles of entrepreneurs ................. 22
2.5.2 Existing models of entrepreneurial competencies .................................................... 23
2.5.2.1 Models based on studies of managers ................................................................. 23
2.5.2.2 Models based on studies of small business owners and business life-cycle ....... 25
2.5.2.3 Validated models of entrepreneurial competency ............................................... 26
2.5.3 Developing a new model of entrepreneurial competencies ....................................... 31
2.5.4 Domains of entrepreneurial competency .................................................................. 32
2.5.4.1 Strategic Competency ....................................................................................... 32
2.5.4.2 Commitment Competency ............................................................................... 33
2.5.4.3 Conceptual Competency .................................................................................. 34
2.5.4.4 Opportunity Competency ............................................................................... 34
2.5.4.5 Organising and Leading Competency .............................................................. 34
2.5.4.6 Relationship Competency ............................................................................... 35
2.5.4.7 Learning Competency ...................................................................................... 35
2.5.4.8 Personal Competency ...................................................................................... 36
2.5.4.9 Technical Competency ..................................................................................... 36
2.6 Influence of the Perceived Business Environment ....................................................... 36
2.6.1 Hostile versus Benign business environments ......................................................... 38
2.6.2 Dynamic versus Stable business environments ...................................................... 40
2.7 Cultural Values/Cultural Orientations .......................................................................... 41
2.7.1 Culture and individual behaviours .......................................................................... 42
Chapter 3 Advancing a Theoretical Framework That Links Entrepreneurial Competencies, Business Environment, Cultural Orientation, and Business Success ............................................ 54

3.1 Introduction ................................................................................................................................. 54

3.2 Development of a Preliminary Theoretical Framework ............................................................ 56

3.3 Development of Hypotheses .................................................................................................... 57

3.3.1 Direct effect of entrepreneurial competencies on business success .................................... 57

3.3.2 The direct and moderating effects of perceived business environments ............................. 59

3.3.2.1 Direct effects of Benign versus Hostile and Stable versus Dynamic environments ....... 60

3.3.2.2 Moderating effects of Benign versus Hostile and Stable versus Dynamic environments .. 60

3.3.3 The direct effects of individual cultural orientations on entrepreneurial competencies ...... 62

3.3.4 Direct effects of education, training, and work experience on entrepreneurial competencies ................................. 64

3.4 Conclusion ............................................................................................................................... 64

Chapter 4 Study 1: Exploring Behaviours Delineating Entrepreneurial Competencies among Entrepreneurs in SMEs in Australia and Malaysia ................................................. 65

4.1 Introduction ............................................................................................................................... 65

4.2 Method .................................................................................................................................... 67

4.3 Sample .................................................................................................................................... 68

4.3.1 Participant profiles—Australia and Malaysia ....................................................................... 69

4.3.2 Firm profiles—Australia and Malaysia ................................................................................ 72

4.4 Data Collection Procedure ..................................................................................................... 75

4.5 Data Analysis .......................................................................................................................... 77

4.5.1 Focus of data analysis ........................................................................................................ 77

4.5.2 Reliability and validity ..................................................................................................... 79

4.6 Results .................................................................................................................................... 80

4.6.1 Confirmation of entrepreneurial competencies identified in existing models ..................... 80

4.6.1.1 Strategic Competency .................................................................................................. 80

4.6.1.2 Commitment Competency ......................................................................................... 85

4.6.1.3 Conceptual Competency ............................................................................................ 88

4.6.1.4 Opportunity Competency ......................................................................................... 92

4.6.1.5 Organising and Leading Competency ....................................................................... 95

4.6.1.6 Relationship Competency .......................................................................................... 98

4.6.1.7 Learning Competency ................................................................................................ 102

4.6.1.8 Personal Competency ................................................................................................ 104

4.6.1.9 Technical Competency .............................................................................................. 108

4.6.1.10 Concluding remarks ............................................................................................... 109

4.6.2 New competency domains themes identified ...................................................................... 111

4.6.2.1 Ethical Competency .................................................................................................. 112
Chapter 5 Study 2 Part 1: Towards a Multidimensional Model of Entrepreneurial Competencies: Data Collection and Preliminary Analyses ................................................................. 146

5.1 Introduction .......................................................................................................................... 146

5.2 Method .................................................................................................................................. 148
  5.2.1 Sample ............................................................................................................................. 148
    5.2.1.1 The Respondents ....................................................................................................... 149
    5.2.1.2 The Businesses .......................................................................................................... 151
  5.2.2 Survey instruments ......................................................................................................... 152
    5.2.2.1 Entrepreneurial competencies .................................................................................. 152
    5.2.2.2 Business success ....................................................................................................... 152
    5.2.2.3 Perceived business environment ............................................................................. 153
    5.2.2.4 Individual cultural orientations .............................................................................. 153
    5.2.2.5 Demographic variables ............................................................................................ 154
    5.2.2.6 Pilot test and survey refinement .............................................................................. 154
  5.2.3 Data collection procedure .............................................................................................. 155

5.3 Results—Preliminary Analyses .............................................................................................. 157
  5.3.1 Non-response bias ......................................................................................................... 157
  5.3.2 Data preparation and assumption testing ....................................................................... 158
  5.3.3 Psychometric properties of the dependent and independent variables and constructs .................................................................................................................. 159
    5.3.3.1 Measurement model for entrepreneurial competencies—a replication of Man’s (2001) model .................................................................................................................. 159
    5.3.3.2 Measurement model for the extended model of entrepreneurial competencies .......................................................... 162
    5.3.3.3 Measurement model for business success ................................................................ 172
    5.3.3.4 Measurement model for business environment ....................................................... 177
    5.3.3.5 Measurement model for individual cultural orientations ....................................... 178
  5.3.4 Inter-correlations among all constructs ............................................................................ 180
    5.3.4.1 The Australian data .................................................................................................. 180
    5.3.4.2 The Malaysian data .................................................................................................. 183

5.4 Discussion and Implications ................................................................................................. 183

5.5 Conclusion ............................................................................................................................. 184

Chapter 6 Study 2 Part 2: Model Testing Using Structural Equation Modeling (SEM) Procedure ......................................................................................................................... 186

6.1 Introduction ............................................................................................................................. 186

6.2 Hypotheses Testing Using Structural Equation Model (SEM) .................................................................................................................. 188
  6.2.1 Composite variables ....................................................................................................... 188
Chapter 7 Entrepreneurial Competencies as Drivers of SME Success in Australia and Malaysia: Discussion and Conclusion ................................................................. 226

7.1 Introduction ........................................................................................................... 226

7.2 A Comparison of Models of Entrepreneurial Competencies for Australian and Malaysian SMEs ................................................................. 226

7.2.1 Comparing models of entrepreneurial competencies between cultures ............................ 227
    7.2.1.1 The Comprehensive model of entrepreneurial competencies ............................................ 228
    7.2.1.2 The Parsimonious model of entrepreneurial competencies ................................................. 230

7.2.2 The influence of entrepreneurial competencies on business success ................................ 233

7.2.3 The direct and moderating role of perceived business environment on entrepreneurial competencies ................................................................................. 234

7.2.4 The influence of an individual cultural orientation on entrepreneurial competencies .......... 236

7.2.5 The influence of education, training, and general work experience on entrepreneurial competencies .............................................................................. 238

7.3 Theoretical and Practical Implications ................................................................. 239

7.3.1 Theoretical implications ...................................................................................... 239

7.3.2 Practical implications .......................................................................................... 241

7.3.2.1 Implications for the practice and training ................................................................. 241

7.3.2.2 Implications for the educators and policy makers ...................................................... 242

7.4 Limitations of the Study ....................................................................................... 243

7.5 Directions for Future Research ............................................................................ 245

7.6 Conclusion .............................................................................................................. 246

References .................................................................................................................... 248

Appendices ..................................................................................................................... 271
Appendix A: Analysis of the Models of Entrepreneurial Competencies Available in the Literature

Appendix B1: Information Sheet

Appendix B2: Interview Framework that Guides the Qualitative Study

Appendix B3: Participants’ and Firms’ Profile

Appendix C: Standard Consent Form

Appendix D: Standard Complaint Procedure Form

Appendix E1: Items to Measure Entrepreneurial Competencies

Appendix E2: Summary of the Measurement of the Key Constructs

Appendix F: Measures of Key Variables, Sources, and Cronbach’s Alpha reported in the Previous Studies

Appendix G1: Sample of Questionnaire (Australia)

Appendix G2: Sample of Questionnaire (Malaysia)

Appendix H1: Test for Non-response Bias for Australia Data - Independent Sample t tests

Appendix H2: Test for Non-response Bias for Australia Data - Chi-square Tests

Appendix I1: Test for Non-response Bias for Malaysia Data - Independent Sample t tests

Appendix I2: Test for Non-response Bias for Malaysia Data - Chi-square Tests

Appendix J: Chi-square Tests for the Web-based and Mail-out Survey for Australian Data

Appendix K: Detail description of Confirmatory Factor Analysis (CFA) Procedure

Appendix L: One-factor Congeneric Models for Entrepreneurial Competencies Based on Man’s (2001) Model

Appendix M: One-factor Congeneric Models for the Extended Model of Entrepreneurial Competencies

Appendix N: One-factor Congeneric Models for Business Success Construct

Appendix O: One-factor Congeneric Models for Business Environment Construct

Appendix P: One-factor Congeneric Models for Individual Cultural Orientations Construct
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**LIST OF FIGURES**

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Key features associated with culture.</td>
<td>41</td>
</tr>
<tr>
<td>2</td>
<td>Preliminary theoretical framework developed for this study.</td>
<td>57</td>
</tr>
<tr>
<td>3</td>
<td>Clusters of Behaviours that define Strategic Competency in Australia and Malaysia.</td>
<td>85</td>
</tr>
<tr>
<td>4</td>
<td>Clusters of Behaviours that define Commitment Competency in Australia and Malaysia.</td>
<td>88</td>
</tr>
<tr>
<td>5</td>
<td>Clusters of Behaviours that define Conceptual Competency in Australia and Malaysia.</td>
<td>92</td>
</tr>
<tr>
<td>6</td>
<td>Clusters of Behaviours that define Opportunity Competency in Australia and Malaysia.</td>
<td>95</td>
</tr>
<tr>
<td>7</td>
<td>Clusters of Behaviours that define Organising and Leading Competency in Australia and Malaysia.</td>
<td>98</td>
</tr>
<tr>
<td>8</td>
<td>Clusters of Behaviours that define Relationship Competency in Australia and Malaysia.</td>
<td>102</td>
</tr>
<tr>
<td>9</td>
<td>Clusters of Behaviours that define Learning Competency in Australia and Malaysia.</td>
<td>104</td>
</tr>
<tr>
<td>10</td>
<td>Clusters of Behaviours that define Personal Competency in Australia and Malaysia.</td>
<td>108</td>
</tr>
<tr>
<td>11</td>
<td>Clusters of Behaviours that define Technical Competency in Australia and Malaysia.</td>
<td>109</td>
</tr>
<tr>
<td>12</td>
<td>Competencies that confirmed the existing models derived from Australian and Malaysian data.</td>
<td>111</td>
</tr>
<tr>
<td>13</td>
<td>Clusters of Behaviours that define Ethical Competency in Australia and Malaysia.</td>
<td>115</td>
</tr>
<tr>
<td>14</td>
<td>Clusters of Behaviours that define Social Responsibility Competency in Australia and Malaysia.</td>
<td>118</td>
</tr>
<tr>
<td>15</td>
<td>Clusters of Behaviours that define Familism Competency in Australia and Malaysia.</td>
<td>121</td>
</tr>
<tr>
<td>16</td>
<td>New competencies derived from Australian and Malaysian data.</td>
<td>122</td>
</tr>
<tr>
<td>17</td>
<td>Higher-order structure for the Comprehensive model of entrepreneurial competencies (Australia).</td>
<td>170</td>
</tr>
<tr>
<td>18</td>
<td>Higher-order structure for the Comprehensive model of entrepreneurial competencies (Malaysia).</td>
<td>170</td>
</tr>
<tr>
<td>19</td>
<td>Higher-order structure for the Parsimonious model of entrepreneurial competencies (Australia).</td>
<td>171</td>
</tr>
<tr>
<td>20</td>
<td>Higher-order structure for the Parsimonious model of entrepreneurial competencies (Malaysia).</td>
<td>171</td>
</tr>
<tr>
<td>21</td>
<td>Higher-order structure for business success (Australia).</td>
<td>176</td>
</tr>
<tr>
<td>22</td>
<td>Higher-order structure for business success (Malaysia).</td>
<td>176</td>
</tr>
<tr>
<td>23</td>
<td>Revised conceptual framework developed for the present study.</td>
<td>190</td>
</tr>
<tr>
<td>24</td>
<td>Structural model estimation using Comprehensive model of entrepreneurial competencies (Australia).</td>
<td>193</td>
</tr>
<tr>
<td>25</td>
<td>Structural model estimation using Parsimonious model of entrepreneurial competencies (Australia).</td>
<td>194</td>
</tr>
<tr>
<td>26</td>
<td>Moderator analyses on the baseline model of business environments using a Comprehensive model of Entrepreneurial Competencies (Australia).</td>
<td>198</td>
</tr>
<tr>
<td>27</td>
<td>Moderator analyses on the baseline model of business environments using a Parsimonious model of Entrepreneurial Competencies (Australia).</td>
<td>198</td>
</tr>
<tr>
<td>28</td>
<td>Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Comprehensive model (Australia).</td>
<td>201</td>
</tr>
<tr>
<td>29</td>
<td>Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Comprehensive model (Australia).</td>
<td>201</td>
</tr>
<tr>
<td>30</td>
<td>Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Comprehensive model (Australia).</td>
<td>201</td>
</tr>
</tbody>
</table>
entrepreneurial competencies and performance relative to competitors—Comprehensive model (Australia). ................................................................. 201

Figure 31. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and business growth —Comprehensive model (Australia). .......... 201

Figure 32. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Parsimonious model (Australia). ................................................................. 202

Figure 33. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Parsimonious model (Australia). ................................................................. 202

Figure 34. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and performance relative to competitors—Parsimonious model (Australia). ................................................................. 202

Figure 35. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and business growth —Parsimonious model (Australia). .......... 202

Figure 36. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Comprehensive model (Australia). .............................................................................................. 203

Figure 37. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Comprehensive model (Australia). .............................................................................................. 203

Figure 38. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and performance relative to competitors —Comprehensive model (Australia). .............................................................................................. 203

Figure 39. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and business growth—Comprehensive model (Australia). .......... 203

Figure 40. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Parsimonious model (Australia). .............................................................................................. 204

Figure 41. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Parsimonious model (Australia). .............................................................................................. 204

Figure 42. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and performance relative to competitors—Parsimonious model (Australia). .............................................................................................. 204

Figure 43. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and business growth —Parsimonious model (Australia). .......... 204

Figure 44. Structural model estimation using Comprehensive model of entrepreneurial competencies (Malaysia). .............................................................................................. 209

Figure 45. Structural model estimation using Parsimonious model of entrepreneurial competencies (Malaysia). .............................................................................................. 210

Figure 46. Moderator analyses on the baseline model of business environments using a Comprehensive model of entrepreneurial competencies (Malaysia). .............................................................................................. 213

Figure 47. Moderator analyses on the baseline model of business environments using a Parsimonious model of entrepreneurial competencies (Malaysia). .............................................................................................. 214

Figure 48. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Comprehensive model (Malaysia). .............................................................................................. 217

Figure 49. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Comprehensive model (Malaysia). .............................................................................................. 217

Figure 50. Moderating effects of Benign and Hostile Environments on the relationship between
entrepreneurial competencies and performance relative to competitors—Comprehensive model (Malaysia) ................................................................. 217

Figure 51. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and business growth—Comprehensive model (Malaysia) .......... 217

Figure 52. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Parsimonious model (Malaysia) .................................................................................................................. 218

Figure 53. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Parsimonious model (Malaysia). ........................................................................................................................ 218

Figure 54. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and performance relative to competitors—Parsimonious model (Australia) ........................................................................................................................ 218

Figure 55. Moderating effects of Benign and Hostile Environments on the relationship between entrepreneurial competencies and business growth—Parsimonious model (Australia). ........ 218

Figure 56. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with financial performance—Parsimonious model (Malaysia) ........................................................................................................................ 219

Figure 57. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and satisfaction with non-financial performance—Parsimonious model (Malaysia). ........................................................................................................................ 219

Figure 58. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and performance relative to competitors—Parsimonious model (Malaysia) ........................................................................................................................ 219

Figure 59. Moderating effects of Stable and Dynamic Environments on the relationship between entrepreneurial competencies and business growth—Parsimonious model (Malaysia). ........ 219

Figure 60. The Comprehensive model of entrepreneurial competencies—12 competency areas (Australia) ........................................................................................................................................... 229

Figure 61. The Comprehensive model of entrepreneurial competencies—12 competency areas (Malaysia). ........................................................................................................................................... 229

Figure 62. The Parsimonious model of entrepreneurial competencies—7 competency areas (Australia) ..... 229

Figure 63. The Parsimonious model of entrepreneurial competencies—8 competency areas (Malaysia) .... 229
LIST OF TABLES

<table>
<thead>
<tr>
<th>Table Number</th>
<th>Table Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Definitions of Competencies</td>
<td>20</td>
</tr>
<tr>
<td>2</td>
<td>Hay/McBer Competencies: Themes and Clusters</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Core Management Competencies</td>
<td>24</td>
</tr>
<tr>
<td>4</td>
<td>Titles and High-Level Definitions of the Great Eight Competencies</td>
<td>25</td>
</tr>
<tr>
<td>5</td>
<td>A Synthesis of Behaviours Reflecting Competencies Identified in Previous Studies</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>Areas of Entrepreneurial Competencies Proposed for this Study</td>
<td>33</td>
</tr>
<tr>
<td>7</td>
<td>Characteristics of the Australian Participants</td>
<td>71</td>
</tr>
<tr>
<td>8</td>
<td>Characteristics of the Malaysian Participants</td>
<td>71</td>
</tr>
<tr>
<td>9</td>
<td>Characteristics of the Firms Owned by Australian Participants</td>
<td>74</td>
</tr>
<tr>
<td>10</td>
<td>Characteristics of the Firms Owned by Malaysian Participants</td>
<td>74</td>
</tr>
<tr>
<td>11</td>
<td>Inter-Rater Reliability for the Competency Areas</td>
<td>80</td>
</tr>
<tr>
<td>12</td>
<td>Strategic Compentency Domain: Clusters and Examples of Strategic Behaviours</td>
<td>81</td>
</tr>
<tr>
<td>13</td>
<td>Commitment Competency Domain: Clusters and Examples of Commitment Behaviours</td>
<td>86</td>
</tr>
<tr>
<td>14</td>
<td>Conceptual Competency Domain: Clusters and Examples of Conceptual Behaviours</td>
<td>89</td>
</tr>
<tr>
<td>15</td>
<td>Opportunity Competency Domain: Clusters and Examples of Opportunity Behaviours</td>
<td>93</td>
</tr>
<tr>
<td>16</td>
<td>Organising and Leading Competency Domain: Clusters and Examples of Organising and Leading Behaviours</td>
<td>95</td>
</tr>
<tr>
<td>17</td>
<td>Relationship Competency Domain: Clusters and Examples of Relationship Behaviours</td>
<td>99</td>
</tr>
<tr>
<td>18</td>
<td>Learning Competency Domain: Clusters and Examples of Learning Behaviours</td>
<td>103</td>
</tr>
<tr>
<td>19</td>
<td>Personal Competency Domain: Clusters and Examples of Personal Qualities</td>
<td>105</td>
</tr>
<tr>
<td>20</td>
<td>Technical Competency Domain: Clusters and Examples of Technical Behaviours</td>
<td>108</td>
</tr>
<tr>
<td>21</td>
<td>Ethical Competency Domain: Clusters and Examples of Ethical Behaviours</td>
<td>112</td>
</tr>
<tr>
<td>22</td>
<td>Social Responsibility Competency Domain: Clusters and Examples of Social Responsibility Behaviours</td>
<td>116</td>
</tr>
<tr>
<td>23</td>
<td>Categories of Companies’ Social Responsibility</td>
<td>117</td>
</tr>
<tr>
<td>24</td>
<td>Familism Competency Domain: Clusters and Example of Familism Behaviours</td>
<td>119</td>
</tr>
<tr>
<td>25</td>
<td>Behaviours Perceived to be Associated with Business Failure</td>
<td>123</td>
</tr>
<tr>
<td>26</td>
<td>Indices of Business Success identified by Entrepreneurs in Australia and Malaysia</td>
<td>133</td>
</tr>
<tr>
<td>27</td>
<td>Motivation to Start Business among Entrepreneurs in Australia and Malaysia</td>
<td>137</td>
</tr>
<tr>
<td>28</td>
<td>Push Factors Described by Entrepreneurs in Australia and Malaysia</td>
<td>138</td>
</tr>
<tr>
<td>29</td>
<td>Items Added to the Measurement of Competencies Identified by Man (2001)</td>
<td>144</td>
</tr>
<tr>
<td>30</td>
<td>Items Reflecting New Competency Areas That Are Not Identified by Man (2001)</td>
<td>145</td>
</tr>
<tr>
<td>31</td>
<td>Demographic Breakdown of Respondents</td>
<td>150</td>
</tr>
<tr>
<td>32</td>
<td>Profile of Firms in the Australian and Malaysian Sample</td>
<td>151</td>
</tr>
<tr>
<td>33</td>
<td>Factor Loadings for Man’s (2001) Model of Entrepreneurial Competencies</td>
<td>160</td>
</tr>
<tr>
<td>34</td>
<td>Reliability and Validity Assessment for Man’s (2001) Model of Entrepreneurial Competencies</td>
<td>162</td>
</tr>
<tr>
<td>35</td>
<td>Goodness of Fit Statistics for Man’s (2001) Model of Entrepreneurial Competencies</td>
<td>162</td>
</tr>
<tr>
<td>36</td>
<td>Factor Loadings for the Extended Model of Entrepreneurial Competencies</td>
<td>163</td>
</tr>
<tr>
<td>37</td>
<td>Reliability and Validity Assessment for the Extended Model of Entrepreneurial Competencies</td>
<td>165</td>
</tr>
</tbody>
</table>
Table 38  Goodness of Fit Statistics for the Extended Model of Entrepreneurial Competencies ................. 167
Table 39  Descriptive Statistics and Zero-order Correlations of All Competency Areas for Australian Data .... 168
Table 40  Descriptive Statistics and Zero-order Correlations of All Competency Areas for Malaysian Data .... 168
Table 41  Goodness of Fit Statistics for Alternative Models of Entrepreneurial Competencies ..................... 169
Table 42  Factor Loadings for the Business Success Construct ................................................................. 173
Table 43  Reliability and Validity Assessment for Business Success Construct ........................................... 174
Table 44  Goodness of Fit Statistics for Business Success ............................................................................ 174
Table 45  Descriptive Statistics and Zero-order Correlations of Business Success for Australian data ........ 174
Table 46  Descriptive Statistics and Zero-order Correlations of Business Success for Malaysian data ........... 175
Table 47  Factor Loadings for Perceived Business Environment ............................................................... 177
Table 48  Reliability and Validity Assessment for Perceived Business Environment .................................... 178
Table 49  Goodness of Fit Statistics for Perceived Business Environment ................................................... 178
Table 50  Factor Loadings for Individual Cultural Orientations .................................................................... 179
Table 51  Reliability and Validity Assessment for measures of Individual Cultural Orientation .................... 179
Table 52  Goodness of Fit Statistics for Individual Cultural Orientation ....................................................... 179
Table 53  Descriptive Statistics and Zero-order Correlations of All Constructs for Australian Data .............. 181
Table 54  Descriptive Statistics and Zero-order Correlations of All Constructs for Malaysian Data .............. 182
Table 55  Hypotheses Developed for this Study ............................................................................................ 191
Table 56  Results of the Model Testing Using Structural Equation Modeling Procedure: Comparing Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Australia) ................. 195
Table 57  Goodness of Fit Statistics for Baseline and Constrained Models—Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Australia) ..................................................................................... 199
Table 58  Chi-Square Difference Tests for the Moderating Effects of Benign and Stable Environments — Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Australia) ........................................... 199
Table 59  The Regression Coefficients ($\beta$) of the Moderating Effects of Business Environments: Comparing Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Australia) ................. 200
Table 60  Results of the Model Testing Using Structural Equation Modeling Procedure: Comparing Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Malaysia) ................................. 211
Table 61  Goodness of Fit Statistics for Baseline and Constrained Models—Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Malaysia) ..................................................................................... 214
Table 62  Chi-Square Difference Tests for the Moderating Effects of Benign and Stable Environments — Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Malaysia) ........................................... 215
Table 63  The Regression Coefficients ($\beta$) of the Moderating Effects of Business Environments: Comparing Comprehensive and Parsimonious Models of Entrepreneurial Competencies (Malaysia) ................. 216
The present study examined the relationship between entrepreneurial competencies and business success in the context of SMEs in Australia and Malaysia. A “mixed-method” approach was adopted whereby two studies were conducted in a sequential fashion (Study 1 and Study 2). In Study 1, a qualitative method was adopted in which individual interviews were conducted with 20 entrepreneurs – 10 from Australia and 10 from Malaysia – who operated SMEs in the manufacturing and service sectors. The aim was to elicit behaviours that delineate competencies, and thus enable the identification of entrepreneurial competencies that are context-specific and of relevance in the current business environment. A content analysis of the interview data identified 12 competency domains: Strategic; Commitment; Conceptual; Opportunity; Organising and Leading; Relationship; Learning; Personal; Technical; Ethical; Social Responsibility; and Familism. Importantly, nine of these categories were well represented in existing models of entrepreneurial competencies, thereby providing evidence that these models offer a reasonable degree of cross-cultural generalisability. However, three new categories emerged, namely, Ethical, Social Responsibility, and Familism (broadly concerned with the role of “family” in building business success). There was evidence for Ethical and Social Responsibility competencies in both the Australian and Malaysian data, whereas Familism was specific to the Malaysian data and may well reflect the collectivist orientation of Malaysian culture. The identification of these additional categories of entrepreneurial competencies suggests that the existing models may need to be revised to further enhance their applicability to the measurement of entrepreneurial competencies in different cultural contexts.

Study 2 Part 1 proceeded with validating the model of entrepreneurial competencies. This involved determining the psychometric rigour of the model and establishing the psychometric properties of all dependent variables (measures of business success) and covariates (i.e., business environment and entrepreneurs’ cultural orientations) using a sample of 391 SME entrepreneurs (179 Australians and 212 Malaysians). The two best fit models of entrepreneurial competencies – the “Comprehensive” model and the “Parsimonious” model – are fully described. The Comprehensive model revealed that all twelve competency areas were perceived as relevant to SME outcomes by entrepreneurs in Australia and Malaysia, even though the behaviours that defined the Organising and Leading competency domain, as well as the Familism competency domain (later renamed “Supporting and Cooperating” for Australia due to the omission of items related to
“family”) were somewhat different. The other 10 competency areas identified in the Comprehensive model appeared to be invariant across countries. On the other hand, the Parsimonious model of entrepreneurial competencies showed that, although some competency areas were universal in nature (i.e., Conceptual, Opportunity, Learning, and Ethical), others were country specific (i.e., Relationship, Social Responsibility, and Familism). It was argued that the differences could be traced to cultural variations between the countries, in particular the extent of Individualism versus Collectivism.

Study 2 Part 2 tested the causal pathway between entrepreneurial competencies and business success and the possible influence of covariates using a structural equation modeling (SEM) procedure. The results showed that entrepreneurial competencies were strong predictors of business success in SMEs for both Australia and Malaysia. It was also found that both Benign and Stable business environments were significantly related to business success in Australia whereas only a Stable environment was significantly linked with success in Malaysia. Moreover, environmental variables showed a less strong path to success than competencies. When the Parsimonious model of entrepreneurial competencies was used in the model estimation, the association between entrepreneurial competencies and business success was more strongly evident in Hostile and Dynamic environments than in more Benign and Stable environments (for both Australia and Malaysia). The results also showed that cultural orientations (both Collectivism and Tolerance for Ambiguity) have positive effects on entrepreneurial competencies in Malaysia but not in Australia (i.e., Individualism and Tolerance for Ambiguity). The effect of education on entrepreneurial competencies was mixed; significant for only the Comprehensive model for Australia but significant for both Comprehensive and Parsimonious models for Malaysia. The effects of training before and after start up, as well as previous work experience on entrepreneurial competencies appeared to be nonsignificant in both contexts.

On the basis of the results of the thesis, it was concluded that self-reported entrepreneurial competencies are predictive of self-reports of success in both Malaysian and Australian SMEs. The models that describe success in both countries are consistent with existing models of entrepreneurial competency although differences in the behaviours that define a domain are evidenced between countries as are the domains that successfully define a parsimonious model in each country. These results are interpreted as supporting a training agenda that identifies entrepreneurial skills as a critical pre-requisite to business success for SMEs.