

# THE ROLE OF THE ENTREPRENEURIAL COMPETENCIES OF FINNISH MICRO- ENTERPRISES FOR INNOVATION PERFORMANCE: A CASE STUDY APPROACH

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## ABSTRACT

*Previous studies have indicated a lack of research on Entrepreneurial Competencies (ECs) in Finland. This study investigates the role of ECs in Finnish micro-enterprises. The research question investigated in this paper is: What are the ECs of Finnish micro-enterprises in terms of innovation performance? The study was based on resource-based view (RBV) theory, and followed the case study approach. Data was gathered using semi-structured interviews from six Finnish micro-enterprises representing four different industries, namely the cosmetic, health, food, and film industries. The findings indicate that relationship, commitment, learning orientation, strategic, innovativeness, decision-making and problem-solving competencies are important in Finnish micro-enterprises, whilst relationship competence emerged as the most important one among the four industries. The managerial implications include that a major focus must be placed on building relationship competence. This can be achieved through effective communication with employees within the organisation, and by building ties and trust between an entrepreneur and his/her business networks.*

**Keywords:** Entrepreneurial Competencies, the Rbv Theory, the Case Study Approach, Innovation Performance, Micro-Enterprises, Finland

**JEL Classification:** M16, M31

## INTRODUCTION

Researchers have recognised that entrepreneurial competencies (ECs) are of great importance for the birth, survival, growth, success, competitiveness, and performance of SMEs (Rasmussen Mosey & Wright 2011; Sajilan & Tehseen, 2015), and for sustainability-driven entrepreneurship (Bernhardt et al., 2015, pp. 14-15). ECs comprise human capital, and are the intangible assets of a firm, creating sustainable competitive advantage for companies because they are always valuable, rare, and difficult to imitate by rivals (Tehseen & Ramayah 2015). Today, given the fierce competition in the business world including SMEs (Rungwitoo 2012), ECs have become critical for SMEs to acquire and utilise in order to be competitive in the current globalised world (Kaur & Bains, 2013).

Although ECs are considered to be a significant factor for sustainable competitive advantage in SMEs, few studies have been conducted, particularly in a specific geographical context. For example, a study conducted by (Man, 2001) in Hong Kong SMEs, and Ahmad

(2007) in Australia and Malaysia identified which sets of ECs are important in SMEs in their research context. Other studies have focused on how important ECs are used in SMEs (Man 2001; Man, Lau & Chan 2002; Kyndt & Baert, 2015). Given that these studies have been carried out in a specific geographical context, the findings cannot be generalised to the Finnish SME context. Therefore, this study attempts to identify both important and the most important ECs in the Finnish SME context and how these ECs are used by entrepreneurs.

## LITERATURE REVIEW

### Resource-based view theory in entrepreneurial competencies

Resources are a key part of any form of business enterprise such as large, medium, and small companies. This means that no firm can operate without having resources. Resources are a firm's internal characteristics (Tajala, 2012). Firm resources are regarded as tangible and intangible assets that are tied semi-permanently to the firm (Wernerfelt, 1984). (Brahma & Chakraborty, 2011) define the resources of a firm as managerial and entrepreneurial skills. Firm resources have been regarded as comprising all assets, capabilities, organisational processes, information, knowledge, and firm attributes (Barney, 1991).

The importance of a firm's resources can be described through the resource-based view (RBV) theory, which examines the link between a firm's resources and performance in ascertaining competitive advantage. RBV offers two alternative assumptions in analysing resources. The first assumption is that a firm may be heterogeneous in regard to the strategic resources under its control. The second assumption is that resources may be immobile across firms, which enables heterogeneity and sustainability. However, not all resources have the capacity to sustain competitive advantage and in order for a firm to be aligned with such resources, four attributes have to be met: 1) valuable: it must be valuable and be able to exploit opportunities and neutralise threats in its environment; 2) rare: it must have a high level of rareness among current and potential competitors; 3) non-imitable: it must not be readily imitable; and 4) non-substitutable: there cannot be a strategically equivalent substitute for resources that are valuable, rare, or imperfectly imitable (Barney 1991). According to RBV theorists, ECs are valuable and critical resources of a firm (Barney 1991, Mitchelmore & Rowley 2010; Reed & Defilippi 1990). In fact, ECs are human capital and are a firm's intangible asset that can ensure superior performance and create sustainable competitive advantage because they are valuable, rare, difficult to imitate and non-substitutable (VRIN) by their rivals (Man, Lau, & Snape 2008; Rungwitoo 2012; Tehseen & Ramayah 2015; Wickham 2006; Zaugg & Thom 2003).

Recent papers by Miller et al. (2012), Bacigolupo et al. (2016) and Amini et al. (2018). Have revealed that personality traits are as important as entrepreneurial competencies.

### The meaning of entrepreneurial competencies

As shown in Table 1, there are significant differences in the existing literature regarding the definition of ECs. ECs are defined as underlying characteristics (Bird 1995); higher-level characteristics (Man 2001; Man et al. 2002); individual characteristics (Kaur & Bains 2013; Sajilan & Tehseen 2015); abilities (Man 2001; Sajilan & Tehseen 2015); knowledge (Bird 1995; Man 2001; Man et al. 2002; Rungwitoo 2012; Sajilan & Tehseen 2015); traits (Bird 1995; Man 2001; Man et al. 2002); motives, self-image and social roles (Bird 1995); and skills (Bird 1995; Man 2001; Man et al. 2002; Rungwitoo 2012; Sajilan & Tehseen 2015). Although the definition of ECs varies, they are highly critical to running SMEs successfully.

This argument is addressed in several studies. ECs are required to perform a job or role (Man et al. 2002; Sajilan & Tehseen 2015), for the birth, survival, and growth of a company (Bird 1995), and for great performance (Rungwitoo, 2012). Given the diverse definition of ECs, it is important to consider each of them, as they represent a unique element. Thus, the present study adapts all of the definitions presented above from different authors (Bird, 1995; Man 2001; Man et al., 2002; Rungwitoo, 2012; Kaur & Bains, 2013; Sajilan & Tehseen, 2015) and formulates a combined definition to effect a holistic understanding of ECs.

<b>Table 1</b> <b>DEFINITIONS OF ENTREPRENEURIAL COMPETENCIES</b>	
<b>Authors</b>	<b>Definitions of entrepreneurial competencies</b>
Bird (1995, p.51)	“Entrepreneurial competencies are defined as underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles, and skills which result in venture birth, survival, and/ or growth”.
Man (2001, p.67)	ECs are “higher level characteristics, representing the ability to the entrepreneur to perform a job role successfully and encompassing personality traits, skills and knowledge, which are in turn influenced by entrepreneur’s experience, training, education, family background or other demographic variables”.
Man et al. (2002, p.124)	“Entrepreneurial competencies are considered as higher-level characteristic encompassing personality traits, skills and knowledge, and therefore can be seen as the total ability of the entrepreneur to perform a job role successfully”.
Rungwitoo (2012:, p.246)	“Entrepreneurial competencies are combinations of knowledge and skills which are considered as key contributions for great performance”.
Kaur and Bains (2013, p.31)	ECs are “individual characteristics”.
Sajilan and Tehseen (2015, p.21)	“Entrepreneurial competencies are the individual characteristics such as abilities, skills and knowledge needed to perform a specific job”.
<i>Source: Compiled by the authors</i>	

### **Identified entrepreneurial competencies from previous research**

In this study, ECs have been identified from the existing literature: for example, (Mintzberg, 1973), (Mintzberg & Waters, 1982), (McClelland, 1987), (Chandler & Jasen 1992), (Baum, 1994), Bird (1995), (Man et al., 2002), Mitchelmore and Rowley (2010), (Rungwitoo, 2012), (Mugion, 2013), (Kaur & Bains, 2013), (Kyndt & Baert, 2015), (Tehseen & Ramayah, 2015). The ECs suggested by the authors are listed in Table 2.

<b>Table 2</b> <b>LIST OF ENTREPRENEURIAL COMPETENCIES</b>	
<b>Authors</b>	<b>List of entrepreneurial competencies</b>
Mintzberg (1973); Minzberg & Waters 1982)	Initiating and designing controlled change, maintaining direct control and scanning for opportunities.
McClelland (1987)	Commitment to others, motivation for achievement and reactivity.
Chandler & Jasen (1992)	The ability to recognize, envision and act on opportunity. The willingness and capacity to generate intense effort.
Baum (1994)	Self-management, leadership, opportunity recognition, opportunity development, cognitive ability, administration, decision skills and human resources.
Bird (1995)	Drive, tolerance of ambiguity, achievement/task motivation, the need for controlling material (financial) outcomes, recognising and seizing opportunities, the importance of business relationship recognition, interest in high quality work, monitoring, planning, network management, motivating others, industry manoeuvring, designing a certain business organisation, designing certain services and products and knowledge in various aspects such as leadership, oral communication and human relations skills.
Man et al. (2002)	Opportunity, relationship, conceptual, organizing, strategic and commitment competencies.
Mitchelmore & Rowley (2010)	Analytical, opportunity, innovative, operational, strategic, relationship, commitment, human and learning competencies.
Lans et al. (2011)	Opportunity competencies, relationship competencies, conceptual competencies, organising competencies, strategic competencies and commitment competencies.
Rungwitoo (2012)	Analytical skill, interpersonal skill, organizing skill, strategic marketing knowledge, responding skill, executing skill and operations knowledge.
Kaur & Bains (2013)	Efficiency orientation, self-confidence, persistence, concern for high quality of work, opportunities, commitment to work contract, systematic planning, concern for employee welfare, persuasion, monitoring, use of influence strategies, and problem solving.
Morris et al. (2013)	Opportunity recognition, opportunity assessment, risk management/mitigation, conveying a compelling vision/seeking the future, tenacity/perseverance, creative problem-solving, resource leveraging/bootstrapping, guerilla skills, value creation with new products/services/business models, ability to maintain focus yet adapt resilience, self-efficacy, and building and using networks
Mugion (2013)	Systematic planning, goal setting, persuasion and networking, quality and efficiency, information seeking, monitoring and calculated risk-taking.
Tehseen & Ramayah (2015)	Strategic, conceptual, opportunity, and learning competencies.
Kyndt & Baert (2015)	Persuasive ability, network building, independence, future planning ability, decisiveness, learning orientation, seeing opportunities, perseverance, and market insight.
Amini, Arasti & Bagheri (2018)	Individual competencies: personality competencies, strategic thinking, ability to organise, communication abilities, networking, managing human resources, developing social participation, and recognising target groups.
<i>Source: Compiled by the authors</i>	

The selection of literature on ECs was performed based on their citation ranking. The reviewed studies are the most cited in the field of entrepreneurship and considered to have significantly contributed to the EC literature. Moreover, the list covers the main studies that present a list of ECs in SMEs.

According to Tittel and Terzidis (2020, p. 11), the most important definitions of ECs were by Man et al. (2002, p. 124), Bird (1995, p. 51), and Mitchelmore and Rowley (2010, p. 93).

### **Towards entrepreneurial competence categorisation**

The list of ECs discovered by different authors is categorised in Table 3. Based on critical analysis, six categories of ECs are identified: opportunity, relationship, conceptual, organising, strategic, and commitment competencies. First, scanning for opportunities (Mintzberg 1973; Mintzberg & Waters, 1982), seeing opportunities (Kyndt & Baert, 2015), opportunity recognition, envisioning and acting on opportunity (Baum 1994; Bird 1995; Chandler & Jasen, 1992) are all related to opportunity competence (Kaur & Bains 2013; Tehseen & Ramayah 2015). Second, relationship competence includes interpersonal skill (Rungwitoo 2012), persuasive ability (Kaur & Bains 2013; Kyndt & Baert 2015; Mugion 2013), oral communication and network management (Bird 1995; Mugion 2013; Kyndt & Baert 2015). Third, the conceptual competencies are divided into six classes because they entail activities that are not directly observable but are clearly related to entrepreneurial traits and behaviours (Man 2001; Man et al. 2002; Tehseen & Ramayah 2015). The six classes of conceptual competencies are: 1) risk-taking and management, 2) decision-making, 3) cognitive and analytical competency, 4) innovativeness 5), problem solving, and 6) learning orientation. The EC identified in the study by Mugion (2013) is calculated risk-taking, and this is related to risk-taking, and management competence (Man et al., 2002). Decision-making competence is related to decision making skill (Baum, 1994), and independence and decisiveness (Kyndt & Baert, 2015). Cognitive ability (Baum, 1994) and analytical skill (Mitchelmore & Rowley 2010; Rungwitoo 2012) are associated with cognitive and analytical competence (Man, 2001). Being innovative (Mitchelmore & Rowley, 2010) and designing certain services and products (Bird 1995) are related to innovativeness competence (Man et al. 2002). Problem-solving ability (Kaur & Bains, 2013) is clearly related to problem-solving competence (Man 2001). Learning (Mitchelmore & Rowley 2010; Tehseen & Ramayah 2015) and information seeking (Mugion, 2013) are related to learning orientation competence (Kyndt & Baert, 2015).

Four, maintaining direct control is related to organising competence (Mintzberg 1973; Mintzberg & Waters, 1982). In addition, controlling material, monitoring, motivating others, and leadership and human relations skills are associated with organising competence (Bird 1995). Operational and human management fit into this category of ECs (Mitchelmore & Rowley, 2010). Similar to human management identified from the work of Mitchelmore & Rowley, 2010) EC involves monitoring (Mugion, 2013) and showing concern for employee welfare (Kaur & Bains 2013). Moreover, operational knowledge and organising skill are associated with organising competence (Rungwitoo, 2012). Five, initiating and designing controlled change identified from the studies conducted by (Mintzberg, 1973) and Mintzberg & Waters (1982) are related to strategic competence (Man et al., 2002; Mitchelmore &

Rowley 2010; Tehseen & Ramayah 2015). ECs such as planning, industry manoeuvring and designing certain business organisations are associated with strategic competence (Bird, 1995). Systematic planning, future planning ability, goal setting, market insight, use of influence strategies and strategic marketing knowledge were identified from the works of several authors (Kaur & Bains 2013; Mugion 2013; Rungwitoo 2012; Kyndt & Baert 2015). Finally, commitment to others, and motivation for achievement and reactivity (McClelland 1987) are similar to commitment competence (Man et al., 2002; Mitchelmore & Rowley 2010). (Bird, 1995) argued that commitment competence includes drive, tolerance of ambiguity, achievement/task motivation and interest in high quality work. Similarly, efficiency orientation, persistence, the willingness and capacity to generate intense effort, concern for high quality work, commitment to work contract, responding skill and executing skill also fit into this category of ECs (Chandler & Jasen 1992; Rungwitoo 2012; Kaur & Bains 2013; Mugion 2013; Kyndt & Baert 2015). Finally, the study by (Amini et al., 2018), identified eight individual competences: personality competencies, strategic thinking, ability to organise, communication abilities, networking, managing human resources, developing social participation, and recognising target groups. Most of these eight competences were also found in the EntreComp framework (Bacigolupo et al., 2016) and in the study by Miller et al. (2012). Two initial studies by (Bird, 1995 & Man et al., 2002) included personality traits. However, another study by (Tittel & Terzidis, 2020) excluded these. After the categorisation of ECs in Table 3, each category of ECs is further explained below, showing its importance and how it is used.

<b>Categories of EC</b>	<b>Identified EC from different authors</b>
<b>Opportunity</b> (This entails locating opportunities, acting on new opportunities and developing opportunities).	Scanning for opportunities (Mintzberg 1973; Minzberg & Waters 1982). Ability to recognise, envision and act on opportunity (Chandler & Jasen 1992). Opportunity recognition, opportunity development (Baum 1994). Recognizing and seizing opportunities (Bird 1995). Opportunity (Man et al. 2002; Kaur & Bains 2013; Tehseen & Ramayah 2015). Seeing opportunities (Kyndt & Baert 2015).
<b>Relationship</b> (This competence requires persuasive ability, network management, using connections and contacts, interpersonal skill, communication skill, cooperation and trust building skill).	Business relationship, network management, oral communication (Bird 1995). Relationship (Man et al. 2002; Mitchelmore & Rowley 2010). Interpersonal skill (Rungwitoo 2012). Persuasion (Kaur & Bains 2013). Persuasion and networking (Mugion, 2013). Persuasive ability, network building (Kyndt & Baert 2015).
<b>Conceptual competencies:</b> <b>Risk taking/management</b> (The ability to take and handle chances/opportunities in business).	Conceptual (Man et al. 2002; Tehseen & Ramayah 2015). Calculated risk-taking (Mugion 2013). Decision skill (Baum 1994); independence and decisiveness (Kyndt & Baert

<p><b>Decision-making</b> (The ability to make conclusions on business related matters).</p> <p><b>Cognitive &amp; analytical</b> (The ability to think critically and analytically before actions and decisions are made).</p> <p><b>Innovativeness</b> (The ability to create or develop new products and services).</p> <p><b>Problem-solving</b> (The ability to face and deal with business-related challenges).</p> <p><b>Learning orientation</b> (It involves participating in development and training activities, showing interest in new relevant techniques and methods, having knowledge about relevant information databases and new development updates)</p>	<p>2015).</p> <p>Cognitive ability (Baum (1994). Analytical (Mitchelmore &amp; Rowley 2010). Analytical skill (Rungwitoo 2012).</p> <p>Innovative (Mitchelmore &amp; Rowley 2010). Designing certain services and products (Bird 1995).</p> <p>Problem-solving (Kaur &amp; Bains 2013).</p> <p>Learning (Mitchelmore &amp; Rowley 2010; Tehseen &amp; Ramayah 2015). Information seeking (Mugion, 2013).</p> <p>Learning orientation (Kyndt &amp; Baert 2015).</p>
<p><b>Organising</b> (The ability to monitor, lead, control, and develop internal and external resources to promote the company`s capabilities).</p>	<p>Maintaining direct control (Mintzberg 1973; Minzberg &amp; Waters 1982).</p> <p>Self-management, leadership, administration &amp; human resource (Baum 1994).</p> <p>Controlling material (financial) outcomes, monitoring, motivating others, leadership, human relations skills (Bird 1995).</p> <p>Organizing (Man et al. 2002).</p> <p>Operational and human (Mitchelmore &amp; Rowley 2010).</p> <p>Operations knowledge and organising skill (Rungwitoo 2012).</p> <p>Concern for employee welfare, monitoring (Kaur &amp; Bains 2013). Monitoring (Mugion 2013).</p>
<p><b>Strategic</b> (It involves setting, evaluating, and implementing the company`s strategy).</p>	<p>Initiating and designing controlled change (Mintzberg 1973; Mintzberg &amp; Waters 1982).</p> <p>Planning, industry manoeuvring, designing a certain business organisation (Bird 1995).</p> <p>Strategic (Man et al. 2002; Mitchelmore &amp; Rowley 2010, Tehseen &amp; Ramayah 2015).</p> <p>Strategic marketing knowledge (Rungwitoo 2012).</p> <p>Systematic planning, use of influence strategies (Kaur &amp; Bains 2013).</p> <p>Systematic planning; goal setting (Mugion 2013).</p> <p>Future planning ability, market insight (Kyndt &amp; Baert 2015).</p>
<p><b>Commitment</b> (Showing dedication</p>	<p>Commitment to others, motivation for achievement and reactivity</p>

and determination in one`s business activities).	(McClelland 1987). The willingness and capacity to generate intense effort (Chandler & Jasen 1992). Drive, tolerance of ambiguity, achievement/task motivation, interest in high quality work (Bird 1995). Commitment (Man et al. 2002; Mitchelmore & Rowley 2010). Responding skill, executing skill (Rungwitoo 2012). Efficiency orientation, persistence, concern for high quality of work, commitment to work contract (Kaur & Bains 2013). Quality and efficiency (Mugion, 2013). Perseverance (Kyndt & Baert 2015).
<b>Individual/Personality traits</b>	Bird (1995), Miller et al. (2012), Bacigolupo et al. (2016) and Amini et al. (2018).
<i>Source: Compiled by the authors</i>	

## METHOD

### The case study approach and data collection

In the literature there is evidence that the case study approach has its merits/advantages, weaknesses, and disadvantages (Vissak, 2010; Priya, 2021). This approach has been sometimes “misused and quite criticised” (Noor, 2008, Abstract, p. 1602; Vissak, 2010, Abstract, p. 370). Furthermore, this study is focused on this specific method (the case-study approach) for the collection and analysis of data as some previous studies proposed some ways for overcoming some of the critiques of the case study approach and increasing its contribution in social sciences (Gomm et al. 2000; Rowley, 2002; Dul and Hak, 2008; Noor, 2008; Priya, 2021) and elsewhere such as international business (Chetty, 1996; Ghauri, 2004; Piekkari et al. 2009; Vissak, 2010, Welch et al. 2011), logistics (Ellram 1996), business (Farquhar 2012, Rashid et al. 2019), organizational research (Hartley 1994), and entrepreneurship (for example a case study on effectuation versus causation by Arvidsson & Coudounaris, 2020). Consequently, a quantitative study approach has not been of a particular interest of this investigation. The case study approach is considered as important as the quantitative approach of collecting data through a questionnaire/survey from a sample of CEOs of firms. It is worth mentioning that the seminal paper on the internationalization process by (Johanson & Vahlne, 1977) was based on four case studies and received more than 6700 citations in Scopus.

The goal of this study was to develop in-depth insights into the important and the most important ECs in the Finnish SME context and how these ECs are used by entrepreneurs. In other words, this study is exploratory and aims to find out “what” and “how”. An exploratory study is a valuable means of finding out what is happening, seeking new insights, asking questions and accessing phenomena in a new light. It is effective in clarifying understanding of a particular problem if the exact nature of the problem is uncertain. Even though exploratory research is flexible, it does not mean that it has no direction. Rather, it means that the focus of the research is broad at the beginning and as the research proceeds it becomes narrower (Saunders et al., 2014).



Data was gathered through semi-structured interviews, that is, guided by a particular set of questions, and they lasted 30-60 minutes. The interviewees were asked to list three important ECs, the most important EC, and how ECs are used within the firm. This is to limit and focus the findings rather than listing large numbers of important ECs. Due to the nature of the questions and discussion in this type of interview, it is important to record the conversation by audio-recording or note-taking. In addition, a non-probability purposive sampling method was used in this study because it makes it possible to use one's judgement to choose the cases that will provide answers to the research questions and achieve the research objective (Saunders et al., 2014). Since this research is based on the ECs in Finnish SMEs, six Finnish SMEs representing four different industries were selected, namely the cosmetic, health, food, and film industries.

The data analysis was performed based on the strategy of relying on theoretical propositions because the objective and the research questions of this study relate to the theoretical part. The important ECs and their uses that were identified in the existing literature were used as themes to structure the case analysis in order to apply a common basis for case assessments and comparison, also known as pattern matching (Yin, 2009). In practice, the recorded interview of each respondent was transcribed. Each transcript was critically examined to identify the ECs that the interviewees suggested as important and most important. Thereafter, the companies were categorised according to the industry they belong to. The important and most important ECs that the interviewees stated were listed under industrial sectors. The same process was also repeated for other industries (health, food, and film). Thereafter, cross-industry analysis was conducted among the four industries to examine the similarities and differences in the important and most important ECs emerging from each industry.

The current study as well as other studies by (Taipale- Erävala et al., 2019) and (Eriksson et al., 2019) investigated SMEs in Finland with the first two being based on micro enterprises. In addition, the studies by (Mamun et al., 2016, Mamun et al., 2018), and (Yeh & Chang, 2018) were all based on micro enterprises in Malaysia, Malaysia, and Taiwan, respectively,

### **Profile of the study, sample, criteria of choosing the participant firms, and interview Questions**

The study was based on multiple cases from four sectors, namely, cosmetics, health, food, and film. It focused on Finnish micro-enterprises located in the Greater Vaasa area. According to OECD (2023) SMEs are defined as micro-enterprises (fewer than 10 employees), small enterprises (10 to 49 employees), medium-sized enterprises (50 to 249 employees) and large enterprises employing 250 or more people. For the needs of the current study, it was decided to include only micro enterprises (one to nine employees) located in the Greater Vaasa area, in order to have the opportunity of conducting face-to-face semi-structured interviews with entrepreneurs in Vaasa. The study included six companies, namely Company A, Company B, Company C, Company D, Company E, and Company F as follows:

#### **Company A:**

It was established in the beginning of 2014. It was a beauty salon, which offered cosmetology services. The company's business activities were eyelash extensions, gel nails, gel polish, pedicure, facials, and sugaring to remove hair from eyebrows, feet, and armpits. The owner was the only one working in the company. The company's customers were

different people of different ages. The company focused its business on customers living in Finland.

### **Company B:**

Its business was about making films and sounds design. Therefore, it was a film production company that focuses on storytelling for film, television, music, and the internet. This company started business operation in 2011. Furthermore, it had nine employees and they sometimes used the services of freelancers. The company focused its business on the customers living in Finland.

### **Company C:**

This company operated a restaurant business. It started business operation in 2014. It sold food and drinks, for example soft drinks and beers. It had five employees including the owner, depending on the season. The company focused its business on customers living in Finland.

### **Company D:**

This company was established in 2012. It was a restaurant business. The main business activity of this company was selling drinks and food to a different range of customers. The number of employees of this company was four. The company focused its business on customers living in Finland.

### **Company E:**

It was established in 2007. It was a consulting firm, which offered services in psychology, psychotherapy, and training clients. These services were offered to individual customers or customers from another company or organisation. The company focused its businesses on customers living in Finland. The company had two employees.

### **Company F:**

It started business operation in 1998. It was a consulting firm, which dealt with psychological treatment. The owner of the company was the only one working in this company. The services offered by this company were: mindfulness, neuro-sonic therapy, art therapy, hypnosis and EFT (emotional freedom technique). The company focused its business on customers living in Finland.

The interviews were carried out during September 2016, and included the following six sub-clusters of questions (see Appendix 1): Opportunity competence related questions, relationship competence related questions, conceptual competencies related questions (risk taking/management, decision-making, cognitive and analytical, innovativeness, problem-solving, and learning orientation), organizing competence related questions, strategic competence related questions, and commitment competence related questions.

## FINDINGS

### Entrepreneurial competencies among four different industries

Below we develop industry-based analysis of the following important ECs, namely the cosmetics industry, health industry, food industry and film industry were analysed individually to identify the important ECs. Thereafter, cross-industry analyses were conducted among the four different industries to determine the most important ECs of Finnish SMEs. Representative firms of the four different industries were conducted i.e., i) the cosmetics industry (company A), ii) the film industry (company B), iii) the food industry (companies C and D), and iv) health industries (companies E and F).

#### Cosmetics industry (Company A)

The important ECs in the cosmetic industry are: 1) relationship competence, 2) learning orientation and 3) decision-making competencies. Relationship competence emerged as the most important EC among the three important ECs in the cosmetics industry. This is highlighted by the response of entrepreneur A: “Without a good relationship with customers and suppliers I cannot work at all”. Learning orientation emerged as the second important EC in this industry. According to entrepreneur A: “This industry changes quickly; if I don't develop with it, the customers could change to some other place where they get the new trendy things”. Similarly, the third important EC in the cosmetic industry is decision-making competence. This is further highlighted by the response of entrepreneur A: “I listen carefully to what customers want and like and then make good decisions on how to serve them”.

#### Health industry

Two entrepreneurs (entrepreneur E and F) in the health industry were interviewed. According to entrepreneur E, relationship competence is the most important EC in her company, followed by commitment competence. According to entrepreneur F, relationship and strategic competencies are equally the most important ECs in her company. One of the reasons why strategic competence is one of the most important ECs is because she has to plan how to present her product offerings clearly on her website so that the customers can understand it. This is related to relationship competence because it involves communicating with customers. Therefore, it can be said that relationship competence is the most important EC in her company, followed by strategic competence. Moreover, relationship competence is the most important EC in the health industry, followed by strategic and commitment competence. Relationship competence is the most important EC in this business line because the entrepreneurs work with people and a good relationship is required to serve the customers. Furthermore, it is critical to build trust with clients so that they can be satisfied and recommend the company to their friends. In addition, it is also important to have good relationships with different networks, experts, and professionals because of the support they offer.

Their support helps in the establishment, development, growth, and success of a company. This is further highlighted by the responses of entrepreneurs F and E. According to entrepreneur F: “I work with people so I need to be in good relationship and build trust with my customers so that they can be happy and tell their friends good stuff about my company. I also need to be in a good relationship with experts because I get support from them”. Entrepreneur E states: “The connections made me start training on a large scale in the whole

of Finland and supported my idea of setting my own company and enhancing business success”.

Strategic competence is the second important EC in this line of business. It is important to set goals for the company and clearly define the ways of achieving the goals because it has a positive impact on the growth, development, and the profits of the business. This industry is competitive; therefore, one has to clearly state what the company is offering to the customers. Doing so, can lead to more patronage and performance in the business enterprise. According to entrepreneur F: “It is important to know the goals and the strategy to achieve the goals so that I can act accordingly. The competitors are many, so it is important to make it clear (what I offer). These things affect the profit, growth, and development of the company”. Commitment competence is the third important EC in the health industry because one has to make oneself available and be prepared to attend to clients professionally when they are visiting. In addition, it involves taking responsibility to sell the products and services of the company in order to achieve success. According to entrepreneur E: “I have to be fully ready to attend to customers. I have to sell my services to be successful in business”.

### **Food Industry**

Two entrepreneurs (entrepreneur C and D) in the food industry were interviewed. According to entrepreneur D, relationship competence is the most important EC in this industry. Entrepreneur C elaborated more by stating that relationship competence is the most important EC, followed by innovativeness and problem-solving competence. Therefore, the most important EC in the food industry is relationship competence, followed by innovativeness and problem-solving competencies. According to entrepreneur D: “It is paramount to keep a good relationship with customers and employees. Keeping a good relationship with the employees makes them happy and therefore motivates them to serve the customers well. If the customers are served well, they will be happy and continue patronising the company. I think the restaurant business is all about relationships with staff and customers. If the relationships with staff are good, it affects the customers as well”. Innovativeness competence is the second important EC in the restaurant business. According to entrepreneur C: “Customers’ needs are changing rapidly. Therefore, entrepreneurs in this line of business have to be creative by introducing new ideas if they want to satisfy the customer and keep the business running: for instance, new ideas such as new menus, new trends, a different arrangement of the restaurant and decoration. New ideas, movements, and trends are important to stay alive in the fast-moving environment in the restaurant business. Customers appreciate new and fresh ideas”. Problem-solving competence is the third important EC in the restaurant business. This is highlighted by the response of entrepreneur C: “Problem-solving is important because it involves people (employees and customers). Dealing with people can be problematic because people’s moods vary from time to time. Therefore, an entrepreneur must have a different approach to solving problems. When there are people there are problems. People have different periods in their life, so we need lots of different kinds of problem-solving systems”.

### **Film industry**

The three important ECs in the film industry are: 1) commitment, 2) relationship, and 3) learning orientation competencies. Commitment competence is the most important EC in the film industry. According to entrepreneur B: “It is important that everyone in the company fulfills his/her duties and responsibilities so that a common goal and success can be achieved.

I know we can succeed when everyone in the company plays his/her role”. Similarly, relationship competence is the second important EC in this industry. Entrepreneur B states: “In this line of business, it is very important to keep in contact with people, for example customers, employees, freelancers, and suppliers, etc. Keeping in good contact with people guarantees a good reputation and therefore leads to success. Specifically, people should be seen and treated like potential customers. It is all about contacts with people [...] because they could be your future customers. Good reputation and success is a result of good contact with customers, suppliers and employees”. The third important EC that emerged is learning orientation. Entrepreneur B further states: “An entrepreneur in this line of business must continually develop and acquire new skills so that the business will continue to exist. In addition, continuous knowledge seeking gives one the ability to act professionally in business operations. If you want to stay alive in the business, you need to be learning new skills and developing old skills. This makes you more powerful and more professional day by day”.

### Cross-Industry Analyses and Entrepreneurial Competencies

Table 4 shows the specific and the most important ECs in the four different industries (cosmetic, health, food and film industries). Cross-industry analyses were conducted in determining the most important EC in the industries. The cross-industry analysis is shown in Table 4 as follows.

Cosmetics	Health	Food	Film
Relationship	Relationship	Relationship	Commitment
Learning orientation	Strategic	Innovativeness	Relationship
Decision-making	Commitment	Problem-solving	Learning orientation

*Source: Compiled by the authors*

Table 4 reveals that the most important EC is relationship competence, with second ranking commitment competence and learning orientation competence. The third ranked competencies are strategic, innovativeness, decision-making and problem-solving competences.

### Use of Different Ecs within Different Industries

#### *Relationship competence*

Relationship competence is the most important EC in the cosmetic, health and food industries. Moreover, it is the second most important competence in the film industry. Therefore, the present study suggests relationship competence is the most important EC in the Finnish SME context. Interpretive codes such as “good relationship with customers and suppliers”, “good relationship and building trust with customers”, “it is all about relationships with staff and customers”, “contact with people”, “good reputation”, and “good contact with customers, suppliers and employees” are all indicative of how the respondents give special significance to relationship competence. In all four industries, it is imperative to have a good relationship with the customers, and in so doing, the customers will be satisfied and give positive word of mouth. In addition, it will lead to building a good reputation, customer retention, and growth and success in the business enterprise. It is also very important to

maintain good relationships with the employees so that they can be happy working in the company and serve the customers better. Furthermore, entrepreneurs must keep in contact with other networks such as suppliers, experts, and professionals so that the company can develop and operate efficiently.

In the six case companies, relationship competence was used to persuade colleagues and customers of the services offered to clients. The findings support previous studies indicating that the competence of convincing others of their opinions (employees, clients) is of key importance for an entrepreneur (Davidsson & Honig 2003; Markman & Baron 2003; Wagener et al. 2010). This is further highlighted by the responses of entrepreneurs A and B. According to entrepreneur A: “I got an older lady who has really thin but weak eyelashes and she really wanted to show Hollywood style eyelashes. I had to explain to her that it is not possible”. Entrepreneur B stated: “We made this animation film for the client, and they had the idea that I did not like [like what? It is unclear...] I showed them the new design that I have worked on and explained to them why this is better and why I want to do it like this. And the client loved it”.

This competence was also used for utilising existing connections and contacts. It was emphasised that recommendations from friends are very important. For example, entrepreneur A gets more customers through the recommendations of some friends and vice-versa. Entrepreneur F got a very good accountant through a person she met on a course. (Man et al., 2002) support this finding by stating that this area of competence is based on using connections and contacts. This is further highlighted by the responses of entrepreneurs A and F: “She does not do volume lashes, so if someone asks for them, she just tells them to contact me” (entrepreneur A). “I was speaking to this person who was giving advice in the programme. [...] Then he recommended an accountant to me. The accountant has been my accountant since then” (entrepreneur F).

Relationship competence was used to act interpersonally in business operations. For instance, entrepreneur C used it to act interpersonally with employees, while entrepreneur D used it with suppliers. This is consistent with the work of (Man, 2001), (McClelland, 1987), and (Davidsson & Honig, 2003), who emphasise that a successful entrepreneur must possess the ability to act interpersonally. Entrepreneur C stated: “I relate with the employees’ face-to-face mostly and on WhatsApp. Most communication is like telling the employees how to do things”. Entrepreneur D: “The wholesaler [...] called me and made an offer and I took it. I tried it for like six months to see how it goes and what we need, what she is willing to offer, and it went well, and we made a contract again”.

Relationship competence was also used to communicate about business related matters with accountants, customers, suppliers, government, and colleagues. Furthermore, it was used by the case companies to cooperate and build trust with their business networks and business partners. In relation to this finding, (Man et al., 2002) stressed that relationship competence is utilised for building trust and cooperating with others. Entrepreneur C: “We had to develop some personal relationships with the guys at the brewery because they were really mad with the ex-owners. We had to re-establish the relationship to show them that we are good guys”.

In addition, relationship competence was used to build relationships. For instance, entrepreneur A has used it to build relationships with the customers. Entrepreneur C used it to build a relationship with his business partner, entrepreneur D with her suppliers and entrepreneur F with her international networks. This finding is supported by (McClelland 1987), (Man, 2001) and (Davidsson & Honig, 2003), emphasising that successful entrepreneurs must possess the ability to build relationships. Entrepreneur A: “I have been able to build a relationship between myself and my customers because there is communication between myself and them daily”. Entrepreneur C: “We started the brewery

restaurant, and it was easy to build the network. We had to develop personal relationships with the guys at the brewery”. Entrepreneur D: “[...] we renewed the contract with the wholesaler and now we have very good contact. It is just getting better all the time”. Entrepreneur E: “I love travelling to conferences and we live in people’s homes. When your friends are developing a new project in their country, we share, and we do the same thing as good friends do”.

Moreover, relationship competence was used to obtain support and advice from experts and professionals such as consultants, lawyers, and accountants. Entrepreneurs A, B and F got support and advice from their accountants, and entrepreneur E had support from her lawyers. This study supports the findings of Ritter and Gemunden (2004), indicating that relationship competence can be utilised to obtain support from experts and professionals such as consultants, lawyers, and accountants. Entrepreneur E: “I have lawyers as friends, and they have been doing legal-related work for me without any payment”. Entrepreneur F: “My accountant gives tax and bookkeeping ideas, and he also gave me advice on value added taxes”.

Finally, relationship competence was used in the case companies to recruit support from suppliers, the government, and unions. This finding is similar to those of (Ritter & Gemunden, 2004), indicating that relationship competence can be utilised to obtain support from suppliers, governments, customers and training and research institutes. Entrepreneur A: “The suppliers update me about new products by email and other means. Some sent samples and I think that is the best way”. Entrepreneur E: “The Psychology Union gave me part of the money to go to congresses and paid for flights [...]. The government is also one of my networks; they gave money to the communities to buy the training from me”. Besides relationship competence, other important ECs include commitment, learning orientation, strategic, innovativeness, decision-making, and problem-solving competencies.

### ***Commitment competence***

Commitment competence is the most important EC in the film industry and the third important EC in the health industry. This category of EC is critical because it involves fulfilling one’s role and responsibility in the company to achieve the company’s goal and success. If entrepreneurs do not fulfill their roles and responsibilities in their business enterprise, nothing will be achieved, and it will lead to negative results. Commitment competence was used among the case companies to persevere with and continue their duties despite the fact that they were facing difficult situations at a particular time. For instance, entrepreneur B could have gone bankrupt if he had not been able to handle the challenges. Entrepreneur E was having a serious financial situation that the company managed to handle and obtain a solution for. Related to this finding is a study conducted by several authors (McClelland 1987; Markman & Baron 2003; Rauch & Frese 2007; Kyndt & Baert 2015), who suggest that perseverance is another aspect of commitment competence that entrepreneurs should possess. No matter how difficult the business situation is, successful entrepreneurs can continue their tasks or duties and focus on the job until they achieve their goals. Entrepreneur B stated: “A couple of years ago we almost went bankrupt [...] we just thought that we didn’t want to give up. So we did this old-school style door-to-door selling. At the end we got two big orders and we survived”. Entrepreneur E: “The beginning of my company was tough financially. I had to do project work for Vaasa city for one year and work in my company part-time just to get enough money to survive”.

### ***Learning orientation competence***

Learning orientation competence is the second important EC in the cosmetic industry and the third important EC in the film industry. It is critical that entrepreneurs develop themselves and acquire new skills in order to best serve their customers and operate efficiently. If the customers are well served, they will patronise the company again and the company will be able to continue its business operation. Learning orientation competence was used to seek new skills and knowledge for self-development. For instance, entrepreneurs A and B sought new skills and knowledge by attending training and courses. This finding is associated with the work of several authors (Lans, Bergevoet, Mulder & Van Woerkum, 2005; Lans, Hulsink, Baert, & Mulder 2008; Kyndt & Baert 2015) who stressed that entrepreneurs should have an orientation towards learning, which makes them seek new skills and knowledge for self-development. It also involves participating in development and training activities, showing interest in new relevant techniques and methods. Entrepreneur A stated: “Every now and then I look for new ways of doing things and participate in training like eyelash extension”.

### ***Strategic competence***

Strategic competence was found to be the second important EC in the health industry. This competence was not among the important ECs in the cosmetic, food and film industries. Strategic competence was used to determine the direction the company must follow. The use of this EC is consistent with the work of (Man, 2001), who emphasised that one of the entrepreneur’s major tasks is to determine the direction the company must follow. Entrepreneur F: “I want to sell more to organisations. For this to happen, I participated in a course and bought the services from a marketing firm”.

This competence was also used to have a clear set of goals to accomplish and to be versatile in formulating and implementing strategies to accomplish these goals. In relation to this finding are the works of numerous authors (Brinckmann et al., 2010; Chwolka & Raith 2012; Karlsson & Honig 2009; Man, 2001), who emphasised that an entrepreneur must be able to have a clear set of goals to attain and be versatile in formulating and implementing realistic or workable strategies to achieve the goals. Entrepreneur F stated: “I want to make a new and clear internet page. First, I will make the text ready, then the logo and the photos and send it to a professional”.

Finally, strategic competence was used to ascertain how the business is positioned in the regularly developing market and to identify the companies’ current and future competitors. There is a relationship between this finding and the works of numerous authors (Chwolka & Raith 2012; Man et al., 2002; Wagener et al., 2010), who stated that successful entrepreneurs should have a clear knowledge of how their business is positioned in the market and know the company’s competitors. Entrepreneur F: “I know them. There are five in this city. But I am unique. I know exactly what they are doing by going to their internet page and spying. I have spied so much on how they make their brand. After that I make my own strategy in a unique way”.

### ***Innovativeness competence***

Innovativeness competence was found to be the second important EC in the food industry. Innovativeness competence was not among the important ECs in the cosmetic, health and film industries. Innovativeness competence was used to create new products or



services. For instance, entrepreneur C used it to develop the products and services in his company. Previous studies by (Man, 2001 & Man et al., 2002) confirm the finding in this study that this particular competence is used for making innovations. Entrepreneur C said: “No one else sold craft beer in this city before us. Now we are selling 70-80 different kinds of craft beers”.

### ***Decision-making competence***

Decision-making competence was found to be the third important EC in the cosmetic industry. This competence was not among the important ECs in the food, health and film industries. Decision-making competence was used to make definite decisions. For instance, entrepreneur A made customer service-related decisions. The studies by (Wagener et al., 2010; & Rezaei-Zadeh et al., 2014) supported this finding by showing that entrepreneurs should be able to make a definite decision. Entrepreneur A stated: “I make decisions based on customers daily. For instance, if I have an older lady who has thin but weak eyelashes, and she really wants Hollywood style lashes. I have to make a decision on how to tell her that it is not possible”.

Decision-making competence was used to make good decisions based on the ideas or insights from colleagues and experts. In relation to this finding are the studies of (Rauch & Frese, 2007) and (Wagener et al., 2010), who argued that entrepreneurs must be able to make good decisions based on the ideas or insights from colleagues, consultants, and experts. As Entrepreneur A stated: “If there is something new, I am thinking about, I ask my colleagues and an accountant”. This competence was also used to make decisions independently without seeking the advice of anyone. The studies conducted by (Rauch & Frese, 2007) and (Wagener et al., 2010) support this finding by emphasizing that entrepreneurs make decisions even if everybody does not agree with them. For example, Entrepreneur A stated: “I decide on the time I go on holiday and my free time irrespective of any situation or events”.

### ***Problem-solving competence***

Problem-solving competence was found to be the third important EC in the food industry. Problem-solving competence was not among the important ECs in the cosmetic, health and film industries. Problem solving competence was used to face and handle challenges. For instance, entrepreneur C had difficult problems with his services because the cash machine was broken, and he was able to solve this problem. The use of this competence was supported by (Man, 2001), who suggested that entrepreneurs must utilise their competence to solve problems and deal with complex situations. Entrepreneur C stated: “The cash machine broke in the restaurant. Nowadays, I have an extra machine”.

## **DISCUSSION**

The present study contributes in three ways to the existing literature on ECs by suggesting a comprehensive definition of ECs as already done by (Lans et al., 2011). Given the varying and diverse definitions of ECs in the existing literature comprising both narrow and broad understandings of the concept, this study suggests a comprehensive definition of ECs. In this study, ECs are defined by underlying characteristics such as knowledge, skills, abilities, traits, self-image, motives and social roles that are needed for an entrepreneur to perform his/her job role successfully and which will result in a firm's birth, survival, growth, and performance. Secondly, this study developed its own categories, consisting of different

ECs comprising opportunity, relationship, conceptual, organising, strategic and commitment competencies. Thirdly, this study identified seven ECs that are important in the Finnish SME context, namely, relationship, commitment, learning orientation, strategic, innovativeness, decision-making and problem-solving competencies and how they are used.

Based on the interview data, relationship competence was used to persuade customers and colleagues; to utilise connections and contacts; to act interpersonally and communicate with accountants, customers, suppliers, government and colleagues; to build trust with business networks and business partners; and to build relationship with customers, business partners, suppliers and networks. In addition, relationship competence was also utilised to obtain support and advice from experts and professionals such as consultants, lawyers and accountants. Commitment competence was utilised to take proactive steps with duties and responsibilities in the companies and to persevere with and continue these duties when facing difficult situations. Learning orientation competence was used to seek new skills and knowledge for self-development. Strategic competence was used to determine the direction the company must follow, to have a clear set of goals to accomplish, and be versatile in formulating and implementing strategies to accomplish these goals. In addition, strategic competence was utilised to form strategic alliances with business partners and suppliers, to know how businesses are positioned in the regular developing market, and to identify companies' current and future competitors. Innovativeness competence was used to create new products and services in the business. Decision-making competence was employed to make definite and independent decisions and to make good decisions based on ideas or insights from colleagues, consultants, or experts. Problem-solving competence was utilised to face and handle business related challenges.

Fourthly, based on cross-industry analyses, relationship competence was identified as the most important EC, particularly in the cosmetic, health, and food industries. In fact, the findings show that building and maintaining good relationships with customers, employees, suppliers, experts and professionals is linked to the growth, competitiveness and success of the interviewed companies. These findings support existing studies indicating that entrepreneurs must have competence in building important internal and external networks and managing these networks for recruiting and retaining clients (Baron & Markman, 2003; Markman & Baron, 2003). Furthermore, the present study suggests that on the one hand entrepreneurs must have good ties with customers because they are central to business growth and success, while on the other hand, entrepreneurs should also maintain good relationships with employees, suppliers, experts and professionals to enhance the relationship with customers.

Fifthly, the findings also indicate that these different ECs are linked to one another. For example, learning orientation competence was associated with commitment competence through taking proactive steps in terms of duties and responsibilities, whilst being able to form strategic alliances with others was linked to relationship competence. (Man, 2001). This is highlighted by the response of one of the respondents, who stated that in order to fulfill her role in the business, she has to develop her knowledge in therapy, psychology, people, and business. She further stated that she develops her knowledge by reading books, browsing on the internet, attending training, and participating in discussion forums. Therefore, besides relationship competency, the focus must also be on developing commitment, learning orientation, strategic, innovativeness, decision-making and problem-solving competencies in order to gain sustainable competitive advantage. Commitment competence is important because it involves fulfilling one's role and responsibilities in the company to achieve the goals. (Man et al., 2002) state that commitment competence is important for entrepreneurs because it enables them to continue doing business. Learning orientation competence is

critical because entrepreneurs need to develop their skills and acquire new ones so that they can render the best services to their customers and perform business operations in the best possible way. The findings support existing studies indicating that learning orientation competence is important because it helps entrepreneurs to be up-to-date with new developments that will ensure the competitiveness of the company (Kyndt & Baert 2015; Lans et al. 2005; Lans et al. 2008).

Strategic competence is important in Finnish SMEs because an entrepreneur must plan for the future by setting goals and clearly stating how the goals can be achieved. By so doing, the company will grow, develop and be profitable. It is also important that entrepreneurs are aware of the competition and ensure that their products and services are clearly presented for the customers to understand. This will lead to an increase in the company's turnover and performance (Karlsson & Honig 2009; Brinckmann et al. 2010; Chwolka & Raith 2012). Innovativeness competence was also identified as one of the important ECs in Finnish SMEs. Due to rapid changes in the needs of customers, entrepreneurs must take proactive steps by developing new products and services to meet such needs. By doing so, customers will be satisfied, and the business will continue to exist. The study conducted by (Man, 2001 & Man et al., 2002) confirmed that innovativeness is a very important EC that an entrepreneur must possess in order to have a successful business. The findings also suggest that decision-making competence is essential in Finnish SMEs because an entrepreneur has to make decisions that involve rendering services to the customers. For example, a customer might request a particular service which makes the entrepreneur decide how to serve the customer in the best possible way. This is supported by (Wagener et al., 2010 & Rezaei-Zadeh et al., 2014), who emphasise that entrepreneurs should be able to make a definite decision. Decisiveness is a key skill that entrepreneurs must have in order to move forward. Problem solving competence was also found to be critical in Finnish SMEs, and this supports (Man, 2001 & Man et al., 2002) study indicating that it is very important for successful entrepreneurs to possess problem solving competence to tackle complex situations.

### **The conceptual model and building propositions**

Based on the findings of this study we develop the following conceptual model in Figure 1 and seven propositions.

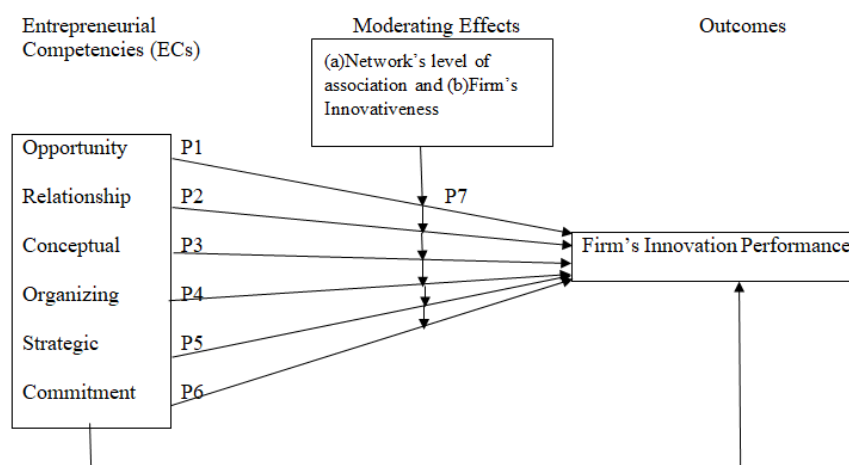
In previous recent studies, authors have focused on opportunity, relationship, conceptual, organizing, strategic and commitment competencies (Lans et al., 2011). In another study, the authors investigated the firms' entrepreneurial network competencies on new product development performance (Yu et al., 2014). Network competencies are defined through interorganisational cooperation (Ferrer et al., 2009). Taipale-Erävala et al. (2014, p. 25) discussed survival competence consisting of internal competencies and network competencies which are needed in order to survive in crisis circumstances. This study also revealed that there were no notable differences between innovation types and ECs in innovative SMEs.

In a study by (Mamun et al., 2016), the authors found when studying micro-enterprises in Malaysia that the propensity for risk-taking and self-efficacy had a significant positive effect on micro-enterprise performance. Khan et al. (2021) found that a) ECs significantly mediate between creativity and enterprise performance, b) ECs significantly mediate between risk-taking propensity and enterprise performance, c) ECs significantly mediate between proactiveness and enterprise performance, and d) ECs significantly mediate between autonomy and enterprise performance. Additionally, Mamun et al. (2018, pp. 231-233) found that economic vulnerability had significantly negative effects on commitment competency,

opportunity recognition competency, organising competency, and strategic competency. Furthermore, economic vulnerability had a significantly positive effect on relationship competency.

More recently, various authors have investigated the relationship of ECs to innovative performance (Mohsin et al., 2017). Furthermore, (Mohsin et al., 2017) investigated the antecedent factors of innovative performance, namely the following ECs: strategic competency, conceptual competency, opportunity competency, relationship competency and technical competency. Moreover, (Mohsin et al., 2017) used innovative performance as the dependent variable of their model. In addition, (Taipale-Eräväla et al., 2019) performed a similar study to the current one, based on micro enterprises in Finland consisting of 13 innovative Finnish SMEs in the forest industry. They found that in SMEs that were able to successfully exploit and execute innovations, the followed ECs, namely extrovert competencies (open mindedness), and competencies in preparation and proactiveness in business operations had a significant influence on the successful implementation of innovations. In a recent study by (Sakib et al., 2022) Appendix A, pp. 13-14, the authors developed a model consisting of the following antecedents: organization and leading competency, learning competency, opportunity competency, strategic competency, commitment competency, and as an outcome the performance of SMEs. The conceptual competence in the current study is a more synthesised competence including learning orientation competence, innovativeness competence, decision-making competence, and problem-solving competence. In addition, in our model the dependent variable is considered to be the firm's innovation performance, and the moderators are both the network's level of association and the firm's innovativeness (see Figure 1 below). It is worth mentioning that in another study by Pulka et al. (2021, p. 592), the authors positively associated entrepreneurial networks with the performance of SMEs. A different investigation by Kusumawijaya and (Asturi, 2021) revealed that ECs were a mediator between personality traits and entrepreneurial intention. Finally, in another study by (Hussain et al., 2022), the authors investigated the moderating effects of ECs between the use of e-commerce and SME performance. In this study, the dependent variable was firm performance.

Below in Figure 1 we show the conceptual model of this study.



**Figure 1**  
**THE CONCEPTUAL MODEL**

## **Opportunity competence**

Opportunity competence is defined as the ability to recognise and develop new markets or products (José Sánchez, 2011). Successful entrepreneurs must be able to see favourable chances and then act upon them (Tumasjan & Braun 2012; Gras & Mendoza-Abarca 2014). According to (Chandler & Jansen, 1992), the ability to recognise, envision and make use of opportunities is one of the critical roles of an entrepreneur. The empirical study conducted by Snell and Lau (1994, p. 13) in Hong Kong identified “readiness to seize relevant opportunities” as a key competence for the growth of a company. Kirzner’s (1979, p. 38) perspective on entrepreneurship is about “alertness to opportunities” as the central tenet of the entrepreneurship process.

*P1: There is a positive relationship between opportunity competence and the firm’s innovation performance.*

## **Relationship competence**

Relationship competence is associated with individual-to-group or person-to-person based communications (Man et al., 2002) suggest that relationship competence requires persuasive ability, using connections and contacts, interpersonal skill, communication skill and cooperation and trust building skill. Entrepreneurs must have competence in building important internal and external networks and managing these networks for recruiting and retaining clients (Baron & Markman, 2003). A successful entrepreneur must possess the ability to act interpersonally, build relationships, persuade, and communicate (Man 2001; Davidsson & Honig 2003). Relationship building activities require that the entrepreneur should possess the ability to restructure relationships as the firm goes through growth and partnership dissolving processes. The competence of persuading others (employees, clients, organisations) is of key importance for an entrepreneur to have because it helps in many ways such as in the planning stage, product development and convincing others of their opinions (Wagener, Gorgievski, & Rijdsdijk, 2010). There are benefits that this competence brings when negotiating with organisations and clients (Kyndt & Baert, 2015). Nevertheless, it has been proven that SMEs usually depend on their networks, irrespective of the business environment (Ramsden & Bennett, 2005).

*P2: There is a positive relationship between relationship competence and the firm’s innovation performance.*

## **Conceptual competencies (including decision -making, innovativeness, problem-solving and learning orientation)**

Conceptual competencies are associated with diverse conceptual abilities, which are reflected in the behaviour of entrepreneurs. They may not be easy to identify, but are usually very important for successful entrepreneurs to possess (Man 2001). The conceptual competencies are: 1) risk-taking and management, 2) decision-making 3), cognitive and analytical, 4) innovativeness, 5) problem-solving, and 6) learning orientation (Man 2001; Man et al., 2002). Risk-taking is one of the competencies an entrepreneur must possess to succeed in business (Wagener et al., 2010; Estay, Durrieu, & Akhter 2013). However, risk

taking can result in failure or costly mistakes (Shane & Venkataraman 2000; Baron & Markman 2003). Thus, it is important that entrepreneurs have the right competencies to manage risks (Kyndt & Baert 2015). Entrepreneurs must possess cognitive and analytical ability. This ability enables them to think critically and analytically before decisions are made. Therefore, attention must be paid to the details before decisions are made. It also involves calculating the risks before they are taken (Man 2001; Rungwitoo 2012). Entrepreneurs must be able to make a definite decision. Decisiveness is a key skill that entrepreneurs must possess in order to move forward (Wagener et al., 2010; Rezaei-Zadeh, Hogan, O'Reilly, Cleary & Murphy 2014). They must be able to make good decisions based on the ideas or insights of colleagues, consultants and experts. Sometimes they might make decisions even if not everybody agrees with them. This means that they can act independently. Independence is the ability to make decisions by oneself and it involves being responsible for one's actions and having trust in oneself (Rauch & Frese 2007; Wagener et al. 2010). Innovation is about making breakthroughs in business by trying new methods (Man, 2001). It is critical for entrepreneurs to be able to create or develop new products and services (Mitchelmore & Rowley 2010; Rungwitoo 2012). This is required in order to grow, gain, succeed, and develop businesses (Ahmad 2007; Tehseen & Ramayah 2015). Furthermore, learning orientation involves participating in development and training activities, showing interest in new relevant techniques and methods, and having knowledge about relevant information databases and new development updates (Lans, Bergevoet, Mulder, & Van Woerkum 2005; Lans, Hulsink, Baert, & Mulder 2008; Kyndt & Baert 2015). It is critical that entrepreneurs possess problem solving ability, which enables them to handle situations and problems accurately in their businesses (Ahmad 2007; Mitchelmore & Rowley 2010). Moreover, the conceptual competencies help the performance of entrepreneurial duties and responsibilities both present and future (Man, 2001).

*P3: There is a positive relationship between conceptual competencies and the firm's innovation performance.*

### ***Organising competence***

Organising competence is associated with coordinating internal and external physical, technological, financial, and human resources such as controlling and leading employees, team building and training (Man et al., 2002). This competence is similar to managerial competence in the work of (McClelland, 1987), where he suggests that competencies such as monitoring, focusing on high quality work, and efficiency orientation should be needed to manage different functional aspects in SMEs in order for the firm to operate efficiently. Organising competence involves seeing the need for total control and embracing the competencies of others. This competence has been tested against firm performance in the organisation, where the results were positive and significant (Baum 1994; Man 2001). Organising competence consists of skills, ability, and knowledge in diverse managerial functions. It is also important in the aspect of managing people because it is a key area in SMEs and requires competencies in delegating, leading, training, coaching, and working with others (Man et al., 2002).

*P4: There is a positive relationship between organizing competence and the firm's innovation performance.*

### ***Strategic competence***

Strategic competence is the ability to make plans about “various functional areas with strategic orientation” (Man, 2001). This area of competence emphasises that the entrepreneur must be able to have a big picture of the company in his/her mind, have a clear set of goals to accomplish, and be versatile in formulating and implementing strategies to accomplish his/her goals and vision. These are, for example, strategic planning competencies, managerial competencies in business strategy, systematic planning, and sustaining strategy focus. Furthermore, strategic competence also involves having the ability to form strategic alliances with others (Man, 2001). Successful entrepreneurs plan by having mid-term and long-term goals. Their plans and visions for the company must be realistic, workable, and present the necessary steps towards achieving their goals if they have the ability to plan (Karlsson & Honig 2009; Brinckmann, Grichnik, & Kapsa 2010; Chwolka & Raith 2012). Moreover, successful entrepreneurs have market insight and knowledge of how their businesses are positioned in the regularly developing market. They are also aware of the company’s current and future competitors (Wagener et al., 2010; Chwolka & Raith 2012).

*P5: There is a positive relationship between strategic competence and the firm’s innovation performance.*

### ***Commitment competence***

Commitment competence drives entrepreneurs to continue with the business (Man et al., 2002). Successful entrepreneurs are usually diligent in their work. They show commitment, dedication, and determination in their business activities. They also take proactive steps towards duties and responsibilities (Man, 2001). This corresponds with motivation for achievement (McClelland, 1961). Perseverance is another aspect of commitment competence that entrepreneurs should possess. Despite any difficult business situation, successful entrepreneurs can continue their duties (McClelland, 1987). Whenever successful entrepreneurs are faced with failures or challenges and it seems that they should give up, they rather persevere and strive until the tasks are completed (Markman & Baron 2003; Rauch & Frese 2007; Kyndt & Baert 2015).

*P6: There is a positive relationship between commitment competence and the firm’s innovation performance.*

### **Moderating effects of the network’s level of association and the firm’s innovativeness between entrepreneurial competencies and the firm’s innovation performance**

This study proposes that both the network’s level of association and the firm’s innovativeness are moderating factors which affect the relationship between entrepreneurial competencies and the firm’s innovation performance. The measurement of the firm’s innovativeness was focused on a paper by (Coudounaris, 2016).

*P7: The moderating effects of the network’s level of association and the firm’s innovativeness between entrepreneurial competencies and the firm’s innovation performance are positively related.*

## MANAGERIAL IMPLICATIONS

The findings of this study have numerous managerial implications for Finnish entrepreneurs and SMEs. These include the fact that entrepreneurs should put more focus on relationship competence, for example through effective communication with employees within the organisation, and by building ties and trust with customers, suppliers, and other business networks. In addition, relationship competence can be fostered through performing role behaviours, interaction management, by establishing meaningful interpersonal relationships (Saeed, 2004), and by dealing with different social customs (Harris & Moran 1995). On the other hand, entrepreneurs should also focus on other ECs to gain competitive advantage. For example, the ways of doing business are changing every day due to different factors such as customers' demands, technology, and social factors. Therefore, entrepreneurs need to constantly inform themselves in order to address the changing environment (learning orientation competence). In addition, entrepreneurs should show commitment to their businesses by fulfilling their roles and responsibilities. For example, an entrepreneur should make sure that customers are well served (commitment competence). Furthermore, entrepreneurs should also be aware of the challenges in business and take the necessary steps to overcome such problems (commitment and problem-solving competence). Moreover, they should look beyond the present by creating both mid-term and long-term goals for the company. They should create a realistic plan to achieve the set goals (strategic competence). Furthermore, it is critical that entrepreneurs are innovative in developing and introducing new products and services in order to attract and retain existing customers and enhance their firms' competitiveness (innovativeness competence). Lastly, entrepreneurs should take business-related decisions on their own. For example, an entrepreneur may decide on the products and services the company has to offer the customers. However, there are some decisions that are difficult to take alone. If entrepreneurs find themselves in such a situation, they should seek advice from colleagues, consultants, and experts (decision-making competence).

## LIMITATIONS AND FUTURE RESEARCH

This study includes several limitations. Firstly, the ECs were gathered through literature review. Another method of forming this list could be by asking, for example, managers of 1000 Finnish firms from all industries to rank in terms of importance the ECs already found in the analysis and to add other missing ones to the list. It is important to have at the end of the day a more representative list of a good sample of firms rather than using simply a list produced on the basis of literature review. This method could indicate a more representative list of ECs coming directly from Finnish entrepreneurs of all industries. In addition, given the time and resource limitations, the respondents of this study were limited to six participants representing four different industries. Future studies should include a large number of respondents and other industries to provide a better understanding of the most important ECs based on cross-industry analysis. Thirdly, this study employed only an interview as the method of data collection: future studies should adopt a greater array of research methods to overcome this limitation. For instance, triangulation could be an option to strengthen and enhance the validity of the data. This might be operationalised through a range of research instruments including focus groups and surveys. Finally, as ECs are considered to be better than personality traits, so studies should use ECs as compared to Big Five 5 traits (Coudounaris & Arvidsson 2021) while investigating, for example, the effects of ECs between effectuation vs causation in an IT sector in a specific country. Additionally, future



research should focus on an empirical investigation of the entrepreneurial competencies in innovative firms from different sectors in the Baltic countries. Moreover, future research should use the approach of a bibliographic analysis of the current literature of the antecedents of ECs based on the example by (Leonidou et al., 2010). Additionally, a meta-analysis could be performed on the correlation matrices of different models engaging ECs and the firm's performance/innovative performance based on the examples by (Coudounaris, 2017), Coudounaris (2018), and Coudounaris et al. (2020). Finally, researchers should perform a literature review on the existing papers adopting the case study method in the field of entrepreneurship (Coudounaris & Arvidsson 2019; Coudounaris & Arvidsson 2020; Coudounaris & Arvidsson 2022).

<b>Appendix 1</b> <b>INTERVIEW QUESTIONS*</b>
1. Opportunity competence related questions:
Have you ever spotted any favorable chances/circumstances (business opportunities) in your business area (sales, marketing) that nobody else (competitors) has discovered?
Please give examples.
How often do you discover such favorable chances?
How do you spot these chances?
After you have discovered these chances, how do you act on them?
Do you think your company can grow/succeed/withstand the competitive pressure without been able to spot chances?
Do you think it is very important to be able to spot favorable chances in your line of business? Why?
2. Relationship competence related questions:
Does your company have business partners, networks, suppliers, accountants, lawyers etc.?
Could you talk about your business partners, suppliers, accountants, lawyers, networks, and their importance?
How have you created these business networks above?
Who is in charge of communicating and relating with these groups?
How do you participate in communicating and relating with your business partners, networks, suppliers, employees, accountants, lawyers, customers and the government?
Give practical examples.
How often do you communicate and relate with them (daily, weekly, monthly, yearly)?
Do you think it is very important to keep these relationships, and why?
3. Conceptual competencies related questions:
3a. Risk-taking/management
Have you ever taken any risk in relation to your business? Please give examples of the risk you took and how did it go? (Did it produce a negative or positive result)?
Do you think it is very important to be able to take risks in your business, and why?
3b. Decision-making
Are you in charge of the decision-making in your company? Please give examples of the kind of business-related decisions you have taken. What kind of results have these decisions produced (examples of positive or negative results)?

Do you make decisions with your own judgement alone or do you seek advice from others (colleagues, consultants/experts)?
Do you think it is very important to be able to make decisions in your business, and why?
3c. Cognitive and analytical
In a situation where you are making decisions or tackling issues in the company, do you come out with solutions spontaneously, or do you analyse and critically examine the events surrounding such issues? Please give examples.
Do you think it is very important to be able to analyze and critically examine situations before actions are taking in your business, and why?
3d. Innovativeness
Has your company developed unique products or new services over the years? What have your roles been in these developments?
Do you think it is very important to be able to develop unique products and services in your business, and why?
3e. Problem-solving
Have you experienced any form of challenges in your business activities? Please give examples. How did you participate in solving these challenges?
Do you think it is very important to be able to solve problems in your business, and why?
3f. Learning orientation
Are you developing your business knowledge? (Do you participate in development and training activities?) If yes, how?
How has the new knowledge helped in your business activities?
Do you think it is very important to develop your business knowledge in your line of business and why?
4. Organising competence related questions:
Does your company have physical, human, technological and financial resources?
If yes, how do you control, monitor, and manage these resources? For example, how do you build your team, lead employees, delegate duties, coach, and train others? Give practical examples.
Do you think it is very important to be able to manage these resources in your business, and why?
5. Strategic competence related questions:
What is the vision of your company?
Have you been able to formulate and implement strategies to achieve this vision? What are the strategies?
What are the goals of your company? Both short and long term.
Have you been able to formulate and implement strategies to achieve these goals? What are the strategies? (What are the steps you have put in place to achieve these goals?)
How realistic are these steps?
Who are your current and future competitors, and how do you respond to their activities and outperform them?

Do you have strategic alliances with any firm, and why?
Do you think it is very important to be able to create a vision and goals for your company, and how they can be achieved and why?
6. Commitment competence related questions:
Have you ever faced any difficult situation in your business that felt like the business was going to collapse? Please give examples of the circumstances and how you handled them. Why didn't you give up (motivations for not giving up)?
What are your roles and responsibilities towards the goals/specific tasks of the company?
Do you fulfill these roles and responsibilities until these goals/tasks are completed?
Please give examples.
Do you think it is very important to be able to face and handle difficult situations/challenges in your business, and why?
Do you think it is very important to fulfil your roles and responsibilities until the business goals/tasks are achieved, and why?
Note*: Case company, current position of respondents, date of interview, and duration of interviews: <ul style="list-style-type: none"> <li>• Company A, Owner, 21.09.2016 85 minutes; Company B, Owner, 12.09.2016, 117 minutes; Company C, Owner, 14.09.2016, 110 minutes; Company D, Owner, 14.09.2016, 99 minutes;</li> <li>• Company E, Owner, 09.09.2016, 85 minutes; Company F, Owner, 22.09.2016, 148 minutes;</li> </ul>

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