

The Roles of Competencies in the New Venture Creation among E-Commerce Entrepreneurs in Malaysia

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ABSTRACT: *Over the past three decades, studies on entrepreneurs; the main components behind entrepreneurship particularly for new venture creation processes, have been widely highlighted by researchers. An entrepreneur is regarded as the main actor in entrepreneurship as he/she is the one who is responsible for a new venture creation. It involves a lot of thinking and decision making in the establishment of a new enterprise. Most past studies focused more on the psychological aspects of entrepreneurs, looking at the process of creating new ventures, but less on entrepreneurial competencies which lead to new venture creations. In order to fill the lacunae, the aim of this study is to identify the role of entrepreneurial competencies that contribute to the creation of new e-commerce businesses in Malaysia. This research used a case studies approach in which data were collected by face to face interviews - a total of twelve e-commerce entrepreneurs throughout the country from May 2013 to December 2014. The findings of this study have found that the entrepreneurial competencies in both computer and communication skills have largely contributed to the creation of new businesses. These skills are really essential as it facilitates entrepreneurs in expediting their creation of new ventures. To encourage entrepreneurial activities in the country, it is highly important for the government to emphasise on the elements of entrepreneurial competencies among the people. This is a crucial step as it not only benefits the society as a whole, but also the future of the country.*

KEYWORDS: *Entrepreneurship, new venture creation, individual competencies and e-commerce*

I. INTRODUCTION

To date, there are many debatable issues being discussed in the area of entrepreneurship research. They even have different opinions in defining what entrepreneurship really is. Per Davidsson (2005, p. 1) has stated several definitions of the phenomenon of entrepreneurship by a few previous researchers; as a new entry (Lumpkin & Dress, 1996), the creation of new enterprise (Low & MacMillan, 1988), the creation of organizations (Gartner, 1988), a process of creating something different with value (Hisrich & Peters, 1989). These definitions however highlighted more on the creation of new organization based on the William B. Gartner (1988) to answer the question "How does an organization come into existence" which involves a complex process through the interaction of the various components. Apart from that, many past studies on entrepreneurship have also focused on entrepreneurs' psychology as it is also one important element in the new venture creation. To name a few, Shane (2003) has explored how individual differences may influence the entrepreneur's decision making. She has further added that individual attributes (i.e. cognition, motivation and personality) may influence entrepreneurs in decisions making for discovering and exploiting entrepreneurial opportunities.

Three elements in psychology such as cognition, motivation and personality of entrepreneurs have been dominated in entrepreneurship studies, in addition to existing theory of economic and sociological perspectives. Human cognition is different from one person to another due to information they have received from their past experiences and/ or personal background which greatly influence their personal judgment and decision to start a new creation. The entrepreneurs' cognition has been initially argued by many prominent scholars like R. A. Baron (1998); who holds that cognitive and reasoning of thinking are the mechanisms in entrepreneurship which in many aspects answer the questions of why and when do entrepreneurs think differently from other people. The basic questions in entrepreneurship according to R. A. Baron (2004) is why do some choose to become entrepreneurs and why some can recognize opportunities to create the new organization while others not. Another element that is considered to be significant in the study of entrepreneurship is motivation. Many past studies have proved that motivation has become one of the major factors that lead entrepreneurs in exploiting many business opportunities (Shane, Locke, & Christopher, 2003). This is supported by Segal, Borgia, and Schoenfeld (2005) in 'The motivation to be an entrepreneur'; where they found that one of the reasons why individual decided to be an entrepreneur is because of one's higher motivation to be self-employed (to get extra income). Apart from that, one's personality is also essential in running a successful business. According to Cromie (2000), it is the "psychological principal" which has led one to establish their own business based on the need for achievement, autonomy, risk taking, locus of control, creativity, tolerance of ambiguity, and many others.

Recently, many people have argued that the psychological factor alone is inadequate to establish a new venture creation. One should also be equipped with communication and computer skills in order to become a successful entrepreneur. This present study has found that entrepreneurs' communication and computer competencies play a significant role in new venture creation amongst e-commerce entrepreneurs in Malaysia. Studies on entrepreneurship, particularly regarding the new venture creation in e-commerce is still less investigated. Thus, this present study aims to identify the roles of competencies in the new venture creation amongst e-commerce entrepreneurs in Malaysia. Generally speaking, according to Dheeriya (2009) e-commerce can be described as any venture conducted solely on the internet or the World Wide Web. E-commerce business is different from the brick-and-mortar business since its nature is mainly using the internet and technology-based computer systems. Dheeriya (2009) has further argued that the conceptual framework concerning online entrepreneurship has yet to formally developed to date compared with regular entrepreneurship is often debated by many previous researchers. William B. Gartner (1985) explains that the process of new venture creation is likely to vary according to the type of business, industry or specific entrepreneurs which affected the emergence of new business. Therefore, there is a need to know how the role of the entrepreneurial competencies influences the creation of new venture in e-commerce.

Based on previous studies, entrepreneurship can be explained as a factor that contributes to economic development in a country (Carree & Thurik, 2005; Wennekers & Thurik, 1999). The phenomenon of entrepreneurship has an impact on market activity and economic system (P. Davidsson, 2008, p. 10) through the creation of wealth or the creation of a something value (Drucker, 1985; Morris, 1998) and has encouraged the creation of an entrepreneurial activity for products and services (Shane, 2003). Although entrepreneurship does not include as part of resources of a country, many scholars agree that entrepreneurs and entrepreneurship are the engine of the economic growth.

In this digital age, with the advance of ICT and telecommunication, e-commerce and other related businesses co-existed with it has started to flourish. The e-commerce is however more popular as it has many advantages. This is true when the contribution of e-commerce entrepreneurship keeps increasing and at the same time manages to reap billions of dollars, erodes the traditional business chain. It has indeed become a significant component of the global sales revenue growth firms (Dheeriya, 2009). Moreover, an interview with Mr. Azizan Mohd Findi, the General Secretariat of Planning and Coordination Commission, as reported by Sinar Harian newspaper on July 30, 2013, has clarified that the trade in e-commerce in Malaysia in 2010 until 2011, counting for almost two billion dollars and has increased to three billion dollars in 2012 (Mohd Firdaus Hashim, 2013). Although there is no accurate figures explaining the number of business entities that conducted e-commerce business in Malaysia, the amount of three billion Ringgit, contributed to the country's trade in 2012 has clearly shown that the emergence of new business in e-commerce in Malaysia is very encouraging.

Since entrepreneurship is the engine of economic growth in a country (R. A. Baron, Shane, S., 2008, p. 8; William B Gartner & Bellamy, 2009, p. 34) through the creation of new businesses, job creation and innovation, many researchers have been interested in exploring issues why an entrepreneur decided to start a new business which is not to others (David M. Townsend, 2010). That could be the main reason why so many prior studies were interested in looking at the psychological reason that has influenced the new venture creation instead of the entrepreneurial competencies.

II. METHODOLOGY

Twelve successful entrepreneurs who have been highlighted by the Communication Commission (MCMC) 2013 were selected as the informants of the present study. They were all interviewed using purposive sampling. These informants were varied, according to their business sector, gender, location as well as historical background of e-commerce business. However, these informants share a few things in common where they are all from small and micro enterprises (MSE) which has a number of employees not exceeding 30 or total sales not exceeding RM30 million a year. Moreover, they are also active in e-commerce business, running full-time business and their businesses have been operating between one to six years (start-up duration). The interviews were conducted based on semi-structured questions. Each interview was audio-recorded and transcribed verbatim immediately and the analysis of the interviews produced tentative categories or themes to answer the purpose of study (Merriam, 2009, p. 171).

In the early stages of data analysis, the tentative themes were inductively discovered based on the research questions. Once the themes were built, a comparative analysis of the data was made based on categories. There are several steps to analyze the data inductively (category construction), which begin with open coding on a passage in the interview transcripts which aim to answer the research questions (Merriam, 2009, pp. 178-193). The coding was then grouped under one category which is formally known as axial coding by Corbin and Strauss (2008). There are basically three stages involved in themes development; open coding, axial coding and selective coding. This is in line with what has been proposed by Corbin and Strauss (2008) in the grounded theory. According to them, tentative themes begin once the researcher starts to analyse the data

with open coding; identifying themes by constantly examining the interview transcripts line by line. The themes constructed are important in answering the research questions of the study. After the interview transcripts have been thoroughly reviewed, the open coding was placed under the axial coding; *“coding that comes from reflection on interpretation and meaning”*. In other words, axial coding is derived from several open coding that share similar meanings that construct a particular theme. The last stage involved in this data analysis was selective coding; selectively code the main categories that comprise of several axial coding, which supported the construction of the main categories.

III. FINDINGS

The findings of the present study were based on the interviews of twelve successful entrepreneurs in Malaysia. It was found that all of the informants agreed that their communications skills have significantly contributed to their success of new venture creation in e-commerce. Communication skills are very important for every entrepreneur to build their business; to generate more the selling of products. Entrepreneur's ability to communicate properly will serve as an advantage for them in attracting customers to buy their products. To attract the customers, an entrepreneur should have the basic communication skills like how to use words properly in emails or social media chat sites. This is because effective communication skills may influence customers' purchasing decisions. For instance, according to informant two (P2), he has good communication skills as compared to his employees in convincing the customers to buy his products.

“Maybe it is the way we interact with the customers. It means that we are able to give a good explanation. How good we are when we are communicating with our customers. Every time I join my employees selling at a booth, I will get more sales as compared to them’. Another factor is the persuasive words of the business owner have made the customers more confident to buy the products. Besides, age may also become a factor as some of my employees are still very young and found it difficult to deal with the customers. Customers will never buy the products if they do not get any convincing explanation from the seller. They might think that my employees just simply memorize the script and not being truthful about the products. They will lose trust in the products. That will be a big issue. So far, I can see that I have made more sales than my employees. For example, I used to entertain customers who just at first came for a window shopping and he/she ended up buying 2 or 3 goods after listening to my explanations”

This is to say that the informant has used the right choice of words in dealing with the customers. This is to ensure that the customers are always satisfied throughout the business transaction process. Besides, the informant has always paid a good respect to his customers regardless of their social background. He is also good at negotiating with the customers, especially in terms of price reduction, product quality and other special requests.

“When we contact our customers via emails, we use proper words. We do not use any short form of words. Customers are valuable. We do not know the age of the customers who email us. They might be professionals, like doctors. We never know. All we know is their names, not their status. Thus, we must use the standard form while communicating with them to show our respect. Sometimes, before replying an email, I have to read the email for several times... I will check every word in the paragraph so that my customers will understand the messages without having any bad feelings. As I said, we do not know who they really are (the customers) and what is their profession. If they contact me personally, I will use the best approach in dealing with them. Sometimes, we might encounter rude customers, however it is our responsibility to entertain them the best we could. Online business deals with indirect two-way communication, thus there is always time for us to think of the best choice of words to deal with our customers. If people send emails, we would be glad to reply. It is easier as compared to having a direct communication with the customers as most people fail to communicate properly when it goes to face to face communication”

Sharing similar opinions with P2, the informant three (P3) has also suggested that entrepreneurs need to learn about internet marketing to attract customers to buy the product, and communication skills are also one part of the marketing strategies.

“We need to talk wisely; you must have high communication skills to convince the customers, to attract them... We must learn internet marketing. It will cost you nothing, only a good time spent”

She also mentioned that she has the abilities to communicate well with the customers which not everyone has. Communication skills have made her more approachable to the customers.

“Most of my friends said that I have a good communication skill that not everyone has. Maybe they are right. Wallahualam... But, I always improve my communication skills as entrepreneurs need to be friendly at all time... Very friendly, customers are always right... But the term “customers are always right” is not really

correct. But to me, we need to have a good communication with our customers and provide the best service. I have those skills”

She always maintains a good communication with her customers to ensure that they are satisfied with the services provided. To gain the customers’ trusts, it is important for her to be able to communicate well; especially when negotiating with the customers about the pricing and product quality. Thus, it is essential for every entrepreneur to know how to make their customers feel special, valued and appreciated.

“We cannot be timid... We should not be shy and when we talk to the clients, we want our customers to feel enjoy shopping at our store. They come here to buy goods... Door gift, that they have to buy (for a wedding)... How can we be sure that they will buy those things here and not next door (other shops)? The key is to have a good communication skill. We have to give the best service or maybe a proper discount for the customers... But sometimes we do not even have to give any discounts to please them, but only by treating them warmly. We need the skills... Welcoming and entertaining them... If they ask anything about the products, we explain everything about the products. Be it the price, the design...But, to be able to explain well, we need some skills so that the customers will feel special, appreciated and valued. They enjoy it”

This pattern of answers is obvious among the informants. According to informant number eight (P8), e-commerce entrepreneurs must have good communication skills to interact with customers. A strong relationship between the seller and customers will only be built when there is a good communication during the business dealing process. The best form of communication to have between the seller and customers is less formal and more like friends. However, it is important for the seller to be able to communicate accordingly, especially if the customers are from the opposite gender.

“For online business (communication skills), the relationship isn’t fixed. The customers come to our store, we greet and entertain them formally...No, it is more to informal type of relationship. We treat them like friends, not customers. We use informal language with them, but still respect them. Address them politely; call them sir...Sometimes, online sellers (males) have to act like a woman when they are dealing with them. But if they are dealing with male customers, they will switch the communication styles accordingly; like calling them bro and all that... Same goes to female customers...We have to be more sensitive about our customers as compared to those offline sellers. Online business is very much depending on the relationship built between the sellers and customers. We generate more sales by using good words to our customers”

It is not something impossible for entrepreneurs to have the communication skills as it can be learned. However, to be a good communicator, one should be able to act naturally, not pretending. This will convince the customers that the seller is being truthful in doing their business and indirectly attract the customers to buy the products. Hence, a good communication skill can be a very strong marketing tool in attracting and retaining the customers.

“It is actually very simple, just be our self... The way we talk shows who we are, so do not act wrongly. We need to be friendly when we are dealing with our customers. Most people mistakenly believe that online businesses require a formal relationship with the customers to get their trust. The truth is, we need to be informal with the customers. As online sellers, we need to have the basic knowledge on how to entertain our customers. When to close a deal, we might want to use a little bit marketing words to help our sale. For example, we tell them that we have already reserved some goods for them, if they have done the payment, kindly let us know, and so on... Try to also inform the customers the closing date for last order to generate our sales. For example Friday is the last day to take an order, so if they wish to buy a t-shirt, please book earlier. Or we tell them... if you purchase this item, you will get a free gift. Or maybe we tell them after a certain time, the price will be increased...and that is marketing. While we are building a close relationship with the customers, we are still instilling the persuasive marketing elements so that they will buy our products. It is not complicated, be yourself”

Another factor that contributes to a successful new venture creation among e-commerce entrepreneurs is computer skills. According to the informant number one (P2); he has the competencies to use computer due to his past working experience in a factory that required him to deal with MS DOS computer operating system, which later has helped him a lot in starting up his online business.

“Because during my previous work in a factory, we have always used the computer software even without the internet access... we started to use the computers since MS DOS time, we know that already”

He actually started the new venture in e-commerce in 2008/2009, which took him nearly 4 years to establish a brick and mortar store after recognizing the business opportunities, even at that time the Wi-Fi (internet) has started to boom. Computer skills therefore serve as an advantage to many entrepreneurs in Malaysia in building up their businesses. Those entrepreneurs who have the ability to use computers well are

usually more recognized in their business as compared to those who have not.

“Ok. As what I said earlier, what are the reasons I started this business (traditional craft)... When I started this business in 2004, I was really focused on it... The products started to receive a good demand. So when the internet has started to boom in 2008/2009, I realised the opportunity since I am used to working with computers since the mono chrome operating system era. So I was one step ahead from other people. I used the computers when others knew nothing about it. I used AutoCAD to do designs... In the beginning, I was also new to the internet, since there was still no internet access at my area at that time. After the internet coverage was available at my place, I gradually started to learn how to use the internet from people who were selling computers, informally”

The informant number eight (P8) has thoroughly explained on the importance of the basic computer skills for starting up new venture creation in e-commerce. As a matter of fact, entrepreneurs who start their business using Facebook as the main platform usually need to create a fan page as a medium to interact with the customers. Thus, being computer literate will somehow assist those entrepreneurs in setting up the Facebook medium in reaching their target customers.

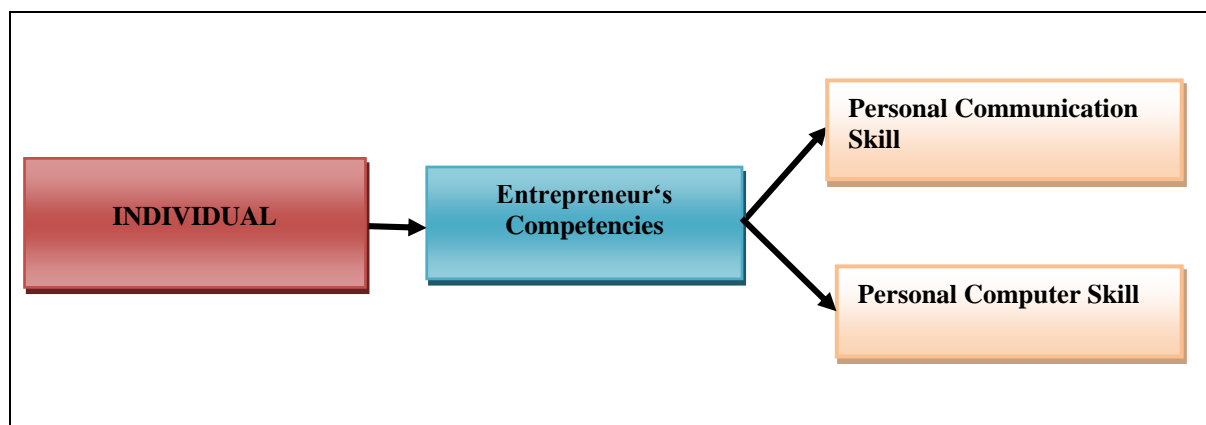
“In online business, we usually need a skill to create a fan page (Facebook), where we need to go through a “trial and error” process to get it done. In doing business online, we really need a skill on how to close a sale. In other words is how to keep our customers coming back for more. That is the real challenge. Our most important skill is designing T-shirts that are high in demand. I have always highlighted this in my seminar. Other than that is how to create marketing strategies. We need to set up Facebook ads...We don't need advanced computer skills to do this, a basic knowledge on Facebook will do. Sometimes, entrepreneurs don't even know how to use credit cards, debit cards... This is fundamental to pay Facebook ads. We can't go to ATM to pay for Facebook ads services. They only accept payment via credit card or debit card”

IV. DISCUSSION

Entrepreneurial skills are highly dependent on two important elements; their past experiences on using computers as well as their personal communication skills that greatly influence their personal judgment and decision to start a new venture creation. The findings of this study have clearly demonstrated that entrepreneurial competencies are very much related with their personal communication and computer skills. The entrepreneurial skills such as personal communication and computer skills give an advantage to entrepreneurs to start a new venture creation in e-commerce. Computer is a main tool in e-commerce business which requires entrepreneurs to have special skills on how to explore the internet. These skills are important for creating e-commerce platform (i.e. such blogs, Facebook, website) and marketing during the start-up process.

Besides that, personal communication is also another key factor that determines the success of the new venture creation in e-commerce. This is true as entrepreneurs need to have certain skills while dealing with their customers. They should be creative in choosing the right words while communicating with their customers in order to attract their positive decision; buying the products. The framework of entrepreneurial competencies perspective which is highly important for early new venture creation in e-commerce is shown in table 1:

Figure 1: Entrepreneur's Competencies as an individual component that contributes to the e-commerce new venture creation in Malaysia



Based on figure 1, it is displayed that entrepreneur's competencies perspectives emerge from two main factors that relate to a successful Malaysian new venture creation in e-commerce. The first factor is related to the entrepreneur's communication or personal skills on how to communicate with customers during the dealing process. On the other hand, second factor is referring to entrepreneur's computer skills on how to work with computers in starting up new platform, doing online marketing as well as exploring new things.

Personal communication skills play a very important role in the new e-commerce business in Malaysia. Good communication skills give entrepreneurs an advantage in attracting the customers to purchase their products. A close relationship between the seller and customers will be built based on a good communication; where the customers put their trusts on the seller. There is no doubt that entrepreneurs need skills and techniques while dealing with their customers, especially when they have to explain what is best about their products. These special skills in the e-commerce business is however different from those in the brick and mortar businesses because they do not involve direct communication. E- Commerce deals more with the non-verbal communication, where most of the time the communication occurs online; via emails, social chat rooms, newsletter and many more. It is therefore important for entrepreneurs to be able to write properly and rhetorically in order to keep the customers happy and satisfied. This is because an effective piece of writing will surely gain customers' trust and bring large profits in return.

In addition, entrepreneur's computer skills are also one of the significant factors that contribute to the success of the new venture creation amongst e-commerce entrepreneurs in Malaysia. Their past working experience using the computers has significantly helped them in setting up the business. Moreover, their knowledge in computers has also strengthened their skills in exploring the internet to create new platforms such as blogs, websites and social media in expanding their business. Entrepreneurs with basic computer skills are usually one step ahead from the others as they are more advanced in dealing with this technological force.

V. CONCLUSION

In conclusion, the personal entrepreneurial competencies such as communication and computer skills have largely contributed to the new e-commerce business in Malaysia. Good communication skills will highly influence the customer's trust and confidence before they make any decision to buy the products. The nature of the e-commerce business needs entrepreneurs to be more aware of the importance of the effective communication through indirect approaches. Business situational environment requires the e-commerce entrepreneurs to focus more on how to attract potential customers at different locations via online platforms like blogs, website or social chat rooms. If entrepreneurs fail to communicate with the customers properly, the business start-up will be struggling with many sales and management difficulties. This is due to the lack of trusts gained from the customers. Moreover, entrepreneurs' computer skill is also one of the main tools in e-commerce businesses. It is indeed a must for every entrepreneur to have the ability to use computers, especially on how to set up and maintain the blogs, websites and other social media as it is important during the whole process of e-commerce business start-up.

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