



Entrepreneur Ability and Firm Growth: A Review Paper

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ABSTRACT

As the micro foundation of the national economy, enterprise's rapid and sustained growth is not only the goal pursued by most enterprises, but also one of the key factors to promote economic growth and social prosperity. Therefore, the problem of enterprise growth has always attracted extensive attention from entrepreneurs and many scholars. Many scholars have elaborated the factors that affect the growth of enterprises from different perspectives. As time goes by, more and more scholars realize that entrepreneurs, as the soul of an enterprise, inevitably play an irreplaceable role in the growth process of an enterprise. Therefore, it is of great theoretical and practical significance to study the internal mechanism of private enterprise growth from the perspective of entrepreneur ability. Through case studies and theoretical studies, this paper discusses the importance of entrepreneurial skills, the abilities needed for entrepreneurial growth, and how entrepreneurs overcome the current challenges.

1. Literature Review

The word *entrepreneur first* is derived from the French entrepreneur, its meaning is broker or intermediary. Canutillo (1755) introduced the concept of entrepreneur into economics for the first time. He called everyone engaged in economic behaviour an entrepreneur, believing that they are bearers of uncertainty and should have the spirit of adventure and the ability of speculation. Say (1803) was the first scholar who systematically studied entrepreneurs. He stressed the importance of entrepreneurs and pointed out that as the fourth factor of production, entrepreneurs are the coordinators of the other three factors. Marshall (1890) expounded his views on the ability of entrepreneurs in his works, holding that the most important thing for entrepreneurs is the ability to operate capital. Schumpeter (1912) made the most influential study on entrepreneurs. He believed that entrepreneurs are the market equilibrium -- creative disrupters. Therefore, entrepreneurs must have the ability to innovate. Later, many scholars have discussed the connotation of entrepreneurs. From a large number of literatures, we can see that entrepreneurs play an important functional role in the development of enterprises, which requires them to make correct decisions and take risks in the market full of uncertainties and risks (Knight, 1921; Casson, 1982), and to obtain and integrate needed resources, especially unique and scarce resources (Chandler and Hanks, 1994), it is necessary to effectively coordinate the internal and external environment of the enterprise and determine the right direction for the development of the enterprise, so that the enterprise can achieve good performance and stable and healthy development.

2. Background of Study

The first scholar who systematically studied the problem of "firm growth" was British economist Penrose, who established the theory of endogenous firm growth. Penrose (1959) believed that an enterprise is a collection of a series of production resources, including human resources. The growth process of an enterprise is a dynamic management process of effective organizational utilization of continuously generated unused resources. In this process, entrepreneurs are the subjects of effective utilization of internal and external resources of an enterprise. The entrepreneur, as the soul of an entrepreneur, is an indispensable human resource of an enterprise and plays an important role in the growth of an enterprise. Therefore, there must be some important relationship between entrepreneur ability and enterprise growth.

As an important part of economic society, the sustainable and stable development of private enterprises is crucial to the development of social economy. Through observation, it can be found that the development of private enterprises is more dependent on the personal ability of entrepreneurs. Taking private enterprises as an example, understanding the reasons is helpful to provide theoretical knowledge and experience reference for the sustainable development of private enterprises.

3. Discussions and Conclusion

3.1 The importance of Entrepreneurial skills

The main behaviour activities of entrepreneurs in enterprises are to obtain human, financial, material and information resources. Create organizational structures and procedures to produce products or provide services; continually develop products or services to ensure the availability of future resources. These behaviours of entrepreneurs are related to the internal and external resources of the enterprise organization to establish the enterprise ability, and the entrepreneur's social network ability is also crucial for the enterprise to obtain the external resources. The above highlights the important role of entrepreneurs in improving product quality or service, reducing enterprise production cost, innovation and customer response, so as to obtain enterprise competitive advantages. Therefore, we can see that the important task of entrepreneurs is to form the competitive advantages of enterprises, so that enterprises can better produce products, provide services and utilize resources.

In addition, entrepreneurs play a very important role in the innovation of enterprises. The relationship between entrepreneurs and enterprise innovation cannot be simply equated with the innovation ability of entrepreneurs, but their inherent ability should be attributed to the organizational ability of entrepreneurs. Entrepreneurs operate human and material resources in enterprises through the organizational ability of entrepreneurs, thus leading to the overall innovation of enterprises.

Therefore, the ability of entrepreneurs to collect and utilize resources forms the competitive advantage of enterprises. The related entrepreneurial ability mainly refers to the organizational ability of entrepreneurs, through which they plan and organize enterprises, control people, money and things in the market, and monitor the overall operation efficiency and productivity of enterprises. In addition, the relationship ability of entrepreneurs is also needed in the acquisition of internal and external resources (including capital, personnel, etc.). At the same time, the innovation ability of entrepreneurs is also much needed when entrepreneurs analyse enterprise problems, make important decisions, and reform the new products or services of enterprises.

3.2 What are the aspects of entrepreneur growth?

3.2.1 In Case 1, the author believes that the growth of entrepreneurs needs to include the following skills:

3.2.1.1 Customer-oriented. Entrepreneurs must strive to create value for customers by introducing new products and services through research and development.

3.2.1.2 Focus on strategic development. Entrepreneurs should learn to find successful opportunities in different market strategies (such as high-quality routes, customer policies, innovation and development, market selection, differentiation strategies, etc.) in order to improve their personal abilities and qualities.

3.2.1.3 Learn financial management. Entrepreneurs need to learn knowledge and skills related to corporate finance, such as risk management, audit, internal control, etc.

3.2.1.4 Human Resource management. Entrepreneurs need to understand and master the situation of the company's human resources, timely adjust personnel positions and salary policies, and provide spiritual and material rewards for employees.

3.2.1.5 Driving force of enterprise development. Entrepreneurs should have strong will, the ability to overcome difficulties, and a commitment to growth.

3.2.1.6 One-on-one guidance from successful entrepreneurs or teachers. This is a conduit for rapid growth for entrepreneurs and a key element of training programs.

3.2.1.7 Ability to obtain funds, information and contacts. The resources available to entrepreneurs determine the level of the enterprise and the height of its future development.

3.2.2 In Case 2, the author believes that the growth of small enterprises can be divided into five stages, and the skills of entrepreneurs in each stage are different.

3.2.2.1 Enterprise existence stage. At this time, entrepreneurs should have operational skills, the ability to obtain funds and resources, the ability to maintain the company's sustainable competitiveness and the corresponding ability of some businesses.

3.2.2.2 Enterprise survival stage. In this stage, entrepreneurs need to consider the relationship between income and expenses, pay attention to the balance of income and expenditure in the short term, and need enough cash support in the long term. The capabilities of entrepreneurs in this stage are similar to those in stage 1.

3.2.2.3 Enterprise stability stage. At this stage the entrepreneur may begin to disengage from the business, need to maintain operational capabilities, and begin to develop strategic planning capabilities.

3.2.2.4 Growth-oriented stage. At this stage, entrepreneurs' strategic and operational skills are needed. Meanwhile, human resource management skills are becoming more and more important.

3.2.2.5 Rapid growth stage. At this stage, entrepreneurs need to focus on developing management skills and business relationship expansion and maintenance skills, and delegate some power.

3.2.2.6 Resource Maturity stage. This stage is particularly important for entrepreneurs' strategic ability, financial planning ability and management ability.

3.3 How to overcome challenges faced by Entrepreneurs in present era

3.3.1 Build the entrepreneurial ability growth mechanism at the individual level

3.3.1.1 Establish correct values and cultivate excellent entrepreneurial spirit

As a business manager, entrepreneurs should be responsible and have a sense of mission for the enterprise, and maximize the interests of the enterprise. This value orientation is the basic requirement for the success of business operation. As "social citizens", entrepreneurs should establish a value orientation to promote the optimization of social benefits, consciously undertake social responsibilities, and promote economic development and social progress.

The cultivation of entrepreneurial spirit not only depends on the entrepreneur's own hard work and the continuous improvement of personal quality, but also depends on the cultivation and strengthening of certain characteristics and personalities. Specifically, it includes:

(1) Fostering the innovative spirit of continuous pursuit of excellence. The spirit of innovation is the spiritual power and source of the entrepreneur's business innovation activities and the basic characteristic that distinguishes the entrepreneur from the general operator. Therefore, entrepreneurs should establish the consciousness of innovation, dare to put good ideas into practice, correctly treat the risks that may be encountered in the process of innovation, and improve the ability to drive slave risks. As the leader of innovation activities, first of all, he should be good at carefully observing and discovering problems, and good at finding the unbalanced state in the market. Entrepreneurs should always pay close attention to the domestic and foreign macroeconomic situation and industry situation, seize opportunities, and capture information conducive to the development of enterprises. Secondly, we should dare to break the routine and break through the old thinking patterns. Be good at changing your perspective and looking at problems from different angles.

(2) Entrepreneurial spirit that dares to compete. Social development is changing with each passing day, the market competition is cruel, the survival of the fittest, if the entrepreneur is just satisfied with the status quo, will be eliminated

and abandoned by the society. As an entrepreneur, we should have a sense of danger and constantly strive for development. In the strategic sense, it is an offensive concept. Without the market, enterprises cannot survive. Enterprises should have the courage to participate in competition and actively participate in market operation activities.

(3) The moral spirit based on integrity. As an individual with important rights and significant representation in an enterprise, the entrepreneur's words and deeds not only directly reflect the individual's moral personality and moral cultivation, but also have a profound impact on the image and status of the enterprise in the modern society, thus affecting the development prospects of the enterprise. Entrepreneurs should cultivate good individual ethics, honesty is the cornerstone. In the modern market economy society, market economy is credit economy, honesty is the common demand of people. In the market economy, the image of the entrepreneur, as an intangible asset, is an inestimable prestige capital in the market competition.

(4) Cultivate entrepreneurs' spirit of social responsibility. An entrepreneur is first a social citizen and then an entrepreneur, and taking social responsibility is a lifelong thing. Entrepreneurs are committed to the sustainable development of enterprises, not only to meet their own needs, should reflect more responsibilities to enterprise employees and social groups, improve the level of industrial development, and contribute to the promotion of national economic development.

3.3.1.2 Establish learning entrepreneurs and form a systematic knowledge system

Entrepreneurs need to strengthen their learning awareness, improve their learning ability, and also to transform their academic ability into the learning ability of the enterprise, strengthen the organizational learning ability, and create a positive learning atmosphere, so that they and the enterprise can continue to develop. At the same time, having good knowledge quality is an important guarantee for entrepreneurs to make efficient management, decisive and accurate decisions.

3.3.1.3 Establish a self-assessment system to improve the understanding of your own ability

Entrepreneurs have strong and weak abilities. In fact, the weakness of the ability is their own weaknesses, the existence of these weaknesses, the entrepreneur's personal ability to play and judge the ability of the problem. Only when we have a full understanding of our own abilities can we make an accurate assessment of the benefits and risks of our decisions. Because of the differences of individual entrepreneurs, each entrepreneur has different abilities. Entrepreneurs need to establish a set of self-evaluation system according to the nature of the enterprise and the ability required for daily management. Through the evaluation, they can have a deep understanding of their own ability and understand their weaknesses and strengths.

3.3.2 Build the entrepreneurial ability growth mechanism based on the enterprise level

3.3.2.1 Establish a sound entrepreneur training mechanism

First, improve the theoretical knowledge of entrepreneurs. The training of entrepreneurs' theoretical knowledge quality not only includes the basic knowledge and ability needed in the process of enterprise operation and management, but also includes the cultivation of comprehensive quality. It not only improves the theoretical knowledge level of entrepreneurs, but also improves the relevant quality of entrepreneurs. Therefore, the training of entrepreneurs should not only introduce theoretical knowledge, but also transmit new ideas, new ways of thinking and solutions to problems to entrepreneurs. The content of the training should include the study of basic courses, the training of the ability needed in the process of business operation and other relevant quality training, with the purpose of enriching the knowledge of entrepreneurs and improving their theoretical literacy. The training of entrepreneurs should focus on the introduction of new theories, new concepts, new thinking and new methods. Focusing on how to apply these knowledge to the practice of operating and managing enterprises under the current economic situation; It should also focus on introducing the most advanced international theories and development directions in the relevant teaching fields, as well as the company's gaps and catching up ideas and measures.

Second, improve the entrepreneur ethics training mechanism. The improvement of entrepreneur ethics training mechanism first lies in that entrepreneurs should improve their own moral cultivation and establish clear corporate ethics rules in enterprises. Business ethics is the moral principles and creeds by which enterprises, business operators and employees judge that a thing is right. Corporate ethics can help managers make the best decisions that satisfy the fundamental interests of different stakeholders.

3.3.2.2 Establish scientific and standardized enterprise decision-making procedures

The institutionalization of enterprise decision-making can standardize decision-making behavior, improve decision-making level, prevent decision-making risks and ensure scientific decision-making. Entrepreneurs should try their best to give full play to their individual wisdom in decision-making, so that individual foresight into collective wisdom.

3.3.2.3 Establish an enterprise innovation mechanism based on "green responsibility"

First of all, in the aspect of management innovation, the establishment of enterprise green management system, actively implement management standards, so that the entire management system of the enterprise to environmental protection as the lead, through the procurement, production, product development to the treatment of pollutants and other whole process, all-round are in a state of control. Secondly, in terms of technological innovation. In the process technology, research and development of ecological environment harmless production technology and operation technology, so that it consumes the least resources, the least pollution; In terms of equipment technology, we should also focus on reducing consumption and saving energy, improving production efficiency and labor productivity, and realizing the greening of production equipment. Finally, in terms of product innovation. To improve product quality and grade, the whole process of product research and development, processing, production and consumption must meet the requirements of environmental protection, but also conducive to the regeneration and recovery of resources.

3.3.2.4 Construct an internal social responsibility regulation mechanism

First of all, establish and improve the corporate culture with social responsibility. Enterprises should integrate their social responsibility into the construction of corporate culture, strengthen the concept of "corporate citizenship" within the enterprise, inherit the sense of social responsibility with the corporate culture, and strengthen the sense of responsibility. Regularly organize the leadership and employees to learn the theoretical knowledge of social responsibility, learn from the experience of leading enterprises in the industry in fulfilling social responsibility, and understand the international standards of corporate social responsibility. Secondly, combine corporate social responsibility with corporate strategic goals. Entrepreneurs should carry out corporate social responsibility in the process of strategy implementation. Through the evaluation and analysis of the resources and competitive advantages owned by the enterprise, entrepreneurs refine the CSR into the specific strategies and actions of the enterprise strategy implementation. Finally, establish and improve the decision-making mechanism guided by corporate social responsibility. In the process of business operation, entrepreneurs are faced with a variety of decisions, and the results of these decisions have a great impact on the enterprise and the society. If there is a lack of ethical guidance, serious problems are likely to occur. The establishment of corporate social responsibility decision-making mechanism enables entrepreneurs to consider not only their own interests, but also the overall interests of society when making decisions. Not only pay attention to the immediate interests, but also pay attention to the long-term development of enterprises and society.

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