

SECTION 3: IDENTIFICATION AND SELECTION OF ENTREPRENEURS

Many institutions 'find' potential entrepreneurs by simply advertising and making their services widely known. Generally, this poses few, if any, problems. The more difficult task lies in selecting from amongst potential candidates those who are most likely to benefit from training and other assistance to set up and to be successful in their own businesses.

Selection methods and techniques vary from the simple and sometimes crude to the most sophisticated, and may comprise various stages. Typically the selection process involves the initial screening of all applicants for suitability, when information may be gathered in respect of their background, project idea, security available and the reasons for wanting to start a business. A further process may then involve the use of psychological or behavioural tests to establish the extent of desirable entrepreneurial qualities. This may be followed by, or substituted for, an interview by a panel or individual.

Although a great deal of research has been done on the psychological and behavioural characteristics of successful entrepreneurs and a large number of tests have been developed which attempt to make use of research results, very few institutions currently use these tests, perhaps because of the preparation, skills and resources needed.

Financing decisions are still almost universally made on the basis of a business plan and some subjective and unstructured assessment of the applicant's ability. Most training institutions, even those which attempt to develop character attributes and not only to inculcate business skills, do not use psychological testing methods in order to select their trainees.

This implied scepticism might be justified if the track record of entrepreneurial success were more impressive; given the high failure rates presently experienced, however, it is perhaps surprising that more institutions have not at least experimented with selection tools which focus on the individual rather than on the business proposal.

An international 'Workshop on Entrepreneurial Selection Methodologies and their applicability for Less Developed Countries (LDCs)', bringing together some notable specialists in the subject, drew some interesting and important conclusions. Exhibit 3 summarises the characteristics of the selection methodologies presented and lists the main advantages and limitations of each.

EXHIBIT 3 CHARACTERISTICS, ADVANTAGES AND LIMITATIONS OF SELECTION
METHODOLOGIES

A. The McBer System

Main characteristics:

1. Identification of "job competencies" of the entrepreneurs or small enterprise managers sought. This establishes an indigenous model or prototype.
2. Use of operant method selections.
3. Use of behavioural event interview.
4. Use of thematic analysis in interviews and comparing interview data with competency model.

Main advantages:

1. Emphasises actual behaviour on the job (of entrepreneurs or managers) which is necessary for success in the job.
2. Has high inter-rater reliability.
3. Is quick.
4. Requires only small samples.
5. Has cross-cultural validity.
6. Can be taught to others.

Main limitations:

1. Requires expertise and thorough training of interviewers.
2. Uses only one method, and may miss assessment of some dimensions.
3. Does not include "First Cut" methods, such as screening of applicant through advertising, application analysis.

B. The Indian System

Main characteristics:

1. 3-stage selection procedure (announcement and application form, tests, interviews).
2. Use of announcement and advertisement.
3. Use of well-designed application blank, with scoring manual.
4. Use of psychological tests.

5. Use of interview.
6. Use of a panel (including an entrepreneur) for interviewing.

Main advantages:

1. Helps in self-selection.
2. Narrows selection to lesser number (after two screenings).
3. Is easily transferable.

Main limitations:

1. Tests have not shown discriminatory power, may not be valid.
2. Has limited value with illiterate or tribal groups.
3. Probes operant dimensions very little.

C. Approach evolved by Pareek and Rao (used in Malaysia)

Main characteristics:

1. Identification of "Key Performance Areas" (main responsibilities).
2. Identification of "Critical Attributes" (which distinguishes effective from less effective).
3. Use of both operant and respondent measures. Use of new and innovative tests, designed or adapted and validated in a culture.
4. Use of simulated material.

Advantages and disadvantages:

The methodology presented above was in the formative stage at the time, and analysis on the data had not yet been done.

D. The HETADI (Hawaii Entrepreneurship Training and Development Institute) Method

Main Characteristics (passive diagnostic):

1. Advertisement (newspapers, fliers, media, mini-seminars, pre-course quiz).
2. Preliminary selection, from two tests and an application form.
3. Scored interview: panel of experts, consensus decision.

Variations (for New Zealand Model):

1. Advertisement: mini seminar - business plan seminar, two days.
2. Interview using feasibility statement (developed after seminar).
3. Participation in three week business course on how to start a business.

Main advantages:

1. Variety of advertising methods (seminar) provides some pre-selection.
2. Method works within the context of a total system; selection becomes participation and vice versa.

Main disadvantages:

1. Does not meet time line criteria of being quick and easy.
2. Use of tests in initial screening not validated.
3. Tribal affiliation, age, ethnic group have no correlation with success.
4. Research on 15 dimensions of possible success - correlates only power drive, 3-5 years of work experience, and a subjective assessment called "Hussle" seemed to correlate with small business success in an entrepreneurial role.

Workshop Conclusions and Recommendations

1. Establish a competency model based upon the development of "assessment dimensions" using the Behavioural Event Interview methodology (BEI) developed by McBer.
2. Using #1, generate complementary "weeding out" mechanism:
 - (a) advertisements;
 - (b) application forms which are rated;
 - (c) timely experiential activities (e.g. mini-courses, simulations, group meetings).
3. From #2, identify a manageable sized group.
4. With the identified group, apply BEI for final selection.
5. Apply the methodology now in developing country settings. This will test the effectiveness of the methodology thereby stimulating its replication and, at the same time, significantly improve our performance in establishing new employment-creating enterprises.

To the above were added various cautions and conditions for the effectiveness of the proposed solution.

Source: International Institute of Public Management, Washington D.C., Summary of Proceedings, Workshop on Entrepreneur Selection Methodologies and their applicability for Less Developed Countries, April 28 - May 1, 1981.

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