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Study The Relationship Between Entrepreneurial Skills Of Managers And Differentiation Strategy In Small And Medium Sized Businesses (SMes) Of The City Of Ardabil

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Abstract
The aim of the present study is to examine the relationship between entrepreneurial skills of managers and selecting the differentiation strategy in small and medium sized enterprises (SMEs) of the city of Ardabil. The present study in terms of purpose is application, in terms of the research methodology is descriptive and of the type of correlation and in terms of data collection is a survey. The population of the research includes all the managers of small and medium sized businesses of the city of Ardabil. The population size is equal to 142. The sample size was calculated using Cochran formula that was equal to 104. The present study was conducted in two parts: theory and practice. In theory, information using the library method and documentary were collected and in practice, data were collected using questionnaires from the statistical population. The results were analyzed and processed by the SPSS software. Analysis of hypotheses was performed using Pearson’s correlation coefficient and simple regression analysis. The findings show that between variables the entrepreneurial skills of managers and selecting the differentiation strategies in small and medium sized businesses there is a significant positive relationship. Also, among the components of managers’ entrepreneurial skills, variables personal skills, interpersonal skills and process skills predict 92, 91 and 81 percent of the differentiation strategy.

Keywords: entrepreneurial skills of managers, differentiation strategy, small and medium sized enterprises (SMEs)

1. Introduction
Executive operations of this town started in 1380 after the approval of the Council of ministers. The town that is the largest industrial town of Ardabil Province is located at a distance of 13 kilometers in the Ardabil to Astara road. Vicinity of this town to the airport and the customs, its appropriate location on the Ardabil to Tehran road as well as the lack of environmental constraints for the establishment of different industrial units are some of advantages and attractions of this town. The total area of the town is 406 hectares and it has gotten facilities including water, electricity, telephone, gas, internet access, wastewater refinement, and High Pressure Posts.
In the past decade, development through the market forces and reduction in the government’s interventions and help has caused the role of managers in this area to be more sensible than ever. According to the viewpoint of Bauer, an intellectual, the important factor for the lack of

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development of third world countries include the lack of management capabilities and the economic initiatives (Alvani, 1999). In recent years, many countries have witnessed economic stagnation, high rate of unemployment and extreme volatility in the international cycles and from the other hand the phenomenon of globalization, increased competition, the development of information technology, consideration of the quality of goods and services, customer-oriented and the need to being creative and innovative and so on have faced the economy of countries with a serious challenge. This situation has increased the attention of policy makers and political decision makers to the potential role of entrepreneurs as the only way to reduce unemployment rate and achieving to the economic and social welfare. So in the last few years, enormous and wide researches and studies have been done in the field of entrepreneurship and entrepreneurs (Moghimi, 2005). But on the other hand, all organizations and businesses in today's competitive world are seeking profitability and increased market share. In other words, the competitiveness is one of the main concerns of trade and business in today's competitive and dynamic environment. Organizations to achieve success in this area need to the powerful tools, which can utilize them as a tool for exploiting the competitive advantages.

One of the three generic strategies of Porter is differentiation. According to this strategy, the offered products and services at the industry are considered as a unique product or service. In fact, the company moves into manufacturing and marketing of a single product for a greater market. The way to reach to the differentiation strategy include: developing a single form development from the career, using of a unique technology, unique service to customers or other similar items. In this strategy, gaining a competitive advantage takes place possible through production of a product, which from the consumer's perspective compared with similar products is unique and has special characteristics. It is necessary to note that these products or services should be offered to customers who do not show much sensitivity to price and this strategy is a way to achieve higher profits (Porter, 1980).

The importance of small and medium sized industries in the economic development and growth of their countries has resulted in the growing concern for policy makers in various countries. Basically, in more developed countries of the world, adoption of appropriate strategies to support small and medium sized enterprises in order to reduce poverty and create jobs is the most important priorities for the development of the governments. The amount of government’s success in providing the appropriate conditions for the activity of the private sector, which most of them work as the small and medium sized enterprises and in fact constitute the backbone of the industry in most countries is one of the determining factors of the performance of the industrial sector (Ansari and Sabzi, 2009).

In this study, it is tried in addition to the investigation of the role of manager’s entrepreneurial skills in the selection of differentiation strategies based on Porter's generic strategies, also it is tried to answer the question that whether there is a significant relationship between the entrepreneurial skills of managers and selection of differentiation strategies in small and medium sized businesses (SMEs) of the Ardabil city or not?

2. Review of Literature

2-1 Entrepreneurial Skills of Managers: Entrepreneurship at first has been issued in the field of music and an entrepreneur in the dictionary "Oxford" is defined the president and manager of the Music National Institute, i.e. a person who sees the provision of musical entertainment (SamadAghayi, 1999).
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In Webster New Collegiate Dictionary, entrepreneur is someone who undertakes, manages and organizes risks of an economic business (Moghimi, 2005, p. 23). Research in the field of entrepreneurship became common in the 1950s and 1960s, but in the 1970s and 1980s was marked by stagnation and since the late 1980s brought once again attention to itself. Since the early 1990s, we have witnessed some transformation in the public sector of countries. In this decade, i.e. 1990s, we have witnessed a revival of research and entrepreneurial activities that is called “entrepreneurial revolution” and this revolution is still continuing (Moghimi, 2005).

This word originally translated in Persian with the meaning of employer and then entrepreneur. However, this translation is not so comprehensive, useful, and does not provide the exact meaning of the word. In fact, it was better to translate this word as “value maker” (Ahmadpoor Dariani, 2000).

Entrepreneurship is not a new topic in the social sciences. The concept of entrepreneurship in a broad field of scientific perspectives in different fields ranging from psychology to economics, has been studied in depth. In scientific management sciences, entrepreneurship is defined to be focused on four factors of decision making, strategy and performance, organizational design and risk-taking (Haghighi, 2006).

Lazer believes people with balanced skills as well as people familiar with a variety of topics and professions are more likely than others to become an entrepreneur. He also concluded in his research that entrepreneurs are mostly male, mostly older, and the majority of them have been trained in entrepreneurship courses (Lazer, 2003).

Thompson believes that entrepreneurial behavior is a pervasive and requiring need for all organizations, including public, private, voluntary and etc., regardless of their size, e.g. large, medium and small (Moghimi, 2004).

Hisrich and Peters in this area describe that the entrepreneurship is the process of creating something new and valuable which can be achieved with the cost of enough time and effort. For its creation, the financial capability, personal and psychological characteristics as well as social risks must be combined. Entrepreneur attempts to create wealth and to achieve independence and self-sufficiency (Hisrich and Peters, 2003).

Entrepreneurship, regardless of the context in which it operates, has three key elements:
1. Insight,
2. Someone with leadership skills who can bring insight into operations,
3. To have a will to build something, to grow within and to be sustained (Moghimi, 2004).

Casimiro divided the entrepreneurial skills into 4 categories:

1. Technical skills: technical skills are related to the all knowledge achieved through the personal learning process, which include: marketing, strategic planning, production management and quality management.
2. Social Skills: These skills are direct result of social processes of individuals and include: communication, negotiation, teamwork, decision making and problem solving.
3. Instrumental skills: These skills are the result of complex interactions between people, the implicit process knowledge and the willing to make it to happen and include innovation and creativity.
4. Managerial skills: These skills include organizing, skills of management of human resources and financial and business activities (Casimiro, 2003).

Anderson et al. classified the entrepreneurial skills into three categories. In this study his model and the three categories proposed by have been used, which are as follows:
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1. **Personal skills:** personal skills’ examples include innovation, Initiative, risk-taking, the ability to face the unknown, accepting challenges, responsibility and seeking opportunities for change.

2. **Interpersonal skills:** interpersonal skills’ examples include Interacting with others effectively, effective connections, Negotiating, influence and impressive leadership.

3. **Process skills:** process skills’ examples including the ability to plan and organize, the ability to analyses synthesizes and its evaluate, the ability to execute the plans (Anderson e. al., 2006, P24).

### 2-2 Differentiation Strategy

Strategies are tools that the company can thereby achieve its long term goals. Company strategies can be as developing the geographic area of work, diversification of activities, acquisition of other companies, manufacturing and supplying the product, penetration into market, reducing the costs, sales of assets, delegating many authorities and forming private partnerships (DarbandiAzar, 1998).

Components of the strategy include the territory, the overall goals and operational objectives, resources allocation, identifying sustainable competitive advantage and synergies (Walker et al, 2001).

The nature of strategies can never be separated from the process of creating a strategy in the real organizations. In fact, the school of the research process looks at the strategy as a result of three different processes in the shaping of the strategy:

- Cognitive processes of individuals in which rational understanding of the external environment and the firm's capabilities are located.
- Social and organizational processes that helps the internal communications and building consensus in the opinions.
- Political processes that help the creation, maintenance and transition of the power within the organization.

From this perspective, management of these processes is considered to be the task of managers. Its necessity is to develop a broad perspective of what that should be realized and to manage an organizational network to discover, evolve and enrich the vision (Babayi and Gharibnavaz, 2008).

In face with five competitive forces, basically there are three types of generic strategies that a company can employ to surpass other competitors in the industry: 1) cost leadership, 2) differentiation, 3) focus.

In the differentiation strategy, the company tries to achieve a distinct position relative to its competitors in the industry. To achieve such a situation, the company should respond to one or more features that are important from the viewpoint of buyers and this way offers a higher price in the market. The origin of this difference may be the product itself, delivery methods, methods of marketing, post-sale services and so on. The most critical decision of the company in this strategy is selection of the feature that from the perspective of most buyers is so worthy that they may pay a higher cost for.

Fig 1: Requirements of differentiation strategy

<table>
<thead>
<tr>
<th>Generic strategy</th>
<th>Skills and common needed resources</th>
<th>routine organizational requirements</th>
</tr>
</thead>
</table>
| Differentiation  | - Strong marketing ability of the product engineer  
                  | - Creative talent                   | - Strong coordination between the functions of departments of Research and Development, Product |
### 2-3 Small and medium sized businesses in Iran:

According to the definition by the Ministry of Industry, Mines and trade, small and medium sized enterprises are those industrial and service units (urban and rural) which the number of their workers is less than 50. Ministry of Cooperation with respect to the case has used the definition proposed by the Ministry of Industry, Mines and Trade or the Statistics Center of Iran for these industries. Statistical Center of Iran has classified businesses into four groups: businesses with 1-9 employees, 10-49 employees, 50-99 employees and businesses with more than 100 employees. According to the Statistical Center of Iran only business with less than 10 employees are considered as SMEs and consider the other businesses as large industrial firms. Iran's Central Bank considers businesses with less than 100 employees as SMEs (Malekinejad, 2006).

In this study, the definition provided by the Ministry of Industry, Mines and Trade is used as benchmark and SMEs are considered to be businesses with less than 50 employees.

### 3. Hypotheses

#### 3-1 The main hypothesis

- There is a significant relationship between the entrepreneurial skills of managers and selection of differentiation strategy in small and medium sized businesses (SMEs) of the Ardabil city.

#### 3-2 The secondary hypothesis

1. There is a significant relationship between the personal skills of managers and selection of differentiation strategy in small and medium sized businesses (SMEs) of the Ardabil city.

2. There is a significant relationship between the interpersonal skills of managers and selection of differentiation strategy in small and medium sized businesses (SMEs) of the Ardabil city.

3. There is a significant relationship between the process skills of managers and selection of differentiation strategy in small and medium sized businesses (SMEs) of the Ardabil city.

### 4. Research method

This research in terms of purpose application and in terms of the research methodology is descriptive and of the type of correlational and aims to study the relationship between entrepreneurial skills of managers and differentiation strategy in small and medium sized businesses (SMEs) of the city of Ardabil. Therefore, the data collection methodology of the research is survey.

#### 4-1. Statistical population
The study population includes all managers of small and medium sized businesses located in the Industrial Town 2 of the city of Ardabil, which includes 142 people.

4-2. The sample size and the sampling method
The method used for the sampling, simple random method. Cochran formula is used for determining sample size. According to this table, the sample size obtained 104.

4-3. Data collection tools
To collect the required data, two standard questionnaires are used:
A) The questionnaire of management’s entrepreneurial skills:
The questionnaire of management's entrepreneurial skills is set using a standard 22-item questionnaire to measure managers' entrepreneurial skills. In this questionnaire to measure the three dimensions of entrepreneurial skills of managers, items 1 to 22 were used as follows: personal skills, items 1 to 10; interpersonal skills, items 11 to 16; process skills, items 17 to 22. The questionnaire measurement was ordinal and based on 5-point Likert scale, including very low, low, medium, high, very high. Grade rating was 1 to 5 for the positive items.
B) The questionnaire of the differentiation strategy:
Questions related to the differentiation strategy were designed and set based on Michael Porter's model. This questionnaire includes 17 questions and questionnaire measurement was ordinal and based on 5-point Likert scale, including very low, low, medium, high, very high. Grade rating was 1 to 5 for the positive items.

4-4. Validity and reliability of the questionnaire
To assess the validity of the questionnaire the superficial validity was used so that the questionnaires were given to the professors and their beliefs about whether it is a good tool for measuring variables or not was asked, which resulted in their approval. Cranach’s alpha coefficient was used to assess the reliability of the questionnaire. The results of Cranach’s alpha coefficient are as follows:

Table (1): Reliability Coefficient for Each Variable Is Related Questions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of questions</th>
<th>Cronbach’s alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>personal skills</td>
<td>10</td>
<td>0.80</td>
</tr>
<tr>
<td>interpersonal skills</td>
<td>6</td>
<td>0.857</td>
</tr>
<tr>
<td>process skills</td>
<td>6</td>
<td>0.802</td>
</tr>
<tr>
<td>the entrepreneurial skills of managers</td>
<td>22</td>
<td>0.933</td>
</tr>
<tr>
<td>differentiation strategy</td>
<td>7</td>
<td>0.847</td>
</tr>
<tr>
<td>total of questionnaire</td>
<td>29</td>
<td>0.952</td>
</tr>
</tbody>
</table>

4-5. The method of data analysis
In the present study, after completing the questionnaire, the collected data based on the measurement scales of the variables were coded and then using the SPSS software were processed and analyzed. Methods for the analysis include: Descriptive analysis: Descriptive methods including Measures of central tendency and Distribution and Frequency percent for data classification, and viewing them through frequency tables and charts used. Inferential analysis: At first test using the Kolmogorov - Smirnov test for normality of the data distribution. In case of normality from Pearson correlation coefficient and Multivariate
Regression Analysis are used. Hypotheses analysis was performed using the Regression Analysis.

5. Results

Table (2): Distribution Of Respondents By Age

<table>
<thead>
<tr>
<th>Age group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 years</td>
<td>10</td>
<td>9.61</td>
</tr>
<tr>
<td>30 to 40 years</td>
<td>46</td>
<td>44.24</td>
</tr>
<tr>
<td>41 to 50 years</td>
<td>36</td>
<td>34.62</td>
</tr>
<tr>
<td>50 years and higher</td>
<td>12</td>
<td>11.53</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100</td>
</tr>
</tbody>
</table>

According to the results in Table (2), 9.61% of respondents with the lowest frequency are below 30 years old and 44.24% of them with the highest frequency have an age between 30 to 40 years old.

Table (3): Distribution Of Respondents By Education Level

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>10</td>
<td>9.62</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>36</td>
<td>34.62</td>
</tr>
<tr>
<td>Bachelor</td>
<td>52</td>
<td>50</td>
</tr>
<tr>
<td>M.A. and higher</td>
<td>6</td>
<td>5.76</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100</td>
</tr>
</tbody>
</table>

According to the results in Table (3), 5.76% of respondents with the lowest frequency have an academic degree of Master of Science and higher and 50% of them with the highest frequency have a bachelor's degree.

Table (4): Distribution Of Respondents According To Years Of Service

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 years</td>
<td>18</td>
<td>17.30</td>
</tr>
<tr>
<td>5 to 10 years</td>
<td>24</td>
<td>23.08</td>
</tr>
<tr>
<td>11 to 15 years</td>
<td>40</td>
<td>38.47</td>
</tr>
<tr>
<td>16 to 20 years</td>
<td>16</td>
<td>15.39</td>
</tr>
<tr>
<td>Above 20</td>
<td>6</td>
<td>5.76</td>
</tr>
<tr>
<td>Total</td>
<td>104</td>
<td>100</td>
</tr>
</tbody>
</table>

According to the results in Table (4), 5.76% of respondents with the lowest frequencies have above 20 years of job experience and 38.47% of them with the highest frequency have a job experience of 11 to 15 years.

Table (5): Results of the Kolmogorov - Smirnov Test to Determine the Normality Distribution of Research Variables

<table>
<thead>
<tr>
<th>Statistics</th>
<th>entrepreneurial skills of managers</th>
<th>differentiation strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>66.27</td>
<td>51.98</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>11.18</td>
<td>10.85</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>1.02</td>
<td>1.558</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.25</td>
<td>0.35</td>
</tr>
</tbody>
</table>

According to the results in Table (5) and given that the significance level for the test error at the confidence level of 0.95 is more than 0.05. So, we can say that the distribution of research...
variables is normal and for the hypotheses analysis should use parametric tests (Regression correlation coefficient).

### Table (6): Results of Multivariate Regression

<table>
<thead>
<tr>
<th>Predictive variable</th>
<th>Coefficient of determination</th>
<th>BETA</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Skills of Managers</td>
<td>0.918</td>
<td>0.843</td>
<td>0.918</td>
<td>23.43</td>
</tr>
<tr>
<td>Personal Skills</td>
<td>0.918</td>
<td>0.843</td>
<td>0.918</td>
<td>23.4</td>
</tr>
<tr>
<td>Interpersonal Skills</td>
<td>0.91</td>
<td>0.83</td>
<td>0.91</td>
<td>22.05</td>
</tr>
<tr>
<td>Process Skills</td>
<td>0.81</td>
<td>0.65</td>
<td>0.81</td>
<td>13.7</td>
</tr>
</tbody>
</table>

According to the results in Table (6) and given that the significance level for the test error at the confidence level of 0.99 is less than 0.01. So, we can say that the hypotheses are confirmed and there is a significant relationship between the entrepreneurial skills of managers and the selection of differentiation strategy and the entrepreneurial skills of managers have a direct and positive effect on the selection of differentiation strategy. Also, among the components of managers' entrepreneurial skills, variables personal skills, interpersonal skills and process skills predict 92, 91 and 81 percent of the differentiation strategy.

### 6. Conclusions

The results of this study revealed a high correlation between the entrepreneurial skills of the managers with their components of personal skills, interpersonal skills and process skills and the selection of differentiation strategy in small and medium-sized businesses of the city of Ardabil. Given that no research has been done on this subject, there is no possibility to compare the results of this study with the similar studies. However, the comparison of our results with the results of a number of studies that have at least one variable similar to our variables is presented:

- Faiz et al. (2012) conducted a study entitled “the impact of marketing capabilities on the functional consequences of the entrepreneur small and medium sized enterprises”. The results indicate that marketing capabilities, would increase the performance of the under study company and this hypothesis is confirmed in the sense that enhancing the marketing capabilities would enhance the company's performance.

- Babaei and Gharibnavaz (2008) did a study entitled "Analysis of competitive marketing strategy from the viewpoint of marketing and competition". The results of this study suggest that the competitive marketing strategy is a competitive strategy with marketing aspect and its aim is to create and acquire the competitive advantage in the length of industry’s value chain.

- Hezarjaribi (2005), Institute of Economic Affairs. in done study, entitled “Entrepreneurship in the Community”, it was concluded that there is a significant relationship between entrepreneurial characteristics with personal skills, personal motives, risk-taking, the need for a successful and creativity.

- Krimpoor Sefid Darboni (1382) in a study entitled “Personality characteristics of entrepreneurs: under support of the Organization of Development and Renovation of Industries of Iran” concluded that they tend to characteristics such as being successful, having internal control and risk-taking and in terms of ambiguity and independence are at a moderate level.
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− Maria (2010), University of Castilla–La Mancha, Spain. In this research entitled “Competitive strategies and firm performance: Technological capabilities' moderating roles” the relationship between Porter's competitive strategy and firm’s performance in investigated and result showed the Cost leadership and differentiation strategies are positively associated with firm’s performance.

− Eonsoo Kim, Dae-Il Nam and J. L. Stimpert (2004) at the University of Colorado with the title of “The Applicability of Porter's Generic Strategies in the Digital Age”. In this paper, it results that the generic strategies, which a combination of cost leadership and differentiation strategies, with respect to the cost leadership or differentiation strategies are unenforceable.

Based on the results achieved in this research, the following recommendations are presented. If a business chooses to adopt differentiation strategies, the following suggestions in the field of entrepreneurial skills of managers are offered:

1. Innovative ideas presented by managers and colleagues, in a new product or service to be implemented.
2. To be pioneer in implementing new and innovative decisions.
3. When complete information is not available, as possible to avoid hasty decisions.
4. Consider the challenges and changes occurred in their business environment as an accepted reality and welcome to it.
5. To explore the recent changes in the industry and the way to take advantage of these changes.
6. In communication with others, including colleagues and subordinates, to act appropriately and successfully.
7. In negotiations and bargaining with others, acted commensurate with the conditions and position of negotiation, including opponent's characteristics, the place and time of negotiation etc.
8. Effective leadership and influencing behavior and words in others are preserved.
9. In design of objectives and work plans for themselves and employees to act successfully.
10. In describing the programs and strategies related to the practical activities and working practices do act skillfully.
11. The internal strengths and weaknesses points of organization and effective environmental factors to be identified and evaluated.

References

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