



Economic and Environmental Factors Leading to Entrepreneurial Success

KEYWORDS

Entrepreneurial Success, Economic Factors and Environmental Factors

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ABSTRACT *Business environment refers to different forces or surroundings that affect business operations such as customers, competitors, suppliers, distributors, industry trends, substitutes, social and cultural factors, innovations and technological developments. The economic factors includes system, policies and nature of an economy, trade cycles, economic resources, level of income, distribution of income and wealth.*

Success of the entrepreneurs generally depends on different sets of factors. Many authors and researchers are of the view that the success of an entrepreneur greatly influenced by the economic and environmental factors. The present study is an attempt to know the important economic and environmental factors contributing to entrepreneurial success in Assam. The study finds that there are five important economic & environmental factors which lead to the success. These factor are - Power supply, Access to latest technology, Competitive pricing, Access to market channels and Access to business association.

1. Introduction

The term "entrepreneurs" usually refers to individuals who undertake new initiatives that are innovative and creative. Research into the entrepreneurial success suggests that there are various factors which lead to success. These are mainly internal factors and external factors. Internal factors include personality traits and socio-cultural factors. External factors include Economic and Environmental factors. The present study is an attempt to know the important economic & environmental factors leading to entrepreneurial success.

2. Review of literature

Economic Factors are the set of fundamental information that affects a business or an investment's value. Economic Environment refers to the economic factors that have effect on the working of the business. It includes system, policies and nature of an economy, trade cycles, economic resources, level of income, distribution of income and wealth. For a business, key economic factors include labor costs, interest rates, government policy, taxes and management. Business environment refers to different forces or surroundings that affect business operations. Such forces include customers, competitors, suppliers, distributors, industry trends, substitutes, regulations, government activities, Infrastructures, the economy, demographics, and social and cultural factors, innovations and technological developments.

Naqvi (2011) conducted a study to highlight the critical failure and success factors in SMEs of Bahawalpur. The dominant failure factors which were considered are lack of access to financial capital, inappropriate government structure and poor infrastructure as well as corruption. Thus, success of SMEs is dependent on free access to financial environment, strong government structure and support, robust infrastructural facilities and honesty.

Munikrishnan and Veerakumaran (2011) explored the business success factors of budget hotels in Klang Valley. The

result of Pearson Product-Moment correlation coefficient indicated that contextual Factor, size of business and access to capital have a positive relationship with a p-value of less than 0.05. Moreover, the result of regression analysis indicated that a contextual factor, size of the business and access to capital positively influence the perceived business success of the entrepreneur of Klang Valley.

Ahmad et. al. (2010) in their study evaluated the effect of entrepreneurial competencies and the moderating effect of business environment on business success in small and medium sized enterprises (SMEs) in Malaysia. The sample size of the study was limited to 212 Malaysian SME owner-founders and structural equation modeling (SEM) procedures were used for data analysis. The findings of the study showed that entrepreneurial competencies were strong predictors of business success in SMEs in Malaysia. It was also found that the association between entrepreneurial competencies and business success was more strongly evident in hostile and dynamic environments than in more benign and stable environments.

Simon et. al. (2007) investigated that social network do not play a significant role in determining success once the business starts operation whereas smartness and the human capital of the entrepreneur are the most important explanatory Factors. Mehmet Turan & Ali Kara (2007) in their findings suggested that freedom to make decisions, the chance of achieving a relatively higher financial gain and some environmental factors were important to achieve success. Al-Mahrouq (2004) in a survey report showed that plant size are an important factor in plant growth, which means that the smaller firms grow at faster rates in comparison with their larger counterparts.

Mazzarol and Choo (2003) emphasized that legality or law and order play a dominant role in SMEs survival and growth. The legal aspect is considered in selection operating decision in order to ensure future business success. In this backdrop, Duh (2003) in a study found that unsuitable

legislation is the major obstacle faced by Slovenian SMEs. Gideon D. & Robert A. Baron (2003) suggested that there are many factors—including market forces, industry trends, new technological discoveries, and so on—interact in complex ways to ultimately determine the success of entrepreneurial firms.

Bosma, Praag and Wit (2002) highlighted the importance of financial capital of entrepreneur and reported that various financial capital such as amount of income, financed with own capital, contribution by business partners, loan from family members and friends are the important ingredients of business success.

Kreft (2003) in a study made an attempt to highlight the necessity of access to capital or early finance. It is true that at the start-up or any growth stage, identifying sources of potential capital is one of the major issues that entrepreneurs all over the world must face as they start their businesses. Without this capital, an entrepreneur is lacking essential resources necessary for success. The study lists eight core elements of an infrastructure necessary for supporting entrepreneurship. Of these eight core elements, six related to an entrepreneur's ability to access capital. The study concludes that access to capital plays a pivotal role in entrepreneurial success.

Tustin (2001) emphasized the importance of location of the business organization. Geographic location has its implications for access to markets and other resources like finance, skilled labours, subcontractors; infrastructure, distribution & transport logistics and other facilities. SME success basically depends on neighbourhood appearance and continued/maintained future business operations of that particular location.

David G. & Andrew J. (1998) tried to test the impact of finance-constraint on entrepreneurial success. The key test in this study shows that, all else equal, people with greater family assets are more likely to switch to entrepreneurship from employment. Bruderl and Preisendorfer (1998) recommended that the use of traditional financial measures of success, such as profitability, sales turnover, and return on investment, is paramount in gauging the extent to which a firm is successful or not. It can be concluded that organizations to be considered successful, it is important for them to generate income and increases in profit, and to demonstrate some level of growth, as indicated in their sales and income.

Miller and Dess (1996) classified the external environment of the enterprise under two broad headings namely, general and competitive environments. The general environment consists of the political-legal, macro-economic, socio-cultural, technological, demographic and global factors that might affect the organization's activities. On the other hand, the competitive environment consists of other specific organizations that are likely to influence the profitability of the enterprise, such as customers, suppliers and competitors. The success of SMEs is highly dependent on the interrelationship of the three strategic factors: entrepreneur characteristics, enterprise factors and the external environment.

3. Objectives of the study

The objective of the study is to identify the important Economic & Environmental Factors leading to Entrepreneurial Success

4. Research Methodology

The type of research followed here is descriptive in nature.

(i) Sampling design

The type of sampling used in this study was multistage sampling. The universe of the study consists of 756 successful food processing entrepreneurs of Assam. A representative sample of 85 entrepreneurs was considered for the study at 95% level of confidence and at 10% confidence Interval.

(ii) Data collection

The primary data was collected directly from the selected entrepreneurs by serving structured questionnaire during April 2012 – March 2013. The questionnaire includes 11 variables.

(iii) Measurement of Level of Success

Success of the entrepreneurs is measured by success of the firm. In the present study, level of success is measured in terms of sales growth over last three years. The compounded annual growth rate of 85 entrepreneurs are normalized to arrive at three linear intervals namely low level success = 0 to 33.33%, moderate level success = 33.33% to 66.66% and high level success = 66.66% to 100%.

(iv) Instruments for Measuring important economic & environmental factors

The following 11 variables were used as an instrument for measuring important economic & environmental factors on the basis of review of literature.

1. Location of business
2. Access to early finance
3. Sufficient amount of money to invest in business
4. Law & order
5. Transportation facilities
6. Power supply
7. Tax exemptions
8. Access to latest technology
9. Competitive pricing
10. Access to market channels
11. Access to business association

With reference to the above stated factors, eleven statements were made and measured in the five point ordinal scale that is strongly agree, Agree, neutral, disagree & strongly disagree. Ultimately score of 5, 4, 3, 2, 1 were assigned corresponding to the degree of agreement. Reliability test was carried out and the cronbach's alpha was found to be 0. 0594 which indicates the reliability of the scale used.

(v) Data Analysis

Statistical software SPSS 15 was used for analyzing the data. Descriptive statistics were used for summarizing the collected data. Kendall's Tau-C was used to measure the significance of association between the factors chosen for study and the level of entrepreneurial success.

5. Findings

On the basis of review of literature, eleven (11) 'economic & environmental' factors for successful entrepreneurs were chosen as stated under the heading research methodology.

The objective of this paper is to find out the important 'economic & environmental' factors contributing to success. For which, each Factor has been tested for its sig-

nificant of association with the level of success.

Cross tabulation between level of success and level of score on the factor "Location of Business" is given in Table No.-1.

Table No-1: Location of business and level of Success

Very low		Degree of importance of the factor "Location of business"					Total
		Low	Mod-erate	High	Very High		
Level of Success	Low Level of success	2	3	10	12	15	39
	Moderate level of Success	2	2	8	11	5	28
	High level of success	0	0	3	12	3	18
Total		4	5	21	35	20	85

Table No-1 represents the relationship between the level of score on "Location of Business" variable and the level of success. Both level of score on the economic & environmental factor i.e. Location of Business and the level of success are expressed in ordinal scale. Kendall's tau-c correlation is calculated in order to find the degree and direction of relationship between the level of score on "Location of Business" and the level of success.

The result of Kendall's Tau-c correlation test between the factor " location of business" and level of success is given in the Table No-2.

Table No-2: Kendall's Tau-c between Location of business and level of Success

Ordinal by ordinal	Kendall's Tau-c	Value	Sig
		.023	.09
	No. of valid cases	85	

In the Table No.-2, it is found that the value of $p=0.09$ which is >0.05 , this indicates that the association between Location of business and level of Success is insignificant. Similar approach is followed for the other ten remaining Economic & Environmental factors also. Summary of the result of Kendall's Tau-c correlation test for all the 11 is given in table No.-3.

Table No. -3: Important Economic & Environmental Factors

Economic & Environmental Factors	Value of Kendall's Tau-C	P Value	Significant at $\alpha=5\%$
Location of business	.023	.09	Insignificant
Access to early finance	.095	.315	Insignificant
Sufficient amount of money to invest in business	.029	.750	Insignificant
Law & order	.139	.105	Insignificant
Transportation Facilities	.021	.803	Insignificant
Power supply	.243	.002	Significant
Tax Exemptions	.142	.140	Insignificant
Access to latest technology	.397	.000	Significant
Competitive pricing	.303	.002	Significant
Access to market channels	.328	.000	Significant
Access to business association	.332	.000	Significant

Table No.-3 indicates that out of eleven (11) 'economic & environmental' Factors, only five (5) are found to be significantly associated with the level of success of the entrepreneurs. These factors are Power supply, Access to latest technology, Competitive pricing, Access to market channels and Access to business association.

6. Conclusion

It is concluded that out of eleven (11) 'economic & environmental' factors considered for the study, only five (5) are found to be significantly associated with the level of success of the entrepreneurs. These factors are:

- 1) Power supply
- 2) Access to latest technology
- 3) Competitive pricing
- 4) Access to market channels
- 5) Access to business association

Uninterrupted 'power supply' and 'access to latest technology' are crucial for achieving success in manufacturing MSME in general. The present study discards the significant role of 'Location', 'transportation facility', 'sufficient money' and 'law & order' situation. This should act as a push factor for struggling entrepreneurs for the reason that even the 'law & order' situation and 'transportation facility' in Assam is not good enough; still there is possibility of achieving high level success. If an entrepreneur could not set up his /her business in a 'suitable location' or doesn't have 'ample money', still there is hope for achieving high level of success.

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