

Success Factors: An Empirical Investigation of MSME Entrepreneurs

Dr. Jagdeep Singla*

Assistant Professor, IMSAR, MDU, Rohtak

Abstract – The objective of this study is to analyse various factors required for the success of an enterprise In the industrial sector of India the contribution of MSME sector has been very significant. It contributes about 45% in manufacturing and 40% of the total export of the country. Thus the objective of the study is to examine the success factors of entrepreneurs in this sector. The data were collected from 120 entrepreneurs using a questionnaire. The data have been analysed descriptively and presented through figures, tables and percentages. Moreover, factors analysis was also conducted to group these factors in to various groups. The results suggest that finance management, availability of customers and family support affect positively and significantly to the success of entrepreneurs in their business.

Key Words: Micro, Small and Medium Enterprises (MSMEs), Success Factors.

-----X-----

1. INTRODUCTION

The globalization has led to the change in the business environment. The advancement in technology and alliances with firms from developed industrial countries has been changing the industrial structure. (Narula & Dunning, 1998). It resulted in an explosion of new entrepreneurial interest in the country and catalysed its role in business and economy (Rai, S.K. and Sahay, A. 2004). Entrepreneurship has been playing a very important role in the economic development (Roman S. 2001) and acts as an engine of growth and wheel that pedal the vehicle of economic development (Josiane, C. 1998). Entrepreneurship is strongly linked to micro, small and medium sized enterprises (MSMEs), which are the main developing force of the developed market economies (Stefanovic et al. 2011).

The MSME sector has often been termed as the 'engine of growth' for developing economies (Ravi, S. 2009). The small enterprise sector has continued to contribute greatly in creating jobs in large scale and helped reduce inter-regional and rural-urban disparities in growth (Das, K. 2008). The rapid industrialization and growth in the economy have introduced a new value system that leads to recognition of Micro, Small and Medium enterprises. A new role has been assigned to the development of entrepreneurship, industrial development and employment generation. These have been playing a significant role in the improvement of the standard of living. This sector is characterized by low investment requirement, operational flexibility, location wise mobility, and import substitution. The major

advantage of the sector is its employment potential at low capital cost. The labor intensity of the MSME sector is much higher than that of the large enterprises. The contribution of micro, small and medium enterprises (MSMEs) sector to manufacturing output, employment and exports of the country is very significant. The MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country. It is the second largest employer of human resources after agriculture in India. Further, this sector has consistently registered a higher growth rate than the rest of the industrial sector. There are over 6000 products ranging from traditional to high-tech items. Considering that the entrepreneurs are very significant for the growth and development of our countries, understanding their success factors is a very important topic.

Source: Annual Report, 2010-11. Ministry of Micro, Small and Medium Enterprises

2. LITERATURE REVIEW

The success of a business can be defined on the basis of its ability to survive in the economic environment (Lussier and Pfeifer, 2001). The variables contributing to the success of small businesses can be categorized into three groups i.e. psychological and personal skills, management skills and training, and external environment. Benzing et al. (2009). A study by Attahir (1995) on critical success factors of business gave that good management, personal qualities, access to finance, the initial investment and government support were the top key success factors. Further, Yusuf (1995)

in his study explained some critical factors that had contributed to business success. These factors were good management skills, access to finance, personal qualities, and government support systems. In addition to this Enyinna, 1995 gave that management of small enterprises requires management of skillful workers who in turn produce goods and services based on market demand with effective utilization of resources. Pratt (2001), on the other hand found that the availability of capital, possession of business skills, previous job experience, and support by family were essential for business success. Huck and McEwen (1991) reported that business owners in Jamaica considered that the marketing factor were the most critical ingredient for the success of a business. Moreover, management abilities of the entrepreneur and the environmental factors were considered as the most important factors for the success of small businesses Gosh et al. (1993). In the same vein, Martin and Staines (2008) added that Managerial competencies were very significant for the survival and growth of new business. They also found that lack of managerial experience and skills were the main reasons why new firms fail. However, the innovation in the business through Information Communications Technology (ICT) was supporting women entrepreneurs in their business in formulating a low cost structure and achieving higher returns per customer (Marlin & Wright, 2005). Coy et al. (2007) pointed out that small business owners in Pakistan believed that business success lies within their internal control and business connections, with that working hard, product quality, attention to the key customer were other success factors. Pisturi et al. (1997) examined that support for the family acts an important ingredient in business success because it leads to the development of social communication and economic networks. In the same way, Yusuf (1995) suggested that social networking is a leading factor for business success. A study by Ehigie and Umoren (2003) revealed that the success of an entrepreneur depends on psychological factors such as self-concept, managerial competence, and work-stress and business commitment.

3. RESEARCH METHODOLOGY

Sample

The sample taken in the present study consists of micro, small and medium entrepreneurs who have been running their own business. A sample of 120 entrepreneurs has been taken to collect the data

Results and Discussions

This section represents the factors and descriptive analysis of the variables used in this study. All the variables were selected and presented through figures, tables and percentages.

Age of the Respondents

The majority of the entrepreneurs, 52 (43%) were between the ages of 25-35. This was followed by the age range of 35-45 which is 36 (30%). It was observed that few of them are either too young between ages 15 and 25 (18%) or too old in the age range of 45 and above (9%). The age group of 25-35 dominated all other age groups.

Table 1: Descriptive Statistics of Entrepreneurs by Age

Age	Frequency	Percentage (%), approx.
15-25	22	18
25-35	52	43
35-45	36	30
45-above	10	9
Total	120	100

EDUCATIONAL BACKGROUND OF ENTREPRENEURS

Table 2 has designed to capture the statistics on the educational background of the respondents. Considering the qualification of respondents, the majority of them 42 (35%) were bachelors, 30 (25%) of them were with senior secondary, 24 (20%) were with metric certificates and 6 (5%) obtained education up to primary school, while only 8 (7%) obtained post-graduation status in their certification and only 10 (8%) had other certificates which were not actually specified.

Table 2: Descriptive Statistics of Entrepreneurs of Education

Higher Education	Frequency	Percentage (%)
Primary School	6	5
Metric	24	20
Senior Secondary	30	25
Bachelor	42	35
Master	8	7
Others	10	8
Total	120	100

Number of Employees currently engaged in the Business

The study also showed that 58 (48%) of them had between one to five employees in their business, followed by 38 (32%) had six to ten employees in their business, 16 (13%) had eleven to sixteen employees in their organization, a 8 (7%) had seventeen or above employees in their organization.

Table 3: Descriptive Statistics of Respondents by Number of Employees

Number of Employees	Frequency	Percentage (%)
1-5	58	48
6-10	38	32
11-16	16	13
17 or more	8	7
Total	120	100

Success Factors of Entrepreneur

The questionnaire was used to collect data on success factors of MSME entrepreneurs. The respondents gave their responses on a five point Likert scale against 8 statements representing success. Keiser-Meyer-Olkin, a measure of sampling adequacy was 0.603 showing that the sample size was adequate according to the number of statements and Bartlett's test of Sphericity was significant at 0.000.

Table 4: The results of Principal Component Factor Analysis with Varimax Rotation, Factor Loadings and Variance Explained for success variables

Success factors	Component			Communalities
	1	2	3	
Proper management of Finance and capital	.922			.681
Knowledge and skills required in the business	.821			.704
Procurement and management of skilled workforce	.762			.671
Good customer service	.755			.811
Competitively low pricing		.901		.856
Selling a variety of products		.812		.897
Product improvements			.940	.830
Adopting technological changes			.804	.824
Percentage of variance	41.720	21.531	20.124	

The factor analysis yielded three different factors of motivation and on the basis of the values of factor loadings the four factors were given different labels as given below:

Table 5: Extracted Factors of success variables with Labels, Variables and Factor Loadings

Factors	Statements	Loading	Eigen values	Mean	SD
Skills and competencies	Proper management of Finance and capital	.922	3.209	3.08	.945
	Knowledge and skills required in the business	.821		3.81	.920
	Procurement and management of skilled workforce	.762		3.34	1.015
	Good customer service	.755		3.57	.915
Competition	Competitively low pricing	.901	1.618	3.63	1.057
	Selling a variety of products	.812		3.77	1.179
Innovation	Product improvements	.940	1.129	3.63	.871
	Adopting technological changes	.804		3.22	1.140

The first factor consists of 4 variables: "Proper management of Finance and capital, Knowledge and skills required in the business, Procurement and management of skilled workforce and Good customer service" and it is labeled as "Skills and competencies". The second factor is made up of 2 variables: "Competitively low pricing and Selling a variety of products" and it is named as "Competition". Last factor is a combination of two variables:

"Product improvements and Adopting technological changes" and it is labeled as "Innovation".

4. CONCLUSION AND DISCUSSION

It is indicated by the survey that each business has its own unique combination of key success factors, but there are some factors important for all businesses. This study indicated that the success of a business depends on the following factors: Finance and Capital, Knowledge and Skill, Good Customer Service. There is also need to get trained in an area that is relevant to the business carried. Moreover, there is a need to improve ways of collecting business information for the purpose of improving production and marketing activities. The more a business owner knows about its customers and markets, the better they can meet their needs. This paper offered a view key success factor and grouped them into three major groups like "Skills and competencies, Competition and Innovation". These factors can be considered by the policy makers which in turn help in decision making and policy formulation.

5. REFERENCES

Journal

- Attahir, Y. (1995), "Critical success factors for small business perceptions of South Pacific enterprises", *Journal of Small Business Management*, pp. 68-73.
- Bates, K.A., Flynn, E.J. and Flynn, B.B. (2009), "The pressure to perform: innovation, cost, and the lean revolution", *Business Horizons*, Vol. 52, pp. 215-21.
- Benzing, C., Chu, M., and Callanan, G. (2005), "Regional comparison of the motivation and problems of Vietnamese entrepreneurs", *Journal of Developmental Entrepreneurship*, Vol. 3, 3-27.
- Coy, P.S., Shipley, M.F. & Omer, K. (2007), "Factors contributing to success: A study of Pakistan's small business owners", *Journal of Developmental Entrepreneurship*, Vol. 12 (2), pp. 181-198.
- Ehigie, B.O. and Umoren, U. E. (2003), "Psychological factors influencing perceived entrepreneurial success among Nigerian women in small-scale businesses", *Journal of International Women's Studies*, Vol. 5 (1), pp. 78-95.
- Enyinna, C. (1995), "Growth and Dynamism among Rural: Scale enterprise information gap", *International business review*, Vol. 9, pp. 312-330.

- Fanersher, J. (2003), "Strategies Enhanced by corporate", *The Journal of Management*, Vol.34 (8), pp. 30-33.
- Gosh, B. C., Kim, T., S., and Meng, L. A. (1993). "Factors contributing to the success of local SMEs: An insight from Singapore", *Journal of Small Business and Entrepreneurship*, Vol. 10 (3), 33-45.
- Huck, J.F. and McEwen, T. (1991), "Competencies needed for small business success: perception of Jamaican entrepreneurs", *Journal of Small Business Management*, Vol. 3, pp. 90-93.
- Lussier, R., and Pfeifer, S. (2001), "A cross-national prediction model for business success", *Journal of Small Business Management*, Vol. 39 (3), pp. 228-237.
- Marlin, L.M. and Wright, L.T. (2005), "No Gender in Cyberspace?", *International Journal of Entrepreneurial Behavior and Research*, Vol. 11, pp. 62-178.
- Narula, R., and Dunning, J. H. (1998), "Explaining international R&D alliances and the role of governments", *International Business Review*, Vol. (7), pp. 377-397.
- Pistrui, D., Huang, W., Oksoy, D., Jing, Z. and Welsch, H. (2001), "Entrepreneurship in China: characteristics, attributes, and family forces shaping the emerging private sector", *Family Business Review*, Vol. 2 (14), pp. 141-52.
- Rai, S. K. and Sahay, A. (2004), "How Entrepreneurial Are Youth of Varanasi: An Empirical Study Through Cyber Cafe's", *Journal of Services Research*, Vol. 4 (2), pp. 175-203.
- Roman, S. (1991), " Entrepreneurship and Small Business: The Hungarian Trajectory", *Journal of Business Venturing*, Vol. 6 (6), pp. 447-465.
- Stefanovica, I., Prokic, S. and Rankovic, L. (2011), "Entrepreneurs motivational factors: empirical evidence from Serbia", *Serbian Journal of Management*, Vol. 6 (1), pp. 73 – 83.
- Yusuf, A. (1995). "Critical Success Factors for Small Business: Perceptions of South Pacific Entrepreneurs", *Journal of Small Business Management*, 33 (2), pp. 68-73.

Web sites

- Annual Report, 2010-11. Ministry of Micro, Small and Medium Enterprises, http://msme.gov.in/msme_ars.htm
- Das, K. (2008). 'SMEs in India: Issues and Possibilities in Times of Globalisation', http://www.eria.org/SMEs%20in%20India_Issues%20and%20Possibilities%20in%20Times%20of%20Globalisation.pdf
- Josiane, C. (1998). "Gender Issues in Micro-Enterprise Development" <http://www.ilo.org/enterprise>
- Martin G, Staines H (2008). "Managerial competencies in small firm", <http://www.emeraldinsight.com/insight/viewcontentitem.do?contenttype>
- Pratt, V. (2001). "Sharing Business Skills in Kenya", <http://www.cipe.org>
- Ravi, S. (2009). "Entrepreneurship Development in the Micro Small and Medium Enterprise Sector in India" http://www.isb.edu/faculty/shamika/MSME%20chapter_Shamika%20Ravi.PDF

Corresponding Author

Dr. Jagdeep Singla*

Assistant Professor, IMSAR, MDU, Rohtak

jagdeepsingla@gmail.com