

Entrepreneurs Success in Business: Some Critical Factors

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Abstract: This study analyzed three important questions concerning entrepreneurship success in business that are the factors influence entrepreneurs involvement in business, the levels of profits return and the critical success factors in entrepreneurship. A total number of 70 entrepreneurs were involved in this research. The analysis of the study indicate that the most factors encouraged entrepreneurs in business is the desire to achieve freedom and satisfaction. Other factors are to support the family, to become rich, to fulfill the ambitions, to become self-reliance and disfavor of being salaried workers. Based on the profit returns, majority entrepreneurs are successful by having returns >3 years. Meanwhile, from the mean rank analysis of the study shows that successful factors are attributed by age, good record management and financial control, planning skills, marketing skills and educational levels. The result of the study also indicate that there are four critical success factors in business namely; management experience ($r = 0.312$, $p < 0.05$), industry experience ($r = 0.308$, $p < 0.05$), the economic situation ($r = 0.265$, $p < 0.05$) and planning skills ($r = 0.251$, $p < 0.05$). The study suggests that these critical success factors need to be addressed in any entrepreneurs training efforts in the future.

Key words: Entrepreneur, entrepreneurs, business, critical success factor, profit, planning skills

INTRODUCTION

Entrepreneurial became an important field in the Malaysia economy since country's independent in 1957. The field has been given priorities in various long term government policies such as in the New Economic Policy (NEP in 1970-1990), National Development Policy (NDP in 1991-2000) and the Vision 2020. Government's emphasis on entrepreneurial education and trainings become more imperative after the year 1995 following the establishment of The Ministry of Entrepreneurs Development (MED) which intends to develop entrepreneurial interest among school and university students as well as society at large. Under the 10th and 11th Malaysian Plans (covering of the years 2010-2020), various government strategies has been implemented to advance and spreading out entrepreneurship activities toward more global. Several dynamic steps taken by the government are promoting and supporting the establishment of new and present entrepreneurial institutions fostering its capability and strengthening cooperative relationship between entrepreneurial entities, especially among Small and Medium Industries (SMI) to boost sectorial economic contribution >40% by the year 2015.

In brief, an entrepreneur can be defines as an individual who acts as an employer, industrialists or

economic producer. This definition has been used widely as Greene (2000) has defines an entrepreneur as an individual who carries out his or her own business whilst few have considers entrepreneur as an individual businesses whose in it characters are sensible to changes, innovative and creative in increasing their wealth, power and social status (Naude, 2010).

The field of entrepreneurship in the SMI has played a vital role and has contributed to the success of a nation's economy in most other countries. This is because the field is able to function as a main supplier in offering jobs, to generate innovation and seeking opportunities for business development (ARC, 2000). However, starting and establishing a business activity is not an easy task because entrepreneurs have to face various challenges and problems such as inadequate capital, market competitions on product and business concepts, fast technology changes, management constraints, communication breakdown, change in the demand and supply and the unpredictable economic situations (Othman, 2002; Sieh Lee, 1990; Timmons *et al.*, 1985; Hess, 1987; Ken, 1990).

Statistics from Department of National Insolvency Malaysia (DNIM) proved above facts when reported a total of 4,067 SMI entrepreneurs declared bankruptcy in 3 consecutive years, 2006-2009. A big challenges and

problems faced by entrepreneurs within internal and external business environments have slower it growth. For example from 1982-2008 (20 years), only 0.4% of entrepreneurs increased at average rate per year that is from 1.2-2.2 million.

While national economy hoping for entrepreneurial field to grow and sprawling fast, it is important to understand issues that relates to slow moving development. Concerning the issues, this study highlights three important questions to be discussed based on local case study involving of entrepreneurs in business. These questions are about what motivating factors for individual involvement in entrepreneurial? Does entrepreneurs achieved success in their business? What factors are considered as critical factors for entrepreneurial success in business? In analyzing above questions, this study uses Lussier (1995)'s Model as a theoretical guidance. According to Lussier (2005), the yardstick to measure the successful of an entrepreneur in business is based on whether the profit gained is lower than the industry average, equal to the industry average or higher than the industry average. Subsequently, the determining factors of entrepreneur's success are influenced by 15 independent variables namely capital, planning, record keeping and financial control, professional advisor, management experience, industrial experience, entrepreneur educational level, labor, economic situation, the current manufacturing production and service, marketing skills, parents background in trade, status of business, the type of shareholding and the entrepreneur's age when starts a business.

Through previous research, an entrepreneur's success factors were commonly generalized based on the industry profit levels. However, many research gave less attention toward moderating and explaining causal relationship effect between profit levels and variables studied (Rozell *et al.*, 2010; Kader *et al.*, 2009; Benzing *et al.*, 2009; Alasadi and Abdelrahim, 2007; Temtime and Pansiri, 2004; Rose *et al.*, 2006; Das, 2001; Steiner and Solem, 1988; Attahir, 1995). Study conducted by Rozell *et al.* (2010) in Brazil, Chile and Ecuador found that successful and failures of entrepreneur's in these countries are influenced by a few factors such as obtain ability of raw materials, entrepreneur's motivation, industrials knowledge, technologies, communication skills, planning skills, interpersonal skills and risk management. Meanwhile, a study conducted by Kader *et al.* (2009) on One-District-One-Industry (ODOI) programs in rural area of Malaysia found that the successful and failures of entrepreneurs factors are based

on the elements of training grants, a quality of person's, external environment, government policies, raw material supply, marketing support by the government, market reachable social network, service and workforce. Both studied however does not perform any causal relationships between profit levels and variables observed but rather to conclude based on degrees of issues. Therefore, this study was conducted to determine the factors influence entrepreneurs involved in business, the level of profit return and critical success factors in entrepreneurship.

MATERIALS AND METHODS

Data used in this study was gathered from cluster survey conducted in March to April 2010 at three business areas in the state of Perak namely Bercham, Ipoh garden and Pasir Putih. A total number of 70 respondents in various business activities such as direct selling, logistics production, electronics, home appliances, computers and telecommunications are involved. Questionnaire used in this research is developed by researcher consisting of four sections. Study is compiled background information of the respondents such as sex, age, race, marital status, school levels, academic qualifications, family background, reasons of venturing into business, last job before went to business, age when started the business and entrepreneurial trainings experiences. In this study, information of business is collected among a types of business, duration and experience, number of workers, total capital investment, sources of capital and average gain of profits. Study identified factors which are propelled to respondent involvement in business. Each item is rated on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). Meanwhile, present study is identifying factors that relates to entrepreneurs' success as proposed by model. Each item is rated on a 5-point Likert scale from 1 (strongly disagree) to 7 (really agree). Data gathered was analyzed using descriptive and Pearson correlation analyses through Statistical Package for Social Sciences (SPSS) Ver. 19.

RESULTS AND DISCUSSION

Respondents profile: Based on the findings, 52.9% of the business owner involved in the research is male and the rest are women. Majority of respondents are at middle age with the highest percentage is at 41-50 years (41.4%) followed by 31-40 years (24.3%), <31 years (22.9%) and up

to 51 years (11.4%). A total number of 65.7% are Chinese ethnic followed by 22.9% of Malay and 11.4% Indians. Majority of entrepreneurs (78.6%) are married. Results shows that an entrepreneur academic background is various where the highest numbers are diplomas and degrees holders covering of 52.9%.

A total number of 64.3% were worked with other parties before venturing into their own business while 35.7% are not. Most of respondents (60%) started their business at their early age of 31-40 years compared to 1.4% at 60 years and up. Business profile show that entrepreneurs are involved in various entrepreneurship activities such as direct selling, logistics factory, electronic shop, shoe factory, mirror shop, greengrocery, computer shop, telecommunications shop and hardware suppliers (representing 18.3%). The rest of the entrepreneurs are involved in business related to food and beverage (15.7%), textiles (14.3%), retailing (11.4%) and insurance (10%).

Study also indicate that 5.7% of entrepreneurs conducting business related to beauty, 2.9% on traditional medicine and 1.4% in bookshops, ornaments and flowers. Many of the entrepreneurs started their business through their own capital or personal savings (57.1%) compared 21.4% of them have taken loans from the banks, 1.4% from their friends, 12.9% from inheritance properties and 7.1% from institutions or business associations loans. On the aspect of workers, majority of them are having 3-5 employees which mean that they are a part of small scale industries.

Factors for business involvement: Study shows that the respondents' involvement in business is influenced by various factors. Based on the mean rank score of analysis was showing that the desire to be independent and get satisfaction (4.36) was a strongest factor followed by the other factors such as to help and support family (4.29), wish to be rich (4.24), ambitious to entrepreneurship (4.19), to become an independent (4.19), aversion from salary-paid worker (4.19), interested to business (4.11), had an opportunity to venture into business (4.01), willing to take the risks (3.91), venturing to a new field (3.86), inspired by other success (3.84), encouraged by family members (3.77), exerting own business experience (3.74) and pressures of life (3.74). Based on the results of the study showed that motivation and personal desires are an important factors that influence a person to involved in business.

Business profit: Table 1 shows that 68.6% of entrepreneurs have acquired same average profit level with the average returns of industry. Subsequently, 15.7% get much higher and lower than industrial average. By combining percentage of entrepreneurs that have same

Table 1: Average of entrepreneurs profit level (N = 70)

| Items | Frequency | Percentage |
|------------------------------|-----------|------------|
| Profit average level | | |
| Lower than industry average | 11 | 15.7 |
| Equal to industry average | 48 | 68.6 |
| Higher than industry average | 11 | 15.7 |
| Business profit level | | |
| Do not enjoy any profit | - | - |
| Enjoy profit for 1 year | 3 | 4.3 |
| Enjoy profit for 2 years | 14 | 20.0 |
| Enjoy profit >3 years | 53 | 75.7 |

profit return equal and higher than industry averages, it can be concluded that majority of them are considered successful in business. This is supported by indication of profit level in Table 1 which shows that 75.7% of respondents are enjoys doing business profit for >3 consecutive years while no data showing that they not enjoys any profit since venture into business.

Success factors: According to Lussier (1995), measurement of entrepreneur success is determined by profit level as discussed before. Yet, entrepreneur success (in making business profits) is influenced by numerous variables. Based on Lussier Model, there are 15 factors contributed to business endures for profit. Through mean rank analysis, the result of the study shows that the most influential factor is the age when one started the business (2.63 scores) while the least is business in partnership form (average 1.21 score). Based on the finding, it can be concluded that an entrepreneur success is not exclusively determined by commonly accepted factors such as amount of capital, economic situations and the business size per se but have to account others like age when started the business, record management and financial control, planning skills, marketing skills and educational level.

For the case, business success at the younger age can be associated with various factors such as the creativity and innovative capability of the entrepreneur, good educational attainment, physical strength, competitive and the optimistic thinking of the future. This finding is consistent with research done by Alasadi and Abdelrahim (2007) where entrepreneur's age factor was concluded to be very important factor for an entrepreneur's success in business.

Critical success factor: Although, there are number of influential factors for the entrepreneur success as shown in Table 2, the most important question is how significant are these factors toward the real business profit? According to the model, critical success factors has a positive relationship with average of profit level and business profit level achieved by an entrepreneur in business. To excerpt these factors, bivariate Pearson correlation test for each 15 success factors with the average of profit level and business profit level was done. As show in Table 3, the result of the study found that

Table 2: Mean rank for entrepreneurs' success factors (N = 70)

| Rank factors | Average scores | SE | SD |
|--|----------------|---------|---------|
| Age when ventured into business | 2.6286 | 0.07099 | 0.59397 |
| Record keeping and financial control | 2.4714 | 0.08566 | 0.71670 |
| Current situation of products manufactured | 2.4571 | 0.08796 | 0.73594 |
| Planning skills | 2.4429 | 0.08546 | 0.71497 |
| Marketing skills | 2.4143 | 0.09212 | 0.77071 |
| Educational level | 2.3143 | 0.09662 | 0.80834 |
| Economic situation | 2.2571 | 0.09255 | 0.77433 |
| Capitalisation | 2.0714 | 0.10240 | 0.85671 |
| Professional advisor | 2.0286 | 0.10762 | 0.90043 |
| Recruitment | 1.8571 | 0.11012 | 0.92134 |
| Minority share owner type | 1.8143 | 0.04682 | 0.39168 |
| Management experience | 1.6000 | 0.10256 | 0.85804 |
| Industrial experience | 1.5857 | 0.10071 | 0.84258 |
| Parents' background in business | 1.3857 | 0.05860 | 0.49028 |
| Partnership business | 1.2143 | 0.04940 | 0.41329 |

Table 3: Pearson correlation results for between success factors and average profit and profit level

| Success factors | Average of profit level | | Business profit level | |
|--|-------------------------|----------|-----------------------|----------|
| | Correlation (r) | Sig. (p) | Correlation (r) | Sig. (p) |
| Capitalisation | 0.120 | 0.323 | -0.080 | 0.509 |
| Record keeping and financial control | 0.072 | 0.556 | 0.128 | 0.291 |
| Industrial experience | -0.030 | 0.802 | 0.308 | 0.009* |
| Management experience | -0.060 | 0.623 | 0.312 | 0.009* |
| Planning skills | 0.251 | 0.036* | -0.005 | 0.965 |
| Professional advisor | 0.057 | 0.639 | 0.195 | 0.106 |
| Educational level | -0.032 | 0.794 | -0.189 | 0.117 |
| Recruitment | -0.028 | 0.819 | -0.025 | 0.838 |
| Economic situation | 0.265 | 0.027* | 0.143 | 0.238 |
| Current situation of products manufactured | 0.070 | 0.566 | 0.187 | 0.122 |
| Marketing skills | 0.022 | 0.856 | 0.095 | 0.433 |
| Parents' background in business | -0.157 | 0.194 | 0.148 | 0.222 |
| Partnership business | 0.124 | 0.306 | -0.176 | 0.146 |
| Minority share owner type | 0.035 | 6.716 | 0.125 | 4.161 |
| Entrepreneur's age when started business | 0.043 | 0.722 | -0.154 | 0.202 |

*Correlation is significant at the 0.05 level (2-tailed)

only four factors are significantly correlated, they are planning skills ($r = 0.251, p < 0.05$), economic situation ($r = 0.265, p < 0.05$), industrial experience ($r = 0.308, p < 0.05$) and management experience ($r = 0.312, p < 0.05$).

Based on the findings in Table 3, it is visible that although there are various factors contributing for the entrepreneur's success, the critical factors determined by statistical test are only four variables. This means that although the entrepreneurs assume that their success is influenced by various factors, the real significant factors are differs from perception and the results of the statistics. For example, the factors of management experience and industrial experience which are least in the success rank (Table 2) are found to be positively and significantly correlated with business profit level. At the same time, planning skills and economic situation which are prevalent factors at success rank factors are only positive contributors for the average profit level but not for business profit. Generally, planning skills could be regarded as a critical factors because it helps entrepreneurs to plan and overcome business problems strategically. Additionally, the positive economic situation such as growth and expansion of market helps the entrepreneurs to lower their business losses through

promoting of sales and market extension. Meanwhile, industrial experience and management experience enriched entrepreneur skills and adaptation in facing up volatile and turbulent business environments to maximized better business profit.

Findings of this study has some similarities and differences compared to a few previous research. For example, Lussier (1995)'s study also discovered four factors that are positively and significantly correlated with the entrepreneurs' profit level that are planning skills, professional advisor, educational level and recruitment. In the following study, Lussier (2005) found that another two critical success factors that correlates, namely capitalization and the age of the entrepreneur when ventured into business.

CONCLUSION

Based on the study of 15 variables suggested by Lussier (1995)'s Models, this study concluded that there are four critical success factors for entrepreneurs' in business. The four variables are management experience, industrial experience, economic situation and planning skills. In the light of these findings, it is suggests that

entrepreneurs who involved in the same type of business to develop capacity on the four elements while intensifying on the other success factors. This study also suggests that the entrepreneurs' development program undertaken by the government and private agencies should focused on four critical success factors apart from the other success factors. Current and future entrepreneurs should also be prepared with information and awareness to engage in entrepreneurship development programs. Various strategies and effective campaigns should be arranged for this purpose. The above steps are important to ensure that many new entrepreneurs will be successfully yielded to this field, to strengthen present entrepreneurs' involvements and to reduce the number entrepreneur bankruptcy in future. Through entrepreneur development programs the counseling and appropriate trainings can be done to increase entrepreneur knowledge and skills beside to craft them to be more competitive in the challenging business environment.

To increase research quality in future, this study suggests that the uses of Lussier Model should not focus only on the real profit turnover but also measuring on entrepreneurs' capacity such as in getting development projects, ability to provide job opportunities to people, quality and worthy of productions, entrepreneurial corporate contribution, ability to settle loans, property ownership from entrepreneurship activities and overall financial freedom. These measurements are important to stabilize the common perception of entrepreneurial success which is more towards profit-oriented in to an approach that attributes towards many contributions to the economic and social welfare of the populations.

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