

# DETERMINANTS OF SUCCESS IN ENTREPRENEURSHIP - WITH REFERENCE TO COIMBATORE DISTRICT, TAMIL NADU

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## Abstract

Once called the South Indian Manchester and known for its engineering and small scale industries, Coimbatore slowly over the period has been losing its Industrial presence which leads the researcher to look into the ability factors of the entrepreneurial success and failure in the small and medium scale manufacturing industries. The population of the study was firms under the associations like SIDCO and CODISSIA convenient sampling of 100 firms with a minimum lifespan of 5years was taken into account. A questionnaire with 10 factors and more than 100 variables was used to collect data by direct interview method. The content validity was done by the entrepreneurs. 10 null hypothesis were tested using Mann whitney Utest for significance .the findings revealed that value creation, innovation, capital control, thorough knowledge of business, Personal positive traits leads to the success of entrepreneurship whereas fear of failure, poor money management, lack of focus, lack of vision, doing it all by self leads to the failure of entrepreneurship. Cross tabulation and chi-square test for dependency were also done with the company profile factors like age of the firm, number of employees, capital of the firm, education of the managing director, type of the firm with that of the above success and failure factors findings revealed that longer term, engineer or m.ba with higher capital and private or public ltd and proprietorship firms have seen success by following the above mentioned success factors.

**Index terms** - Determinants of success in entrepreneurship, factors affecting success of entrepreneurship.

## Introduction

Entrepreneurship is a way of life that offers unlimited possibilities to those who truly believe in it and live by it. But at the same time, entrepreneurship is a way of life that can totally alter the course of your life if misunderstood. Entrepreneurship is not something one can fake his/her way through one has to either doing it right or not doing it right. There are no ways around it. The root cause of entrepreneur failure is the non-existence of two things. There is not a passion for the work involved and/or there is not a quality, personal fit with the venture. Given those conditions, the words “failure” is written on the front door of the business.

Success may not really always start with failure, but the wise entrepreneur should expect it, embrace it, and capitalize on the learning opportunity. In the entrepreneur lifestyle perspective, every learning experience is a success, so failure is not an option.

*“I have not failed. I have just found 10,000 ways that won’t work.” – Thomas Edison*

*“Many of life’s failures are people who did not realize how close they were to success when they gave up.” – Thomas Edison*

Entrepreneurial ambitions aims mainly to make profit, secure self employment, fulfill desire of self/family, gain social status, desire to do something creative, provide employment to others or continue family business. Central and State Governments, have taken a number of measures for the development of small and medium enterprises Some of the institutions assisting entrepreneurs include District Industries Centres (DICs), Small Industries Development Organisation (SIDO), Small Industries Service Institutes (SISI),

Small Industry Development Corporation (SIDCO). Developing countries require institutional arrangements for their rapid industrialisation and balanced growth. One such institutional measure is an industrial estate one of them is SIDCO Kuruchi Coimbatore were part of the study has been carried out. Coimbatore District Small Industries Association [CODISSIA] is the single largest district association of small industries in India with a membership of more than 2000.

### Statement of the Problem

The research is about testing certain specific ability factors and the related variables of an Entrepreneur that leads to the failures and success of the Entrepreneurship in Coimbatore related to the manufacturing industry, namely engineering, mills, foundry small to medium scale sector with existence of more than 5 years.

Success and failure factors with their respective variables are to be checked which of the factors leads to the success of an entrepreneurship and which to the failure. This will be done using the U test. Then a cross tabulation with chi square hypothesis for dependency of the normal parameters like age of the company, capital, type of organization, number of employees, education of the managing director with the success and failure factors are checked and the final recommendations given.

### Research Objective

To study the factors associated with the success of small and medium sized manufacturing firms, and examine the factors that cause failure of small and medium sized manufacturing firms. Then to test hypotheses relating to the personal traits, skills, knowledge associated with the failure and success of entrepreneurship.

### Research Methodology

The study analyses the data for the significance by Mannwithney u test and the dependency of factors with the Pearson chi square test, to check the factors leading to the success and failure of an entrepreneurship.

### Research Hypotheses

Following hypotheses were generated

Ho<sub>1</sub> = Value creation does not lead to the success of an entrepreneurship

Ho<sub>2</sub> = Innovation in products does not lead to the success of an entrepreneurship.

Ho<sub>3</sub> = Lack of focus does not lead to the failure of the entrepreneurship.

Ho<sub>4</sub> = Fear of failure does not lead to the failure of an entrepreneurship.

Ho<sub>5</sub> = Lack of vision does not lead to failure of an entrepreneurship.

Ho<sub>6</sub> = Poor money management does not lead to failure of an entrepreneurship.

Ho<sub>7</sub> = Doing all by self does not lead to the failure of an entrepreneurship.

Ho<sub>8</sub> = Capital control does not lead to the success of an entrepreneurship.

Ho<sub>9</sub> = Personal traits positive does not lead to the success of an entrepreneurship.

Ho<sub>10</sub> = Thorough Knowledge of Business does not lead to the success of an entrepreneurship.

## Sampling design

The sampling universe is the manufacturing firms in Coimbatore district and the sampling unit is the manufacturing firms in Coimbatore district and registered members of SIDCO and CODISSIA. The source list is from the member list from the two associations SIDCO Kuruchi and CODISSIA. Convenient sampling of 100 firms as there were about 400 firms active related to this study. Data were collected through questionnaire and the questions had positive and negative types in a Likert's 5 point scale. Data collected through personal interviews. Data analysis was done with SPSS software.

## Data analysis and results

Selected Mann Whitney Test results

Table 1-1  
Mann-Whitney Test value creation

Value Creation	N	Mean Rank	Sum of Ranks	Mann-Whitney U	267.500
Value creation	70	61.68	4317.50	Wilcoxon W	732.500
No value creation	30	24.42	732.50	Z	-5.963
Total	100			Asymp. Sig. (2-tailed)	.000

a. Grouping Variable: Value Creation

U statistics and Z value show that there is a significant difference between the two populations and we reject the null hypothesis (Ho) and accept the alternate hypothesis (Ha), i.e., Value creation leads to the success of an entrepreneurship.

Table 1-2  
Mann-Whitney Test lack of focus

Lack of Focus	N	Mean Rank	Sum of Ranks		C
Strongly Agree	60	68.83	4130.00	Mann-Whitney U	100.000
Strongly Disagree	40	23.00	920.00	Wilcoxon W	920.000
Total	100			Z	-7.772
				Asymp. Sig. (2-tailed)	.000

a. Grouping Variable: Lack of Focus

U statistics and Z value show that there is a significant difference between the two populations and we reject the null hypothesis (Ho) and accept the alternate hypothesis (Ha), i.e. Lack of focus leads to the failure of an entrepreneurship.

## Mann-whitney test results

1. Value creation leads to the success of an entrepreneurship
2. Innovation leads to the success of an entrepreneurship
3. Lack of focus leads to the failure of an entrepreneurship
4. Fear of failure leads to the failure of an entrepreneurship
5. Lack of vision leads to the failure of an entrepreneurship
6. Poor money management leads to the failure of an entrepreneurship
7. Doing all by self leads to the failure of an entrepreneurship
8. Capital control leads to the success of an entrepreneurship
9. Positive personal traits leads to the success of an entrepreneurship.

10. Thorough knowledge of business leads to the success of an entrepreneurship.

Cross tabulation was performed with the profile factors of the firms like Age of the firm, number of employees, capital of the company, education of the managing director, type of firm.

Selected Pearson chi square test and the hypotheses testing

Table 1-3  
Age of firm and opinion on value creation

Age of Firm in years		Value Creation		Total
		Leads to success	Does not lead to success	
6-10	Count	7	8	15
	% within Age of Firm	46.7%	53.3%	100.0%
11-15	Count	13	6	19
	% within Age of Firm	68.4%	31.6%	100.0%
16-20	Count	10	0	10
	% within Age of Firm	100.0%	0.0%	100.0%
above 20	Count	40	16	56
	% within Age of Firm	71.4%	28.6%	100.0%
Total	Count	70	30	100
	% within Age of Firm	70.0%	30.0%	100.0%

Source: Calculated

Table 1-4  
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.252 <sup>a</sup>	3	.041
Likelihood Ratio	10.740	3	.013
Linear-by-Linear Association	2.299	1	.129
No of Valid Cases	100		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count 3.00.

Ho = No dependence between age of the firm and value creation leads to success or does not lead to success.

Ha = Age of the firm and value creation leads to success or does not lead to success are dependent.

Calculated value of (8.252) is higher than the Chi-Square table value (7.815) and significant hence the null hypothesis (Ho) is rejected and the alternate hypothesis (Ha) has been accepted. Firms in the age group of 16-20years and above 20 years are highly depending on value creation. Therefore longer the age of firm more will be the dependence on value creation.

### Executive Summary of the Findings

Firms with capital above 1cr and a workforce above 40, in the field for more than 16 years, with their managing director being a professional or M.B.A have seen success through value creation.



Firms with capital above 10lac and a workforce above 20, in the field for more than 11 years with their managing director being an engineer or M.B.A, partnership or public limited have seen success through innovation.

Firms with capital minimum 10lac , maximum 15 cr and a workforce above 20, in the field for more than 11 years with their managing director being an SSLC, +2 or engineer , partnership or sole proprietorship found lack of focus lead to the failure of entrepreneurship.

Private ltd and public ltd firms with capital above 10lac, in the field for more than 16 years with their managing director being an engineer or other professional, found fear of failure leads to the failure of entrepreneurship.

Firms with capital minimum 10lac, maximum 15cr, with their managing director being a diploma holder or engineer found lack of vision leads to the failure of entrepreneurship.

Partnership and public ltd firms with capital above 10- 50lac in the field for more than 11 years with their managing director being an SSLC,+ 2 or M.B.A, found poor money management leads to the failure of entrepreneurship.

Private ltd and public ltd firms with capital 10lac- 15cr and above, and a workforce above 20, with their managing director being an engineer, M.B.A or other Professional, found Doing all by Self lead to the Failure of Entrepreneurship.

Private ltd and public ltd firms with capital 10lac- 15cr and above and a workforce above 20, in the field for more than 11 years have seen success through capital control.

Firms with capital of 10lac- 15cr and above, with their managing director being an engineer, M.B.A or other professional found positive personal traits leads to the success of an entrepreneurship. Firms with capital 1-15cr and above and a workforce above 20, in the field for more than 11 years with their managing director being an M.B.A or other professional, have seen success through in depth knowledge of business.

### **Suggestions**

This study of the success and failure factors also are in line with some of the previous studies like Shaike Marom and Robert N. Lussier (2014) which state successful firms (1) started with greater capital had better (2) record keeping and financial control (3) more years of management experience (4) more specific plans (5) made greater use of outside professional advisors (6) had an easier time staffing (7) better economic timing but (8) the owner was younger. Thus, these variables may be more important than the others in distinguishing success from failed businesses in Israel.

Entrepreneur has to whole heartedly involve oneself into it and cannot be done on trial or part time basis. Entrepreneur needs to have thorough knowledge of the business stating from the production to marketing till accounting. Entrepreneur needs to adapt to the changes in the market with innovative ideas to stay a step ahead of competition. Skilled personnel are needed for the entrepreneurship to run smoothly also to overcome challenges, delegation of work is mandatory. Working capital management is important at the same time receivables need to be at optimum, discounting bills need to be done, not to block the funds in fixed assets like extra land. Creating the value for the money spent is absolutely important from the customer perspective. Failure is a part of entrepreneurship. It cannot be avoided and it has to be overcome by learning the mistakes and should have a positive attitude towards failure. Bankruptcy and repaying debt is an issue which needs to be dealt with a systematic and planned approach. Optimum capital mix is recommended viz, right proposition of Equity and external borrowings to maximize profitability and minimize the risk factor

## Limitations of the study

Although this study has used a rigorous methodology with 10 factors with more than 100 variables there are certain limitations. Future research should improve on the limitations of the study. This study is limited to the small and medium manufacturing sector of the Coimbatore district mainly foundry, engineering, mills. The other industries like service, trading, finance, non regulated shops etc are not taken into account in this study. Social and agriculture entrepreneurship are not part of the study. All limitations of the primary data are applicable to this study too. Differences in data can appear in different SIDCO and CODISSIA type set up in other parts of the country.

## Conclusion

Ten success factors resulted from the research: value creation, innovation, capital control, personal traits positive, thorough knowledge, focus, vision, fear-free of failure, planned money management, and not doing all by self. The structure of these factors is determined by the situation in the local environment. This finding was also expected due to the fact that the purchasing power of people living in developing countries is very low and that there are usually no established market mechanisms which would support the creation of strong competition. These results provide new insights into the factors shaping the process of entrepreneurship in developing countries. In this way, this research certainly represents contribution to a small amount of empirical research on this topic in developing countries. Thus, empirical researches, such as this one, are more than welcome to bridge the gap that exists between contemporary theory on entrepreneurship and SMEs, on one side, and poor practice in developing countries, on another side. Understanding the success factors can be helpful for entrepreneurs and their SMEs, because it could affect the increase of percentage of successful ventures.

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