

# A Study on Entrepreneurial Success Factors and a Planned Model to Build Self Efficacy among the Entrepreneurs in India

Remya S<sup>1</sup> and Kiran K B<sup>2</sup>

<sup>1,2</sup>School of Management, NITK

E-mail: <sup>1</sup>remya.subrahmanian@gmail.com, <sup>2</sup>kbheem@nitk.ac.in

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**Abstract**—Successful entrepreneurship plays a crucial role in the social and economical upliftment of a nation. The root cause of entrepreneurs not recognising and utilizing the entrepreneurial opportunities is due to the lack of certain extrinsic environmental factors or certain intrinsic individual factors - especially the lack of Self efficacy, without which they cannot sustain uncertainty and will fail to avail the entrepreneurial opportunities. In this scenario, it is relevant to have a look at the contributing factors for entrepreneurial success and how to build the most crucial factor i.e. the self efficacy, for a sustainable entrepreneurship. The first part of this paper tries to find out the factors contributing to entrepreneurial success and the mediating role of self efficacy. The second half of this paper analyses the various methods for building self efficacy using Analytic Hierarchical Process (AHP) Approach.

**Keywords:** Entrepreneurship, Success factors, Self Efficacy, Analytic Hierarchical Process(AHP) Approach.

## 1. INTRODUCTION

Entrepreneurs can be opportunity driven or necessity driven. In both the cases their success is determined by the degree to which they cop up with the uncertainty and how they find opportunities when the environment turned hostile (Covin and Covin,1990). In the West entrepreneurs constrain to their long term strategy when the environment turns hostile but in countries like China they stand for short term strategies in such cases(Tan, 1996). In developing countries many entrepreneurs started their new venture only if they could not find any other means for their existence rather than start it as a first choice (Beck et.al.,2005) Indian culture always support Micro Small and Medium Enterprises(MSME) and the Small scale Industries accounts for 95% of industrial units in the country (SIDBI, 2001).Many entrepreneurial development programmes like entrepreneurial skill up gradation programmes, development of new products, global and national market access programmes etc run by the National Government always supplement the MSME promotion initiative of the State Governments. Even if this is the situation most of the small scale industries do not utilize these opportunities and resist to flourish further. In the year 2006-

2007 percentage share of MSME to the total manufacturing output is 42.02 and was contributing to 7.73% to the GDP of India but when it come to 2011-2012 percentage share of MSME to the total manufacturing output is reduced to 37.52 and was contributing only to 7.28% to the GDP of India (annual report of MSME 2013-14). The root cause for the entrepreneurs not recognizing and utilizing the opportunities is due to lack of certain extrinsic environmental factors or some intrinsic individual traits especially the lack of Self efficacy in the entrepreneurs without which they cannot sustain uncertainty and will fail to avail the entrepreneurial opportunities (Shane,2003). In this scenario it is relevant to have a look at the contributing factors for entrepreneurial success and how to build the most crucial factor for a sustainable entrepreneurship- self efficacy. The first half of this paper analyses the contributing factors for a successful entrepreneur and the second half attempt to identify a best option model for building self efficacy among the entrepreneurs using the Analytic Hierarchy Process(AHP) developed by Saaty

## 2. REVIEW OF LITERATURE AND FORMULATION OF THEORETICAL FRAME WORK.

There is a lot of research happening in the field of entrepreneurship. The environmental factors and entrepreneurs' intrinsic traits both are crucial in deciding the entrepreneurial success or failure. The contingency theory attributes the firm's success to the extent to which it adapts to the external environment, i.e. uncontrollable outside factors (Aldrich, 1979; Hannan and Freeman 1977). But the strategic choice scholars believe that environment can be controllable and the entrepreneurs' can make it favourable to them through their strategic choice (Astley and Van de ven, 1983). From the literature review it is found that the following factors are crucial for an entrepreneurial success.

## 2.1 Internal factors

### 2.1.1 Personality traits of the entrepreneur

According to Timmons there is no single set of characteristics which offer success to an entrepreneur but it includes the configuration of some mutually exclusive characteristics (Timmons et.al 1985). These characteristics include self efficacy, risk taking, proactiveness etc (Jain 2011). Soloman and Win Slow ( 1988) observed that Entrepreneurship and personality characteristics are correlated. Ronstadt(1984) found that entrepreneurs' find their way even if the environment turned hostile.

**Self efficacy:** Forms the core of entrepreneurship. It can be defined as a belief in one's own capabilities and skills to achieve success in ones stream of operation.( Chen *et al*, 2001). Entrepreneurship is positively associated with one's own perception of self efficacy(Linen *et al* (2005, Shane, 2003). There exist a high degree of correlation between Venture performance and self efficacy. (Chandler and Jansen (1992). Self efficacy is significantly related to success of a business(Kristiansen et. al. (2003)) and has got a strong and direct effect on entrepreneurial intent(Keats and Bracker (1988), Poon et al. (2006), Which again leads the entrepreneur to be proactive ,innovative, tolerant for ambiguities, taking calculated risks, marketing and achievement oriented.

**Risk taking:** it is the ability to take calculated risk and set challenges and targets which he thinks can achieve. According to McClelland (1961) entrepreneurs are having moderate risk taking propensities

**Pro activeness:** It is a forward looking perspective to seize new opportunities it is highly related to profitability and growth of business.( Stevenson and Jarillo (1990), Blesa et al(2003)

**Tolerance for ambiguity:** ambiguity occurs when a person is provided with too complex , contradictory or inadequate information(Norton, 1975).. An entrepreneur is considered as tolerant to ambiguous situation if he consider it as a challenge rather than a threat. More tolerance to ambiguity corresponds to more entrepreneurial actions and intentions (Dollinger, 1983)

**Innovation:** innovation refers to creating or adding value in the process of new product development, production technique, process or new services through engaging in novelty and experimentation. Innovation is powerfully linked to venture performance and achievement orientation(Utsch and Rauch (2000)

**Marketing orientation :** marketing skills are very much essential for the success of an entrepreneur(carter 2006). Ability to identify national and foreign markets and also to explore the opportunities are correlated with business success(Elg et al, 2004). Perceived self efficacy and internal

locus of control are contributing much for opportunity recognition and its effective utilization(Neck and Manz (1996)

**2.1.2 Education and entrepreneurial training :** There are empirical evidences(Jo and Lee,1996; Nair and Pandey, 2006; Parkar and Van Praag (2006) ; Lope Pihie (2008) suggesting favourable relationship between technical education or training and entrepreneurial performance, more educated entrepreneurs are having more perceived self efficacy and found to be more inspired and motivated about their entrepreneurial activity and thus utilize their resources(Zhao et al. 2005, Souitaris et al ,2007)more effectively as compared to less educated entrepreneurs

## 2.2 Environmental factors

There are also multiple environmental factors which interact together contributing to entrepreneurial success. These include social systems (Shapero and Sokol (1982), Government policies and procedures( Gnyawali and Fogel (1994) ,Legal system (gill etal 2010), taxation(Hollingsworth and Hand (1979) entrepreunerial parents and family support(Ronstadt (1983), Kidane and Harvey (2009), Ozyilmaz (2011).and Social networking (Singh, 2000, Neergard et al, 2005). sadhu et al in the year 2011 found inability to make social networking as a major cause for entrepreneurial failure. when the entrepreneur is exposed to social networks his perception of self efficacy was found to be increased.L. Wang, L. Prieto & K. T. Hinrichsin the year 2010 formulated a theoretical framework stating that all the above mentioned environmental factors contributes to self efficacy and act as a motivator for self employment. From the review of literature review the mediating role of self efficacy has been evident and we formulate a theoretical framework addressing the role of internal and external factors contributing to self efficacy and to entrepreneurial success.

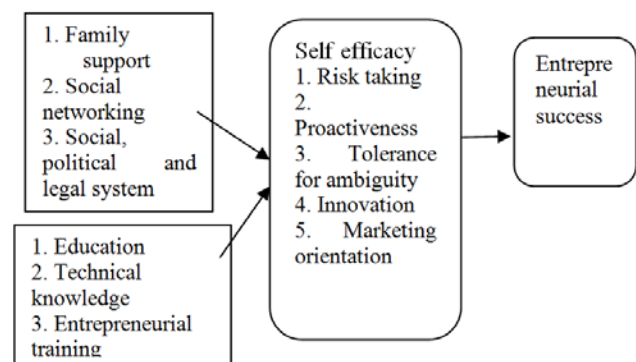


Fig. 1: conceptual frame work source : literature review

## 3. BUILDING SELF EFFICACY

From the literature it is evident that the internal as well as external factors help in building self efficacy among the entrepreneurs. However the factors like government support ,

social norms etc are uncontrollable and we could not alter it all on a sudden. So by considering the practical methods for building self efficacy we in this study evaluate four methods such as – providing family support, technical knowhow, entrepreneurial training, and social networking

**4. METHODOLOGY**

The research approach adopted in this study is exploratory approach. The study here aims to find out the relative best method for building self efficacy among the entrepreneurs. The method used here is AHP. It is a structured tool which helps to find out the best alternative among the various options (saaty .T L.,1980,1990,2008).This technique has been used by researchers all around the world and found to be one of the best methods to evaluate the alternative options in a complex decision process(mukherjee et.al 2011).

In this method, based on the literature and also with the interaction with successful entrepreneurs and industry expert, an option matrix has been drawn initially which consist of four alternatives for our decision problem namely - Provide technical knowledge, give Entrepreneurship training, engaged in Social networking and finally providing Family support. We then constitute a ‘4\*4’ pair wise comparison matrix ‘A’ which reveals the relative importance of different options according to the decision maker. Normalization can be done again by taking the ratio of each element in each column by corresponding sum of all the elements in that particular column. The raw average of this normalized column will reveal the relative weight of each option. The consistency of the matrix ‘A’ can be checked further by using the consistency ratio formula

CR= CI/RI

CI= consistence index of  $A = \frac{n_{max}-n}{(n-1)}$ , where n is the dimension of the matrix

RI=Random consistency index of  $A = \{1.98(n-2)\}/n$ .

If  $CR \leq 0.1$ , the inconsistency level in A is permissible (satty)

$n_{max}$  can be calculated from  $A\bar{w} = n_{max}\bar{w}$  from the ith equation as

$$\sum_{j=1}^n a_{ij} \bar{w}_j = n_{max} \bar{w}_i \quad i= 1,2,3....n \dots \quad (1)$$

given  $\sum_{j=1}^n \bar{w}_j = 1$ , we get

$$\sum_{j=1}^n \bar{w}_i = \sum_{j=1}^n (\sum_{j=1}^n a_{ij} \bar{w}_j) = n_{max} \sum_{j=1}^n \bar{w}_j = n_{max} \cdot (2)$$

**5. RESULTS AND FINDINGS**

Based on the opinion of industry experts a 4\*4’ pair wise comparison matrix formulated as follows

	<b>Provide technical knowledge</b>	<b>Entrepreneurship training</b>	<b>Social networking</b>	<b>Family support</b>
Provide technical knowledge	5/5	5/6	5/7	5/4
Entrepreneurship training	6/5	6/6	6/7	6/4
Social networking	7/5	7/6	7/7	7/4
Family support	4/5	4/6	4/7	4/4

After normalization the matrix becomes

	<b>Provide technical knowledge</b>	<b>Entrepreneurship training</b>	<b>Social networking</b>	<b>Family support</b>
Provide technical knowledge	0.22	0.22	0.27	0.23
Entrepreneurship training	0.27	0.273	0.27	0.27
Social networking	0.318	0.318	0.32	0.32
Family support	0.18	0.18	0.18	0.18

The average weight of each choice obtained after normalization is

$$\bar{w} = \begin{bmatrix} 0.23 \\ 0.27 \\ 0.32 \\ 0.18 \end{bmatrix} \text{ and } A\bar{w} = \begin{bmatrix} 0.910 \\ 1.093 \\ 1.276 \\ 0.72 \end{bmatrix}$$

The consistency ratio for this can be calculated as

CR= CI/RI = 0.01

According to Satty if  $CR \leq 0.1$ , the matrix A is considered as consistent. Since CR value is 0.01 the choice matrix here is consistent and engaging in social networking was found to be the best method for building self efficacy followed by providing entrepreneurial training, Provide technical knowledge and last giving Family support.

**6. CONCLUSION**

This paper analysed the role of both extrinsic environmental factors and intrinsic individual factors in entrepreneurial success and how self efficacy plays a mediating role in this process. The construct put forward analysed the environmental factors such as the social systems, Government policies and procedures, Legal system, taxation, entrepreneurial parents and family support and Social networking. The individual factors include Risk taking, Proactiveness, Tolerance for ambiguity, Innovation, Achievement orientation, Marketing orientation and Education and entrepreneurial training given to

the individual. All these factors have a direct influence on the perceived self efficacy of the individual and thus on entrepreneurial success.

The second half of this paper addresses the issue of how to build self efficacy among the entrepreneurs. Even if the social systems, Government policies and procedures, and the Legal system can influence the perceived self efficacy of an entrepreneur there are limitations that one could enter and alter these system in favour of the entrepreneur. so these factors are omitted in this study and we consider four methods such as providing family support, technical knowhow, entrepreneurial training, social networking for building self efficacy among the entrepreneurs. These factors are then analysed using the AHP method. The results suggest that the self efficacy can be best built through social networking followed by providing entrepreneurial training and technical knowledge and last by giving Family support.

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