ENTREPRENEURIAL SUCCESS: INFLUENCE OF CERTAIN PERSONAL VARIABLES

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In this study, an attempt was made to identify the influence of education, family background, family support and previous job experience, on entrepreneurial success. Forty-five entrepreneurs of sick units, and 53 entrepreneurs of successful units, form the sample of the study, and Chi-square test was used to see the difference in the personal variables.

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Introduction

In recent times, the importance of entrepreneurship in economic development is well realised by the planners and policy makers in the Government. In developed countries, entrepreneurs have made a significant contribution to industrial development. The function of entrepreneurs in developing countries is much more important, as they help to direct economic development in a positive way with their limited resources.

In India, due to assistance from various agencies and the encouragement of the central and state governments, the number of small scale units increased rapidly. An important question here is as to how far the entrepreneurs have been successful. Not everyone is capable of starting and running a manufacturing unit successfully. In fact, some of them are unsuccessful. Today, the persistent sickness of small scale units is one of the major problems confronting our industrial sector. The 'sickness' in industrial units is not a new phenomenon to India alone. Uncertainty, ignorance, inexperience, inefficiency, vast and rapid technological changes, monopolistic competition, growing labour power, persistent shortage of raw materials and frequent power cuts are the main causes of sickness in Indian units. Singh (1977) found that, in India, over 60 per cent of new business do not last over 5 years.

About 8 per cent of such units in India are reported to be sick (Amardas, 1978). From the national point of view, the crucial effects of such sickness are locking up of funds, wastage of capital assets, loss of production and unemployment. The resultant effect is a serious national loss. In general, business failures lead to tragic waste of human and financial resources, though the causes for sickness may be either endogenous or exogenous.

Objective of the Study

The present study attempts to find out how far certain selected socio-personal variables like education, business-family support and previous job experience influence the success of these ventures.
Related Studies

(1) Education

There are conflicting views on the relationship between education and entrepreneurship. Low level of education of entrepreneurs was reported in several studies (Berna, 1960; Collins and Moore, 1964; Rangnekar, 1966; Desai, 1968; Hameed, 1974). Lim, (1977) found that a majority of the entrepreneurs had a low educational base, and most of them were not college graduates. Pathak's (1975) study in Gujarat revealed that a majority of the entrepreneurs were illiterate, and in Uplazonkar's (1977) study, they were found to be matriculates. The studies of Papanek (1971) and Babu (1978) have shown that education does not play a significant role in the making of an entrepreneur or in contributing to his success. However, studies by Steward and Paul (1956), Lipset and Bendix (1954), Srinivas (1966), Derossi (1971), Mancuso (1973), SIET (1974) have reported that entrepreneurs in their sample have high educational qualifications. McCroy's (1956) study on a group of small factories found that the most profitable enterprises were operated by the educated group. Though the findings on the influence of education are inconclusive, its importance cannot be minimised in the present context of fast technological changes.

(2) Business—Family Support

Family support gives the entrepreneur the necessary boldness to bear the risks involved in his action and he has greater chances of becoming successful in business for the obvious reason that he happens to have greater access to capital, and, in decision making, help is available from a net-work of business relations. Studies by Berna (1960), Gaikwad and Tripathy (1970), Derossi (1971), Subramaniyam et al. (1975) and Sharma (1975) have shown that significant help (both material and moral) from the family will foster entrepreneurship. Arsenberg and Kimball (1940), Bailyn (1954) and Abegglen (1957) have observed that kinship relations have positive influence on entrepreneurial activities. On the contrary, Levy (1949), and Landez (1951) have cited cases in which kinship relations inhibited entrepreneurial growth. The study conducted by UNESCO (1966), in India has shown that entrepreneurs of the non-business background grew faster in their entrepreneurial activities. The above finding was also supported by Sharma (1975) who observed that entrepreneurs of non-business background have a higher degree of entrepreneurial orientation and commitment. But at the same time, the importance of family background was emphasised in starting their enterprises (Ownews, 1970; Hameed, 1974).

(3) Previous Job Experience

The occupational inheritance of a person can act as an incentive to a prospective entrepreneur in two ways.

(i) He can draw upon the family tradition, gather expertise early in life, have familiarity with various business agencies which are significant to the establishment and operation of a unit.

(ii) Familiarity with business matters enables him to choose his career early in life and run the unit successfully.
In the Indian scene, many of the small industrialists had the background of their father being in business or in the agricultural line (UNESCO, 1962; Rangnekar, 1966; Srinivas, 1966; Ramakrishnan, 1975). Some others have experience and exposure to business through earlier jobs. Some started their career with other jobs, or changed, and finally confined themselves to the present enterprises (UNESCO, 1962; Harris, 1971; Hameed, 1974; and Lim, 1977). An enquiry into the above research studies on occupational origin and career pattern of entrepreneurs, showed that the previous job experience has an important impact on their entrepreneurial career. Because of their experience in similar jobs, they have adequate exposure and insight into the various problems which enables them to perform better as entrepreneurs than others who have experience in other fields, or for the new entrants.

From the foregoing review on entrepreneurial studies, it was noted that the support of family background, education and occupational experience are considered to be important factors for entrepreneurial success. With these considerations, an effort has been made to find out the influence of the above variables on entrepreneurial success among the entrepreneurs who have set up manufacturing units.

(4) The Selection of Sample and the Concept of Successful and Unsuccessful Entrepreneurs

Entrepreneurs of Ambattur Industrial Estate, an industrial belt near Madras, were selected for the purpose of this study. The entrepreneurs were chosen according to the following criteria.

(a) The entrepreneur should have established his unit by himself;
(b) The entrepreneur should have only the manufacturing unit and should have a minimum five years of experience in its operation;
(c) The unit should have been viable to be evaluated by the government officials and Bank officials;
(d) The unit should be owned only by a single person.

Successful Entrepreneurs

The successful entrepreneurs were identified on the following criteria:

(i) They should have existed on a continuous basis for a minimum period of five years;
(ii) Annual turnover of the unit should have shown increase year after year;
(iii) They should have shown increase in the number of employees (this indication is taken with reservation);
(iv) Self-analysis of the entrepreneurs should fully confirm the evidence that their units are running successfully.
(v) Ratings by government officials (Deputy Tahsildar of the Industrial Estate administration who is connected with land/shed revenue collection of the units), and the ratings by Bank officials, should also confirm that the units are running successfully by paying the taxes, and repaying loans. The performance of the enterprise was taken here to indicate the entrepreneurs’ success.
Unsuccessful Entrepreneurs: (Sick units)

To see the differences in personal variables between entrepreneurs of successful and unsuccessful units, the following yardsticks were used to identify the unsuccessful entrepreneurs. The definition given by the Reserve Bank of India (RBI) is taken for granted to identify the sick units. (The sick unit is one which has incurred losses for one year and is likely to continue to incur losses in the current as well as in the following year, which has an imbalance in the financial structure, i.e. loss over a continuous stretch of three years, could form a practical yardstick). Apart from this, the government officials identified the unsuccessful units on the basis of their (i) performance (ii) frequent closure of the units due to various reasons, mainly due to financial hardships and (iii) non-payment of loans regularly. The list given by the government officials was once again rated by the officers of the nationalised banks, based upon their financial performance. As both the ratings were highly similar, the researcher once again obtained a self-report from the entrepreneurs themselves about the failure of their units. Thus, the unsuccessful entrepreneurs were identified on the basis of the information provided by the officials (Government and Banks) and the entrepreneurs themselves. On the basis of the above mentioned criteria, 45 entrepreneurs of sick units and 53 entrepreneurs of successful units (by systematic sampling) were the sample for the present study. The details of the units are given in the following tables.

Table 1
THE VARIOUS TYPE OF INDUSTRIES INCLUDED THE STUDY

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Industries</th>
<th>No. of healthy units</th>
<th>No. of sick units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Chemical units (including plastics)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Electrical components</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Engineering and other components (including automobiles)</td>
<td>30</td>
<td>21</td>
</tr>
<tr>
<td>4.</td>
<td>Fabrication work</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>5.</td>
<td>Others</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td>53</td>
<td>45</td>
</tr>
</tbody>
</table>

Table 2
THE AVERAGE TURNOVER OF BOTH HEALTHY AND SICK UNITS

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Average annual turnover (range)</th>
<th>No. of healthy units</th>
<th>No. of sick units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 2 lakh</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Between 2 to 3 lakh</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>3.</td>
<td>Between 3 to 4 lakh</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>4.</td>
<td>Between 4 to 5 lakh</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>5.</td>
<td>Above 5 lakh</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td>53</td>
<td>45</td>
</tr>
</tbody>
</table>
Entrepreneurial Success: Influence of Certain Personal Variables

Table 3

THE NUMBER OF EMPLOYEES WORKING IN BOTH HEALTHY AND SICK UNITS

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Number of Employees</th>
<th>No. of healthy units</th>
<th>No. of sick units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Below 10</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>2.</td>
<td>Between 10 to 20</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Between 30 to 40</td>
<td>15</td>
<td>7</td>
</tr>
<tr>
<td>4.</td>
<td>Above 40</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td>53</td>
<td>45</td>
</tr>
</tbody>
</table>

Data Collection

A structured Interview Schedule was used to collect the data from the entrepreneurs. The Chi-Square test was used to see the differences in the selected personal variables, i.e. education level, family background and previous job experience. The characteristics of the sample are given in Tables 1, 2, 3.

The Findings

Table 4

THE EDUCATIONAL LEVEL OF THE ENTREPRENEURS OF HEALTHY AND SICK UNITS

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>Entrepreneurs of Healthy Units</th>
<th>Entrepreneurs of Sick Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below P.U.C.</td>
<td>11</td>
<td>16</td>
<td>27</td>
</tr>
<tr>
<td>Degree or Diploma</td>
<td>24</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td>Post-Graduate Degree</td>
<td>18</td>
<td>7</td>
<td>25</td>
</tr>
<tr>
<td>Total:</td>
<td>53</td>
<td>45</td>
<td>98</td>
</tr>
</tbody>
</table>

\[ X^2=5.239; \; df=2; \; P>0.05 \; N.S. \]

Regarding the educational level of the entrepreneurs of both healthy and sick units, though there is no significant difference, the entrepreneurs of healthy units are found to have a higher level of education when compared to those with sick units. McCrory (1956) found that most profitable businesses were operated by the highly educated group, whereas, Papanek (1971) and Babu (1978) have shown that education has no impact on entrepreneurial success. In general, the present sample of successful entrepreneurs were found to be highly educated, which is in line with the findings of other studies (Srinivas, 1966; SIET, 1974; Uplaoankar, 1977). Certainly, education helps the entrepreneur to understand technological changes and introduce new innovations and management principles.
To know the entrepreneurs' family background, information about their fathers' occupation was collected. A business background can provide the necessary support and know-how for building up an individual's own business. It can also contribute to the career advancement of the individual. In the present context, the entrepreneurs' family background does not make any significant difference. But the above table shows that the fathers of a number of successful entrepreneurs were already engaged in business activities. Fathers' business activities are found to confer greater access to capital and other significant help (Berna, 1960; Derossi, 1971; Subramaniyam et. al., 1975), thereby providing greater chances of becoming successful in business.

Table 6

THE ASSISTANCE IN THE PRESENT BUSINESS FROM FAMILY MEMBERS OF ENTREPRENEURS OF HEALTHY AND SICK UNITS

<table>
<thead>
<tr>
<th>Assistance</th>
<th>Entrepreneurs of Healthy Units</th>
<th>Entrepreneurs of Sick Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28</td>
<td>13</td>
<td>41</td>
</tr>
<tr>
<td>No</td>
<td>25</td>
<td>32</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>53</td>
<td>45</td>
<td>98</td>
</tr>
</tbody>
</table>

$\chi^2=48.542; \text{ df}=1; P<0.01$ Significant.

In setting up the industrial unit and in running it successfully, the entrepreneur may receive financial assistance or advisory help from family members, friends and relatives. Help from his own family is the most encouraging factor for entrepreneurial growth and development. Table 6 shows that the entrepreneurs of healthy units received assistance from their family members, whereas, the unsuccessful ones did not receive it. The difference between the two groups is significant. Help from family members was mostly in the form of finance or advice and moral support.
Table 7

THE PREVIOUS JOB EXPERIENCE OF ENTREPRENEURS OF HEALTHY AND SICK UNITS

<table>
<thead>
<tr>
<th>Job Experience</th>
<th>Entrepreneurs of Healthy Units</th>
<th>Entrepreneurs of Sick Units</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical job</td>
<td>26</td>
<td>13</td>
<td>39</td>
</tr>
<tr>
<td>Administrative job</td>
<td>13</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>Own business</td>
<td>8</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Nil</td>
<td>0</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53</strong></td>
<td><strong>45</strong></td>
<td><strong>98</strong></td>
</tr>
</tbody>
</table>

\[ X^2 = 15.6496; \text{df}=4; P<0.01 \text{ Significant} \]

The experience and exposure to business through their earlier jobs, as seen from the above table, have an important bearing on their successful entrepreneurial career. Because of their previous experience in similar jobs, they are exposed to the business climate and gain some insight into the various business problems, which facilitates better performance. Here also, more entrepreneurs of the successful group had previous work experience, when compared to entrepreneurs of sick units, and the difference is statistically significant.

Conclusion

The following findings are arrived at from this study on manufacturing entrepreneurs.

1. Educational level and the family background of the entrepreneurs did not influence their career success.

2. Family support and previous job experience influence their entrepreneurial success.

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