BUSINESS SUCCESS FACTORS IN IRANIAN SMALL AND MEDIUM ENTERPRISES SECTOR (SMES)

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Abstract
Introduction The importance of Small and Medium Enterprises sector is well recognized from its significant contribution to the socio-economic objectives of the country like generation of employment, output, exports and fostering entrepreneurship. Case description One of the requirements for growth, creativity as well as entrepreneurship within societies is to study their success process. Our sample includes 230 Small and Medium Enterprises that were established during 2004 to 2016 in Fars province. Data was collected through questioners around general “manager/entrepreneur” among all categories of small and medium business. Discussion and Evaluation The purpose of this study is to investigate factors which effect on success entrepreneurs in Small and Medium Enterprises sector. The results of this study are helpful to the policy makers to frame suitable entrepreneurship development strategies to develop entrepreneurs. Conclusions Our findings revealed significant difference between the internal and external factors for success of the business. The study revealed that there is a significant difference between internal and external factors on the success of the business. It is concluded that there is high effect of success of units by strong believing of internal factors of the business.

Keywords: Entrepreneurship – Success factors – SMEs – Iran

Background
Since new business create new jobs, open opportunities for upward social mobility, foster economic flexibility and fortify competition and economic efficiency (Liao et al. 2008), therefore, they are being considered significantly for economic growth. Business discontinuation is an important element of dynamic economies; on the other side, entries to and exits of businesses are closely correlated to each other. It has been widely recognized that business growth as well as survival are dependent both on external and internal factors. While most business challenge may be anticipatable, some will be completely fickle. In order to flourish in the business, a management team must be careful to all those facets which may have a major influence on business viability and also demonstrate skills both in exploiting the prospects as well as reducing the unlikelihood (FEE 2004). It has become challenging and more complex to manage a successful business today in the recent history. Technology, product and manufacturing innovations are causes of changes in business regulations and increase international competition which would burden tremendous pressure on the management of companies.
Consequently, the failure rates of new start-ups, and even new companies beyond the starting phase, are high at all-time (Bruno et al. 1987). (Stefanovic et al. 2010; Lussier and Pfieler 2001) in simplest way define business success as the company’s ability in survival. (Benzing et al. 2005; Chu et al. 2007; Coy et al. 2007; Duschesneau and Gartner 1990; Pratt 2001) stated that Owner’s previous experiences, interpersonal skills, access to capital and hard work are important motivators are being served as the success of any business. Experience and knowledge of the local market also plays a countless role in achieving the feat (Hussain and Windsperger 2010). A very great study in the context of success factors is done by Benzing and contemporaries (2009) classified the factors of success businesses into psychological and personal skills, management skills and training and external environment. According to (Lucky and Minai; 2011; Rebecca et al. 2009; Arowomole 2000) asserted that individual characteristics, culture, location, external factors, advanced, training and development and competency determine business success.

The study conducted by (Jasra et al. 2011) recognized that factors such as market strategy, environment, technology, equipment, financial resources, government backing, information access and entrepreneurial skill determine business success and they stated that these aspects play a vital role in determining the success of the business. From all indications, (Stefanovic et al. 2010; Frese et al. 2002) explain urge of independence, innovativeness, approach towards risk and a competitive nature as a psychological attributes relating to success. According to the great significance of understanding business success factors on SMEs, researcher has gone through numerous research articles and dissertations relating to the research title. After examining and understanding of the research review, the researcher has determined to take up a research aim for this study which is: “To identify the business success factors in Iranian Small and Medium Enterprises sector”.

**Theoretical Framework**

**Business Success**

Success has been defined in different dimensions by various researchers. In most studies, business success was defined as continue to existing the first two or three years that the company initiated the business Owoseni and Akanbi (2011). According to Hornaday and Bunker (1970), the 'successful' entrepreneur was an individual who started a business, building it up where no previous business had been functioning, and continuing for a period of at least five years to the present profit-making structure. Also, Kalleberg and Leicht (1991) defined a successful business as “the one which adapts more effectively and takes advantage of the opportunities offered by the business environment”. Masuo, Fong, Yanagida and Cabal (2001) found that business success is commonly defined as economic or financial measures which include return to assets, sales, profits, employees and survival rates; and no pecuniary measures, such as customer satisfaction, personal development and personal achievement. Other studies (Gatewood 1995; Perry 1988; Begley 1987) have defined success more in financial terms, linking the most common characteristics found among entrepreneurs to measures like return on investment, growth in sales, and profit every year, or to the personal income of the owner/manager of the business. Success, in general, is related to the achievement of goals and objectives in every sector of human life. In business cycle, success is a key term in the field of management, although it is not always explicitly stated. Success and failure can be interpreted as importance or indifference of management. Growth in business level has also been described as performance or success, and performance was measured by income or by profitability (ENSR 2003; Hornaday 1970) opined that even though many indices might have been considered as criteria of success, continuity in business is a persuasive quality.

Business success is defined as the ability of the business to achieve its stated objective and it is the achievement of the business with regards to its business goals. According to (Lucky 2011), business success tends to provide information on efficiency, growth, profit, size, liquidity, success/failure, market share and leverage. It supplies information about the business’ growth, success/failure and most predominantly, the profitability of the business. Therefore, business success indicates that the business is profitable, effective, efficient, successful, etc. A business does not just achieve success; certain factors play significant functions. (Gatewood 1995; Perry 1988; Begley 1987) stated that success is related to financial terms, linking the most common characteristics found among entrepreneurs to measures like return of capital, growth in sales, and annual profit, or to the personal income of the owner/manager of the business.

**Causes of Business Success**
Successful businesses tend to have certain qualities in common that aid in their success. Many successful entrepreneurs succeed only after failing several times. It has been stated that, “successful entrepreneurs don’t have failures. They have learning experiences” (Goodman 1994). Successful entrepreneurs are able to view difficulty as opportunity for change. Even some of the most well-known and successful entrepreneurs made an empire out of a failure. “Walt Disney went bankrupt three times before he made his first successful film. Henry Ford failed twice. They would never have been successful if they had given up easily” (Richardson 1994). Hence, measurement of success is multifaceted and should be monitored at many levels, including the observation and perception of the entrepreneur. Tolerance for failure is included in a set of similarities of successful entrepreneurs. Therefore, an entrepreneur must be able to fail initially in order to eventual succeed.

Numerous empirical studies on factors influencing success of business can generally be conducted from two approaches; either by focusing on a quite limited set of variables at firm level or by incorporating a broader framework that covers the external environment. Following the survey approach adopted by (Duh 2003), the primary factors explored to be significant in affecting success of business included owners’ or managers’ characteristics; enterprise characteristics and the contextual elements of business development. From a management perspective, the concept of success often refers to the enterprise’s financial performance. However, there is no universally accepted definition of success and as such business success is interpreted in numerous ways from several dimensions (Foley and Green 1989). Different dimensions that are covered by the concept of success include survival, profit, sales growth and number of employees. As noted in the literature, different factors influencing business success in SMEs. This study trying to answer the following question: what are the business success factors in Iranian SMEs?

**Business success in Iran**

In order to know more about the business environment of Iran, we address the annual report of World Bank in 2011. Doing Business 2011 is an annual report investigating the regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies over time. Regulations affecting 11 areas of the life of a business are covered: starting a business, dealing with construction permits, registering property, obtaining credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business, getting electricity, and employing workers. Iran with 80 million populations and GNI per capita US$ 7,211, is placed 152 among 189 countries, in the “ease of doing business”. The rank of Iran in “starting a business” is 107, while in “obtaining credit”, it is ranked 86. We must mention that the Islamic Republic of Iran eased the creation of business start-ups in 2011 by installing a web portal allowing entrepreneurs to search for and reserve a unique company name; furthermore, the establishment of a new private credit bureau improved access to credit information. The Islamic Republic of Iran made enforcing contracts easier and faster by introducing electronic filing of some documents, text message notification, and an electronic case management system (World Bank, 2013). Also, raking of Iran in Middle East and North Africa is 8th from 19 countries (World Bank, 2013), while according to the annual report of GEM, the business discontinuation rate in Iran (5%) is almost lower than average of efficiency–driven economies (6%) (Xavier et al. 2013). Based on a research done on causes of business success in Iranian SMEs, main causes of business success are: 1) Access to finance, 2) innovative idea, 3) Cooperation with other entrepreneurs 4) technological schemes 5) skilled labor 6) Knowledge management (external) 7) Reliable suppliers.

**Materials and Methods**

**Objective of the study**

Objective of this study is to investigate factors which affect on success entrepreneurs in Small and Medium Enterprises sector.

**Sample design**

Sample consisted 230 successful entrepreneurs. Based on Pretorius (2009) definition, a successful entrepreneur is a business owner who succeeds to overcome different challenges and problems and still can survive in difficult situation. During the study period 2004 to 2016, 3,039 SMEs have been registered in Fars province and the same has been taken as total population for the study. The researcher has adopted purposive sampling technique to take up the sample from population having different nature activities and categories of units.
Methods of data collection

Many methods are used for research works. The study has adopted personal interview and observation method for collecting the primary data from the respondents. Structured questionnaires for collecting the data from respondents have been used. The questionnaire is drafted by using five-point Likert Scale. The five-point Likert scale was assigned in the manner (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, and (5) strongly agree. 230 questionnaires were personally distributed and also collected all of them. The validity of the questionnaire used in this study was examined by previous studies, university professors and experts’ and Reliability was measured by Cronbach’s alpha which was 0.89 for the whole questionnaire.

Research tools

Data analysis was done on 230 completely filled questionnaires by 21th version of SPSS Software package for analyzing Statistics. According to central limit theorem, regarding high sample size, sample means have normal distribution so we can use t-test.

Main Hypothesis

H10: There is no significant difference between internal factors and external factors contributing for success of the units.

Analysis and Findings

The table 1 reveals the in depth details regarding A) category of entrepreneur B) gender of the entrepreneur C) marital status D) age of the entrepreneur E) educational qualification of the entrepreneur F) experience of the entrepreneur. Here it can be observed that 71.7 per cent of entrepreneurs are first generation entrepreneurs, 81 per cent of entrepreneurs are male and only .19 per cent are female, .76 per cent are married, 68.7 percent of entrepreneurs are below the age of 40 years, 64 per cent of entrepreneurs are above graduation level education and 62.2 per cent entrepreneurs have either employee or business experience. It is inferred that mostly entrepreneurs are in first generation, below the age of 40 years, above graduation level and having experience before they start their business. These businesses were in a different industry sector. Many of them were in manufacturing (39.6 per cent) as well as in services sector (30.4 per cent) and in trading sector (30.0 per cent).

Table 1- Profile of Respondents

<table>
<thead>
<tr>
<th>Demographic variables</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneur's Category</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Generation</td>
<td>165</td>
<td>71.7</td>
</tr>
<tr>
<td>Second Generation</td>
<td>54</td>
<td>23.5</td>
</tr>
<tr>
<td>Third Generation</td>
<td>11</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Gender of the Entrepreneur</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>187</td>
<td>.81</td>
</tr>
<tr>
<td>Female</td>
<td>43</td>
<td>.19</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unmarried</td>
<td>54</td>
<td>23.5</td>
</tr>
<tr>
<td>Married</td>
<td>176</td>
<td>76.5</td>
</tr>
<tr>
<td><strong>Age of the Entrepreneur</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 30 Years</td>
<td>65</td>
<td>28.3</td>
</tr>
<tr>
<td>30 - 40 Years</td>
<td>93</td>
<td>40.4</td>
</tr>
<tr>
<td>40 - 50 Years</td>
<td>35</td>
<td>15.2</td>
</tr>
<tr>
<td>50 - 60 Years</td>
<td>22</td>
<td>9.6</td>
</tr>
<tr>
<td>60 Years &amp; above</td>
<td>15</td>
<td>6.5</td>
</tr>
</tbody>
</table>
### Results of Business success factors (Internal and External factors):

Table 2 reveals that the internal factors contributing for the success of business, and also indicates the weighted scores, means and standard deviations of the factors. It can be observed that the capability to adopt marketing strategy (59.46 per cent), networking with other businesses (57.50 per cent), sound financial planning (57.39 per cent) are the important factors contributing the success of the units. It is inferred that the innovative idea for development of business (45 per cent) is the least contributing factor for the success of business. Overall mean of the internal factors of entrepreneurs is 3.32. This mean is saying that there is a substantiate impact of internal factors for success of business.

<table>
<thead>
<tr>
<th>Internal Factors</th>
<th>DA</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>SD</th>
<th>PS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Work Experience</td>
<td>61</td>
<td>127</td>
<td>30</td>
<td>12</td>
<td>2.97</td>
<td>0.78</td>
<td>49.24</td>
</tr>
<tr>
<td>Networking with other Businesses</td>
<td>48</td>
<td>77</td>
<td>93</td>
<td>12</td>
<td>3.30</td>
<td>0.86</td>
<td>57.50</td>
</tr>
<tr>
<td>Sound financial planning</td>
<td>49</td>
<td>77</td>
<td>91</td>
<td>13</td>
<td>3.30</td>
<td>0.87</td>
<td>57.39</td>
</tr>
<tr>
<td>Understanding the competition</td>
<td>46</td>
<td>121</td>
<td>48</td>
<td>15</td>
<td>3.14</td>
<td>0.81</td>
<td>53.48</td>
</tr>
<tr>
<td>Capability to adopt marketing strategy</td>
<td>10</td>
<td>128</td>
<td>87</td>
<td>5</td>
<td>3.38</td>
<td>0.61</td>
<td>59.46</td>
</tr>
<tr>
<td>Innovative idea for development</td>
<td>53</td>
<td>70</td>
<td>83</td>
<td>23</td>
<td>2.80</td>
<td>0.99</td>
<td>45.00</td>
</tr>
<tr>
<td>Overall</td>
<td>3.32</td>
<td>0.95</td>
<td>58.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: primary data Note : (Figures in parentheses indicate percentage)

Table 3 reveals that the external factors contributing for the success of business, and also indicates the weighted scores, means and standard deviations of the factors. It can be observed that the financial market environment for reasonable interest rates (47.61 per cent) is the important factor contributing the success of the business. It is inferred that all other factors and the growth in demand in domestic market especially (28.48 per cent) are the least contributing factors for the success of business. Overall mean of the external factors of entrepreneurs is 2.50. This mean is saying that there is no such impact of external factors for success of business.
Table 3- External Factors Contributing for the Success of Business

<table>
<thead>
<tr>
<th>External Factors</th>
<th>SDA</th>
<th>DA</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>SD</th>
<th>PS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Market Environment for reasonable interest rates</td>
<td>32 (13.9)</td>
<td>39 (17)</td>
<td>104 (45.2)</td>
<td>52 (22.6)</td>
<td>3 (1.3)</td>
<td>2.90</td>
<td>1.31</td>
<td>47.61</td>
</tr>
<tr>
<td>Ministerial Schemes to obtain credit without complex collaterals</td>
<td>38 (16.5)</td>
<td>60 (26.1)</td>
<td>52 (22.6)</td>
<td>46 (20)</td>
<td>34 (14.8)</td>
<td>2.44</td>
<td>0.96</td>
<td>35.98</td>
</tr>
<tr>
<td>Technological Environment facilitating access to appropriate technology</td>
<td>37 (16.1)</td>
<td>91 (39.6)</td>
<td>71 (30.9)</td>
<td>26 (11.3)</td>
<td>5 (2.2)</td>
<td>2.38</td>
<td>0.88</td>
<td>34.57</td>
</tr>
<tr>
<td>Growth in demand in domestic market</td>
<td>36 (15.77)</td>
<td>94 (40.9)</td>
<td>78 (33.9)</td>
<td>20 (8.7)</td>
<td>2 (0.9)</td>
<td>2.14</td>
<td>1.06</td>
<td>28.48</td>
</tr>
<tr>
<td>Favourable tastes and performances of consumers</td>
<td>85 (37)</td>
<td>56 (24.3)</td>
<td>64 (27)</td>
<td>22 (9.6)</td>
<td>3 (1.3)</td>
<td>2.33</td>
<td>0.90</td>
<td>33.37</td>
</tr>
<tr>
<td>Sudden opportunities in international market</td>
<td>36 (15.7)</td>
<td>109 (47.4)</td>
<td>61 (26.5)</td>
<td>20 (8.7)</td>
<td>4 (1.7)</td>
<td>2.50</td>
<td>0.59</td>
<td>37.52</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.50</td>
<td>0.96</td>
<td>37.52</td>
</tr>
</tbody>
</table>

Source: Primary data Note : (Figures in parentheses indicate percentage)

Table 4 analyzed the difference between internal factors and external factors contributing for success of the business. T-value test has been conducted for overall means of the internal factors and external factors. It is declared that T-value is 14.43 and the P-Value is 0.000. Reject the null hypothesis and accept the alternative hypothesis saying that there is significant difference in between the internal and external factors for success of the business. It is concluded that there is high effect of success of units by strong believing of internal factors of the business.

Table 4- Analysis of the Factors Contributing for Success of the Business

<table>
<thead>
<tr>
<th>Factors</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>T-Value</th>
<th>P-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>230</td>
<td>3.234</td>
<td>0.5</td>
<td>14.43</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>External</td>
<td>230</td>
<td>2.501</td>
<td>0.586</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Computed table (5% level of significance) Result: T-value: 14.43, P-value: 0.000
(Significant - If p value < 0.05)

Discussion and conclusion

This study has been done to identify success of entrepreneurs about factors influencing business success on a sample of 230 registered SMEs in in Fars province in during 2004-2016. The internal factors contributing in the success of business including 1) capability to adopt marketing strategy (59.46 per cent), 2) networking with other businesses (57.50 per cent), 3) sound financial planning (57.39 per cent) are the important factors contributing the success of the business. Hence, it is suggested that a well-planned and well-implemented marketing strategy helps business to present strong value propositions that build customer loyalty. Networking seems to be important both between and within firms. The percentage of SMEs which have networking with other business was high among successful SMEs and low among failed SMEs, so fostering the networking within and between the start up business is recommended. It is also suggested to small business to ensure strategic cash flows against its needed cash outflow; this is a function of sound financial management.

The external factors contributing in the success of business are 1) financial market environment for reasonable interest rates (47.61 per cent), 2) sudden opportunities in international market (37.52 per cent), 3) ministerial Schemes to obtain credit without complex collaterals (35.98 per cent), 4) technological Environment facilitating access to appropriate technology (34.57 per cent), 5) favorable tastes and performances of consumers (33.37 per cent), 6) positive demand in domestic market are external factors for success of entrepreneur (28.48 per cent). It is observed that the financial markets and reasonable interest rates (47.61 per cent) are high influencing factor than other factors. It is suggested to the government that SMEs’ access to financing with low interest rates should be improved by deepening the reforms of the banking system.
It appears that most of SMEs entrepreneurs and employees were positive with adoption and use of technology by their businesses; they appreciated use of technology to enhance their profit margins and increase business performance. It is also suggested that technology supporting departments to create awareness and inform the accessible and availability of suitable technology. It is also suggested to entrepreneurs to sense about the tastes and preferences of the target consumers. The study analyzed the impact of internal and external factors contributing to the success of the business and it is revealed that there is a significant difference between internal and external factors on the success of the business. Sometimes internal factors are contributing to the success and sometimes the external factors contributing to the success of the business. It depends upon case to case.

References


