

Motivation, Challenges and Success Factors of Entrepreneurs: An Empirical Analysis

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ABSTRACT

The purpose of this paper is to investigate the motivation factors, challenges and success factors of entrepreneurs in India. Primary data have been collected from entrepreneurs and analysed to approach the objectives. The results indicate that the main motivation factors are intrinsic factors like following one's dreams, being one's own boss and earning lots of money. Self-confidence and a high degree of commitment are the most important success factors, and the biggest challenges are the raising of funds and hiring and retaining of the workforce. The study might help young technocrats in understanding entrepreneurship in the Indian context. It may also aid policymakers in taking steps for promotion of entrepreneurship in India. However, more evidence-based information is needed on the entrepreneurs in India before any generalisation of results can be made. Additionally, the empirical tests were conducted only on the entrepreneurs in the National Capital Region in the period from 2009 to 2010 and, hence, the results of the study cannot be assumed to extend beyond this group of entrepreneurs or to different study periods.

Keywords: Entrepreneurship, entrepreneurial motivation, entrepreneurial challenges, entrepreneurial success factors

INTRODUCTION

The entrepreneur is one who undertakes to organise, manage and assume the risks of a business. Moreover, an entrepreneur is

an innovator or developer who recognises and seizes opportunities; converts those opportunities into workable/marketable ideas; adds value through time, effort, money or skills; assumes the risks of the competitive marketplace to implement these ideas; and realises the rewards from these efforts (Kuratko and Hodgetts 2007).

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Although it is assumed that a rational human being is risk averse, an Entrepreneur chooses risk taking. Being an entrepreneur is often viewed as an aversive career choice where one is faced with everyday life and work situations that are fraught with increased uncertainty, impediments, failures and frustrations associated with the process of new firm creation (Campbell, 1992). Regardless of this, there are some individuals who take the risk and become entrepreneurs. Examining the scenario of entrepreneurship in India, it has been observed that entrepreneurial activity has declined in India in the past few years. As per the Total Entrepreneurship Activity (TEA) data of Global Entrepreneurship Monitor Report, the TEA level in India was only 6.9 per cent in 2008 while it was 17.9 per cent in 2002. Liberalisation of the Indian economy in 1991 and the Information Technology boom of the mid to late 90s have been significant factors, leading to the wave of entrepreneurship sweeping through the country. The Indian government encouraged entrepreneurship by providing training and facilities to entrepreneurs. India is ranked second in the world in entrepreneurial activity; however, India now appears to have a Total Entrepreneurial Activity level rather close to the world average. India now stands ninth in the Global Entrepreneurship Monitor survey of entrepreneurial countries. It is ranked the highest among 28 countries in necessity-based entrepreneurship and fifth from the lowest in opportunity-based entrepreneurship.

Entrepreneurial activity is essential for the growth and development of a country.

As per Schumpeter (1926) "it is difficult to see how economic regions would compete without individuals, who constantly renew business processes and innovate with new products, services and strategies." It contends that developing new entrepreneurs is seen as a major strategic task in the policy programmes of government. Thus it makes sense to investigate the motivation and success factors of the entrepreneurs and to understand the challenges faced by the entrepreneurs in India.

LITERATURE REVIEW

There is a substantial amount of literature available on motivation factors, challenges and success factors of entrepreneurs in other countries, but in India few studies could be found on this issue. However, studies from other developing countries might be considered relevant in the Indian scenario. Hussain and Yaqub (2010) in their study on Pakistani entrepreneurs found that in developing countries money is the main motivation factor for small entrepreneurs. Customer service and relative business experience are the key success factors while lack of access to financial capital, bureaucratic hurdles and environmental uncertainty are the major challenges for entrepreneurs. Segal, Borgia and Schoenfeld (2005) found that tolerance for risk, perceived feasibility and desirability significantly predict self-employment intentions. Researcher Bradley R Johnson (1990), in his reviews of achievement motivation of entrepreneurs, found that psychological traits and motives are important factors

behind the motivation of entrepreneurs. Cooper and Artz (1995) in their study examined the importance of satisfaction to an entrepreneur's willingness to remain in a venture. Particular goals, attitudes and backgrounds were all found to be important determinants of an entrepreneur's eventual satisfaction. Gilad and Levine (1986) proposed two closely-related explanations of entrepreneurial motivation, the 'push' theory and the 'pull' theory. The 'push' theory argued that individuals are pushed into entrepreneurship by negative external forces such as job dissatisfaction, difficulty finding employment, insufficient salary or an inflexible work schedule. The 'pull' theory contends that individuals who are attracted to entrepreneurial activities are seeking independence, self-fulfillment, wealth and other desirable outcomes. Research (Keeble *et al.*, 1992; Orhan & Scott, 2001) indicates that individuals become entrepreneurs primarily due to 'pull' factors rather than 'push' factors.

Regarding the success factors of a business, it is evident that the owner's previous experience, access to capital and interpersonal skills are crucial for the success of a small business (Pratt, 2001). Hard work, interpersonal skills and customer service orientation of the business owners are also important drivers of the performance of small businesses (Benzing *et al.*, 2005; Chu *et al.*, 2007; Coy *et al.*, 2007; Duschesneau & Gartner, 1990). Psychological factors like attitude towards risk, innovativeness, planning skills etc. have a critical impact on performance of the business (Frese *et al.*, 2002; Koop *et al.*, 2000).

Poor infrastructure, corruption, unstable political and economic environment, complex taxation and poor law and order are common problems faced by developing countries like India. Kalyani (2006) in his study on problems of small-scale entrepreneurs found that entrepreneurs face production, marketing, infrastructure and financing problems like retention of key workers, developing new products/services, expansion to other markets, increasing productivity, upgrading technology, creating business alliances, management of cash flows, expansion outside their territory, risk management, finding new financing, buying another company or launching a spinoff and going public.

From the above review of literature, it can be understood that there are many motivation, success and challenge factors suggested by researchers. But most of the studies have been conducted in developed countries where the economic conditions and infrastructural facilities are advanced. In a developing country like India, entrepreneurs face different situations. Against this backdrop, the purpose of this study is to investigate the motivations, success factors and challenges faced by entrepreneurs in India.

RESEARCH METHODOLOGY

A primary study has been conducted among entrepreneurs in the National Capital Region of India. On the basis of the literature surveyed a closed-ended questionnaire has been developed to understand the motivation factors, success factors and

challenges faced by the entrepreneurs. The reliability and validity of the instrument have been tested before administering the questionnaire. Cronbach's alpha, a measure of internal consistency reliability (Pedhazur and Schmelkin, 1991), was 0.77. An alpha level of 0.70 or above is generally considered to be acceptable (Barringer and Bluedorn, 1999). The primary data has been collected from approximately 100 entrepreneurs selected randomly from the population. A five-point Likert scale has been used to measure perceived motivation and success variables: 5 was "extremely important"; 4 was "very important"; 3 was "can't say"; 2 was "not very important"; and 1 was "unimportant." A higher mean score on a variable indicates greater importance. On the basis of responses mean scores and standard deviations have been calculated for all the questions. Factor analysis was used to determine whether the success variables group together on significant factors. The Kaiser-Meyer-Olkin measure of sampling adequacy (Kaiser, 1970; Kaiser, 1974) and Bartlett's test of Sphericity (Bartlett, 1954) were used for test to establish the justification of implementation of factor analysis. Principal component analysis, scree plot and component matrix were used to establish factors.

EMPIRICAL RESULTS

The data analysis in Table 1 revealed that the main motivation factor for an entrepreneur is "to reach his dreams"; the next most important motivation factor is "to do what one enjoys to do." "Money" and

"to be his/her own boss" are also important motivation factors. Similar findings have been observed in the studies carried out by Bewayo, 1995; Shabbir and Gregorio, 1996. It indicates that the inner desire of a person is the most essential motivating factor for an entrepreneur. Moreover, since currently the market is full of job opportunities, downsizing and dissatisfaction with the job are not very significant motivating factors for an entrepreneur. During recession periods it has been observed that downsizing becomes a more important driving force for growth of entrepreneurship.

From Table 2, it could be observed that the main challenge which is faced by Indian entrepreneurs is "raising of funds" for the business. Similar results have been reported by Hussain and Yaqub (2010) in their study on entrepreneurs. Although in the past few years India has witnessed a fast growth in venture capital financing, financing is still a major challenge for small entrepreneurs. Secondly, "hiring workforce," retention of workforce and other workforce-related challenges are the next big problems for entrepreneurs. The attrition rates are found to be very high in small businesses. Having a right business idea for starting a business is a huge challenge for entrepreneurs. It has been observed that small entrepreneurs change their business idea within one to two years of starting the business. Choosing the right business partner and fear of failure are also the big tribulations which deter entrepreneurs from the entrepreneurial activity. The entrepreneurs surveyed have given least weightage to legal and regulatory

TABLE 1
Motivation Factors for Entrepreneurs

<i>S.No.</i>	<i>Motivation factors</i>	<i>Mean Score</i>	<i>Std. Dev.</i>
1	To reach your dreams	4.8	1.23
2	To do what you enjoy	4	0.89
3	Money	3.9	1.15
4	To be your own boss	3.5	1.06
5	To reach your full potential	3.2	0.85
6	To contribute to society	3	0.77
7	Dissatisfaction with the job	2.5	1.14
8	Downsizing	1.2	0.67

TABLE 2
Challenges Faced by Entrepreneurs in Initial Stages of Business

<i>S.No.</i>	<i>Challenging Factors</i>	<i>Mean Score</i>	<i>Std. dev.</i>
1	Raising of funds	4.5	0.95
2	Hiring of workforce	4.2	1.13
3	Choosing the right partner	3.7	1.04
4	Fear of failure	3.5	0.85
5	Having the right business idea	3	0.77
6	Legal and regulatory requirements	2.2	1.11
7	Lack of relevant knowledge	1.5	0.82
8	Not getting family support	1.2	1.03

requirements, family support and lack of knowledge.

The empirical analysis of success factors shown in Table 3 revealed that the “confidence of the entrepreneur in his ability to succeed” and “high degree of commitment” are the two most important success factors as perceived by the entrepreneurs. The other factors like “future orientation,” “high level of energy,” “risk taking ability,” “desire for responsibility,” “managerial skills,” “passion,” “knowledge of the business,” “persistence,” “networking skills” and “creativity” are also critical for success of an entrepreneur. However, the

entrepreneurs believe that “flexibility” and “prior experience in the business” are not essential for success of an entrepreneur.

The results of factor analysis on success factor variables have been shown in Table 4. The Keiser-Meyer-Olkin measure of sampling adequacy was 0.864 and Bartlett’s test of Sphericity was significant at 0.000. The factor analysis led to four factors, which account for 66.261 percent of the cumulative variance. These factors can be interpreted as: self-motivation, personality, risk-taking ability and business acumen.

The first factor is called ‘Self-motivation’. It explains 22.36 per cent of

TABLE 3
Critical success factors as perceived by Entrepreneurs

<i>S.No.</i>	<i>Success factors</i>	<i>Mean Score</i>	<i>Std. Dev.</i>
1	Confidence in your ability to succeed	4.3	1.21
2	High degree of commitment	4.1	1.27
3	High level of energy	3.8	1.25
4	Knowledge of the business	3.6	0.98
5	Future orientation	3.6	1.20
6	Passion	3.5	1.18
7	Networking skills	3.4	1.35
8	Desire for responsibility	3.3	0.95
9	Risk-taking ability	3.2	0.88
10	Managerial Skills	3.1	1.24
11	Creativity	3.1	1.16
12	Persistence	3	1.07
13	Flexibility	2.5	1.11
14	Experience in the business	2	1.27

TABLE 4
Principal component factor analysis (varimax rotation), factor loadings and communalities for success variables

S.No.	Variables	Rotated Component Matrix				Communalities
		Factor 1	Factor 2	Factor 3	Factor 4	Extraction values
1	Future orientation	0.628				0.523
2	High level of energy	0.584	0.514			0.701
3	Confidence in your ability to succeed		0.989			0.584
4	Risk-taking ability			0.871		0.795
5	Desire for responsibility		0.707			0.588
6	Managerial Skills		0.739			0.713
7	High degree of commitment	0.757	0.476			0.731
8	Flexibility		0.695			0.542
9	Passion	0.506	0.640			0.682
10	Knowledge of the business			0.491	0.678	0.800
11	Experience in the business				0.901	0.853
12	Persistence	0.655				0.485
13	Networking skills		0.657		0.455	0.687
14	Creativity		0.719			0.594

variance and contains success variables: future orientation, high level of energy, high degree of commitment, passion and persistence. According to Zafirovski (1999) entrepreneurs are often induced by motives and impulses other than the rational pursuit of profit, such as power to create. However, entrepreneurs need creativity and pro-activeness or a high capacity for anticipating opportunities and action orientation after failure and for goal orientation and solution seeking (McClelland, 1961). 'Personality' is the second factor. It includes variables: high level of energy, confidence in your ability to succeed, desire for responsibility, managerial skills, high degree of commitment, flexibility, passion, networking skills and creativity. This factor accounts for 20.84 per cent of variance. Individual personality traits have an impact on the success of an enterprise. One may acquire these traits by training and practice. Factor three can be referred to as "Risk-taking ability", and includes the variables of risk-taking ability and knowledge of business. It accounts for 12.04 per cent of variance. In order to manage a successful business, entrepreneurs need to take calculated risk. The fourth factor can be called "Business acumen". It consists of success variables: knowledge of business, experience in the business and networking skills. This factor explains 11.01 per cent of variance. It shows that prior knowledge and experience in the business are important factors for the success of a business.

CONCLUSION

The study aimed at gaining insights into the motivations of Indian entrepreneurs, their perception about success factors and the challenges faced by them. The questionnaire method was used to investigate 100 Indian entrepreneurs. The analysis of responses revealed that the Indian entrepreneurs are mainly motivated by intrinsic factors. They believe that by being an entrepreneur they can follow their dreams, be their own boss and earn lots of money. Their self confidence and high degree of commitment are the most important success factors. They believe that one can succeed if he/she has strong determination and firm belief in his/her ability to succeed. The success factors were grouped into four major factors: self-motivation, personality, risk-taking ability and business acumen. The biggest challenge to the entrepreneurs is the raising of funds. Entrepreneurs also face a challenge in hiring and retaining workforce.

The study might be helpful for young entrepreneurs seeking to understand the Indian scenario of entrepreneurship. It might also be valuable for policymakers who need to understand the motivations, challenges and success factors for taking steps for the promotion of entrepreneurship in India. A number of limitations of this study can be identified. Firstly, more evidence is needed on the entrepreneurs in India before any generalisation of results can be made. Second, the empirical tests were conducted only among entrepreneurs in the National Capital Region over the period 2009-2010; hence, the results of the

study cannot be assumed to extend beyond this group of entrepreneurs or to different study periods. The study has a further scope of research where the results of the study may be validated by taking actual cases of entrepreneurs.

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