

Factors driving the success of Entrepreneurs

Abstract:

The factors that influence the success of any business are many and the list of factors contributing to the success of an entrepreneur is lengthy. An entrepreneur has to have some essential skills such as technical skills, people skills, good network and funds raising skills. Any single person may not have all these skills together. Therefore, it is felt that a team comprising all the essential skills required is always better. This paper attempts to list the factors that contribute to the success of an entrepreneur. A desk study was done to do the task.

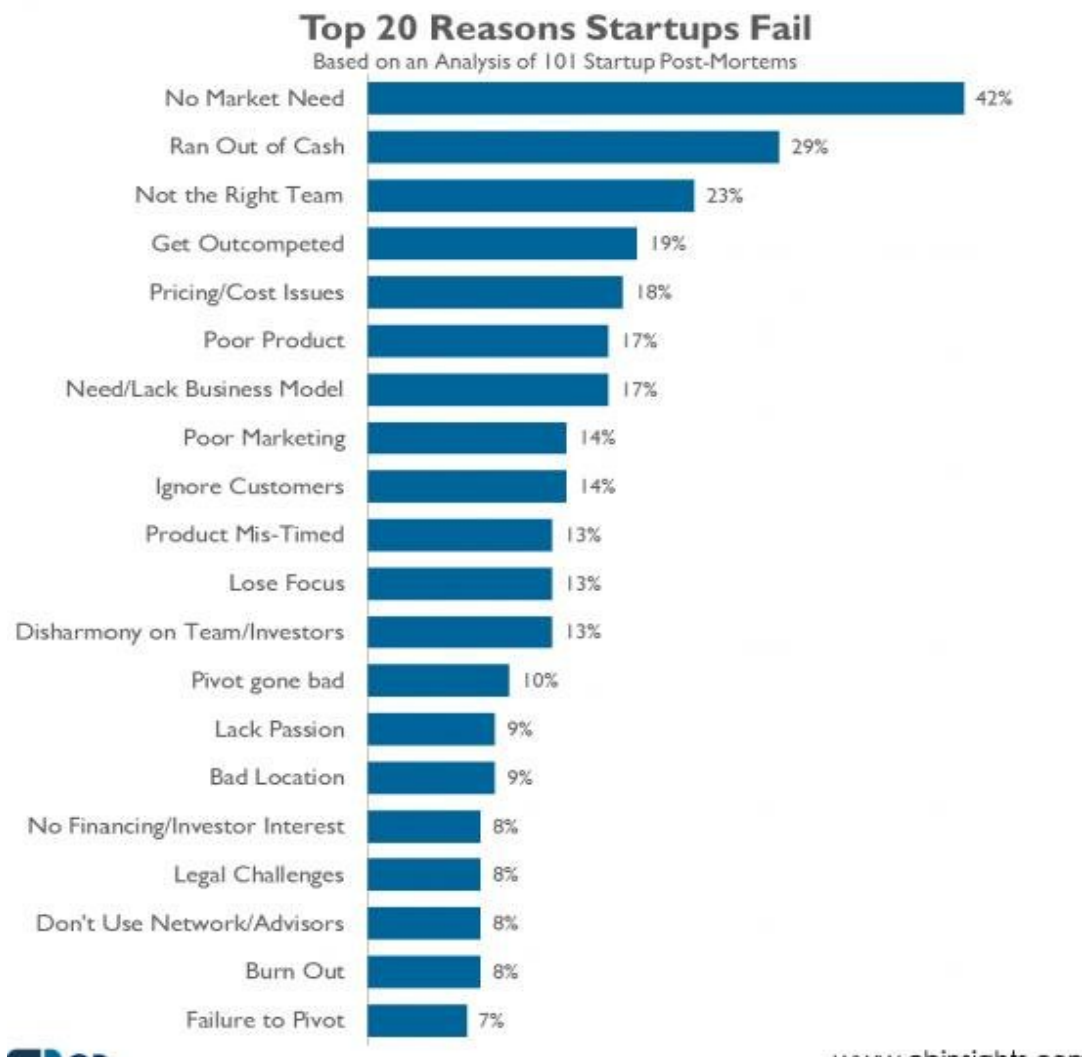
Key words: Entrepreneur, Success, Failure, skills, contribute.

Introduction

Bengaluru has been recognized as the silicon city of India worldwide. This city has housed many information technology-based companies. Bengaluru is the only Indian city in India to occupy the 15th position and the second fastest growing startup ecosystem after Singapore in Asia(http://www.huffingtonpost.in/2015/07/29/bangalore-global-startup-n_7893924.html). Digital technology has boosted the startup culture in the city. However, there exists an alarming failure percentage as well. Hence, it is important to identify the factors accountable for such high failure percentage. There are many factors which influence the success/failure of any business. Some of them are not under the control of the entrepreneur. It is important to understand them deeply to upswing of the percentage of success of firms. Mr Vaitheeswaran, in his book ‘Failing to Succeed’ explains that the failure rate is quite high in technology

startups and these firms won't have the first mover advantage, like non-IT firms. This study will help in understanding the factors and their impact on the success of entrepreneurs.

Nine out of ten startups fail because they are not customer centric (<https://www.forbes.com/sites/neilpatel/2015/01/16/90-of-startups-will-fail-heres-what-you-need-to-know-about-the-10/#375193b16679>). Every entrepreneur is very passionate about his product. They may not assess the acceptability of it by the customers. Most of the entrepreneurs fail due to this reason. In many cases the product may be good and the entrepreneur is technically very strong. But, at the same time he may lack managerial skills. Quite a number of entrepreneurs fail due to bad management skills and wrong decisions. Some may simply fail due to dearth of sufficient financial resources and some may be unsuccessful due to non-availability of right skilled human resources.



(Source: <http://fortune.com/2014/09/25/why-startups-fail-according-to-their-founders/>)

Literature review:

While the reasons for failure are plenty, reasons for success are also many in numbers. Many researchers have studied the different dimensions of success as well as failures of entrepreneurs. Some of the dimensions are listed here-

A good management and leadership have been proved by many researchers as a very important component for any venture to be successful. *Aaron Chatterji & et al (2017)* in their study found that the leaders who were more hands-on management and stayed close to their people and the firm were in better position to build successful ventures. *Hambrick (1984)* tried to study the relationship between the education and field of experience of the top management team on the strategic decisions taken by the organization. They have expressed that there is a considerable good correlation between the parameters. *Paramjit Sultana and Shivakanth Shetty (2013)* in their research paper have elaborated on the importance of strong human resource policies. In absence of it, the startups may fail to attract and retain quality human resource which is always a crucial factor in the success. In their work *Peter A. Gloor¹, Pierre Dorsaz², Hauke Fuehres(2011)* illustrated that the social media network and proximity to important people in the industry is the key to the success of an entrepreneur.

Alex B Van Zant and Don A Moore (2013) explained that confidence is the sure ingredient for success whereas overconfidence is fatal. *Seuwandhi B. Ranasinghe (2012)* conducted a study in Srilanka to analyse the factors contributing to the the success of women entrepreneurs and identified six key factors, such as - early childhood experiences, psychological characteristics, entrepreneurial competencies, formal and informal learning, external support and culture. *Ivan Stefanovic, Sloboda Prokic and Ljubodrag Rankovic(2010)* at Serbia identified four motivational factors as important for the success of entrepreneurs - greater business achievement, independence, intrinsic factor and job security. They also pointed at seven factors as important ingredients - position in society, interpersonal

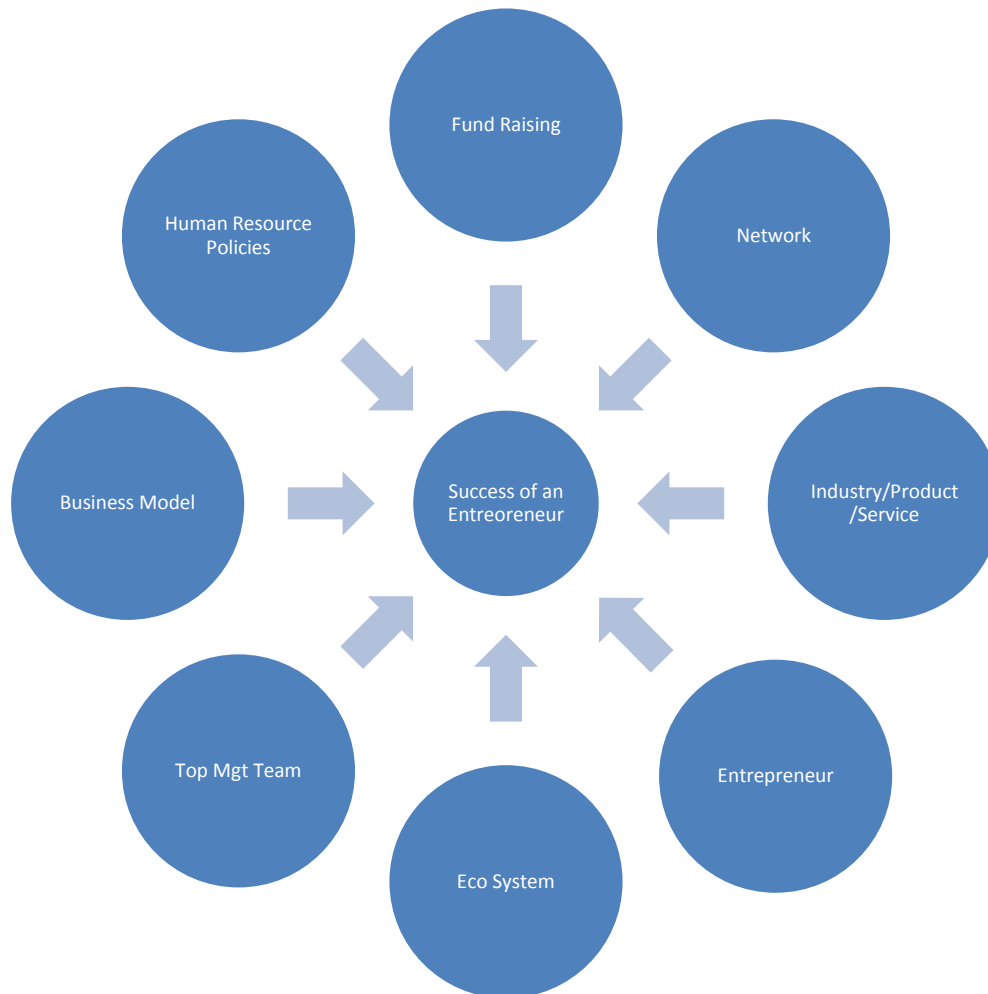
skills, approval and support, competitive product/service, leadership skills, always to be informed and business reputation.

A study was done at Bangladesh by Mohammed S. Chowdhury and Zuhurul Alam. They attributed the failure of entrepreneurs to factors such as Lack of infrastructure, sound political environment, and access to market and capital. They recognized demographic factors as a contributor to success.

Marmer Max et al presented a report on the in-depth study on the the success of silicon city web start-ups. They pointed that due to drastic fall in the costs of starting start-ups number of technology start-ups has gone up worldwide. They also opined that start-ups have different thresholds at different stages of growth. They classified these firms as the atomizers, the social transformer, the integrator, the challenger. They identified few factors such as – Founders' learning attitude, multiple founders, capacity to raise funds; realistic estimates etc. as contributors to the success of the firm.

The objective of this paper is to list the important factors that contribute to the success of the entrepreneurs. To achieve this desk research was done and the results are represented as follows.

The diagrammatic representation of factors contributing to the success of the entrepreneurs



Source: Author

Entrepreneur: Entrepreneur is the person who takes the initiative and offering his product/service to the customers. The success of the firm largely depends on how he/she plans and executes his idea. The personality of the entrepreneur plays a very important role. Entrepreneur being the main decision maker, his knowledge, education, skills, experience and expertise matter to greater extend on the business.

Top Management Team: If the members of the top management team are diverse and each member brings in their own expertise to the team. Researchers have established a strong correlation between the education and experience of the top management team and the strategic decision taken by them. A team with diverse talent is always preferred over single person managing the entire show. Hence, the top management is the important factor contributing to the success of the firm.

Ecosystem: Enterprises can't function in a vacuum. A good ecosystem is conducive to the flourishing of enterprises. As many factors influence the success of an enterprise like political, legal, technological factors etc. Many internet-based retail businesses that are successful today, had failed during the year 2000. Since the internet technology, today is cost-effective, and easily accessible, created an ecosystem that is favourable.

Industry/ Product or Service differentiation: The markets today are overcrowded. If any service or products intending to seek the attention of the customers has to be well differentiated from the others in the market. The USP of the product/service has to be strong and it should be of great value for the target customers. The industry life cycle also matters a lot.

Network: The network is an important asset of any entrepreneur. A good and strong network can facilitate and enhance the ease of doing any task. The network can contribute from product development to acquiring customers, from clearing legal requirements to raising funds.

Fundraising capacity: Businesses demand a reasonable amount of investments by the entrepreneurs. A well-networked entrepreneur is in a better position to raise the required capital from the investors (maybe angel investors/share capital/crowd

funding/ venture capital etc.). Hence, fundraising capacity is one of the essential factors contributing to the success of an entrepreneur.

Business Model: Business model explains the ways and means of a firm to generate its revenues and profits. A robust business model is essential for a business to sustain and grow. Hence, it is being considered for this study. The predictability of funds inflow and outflow brings in a lot of stability to the firm. Hence, a good Business Model is a very important parameter considered in this model.

This study is restricted to list down the factors influencing the success of the entrepreneurs. To find out the impact of each of these factors, further research may be carried out.

Conclusion: The study reveals that there are certain qualities that are essential for an entrepreneur and lack of which will prove to be disastrous. Based on the literature review we could arrive at some of the important factors having greater impact on the success of an entrepreneur such as the personality of the entrepreneur himself, top level management team, ecosystem, fund raising capacity, human resource policies, business model, network of the entrepreneur etc. The influence of each of these factors may vary from industry to industry.

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