



## THE EFFECTS OF CRITICAL SUCCESS FACTORS ON IRANIAN INDUSTRIES REGARDING SOME ENTREPRENEURIAL COMPETENCIES AND CAPABILITIES

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Received: March 13, 2012; Accepted: September 15, 2012

**Abstract-** The general aim of the current research is to recognize the factors of the Iranian entrepreneurs' success. Based on the effective variables in each of the entrepreneurship aspects including, environmental opportunities Identification, using resources, and organization leadership as well as association between these factors and entrepreneurship process, some hypotheses formed to achieve the aim.

Indeed, financial performance indexes shows success of businesses. It is expected that entrepreneurship have a meaningful association with these indexes. The managers of "Tehran stock Exchange" firms have been used as entrepreneurs and the population of the research.

Statistical analysis and tests led to these findings that the Iranian entrepreneurs considered and concentrated on the three fold dimensions of entrepreneurship process, whereas these factors had no significant effects on financial performances.

**Keywords-** Entrepreneurs, Opportunity, Resources, Leadership, Financial Performance

**Citation:** Shokri A. (2012) The Effects of Critical Success Factors on Iranian Industries Regarding Some Entrepreneurial Competencies and Capabilities. Journal of Business Excellence, ISSN: 0976-7711 & E-ISSN: 0976-772X, Volume 3, Issue 1, pp.-28-32.

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### Introduction

Transformations and changes of current socio-economic systems are based on technological and scientific developments. We hear news about political changes, improvements in economic relations and technological developments. Improvement in Information Technology (IT) has provided more excellent opportunities in commercial investment. Customers demand continuous improvement in goods and services. Competition rapidly increases and threats resulted from environmental complexities, dynamics and uncertainty creates new requirements for businesses. In this situation, survival and growth of organizations mainly depend on basic transformations and changes of approaches, goals, strategies, structures, and cultures. So some new issues such as downsizing, outsourcing, spin-off companies, venture capital teams, virtual organizations, lean production, and similar fields are regarded. Managers should define new roles for themselves to confront with the new challenging environment. Entrepreneurship is one of the new subjects that devoted itself an important role in the new era. Entrepreneur is the engine of economic development. He is the main factor of creativity and innovation in business.

Numerous researchers have studied and analyzed it from various dimensions and viewpoints and referred to some factors as the factors of entrepreneurs' success since 1985 that entrepreneurship signified in economy.

Nowadays the belief that "owners and managers of economic institutions are the main factor in success or failure of these entities" and "improvement and development of risk-oriented, creative and innovative managers is one of the most important and strategic bases of rapid economic development in developing and developed countries", are compromised among all macroeconomic, industrial, cultural and social strategists [13].

Identification, nutrition and improvement of entrepreneurial and risk oriented managers have been accepted as one of the initial factors of a comprehensive and constant economic development in various countries.

Correct selection and improvement of entrepreneurs -Via new methods and creative ways - can cope with social, economic and cultural problems and find new ways to get rid of crisis and economic depression, unemployment, poverty and social abnormalities in worldwide level and lead it to a rapid growth in economic development and welfare of society [7].

Creative and entrepreneur managers are real leaders and key factors of development. In other words, they construct our history. They lives based on creativity, innovation, dynamics, work orientation, continuous improvement, risk taking, future orientation, value creation, idealism, need for growth and competition. In an entrepre-

neurial life, failure means "an opportunity for learning", "an incomplete picture of reality", "a vague in goals" and "an event that its profitability is not realized till now".

Using the effective variables and factors of entrepreneurship, we study Iranian entrepreneurs to develop a model to determine critical success factors of Iranian entrepreneurs.

### Research Questions

Based on the subjects and some explanatory researches, research questions developed:

- To what extent do Iranian entrepreneurs identify and seek environmental opportunities?
- To what extent do Iranian entrepreneurs absorb and manage required resources'?
- To what extent do Iranian entrepreneurs lead their organization?
- Which of the above dimensions have regarded more by Iranian entrepreneurs'?

If there are any financial performance criteria which are resulted from the entrepreneurs' activities'?

We extracted a general model by considering the "entrepreneurial process" and find the reasons of their success in generating wealth and planning for new businesses for developing and showing a significant model [11].

We define "entrepreneur" as a person that is in the core of "entrepreneurial process" and leads it toward its goals.

The first dimension of the model is "identification of opportunities". These opportunities can be defined as "providing better services compared to others (competitors)".

An entrepreneur should accurately scrutinize his or her business landscapes to find unused and idle capacities. Entrepreneurs can use these capacities in a better manner. Improved methods are innovations that provided by entrepreneurs for market. If the innovations coincide with effectiveness and more benefits, and accepted by customers, then it can be said that new "values" are created.

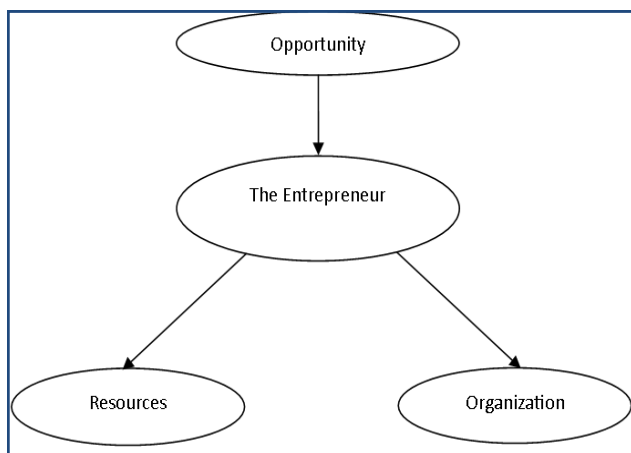


Fig. 1- The entrepreneurial process: opportunity, resources and organization [11].

The second dimension of entrepreneurial process is attraction and management of resources. These resources include capital (investments in businesses), participation, knowledge and skills of workers, physical equipments and buildings. Attraction and use of capital is one of the key tasks of an entrepreneur to gather necessary resources and innovate competitively to make profit.

The third dimension of entrepreneurial process is Leadership. Basically, powerful and "charismatic" leadership is a feature of entrepreneurial organization. Their structure normally is more informal than typical bureaucracies. So, they define their organization as a grid of intra and inter association. Their business' success has reflected in their financial performance criteria and is measurable and comparable with others. Topics referred as "theoretical basics" are used for clarifying the subject before determining goals and hypotheses of the research.

Based on the aims of the research, the following hypotheses developed:

- Identification of opportunities is a success factor for Iranian entrepreneurs.
- Attraction and management of resources is a success factor for Iranian entrepreneurs.
- Leadership is a success factor for Iranian entrepreneurs.
- Iranian entrepreneurs have respected the most attention to "Identification of opportunities" aspect.
- There is a correlation among dimensions of entrepreneurial process and financial performance criteria.

### Materials and Methods

We use two methods to reach the goals and test the research hypotheses:

- Using survey research follows three purposes: Description, explanation and exploration. We use this method to explore and show causes, dimensions and effective factors in success of entrepreneurs.
- Correlation research is used for showing association among effective elements in entrepreneurship and financial performance criteria and is done by coefficient of correlation techniques. The main aim of the method is exploring correlation among these variables.

The population comprises those companies which have had entrepreneur managers and are recognized and selected as entrepreneurs of Iranian industries by the Ministry of Industries and Mines [10].

An available sample was selected comprising listed companies in Tehran Stock Exchange from the population. It should be added that names of these managers were in the list of Iranian entrepreneurs. Based on studies of the Ministry, 39 of the listed companies have had entrepreneur managers. Reason of this selection was more structured administration and availability of more suitable information in the above companies. So, some information about three dimensions of entrepreneurship and audited financial reports about their performance were available.

We use the following two research tools:

- a. Basic financial statements of the sample -i.e. balance sheet profit and loss account an statement about changes in financial position, cash flow statement and related notes -and other reports and non-financial information about human and other resources.
- b. Questionnaires and direct interview to gather data and measure some variables which were not measurable in section "a" (research tools). By the way, a questionnaire including 9 questions was designed and completed in the field of the four elements of Leadership.

### Variables

We gathered required data (variables) with library and survey methods. The variables that determine three dimensions of entrepreneurship included:

X<sub>1</sub>) Detailed data based on five standardized elements (X<sub>1.1</sub> to X<sub>1.5</sub>) relating to Identification of opportunities in entrepreneurial process model:

X<sub>1.1</sub> = Ratio of increase in new products, X<sub>1.2</sub> = Ratio of increase in manufacturing machineries, X<sub>1.3</sub> = Ratio of increase in methods of provision of products, X<sub>1.4</sub> = Ratio of increase in distribution channels, and X<sub>1.5</sub> = Ratio of increase in production level.

X<sub>2</sub>) Detailed data based on thirteen standardized elements (X<sub>2.1</sub> to X<sub>2.13</sub>) relating to attraction and management of resources in entrepreneurial process model:

X<sub>2.1</sub> = Free cash ratio, X<sub>2.2</sub> = Ratio of changes in short-term loan (bank overdraft), X<sub>2.3</sub> = Ratio of changes in long term loan X<sub>2.4</sub> = Ratio of changes in accounts receivable, X<sub>2.5</sub> = Ratio of increase in fixed assets, X<sub>2.6</sub> = Ratio of changes in investment level, X<sub>2.7</sub> = Ratio of changes in workers, X<sub>2.8</sub> = Ratio of production experts, X<sub>2.9</sub> = Ratio of non-production skilled workers, X<sub>2.10</sub> = Ratio of changes in the number of functional units.

X<sub>2.11</sub> = Ratio of number of supportive units employees on all employees, X<sub>2.12</sub> = Ratio of productive fixed assets, and X<sub>2.13</sub>) inventories ratios.

X<sub>3</sub>) Detailed data based on seven standardized elements (x<sub>3.1</sub> to x<sub>3.7</sub>) which relate to Leadership:

X<sub>3.1</sub> = common goal, X<sub>3.2</sub> = organizational culture, X<sub>3.3</sub> = professional knowledge and expertise, X<sub>3.4</sub> = playing leadership role, X<sub>3.5</sub> = orientation toward leadership, X<sub>3.6</sub> = Ratio of face to face meetings on total active hours in a period, and X<sub>3.7</sub> = Ratio of actual production in budgeted production level.

Variables related to measurement of financial performance or financial criteria as:

- **Liquidity Ratios**

Y<sub>1.1</sub> = current ratio: equals dividing current assets on current liabilities

- **Market Value Ratios**

Y<sub>1.11</sub> = interest cover ratio: equals dividing Earning before interest and Tax (EBiT) on interest

- **Leverage Ratios**

Y<sub>1.21</sub> = Debts ratio: equals dividing total debts on total assets ( $D / A$ ), Y<sub>1.31</sub> = Leverage ratio: equals dividing total debts on equities ( $D / E$ ), Y<sub>1.41</sub> = Assets turnover: equals dividing net sales on net total assets, and Y<sub>1.51</sub> = Fixed assets turnover : equals dividing net sales on net total fixed assets.

- **Profitability Ratio**

Y<sub>1.61</sub> = Profit Margin: equals dividing net profit on net sales, Y<sub>1.71</sub> = Return on investment (ROI) : equals dividing earning before tax on total assets,

- **Market Value Ratios**

Y<sub>1.81</sub> = Price earnings ratio: equals dividing price per share on earning per share  $\frac{P}{E}$ , Y<sub>1.91</sub> = Yield of share (dividend per share): equals dividing dividend per share on price per share (DPS / P)

Research variables can be classified based on the following factors:

C) For separating various groups of industries (including 12 industries).

F<sub>1</sub>) For separating five elements of "Identification of opportunities" aspect.

F<sub>2</sub>) For separating thirteen elements of "attraction and management of resources" aspect.

F<sub>3</sub>) For separating seven elements of "Leadership" aspect.

We used parametric and non-parametric statistical methods to analyze data.. Descriptive methods included tables of central tendency criteria (Mean, Median and Mode) and dispersion criteria (Variance, Standard deviation, Skewness and kurtosis) and histogram. For testing normalization of data, the chi-square test and Kolmogorov-Smirnov test are used.

For comparing the variables, fixed-number-means comparison test, Wilcoxon test by two methods of "signing" and "ranking", comparison of means test, variance analysis, Friedman analysis, Kruskal-Wallis test and comparison of means by Scheffe and LSD methods are used. Moreover, we showed association and computed correlations, standardized covariance, correlation ratio. Pierson momentum correlation coefficient and Spearman ranked correlation coefficient are used. All above processes are done by the STATGRAPH.

### Analysis of Data

This section includes description and analysis of data.

Initially, we assumed a 0 to 100 score range for each aspect (dimension). Then, based on the number of variables of each aspect and based on the highest initial score, we standardized scores of variables.

We choose ten criteria and their three year mean (2006, 2007, 2008) as financial performance criteria and calculated central and dispersion criteria of variables such as: Mean, Median, Mode, Variance, Standard deviation, Skewness and kurtosis coefficients.

Then we initially consider studying variables for normality of their

distribution and then, tests and analysis related to hypothesis of the research and other results and analyses are provided.

**Hypothesis Testing**

In order to test the 1st research hypothesis Based on the resulted scores of "Identification of opportunities" -which had score between 0 to 100, the mean was 0.284 and it was cleared that the entrepreneurs have regarded to "Identification of opportunities" aspect and this aspect is one of the effective dimensions of entrepreneurship process.

This three-section continuum is developed to describe the effects.

0	0.33	0.67	1
Weak	Semi-Strong	Strong	

**1st Hypothesis Testing**

H<sub>1</sub>: Identification of opportunities is a success factor for Iranian entrepreneurs.

Mean comparison test for " Identification of opportunities" aspect (0.284) with fix number ran and Results of one way test were:

t = -1.958	P = 0.028
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According to the results, the H<sub>0</sub> hypothesis is rejected and it is cleared that mean of "Identification of opportunities" aspect is less than lower limit of average range. In other words, scores of this aspect is in the weak section.

On the other hand, results of two-way test shows that there is not any difference with the lower limit of average range. So, it can be inferred that "Identification of opportunities" aspect has been in the less than average range in entrepreneurial process orientation.

**2nd Hypothesis Testing**

H<sub>2</sub>: Attraction and management of resources is a success factor for Iranian entrepreneurs.

Based on the resulted scores of "attraction and management of resources" aspect, the mean was 0.275 and it was cleared that the entrepreneurs have regarded to "attraction and management of resources" aspect and this aspect is one of the effective dimensions of entrepreneurial process.

For demonstrating amount of this effect, the same way such as previous hypothesis has been followed.

Mean comparison test for "attraction and management of resources" aspect (0.275) with fix number ran and results of one-way test were:

t = -3.362	P = 0.000
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With respect to the test results, the H<sub>0</sub> hypothesis is rejected and it is cleared that mean of "attraction and management of resources" aspect is less than lower limit of average range, In other words, scores of this aspect is in the weak section.

**3rd Hypothesis Testing**

H<sub>3</sub>: Leadership is a success factor for Iranian entrepreneurs.

Based on the resulted scores of "Leadership" aspect -which had a band score between 0 to 100-the mean in studied sample was 0.248 and it was cleared that the entrepreneurs have regarded to "Leadership" aspect and this aspect is one of the effective dimensions of entrepreneurial process.

For demonstrating amount of this effect, the same way such as previous hypothesis has been followed.

Mean comparison test for "Leadership" aspect (0.248) with fix number ran and results of one-way test were:

t = -2.263	P = 0.014
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With respect to the test results, the H<sub>0</sub> hypothesis is rejected and it is cleared that mean of "Leadership" aspect is less than lower limit of average range. In other words, scores of this aspect is in the weak section.

**4th Hypothesis Testing**

H<sub>4</sub>: Iranian entrepreneurs have respected the most attention to "Identification of opportunities" aspect.

We compared the entrepreneurial aspects in pair using Wilcoxon test and resulted that there was no significance difference between "Identification of opportunities" and "attraction and management of resources" aspects.

Moreover, we tested association among the three aspects and showed that there was not any linear and significant association between aspects.

**5th Hypothesis Testing**

H<sub>5</sub>: There is a correlation among dimensions of entrepreneurial process and financial performance criteria.

According to the fifth hypothesis which was to find and explore association among the three aspects of entrepreneurial process and financial performance criteria, we used the following correlation that showed:

- There was not any significant association "Identification of opportunities" and "financial performance criteria". The only correlation was with leverage ratio which is not considerable.
- There was not any significant association between "attraction and management of resources" and "financial performance criteria".
- "Leadership" and "financial performance criteria" had not any significant association with each other. There seemed a linear association between debt ratio and fixed assets turnover but the correlation coefficient was not sufficient.

**Results**

Applying a survey approach based on the estimated results of Wickham's model, the following conclusions can be inferred. First, "Identification of opportunities" was one of the factors of success of Iranian entrepreneurs and regarded as one of the constituent elements of entrepreneurial process by them. Amount of the effect of "Identification of opportunities" aspect on entrepreneurial process was in the lower part of average limit. Second, "Attraction and management of resources" was one of the factors of success of Iranian entrepreneurs and regarded as one of the constituent elements of entrepreneurial process by them. Amount of the effect of "attraction and management of resources" aspect on entrepreneurial process was in the upper part of the limit. Third, "Leadership" was one of the factors of success of Iranian entrepreneurs and was regarded as one of the constituent elements of entrepreneurial process by them. Amount of the effect of "Leadership" aspect in entrepreneurial

al process was in upper part of weak limit. Forth, Amount of respect and focus of entrepreneurs to the three aspects of entrepreneurial process is similar. None of the aspects has any priority to others. In addition, all these aspects almost independently had affected on entrepreneurial process. Fifth, there was not any significant correlation among the three aspects of entrepreneurial process and financial performance criteria. In other words, the three aspects have not affected on financial performance criteria.

### Discussion

Based on results of hypotheses testing and studying results of other findings, it can be judged that Iranian entrepreneurs have regarded three aspects of entrepreneurial model (i.e. "Identification of opportunities", "Attraction and management of resources" and "Leadership"). In spite of low significance, it is similar (and almost independent) in the three aspects. In other words, capabilities of the entrepreneurs are used equally in each of the three aspects.

In spite of our expectations, there is not any significant difference among the three aspects of entrepreneurial process and financial performance. In other words, these constituents have not affected financial performance criteria and the entrepreneurial process is not embedded in financial performance.

Amount of respect and focus of entrepreneurs on various elements of each aspects of entrepreneurial process have not been similar. So, we can recognize different degrees of importance for entrepreneurs among constituents and elements of each aspect. In addition, amount of respect and attention of entrepreneur managers in various industries to "Identification of opportunities" and "Leadership" aspects are different but there is a similar and equal attention for "attraction and management of resources" aspect. In other words, the entrepreneurs have utilized their power similarly and equally to acquire and manage resources.

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