



# Exploring the measurement of entrepreneurial success indicators in a developing economy

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## Abstract

Rigorous studies on entrepreneurial success indicators appear to be lacking in the developing economies. The indicators, often expressed in financial terms, are at best limited to a handful of case studies. Lack of information from business operators is the major constraint. This study attempts to explore ways of measuring entrepreneurial success indicators outside the finance domain particularly because of the understandably perceived belief by the business owners that any information to the outsider may have adverse effect on the business operations. The study employed survey design and curled data from a service sector of the Nigerian economy. Data for the study were analyzed using descriptive statistics. The result suggested certain success indicators outside the finance domain. The outcome of this study is capable of addressing the 'misaligned relationship', especially in information gathering between operators and advocates of entrepreneurship. This study has policy and theoretical implications.

**Keywords:** Entrepreneurship; Small business; Success indicators

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## 1. Introduction

Economic growth, productivity, innovation and resources employment associated with entrepreneurship have continued to ennoble the place of the latter in public policy and advocacy in many countries (Udofot, 2012). International agencies, governments, research outfits and Non-Governmental Organizations are not left out in this topical advocacy. But given the multifaceted concept of the entrepreneurship domain, it has become difficult to establish universally acceptable and realistic entrepreneurship success indicators (OECD, 2009). Personal wealth however remains the commonest index of measuring entrepreneurial success perhaps, given the popularity of the *Forbes* list. Others are tangible elements such as organization's growth and sustainability, wealth creation, profitability and turnover (Dafina, 2008).

Certainly, these are factors easily identifiable in developed economies where data are available, reliable and retrievable; and with large organizations. The literature on rigorous empirical publications on entrepreneurship focuses mainly on the context of mature and stable economies (Matlay, 2006) whose findings may not be transferable to other environments (Thomas and Muller, 2000).

But, given the preponderance of small-scale business organizations in developing economies, assessing these indicators remains a major issue worth tackling. Inherent with small businesses are issues of poor records-keeping with associated consequences (Morey 2010). Information to outsiders is restricted and considered harmful especially when bordered on financial issues. This is further compounded by the fact that a large percentage of the businesses operate in the underground economy. In Nigeria for example, the percentage of underground economy to official GDP has been increasing in recent times representing 57.9, 58.6 and 59.4 points in 2000, 2002 and 2003 respectively (Bajada and Schneider, 2005).

Since successful business initiatives are not accidental but intentional and strategic, exploring entrepreneurial success indicators in a developing economy become very important and worthwhile. This will encourage greater economic inclusion, give more humane face to business and generate more information for planning purposes as well as provide avenue for intervention, where necessary. The authors are not aware of this kind of study in Nigeria hence the interest. This paper therefore seeks to explore the entrepreneurial success indicators outside the popular finance module using information that may not raise anxiety among the business operators; such information that may not require rigorous record-keeping efforts to unearth.

To achieve the set objectives, we examined business firms offering secretarial service in the Uyo Metropolis of the Niger Delta region of Nigeria. Uyo as a city exemplifies the typical business environment of a developing economy enfeebled with weak infrastructures, good governance challenges and an overwhelming underground economy.

## 2. Theoretical clarifications

The multidisciplinary nature of entrepreneurship has strengthened the ongoing debate regarding its theoretical assumption (Horren, Sapienza and Smith-Cooke, 1991) and this has fragmented research studies

in entrepreneurship (Shane and Venkataraman, 2000). No definition is therefore universally acceptable. But, based on the earlier works of Richard Cantillon, Adam Smith, J. B. Say, Alfred Marshall, among others ( Ahmad and Seymour, 2008), we will define entrepreneurship as the process of creation of value through the expansion of economic activity manifested in the development of new products or services, processes or markets. Indeed, it is all about setting up of business enterprises.

Small-scale business firms in this paper refer to the structuring of not more than ten workers engaged in accomplishing the goals of the organisation. The ten workers may include the proprietor(s). Ekong ( 2010) believes this kind of businesses rake in 35% of the total monetary receipts into the African economy, excluding the South African economy. Considering the personal nature of this kind of businesses to their owners (Udofot, 2012), and the desire to shift attention from the popular finance-based success factors, we adopted the entrepreneurship indicators programme (EIP) framework (OECD 2009). The EIP has three components of (i) determinants of entrepreneurship (regulatory framework, research, development and technology, entrepreneurship capabilities, market conditions, culture and access to finance); (ii) entrepreneurship performance (firm and employment-based indicators); and (iii) impact (job creation, economic growth and poverty reduction). From these broad components, we worked on such fundamentals like personnel composition, entrepreneurial expectations/ motivations and strategy implementation. These fundamentals are known to exert great influence on entrepreneurial endeavours (Smith, 2010; Nabi and Holden, 2008; Hisrich and Peters, 2002).

Employee engagement and its consequences in business organisations have been richly acknowledged in the literature (Gbererbie, 2011; Uwuigbe, 2011; Adeyemi (n.d.). It is the workforce which channels management inputs for corresponding results. The place of personnel engagement including the selection process, competence and quality of staff as well as their training therefore play a vital role in the accomplishment of set goals and objectives. But, Agbonifoh, Ehiamatorlor, Inegbenebor and Iyayi (1999) are of the view that minimum standards are rarely adhered to in staff recruitment process in small-scale organisations. Friends and family members easily become part of the structure and they exert huge influence (Sonfield and Lussier, 2011; Chu, Kara and Benzing, 2008; Dyer, 2006) even as poor performers (Faccio, Lang & Young, 2001; Agbonifoh, et al, 1999). Non family members are known to function more objectively with inherent organisational efficiency (Perrow 1972; Levinson, 1971). Efficiency in itself is a major attribute of success (Gomez-Mejia, Balkin, Cardy, 2005). The employee composition therefore has a role.

Attitude and self-efficiency influence entrepreneurial intentions (Boyd and Vozikis, 1994) and intentions predict entrepreneurial activity (Kruegar and Carsurd, 1993). Achieving success in entrepreneurial activity is an attribute of general self-efficiency (Weiss, 2002; Brief, 1998; Judge, Locke, Durham and Klueger, 1998). Ultimately, the quest for entrepreneurial success is linked to motivation (Baum and Locke, 2004). These drives may certainly go beyond the financials.

Strategy as a plan centres on its formulation, implementation and evaluation. Its beneficial attributes have been noted in areas of high profitability, higher productivity, empowerment, more effective use of resources, better communication across board and effective time management, among others (Ehlers and Lazenby, 2010; Thompson, 2004). It is easily associated with large-scale organisations although in recent times, the

literature is becoming richer with small-scale business strategy-related initiatives (Yahya, Fatt, Othman, Rahman and Moen, 2011; Huck and McEwen, 1991). Remarkably, the psychological aspect of strategy (Van Gelderen, Frese & Thurik, 2000; Frese, Van Gelderen & Ombach, 2000; Frese, Brantjes and Hoorn, 2002) which has placed emphasis on the involvement level of the proprietor/managers in the firm regarding the daily activities has further epitomised the impact of strategy as a success factor especially in the small-scale business organizations. Based on the above, we analysed our study based on the three elements of personnel composition, entrepreneurial motivation and strategy.

### 3. Methodology

The survey method was adopted where 223 out of 350 small business organisations were studied in secretarial business clusters along Ikpa, Ikot Ekpene and Abak roads and their environs in the Uyo Metropolis. The clusters are synonymous with secretarial business services like typing, photocopying, book-binding and the related services. Three-hundred and fifty copies of questionnaire highlighting the aforementioned variables of personnel engagement, entrepreneurial motivations and strategy, were distributed. Of the number, 223 representing over 63% were found useful for the study. The data collected were analysed using the non-parametric tests as shown below.

### 4. Data analysis

Information from the analysis of data was as be presented as shown below:

**Table 1.** Frequency count of employee-engagement in studied firms

Variable	Responses	Responses	Total
Employment	Employees having family ties with proprietor(s)	Employees not having family ties with proprietor(s)	
	189	368	557
Percentage	33.9	66.1	100

Out of 557 respondents working in the studied firms, 189 (33 percent) were known to have had family ties with the proprietors, while 368 (66.1 percent) had no family relationships. To test for significant association between both frequencies, we used the contingency table as shown below:

**Table 2.** Test of significance for employment

Variable	<b>o</b>	<b>E</b>	<b>o-e</b>	<b>(o-e)<sup>2</sup></b>	<b>(o-e)<sup>2</sup>/e</b>
Employees with family ties	189	278.5	89.5	8010.3	28.8
Employees with non-family ties	368	278.5	89.5	8010.3	28.8
					$c^2 = 57.6$

Since the calculated *Chi-square* value ( $c^2$ ) (57.6) is greater than the critical value (3.48) at 0.05 level of significance with the degree of freedom  $(2-1) (c-1) = (2-1) (1-1) = 1 = 3.48$ , therefore employment engagement in terms of its composition remained a success factor in the studied firms.

**Table 3.** Frequency count on the motivations for entrepreneurship engagement

Variable	Responses	Responses	Total
Entrepreneurship intensions	Intensions met 169	Intensions not met 54	223
Percentage	75.8	24.2	100

Out of 223 respondents, 169 or 75.8% were known to have satisfied the intensions for engaging in entrepreneurship. Fifty-four firms or 24.2% of the total answered in the negative. To test for significant difference or association between the two frequencies, the contingency table below was used:

**Table 4.** Test of significance for motivations for entrepreneurship engagement

Variables	<b>o</b>	<b>e</b>	<b>o-e</b>	<b>(o-e)<sup>2</sup></b>	<b>(o-e)<sup>2</sup>/e</b>
Motivations met	169	111.5	53.5	2862.3	25.7
Motivations not met	54	111.5	53.5	2862.3	25.7
					$c^2 = 51.4$

Since the calculated chi-square ( $c^2$ ) (51.4) is greater than the critical value (3.48) at 0.05 level of significance with the degree of freedom  $(2-1) (c-1) = (2-1) (1-1) = 1 = 3.48$ , we therefore concluded that, entrepreneurial expectations in the business was a measuring factor for success of small business organization.

**Table 5.** Frequency count for strategy implementation

Variable	Responses	Responses	Total
Strategy Implementation	Yes	No	223
	84	139	
Percentage	37.7	62.3	100

Eighty-four respondents representing 37 percent of the total number had mapped out and implemented set strategies against 139 (62percent) that had believed in the sellers' market strategy. To test for significant association between both frequencies, we used the contingency table below:

**Table 6.** Test of significance for the implementation of strategy

Variable	<b>o</b>	<b>e</b>	<b>o-e</b>	<b>(o-e)<sup>2</sup></b>	<b>(o-e)<sup>1</sup>/e</b>
Implementing strategy	84	111.5	27.5	756.3	27.5
Not implementing strategy	139	111.5	27.5	756.3	27.5
					$c^2 = 55$

Since the calculated *Chi-square* value ( $c^2$ ) (55) is greater than the critical value (3.48) at 0.05 level of significance with the degree of freedom  $(2-1) (c-1) = (2-1) (1-1) = 1 = 3.48$ , therefore strategy implementation was a success factor in the studied firms.

**Table 7.** Composite test for the four variables

Variable	X <sup>2</sup> -cal	X <sup>2</sup> -crit.	df
Motivations			
Employment	*33.2	7.82	3
Strategy			

In Table 7, the computed *Chi-square* value  $c^2$  (33.2) was greater than the critical value (7.82) at 0.05 level of significance. We therefore concluded that motivations, employment and strategy are success factors for the studied firms.

## 5. Discussion

The study has contributed to literature in many ways. Firstly, it explored an avenue of examining entrepreneurial success using information that would not be difficult to receive from operators. It also attempted to de-emphasise monetisation in the measurement but focused more on people. The African culture recognises and emphasises the individual in the group setting (Munene, Schwartz and Smith, 2000). The individual role, fate, practices and shared interests, some researchers believe are capable of affecting productivity in an economic setting. The employment of non-family members was therefore explored as a factor. Their engagement normally necessitates resource allocation against filial notation of family members that would stay on even when the organisation is not doing well. Failure on the part of organisation to deliver on: promises, expectation of career progression and assurance of self worth would not encourage an employee to stay on (Branham, 2005). Therefore, retaining the non-family members in the employment roll represents a success index as indicated in the study.

Entrepreneurial success is driven by motivation (Baum and Locke, 2004) which may be intrinsic or extrinsic in nature. Motivating factors certainly go beyond finance to accommodate tangibles which include brand creation, corporate reputation, governance and relationships (Lonngvist, 2004; Ng and Kee, 2012). This fact aligned with the result of this study. Individuals energise the process and it therefore became pertinent to examine if the entrepreneur's motivation(s) in entering the business were met. Organisation may be considered successful when it meets the expectations of the owners. Equally, the dynamic environment of business has necessitated the need for strategy formulation and implementation by businesses, be they big or small. Though our study sample was on a providers market, the place of strategy as a success indicator cannot be overemphasised.

## 6. Conclusion

This paper explored the essence of entrepreneurial success indicators outside of the financial domain. Information on business came without any reference to financial issues and such that required no records-keeping fundamentals. Working on the information enabled the suggested success indicators of employee composition, entrepreneurial motivation and strategy implementation. Measuring entrepreneurial success based on these indicators will enable free flow of information to assist in planning purposes and emphasise the humane nature of business. Breaking the glass ceiling of distrust among the business component units will create robust relationships, greater integration and better national economy.

## 7. Limitation

Information for this study was from a small convenient sample of a sub-sector of the economy. Despite this limitation, the result has provided a base for future studies in this direction. The paper has contributed to literature and reinforces the importance and measuring entrepreneurial success indicators beyond the financial domain. The suggested indicators are people-base emphasising the interest of people within the business unit. It presents business in a more humane nature against the overlaboured attention attached to financials. Future interest should study larger population size and investigate other sectors of the economy. Attempts should also be made in the area of ranking the factors.

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