Success factors of entrepreneurs: empirical evidence from Serbia

Rezime: Preduzetnici igraju veoma važnu ulogu unutar svake zemlje. Oni pružaju doprinos ekonomijama svojih zemalja putem pokretanja i vođenja malih i srednjih preduzeća (MSP), koja čine više od 95% ukupnog broja svih preduzeća i koja obezbeđuju posao za više od 60% svih zaposlenih u državama, značaj preduzetništva za ekonomski razvoj obavezuje vlade i sve ostale relevantne institucije unutar svake zemlje da nastave da podršku njihov rast putem svih mogućnosti koja im stojte na raspolaganju. Kako bi ovo ostvarile, ove institucije treba da budu upoznate sa svim relevantnim faktorima koji omogućavaju preduzetnicima da budu uspešni. U ovom radu su predstavljeni rezultati empirijskog istraživanja koja je imalo za cilj da utvrdi faktore uspeha preduzetnika. Ovo istraživanje se nadovezuje na seriju istraživanja koja su sprovedena u nekoliko drugih zemalja, koristeći potonji metodološki pristup.

Ključne reči: Preduzetnik, MSP, uspeh, faktor, analiza.

Summary: Entrepreneurs are playing a major role in the economy of each country on the planet. They contribute to national economies by starting up and running small and medium sized enterprises (SMEs), which make more than 95% of the total number of enterprises and which are providing jobs to more than 60% of all employees within each country. The significance of entrepreneurship for economic development obliges governments and all other relevant institutions within each country to continue to facilitate its growth by all means necessary. In order to do this, these institutions need to be familiar with all the relevant factors that are enabling entrepreneurs to succeed. In this paper, results of empirical research concerning success factors of entrepreneurs in Serbia are presented. This research presents a continuation of series of research on this topic which were conducted in several countries, by using the same methodological approach.

Keywords: Entrepreneur, SME, success, factor, analysis.

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1. **INTRODUCTION**

The emergence and development of entrepreneurship is an important phenomenon in contemporary economies. Entrepreneurship is strongly linked to small and medium sized enterprises (SMEs), which are the main developing force of the developed market economies. SMEs are usually representing the majority of all the enterprises and accordingly they are main driving force of entrepreneurship development and economy. In most of developed countries, percentage of SMEs in total number of enterprises is around 90%, while 60% of available workforce is employed in those firms.

SMEs stimulate initiative, invention and overall entrepreneurial spirit. Their specificities enable them to be far more flexible then large enterprises, which is one of the basic conditions for adaptability to environmental shifts. These are only some of the reasons resulting with large number of SMEs existing in all developed economies, which advocate the fact of their extremely importance [31].

Nevertheless, numerous investigations show that Europeans, in general, express tendencies rather to work in some firm (for someone else) then to start their own business [14]. This tendency is typical for postcomunist countries, in which the longlasting easiness of working in a state-owned firm has become dominant determinant in human behavior [13].

In Serbia, which is a developing country, which is going through a process of economic transition, SMEs also represent a vast majority of enterprises. Thus, the importance of SMEs for entire Serbian economy is very large with the tendency of further increase in its importance.

Because of the great importance of entrepreneurs and SMEs for developing economies, this research addresses success factors of entrepreneurs in Serbia, and can be considered as research guidelines for scholars in other developing countries. Understanding these factors can be helpful for entrepreneurs and their SMEs, because it could affect the increase of percentage of successful ventures.

2. **THEORETICAL BACKGROUND**

Importance of entrepreneurship and SMEs development for long-term economic growth is quite obvious. For example, in European Union (EU-27), SMEs account for 99.8% of all enterprises, out of which the vast majority of enterprises are micro enterprises (they comprise 91.8% of all enterprises). SMEs provide jobs to 67.1% of all employees and participate with 57.6% of total added value [28].

In order to continue analysing entrepreneurship, we must first closely look at the very notion of the terms “Entrepreneurship” and “Entrepreneur”. Thus, entrepreneurship can be viewed as the formation of a new firm that uses
innovation to enter existing markets (or to create new ones) and grow by making new demand, while taking market share away from existing suppliers [29]. On the other hand, entrepreneur is someone who independently owns and actively manages a small business [8]. Entrepreneur is someone who introduces new ideas and changes the rate at which the wheels of enterprise go around [10]. Talented persons should be particularly encouraged to become entrepreneurs, for it is these who will contribute most to the creation of labour demand [33] and the economy growth.

Considering that these men and women are very significant for the growth and development of economies in countries in which they operate their businesses, understanding their success factors is a very important topic. This group of factors have a considerable impact on development of entrepreneurial activities and on birth rate and growth of SMEs. Unfortunately, studies on this topic were not conducted in satisfying amount in the developing countries, especially in Serbia, until recently [26, 34, 35, 36].

Analyzing literature on success factors first of all requires defining the notion of business success. There is no single agreed-upon definition of business success, but researchers generally use continued viability or longevity as a surrogate for business success [24], and so shall we.

Numerous studies showed different kind of variables that influence the success of SMEs, but most of these studies concentrated on a few sets of variables: (1) the psychological and personality traits of entrepreneurs, (2) the managerial skills and training of entrepreneurs, and (3) the external environment (4). Psychological attributes such as a drive for independence, innovative orientation, attitude toward risk and a competitive nature are been found to relate to success (11), and they are especially important when an entrepreneur is working in a difficult business environment. Rauch and Frese [22] agree that psychological traits contribute to success of SMEs, but they are often moderated by experience and training, specific managerial skills and the business environment, which are factors that are more easily developed and altered by policymakers. Managerial skills would include the ability to manage personnel and maintain accounting records, whereas environmental conditions would be related to satisfactory government support, access to capital and support of family and friends [4].

Besides these three sets of variables, there are more factors that affect SMEs’ success. The importance of social networks on SMEs, especially on start-ups’ is widely acknowledged today [9]. Pirolo and Presutti [21] empirically verified the existence of positive impact of both strong and weak interorganizational social capital on the growth of start-up's economic performance during all its life cycle. On the other hand, the orientation of business owners has a significant impact on SMEs performance over time. Runyan, Droge and Swinney [25] empirically found that there is a significant difference in the impact of small business orientation (SBO) and entrepreneurial orientation (EO) on firm performance. For younger firms, only EO was a significant predictor of performance, while for owners of business for eleven or more years, only SBO was significant. This
finding suggests that with continuance, the more emotionally attached to the business and the more devoted to balance work and family life, the more successful the owner. The younger small businesses continue to rely on the strength of the owner’s EO for positive performance.

It has often been argued that one of the key factors in the success of a new venture is the dominant logic of the firm [20]. Dominant logic should be conceptualized as a set of “dominant themes” or “configurations” developed by the entrepreneur [19] that over time becomes an organizational characteristic in a similar way as a market or entrepreneurial orientation [17].

Entrepreneurial talent, which is a function of observable characteristics, determines the size of the business [33]. Thus, talented individuals have more chance to grow and develop their business ventures. But talent is not the only prerequisite. Risk aversion is another one. Successful entrepreneurs should be willing to bear risk. But they must not only have the motivation to bear risk, they must be able to bear risk [27]. Marshall [18] mentioned that young people who are risk-oriented are more inclined to start as an entrepreneur than others.

Since this study is oriented toward entrepreneurs in Serbia, it is worth mentioning some findings which are relevant for this country. Stefanović, Damnjanović and Jaško [30] reported that eight factors have influence on organizational operations in Serbia. These are: market subjects, state regulations, resource availability, supplier relationships, sociocultural structure of population, demand for products/services, products/services sales opportunity and demand satisfaction capacities. These factors affect overall success of enterprises in Serbia. But besides these factors, it is very important to indicate the way in which Serbian SMEs need to develop in order to achieve longevity. Another study that was conducted in Serbia showed the need for entrepreneur net formation in order to facilitate the possibility of necessary innovation involvement, which could enable survival, growth and development of SMEs [36].

3. EMPIRICAL FINDINGS

3.1. Survey and methodology

This survey was realized in Serbia, during September 2010 [32]. Serbia is a landlocked country located at the crossroads of Central and Southeastern Europe, covering the central part of the Balkans. With a GDP for 2010 estimated at $80 billion or $10,897 per capita, Serbia is an upper-middle income economy by the World Bank. Serbia is also a developing country which is in the middle of the transition process.

SME sector in Serbia is the most profitable segment of economy. During 2006, SMEs participated with 99.7% in total number of enterprises and with 63% in total number of employment in Serbia. Also, SMEs facilitated over 40% of total exporting activities and 60% of importing activities. This is the reason why SMEs
have large importance for successful implementation of transition process, having in mind that economic results of transition are far from expected [31]. When observed through this prism, it is obvious that SMEs are most vital and most rentable part of Serbian economy [23], which is why it is interesting to observe and analyze success factors of Serbian entrepreneurs and to discuss its implications on other developing countries.

Using simple random sampling, several thousands of SMEs were selected from all over Serbia and the owners of these enterprises were sent an e-mail containing questionnaire and detailed explanation of the purpose of survey and its benefits, in order to motivate them to participate. In a three weeks period, 82 entrepreneurs answered the survey questions, but three of them were excluded because they were answered in unappropriate manner. Thus, the final sample contained 79 SMEs.

The questionnaire used in this study was originally developed by Hung M. Chu [7] and has been used in studies of entrepreneurs across numerous countries, such as: Turkey, Vietnam, Romania, India, Kenya and Ghana [2, 3, 4, 5, 6]. The questionnaire was translated into Serbian and checked for intertranslator consistency. SPSS statistical software was used to process the obtained data.

The reliability of the survey instrument was satisfactory since the Cronbach’s Alpha was relatively high for the perceived success variables. The Alpha for the success variables items was 0.7500 respectively.

Five-point Likert scale was used to measure perceived success variables: 5 was “extremely important”, 4 was “very important”, 3 was “mildly important”, 2 was “not very important” and 1 was “unimportant”. A higher mean score on a variable indicates greater importance.

Factor analysis was used to determine whether success variables group together on significant factors. Keiser-Meyer-Olkin measure of sampling adequacy [15, 16] and Bartlett’s test of Sphericity [1] were used to test to establish the justification of factor analysis implementation. Principal component analysis, scree plot and component matrix were used to establish factors. Then, a principal component analysis extraction method with a varimax with Kaiser normalization rotation method was used to determine the factor loading and communalities.

3.2. Sample characteristics

As already mentioned, 79 SMEs constitute the sample, out of which only two enterprises can be labeled as medium (65 and 70 employees), which is only 2.53% of the sample, while 6 of them are in a group of small enterprises (7.59% of the sample), and the rest of the sample (71 enterprise) is in a group of micro enterprises (1-9 employees), which is 89.87% of the sample. Thus, the vast majority of enterprises are micro enterprises.
All organizations in the sample are profit oriented, but the industry structure of sample is very heterogeneous. There are various types of business, such as: manufacturing, service, retail, wholesaling, healthcare, etc.

The age of enterprises are also heterogeneous. The youngest are several months old, while the oldest one is 30 years old. There are 49 enterprises 10 years old or younger (62.03% of the sample), 28 enterprises between 11 and 20 years of age (36.44% of the sample) and only 2 enterprises which are older (21 and 30 years of age, which makes 2.53% of the sample). The average age of enterprises in the sample is 8.61 years.

### 3.3. Results for success variables

The questionnaire for success variables of entrepreneurs contained 17 variables. The respondents used five-point Likert scale to express their opinion on importance of each variable for business success. The mean and standard deviation for each success variable are presented in Table 1.

<table>
<thead>
<tr>
<th>Success variables</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Good management skills</td>
<td>4.27</td>
<td>0.858</td>
</tr>
<tr>
<td>2. Charisma: friendliness</td>
<td>4.13</td>
<td>1.005</td>
</tr>
<tr>
<td>3. Satisfactory government support</td>
<td>3.04</td>
<td>1.605</td>
</tr>
<tr>
<td>4. Appropriate training</td>
<td>3.00</td>
<td>1.423</td>
</tr>
<tr>
<td>5. Access to capital</td>
<td>4.16</td>
<td>1.103</td>
</tr>
<tr>
<td>6. Previous business experience</td>
<td>4.22</td>
<td>0.983</td>
</tr>
<tr>
<td>7. Support of family and friends</td>
<td>4.13</td>
<td>0.925</td>
</tr>
<tr>
<td>8. Marketing/sales promotion</td>
<td>3.80</td>
<td>1.067</td>
</tr>
<tr>
<td>9. Good product at competitive price</td>
<td>4.68</td>
<td>0.567</td>
</tr>
<tr>
<td>10. Good customer service</td>
<td>4.85</td>
<td>0.426</td>
</tr>
<tr>
<td>11. Hard work</td>
<td>3.70</td>
<td>1.113</td>
</tr>
<tr>
<td>12. Position in society</td>
<td>3.57</td>
<td>1.184</td>
</tr>
<tr>
<td>13. Maintenance of accurate records</td>
<td>4.24</td>
<td>1.065</td>
</tr>
<tr>
<td>14. Ability to manage personnel</td>
<td>4.34</td>
<td>0.946</td>
</tr>
<tr>
<td>15. Social skills</td>
<td>3.97</td>
<td>1.000</td>
</tr>
<tr>
<td>16. Political involvement</td>
<td>1.94</td>
<td>1.090</td>
</tr>
<tr>
<td>17. Reputation for honesty</td>
<td>4.54</td>
<td>0.781</td>
</tr>
</tbody>
</table>

Source: [32]

It was found that the most important variable contributing to business success of entrepreneurs is “Good customer service” and the second ranked variable is
“Good product at competitive price”. This finding was expected due to the low purchase power of people living in Serbia and the lack of adequate regulatory mechanisms in the Serbian market that should protect the customers during their purchasing transactions. “Reputation for honesty” is on the third place. Fourth, fifth and sixth places are “Ability to manage personnel”, “Good management skills” and “Maintenance of accurate records”, respectively. It is quite obvious that, while on the first three places are variables that present some form of linkage between organization and its' customers, on the next three places are variables that are occupied with internal issues. It is very interesting that variable “Political involvement” is on the last place of variables affecting business success, due to the fact that Serbia, similarly to other countries in economic transition process, is a country where political engagement and business are strongly connected.

Keiser-Meyer-Olkin measure of sampling adequacy was 0.636 and Bartlett's test of Sphericity was significant at 0.000. As shown in Table 2, a factor analysis led to seven factors, which explain 70.131 percent of the cumulative variance. These factors are interpreted as follows: position in society, interpersonal skills, approval and support, competitive product/service, leadership skills, always to be informed and business reputation.

The first factor is called “Position in society”. It contains success variables: 3, 4, 8 and 16. Position in society can contribute to business success via linkages with a vast number of decision-maker in profit and non-profit organizations, government agencies and institutions. This kind of social network can enable involving key decision-maker who can provide help in variety of business situations.

“Interpersonal skills” is the second factor. It includes variables: 5, 14, 15, 16 and 17. Interpersonal skills include a variety of social abilities, such as: ability to understand others, ability to motivate and direct people, ability to empower, empathy, etc. These abilities are equally important with people inside organization, as with the people outside of it.

Factor three can be offered to as “Approval and support”, and includes variables: 7, 8, 11 and 14. In order to manage a successful business, entrepreneurs need be approved by the people they care, but also by the environment in which they operate. They also need to gain support for their actions, because entrepreneurship means that they are walking on unsecured terrain instead of working for a stable income as employee.

The fourth factor can be called “Competitive product/service”. It consists of success variables: 9, 10 and 11. In the era of global dynamic competition, which continues to increase in all types of industries, the ratio quality – price is more significant then ever before. On the other side, development of information and communication technology affects the increase of market transparency, which represent additional pressure on providing more competitive products/services.
Table 2. Principal component factor analysis (varimax rotation), factor loadings and communalities for success variables

<table>
<thead>
<tr>
<th>Success variables</th>
<th>Factor 1</th>
<th>Factor 2</th>
<th>Factor 3</th>
<th>Factor 4</th>
<th>Factor 5</th>
<th>Factor 6</th>
<th>Factor 7</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Appropriate training</td>
<td>0.853</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.760</td>
</tr>
<tr>
<td>16. Political involvement</td>
<td>0.728</td>
<td>0.344</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.706</td>
</tr>
<tr>
<td>3. Satisfactory government support</td>
<td>0.664</td>
<td></td>
<td></td>
<td></td>
<td>0.360</td>
<td></td>
<td></td>
<td>0.717</td>
</tr>
<tr>
<td>15. Social skills</td>
<td></td>
<td>0.823</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.723</td>
</tr>
<tr>
<td>14. Ability to manage personnel</td>
<td>0.633</td>
<td>0.370</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.695</td>
</tr>
<tr>
<td>5. Access to capital</td>
<td></td>
<td>0.619</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.527</td>
</tr>
<tr>
<td>17. Reputation for honesty</td>
<td>0.471</td>
<td></td>
<td>0.369</td>
<td></td>
<td></td>
<td>0.468</td>
<td></td>
<td>0.671</td>
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<tr>
<td>7. Support of family and friends</td>
<td></td>
<td></td>
<td>0.792</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.752</td>
</tr>
<tr>
<td>8. Marketing/sales promotion</td>
<td>0.325</td>
<td>0.748</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.772</td>
</tr>
<tr>
<td>11. Hard work</td>
<td>0.491</td>
<td>-0.337</td>
<td></td>
<td></td>
<td>0.405</td>
<td></td>
<td></td>
<td>0.606</td>
</tr>
<tr>
<td>9. Good product at competitive price</td>
<td></td>
<td></td>
<td></td>
<td>0.856</td>
<td></td>
<td></td>
<td></td>
<td>0.797</td>
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<tr>
<td>10. Good customer service</td>
<td></td>
<td></td>
<td>0.802</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.673</td>
</tr>
<tr>
<td>1. Good management skills</td>
<td></td>
<td></td>
<td></td>
<td>0.836</td>
<td></td>
<td></td>
<td></td>
<td>0.784</td>
</tr>
<tr>
<td>2. Charisma: friendliness</td>
<td></td>
<td></td>
<td>0.668</td>
<td>0.300</td>
<td></td>
<td></td>
<td></td>
<td>0.611</td>
</tr>
<tr>
<td>13. Maintenance of accurate records</td>
<td></td>
<td></td>
<td></td>
<td>0.836</td>
<td></td>
<td></td>
<td></td>
<td>0.744</td>
</tr>
<tr>
<td>12. Position in society</td>
<td></td>
<td></td>
<td></td>
<td>0.357</td>
<td>0.561</td>
<td></td>
<td></td>
<td>0.682</td>
</tr>
<tr>
<td>6. Previous business experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.766</td>
<td>0.703</td>
<td></td>
</tr>
<tr>
<td>Variance</td>
<td>1.995</td>
<td>1.901</td>
<td>1.784</td>
<td>1.775</td>
<td>1.765</td>
<td>1.387</td>
<td>1.316</td>
<td></td>
</tr>
<tr>
<td>Percentage of variance</td>
<td>11.73</td>
<td>11.18</td>
<td>10.49</td>
<td>10.44</td>
<td>10.37</td>
<td>9.159</td>
<td>7.744</td>
<td></td>
</tr>
</tbody>
</table>

Source: [32]

The fifth factor, “Leadership skills”, contains success variables: 1, 2, 3, 12 and 17. The leadership can be defined as a process of “using noncoercive influence to direct and coordinate activities of the members of an organized group toward...
the accomplishment of group objectives” [12]. This factor can significantly contribute to the overall success of an enterprise, because it implies that employees are willing to recognize the entrepreneur as their leader, who inspires and motivates them to follow him in achieving organizational objectives.

“Always to be informed” is the sixth factor. It includes variables: 2, 12 and 13. Information regarding people and events inside and outside organization are crucial for success of entrepreneur. Quality decision-making can be sustained only if it is based on exact and precise information obtained in the right moment.

Finally, factor seven is called “Business reputation”, and includes success variables: 6, 11 and 17. Business reputation takes a lot of time to build. Long-term experience in business and maintaining of professional relationship with all stakeholderse can establish solid business reputation. Entrepreneur with reputation has already earned trust in the market which can be helpful in acquiring business arrangements.

4. DISCUSSION

Based on the obtained results and their comparison with empirical findings in other countries, which are presented in the theoretical part of this paper, it may be concluded that there is a wide variety of factors affecting success of entrepreneurs (e.g. managerial skills, adequate training, external environment, etc.). The structure of these factors is determined by the situation in the local environment.

The results of this research, concerned with success factors of entrepreneurs obviously differs from the Turkish factors. This study obtained seven factors, while Turkish investigation revealed six factors. The nature of some factors can be viewed as similar, while others are completely different.

Serbian entrepreneurs must be more actively supported by the Serbian government. The development of entrepreneurship and SMEs ought to be one of the most important objectives of every country in the world (especially in developing countries, such as Serbia) and ought to have high priority in alocating the budget expenditures. In order to facilitate economic development, it is necessary to make significant improvements in the process of institutionalization of supporting SMEs. This can be achieved by creating environment that will facilitate development of entrepreneurship through numerous stimulating activities, such as: incentives that would facilitate cooperation of SMEs and large enterprises and creation of clusters, establishing organizations for providing assistance to entrepreneurs (e.g. associations of entrepreneurs, government agencies for SMEs development, business incubators, industrial parks, etc.) and providing easy accessible capital.

In order to succeed, SMEs should unit by supporting each other in times of need. This could be accomplished by forming variety of alliances and networks. It would also be mutually beneficial if large businesses and small firms
complemented each other in the process of creating goods and services. In that way, SMEs' competitive position could grow strong globally and they could become capable of overcoming barriers and problems to their growth and development. Creation of this kind of environment would foster the development of entrepreneurship in Serbia and would produce an increase in number of successful start-ups.

5. CONCLUSIONS

Enterpreneurship and development of SMEs are, without doubt, the future of each country, especially of developing countries. This is evident, having in mind that two thirds of employees in EU are from SMEs and that 99.8% of all enterprises are SMEs. This is why entrepreneurship and SMEs are solid foundation for economy growth and development. Because of their size and agility, they also represent the most dynamic and most efficient segment of national economy of any country, regardless of the stage of its economic development.

It is more than ever obvious that, without strong SMEs, it is practically impossible for a country to achieve solid economic position internationally. Because of their distinct entrepreneurial role, they present solid base for improving macro-economic indicators of a country, by attracting direct foreign investments, decreasing unemployment rate, increasing gross added value, exporting activities, etc.

This is why each country ought to define entrepreneurship, as well as creation and support of SMEs, one of its highest economic priorities. Only by creating highly supportive environment, in which entrepreneurship would thrive, it is possible to increase the rate of successful start-ups which would become major job providers for generations of young people to come. In order to facilitate the creation of such supportive environment, knowledge of the success factors of entrepreneurs would be more than welcome. Only if the institutions in charge of creating economic atmosphere are aware of these factors, they can make adequate actions to improve the situation.

This research has continued a series of research on the topic of motivational and success factors of entrepreneurs, as well as problems facing entrepreneurs, which were conducted in several countries, by using the same methodological approach [2, 3, 4, 5, 6]. On the other side, it certainly represents contribution to a small amount of empirical research on this topic in Serbia. The reason for this evident lack of empirical investigations on entrepreneurs may be found in the fact that Serbia is a country which is still in the process of economic and social transition from socialism and highly centralized economy to capitalism and market economy. Socialism did not favour private property and entrepreneurship. Thus, empirical researches, such as this one, are more than welcome to bridge the gap that exists between contemporary theory on
entrepreneurship and SMEs on one side and poor practice in Serbia on another side.

REFERENCES


