

# Motivation, Success Factors and Challenges of Entrepreneurs in Khulna City of Bangladesh

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## Abstract

Bangladesh is a high densely populated country where creating employment opportunity is a great challenge. Development of entrepreneurship can be a positive advancement in this regard because of its recognized role of creating sufficient scope of employment. Considering this significance, this study has put a great stride to identify motivation, success factors and the challenges of entrepreneurs in Khulna City of Bangladesh. Data were collected from entrepreneurs running business in this city using structured questionnaires developed based on previous studies. Factor analysis was applied first to find the factors associated with motivation, success and challenges of entrepreneurs and later multiple regression technique was used to identify the factors which are statistically significant. This study has found independence, personal and family security, self employment and intrinsic factors are associated with motivation where independence, personal and family security, and self employment are statistically significant. Business environment, policy issues, infrastructure, raw materials, political instability and costs of equipment are found linked with challenges of entrepreneurs in Khulna city where business environment, infrastructure, and raw material are statistically significant. It has been identified that managerial capability, experience and training, family support and honesty, social network, and price and location are success factors. Managerial capability, experience and training, family support and honesty are significant statistically.

**Keywords:** Motivation, Success, Challenge, Entrepreneurs

## 1. Introduction

Bangladesh is an underdeveloped country which is familiar for her high density of population. This country has been struggling since its independence in 1971 to be economically developed but this has not been achieved. Still substantial number of people live below the line of poverty. This country is highly characterized by dependence on agriculture. More than 80 percent of population directly or indirectly depends on agriculture for their livelihood that results in low standard of living. It is true that mere dependence on agriculture is can hardly generate huge income opportunities which are a must for country like Bangladesh. Such opportunities can improve living standard and expedite existing economic development. Industrialization particularly agro based can be a good alternative which needs contributions of entrepreneurs. Entrepreneurs have been recognized for the significant role they play in sustainable economic development (O'Neil and Viljeon, 2001).

Usually a country has different resources like natural, human and others. The only resource that is difficult to imitate and could offer strategic benefits is human resource. Human resource has been identified not only as a major growth determinant and a channel to ease poverty but it is also very important in building or improving the quality of human beings in general (Kasim et al, 2010). A county can enjoy competitive advantage by putting his resources either natural or human in productive use. This requires creation of sufficient scope for employing this resource at right place and at right time. Otherwise, this resource may turn into a burden for a country what is appearing in Bangladesh. This country needs to identify ways of utilizing her resources in most fruitful fashion. The best alternative is generating and nurturing a robust entrepreneurial culture. It is well known globally that entrepreneurship is considered a growth engine for its phenomena of creating huge employment opportunities. Potential contribution of entrepreneurship development to employment and income has been generally recognized (Okpara and Wynn, 2007).

## 2. Literature Review

Entrepreneurship is considered as an engine of growth for an economy. Substantial number of researcher is concentrating on how to capitalize existing entrepreneurial endeavor and make it robust. The best way would be to know what motivates them, what challenges them to take further initiatives and what makes their efforts successful. Many researchers have identified factors associated with motivation, success and challenges of entrepreneurs.

### 2.1 Motivation

Saffu, Apori, and Elijah-Mensah (2009) worked to identify motivation and challenges of livestock entrepreneurs of Ghana. Working on three hundred farmers, they found that some personal, employment and financial factors

motivated those most to be an entrepreneur. They considered financial factor as dominant. They also identified that poor animal health, business management, market, external and input factors are the key challenges of livestock farming business in Ghana. Stefanović (2011) studied on the SME entrepreneurs of Serbia identified factors motivate them to do their business. Applying factor analysis approach, he found four factors affect motivation of entrepreneurs which are business achievement, independence, intrinsic and job security factors. They concluded that these factors are generic worldwide although differences appear based on local environment. Some studies focus on the motivation of male and female to be an entrepreneur. Raman (2008) classified motivational factors as economic core, work core, social core, individual and entrepreneurial. Women entrepreneurs are believed to be motivated highly for work core which includes inner tendency to explore one potentiality and to do something creative and innovative. Zhu and Chu (2010) working on female entrepreneurs in China identified three factors which are personal growth, family and income-job. They found income-job factor is the most important motivational factors for Chinese entrepreneurs. They emphasize on extrinsic components that intrinsic.

### *2.2 Success Factors*

Like motivation factors, it is equally important to know what factors contribute success of entrepreneurs. The most common factors believed to have impacts on success are hard work, skill and expertise. Nonetheless, researchers have found other factors connected with success of entrepreneurs. Rose, Kumar, Yin (2006) suggested human capital, competencies, government support program, personal initiatives are the key to the success of entrepreneurs. They identified that personal initiative bears more importance to make the endeavors of entrepreneurs successful.

Mehralizadeh and Sajady (2006) worked on small business firms to identify the determinants of their success and failure. They found number of issues and believed to have contribution on the performance of entrepreneurs in business which are suitable managing technical skills, selecting appropriate personnel with relevant skills, education and paying more attention to personnel training, application of management conceptual skills, financial issues, better human relation, recognize the economic situation, planning and organizing of their business and informal issues. Mokhbul and Hasun (2011) investigated the relationships between entrepreneurial factors and entrepreneurial success. By mean analysis, they found religious duty/honesty factor is the most significant factor contributes the success of entrepreneurs. They also confirmed that ability of entrepreneurs to access information, their leadership styles, and their support from others are also significant for making performance high. Robichaud, Cachon, and Haq (2010) suggested reputation for honesty, good customer service, hard work, and friendliness and charisma are important for successful entrepreneurial endeavor.

### *2.3 Challenges*

The journey of entrepreneurs is not smooth. They frequently need to tackle various challenges that sometime jeopardize their endeavor. Successful management of those obstacles brings momentum in their efforts. Those challenges originate from internal as well as external environment. Ahmad and Xavier (2012) investigated the environment of entrepreneurship development and identified several variables obstruct entrepreneurial efforts which are inadequate financial support, bureaucracy and inconsistency of government policies, lack of entrepreneurial education at tertiary level and inadequacy of entrepreneurial training. Chowdhury (2007) identified political instability, corruption, lack of infrastructure facilities, education and training, lack of financial help are the key barriers of entrepreneurship development in developing nations. Entrepreneurship development also gets affected by motivational and legal barriers. Nawaser, Shakhshian, Jahanshahi (2011) considered financial risk and fear of proper management of business are the key motivational barriers. They found legal barriers as bank regulations, documentation for loan, environmental rules and regulations. They concluded that motivational barriers have more deadly effect in entrepreneurship failing than legal. It is very common in Asia that starting business is not welcomed in family and even in society. Santhi and Kumar (2011) commented that the key challenge is to convince the family first for starting a business in India because of its inherent risk unlikely to business which is risk free. Some other barriers, they identified, are acceptance in society, adaptation of new technology, managing finance and government policy. Shahidi and Smagulova (2008) described innovation and opportunity challenges of an entrepreneur which are persistence in the face of adversity, managing unpredictable events, leveraging learning outcome usually from failure, taking practical and rational pursuits of the goals.

## **3. Objectives**

This study has been conducted based on the following objectives:

- a) To identify the factors affect motivation of entrepreneurs
- b) To find out the factors lead entrepreneurs to be successful
- c) To screen out the challenges entrepreneurs face

#### 4. Methodology

This study was conducted with the intention to identify motivation, success factors and challenges entrepreneurs face in Khulna City, Bangladesh. Data were collected from the entrepreneurs who were selected on a convenience basis. 140 entrepreneurs were interviewed by the students studying Research Methodology course using structured questionnaires. From where 128 questionnaires were found flawless thus used for data analysis applying factor analysis, regression and some other descriptive tools. The questionnaire was constructed based on previous research consisted with four sections. The first section was designed to collect general information about the entrepreneurs. Questions are set at the second section to screen out what are the motivational factors of entrepreneurs. In part three and four, questions are structured to know about success factors and underlying challenges of entrepreneurs in Khulna City. Statistical package SPSS 15 was used for data analysis.

Factor analysis was applied to determine whether motivations, success, problems variables group together on significant factors. Kaiser-Meyer-Olkin measure of sampling adequacy (Kaiser, 1970; Kaiser, 1974) and Bartlett's test of Sphericity (Bartlett, 1954) were used for the justification factor analysis. Principal component analysis and component matrix were used to establish factors. Factor loading was identified using a principal component analysis extraction method with a varimax with Kaiser Normalization rotation. Multiple regression techniques were used to identify statistically significant factors.

#### 5. Result and Discussion

##### 5.1 Motivation

There were 13 dimensions to the motivation variables which loaded on four factors (Table 1). Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.764 which is more the middling and close to meritorious (George and Mallery, 2008). This indicates that factor analysis was appropriate. Bartlett's test of sphericity with significance (.000) means the relationship among the variables was strong. The cumulative percentage of variance is 60.813.

**(Insert Table 1 and 2 here)**

The first factor is referred as independence signifies that the motivation arises from the intention to work independently. The statement loaded the highest is 'to prove I can do it' which clearly represents strong willingness of entrepreneurs to work for proving his ability. Entrepreneurs believe that they will be motivated if they get opportunities utilize their experience and training. Besides, they are not intended to work under control of others which reflect their tenacity to work with full freedom. This factor explains 19.16 percent of variance. The second factor titled as personal and family security. It reveals that entrepreneurs are highly motivated to do business locally to remain close to their family. Besides, they believe that doing a business is secured from income and job point of views. Therefore, both motivate them to engage in entrepreneurial activities. This factor explains 15.246 per cent of variation. The third factor affects motivation of entrepreneurs is self employment. Individuals tend to engage in business for proper utilization of resources inherited from family or other sources. This factor explains 13.328 percent of variation. The fourth factor is referred to as intrinsic. Entrepreneurs are motivated to get public recognition as well as personal gain and satisfaction. This factor explains 13.079 percent of variation. The results of regression statistics of motivation factor are presented in table 2 where R square is 0.246 indicating that 24.6 percent variation in motivation of entrepreneurs can be explained by the independent variables. Regression model shows a good fit with F value 8.951 ( $p < .01$ ). Independence, family and security, and resource utilization are found statistically significant in explaining the motivation of entrepreneurs in Khulna City.

##### 5.2 Success Factors

There were 18 dimensions to the success factors which loaded on five factors (Table 3). Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.77 which is more the middling and close to meritorious (George and Mallery, 2008). This indicates that factor analysis was appropriate. Bartlett's test of sphericity with significance (.000) means the relationship among the variables was strong. The cumulative percentage of variance is 66.659

**(Insert Table 3 and 4 here)**

The first factor is referred to as managerial capabilities which accounts for the success of entrepreneurial venture. This factor explains the highest percentage of total variance which is 18.34. Managerial abilities are believed to have high degree of contribution to be a successful entrepreneur. Such capabilities strengthen entrepreneurs how to manage employees, customers, and other administrative function which are considered cornerstone of the greater success for an enterprise. Business experience and training is the second important factor believed to ensure success of entrepreneurs. Experience of dealing with previous events guides to manage potential threats of business with necessary caution. Training is conducive to upgrade skills regularly required to respond external changes successfully. This factor accounts for 17.12 percent of total variance.

Third factor considered important for the success of entrepreneurs is family support and honesty. Risks and uncertainties are inherent in entrepreneurial journey. An entrepreneur expects close company and sympathy of family to manage a great of risks and uncertainties. Besides, honesty is a must for strengthening relationships with suppliers, customers and other parties involved with business. This factor explains 9.805 percent of total variance. Social networking affects the success of entrepreneurs. This factor accounts for explaining 9.077 percent of total variance. Success of an entrepreneur depends on the extent of his or her involvement in community as well as political activities. Price and location is the last success factor of entrepreneurs in Khulna city. Success depends on how competitively an entrepreneur is charging price of his or her offerings. Besides, location of business affects the success. This factor explains 7.61 percent of total variance. Table 4 describes the regression statistics of success factors of entrepreneurs. Here R square is 0.376 indicating that 37.6 percent variation in the success of entrepreneurs can be explained by the independent variables. Regression model shows a good fit with F value 12.761 ( $p < .01$ ). Managerial capabilities, experience and training, family supports and honesty are found statistically significant in explaining the success of entrepreneurs in Khulna City.

### 5.3 Challenges

There were 24 dimensions to the variables related with challenges which loaded on six factors (Table 5). Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.821 which is meritorious (George and Mallery, 2008). This indicates that factor analysis was appropriate. Bartlett's test of sphericity with significance (.000) means the relationship among the variables was strong. The cumulative percentage of variance was 70.503.

**(Insert Table 5 and 6 here)**

The first factor is referred as business environment. Entrepreneurs in Khulna City think that overall environment particularly the external poses challenge for conducting business in this city. Business environment is characterized by the absence of research and development, accurate industry data, technology. Besides, unbridled corruption and bureaucracy of authority are also evident in this city. The second factor is titled as policy problem. This problem centers on absence of necessary guidelines and directions concerning subsidies offered by government, interest rate, competition created by large industries. This factor accounts for 15.97 percent of total variation.

Third factor is identified as infrastructure. Sufficient infrastructural facilities are absent in this city which they think problem for the expansion of entrepreneurs. Besides, absences of credit facilities, training opportunity, availability of skilled labors obstruct the desired advancement of entrepreneurship. This factor explains 11.523 percent of total variation. Fourth factor is tilted scarcity of raw materials which explains 8.759 percent of total variation. It reveals that entrepreneurs face insufficiency of raw materials what they need for running their business. Besides, they also suffer for adequate managerial skills which they consider constraints for intended improvement.

Political instability is the next factor explains 7.33 percent of total variation. Frequent hartals, strike and other destructive political movement always endanger their business. Granting license takes long time and involves unexpected expenses due to complex administrative entanglement which discourages entrepreneurs for new initiatives. The last factor is high cost of equipment which raises daily costs of business. Besides, business sites are not convenient for further expansion. 6.425 percent of total variation is explained by this factor. The results of regression statistics of problems are described in table 6 where the value of R square is .342 indicating that 34.2 percent variation of the problems faced by entrepreneurs in Khulna city is explained by these independent variables. Regression model shows a good fit with F value 10.289 ( $p < .01$ ). Business environment, infrastructure, availability of raw materials are found statistically significant.

## 6. Findings and Discussion

This study has found number of factors associated with motivation, success, and challenges of entrepreneurs in Khulna city of Bangladesh. Motivational factors are independence, family and security, utilization of inherited resources and intrinsic item. From these factors independence, family and security, utilization of inherited resources are found statistically significant. Similar finding are identified in other studies. Schwartz (1976) in his study on twenty female entrepreneurs found desire to be independent as one of many motivational factors. Carter et al. (2003) commented that perhaps the most popular reason for starting a new business is individual's intention to earn more money and achieve financial security.

Success factors are managerial capability, experience and training, family support and honest, social network, price and location. Findings show that managerial capabilities, experience and training, family supports and honesty are statistically significant. Success of entrepreneurial venture depends of managerial skills and competencies. Entrepreneurs who have the necessary competencies especially in the area of operations, finance, marketing and human resources, and management skills required for the business are more likely to be successful at start-up (Pralhad & Hamel, 1990; Swiercz & Spencer, 1992). Lack of managerial skills and competencies result in failure in business (O'Neill & Duker, 1986; Terpstra & Olson, 1993). Social network is

found as a factor associated with success of an entrepreneur which is not significant statistically. This finding is also similar to the finding of research conducted by Bruerderl and Preisendoerfer (1998). They found that social network support is related to both, survival and growth of newly founded companies. Makhbl (2011) found that religious duty/ honesty factor is perceived to be the best factor influencing entrepreneurial success compared to others factors.

Entrepreneurs in Khulna city face number of challenges which are business environment, policy issues, infrastructure, raw material, political instability and costs of equipment. Business environment, infrastructure and raw material are found statistically significant. Some of these factors are consistent with previous research findings. Infrastructure facility is miserable in most rural areas of Bangladesh (Parvin et al., 2012). Saxena (2012) found procurement of raw materials is tough tasks for entrepreneurs.

## 7. Conclusion

This study has put a great effort to delve into the motivation, success factor and challenges of entrepreneurs in Khulna city of Bangladesh. The findings of this study have implications for entrepreneurs as well as the policy makers who work for the improvement of entrepreneurs. This cannot be said that factors associated with motivation, success and challenges will appear similar everywhere. These differences reveal due to regional (Armington and Acs, 2002), political systems and the economic policies (Zimmerman and Chu, 2010). Many motivational factors like meeting family needs, initiating social relations (Ufuk & Ozgen, 2001), reduce poverty, reversing deteriorating economic condition (Woldie & Adersua, 2004), identified by other studied are not detected in this study. This study also fails to identify some factors associated with success of entrepreneurs found in other studies. Those factors are government support (Yusuf, 1995), personal initiative (Rose et al., 2006), hard work, interpersonal skills, and customer service orientation (Benzing *et al.*, 2005; Chu *et al.*, 2007; Coy *et al.*, 2007). This research has not identified variables like access to finance (Edward, 2012), growth of mall culture, poor assistance, power failure, lack of technical knowhow, capacity utilization (Santhi and Kumar, 2011), unfavorable state of the economy ((Baena, 2012), external environment (Aldrich, 2000) which are found challenges for the growth and advancement entrepreneurs in other studies. It is evident that this study has failed to identify many important factors closely connected with the motivation, success and challenges of entrepreneurs. What identified is obviously not less important. This study was conducted based on the opinions of entrepreneurs operating business in Khulna City, one of the divisional cities of Bangladesh. The results may not be generalized reflection of all entrepreneurs of country.

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Table 1. Rotated Component Matrix of Motivational Factors

	Component			
	Independence	Personal and Family Security	Self employment	Intrinsic
To Prove I can do it	.794			
Own boss	.709			
Using past experience and Training	.624			
Maintain personal freedom	.518			
Closer to family		.691		
Increase income		.664		
Job security		.606		
Build a business to pass on			.713	
Personally do something for society			.711	
Utilize inherited assets			.513	
Provide jobs for family members				.871
Gain public recognition				.635
Own satisfaction and growth				.456
Percentage of Variance explained	19.16	15.246	13.328	13.079

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

Table 2. Regression Statistics

Variable	Standardized Beta
Independence	.270**
Family and Security	.257**
Self employment	.325**
Intrinsic	-.029
R Square	.246
F Value	8.951**
Durbin-Watson	1.545

Table 3. Rotated Component Matrix for Success Factors

	Component				
	Managerial Capability	Experience and Training	Family Support and Honesty	Social Network	Price and Location
Good general management skills	.767				
Charisma; friendliness to customers	.726				
Ability to manage personnel	.705				
Hard-work	.628				
Good customer service	.583				
Maintenance of accurate records of sales/expense	.459				
Previous business experience		.778			
Appropriate training		.750			
Access to capital		.626			
Satisfactory government support		.583			
Marketing factors such as sales promotion		.557			
Supports of family and friends			.694		
Reputation for honesty			.689		
Community involvement				.892	
Political involvement				.759	
Good product at a competitive price					.677
Location					.583
Percentage of Variance Explained	18.34	17.012	9.805	9.077	7.61

Table 4. Regression Statistics

Variable	Standardized Beta
Managerial Capabilities	.383**
Experience and Training	.308**
Family Support and Honesty	.338**
Position in Society	.101
Price and Location	.016
R Square	.376
F Value	12.761**
Durbin-Watson	1.778



Table 5. Rotated Component Matrix (a) of Challenges

	Component					
	Business Environment	Policy Issues	Infrastructure	Raw Materials	Political Instability	Costs of Equipment
Lack of R& D	.810					
Lack of total technology	.731					
Lack of good governance	.675					
Lack of friendly environment	.569					
Bureaucracy corruption	.567					
Lack of skilled workers	.565					
Lack of accurate data	.505					
Less supply power		.806				
Inadequate government policy		.719				
Lack of government subsidy		.701				
High rate of interest		.700				
Competition with large industries		.445				
Lack of infrastructure			.803			
Lack of capital			.740			
Lack of training			.719			
Shortage of skill labor			.554			
Less raw materials				.837		
low management skills				.758		
License for work					.691	
Frequent strikes					.594	
cost of equipment						.599
Business site						.529
% Variance Explained	17.165	15.97	11.523	8.759	7.33	6.425

Table 6. Regression Statistics

Variables	Standardized Beta
Business Environment	.359**
Policy Problem	.046
Infrastructure	.375**
Raw Materials	.220**
Political Instability	-.061
Cost of Equipments	.129
R Square	.342
F Value	10.289**
Durbin-Watson	1.334

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