

THE DEGREE OF ENTREPRENEURSHIP WITHIN THE ENTREPRENEURIAL PROCESS IN RELATION TO FAMILY BUSINESS SUCCESS

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ABSTRACT

This study examines the degree of entrepreneurship among Samurdhi society family business operators within the entrepreneurial process. The study used the case study approach, because of its ability to collect in-depth data and to gain a holistic understanding in a given context. Multiple data collection methods were adopted to maintain validity and reliability of findings. Findings revealed that the degree of entrepreneurship in terms of the diversity of opportunity identification was positively related to business success. Diversity and weak ties of resource mobilization through social network and managerial skills also were positively related to business success, although there were no effects demonstrated by multiplex ties of resource mobilization through social network to business success.

Key words: Entrepreneurial process, Degree of entrepreneurship, Family business operators, Business success

1. INTRODUCTION

Department of Census and Statistics of Sri Lanka [1] reports that nearly 80% of Sri Lankan population live in rural areas. Small scale industries play a major role in the rural areas to create an economic environment in Sri Lanka mentioned by Kanagasingam [2]. According to Tissera [3] the several government ministries and institutions in Sri Lanka have launched some development activities have entrepreneurship components. Samurdhi is such a programme with a component of entrepreneurship development mentioned by National Enterprise Development Authority [4]. The Samurdhi banking association programme branched out into rural interior villages reported by Sri Lanka Ministry of Economic Development [5]. Bank Society Guideline-20 [6] includes "Mihijaya" is a loan scheme operated by Samurdhi bank with the aim of facilitating entrepreneurship development among Samurdhi beneficiary families since 2007.

It is evident that all who obtained the loan have not been able to successfully carryout their businesses and only a minority has been able to successfully carryout their business operations (Pilot study).

The more specific research question of this study therefore is:

What is the role of entrepreneurship in determining the success of Samurdhi business operators?

The objective of this study is to carry out a comparative assessment of entrepreneurship between successful and less successful Samurdhi business operators.

Shane and Venkataraman [7] have stated the entrepreneurship relates with the discovery and exploitation of profitable opportunities. According to Abeywickrama [8] family business is a common concept in Sri Lanka, and defines them as the companies run by heirs of the peopley. Entrepreneurial process consists of perceiving opportunities and capitalizing them through matching with resources said by Kodithuwakku [9].

Chea [10] has mentioned the opportunity as a perceived means of generating economic value. According to McKesson [11] pursuing diverse business opportunities leads the enterprise towards the success. Moghli and Muala [12] have described entrepreneurial process involves with the gathering of scarce resources from external environment. Perceiving opportunities without regard to the resources under one's control and capitalizing them through mobilizing extra resource requirements through social network is important to entrepreneurial success said by Kodithuwakku and Rosa [13]. Diverse network is more likely to associate with success stated by Smilor and Gill [14]. Less frequent contacts were categorized as weak ties said by Moghli and Muala [12] and it is important to the business

success said by Stam et al. [15]. Multiplex ties consist of different types of relationships said by Scott [16] and it associated with the business success said by Larson and Starr [17]. Both entrepreneurial and managerial functions are necessary and complementary prerequisites for success [18].

Based on the above reviewed literature, the following propositions are explored;

Proposition 1: Higher the diversity of business activities carried out by a business operator higher the business success

Proposition 2: Higher the diversity of social network/contacts possessed by a business operator higher the business success

Proposition 3: Higher the weak ties of social network/contacts possessed by a business operator higher the business success

Proposition 4: Higher the multiplex ties of social network/contacts possessed by a business operator higher the business success

Proposition 5: Higher the managerial skills of social network/contacts possessed by a business operator higher the business success

2. METHODOLOGY

The study was undertaken in a fifteen Grama Niladari divisions covered by the Bemmulla Samurdhi Bank society in Aththanagalla division of Sri Lanka. Population was consisted with the list of Samurdhi beneficiary families (54 families) residing in the study site who took “Mihijaya” loans from Bemmulla Samurdhi Bank Society in Aththanagalla division in year 2008.

Hienert et al. said [19] family business success measures based on growth (growth in investments, personnel, and turnover) used to differentiate the successful commercial families from less successful ones during the last five years. The scale for Measurement of success was based on a study of scales used by Lakshamana Rao [20] and resulted (a) successful commercial families - 18 families and (b) less successful commercial families – 36 families.

2.1. Case Study Approach and Importance:

Yin [21] said that the case study approach was considered as the appropriate methodology for collection and analysis of data as it provides a

wide range of information gathering techniques. Research objective was achieved by studying the process of activities over a period of time in year 2013.

2.2. Data Collection and Analysis:

Eight cases were studied for the pilot study and resulted three were successful and five were less successful. Primary sources of data such as in-depth interviews guided by a topic guide and direct observations were used. Secondary data on Mihijaya loan report of Bemmulla Samurdhi Bank Society in year 2010 was also used to establish the context. Finally, within and cross case analysis of data were carried out.

3. RESULTS

Proposition 1: Higher the diversity of business activities carried out by a business operator higher the business success

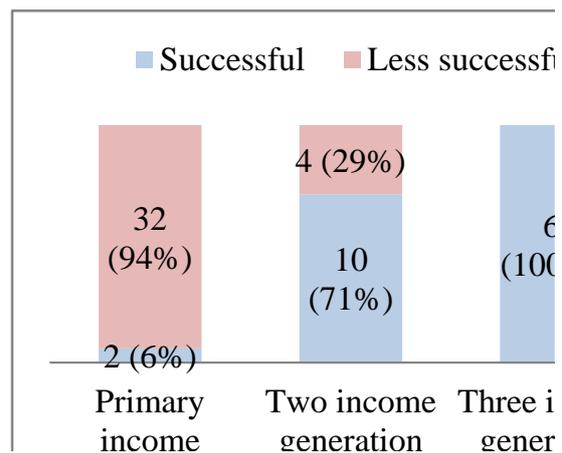


Figure 1: Diversity of business activities

The majority of successful business operators identify the opportunities through the two income generation activities 10 (71%) and three income generating activities 6 (100%). Minority of successful family business operators 2 (7%) engaged only in the primary income generation activity. Majority of less successful business operators engaged in the primary income generation activity 32 (94%) and minority of less successful business operators engaged in two income generation activities 4 (29%).

Proposition 2: Higher the diversity of social network/contacts possessed by a business operator higher the business success.

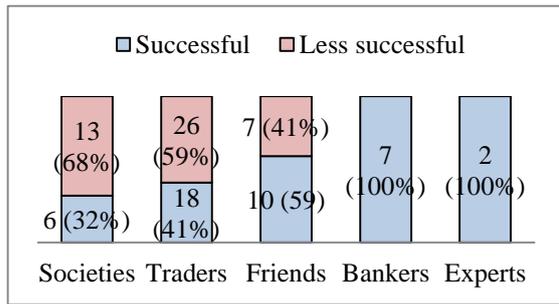


Figure 2: Diversity of social network

Successful business operators use all the five ties in different degrees by means of societies 6 (32%), traders 18 (41%), friends 10 (59%), bankers 7 (100%) and experts 2 (100%). Less successful business operators use only three ties in different degrees by means of societies 13 (68%), traders 26 (59%) and friends 7 (41%). Knowledge through the experts gains only by successful business operators. Friends, traders and societies use by both successful and less successful business operators.

Proposition 3: Higher the weak ties of social network/contacts possessed by a business operator higher the business success

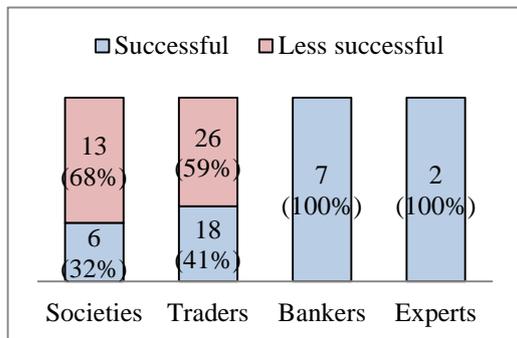


Figure 3: Weak ties

Successful business operators use all the four weak ties including the societies 6 (32%), traders 18 (41%), bankers 7 (100%) and experts 2 (100%) as their weak ties. Less successful business operators use societies 13 (68%) and traders 26 (59%) as their weak ties.

Proposition 4: Higher the multiplex ties of social network/contacts possessed by a business operator higher the business success

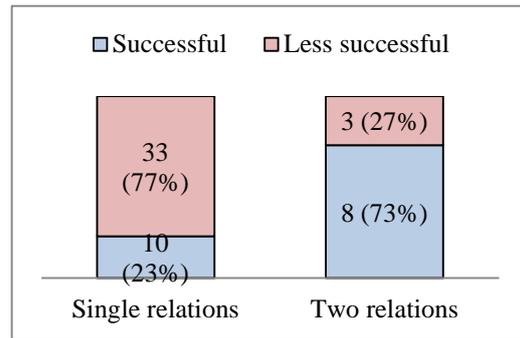


Figure 4: Multiplex ties

Successful business operators use both the single standard relations 10 (23%) and the two relations 8 (73%). Less successful business operators use more single standard relations 33 (77%) than the two relations 3 (27%).

Proposition 5: Higher the managerial skills of social network/contacts possessed by a business operator higher the business success

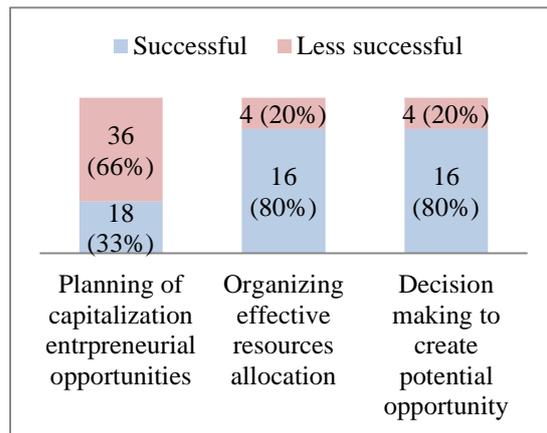


Figure 5: Managerial skills

Successful business operators show a higher percentage for two of the managerial skills and the less successful business operators show a higher percentage for only one skill.

4. CONCLUSION

Findings revealed that the degree of entrepreneurship associated with less successful family business operators were relatively lower than that of successful family business operators. The main reasons for the higher degree of entrepreneurship were diversity of business activities, diversity of social network, weak ties of social network and managerial skills.

The degree of entrepreneurship in terms of the diversity of opportunity identification was positively related to business success. Diversity, weak ties of resource mobilization through social network and managerial skills also were positively related to business success, although there were no effects demonstrated by multiplex ties of resource mobilization through social network to business success.

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