

## The Impact of Macro Factors Entrepreneur, Innovation and Opportunity on Entrepreneurial Success of Smes

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**Abstract:** This article endeavored to develop an entrepreneurial model for Pakistani SMEs. While developing the model, the author benefited from the experiences of successful entrepreneurs engaged in commercial fast-food sector. The experiences of such entrepreneurs had been collected through questionnaire survey. It argued that essentially three factors namely entrepreneurship, innovation and opportunity were main determinates of the profitability and business success in this sector. Therefore, favorable synergies ensuring availability of these determinants were required for the promotion and growth of the SMEs, which would in turn induce economic growth in economy. It was further argued that seeking economic growth through the growth of SMEs sector was most appropriate strategy given the labor-abundant and capital scarce nature of the economy. The proposed model was analyzed through statistical and econometric techniques. The results so obtained validated theoretical model. The innovation factor turn out to be the most important factor, Hence, the study concluded that entrepreneurial success was highly influenced by innovative behavior of the entrepreneurs but being opportunistic, a suitable culture and environment and sufficient resources were also needed for the success of a commercial fast-food SMEs.

**Key words:** Innovation • Entrepreneurship • Opportunity

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### INTRODUCTION

Pakistan is 6th largest country in the world in terms of population. It is gifted with substantial amount of natural resources, favorable climatic conditions and abundance human resources both in terms of unskilled, semi-skilled and skilled labor force. Unfortunately, the resources have not been properly used to develop the country so far. The major stumbling block has been application of the Western approach based on capital-intensive industrialization. The most appropriate strategy is following a low-cost homegrown approach through proliferation and promotion of SMEs. In spite of the significant favorable role that SMEs can play, the current contribution of this sector is low. SMEs in Pakistan are comprised of 85% of the entrepreneurial sector but its contribution to the GDP is only 7%. Within SMEs sector, fast-food SMEs are growing rapidly in Pakistan but the growth is mostly taking place in Western fast-food franchises. However, a very local few fast-food companies are emerged successfully. Accordingly, an effort is made in this study by developing a model for Pakistani SMEs

based on an in depth study of successful commercial fast-food SMEs. The proposed model is structured on the experiences of those entrepreneurs who are in the business for at least two years. In Pakistan, among service sector enterprises, hotel and eating establishments sector (employing 5.2 million) has 300-400 thousand small-scale establishments and SMEs are around just a few thousand [1]. Literature available on Pakistani SMEs is extremely inadequate to make policy [2] and available management literature on Pakistan business sector is for large corporation (Beaver, 2007). This study is filling the gap and undertaking the job: to investigate the impact of resources (RES), network (NET) and culture and environment (CAE) which influence the success of entrepreneur.

**The Motivation for the Research:** The basic motivation for undertaking this study is that Pakistan is labor-abundant and capital-scarce country. Therefore, the most appropriate strategy for the growth of economy is through the growth of SMEs sector. SMEs output contributes to GDP, increases job opportunities, favorably

affects income distribution, reduces poverty level and improves standard of living. In spite of these benefits, this sector has remained dormant in Pakistan mainly due to the policy-basis. Consequently, major section of SMEs sector remains in traditional activities with low level of productivity, poor quality products, serving local markets and with little technological development. Currently SMEs comprised 85% of the entrepreneurial sector and their contribution to the GDP is only 7%. Therefore, there is a need to revitalize this dormant sector through invigorating entrepreneurs in this sector. Commercial fast-food SMEs segment forms an important part of the entire SMEs sector in Pakistan.

This particular segment is rapidly growing but this growth taking place in the Western fast-food franchises and the number of local fast-food SMEs are just a few thousands. The logical outcome of such scenario warrants a deliberate policy-based support for the promotion of the local fast-food industry along with creating an enabling environment for the entrepreneurial growth, expansion and longevity. Theoretically, quite significant research efforts have been done at the global level on subject of SMEs entrepreneurship and functional and integrative entrepreneurial model of entrepreneurial success have been developed, out of which some have gained wide recognition. But these entrepreneurial models are developed in the western context. In Pakistani context, a very little research work has been done on entrepreneurship in general and SMEs entrepreneurship in particular. This study intends to provide new insight on this subject in the form a model of entrepreneurial success of Pakistani SMEs to promote entrepreneurial education in the country.

**Review:** With the spread of capitalism and globalization, entrepreneurship has gained more importance than ever before and there is significant relationship between level of entrepreneurial activity in a country and its economic growth (Rwigema and Venter, 2004 and GEM 2002).

Furthermore, level of entrepreneurial activity may account for one third of the variation in national economic growth (GEM, 2002). Empirical research studies concluded there is no better way to provide a broad basis for rapid economic growth than to dramatically increase the number of active entrepreneurs in a society [3]. It is further argued that industrial dynamics, economic growth, job creation, technological innovation and entrepreneurial process are fundamental impulses of economies (Audretsch and Acs, 2003 and Carree *et al.*, 2002) and it argued that entrepreneurship is the engine of economic

growth in capitalist societies and an instrument of social transformation in many developing countries [2]. Furthermore, the amazing economic growth of West owes much to the role of entrepreneurship and these economies are transformed from managed to entrepreneurial economies. In these entrepreneurial economies, entrepreneurship makes a unique contribution to economic growth by permeating knowledge filter and commercializing ideas (Neials *et al.*, 2002, 4).

In the global economic world, entrepreneurial economies are flourishing due to massive contribution of SMEs and the contribution of a dynamic SMEs sector to economic growth has been widely acknowledged [5]. Many authors have pointed out that SMEs contribute: in the GDP as they contribute 30% and 60% of the GDP of many countries (Tustin, 2001, 6), in the economic development within a country (Santreli and Vivarelli, 2007), wealth creation (GEM, 2002), job creation (GEM, 2002), innovation and technology transfer, socio-economic transformation (Tustin, 2001) and support during crisis and hardship [7]. The macro factors determine overall environment within which enterprise operates. These factors provide opportunities, threats, information affecting all entrepreneurs within the environment. Chandan and Junejo (2007) listed these factors as socio-demographics, markets, culture, economic, political, legal, productive, technological, infrastructure and other physical factor of particular environment. Furthermore, these factors are not controllable and the success of the SMEs often depends on the management's ability of the entrepreneur (Dibie 2001). Some of the macro factors identified are: culture and environment conditions (Chu, Benzing and McGee, 2007; Chu and Callanan, 2005; Benzing *et al.*, 2003), management team and focus on markets (Ghosh and Liang, 2001), distinctive capabilities, organizational structure, technology, organizational culture and firm characteristics (Dibie, 2000), state of national economy (Bilijian, 2002), inflation (Viviers *et al.*, 2001), interest rate (Charles, 2008), taxation (Roberston *et al.*, 2003), appropriate trade, labor, investment and tax policies (Casson 2005), access to public infrastructure services (Casson, 2005), access to labor markets (Shane and Venkatarman, 2000), access to economic resources (Connie and Jerome, 2002), crime and theft (Tustin, 2001), culture (GEM, 2002), role models (GEM, 2007).

Some of macro factors of entrepreneurial success identified in others countries are: in Canada and USA, environmental characteristics, i.e., interest rate, taxes and government assistance (Stermier and Solem, 2009), in

India, third party assistance, encouragement by family and friends Raman (2004), in Kenya, access to capital (Pratt, 2001), business connections (Khan *et al.*, 2007), in South Pacific islands, access to financial and satisfactory government support (Yusuf, 1995) and in OECD, technological, economic, institutional and culture, political-legal, macroeconomic, socio-cultural, technological, demographic and competitive environment, i.e., customers, suppliers and competitors play a key role in the success of an enterprise. Societies that legitimize entrepreneurship provide a supportive entrepreneurial environment, which in turn is perceived by individuals as such and reinforces their entrepreneurial inclinations.

An entrepreneurial culture is often a characteristic of industrial clusters and networks that create new knowledge, drive technological innovation and compete at the international level (Tallman *et al.* 2004). According to Rachel (2005), there are five cultural indices including power distance, uncertainty avoidance, individualism, masculinity, long term and short term orientation and concluded that power distance and uncertainty avoidance are positively related with rate of entrepreneurship. Government support for entrepreneurial activities are also a very important factor as Temtime and Pansiri (2004) argued that the governments and private enterprises of developing countries doing a lot to support SMEs but inflation, interest and exchange rates are negatively influencing these efforts.

According to Watjatrakul (2005), resources both strategic and non strategic are important for the success of a firm as strategic resources enable organizations to sustain competitive advantage. If the resources are valuable, rare, imperfectly imitable and non-substitutable, these are considered strategic to the firm. According to Claudia *et al.* (2004) success of entrepreneurs is influenced by form of formal and informal support.

Formal support comes in the form of financial, technology and strategic partnerships or industrial contacts. Informal support may come from personal and community-based networks (Linda *et al.*, 2003). Role of kinship, ethnicity and territorial background, which brings the entrepreneurs closer to each other and consequently becomes barriers to entry for others, who are not from the group is also a very important macro factor of success.

Since literature on macro factors of entrepreneurial success of Pakistani SMEs is somewhat limited, therefore, reliance on similar studies from other countries with help us understand what are some of macro factors identified in west which can be tested in Pakistani context.

The list of the macro factors identified is list in table 1.

Table 1: List of Macro Factors of Entrepreneurial Success

|    |  |
|----|--|
| 1  | Access to capital                        |
| 2  | Access to economic resources             |
| 3  | Access to labor markets                  |
| 4  | Access to public infrastructure services |
| 5  | Appropriate trade and labor laws         |
| 6  | Business age                             |
| 7  | Business Plan                            |
| 8  | Business Planning                        |
| 9  | Business resources                       |
| 10 | Capital access                           |
| 11 | Capital source                           |
| 12 | Competitive                              |
| 13 | Competitive environment                  |
| 14 | Crime and theft                          |
| 15 | Culture                                  |
| 16 | Culture and environment conditions       |
| 17 | Distinctive capabilities                 |
| 18 | Encouragement by family and friends      |
| 19 | Environment                              |
| 20 | Finance                                  |
| 21 | Financial & government support           |
| 22 | Formal and informal support              |
| 23 | General environment                      |
| 24 | Government assistance                    |
| 25 | Government support                       |
| 26 | Human capital                            |
| 27 | Industry knowledge                       |
| 28 | Inflation                                |
| 29 | Information access                       |
| 30 | Infrastructure                           |
| 31 | Interest rate and taxes                  |
| 32 | Investment and tax policies              |
| 33 | Management team and focus on markets     |
| 34 | Marketing                                |
| 35 | Networks Government                      |
| 36 | Operations                               |
| 37 | Organization                             |
| 38 | Organizational culture                   |
| 39 | Organizational structure                 |
| 40 | Origin of enterprise                     |
| 41 | Resources                                |
| 42 | Role models                              |
| 43 | Role of kinship & ethnicity              |
| 44 | Size of Operations                       |
| 45 | Social Network                           |
| 46 | State of national economy                |
| 47 | Strategies                               |
| 48 | Technology                               |
| 49 | Third party assistance                   |

In Pakistan context there is little research conducted to establish what really contributes in the success of an enterprise and macro factor identified in business connections. Intuitively, there are many other macro factors of entrepreneurial success in Pakistani context such as such entrepreneurial communities, informal groups and highly organized informal entrepreneurial markets. Similarly macro factors identified in western context as mentioned in above table help are understand what needs to be included in the model keeping in mind the local context.

Hence no study comprise of comprehensive list macro factors in Pakistani context is conducted so far as well.

Researcher has identified some other reasons for not being to capture the true determinants of entrepreneurial success and these are: selection of few and limited number of factors of success, entrepreneurial characteristics required to launch a business are not those required for its growth, therefore, the role of entrepreneur change with business cycle. Hence, the factors may be different for start up, early or mature business [8].

**Conceptual Framework:** This study is proposing a model to capture the impact of resources, network and culture and environment on entrepreneurial success of Pakistan SMEs. In this proposed model resources, network and culture and environment are taken as macro factors. These factors are further decomposed into components. Reviewing similar studies conducted in other countries with similar objectives and researcher's hunch identifies these factors.

**Research Methodology:** This research study is based on primary data. The questionnaire is distributed to 10 commercial fast food entrepreneurs from 5 selected districts including Islamabad, Rawalpindi, Peshawar, Lahore and Gujarat. As a result of these tests, a bi-lingual 1(English and Urdu) questionnaire using a 1-7 Likert scale is prepared.

**Scale Results of Factors**

**Culture and Environment:** Culture is as integrated pattern of human knowledge, beliefs, social forms and material traits of a group. Culture is manifested in music, literature, lifestyle, painting and sculpture, theater and film and other similar things. The anthropologists believe that "culture" refers not only to consumption of goods, but also to the general processes which produce such goods and give them meanings and the social relationships and practices in which such objects and processes become embedded and hence it is collective programming of the mind. Culture can be measured by looking at ritual, symbols and heroes of a group or a community. The corporate culture is set of shared attitudes, values, goals and practices that characterize an institution or organization. Hence entrepreneurial culture is referred to pattern of activities, initiatives and symbolic structures that give significance and importance to promote or demote entrepreneurial initiatives. Environment is formal or informal. Formal: policy and procedures enforced by government and informal: social and cultural norms which promote or inhibit growth of entrepreneurial culture. In Pakistani context, support and guidance for potential entrepreneurs, access to markets, motivational

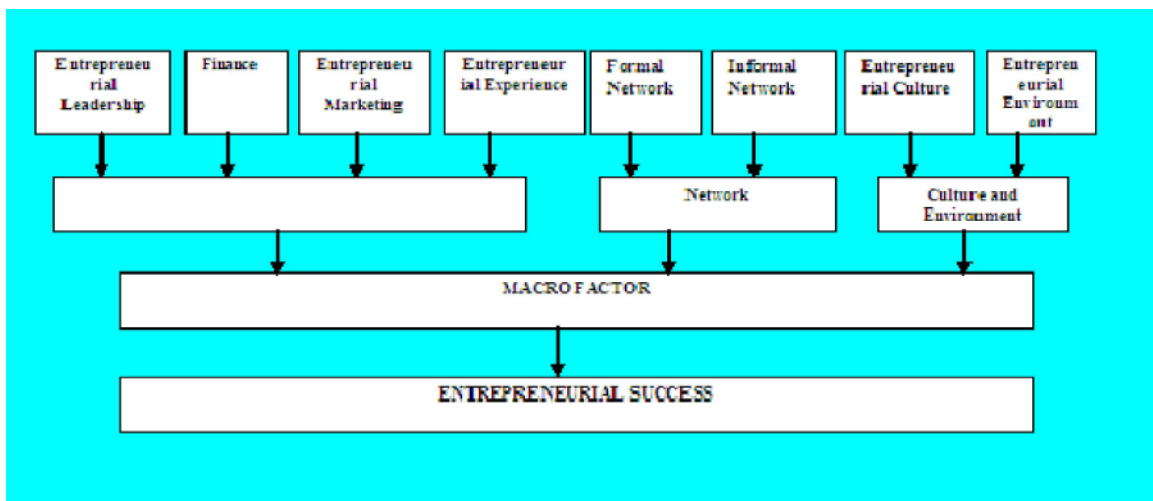


Fig. 1: Model of Entrepreneurial Success of Pakistani Smes

Table 2: Variables of Culture and Environment Factor

| No | Variables              | Abbreviations |
|----|------------------------|---------------|
| 1  | Corruptions            | COR           |
| 2  | Crime and Theft        | CAT           |
| 3  | Help from Boss         | HFB           |
| 4  | Help from family       | HFF           |
| 5  | Help from mentor       | HFM           |
| 6  | Support of government  | SOG           |
| 7  | Supportive environment | SUE           |
| 8  | Tax                    | TAX           |
| 9  | Weak economy           | WEE           |

Table 3: Variables of Network Factor

| No | Variables         | Abbreviation |
|----|-------------------|--------------|
| 1  | Customer database | CUD          |
| 2  | Help of Contacts  | HOC          |
| 3  | Memberships       | MEM          |
| 4  | Vendor database   | VED          |

Table 4: Variables of Resources Factor

| No | Variables                         | Abbreviation |
|----|-----------------------------------|--------------|
| 1  | Access to finance                 | ATF          |
| 2  | Business Experience               | BIE          |
| 3  | Capital and success               | CAS          |
| 4  | Encouragement                     | ENC          |
| 5  | Food Business Employment          | FBE          |
| 6  | Food business self employment     | FBS          |
| 7  | Human resource and success        | HUS          |
| 8  | Invest in training                | IIT          |
| 9  | Non food Business employment      | NBE          |
| 10 | Non food business self employment | NBS          |
| 11 | Offer Financial rewards           | OFR          |
| 12 | Provided Marketing Training       | MKT          |
| 13 | Team                              | TEA          |
| 14 | Trained employee                  | TRE          |

and promotional programs for entrepreneurs, public acceptance and support from the family and friend's community and government polices and overall law and order situation are the major components of culture and environment. For this study, culture is defined: as attitude and support towards entrepreneurship in the immediate surroundings of an entrepreneur and environment is referred to as government policies, social pattern, trends and overall economic condition of the country.

Culture and environment factor, a macro factor, is characterized by two components including culture and environment. The culture refers to state of entrepreneurial culture which surrounds the entrepreneur, i.e., the mindset and attitude of immediate family members, friends and employers towards starting an entrepreneurial venture. The pro-entrepreneurial culture facilities startups and provides an incentive for budding entrepreneurs to start.

In Pakistan social environment is not much conducive for self-employment. The environment refers to level of corruption, crime and theft in the society, governments' entrepreneurship supportive policies and tax structure and for overall economic condition of the economy. The variables along with respective abbreviations capturing the factor of culture and environment (CAE) are shown in Table 2.

**Network:** A network: interconnected group of individuals made up of formal; business contacts, banks, lawyers, vendors, local government organizations and associations and informal; family, personal friend, acquaintances. Networks are used to gain access to information, opportunity and support. For this study, network is defined as the ability to build and manage both the formal and informal network. Therefore, network factor, a macro factor, is characterized by two components: formal and informal. The informal network consists of contacts with entrepreneurial families, entrepreneurial communities, informal trade associations, traders associations and unions and etc. The formal network consists of membership of professional associations, formal relationship with customers, vendors and suppliers. The variables along with respective abbreviations capturing the factor of network (NET) are shown in Table 3.

**Resources:** Resources (RES), a macro factor, are characterized primarily by four components: finance, experience, marketing and leadership. Finance refers to access to finance and entrepreneur attitude towards the importance of finance. Experience refers to work experience of entrepreneur which is further segmented into two kinds of experiences, that is, employment experience and self-employment experience in both food and nonfood businesses. Marketing refers to provision of sales and marketing trainings to employees and entrepreneur's attitude and mindset towards the importance of marketing training. Leadership refers to creating productive and efficient working environment by investing in training, building teams and providing training to employees and building programs to have financial and non financial incentives for staff encouragement and motivation. The variables along with respective abbreviations capturing the factor of resources (RES) are shown in Table 4.

The proposed factors of entrepreneurial success along with their respective components can be shown in a table 5.

Table 5: Components of Factors of Entrepreneurial Success

| No | Factor                  | Component   |
|----|-------------------------|---|
| 1  | Entrepreneur            | a micro factor comprising of three components: entrepreneurial vision, entrepreneur's age and entrepreneurial motivation                    |
| 2  | Innovation              | a micro factor comprising of two components: innovation system and innovation competence  |
| 3  | Culture and Environment | a macro factor comprising of two components: entrepreneurial culture and entrepreneurial environment  |
| 4  | Resources               | a macro factor comprising of four components: finance, entrepreneurial experience, entrepreneurial marketing and entrepreneurial leadership |
| 5  | Networking              | a macro factor comprising of two components: formal and informal network  |
| 6  | Opportunity             | a micro factor comprising of one component opportunity source   |

### RESULTS

For the responses on the factor of culture and environment (CAE), the 16.00 % expressed high agreement and 21.30 % expressed high disagreement. 13.30 % are neutral. The highest number of participants (21.30 %) agrees with the statement that culture and environment is the least important factor of entrepreneurial success. Table 6 shows the findings in detail are given below.

For the responses on the factor of network (NET), 25.40 % expressed high agreement and 4.00 % expressed high disagreement. 14.00 % are neutral. The highest numbers of participants (25.40 %) highly agree with the statement that network is the most factor of entrepreneurial success. Table 7 shows the findings in detail are given below.

For the responses on the factor of resources (RES), 25.00 % expressed high agreement and 4.00 % expressed high disagreement. 14.00 % are neutral. The highest numbers of participants (21.10 %) consider factor of resources is the most factor of entrepreneurial success. the findings in detail shows in table 8.

**Descriptive Statistics of Variables of Culture and Environment Factor:** The factor culture and environment, a macro factor consists of two components: entrepreneurial culture and entrepreneurial environment, is comprised of 9 variables: crime and theft (CAT), corruptions (COR), help from family (HFF), help from mentor (HFM), support of government (SOG), supportive environment (SUE), taxes (TAX), weak economy (WEE) and Help from Boss (HFB). The descriptive statistics for these variables are in Table 9.

As given in the above table, descriptive statistics including means (M) and standard deviations (SD) of all variables are calculated and compared.

Table 6: Scale Distribution of the Culture and environment Factor

| No | Scale | Culture and Environment |
|----|-------|-------------------------|
| 1  | 1     | 21.30%                  |
| 2  | 2     | 10.60%                  |
| 3  | 3     | 11.70%                  |
| 4  | 4     | 13.30%                  |
| 5  | 5     | 13.70%                  |
| 6  | 6     | 13.40%                  |
| 7  | 7     | 16.00%                  |

Table 7: Scale Distribution of the Network Factor

| No | Scale | Network |
|----|-------|---------|
| 1  | 1     | 04.00%  |
| 2  | 2     | 07.60%  |
| 3  | 3     | 11.00%  |
| 4  | 4     | 14.00%  |
| 5  | 5     | 18.00%  |
| 6  | 6     | 21.00%  |
| 7  | 7     | 25.40%  |

Table 8: Scale Distribution of the Resources Factor

| No | Scale | Resources |
|----|-------|-----------|
| 1  | 1     | 04.00%    |
| 2  | 2     | 17.20%    |
| 3  | 3     | 13.00%    |
| 4  | 4     | 04.00%    |
| 5  | 5     | 18.40%    |
| 6  | 6     | 21.00%    |
| 7  | 7     | 21.10%    |

Table 10: Descriptive Statistics of Variables of Network (N= 257)

| No | Variable | M SD      |
|----|----------|-----------|
| 1  | CUD      | 1.54 0.50 |
| 2  | VED      | 1.32 0.47 |
| 3  | MEM      | 1.79 1.36 |
| 4  | HOC      | 4.34 1.91 |

Table 11: Descriptive Statistics of Variables of Resources

| No | Variable | M     | SD   |
|----|----------|-------|------|
| 1  | FBE      | 3.64  | 1.40 |
| 2  | NBE      | 4.13  | 1.39 |
| 3  | FBS      | 1.36  | 1.42 |
| 4  | NBS      | 3.67  | 1.38 |
| 5  | TRE      | 3.770 | .55  |
| 6  | IIT      | 3.67  | 2.04 |
| 7  | MKT      | 5.08  | 1.97 |
| 8  | ATF      | 4.37  | 1.94 |
| 9  | HAS      | 4.79  | 1.61 |
| 10 | CAS      | 4.88  | 1.84 |
| 11 | BIE      | 5.04  | 1.69 |
| 12 | TEA      | 5.35  | 1.67 |
| 13 | OFR      | 4.42  | 1.64 |
| 14 | ENC      | 0.55  | 1.39 |

The comparisons of means show that the variable supportive environment (M = 5.46, SD = 1.64) has the highest mean indicating the support from the immediate surroundings, that is, community surrounding an entrepreneur and immediate family members' support is the most important culture and environment factor. Furthermore, the variable of weak economy (WEE) has the highest mean (M = 4.68, SD = 2.01) among all environmental challenges faced by entrepreneur indicating the most challenging factor for entrepreneur from immediate surroundings is weak economy (WEE). From variables of culture, help from family (HFF) has the highest mean (M = 4.28, SD = 3.36) indicating the most contributing factor in the success of this business is help from family (HFF).

Today, Pakistani economy is in turmoil and the participating entrepreneurs considered this the biggest challenge. Similarly, the participants report that family is the biggest support in the success of this business. Pakistan is a society of close and well knitted family structure and the choice of participants under this list of variable is justified in Pakistani context. Similarly, participating entrepreneurs rank previous boss the least helpful in the setting this business up which also indicates that there lack of entrepreneurial mentorship in the country.

**Descriptive Statistics of Variables of Network Factor:** The network (NET) factor, a macro factor consists of two components formal network and informal network, is comprised on 4 variables: customer database (CUD), help of contacts (HOC), membership (MEM) and vendor

database (VED). The descriptive statistics of all variables are shown in table 10.

As given in the above table, descriptive statistics including means (M) and standard deviations (SD) of all variables are calculated and compared.

The comparisons of means (M) and standard deviations (SD) of all variables show that variable help of contacts (HOC) has the highest mean (M = 4.34, SD = 1.91) indicating the biggest source to build entrepreneurial network is the contact with entrepreneurial families and communities.

The means of variables customer database (CUD) (M = 1.54, SD.50) and vendor database (VED) (M = 1.32, SD.47) indicates that the majority of the participating entrepreneurs have vender and customer databases. This show the participating entrepreneurs are aware of the importance of having formal relationship with customer and vendors.

The mean of variable membership (MEM) (M = 1.79, SD 1.36) indicates that only a few of the participants has membership of professional bodies and trade associations. Based on this analysis, it can be concluded that there is a little support to facilitate and promote entrepreneurship in Pakistan. Despite little support from the government, participating entrepreneurs are successful hence it can be concluded that government support is not the key factor is the success of business in Pakistan.

**Descriptive Statistics of Variables of Resources Factor:**

The resources (RES) factor, a macro factor comprising of four components: finance, entrepreneurial experience, entrepreneurial marketing and entrepreneurial leadership is comprised of 14 variables: access to finance (ATF), business experience (BIE), capital and success (CAS), encouragement (ENC), food business employment (FBE), food business self employment (FBS), human resource and success (HAS), invest in training (IIT), provided marketing training (MKT), non food business employment (NBE), non food business self employment (NBS), offer financial rewards (OFR), team (TEA) and trained employee (TRE). The results of descriptive statistics are shown in Table 11.

As given in the above table, descriptive statistics including means (M) and standard deviations (SD) of all variables are calculated and compared.

The comparisons of means show that variable team (TEA) has the highest mean (M = 5.35, SD = 1.67) indicating the leadership is the most important resource for the success of an enterprise. The variable marketing

training (MKT) has the second highest mean ( $M = 5.08$ ,  $SD = 1.97$ ) indicating that marketing focus is also a very important resource.

The third highest mean ( $M = 5.13$ ,  $SD = 1.69$ ) of the variable business experience (BIE) indicating the investment of personal time before and during the execution of business is the very important factor and it has more important than finance. The participating entrepreneurs valued team the highest from a list of resources including capital. Furthermore, participating entrepreneurs ranked marketing training the second most important element of business resources.

## RESULTS

The culture and environment (CAE) factor is estimated through following equation.

$$CAE = \beta_0 + \beta_1 CAT + \beta_2 WEE + \beta_3 TAX + \beta_4 COR + \beta_5 HFF + \beta_6 HFM + \beta_7 HFB + \beta_8 SOG + \beta_9 SUE + \varepsilon$$

Where

CAE = Culture and environment is an index of variables of culture and environment (CAE) factor.

CAT = Crime and theft.

WEE = Weak economy.

TAX = Tax.

COR = Corruption.

HFF = Help from friends.

HFM = Help from mentor.

HFB = Help from boss.

SOG = Support of the government.

SUE = Supportive environment.

$\varepsilon$  = Econometrics error term assumed to be normally distributed with means zero and variance  $\sigma^2$ .  $\beta_i > 0$  and  $i = 1, 2, 3, 4, 5, 6, 7, 8$  and  $9$

As regards the factor culture and environment (CAE), it is assumed that nine variables determine the factor. These variables are: crime and theft (CAT), weak economy (WEE), tax (TAX), corruptions (COR), help from friends (HFF), help from mentor (HFM), help from boss (HFB), support of government (SOG) and supportive environment (SUE). Each of these variables is captured through a question asked in the questionnaire designed on Likert scale of 7. Equation shows that nine variables explain culture and environment (CAE) factor which in turn affects entrepreneurial success. The expected relationship between culture and environment (CAE) and its variables is positive.

Accordingly the factor of network (NET) is measured through following equation.

$$NET = \beta_0 + \beta_1 CUD + \beta_2 VED + \beta_3 MEM + \beta_4 HOC + \varepsilon$$

Where

NET = Network is an index of variables of factor network (NET).

CUD = Build a customer database.

VED = Build a vendor database.

MEM = Membership of organizations and associations.

HOC = Help of contacts.

$\varepsilon$  = Econometrics error term assumed to be normally distributed with means zero and variance  $\sigma^2$ .  $\beta_i > 0$  and  $i = 1, 2, 3$  and  $4$

As regards the factor network (NET), it is assumed that four variables determine the factor. These variables are: customer data (CUD), vendor database (VED), membership (MEM), help of contacts (HOC). Each of these variables is captured through a question asked in the questionnaire designed on Likert scale of 7. Equation shows that four variables explain network (NET) factor which in turn affects entrepreneurial success.

The expected relationship between network (NET) and its variables is positive. In estimating factors stepwise regression is adopted. In the first step, Pearson correlation among all independent variables (items) is computed and variables with significant association are dropped to avoid multi-collinearity. In the second step, stepwise regression is used to find causal relationship. In stepwise regression, exercise is repeated by systematically adding independent variables to get variables which provide the best-fit equation. The dependent variable is estimated by taking mean of means of selected variables and then assigning value 0 to a case if its mean value is less than mean of means and 1 otherwise.

**Regression Analysis of Factor of Culture and Environment:** The correlation statistics of all variables for the factor of culture and environment (CAE) are exhibited in table 12.

The correlation coefficients shown in table indicates that there is no statistically significant correlation among variables. Hence all of these variables are kept for stepwise regression. A stepwise regression is run against all independent variables: crime and theft (CAT), weak economy (WEE), tax (TAX), corruptions (COR), help from friends (HFF), help from mentor (HFM),



Table 12:Correlations Matrix of Variables Culture and Environment (N= 257).

| No | Variable | 1    | 2    | 3    | 4     | 5    | 5     | 6    | 7    | 8     | 9     |
|----|----------|------|------|------|-------|------|-------|------|------|-------|-------|
| 1  | CAT      | 1.00 | 0.33 | 0.20 | 0.33  | 0.15 | 0.01  | 0.03 | 0.13 | 0.09  | 0.09  |
| 2  | WEE      | 0.33 | 1.00 | 0.09 | 0.30  | 0.15 | 0.04  | 0.06 | 0.10 | 0.12  | 0.12  |
| 3  | TAX      | 0.20 | 0.09 | 1.00 | 0.21  | 0.17 | 0.04  | 0.05 | 0.06 | 0.05  | 0.05  |
| 4  | COR      | 0.33 | 0.30 | 0.21 | 1.00  | 0.11 | -0.01 | 0.05 | 0.10 | -0.07 | -0.07 |
| 5  | HFF      | 0.15 | 0.15 | 0.17 | 0.11  | 1.00 | 0.28  | 0.33 | 0.30 | 0.06  | 0.06  |
| 6  | HFM      | 0.01 | 0.04 | 0.04 | -0.01 | 0.28 | 1.00  | 0.43 | 0.40 | 0.12  | 0.12  |
| 7  | HFB      | 0.03 | 0.06 | 0.05 | 0.05  | 0.33 | 0.43  | 1.00 | 0.47 | 0.01  | 0.01  |
| 8  | SOG      | 0.13 | 0.10 | 0.06 | 0.10  | 0.30 | 0.40  | 0.47 | 1.00 | 0.00  | 0.00  |
| 9  | SUE      | 0.09 | 0.12 | 0.05 | -0.07 | 0.06 | 0.12  | 0.01 | 0.00 | 1.00  | 1.00  |

help from boss (HFB), support of government (SOG) and supportive environment (SUE) and culture and environment (CAE). Culture and environment (CAE) is estimated by taking mean of means of all independent variables and then assigning value 0 to a case if its mean value is less than mean of means and 1 otherwise. The estimated equation is reported below.

$$CAE = -1.16 + .07 CAT + .06 TAX + .06 SUE + .05 HFF + .05 SOG + .04 HFM + .04 HFB + .04 WEE + .03 COR$$

The table 5.8 reports that final variables are: crime and theft (CAT), weak economy (WEE), tax (TAX), corruptions (COR), help from friends (HFF), help from mentor (HFM), help from boss (HFB), support of government (SOG) and supportive environment (SUE). The variable crime and theft (CAT), representing entrepreneurial culture has a t-value = 5.53 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.07. This shows it positively influences entrepreneurial culture and environment by 7%. The variable tax (TAX) representing entrepreneurial environment has a t-value = 5.55 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.06. This shows it positively influences entrepreneurial culture and environment by 6%. The variable supportive environment (SUE), representing entrepreneurial environment has a t-value = 4.30 indicating statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.06. This shows it positively influences entrepreneurial culture and environment by 6%. The variable help from friends (HFF), representing entrepreneurial culture has a t-value above 2  $t = 4.19$  indicating a statistically significant relationship with

culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.05. This shows it positively influences entrepreneurial culture and environment by 5%.

The variable support of government (SOG), representing entrepreneurial environment has a t-value=3.63 indicating statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.05. This shows it positively influences entrepreneurial culture and environment by 5%. The variable help from mentor (HFM), representing entrepreneurial culture has a tvalue = 3.33 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.04. This shows it positively influences culture and environment by 4%. The variable help from boss (HFB), representing entrepreneurial culture has a t-value = 3.22 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.04. This shows it positively influences entrepreneurial culture and environment by 4%.

The variable weak economy (WEE) representing entrepreneurial environment has a t-value = 2.01 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.04. This shows it positively influences entrepreneurial culture and environment by 4%. The variable corruption (COR), representing entrepreneurial environment has a tvalue=2.03 indicating a statistically significant relationship with culture and environment (CAE). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is 0.03. This shows it positively influences entrepreneurial culture and environment by 3%. The variable CAT has the highest  $\beta$  indicating that CAT is the most important variable among all variables of culture and environment (CAE).

The optimal explanatory power of the model is 63% (Adjusted R<sup>2</sup>) which means 63% of variance in independent variables being explained by the model. The results of VIF tests show that colinearity among independent variables is within tolerance limit.

#### Regression Analysis of Variables of Resources:

The correlation statistics of all variables for the factor of resources are discussed below. The correlation coefficients shown in table 5.9 indicate that there is no statistically significant correlation among all variables indicating there is no association between variables. Hence all of these variables are kept for stepwise regression. A stepwise regression is run against all independent variables: access to finance (ATF), business experience (BIE), capital and success (CAS), encouragement (ENC), food business employment (FBE), food business self-employment (FBS), human resource and success (HUS), invest in training (IIT), non-food business employment (NBE), Non-food business self employment (NBS), offer financial rewards (OFR), Provision marketing training (MKT), Team (TEA) and trained employee (TRE) and dependent variable resources (RES). Resources (RES) is estimated by taking mean of means of all independent variables and then assigning value 0 to a case if its mean value is less than mean of means and 1 otherwise. The estimated equation is reported below.

$$\text{RES} = -1.77 + .09 \text{ TRE} + .08 \text{ IIT} + .06 \text{ BIE} + .06 \text{ MKT} + .06 \text{ OFR} + .05 \text{ HUS} + .05 \text{ TEA} + .04 \text{ ATF} + .03 \text{ CAS}$$

The table 5.10 reports that final variables are: access to finance (ATF), business experience (BIE), capital and success (CAS), human resource and success (HUS), team (TEA), invest in training (IIT), offer financial rewards (OFR), Provision marketing training (MKT) and trained employee (TRE) and other are dropped in the process of estimation. The variable trained employee (TRE), representing entrepreneurial team has a t-value = 2.01 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .09.

This shows it positively influences entrepreneurial resources by 9%. The variable invest in training (IIT), representing entrepreneurial team has a t-value = 6.33 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .08. This shows it positively influences entrepreneurial resources by 8%. The variable business experience (BIE), representing entrepreneurial

experience has a t-value = 4.14 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .05. This shows it positively influences entrepreneurial resources by 5%. The variable provision of marketing (MKT), representing entrepreneurial marketing has a t-value = 4.52 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .06. This shows it positively influences entrepreneurial resources by 6%.

The variable offer financial rewards (OFR), representing entrepreneurial team has a t-value = 3.95 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .06. This shows it positively influences entrepreneurial resources by 6%. The variable human resource and success (HUS), representing entrepreneurial team has a t-value = 3.39 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .05. This shows it positively influences entrepreneurial resources by 5%. The variable team (TEA), representing entrepreneurial team has a t-value = 3.01 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .05. This shows it positively influences entrepreneurial resources by 5%.

The variable access to finance (ATF), representing finance has a t-value = 3.57 indicating a statistically significant relationship with resources (RES). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .04. This shows it positively influences entrepreneurial resources by 4%. The variable capital access (CAS), representing finance has a t-value = 2.54 indicating a statistically significant relationship with resources (RES).

Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .03. This shows it positively influences entrepreneurial resources by 3%. The variable trained employee (TRE) is the most important resource among all resources in the success of the entrepreneurial venture.

The optimal explanatory power of the model is 57% (Adjusted R<sup>2</sup>) which means 57% of variance in independent variables being explained by the model. In order to avoid the possibility of multi-colinearity, VIF test has been performed that shows that colinearity among independent variables is within tolerance limit.

#### Regression Analysis of Variables of Factor of Network:

The correlation statistics of all variables for the factor of network (NET) are exhibited in table 5.11.

Table 15: Correlations Matrix of Variables for Network (N= 257)

| No | Variables | M    | SD   | 1     | 2    | 3     | 4     |
|----|-----------|------|------|-------|------|-------|-------|
| 1  | CUD       | 1.54 | 0.50 | -0.11 | 0.05 | 0.13  | 1.00  |
| 2  | VED       | 1.32 | 0.47 | 1.00  | 0.33 | -0.01 | -0.11 |
| 3  | MEM       | 1.79 | 1.36 | -0.01 | 0.07 | 1.00  | 0.13  |
| 4  | HOC       | 4.34 | 1.91 | 0.33  | 1.00 | 0.07  | 0.05  |

Table 16: Regression Results on Network

| No | Variable VIF | β     |       | t- value | P    | Tolerance |
|----|--------------|-------|-------|----------|------|-----------|
| 1  | (Constant)   | -0.91 | -9.61 | 0.00     |      |           |
| 2  | VED          | 0.17  | 3.66  | 0.00     | 0.89 | 1.13      |
| 3  | HOC          | 0.16  | 14.16 | 0.00     | 0.97 | 1.03      |
| 4  | MEM          | 0.14  | 9.14  | 0.00     | 0.98 | 1.02      |
| 5  | CUD          | 0.12  | 2.75  | 0.00     | 0.88 | 1.13      |

The correlation coefficients shown in table 5.11 indicate that there is no statistically significant correlation among all variables indicating there is no association between variables. Hence all of these variables are kept for stepwise regression. A stepwise regression is run against all independent variables: customer data (CUD), vendor database (VED), membership (MEM), help of contacts (HOC) and network (NET). Network (NET) is estimated by taking mean of means of all independent variables and then assigning value 0 to a case if its mean value is less than mean of means and 1 otherwise. The estimated equation is reported below.

$$NET = -.91 + .17 VED + .16 HOC + .14 MEM + .12 CUD$$

Results of stepwise regression analysis exhibited in table 5.12.

The table 15 reports that final variables are: customer data (CUD), vendor database (VED), membership (MEM) and help of contacts (HOC). The variable vendor data base (VED) representing formal network has a t-value  $t = 3.66$  indicating a statistically significant relationship with network (NET). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .17. This shows it positively influences entrepreneurial network by 17%. The variable help of contacts (HOC), representing informal network has a t-value = 14.16 indicating a statistically significant relationship with network (NET). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .16. This shows it positively influences entrepreneurial network by 16%. The variable membership (MEM), representing formal network has a t-value = 9.14 indicating a statistically

significant relationship with network (NET). Its  $\beta$  coefficient has a positive sign and magnitude of its effect is .14. This shows it positively influences entrepreneurial network by 14%. The variable customer database (CUD), representing formal network has a t-value = 2.75 indicating a statistically significant relationship with network (NET). The  $\beta$  coefficient has a positive sign and magnitude of its effect is .12. This shows it positively influences entrepreneurial network by 12%. The variable vendor database (VED), representing formal network has the highest  $\beta$  indicating vendor database VED is the most important variable activity for networking.

The optimal explanatory power of the model is 41% (Adjusted R<sup>2</sup>) which means 41% of variance in independent variables being explained by the model. In order to avoid the possibility of econometric problems like multicollinearity, VIF test has been performed that shows that colinearity among independent variables is within tolerance limit.

**Correlation Analyses of Model of Entrepreneurial Success:** The correlation analysis was conducted between the factor of entrepreneurial success and entrepreneurial success. The results of correlation between entrepreneurial success (SUC) and factors of entrepreneurial success were reported in following table 17.

The table 16 showed the correlation coefficient of resources (RES) and (SUC) is  $r = .25$ ,  $p = .01$  indicating strong positive relationship between resources (RES) and success (SUC). The correlation coefficient of culture and environment (CAE) and (SUC) is  $r = .13$ ,  $p = .01$  indicating a weak positive relationship between culture and environment (CAE) and success (SUC).

Table 17: Correlations Matrix of Success and Factor of Success (N=257)

| No | Factors | M     | SD   | SUC   |
|----|---------|-------|------|-------|
| 1  | NET     | 10.44 | 0.57 | .01   |
| 2  | CAE     | 10.07 | 0.34 | .13*  |
| 3  | RES     | 10.49 | 0.43 | .25** |

\* Correlation was significant at the 0.05 level (1-tailed).

\*\* Correlation was significant at the 0.01 level (1-tailed).

Table 18: Results of Linear Regression on Factors of Entrepreneurial Success

| No | Factors F | $\beta$ | t- value | P    | Adj. | R2    |
|----|-----------|---------|----------|------|------|-------|
| 1  | RES       | 0.33    | 5.69     | 0.00 | 0.10 | 32.42 |
| 2  | CAE       | 0.14    | 2.29     | 0.02 | 0.01 | 5.24  |
| 3  | NET       | 0.00    | 7.33     | 0.92 | 0.00 | 0.00  |

The correlation between network (NET) and success (SUC) is  $r = .01$  indicating there is no correlation between network (NET) and success (SUC). In conclusion, success and each of the factors: culture and environment, resources and network are positively linked.

**Linear Regression Analyses of Model of Entrepreneurial Success:** Results of the linear regressions between each factor of entrepreneurial success and success were exhibited in table 18.

According to above table network (NET) do not play causation role in enhancing business success. However, other factors, namely culture and environment (CAE) and resources (RES) make positive contribution towards business success. All of these factors are exhibiting attractive t statistics.

### CONCLUSION

The analysis provides insight into specific areas of Pakistani commercial fast-food SMEs. For budding and existing commercial fast-food entrepreneurs, it is essential to develop business models consisting of culture and environment, resources and network as major components.

This study concludes that for the success of an entrepreneurial venture macro factors are important. Among macro factors: culture and environment, resources and network are relevant. Hence suitable entrepreneurial culture and environment and ample resources are also needed for the success of a typical commercial fast-food SMEs in Pakistan.

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