

*Full Length Research Paper*

# Determining factors influencing rural entrepreneurs' success: A case study of Mahidasht township in Kermanshah province of Iran

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**This exploratory descriptive study examined factors determining the success of rural entrepreneurs in Mahidasht township of Kermanshah province in Iran. The hypothesis is proposed that success of rural entrepreneurs is causally related to innovativeness, need for achievement, lack of bureaucracy, internal locus of control, and marketing opportunities. The study was a census of 70 rural entrepreneurs currently active in agricultural and livestock productions. A valid and reliable instrument was used to collect data. The results revealed that internal factors such as innovativeness, need for achievement, internal locus of control and external factors such as bureaucracy and marketing opportunities accounted for 88% of the shared variance with entrepreneurs' success. Structural equation modeling based on the co variances between the measures yielded an acceptable fit of the proposed model.**

**Key words:** Rural entrepreneurship, success, structural equation modeling, Kermanshah.

## INTRODUCTION

Rapid growth of the world's population coupled with rising unemployment has contributed to a large gap among different income groups, and an increase in socio-economic problems. Moreover, lack of business opportunities and insufficient income among rural areas have encouraged developing countries to consider new strategies such as creating job opportunities and enhancing rural livelihood. To meet this challenge, entrepreneurship strategy as a new paradigm has been proposed by many countries. This approach has also attracted numerous experts in diverse fields such as economics, sociology and psychology. For example, Stevenson and Jarillo (1990), divided entrepreneurship studies into three main categories: the first category which is heavily influenced

by economic scholars is concerned with what will happen when entrepreneurs get involved in their activities. The second category is concerned with entrepreneurial personality and seeks to find out why are some people more entrepreneurial than others (Brockhaus, 1980). Yet, the third category deals with entrepreneurial behavior that offers extensive research in the field of management (Gartner, 1989; Bygrave and Hofer, 1991).

Although rural people as a social group have traditionally concentrated on production, they have been considered to a lesser degree hitherto. Therefore, the fundamental questions are: which factors are important in the success of rural entrepreneurs. Levander and Raccuia (2001) believed that development is one of the indicators of success in financial and non-financial concepts. Some researchers such as Driessen et al. (2001) emphasize financial aspects more specifically. Others believed that personal traits of entrepreneurs have a large influence in their success (Levander and Raccuia,

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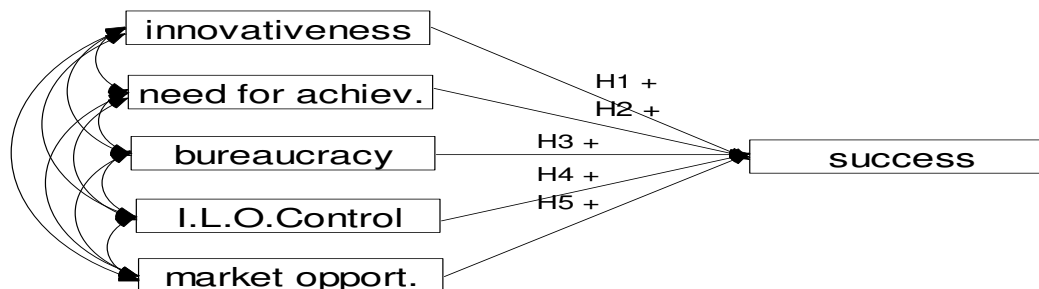


Figure 1. Proposed model.

2001) However, Lescevic (2002) stated that both internal and external factors are significant determinants of success among rural entrepreneurs.

Internal factors consist of available resources, skills, motivations, and attitudes. External factors include access to counseling, economic support, governmental rules and policies, and access to different financial resources. Driessen et al., (2001) pointed out that different researchers take various points of view about entrepreneurs' characteristics. For example, McClelland's need for achievement has been supported by Perry et al. (1986); Bagley and Boyd (1987); Hornaday and Aboud (1971). However, proponents of internal locus of control are Brockhaus (1982); Perry et al. (1986); Lorrain and Dussault (1988); Bagley and Boyd (1987); Getwood et al. (1995); Paulhus (1983); Hood and young (1993). Yet, the concept of risk-taking propensity is used by Mengel (1972); Liles (1974), and Broehl (1978) in Ahmed (1985). Examples of the significance of desire for independence are included in Hornaday and Aboud (1971) and Hornaday and Bunker (1970).

Levander and Raccaia (2001) believed that need for achievement is a strong predictor of success among entrepreneurs. Interestingly, they demonstrated a significant relationship between need for achievement and entrepreneurs' success. In another study conducted by Rauch and Frese (2000), a positive and significant relationship between internal locus of control and success of entrepreneurs was found. This study aims to determine factors influencing rural entrepreneurs' success. For that reason, a conceptual model is proposed that success of rural entrepreneurs is causally related to innovativeness, need for achievement, lack of bureaucracy, internal locus of control, and marketing opportunities (Figure 1).

## METHODS AND MATERIALS

The study was a descriptive correlational survey. The target population for the study included rural entrepreneurs in Mahidasht township of Kermanshah province in Iran. The accessible sample was 70 entrepreneurs active in agricultural and livestock production. Data were collected via a survey questionnaire designed by the researcher. It contained 74 questions using five-point Likert-

type scale. Content and face validity for the questionnaire was established by a panel of experts from Department of Agricultural Extension and Education at Razi University. All survey data were analyzed using the Statistical Package for Social Sciences (SPSS 10.0). Structural equation modeling (SEM) was used using AMOS 5 to fit the proposed model. Post-hoc reliability tests using Cronbach's alpha were used to estimate the reliability of the survey instrument. The composite reliability coefficient for the survey instrument was 0.81.

## RESULTS

Descriptive analysis of the study revealed the following about the demographic information of the respondents. Among the three age groups (24 - 40, 41 - 56, and 57 - 73), the majority of respondents belonged to 24 - 40 group. Less than 3% of the respondents were women, and 97.1% of the respondents were men. Of the respondents who were educated, the greatest percentage (38.6%) had high-school diploma. However, 20% of the respondents had bachelor or some higher degrees. Moreover, 8.6% of the respondents were illiterate. The majority of the respondents were involved in agriculture (30%), and poultry husbandry (22.9) respectively. Almost 74.3% of the respondents were married while the rest being single.

The results of correlation analysis indicated that there was a significant relationship between independent variables (need for achievement, innovation, internal locus of control, marketing, and lack of bureaucracy) and success of entrepreneurs. However, there was a lack of significance relationship between variables including access to counseling services ( $p = 0.29$ ); governmental facilities ( $p = 0.17$ ) and success of entrepreneurs.

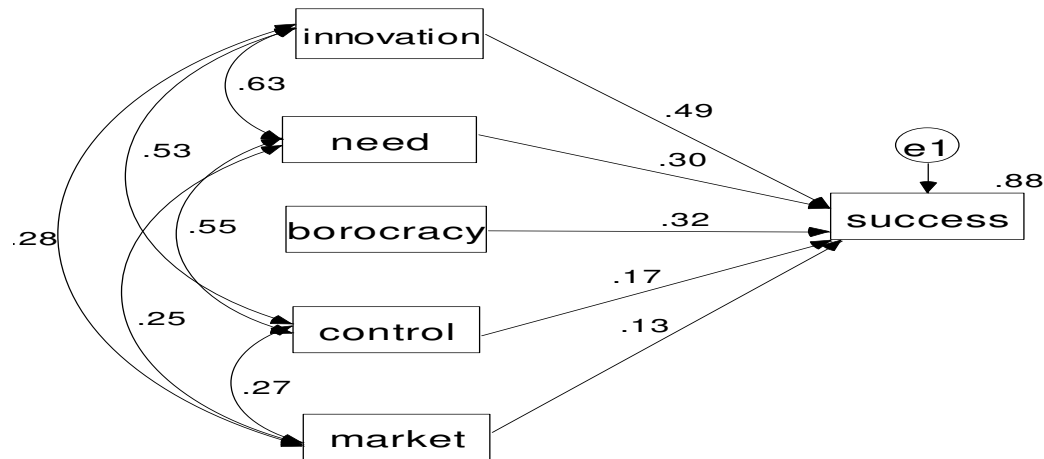
Regression analysis revealed that 88% of changes in independent variable (success of entrepreneurs) could be predicted by five dependent variables (innovation, need for achievement, lack of bureaucracy, internal locus of control and marketing). Table 1 illustrates coefficient correlation (R) and R<sup>2</sup> of each independent variable with the dependent variable.

Structural Equation Modeling (SEM) was conducted to test the proposed model. As shown in Figure 2. Based on the following model, it can be concluded that some fac-

**Table 1.** Regression Analysis of effective factors in success of entrepreneurs.

Variable correlation	Coefficient(R2)	B	β	Significance level
Innovation	0.704	0.963	0.427	0.00
Motivation of Need for Achievement	0.777	0.605	0.279	0.00
Bureaucracy	0.852	1.181	0.329	0.00
Internal Locus of Control	0.872	0.411	0.158	0.00
Marketing	0.886	0.487	0.120	0.00

Source: Adopted from Research Findings.



chisq=4.411, df=4, p=.353, rmsea=.039, cfi=.998, tli=.993

**Figure 2.** Structural equation modeling.

tors such as innovation, need for achievement, internal locus of control, lack of bureaucracy and marketing were significant determinants of rural entrepreneurs' success. The analysis was performed by Analysis of Moment Structures (AMOS 5). Based on the following fit indices, it can be concluded that the final model fits the proposed model:

1. The amount of Chi-square ( $\chi^2$ ) should not be significant. Consequently, the predictor variables will have appropriate homogeneity in determining the dependent variable. Conversely, the significant of Chi-square shows that predictor variables are heterogeneous. The results of AMOS showed that the significant level was 0.353 (p-value = 0.353), so it can be concluded that Chi-square was not significant and predictor variables (effective factors in success of entrepreneurs) were homogeneous.
2. The amount of Turker-Lewis Index (TLI) should be 0.95 and higher. In other words, it should be close to 1. TLI of the fitted model in the study was 0.993 (TLI = 0.993). S
3. The amount of Comparative Fit Index (CFI), another standard of fitting the diagram with the proposed model in

the study should be close to 1. This value was estimated to be 0.998 (CFI = 0.998).

4. The amount of Root Mean Square Error of Approximation (RMSEA) should be less than 0.6. The calculations showed that RMSEA was 0.039.

**DISCUSSION AND CONCLUSION**

The major determinants of success among rural entrepreneurs in the current study fell into two main groups including internal and external factors. Internal factors consisted of need for achievement, internal locus of control, innovation. External factors included marketing and lack of bureaucracy. Moreover, there was a significant relationship between independent variables (need for achievement, innovation, internal locus of control, lack of bureaucracy, marketing) and dependent variable (success).The regression analysis revealed that the independent variables counted for 48% of variance of dependent variable. Moreover, the structural equation modeling had an acceptable goodness of fit with the proposed model.

Results of this study is in line with Bagley and Boyd (1987); Ahmed (1985); Hood and Young (1993); Hornaday and Bunker (1970); Hornaday and Aboud (1971). However, Perry et al., (1986) findings were not consistent with our results in regards to locus of control.

Overall, the findings of this study are consistent with other studies in that internal and external factors (at different levels) are strong predictors of entrepreneurs' success. Among these factors, administrative bureaucracy seems to be a major obstacle for rural entrepreneurs. Iranian government should be aware of this if it is to increase the motivation of becoming an entrepreneur among rural population.

## Recommendations

Although the psychological characteristics of becoming a successful entrepreneur are difficult to promote, the results of this study have major implications for the Iranian government if it plans to develop entrepreneurship mentality among rural population. Therefore, the following recommendations are presented:

1. Recognize the potential entrepreneurs who may have the required characteristics and thus providing for their internal needs.
2. Providing appropriate conditions for entrepreneurs to achieve their goals more easily without the negative effects of administrative bureaucracy'

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