Entrepreneurial Success Failure Factors from the Perspective of SMEs

By

Mr. Siddhartha Shankar
Assistant Professor, Amity University, Patna
Email: sshankar@ptn.amity.edu

Dr. Sanjeev Bansal
Professor, Amity University, Uttar Pradesh
Email: sbansal@amity.edu

Dr. Preeti Mishra
Associate Professor, BBDIT
Email: preetimishra7sep@gmail.com

Abstract

This essay's goal is to investigate the elements that contribute to SME failures. These influences originate from both internal and external sources for these businesses. Following an analysis of all these variables, the study will aim to make some recommendations to lower this high failure rate. This study is qualitative in nature, and it was carried out with the aid of a sizable body of literature. According to research, marketing management, production and operation management, financial management and accounts management, and human resource management are the most crucial variables in business failures. The study suggested that in order to help these businesses lower this greater failure rate, appropriate training, knowledge, and information facilitation should be set up along with institutes. If these suggestions are implemented properly, a higher success rate will be simpler to accomplish.

Key Words: Human resource, production and operation, high failure rate, finance, marketing

Introduction

Due to several issues in the economics and politics, socioeconomic development has emerged as the primary concern in developing nations. Many developing nations have physical resources, but they lack the entrepreneurship skills and competencies to take advantage of those resources and possibilities (Marri, H.B., 2000).Entrepreneurship is one of the best tools for nations looking to achieve sustained economic growth (McMillan & Woodruff, 2002; Xinhua, 2002; Jakarta Post, 2002; Yu, 2000; Einhorn, et al., 1999; Cecora, 1999; Lee & Chan, 1998).Entrepreneurs never stop looking for opportunities in the economy they are operating in. Then they take advantage of these chances, which leads to the economy experiencing economic growth and development through entrepreneurial activity (Yu, 2000).

Small and medium-sized enterprises (SMEs) make up more than 90% of businesses in industrialised nations, and they are a key factor in the growth of these nations. Small and medium sized businesses (SMEs) are crucial for eradicating poverty, creating jobs, and raising living standards. These factors led to the World Bank investing $2.8 billion in developing nations with the following goals in mind: SMEs boost competition, entrepreneurship, job development, and economywide efficiency, innovation, growth, and poverty alleviation. Another important statistic is that SMEs contribute more to the GDP of the nations that place greater emphasis on them. For example, SMEs account for 51% of the GDP in high-income nations, 39% in middle-income nations, and 16% in low-income nations.

Small and medium-sized businesses (SMEs) are crucial to India's economic development and job creation. According to the economic study, small businesses grew at a decent rate of 5.06% between 1950 and 2003 despite all unfavourable environmental conditions and govern-mental measures. Given that they make up 60.06 percent of all businesses in India, SMEs are naturally a large part of the economy. SMEs contribute significantly to the fight against poverty and the creation of jobs. In India, there are 30.16 million SMEs, and they are responsible for 90% of the private sector's employment, 78% of which is not in agriculture. SMEs make up more than 18% of the GDP.

Definition of Sme

According to Hall (1995), there isn't a one definition of SMEs used throughout the world's nations. Australia considers a company to be a SME if it has 20 people in services and not more than 100 in manufacturing. SMEs are defined as businesses with fewer than 100 employees in Indonesia and China, respectively. In Canada, SMEs are defined as businesses with fewer than 500 employees in the manufacturing sector and fewer than 50 employees in the services sector. Less than 300 people and an investment of $100 million in manufacturing, 100 employees and a $30 million investment in wholesale and retail sales, and less than 50 employees and an investment of $10 million in services are all examples of Japan.

There is no standard definition of SMEs in India either. The Ministry of MSME, which is the main organisation in the nation responsible for encouraging SMEs and entrepreneurship, defined SMEs as having less than 100 employees, less than Rs. 40 million in assets, and less than Rs. 200 million in sales in 2005.However, the term was altered in the 2007 SMEs policy. This revised definition classifies businesses with fewer than 250 employees, paid-up capital under $25 million, and annual sales of more than $250 million as SMEs. Similar to how one institution defines SMEs differently from another.

Definition of an Entrepreneur

According to Drucker (1985), the word "entrepreneur" is a combination of the German word "unternehmer," which means owner manager, and the French verb "entreprendre," which means to undertake. The French economist Cantillion (1755), according to Kilby (1971), defined an entrepreneur as a person who offers management to a corporation and takes risk.Asecond French economist agreed, stating that an entrepreneur is someone who transforms less productive resources into more productive ones (Drucker, 1985, p. 19).Entrepreneurs are those who invent new things and innovate within the framework of the current economy (Schumpeter, 1934).An entrepreneur is someone who is willing to take risks and remains consistent with their goals and objectives under varying circumstances (Unwalla, 1964). the person who manages a firm and assumes financial risk.

Performance Measurement in Entrepreneurship Research

Murphy et al. (1996) asserts that without accurate entrepreneurship performance measurement, theory creation and worthwhile recommendations for improved performance entrepreneurs are impossible. Over the course of the year, entrepreneurship researchers encountered challenges measuring the success and failure of the entrepreneurs (Chakravarthy, 1986). Efficiency, growth, profit, size, liquidity, success/failure rate, market share, and leverage are the eight performance measurement dimensions in entrepreneurship that are the subject of a great deal of research (Murphy et al., 1996; Brush and Vanderwerf, 1992).According to Murphy et al. (1996) and Venkattraman and Ramanujam (1986), the majority of these dimensions are measured from a financial perspective, with a limited amount of measurement also done through operational and nonfinancial performance measurement.

Efficiency: It is measured by gross revenues per employee, return on assets, return on investment, and return on equity. Growth: This aspect can be quantified by changes in sales, employee changes, market share growth, net income margin changes, changes in CEO/owner compensation, and changes in the ratio of labour costs to revenues.

Profit: Return on sales, net profit margin, gross profit margin, net profit level, net profit from operations, pre-tax profit, and clients estimated incremental profit.

Size and liquidity: It is determined by the amount of sales, the capacity to finance future expansion, the current ratio, the quick ratio, the total asset turnover, and the ratio of cash flow to investments. Failure/Success: Discontinuous enterprises, respondent's subjective evaluation, return on net worth, and researcher's subjective evaluation. Market Share: compared firm product sales to industry product sales and answered assessment Leverage is the ratio of debt to equity and compound interest.

Literature Review

Promoting Success and Preventing Failure in Small Business

SME growth is crucial to the socioeconomic progress of various nations around the globe. However, SMEs have a very high failure rate globally and perform worse than larger companies. The main goal of our research will be to identify the variables that can improve the performance and longevity of small businesses, hence lowering failure rates and raising success rates. In Australia, from 1973 to 1990, 74% of small enterprises failed during the first five years, according to Reynolds et al. (1994).71% of small firms in America failed during the ten years (from 1992 to 2002) that they were open for business (Shane, 2008). The Indian economy depends heavily on SMEs, but they also have one of the highest failure rates in the world. Only 19% of SMEs survive after 5 years and 4% after 25 years due to several economic-mic, financial, managerial, political, and legal challenges (MCB, 2008; Khawaja, 2006).

According to Gibbs and Davies (1990), the majority of academic texts and research studies that have identified the factors influencing the performance of small businesses can be categorised under the following four headings: (1) the personal traits of small business owners, managers, and entrepreneurs. (2) Development of the organisation. 3. Practical managerial abilities; 4. Micro and macroeconomic concerns. Functional management abilities are the main cause of SMEs' failure out of these four key variables. Peacock (1985) noted that 92% of small business failures in America were attributable to a lack of functional management expertise and incorrect application of functional management approaches.96% of small business failures in Canada were attributable to management. Similar to this, functional management abilities accounted for 76% of small firm closing causes in Australia (Berryman, 1983).90% of businesses fail in SMEs due to management incompetence and lack of expertise (Perry et al., 1983). Similar to what Gibbs and Davies have indicated in their four books, the main elements affecting the performance of small businesses in India are also very similar. The World Bank (2002) states that there are numerous problems and obstacles that India's small businesses must overcome in order to expand and succeed. These include a lack of funding, a lack of trained labour, finding an acceptable business location, paying bribes, ordering and selling products, lacking understanding, interference from the government, a lack of raw materials and technology, planning, and a lack of quality (Malik, 2003).Other factors include a lack of market research and innovation (Haque, 2007), issues with electricity and having trouble getting loans with high interest rates (Murlidhar et al, 2007), political instability, and subpar infrastructure (Enterprise survey, 2007).We can see that the four titles we previously discussed have a lot in common with the problems facing SMEs in our own country. In order to raise the success rate of entrepreneurs and SMEs by lowering their failure rate, it will be vital not only for India but also for many other countries around the world. By fostering an entrepreneurial atmosphere, there will be greater economic growth and development-searchers discovered that there is broad agreement regarding the owner of small businesses and that functional management practises are fully to blame for the success or failure of small businesses after thoroughly reviewing the literature. According to Berryman (1994), the following factors account for more than 70% of small business failure: financial management and planning (28%), marketing management (16%), operational and production management (15%), human resource management (6%), and owner characteristics (13%). As a result, the focus of our research will be on financial management, marketing, operations, and human resource management.

Marketing Management

Gaining a competitive edge is the goal of marketing activities (Hill, 2001). Small businesses do not have the appropriate human, financial, expertise, or attitude, however (Carson and Cromie, 1989).Therefore, in this scenario, innovative marketing can be crucial to gaining a competitive edge for small businesses (O'Dwyer et al., 2009).For a small business to be profitable, patient, and to experience sustained growth, innovative marketing strategies are essential. Different definitions of innovative marketing in SMEs are used, with a focus on concepts like newness and opportunity. It relates to the development of new products and services, new processes to carry out organisational functions, as well as creative, original, or uncommon solutions to challenges and consumer needs (Knight et al., 1995, p. 4). According to O'Dwyer et al. (2009), there are six factors that can encourage innovative marketing in small businesses. Marketing variables include new product development and modification (Mostafa, 2005; McEvily et al., 2004; Nieto, 2004; Carson et al., 1998), as well as innovative product distribution and marketing mix practises (Johne, 1999; Carson et al., 1998). The second factor is integrated marketing, which combines various marketing strategies with creative market penetration (Carroll, 2002; McAdam et al., 2000; Johne, 1999). The third factor is customer focus (Narver et al., 2004; Martins and Terblanche, 2003; Morris and Lewis, 1995). The market's demand is the fifth factor, while focusing on the market's profit is the fourth (Johannessen et al., 2001; Cummins et al., 2000; Kleindl et al., 1996). Last but not least, unique proposition is a factor for innovative marketing in small busi-nesses.

Innovative marketing techniques are a significant source of competitive advantage for small businesses when used to marketing factors and product modifications (Mostafa, 2005; McEvily et al., 2004; Nieto, 2004; Cummins et al., 2000).Small businesses employ and modify their marketing mix when faced with several market possibilities and dangers. Small businesses encounter a variety of uncertain circumstances, making integrated marketing their foundation for inventive marketing. Therefore, in order to deal with them, novel and distinctive methods are required, which are provided by integrated marketing (Cummins et al., 2000; Knight et al., 1995). In current uncertain and shifting market conditions, integrated marketing also has a favourable effect on how well small businesses function.

The performance of businesses and innovative marketing both heavily depend on the focus on the customer. Customers' needs and wants are satisfied, which increases the likelihood of success (Blythe, 2001; Mohan Neill, 1993; Brooksbank et al., 1992). When customers demand and want something new, innovative marketing steps in to meet these demands and wants while utilising the available resources (Narver et al. Focusing on the market is essential for developing creative marketing strategies and improving organisational performance (Johannessen et al., 2001; Cummins et al., 2000; Johne, 1999). Small businesses that concentrate more on the market outperform their competitors (Narver and Slater, 1990; Kohli and Jaworski, 1992).

Human Resource Management

Small businesses can thrive and survive by using human resource management (Arthur and Hendry, 1990; Bacon et al., 1996; Lin, 1998; Kaman et al., 2001; Singh and Vohra, 2005). According to Dyer (1993), Pfeffer (1994), Deshpande and Golhar (1994), Heneman et al. (2000), Hornsby and Kuratko (2003), and Rutherford et al. (2003), the implementation of strategic processes and procedures for the management of human resources can be crucial to the success of small businesses as well as other types of businesses. According to Schultz (1993), investing in human capital boosts both employee and asset performance, resulting in a sustained competitive advantage. Increasing an employee's skills, knowledge, abilities, and experience through training, education, and other individualised plans is the goal of the process known as "human capital" (Marimuthu, Arokiasamy, and Ismail, 2009). As a result, not only will employee performance and satisfaction rise, but also that of the small business as a whole. In terms of a company's performance and competitive-ness, human resources are crucial (Barney, 1995).The competitiveness and performance of businesses will be significantly influenced by the development of their human resources (Agarwala, 2003; Guthrie et al., 2002).Innovation and business performance are closely related, and innovation is impossible without a competitive human resource base (Lumpkin &Dess, 2005).Human resources are the most important component of strategic management (Marimuthu, Arokiasamy, and Ismail, 2009).According to Snell et al. (1999), the human resource has a significant component of distinctiveness and value through which a corporation can gain a competitive edge. Human resources are the main contributor to the firm's ability to maintain a competitive edge (Noudhaug, 1998).Development of the firm's human resources has a favourable effect on its financial performance (Delaney & Huselid, 1996; Hsuet al., 2007).Small firm owners and managers focus on human resource management issues after general management and organisational tasks (Hess, 1987).According to Barney (1995), Boxall (1996), Pfeffer (1994), and Senge (1990), HRM is crucial to a company's success. The inability of managers to handle challenges with human resources is one of the primary causes of small businesses failing (Hornsby and Kuratko, 2003). According to Dess and Lumpkin (2003), HRM entails the following three fundamental actions in order to increase employee performance.

1. Recruitment and staff selection are also included in hiring and selection.
2. Employee development includes training, employee interaction, and performance reviews.
3. Retention: This HRM action covers pay and creating a supportive work environment.

The challenges with HRM start to get worse as a company gets bigger (Brown, 1999). Small businesses rely heavily on non-professionals, which is why they are less productive and efficient than large businesses (De Kok and Uhlaner, 2001). Employers who invest in their human resources see an improvement in employee productivity as a result (Bartel, 1994). Given that formal HR practises are the norm in small businesses, employee motivation and commitment also rise with their jobs and organisations (Ichniowski et al., 1997). According to Hayton (2003) and Hornsby and Kurato (1990), conventional HR practises are not the main focus of small businesses.

In comparison to large organisations, the training process in small firms is less appealing and effective (Hendry et al. 1995, p. 14). Poor recruitment and selection practises are the primary causes of poor discipline and low performance in small businesses (Earnshaw et al., 1998). According to Baron (2003), Chaganti et al. (2002), Heneman et al. (2000), Katz et al. (2000), Morris (2001), and Williamson (2000), HRM is essential to the survival and development of small and entrepreneurial businesses. According to Barett and Mason (2007), Deshpande and Golhar (1994), Duberley and Walley (1995), Heneman and Berkely (1999), Hornsby and Kuratko (2003), and Kotey and Sheridan (2004), staffing activities like hiring and selecting employees as well as motivation and retention practises like compensation and reward practises are the most crucial HRM practises.

Small businesses hire and train employees using informal methods (Jameson, 1998). Small businesses face a shortage of skilled workers for hiring (Baldwin, 1993), and training is important to help unskilled workers perform better (Bradley and Taylor, 1996). There is a correlation between hiring and training in small businesses (Jameson, 2000). Recruitment and selection are the human resource practises in small businesses that are most frequently badly conducted (McEvoy's, 1984; Heneman and Berkeley, 1999). One of the main causes of low productivity and sloppy discipline in small businesses is in-adequate hiring and selection practises (Earnshaw et al., 1998). Smaller businesses struggle because they can't keep their key employees and draw in workers who can fill the void left by their high calibre employees (Ritchie, 1993; Atkinson and Storey, 1994; Thatcher, 1996). This is because small businesses pay their employees less than larger businesses (Lane, 1994; Hendry et al., 1995). The second most common issue for small businesses is the labour market, followed by administrative issues (Storey, 1994).Most employees are chosen based on recommendations from friends, family members, or other employees who are currently employed (Holliday, 1995).

According to Storey (2004), Storey and Westhead (1997), and Marlow (2000), small businesses believe that the expense of training is too high for them and are sceptical about how training would affect their performance. On the job training is a common practise in small businesses, particularly when those businesses are experiencing expansion (Kotey and Slade, 2005).including all other practises, high performing HR practises including training and recruitment were informal and flexible, with the goal of getting more out of these employees rather than giving to them (Baron and Kreps, 1999).But when the small business expands, it starts to employ more formal human resource management techniques (Hannon, 1999; Kotey and Slade, 2005).As a company expands, new opportunities and challenges arise. In order to meet these challenges and take advantage of these opportunities, new skills must be learned by the owner, manager, and employees (Macpherson and Jayawarna, 2007).

When compared to personnel who receive training, those who don't see a considerable de-cline in their competitiveness (Green, 1993).In addition to business and economic growth, there is a clear correlation between training and the survival of the company (Bates, 1990; Goetz and Hu, 1996).In order to increase productivity and employee loyalty to the company, training is particularly beneficial (Reid and Harris, 2002).Small businesses should be required to train fulltime employees rather than part timers (Reid and Harris, 2002).The number of employees, their duties, and their prior training experience are some of the aspects that may have an impact on the training process (Hannon, 1999; Westhead and Storey, 1997; Macpherson and Jayawarna, 2007).

In both small and large businesses, performance evaluation is regarded as one of the most crucial human resource practises (Boswell and Boudreau, 2002; Judge and Ferris, 1993; Kuvaas, 2007).The work performance of the company improves when the employees are happy with and accept the performance appraisal or when it is managed appropriately (see, for example, Muczyk and Gable, 1987; Pettijohn et al., 2001a).Employees at small and large companies may not view the PA in the same way that management desires, thus it is best to get feedback from appraisers while evaluating the PA (Cardy and Dobbins, 1994; Keeping and Levy, 2000; Wright, 2004).Increasing employee motivation, dedication, skills, and performance are the main objectives of performance appraisals for small businesses. Through employee involvement and feedback, the PA's acceptance grows, which has a positive impact on staff motivation, evaluation satisfaction, and productivity enhancement (Roberts and Reed, 1996).

Small businesses frequently offer informal training or learning by doing on the job (Loan-Clarke et al., 1999; Marlow and Patton, 1993).HR practises have a direct correlation to a company's performance and profitability (Boxall, 1996; Kakabadse & Kakabadse, 2000). The performance of the firm also improves when HR is used efficiently (Lahteenmaki et al., 1998; Baird and Meshoulan, 1998).HRM enables the business to recognise and take ad-vantage of opportunities (Ulrich and Lake, 1990).When a company is developing a successful strategy, it must also concentrate on its human resources and tailor the plan to them (Kakabadse and Kakabadse, 1998; Mabey et al., 1998).Small businesses confront significant challenges when it comes to training both employees and the small business owner (Curran et al., 1996).With their limited resources, small businesses can maximise their output by using HRM (Kerr and McDougall, 1999; King et al., 2001; McCann et al., 2001; Dickson et al., 2006).

The number of employees, technological advancements (Kickul and Gundry, 2002; Maldifassi and Rodriguez, 2005), industry characteristics (Chow, 1995; Luo, 1999; Datta et al., 2005), owner skills and abilities of small firms, and their philosophies (Lin, 1998; Orser et al., 2000; Luk, 1996; Beoker, 1997, Kickul and Gundry, 2002) all have a significant impact on the nature of human resource practises. In the uncertain and constantly changing environment, human capital may play a significant role (e.g., Bosma et al., 2004, Honig, 2001, Pennings et al., 1998, Sonnentag and Frese, 2002). Human capital is regarded as one of the key aspects in the entrepreneurial process (Haber and Reichel, 2007). Companies that invest more in their human resources see increased earnings and growth (Cassar, 2006).Owners and managers may become more flexible to respond when their degree of knowledge increases thanks to human capital (see Westhead et al., 2005). Strategic management and human capital are directly related to one another (Baum et al., 2001; Frese et al., 2007). Additionally, it aids in the effective and efficient use of material and financial resources (Brush et al., 2001). According to Ichniowski et al. (1997) and Boxall and Purcell (2003), committed and motivated employees engage in high productivity and product quality practises.

Financial Management

High performing small businesses put an emphasis on their costing system, record keeping, and cash flow planning (Nayak and Greenfield, 1991; Deakins and Logan, 2001). In order to achieve high performance in financial management as well as in the firms, small firms' owners and managers must concentrate on the following factors: a high ratio of fixed assets, a lack of attention paid to intangible assets, a high investment in inventory, and a delay in the payment period

(Poutziouris et al., 1998).Small businesses constantly struggle with financial issues (Walker and Petty, 1978).The majority of small businesses place a strong emphasis on their financial statements, but according to Nayak and Greenfield (1991), their owners and managers do not always receive useful information from them. The effectiveness of credit management has a significant impact on the performance of small businesses (Wilson et al., 1996).Small businesses tend to prioritise survival above expansion when it comes to cash flow management (Jarvis et al., 1996). Small businesses struggle greatly with account receivables (AR), and those that have fewer of them perform better (Poutziouris et al., 1998). Poor and sloppy financial management is one of the key causes of small business failure (Chittenden et al., 1998). Most small businesses put a lot of attention on their financial statements, but Nayak and Greenfield (1991) claim that their owners and managers don't always get relevant information from them. Small business success is significantly impacted by the efficiency of loan management (Wilson et al., 1996). When it comes to managing cash flow, small enterprises frequently put survival before expansion (Jarvis et al., 1996). Account receivables (AR) are a major problem for small businesses; those with fewer of them perform better (Poutziouris et al., 1998). One of the main reasons why small businesses fail is poor and careless financial management (Chittenden et al., 1998).

Working capital management is the area of financial management on which small businesses must concentrate more than any other (Walker and Petty, 1978; Deakins et al., 2001).Workingcapital that is effective and efficient allows small businesses to operate profitably (Padachi, 2006).According to Gorton (1999) and McMahon & Holmes (1991), effective and suitable management accounting practises are one of the factors that determine the survival and success of small businesses. Small businesses use erratic and disorganised accounting procedures (Gorton, 1999). The methods utilised in small businesses for financial management and accounting are ineffective for improving a company's performance (McMahon and Holmes, 1991, p. 27).

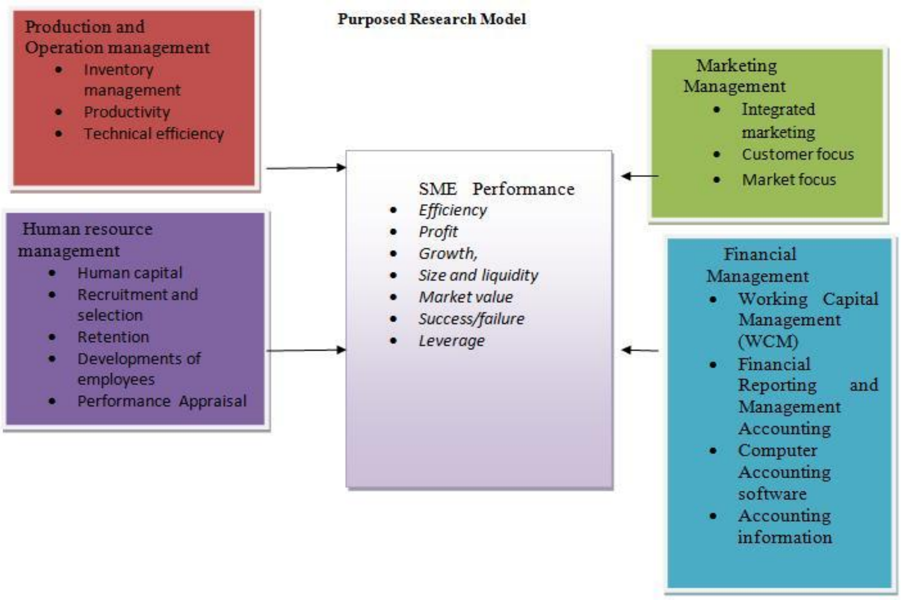
Due to the fact that most small businesses use computerised costing, budgeting, and other accounting procedures (Hopper et al., 1999; McMahon, 1998; Jarvis, 2002; Gorton, 1999; Nayak and Greenfield, 1994), their performance hasn't improved all that much. This is because most businesses don't use this information in their decision-making processes. Small businesses frequently experience difficulties, instabilities, and financial issues; in this context, CAS assisted financial management and financial reporting are crucial (McMahon 2001). Efficiency and rapid information for decision-making in an uncertain environment are two significant advantages that small businesses receive via CAS (Burgess 1997). The majority of small business owners are pleased with CAS's performance (Breen et al., 2003).

When it comes to making decisions, analysing shifting trends, and adapting to those change, accounting information can be crucial. By analysing and making wise decisions in light of assets, liabilities, income, and costs, small businesses can enhance their performance. An accurate accounting system gives a comprehensive view of the recent and current performances of small businesses. The success of small businesses depends on their capacity to establish sound financial and business plans. The majority of small businesses struggle to succeed because their owners lack the skills necessary to do so. The biggest reason for small business failure is poor management, but the most crucial factor is failing to fully understand and manage accounting information and make decisions in light of it.

Production and Operation Management

The efficient management of components like raw materials, work in progress, and finished goods is known as inventory management. Lack of planning for inventory management is one of the main causes of small businesses failing (Dun & Bradstreet 1981; Justis, R. 1981). Inventory management is viewed as a serious problem in production and operation by many small businesses (Wichmann, H., 1983).Effective inventory control is crucial to the operation of small businesses as well as the growth of the industry (Anderson, J.C. & Narus, J.A., 1984).It is crucial to get a competitive edge as well as to enter and succeed in the global market (Banks, J., and Heikes, R.G., 1983).The cost has significantly decreased for small businesses employing IM, according to Achrol, Reve, and Stern (1983). In comparison to other small businesses that aren't using IM effectively, those who are per-form better in terms of productivity, quality, and competitiveness [Banks, J., & Heikes, R.G. (1983)]. Rajeev (2008) argues that inventory management practises are essential for small businesses since they improve performance through numerous advantages such cost savings, increased return on scale, and increased labour and capital productivity. According to Arsham and Shao (1985), small businesses must employ basic statistical tools and forecasting techniques to manage their inventories effectively and efficiently. When owners and managers of small businesses want to implement effective and efficient inventory management procedures, they must concentrate on having enough funds, using space effectively, and having a higher level of information system by utilising cutting-edge computer hardware and software (Erdem and Massey, 2004).Productivity: The majority of new small businesses struggle to operate well and keep up with the competition as a result of ineffective resource utilisation (Taymaz, 2002).Chances of small businesses surviving and performing better are related to growing the firm's size and productivity, which may lower costs (Evans, 1987a and 1987b; Kumar, 1985; Dunne et al., 1989; Audretsch; Mata, Portugal and Guimares; Hart and Oulton; Lundvall and Battese; The following dimensions allow small businesses to execute and produce more effectively.

Technical efficiency: it is a measure of how much a small firm really produced compared to the maximum amount that it could have produced (Kalirajan and Shand, 1999; Kumbhakar and Lovell, 2000). Higher productivity and production efficiency are a result of technical efficiency (Farrell, 1957).



Discussions and Conclusion

Some important managerial factors that have a significant impact on the success or failure of small businesses have been discovered in the literature. It is abundantly clear that the majority of newly established businesses lack the fundamental management competences and abilities necessary to address problems and challenges. They are doomed to failure due to deficiencies in their accounting and financial management, marketing knowledge and abilities, effective operational and production plans and procedures, and poor human resources management techniques. To improve organisational performance in marketing, it's crucial to use integrated marketing communication, market focus, and customer focus strategies. Small businesses' primary functional issue and top source of worry has been inadequate and inappropriate financial and accounting practises. To improve financial performance, working capital management, accounting reporting, and computerised accounting systems are crucial factors. Small businesses can improve their performance by implementing human resource management strategies, which are primarily concerned with capital growth through improved recruitment and selection, Training, performance evaluation, and staff retention. Finally, small businesses should concentrate on pro-duction and operation management, with inventory management, productivity, and technical efficiency among its crucial components. Although the study was qualitative in nature, it did identify certain important factors that are the primary causes of failure for SMEs. The main factors behind the demise of the majority of SMEs are financial management and accounting, production and operation management, marketing management, and human resource management. The majority of small businesses struggle to find answers to concerns with working capital, record keeping, and data reporting. Comparatively speaking, SMEs pay less attention to the integrated marketing approach, customer focus, and market focus methods than large companies do. These businesses also don't use effective inventory management techniques, are less technically and technologically efficient, and have low productivity rates. Based on the foregoing explanation, small businesses may not experience success unless these problems are resolved.

Managerial Implications

The intention, preparation, understanding, and information regarding the specific business the entrepreneur is starting and the success of the firm are all positively correlated. Therefore, before a firm starts, it is important to promote and assign as much homework as you can. For this, some in-depth and intense course content should be introduced. The right education and management training programmes are offered for a higher survival and success rate. All levels and types of business benefit greatly from technical education and professional management training. The success of SMEs is significantly correlated with the frequency of training and workshop attendance (Williams, 1991). Owner managers of small businesses must pursue education and training; else, surviving in this cutthroat climate will be too challenging. In order to provide aid and knowledge to manage limits, an advising institute should exist. The biggest weakness for SMEs is in the administration of finances and accounts. The right financial education and training should be given. The market and the client must be the SMEs' main considerations as they build their products, services, and market mix. SMEs cannot grow without a robust personnel pool and the ability to keep them. In addition to helping small businesses perform well, effective inventory management also has a significant impact on the growth of the industry. In order to lessen the shortcomings of SMEs, efficient production and operation management is required.

References

Agarwal, Govind R, 2003. Entrepreneurship development in Nepal. Kathmandu: M.K. Publisher and Distributor. 6. [48].

Arias-Aranda D, Minguela-Rata B, Rodriguez-Duarte A. 2001. Innovation and firm size: an empirical study for Spanish engineering consulting companies. European Journal of Innovation Management 4(3): 133-141

Bartel, A. P. 1994. Productivity gains from the implementation of employee training programs. Industrial Relations, 33:411–425.

Brooksbank, R., Kirby, D.A. and Wright, G. (1992), "Marketing and company performance: an examination of medium sized manufacturing firms in Britain", Small Business Economics, Vol. 4 No. 3, pp. 221-36

Cecora, James, Cultivating Grass-Roots for Regional Development in a Globalizing Economy: Innovation and Entrepreneurship in Organized Markets, Aldershot: Ashgate, 1999.

Deshpande, S. P., & Golhar, D. (1994). HRM practices in large and small manufacturing firms: A comparative study. Journal of Small Business Management, 32(2), 49-56

Drucker, P.F. (1985a), Entrepreneurial strategies. California Management Review, 27(2), 9 – 21.

Gibb, A. A., and Davies, L. (1990), In pursuit of frameworks for the development of growth models of the small business, International Small Business Journal, 9(1), 15-31.

Guthrie, J.P., C.S. Spell and R.O. Nyamori, 2002, Correlates and consequences of high involvement work practices: the role of competitive strategy, International Journal of Human Resource Management 13 (1), 183-197.

Hendry, C., Arthur, M.B. and Jones, A.M. (1995), Strategy through People-Adaptation and Learning in the Small-Medium Enterprise, Routledge, London.

Hess, D.W., (1987) "Relevance of Small Business Courses to Management's Needs," Journal of Small Business Management, 25(1): 26-34

Hill, J. (2001) A multidimensional study of the key determinants of effective SME marketing activity: part 1. International journal of Entrepreneurial Behaviour & Research, 7, 5, 171–204

Johne, A (1999). "Successful Market Innovation," European Journal of Innovation Management, 2(1), 11.

Lee, Jean & Chan, Javihn, "Chinese entrepreneurship: A study in Singapore," Journal of Management Development, Vol. 17, Issue 2, 1998.

M.C, Gupta., 1987, „Entrepreneurship in Small Scale Industries‟. Anmol Publications, New Delhi, India.

Murphy, G.B., J.W. Trailer & R.C. Hill. (1996). "Measuring Performance in Entrepreneurship Research" . Journal of Business Research 36: 15-23 .

Pelham, Alfred M. & Wilson, David T. (1995), "Does Market Orientation Matter for Small Firms?", Working Paper, Report No. 95-102,

Schultz, T. W. (1993). The economic importance of human capital in modernization. Educational Economics, 1(1), 13 -19.

Schumpeter, J. (1934), The Theory of Economic Development. Harvard University Press, Cambridge, MA.

Senge, P. M. (1990). The Fifth Discipline: The art and practice of the learning organization. London: Random House.

Singh, M., & Vohra, N. (2005). Strategic human resource management in small enterprises. Journal of Entrepreneurship, 14(1), 59-70. Singh, M., Vohra, N.

Snell, S.A., Lepak, D.P. and Youndt, M.A. (1999). Managing the architecture of intellectual capital: implications for strategic human resource management, in Ferris, G.R. (Ed.). Research in Personnel and Human Resource Management. S4 159-74.