

***Key determinants of micro and small-scale enterprises success in case of manufacturing sectors in Bench Sheko and Shaka zone, southwest Ethiopia people region***

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## **ABSTRACT**

*In spite of their importance as social and economic functions, every Entrepreneur exposed to the risk of failure as well as to the possibility of success when operating in the business environment. The current study aims to answer the key determinant factors behind the success and failure of micro and small enterprises (MSEs) in case of manufacturing sectors in Bench Sheko and Shaka zone, southwest Ethiopia people region, and the main objective of this study was to examine how firm size, capital investment, managers or owners educational level, innovation, and competition affect success of the manufacturing enterprises in the study area. For the sake of achieving this objective, the researchers employed sequential explanatory research design, which is characterized by the collection, and analysis of quantitative data, followed by a qualitative method based on the results of the quantitative method with cross-sectional data sources and collection instruments. From the total 580 manufacturing enterprises running in the two zones, 237 samples were taken (139 from Mizan Amman town and 98 from Tepi town) by using Yamane's formula (1977) (cited in Israel, 1992) and the selection of the sample respondents is carried out by using proportional stratified random sampling method. Data collected using likert scale questionnaire analyzed quantitatively by using descriptive statistical analysis such as percentage, frequency and inferential statistical analysis like Pearson Product Moment Correlation Coefficient and multiple regression analysis. The Major finding of the study revealed that the size of the firm, the level of education of the owner/manager, the amount of capital invested, the level of innovation, and the level of competition are all significant determinants of entrepreneurial success in the manufacturing sector in the study area. Based on these finding the researchers recommended that companies can consider mergers and acquisitions as a strategy to increase their size, invest in training and development programs to improve the knowledge and skills of their managers, firms may consider increasing their investment in long-term assets to improve the efficiency and effectiveness of their operations, and consider strategies such as price differentiation or developing unique products or services to stand out in the market.*

**Key words:** success, Entrepreneurial success factors, manufacturing, enterprise efficiency and effectiveness.

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### *Acronym and Abbreviations*

CSA	Central Statistical Authority
FMSEDA	Federal Micro and Small Enterprise Development Agency
GDP	Gross Domestic Product
GTP	Growth and Transformational Plan
GEM	Global Enterprise Monitor
MOFED	Ministry of Finance and Enterprise Development
MME	Medium Manufacturing Enterprise
NBE	National Bank of Ethiopia
R&D	Research and Development
SMEs	Small and Micro enterprise

## ***CHAPTER ONE***

### ***INTRODUCTION***

#### **1.1. BACKGROUNDS OF THE STUDY**

Most economists today agree that entrepreneurship is a necessary ingredient for stimulating economic growth and employment opportunities in all societies because entrepreneurs create new business, generating jobs for themselves and those they employ. In many cases, entrepreneurship activity increases competition and, with technological or operational changes, it can increase productivity as well. According to the 2006 Summary Results of the Global Entrepreneurship Monitor (GEM) project, “ Regardless of the level of development and firm size, entrepreneurial behavior remains a crucial engine of innovation and growth for the economy and for individual companies since, by definition, it implies attention and willingness to take advantage of unexploited opportunities.” Successful micro and small business is the primary engine of job creation, income growth, and poverty reduction.

In the current global economy, micro and small enterprises are increasingly being seen as important drivers of most economic performance and growth (Muzenda, 2014). The significant contribution made by MSEs to achieving sustainable local economic growth and poverty reduction through the creation of job opportunities has been realized by industrial development policy authorities in most developing countries globally (Swierczek & Ha, 2003).

The MSE sector offers certain advantages to the economy in Africa, including the recognized ability of the MSE sector to generate income and provide employment for a large number of citizens (Sveinung, Fjose, 2010). Similarly, micro and small enterprises (MSEs) play a crucial role in socio-economic development in Ethiopia and serve as a channel for job opportunities and for improving the creation of wealth by promoting economic growth (Federal Democratic Republic of Ethiopia, 2016). They have become important contributors to jobs and can work effectively in many parts of Ethiopia. Their effectiveness depends, however, on the quality, efficiency and level of competitiveness of the jobs and resources available. The restricted access

to financial services, the lack of alliances and networking, the lack of technical and business expertise, among others, constitute major barriers in the sector.

The new MSE Strategy by FMSEA (2013) targets the graduates, poor and less skilled people to form cooperatives and create their own jobs. On top of providing jobs to the people, the establishments are also hoped to bring about the technological transfer and new corporate management skills to the nation. In this strategy also new set of areas are identified as requiring attention and priority from the government. These are the manufacturing sector that encompasses the majority of the previously identified areas. Manufacturing enterprise refers to those industries which involve in manufacturing and processing of items, creation of new commodities or value addition. FDRE industry ministry classified manufacturing enterprise in to seven categories, namely textile and tailoring, leather and leather products, metal works, wood works, food and beverage processing, agricultural products processing, and cultural art and jewellery works (industry ministry, 2013). A national survey conducted by Ethiopian Central Statistical Authority (CSA) in 2005 in 48 major towns indicates that nearly 585,000 and 3,000 operators engaged in micro and small scale manufacturing industries respectively, which absorb about 740,000 labor forces. Accordingly, the whole labor force engaged in the micro enterprises and small scale manufacturing industries is more than eight folds (740,000 persons) to that of the medium and large scale manufacturing industries (90,000 persons). This is a contribution of 3.4% to GDP, 33% of the industrial sector's contribution and 52% of the manufacturing sector's contribution to the GDP of the year 2001 (CSA, 2005:34- 35).

Entrepreneurs' success is the rate of success of an entrepreneur over a set of firms and during a given period of time (Barreto 2013). The multidisciplinary natures of the study of entrepreneurship lead to different perspective of what actually determine entrepreneurial success (Amit et al. 1993; Maharati & Nazemi 2012; Raduan Che et al. 2006; Solymossy 1998). For instance, if a firm goes on after first five years, then it is a successful firm (Cooper et al. 1988; Maharati & Nazemi 2012). Ucbasaran, Westhead, Wright, & Flores (2010) examined human factors like knowledge, experience and competencies as a determinants of entrepreneurs' success; Ramana, Aryasri, & Nagayya (2008) looked at the environmental factors such as capital market, changes in government policies and regulations, strategies adopted by the competitors, economy conditions to mention few as a determinants of entrepreneurs' success; Deniz, Boz, &

Ertosun (2011) examined the relationship of entrepreneurs cognitive and emotions on entrepreneurial success while Duchesneau & Gartneir (1990) and Sharir & Lerner (2006) investigated personal factors of entrepreneur such as education, experiences on their success rate.

Thus, the health of micro and small business sectors is very important for the overall economic growth potential and future strength of an economy since they utilize local resources, satisfying vital needs of large segment of the population with their products and services, serve as sprees of technological, marketing and management capacity and skill acquisition, and enable technological process via adoption technology (FMSEA, 2013). As a result, the MSEs sub-sector is believed to be able to fill the gap that exists between the poor and the rich in developing countries regarding income generation and, unemployment rate. Therefore, successful small businesses are the primary engines for economic development. However those small business enterprises have not been able to contribute substantially as needed to the economic development of the country which is particularly because of financial, management skill, marketing and other problems. Therefore, this study tried to assess whether a lack of capital investment, firm size, Owner/Manager Education Level, Innovation, and competition variables are factors which impinge on the successfulness of micro and small scale manufacturing enterprises in the study area.

## **1.2. Statement of the problem**

Manufacturing industries play significant role in the creation of employment opportunities and generations of income for quite a large proportion of population. Mead (1998) observes that the health of economy as a whole has strong relationship with the health and nature of industries. However, there are inherent problems which affect long term survival and business performance of MSEs due to lack of financial resources, management experience, poor location, poor infrastructure, low demand for products or services, corruption and shortage of raw materials (Akabueze, 2002). In this regard, Hanna (2010) and MUDC (2013) found out that though their extent varied across regions and cities in Ethiopia, irregular supply of raw materials, lack of working premises, insufficient startup and working capital, lack of access to market and access to land especially in Addis are the major obstacles of the enterprises. The higher vulnerability of small businesses to economic slow-downs, bigger firms' competition, as well as their lack of funding are usually quoted as the main factors of their "early mortality" (Osei-Assibey, Bokpin,

and Twerefou, 2012). In this regard, Schiff, Hammer, and Das (2010) noted that an important factor of their undercapitalization is the failure of the small-business owners to estimate the amount of pre-tax income that the business must generate to sustain operations and profitability. Furthermore, collecting sufficient capital for expanding their operations is another crucial factor since growing to a level necessary for economic efficiency (Salazar, Soto, & Mosqueda, 2012) is quite often a prerequisite for small-businesses market survival. Similarly, Fahed-Sreih and Morin-Delerm (2012) stressed, a lack of leadership skills contributes to small-business owners' failures in producing efficient organizations (Sakiru, D'Silva, Othman, DaudSilong, & Busayo, 2013) with motivated and loyal employees.

There are previous research works conducted on MSE"s, most of them was focused from the success, and growth point of view, and conducted several years ago, hence there is a time and methodological gap observed due to the recently emergence of information and the progressive policies and strategies in the promotion of MSE"s. For example, a study by (Bowen et al 2009, cited in Mekonnen and Tilaye, 2013) revealed that in Kenya, three out of five micro and small businesses failed within the first few months of operation due to competition, managerial inefficiency, insecurity, debt collection, lack of working capital, power interruptions, political uncertainty, and cost of materials and low demand of their products.

In Taiwan, Lin (1998) within the framework of structure, technology and people a case survey was conducted to reveal the success factors of 43 SMEs in Taiwan. This study was adopted Leavitt's model, which states that an organization can be changed by altering its structure, technology and people. Major findings include that the people related issues are more emphasized than those of structure and technology in the SMEs success. Also, she found that the business founders, management skills, customer focus and resources creation are more important than their technical skills. In addition, the soft attitudes, skills and operating methods were more important in small and medium enterprises success than for hard equipment. This study related statistically the complex, qualitative phenomena that could only be described conceptually.

Roy and Wheeler (2006) identified that the level of training of micro entrepreneurs (both formal and informal); experience and number of years in operation; knowledge of the market; level of differentiation (in terms of price, quality or other) and diversification of products; access to the necessary resources and/or technologies; level of planning; vision for the future; and the

entrepreneur's level of poverty are among the factors contributing to success of MSEs while lack of market knowledge and training, limited access to capital, and lack of co-operation among possible business partners are some of the factors inhibiting the growth and development of the micro enterprise sector.

According to (Tiruneh, 2011: 3) in Ethiopia there are only few empirical studies that deals with the factors that affects the success of MSE's. To cite a few of them, Hailay (2003, 41) while discussing small business problems in Ethiopia he listed out financial, production and marketing are the major handicaps to small business development. He emphasized the problem of finance stating that "lack of adequate finance and credit has always been the major problem of Ethiopian enterprises." On the other hand, a study conducted by Solomon Worku (2004), which focuses on the determinants of enterprises growth, finds age of the entrepreneurs and the startup capital, the extent of diversification, availability of infrastructural facilities, availability of own working premises and availability of workers with vocational formal training as the major determinants for the growth of micro and small scale enterprises.

Abera (2012) also studied factors affecting the performance of MSEs with a special emphasizes on textile and garment, food processing and wood and metal work sectors in Arada and Lideta sub-cities, Addis Ababa. The empirical study revealed that challenges which affect performance of MSEs in sub-cities include inadequate finance, lack of working premises, marketing problems, inadequate infrastructures, poor management practices, and technological, entrepreneurial and politico-legal problems including bureaucratic bottlenecks system.

According to Eshetu and Zeleke (2010) conducted longitudinal study to assess the impact of influential factors that affect the long-term survival and viability of small enterprises by using a random sample of 500 MSEs from 5 major cities in Ethiopia. According to this research, that lasted from 1996-2001, the factors that affect the long term survival of MSEs in Ethiopia are found to be adequacy of finance, level of education level, poor managerial skills, level of technical skills, and ability to convert part of their profit to investment. This is so because the findings of the study revealed that businesses that failed, during the study period were characterized by inadequate finance (61%), low-level of education (55%), poor managerial skills (54%), shortage of technical skills (49%), and inability to convert part of their profit to investment (46%).

Even though scholars note that, the safe way is to have comprehensive measures of success than relying on a single indicator in dealing with the success/growth of micro and small enterprises, studies (Gebreeyesus, 2009: 46; Solomon, 2004: 51) conducted so far in line with this issue give more emphasis to single measurement criteria of success/growth as methodology, and even special focus is given to the determinants of performance of manufacturing enterprise, but such assessment do not guarantee to conclude about the picture of the rest parts of the world, especially at town level to conclude about determinant factors of success of MSEs. According to Teklemariam & Gemechu (2016), were conducted with the intention of assessing the factors affecting performance of the MSE particular to manufacturing, trade and service sectors. In their study, based on the survey covering 278 business units in case of Bench Maji, sheka, and Kefa The study indicated that land availability (59.1%), technological (56.4%), management (21.4%), infrastructural (34.9%), political (40.5%) and financial factor (35.5%. Moreover, Teklemariam and Gemechu (2016) carried out the study on assessing the factors affecting performance of the MSE. The study recommended that a study must be carried out factor in other elements of affecting factors and assess their impact on performance of MSEs. This motivated the researchers to undertake the study. Literally, studies have argued for positive relationship between demographic factors such as entrepreneurship education-training (EET) and entrepreneurs experience on the performance of enterprises (Dickson et al. 2008; Martin et al. 2013; Sánchez 2013; Bechard & Gregoire 2007). However, most of these studies are conducted in developed economies, while scanty research has been carried out in emerging economies like Ethiopia. It is on the basis of foregoing, that this study aims to determine the relationship between demographic factors of entrepreneurs as a predictor of success among small businesses. Thus, age of the business owners, education, and firms size are considered necessary as demographic factors for this study.

The other gap in the previous studies on the area is related to the unit of analysis. Many studies especially in the study area emphasize only on the determinants of Micro and Small Enterprises“ performance and success. But the manufacturing industries, which are the future direction of our countries strategic goal, are ignored. So that to find timely and the real success determinants of Manufacturing Entrepreneurs at the town and in dealing with success determinants, this study tried to study the above mentioned factors by adding some additional variables (i.e. firm size, owner/managers educational level, and innovation factors) related to the previous studies answer the important question of why a few MSEs graduate to the upper level, while others stay as start-up. Therefore this study was attempted to identify different determinants of entrepreneurship that

influence the Success of Manufacturing Entrepreneurs in West Ethiopian region, Bench Sheko and Shaka Zones.

### **1.3. Research Hypothesis**

With the help of appropriate empirical data on the factors affecting the entrepreneurial success of manufacturing sector, this study has test the following hypothesis.

**Hypothesis 1(Ho1):** There is no statistically significant relationship between the firm size factors and entrepreneurial success of manufacturing enterprise.

**Hypothesis 2(Ho2):** There is no statistically significant relationship between the Owner/Manager Education Level and entrepreneurial success of manufacturing enterprise.

**Hypothesis 3 (Ho3) 3:** There is no statistically significant relationship between Capital Investment and entrepreneurial success of manufacturing enterprise.

**Hypothesis 4 (Ho4):** There is no statistically significant relationship between Innovation and entrepreneurial success of manufacturing enterprise.

**Hypothesis (Ho5):** There is no statistically significant relationship between competition and entrepreneurial success of manufacturing enterprise.

### **1.4. Objective of the study**

#### **1.4.1. General objective**

The main objective of the study has to examine the key determinants factor of entrepreneurial success of manufacturing sector in Bench Sheko, and Shaka zone.

#### **1.4.2. Specific objectives**

- To identify the effect of Firm Size on entrepreneurial success of manufacturing sector in study area.
- To determine the extent to which Owner/Manager Education Level on entrepreneurial success of manufacturing sector in study area.
- To determine the extent of Capital Investment on entrepreneurial success of manufacturing sector in study area.
- To examine the influence of Innovation on entrepreneurial success of manufacturing sector study area.

- To examine the influence of competition on entrepreneurial success of manufacturing sector study area.

### **1.5. Significant of Study**

The original and significant contribution of this study would be the identification of the factors critical to the success and sustainable growth of manufacturing enterprises in the study area. Therefore, this study does not only fulfill the need for more empirical studies in this area but is also expected to improve the understanding of small business success in this currently under-investigated industry. This study would further provide guidelines to stakeholders (MSEs owners/managers and entrepreneurs, the Government, policy makers, financial institutions, industry and non-government organizations) to improve their strategy formulation and decision-making process in order to support the manufacture MSEs in being successful, achieving sustainable growth and strengthening them against failure. Overall, this study is expected to contribute to the knowledge and expand the literature on MSEs, entrepreneurship and small business success, provide an academic base for decision makers and a common language for academics to discuss and study factors crucial for the success of MSEs in the specific industry. Last but not least, this study becomes the foundation and opens up avenues for future research in the small business arena for instance, by applying the framework in other industries and geographical settings; or investigating MSEs Homogeneity. Future research might also focus on the Mizan Amman and Masha Town manufacturing industry, for instance through more in depth investigation of success factors or by exploring suppliers and manufacturers' success factors.

### **1.6. Delimitation and Limitation of the study**

Conceptually, the study assessed key determinants factors affecting the entrepreneurial success engaged in the manufacture in Bench Sheko and Sheka zone in southwest Ethiopia. Geographically, the study delimited only on manufacturing sectors of Government organized micro and small enterprises operating in Bench Sheko and Sheka zone, SWPRs. The study also delimited conceptually on some selected variables such as capital investment, firm size, Owner/Manager Education Level, Innovation, and competition. Methodologically this study employed descriptive and explanatory design, and employed cross sectional survey study. This study covered only manufacturing enterprise from MSE's category of industrial sector and the

sample size of 237 firms may not be representative of all manufacturing firms, and the study was conducted in a specific geographical area, which may limit the generalizability of the findings. Additionally, the study relied on self-reported data, which may be subject to response bias. Future research could address these limitations by using a larger sample size and conducting the study in multiple geographical areas.

### 1.7. Definition of terms and concepts

**Firm size:** Firm size can be operationalized as the total number of employees in a company or the company's annual revenue. Other measures of firm size may include the company's total assets or market share.

**Owner/manager education level:** Owner/manager education level can be operationalized as the highest level of education attained by the owner or manager of a company. This could be measured as the number of years of formal education completed, or as the highest degree obtained (e.g., high school diploma, bachelor's degree, master's degree, etc.).

**Capital investment:** Capital investment can be operationalized as the total amount of money invested by a company in long-term assets, such as property, plant, and equipment, or in other businesses or ventures. This could be measured as the total dollar amount invested over a specific period of time, or as a percentage of the company's total assets.

**Innovation:** Innovation can be operationalized as the introduction of new products, services, processes, or business models that provide value to customers or improve the efficiency of the company's operations. Innovation could be measured by the number of patents filed by a company, the number of new products or services introduced, or the amount of R&D spending as a percentage of revenue.

**Competition:** Competition can be operationalized as the number of other companies or firms operating in the same market or industry as the company being studied. This could be measured as the number of competitors in a specific geographic area or market segment, or as the market share held by the company and its competitors. Other measures of competition may include the intensity of price competition, the level of product differentiation, or the barriers to entry in the market.

**Entrepreneur:** One who starts or assumes control of a business or other independent enterprise, often employing innovation and more than an ordinary degree of risk (Entrepreneur, 2012).

**Micro Enterprise:** when the numbers of its employees (including the owner or family) are not greater than 5 & total asset is  $\leq 100,000$  ETB for industrial sector and  $\leq 50,000$  ETB for service sector (MSEDS, 2011).

**Small Enterprise:** means a business engaged in commercial activities whose capital is not exceeding birr 1.5million and 6-30 employees for industries and 500000 for service other than high technology and consultancy service institutions (MSEDS, 2011).

**Manufacturing Entrepreneurs:** refers to any business that transforms raw materials into finished or semi-finished goods using machines, tools and labor. Manufacturing sectors include production of food, chemicals, textiles, machines and equipment etc. (Source: Standard Industrial Classification).

**Success:** is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske 2006 after Kaplan & Norton, 1992).

## **1.7. Organization of the chapter**

This study is organized in to five chapters: chapter one that involved mainly introduction, statement of the problem, objective. Chapter two captures the literature review of empirical literature and theories related to factor affecting the performance of manufacturing. Chapter three captures the research methodology used to conduct the study. Also, it is structured into research design, target population, sample size and sampling procedure, data collection procedure, data analysis techniques. Chapter four consist results and discussions. The next chapter captures the mainly conclusion and recommendation. The reference and annex are the last part of the paper.

## ***CHAPTER TWO***

### ***LITERATURE REVIEW***

#### **2.1. The Definition of Micro and Small Enterprises (MSEs)**

Micro and small enterprises are defined variously. Some of the criteria employed in defining these enterprises include: number of workers, value of assets or annual turnover, nature of premises/space, status of registration/ legality of business and sustainability. However, most definitions employ the number of workers criteria as this is easier to determine compared to other measures of size. For example, many businesses may not be willing to reveal the value of their assets or annual turnovers. In addition, the upper and lower limit of employees in SMEs is defined by the size of the economy (Egbetokun, 2010). Similarly in Ethiopia, there is lack of uniform definition to which MSEs are defined at the national level to have a common understanding of the MSE sector. The definition by Ministry of Trade and Industry (MoTI) uses capital investment on one side, while the Central Statistical Agency (CSA) uses employment and favors capital intensive technologies as a benchmark. However, as per the GFDRE (2011) definition of MSEs includes all enterprises that operate with human power of not greater than 30 and with paid up capital of total asset not exceeding Birr 1.5 million. Currently revised definition, define micro enterprises as those enterprises having 5 workers including family members and its total asset not exceeding Birr 100,000 for manufacturing enterprises and Birr 50,000 for service providing enterprises and small enterprises as those enterprises having 6-30 workers and its total capital not exceeding Birr 1.5 million for manufacturing enterprise and Birr 500,000 for service providing enterprises (FMSEDA, 2011).

##### **2.1.1. The Revised Definition of MSEs in Ethiopia**

Based on the gathered experience by identifying the gaps of the existing definition of MSEs, ignoring the size of employees and by taking total asset as criteria and by dividing it into industry and service Sector; and considering the coming 5 years inflation and fluctuation of currency the definition was improved in January 2011 as follows. Based on the revised sector both micro and small scale enterprises are categorized into industrial sector and service sector. Under industrial sector (manufacturing, construction, and mining) microenterprise are defined as an enterprises that operates with 5 peoples including the owner and/or their total asset Is not

exceeding birr 100,000.under service sector (retailers, transport, hotel and tourism, ICT and maintenance service micro enterprises are defined as an enterprises that operates with 5 persons including the Owner of the enterprises and/or the value of an total asset is not exceeding birr 50,000. Under industry sector (manufacturing, construction and mining) small enterprises are defined as operators with 6-30 persons and/or paid up capital of birr 100,000 and not exceeding birr 1.5 million. Under service sector(retailer transport, hotel and tourism, ICT and maintenance service)small enterprises are defined as operates with 6-30 persons and/or total asset or a paid up capital is with birr 50,001 and not exceeding birr 500,000.When ambiguity is encountered between manpower and total asset as explained above total asset is taken as primary yardstick (FMSEDA,2011).

Type of enterprises	Sector	Human power	Total assets
Micro enterprise	Industry	<5	<100,000( birr)
Micro enterprises	Service	<5	<50,000
Small enterprise	Industry	6-30	1.5 million (birr)
Small enterprises	Services	6-30	500,00( birr)

**Source: FMSEDA, 2011**

### **2.1.2. Overview of Manufacturing Sector in Ethiopia**

In Ethiopia, industry in the modern sense of the term emerged as an economic entity only at the turn of the 20th century. The establishment of a strong central government, expansion of cities associated with the installation of railways and the strengthening of foreign relations increased the demand for imported manufacturing commodities. This, in turn, encouraged the establishment of import substituting factories domestically and as a result modern manufacturing enterprises began to emerge in the 1920s. After a brief disruption in the Second World War period, the manufacturing sector started to get momentum in the 1950s. During this period a number of new industries which significantly contributed to the development of the national economy were established. The 1950s are also marked by the start of a comprehensive plan to stimulate and guide the country's industrial and economic development in general (Gebreyesus, 2013). Ethiopia has seen three regimes over the last eight decades. Keeping with the political ideologies governing the economic principles of the time, these successive regimes adopted different policies for the development of industry in the country. The industrial policies have

distinctive features when looking at the guiding vision (policy), ownership structure, and market orientation. Broadly, they can be characterized as the import substitution and private sector-led (from early 1950s to 1974, the Imperial regime); the import substitution and state-led (from 1974 to 1991, the Dergue regime), and the export-orientated and private sector-led (since 1991, the Ethiopian People's Revolutionary Democratic Front, (EPRDF)-led government) (Gebreeyesus, 2013).

### **2.1.3. Manufacturing Sub Sectors**

#### **2.1.3.1 Food and Beverage Products Industry**

The food and beverage sector is one of the main components of Ethiopia's manufacturing sector. The first round GTP (2010-2015) ranked agro processing industries among top priority industries. Based on official industrial statistics, the number of establishment under this subcategory is 670 and of this those under private ownership accounts about 96% of the ownership title (AACCSA, 2014)

The subsector includes a wide variety of activities, mostly linked to the transformation of domestically produced agricultural products. The subsector comprises vegetables, animal oils and fats, dairy products, grain mill products, prepared animal feeds, bakery products, sugar and sugar confectionery, macaroni and spaghetti, wines, malt liquors and malt, soft drinks and production of mineral water (AACCSA, 2014).

#### **2.1.3.2. Textiles and Apparel Products Industry**

Textile and cloth has been one of Ethiopia's traditional domestic business mainly relied on traditional based and home grown old age spinning drop wheel and handloom up to the modern textile and garment integrated mill was established in 1939 in Dire-Dawa by the name of Dire-Dawa Textile Factory, which marked the beginning of textile industrialization by foreign capital. This subsector is also among the priority subsector identified by the Ethiopian government by transforming the country's traditional agricultural based economy to industrialization. Currently, Ethiopian textiles and apparel industry encompasses spinning, weaving, finishing of textiles, manufacture of cordage, rope, twine, netting, knitting mills and manufacturing of wearing apparel. The firms in the industry produce products such as cotton and woolen fabrics, nylon fabrics, acrylic and cotton yarn, blanket, bed sheet, shirts, carpets, gunny bags, wearing apparels

and sewing thread. Ethiopia has slightly over a hundred textile and apparel units of medium and large size scale ;within which there are sixteen textile processing units (the majority of which are integrated down or up the value chain) that can process natural and synthetic textile materials of different forms using machineries ranging from state of the art technology to semi-automated ones. According to CSA survey of the Ethiopian manufacturing sector in 2012/13, there were 109 firms engaged in manufacturing of textile and apparel, most of them are owned by private, which is 104 and the rest five firms are under state ownership (AACCSA, 2014).

Wood, Paper and Pulp products Industry For this particular survey purpose only we summed up the wood, paper and paper product industries under one group. Based on CSA's classification of medium and large manufacturing industries in Ethiopia, wood, and wood products are under one sub category and paper and pulp products in different category. According to the CSA data which was conducted 2014 ,the number of establishment under this sub category reached 208in the year 2012/13of which 83 are in wood and products of wood and corks (excluding household furniture made from wood) and 125 are in paper and pulp product industries. Furthermore,21and 62 establishment of wood and product of wood industries were owned by government and private firms, respectively; while 12 and 113 paper and pulp product producers administered by government and private ownerships, respectively. Note that the paper and pulp product subcategory has two streams; paper and paper products and printing and printing related services (AACCSA, 2014).

### **2.1.3.3. Metal and Engineering Products Industry**

Metal and engineering industries are identified as one of the five priorities for existing industry investment to build capacity and upgrade performance in terms of utilization of capacity. The Ethiopian metal industry sector is classified in to two categories: basic metal and engineering industries. Basic metal industries deal with production of metal from ore, scrap and conversion of billet and slabs etc. in to primary metal products such as hot rolled ribbed and plain reinforcement bars, wire rod, angles, cold rolled tubes of various profiles ,cold rolled sheets, galvanized sheets and tubes whereas engineering industries convert primary metal products in to secondary products such as metallic structure ,tanks, pressure vessels, machine parts, components machineries ,transport equipment ,electrical and electronic equipment, measuring and control instrument and others(AACCSA,2014). The primary metal products produced by

basic metal industries are subsequently raw materials (inputs) for the downstream engineering industries. Downstream engineering opportunities exist in a diverse range of engineering products: farm implements and threshers, small scale agro -processing machinery, structures, pressure vessels, storage tanks and bins, silos, heat exchangers, conveyors, cranes, local assembled motor vehicles and automobiles, gas/oil pipelines, electrical and electronic equipment, spare parts, components and other similar products. Industrial statistical report of CSA for the year 2014 indicates that the total number of establishments under these groups estimated around 433 and of these 390 of them are under private manufacturers while the remaining 43 are under Ethiopian government preferably under METEC (F.D.R.E Metal and Engineering Corporation) management. Though state-owned establishments are few in number, the size of their capacity would put them in a leading position in one way or another (AACCSA, 2014).

#### **2.1.4. Theoretical literature Review**

There are several theoretical frameworks that explain the relationship between firm characteristics and entrepreneurial success. One of the most prominent frameworks is the resource-based view (RBV) of the firm. According to this view, valuable and rare resources, as well as capabilities, can provide a competitive advantage to firms (Barney, 1991). In this context, firm size, owner/manager educational level, capital investment, innovation, and competition can all be considered as resources that might affect entrepreneurial success. For example, larger firms may have access to more resources and economies of scale, which could provide them with a competitive advantage. Similarly, owner/manager education level, capital investment, innovation, and competition can all provide valuable resources that could enhance entrepreneurial success. There are other various modern performance measurement theories on MSEs that have been used over the years. The most common known are Psychology and Demographics of the Owner-manager, Passive Learning Model, and Strategic Adaptation Theory

##### **2.1.4.1. Psychology and Demographics of the Owner-manager**

This theory observed that differences among owner-managers in psychological traits, experiences and skills needed to accomplish positively associated with performance in small firms include creativity, courage, aggressiveness, risk-taking (Stevenson and Gumpert, 1985) need for achievement, (Kalleberg and Leicht, 1991) and internal locus of control (Brockhaus, 1980). In addition (Schemidt and holfer, 1998) showed that the more skills and experience the

owner-manager brings to the business the more successful the business is likely to be. (Cooper ,1998) cautioned that on their own these psychological and demographic characteristics do not directly influence performance but do so through other variables such as strategy and environmental characteristics.

#### **2.1.4.2. Passive Learning Model**

In the Passive Learning Model (PLM) cited in (Agaje, 2004) a firm enters a market without knowing its own potential growth. Only after entry does the firm start to learn about the distribution of its own profitability based on information from realized profits. By continually updating such learning, the firm decides to expand, contract, or to exit. This learning model states that firms and managers of Firms learn about their efficiency once they are established in the industry. Firms expand their activities when managers observe that their estimation of managerial efficiency has understated actual levels of efficiency. As firm ages, the owner's estimation of efficiency becomes more accurate, decreasing the probability that the output would widely differ from one year to another. The implication of this theoretical model is that smaller and younger firms should have higher and more viable growth rates (Goedhuys, 2002).

#### **2.1.4.3. Strategic Adaptation Theory**

The strategic adaptation theory postulates that the environment influences performance through the strategic choices of owner-managers (Covin and Slevin, 1989), (Keats and Bracker, 1988).In emphasizing the role of strategic choice to business performance, the theory accentuates the influence of the owner-manager on the firm. It suggests that the key to business success lies in the decisions of the owner-manager who identifies opportunities, develops strategies, assembles resources and takes initiative (Lerner and Almor, 2002).Since the major deficiency of each of the above theories is its neglect of the other determinants of performance, an inclusive theory is proposed that encompasses both macro- level factors (environmental factors) and micro-level variables (psychological and demographic characteristics of the owner-manager, the firm's resource and strategies).

## **2.2. Empirical literature review**

### **2.2.1 Firm Size**

With regards to company size, the general viewpoint is that increasing firm size leads to improved organizational learning, bureaucratization and structural change which, in turn, impacts positively on the success of the business (Dobbs and Hamilton, 2007). However, this further implies that as a firm becomes larger, the antecedents of success are likely to change because the levels of sophistication are different to those of a smaller firm (Rutherford *et al.*, 2001). Larger firms are known to have clear advantages such as economies of scale, bargaining power with suppliers and distributors, brand name recognition and access to key resources (Ettlie and Rubenstein, 1987; Fiegenbaum and Karnani, 1991; Raju *et al.*, 2011). In contrast, smaller firms often face many obstacles, termed ‘liability of smallness’ as described by Aldrich and Auster (1986). Empirical research suggests that there is a positive relationship between firm size and entrepreneurial success. For example, a study by Fiegenbaum and Karnani (1991) found that larger firms tend to have higher levels of performance. Similarly, a more recent study by Li and Zheng (2017) found that larger firms tend to have higher levels of innovation and financial performance.

**Hypothesis1 (Ho1):** There is no statistically significant relationship between the firm size factors and entrepreneurial success of manufacturing enterprise in the study area.

### **2.2.2. Owner/Manager Educational Level**

The study of Lussier (1995) suggested that ‘people without any college education who start a business have a greater chance of failing than people with one or more years of college education. Education can provide the skills set and knowledge, which can help owner/managers with tools, like technology literacy, which helps to increase productivity and success. ‘If education cultivates comprehensive literacy, this would help owner/managers to integrate relevant information to do effective planning and to make well-informed decisions, which would ultimately enhance the organization’s success’ (Mohan -Niell, 2009).

Thapa and Goswami and Joshi (2008) in their study they found that the education of owners has positive effect on entrepreneurial and small business success. Similarly Rose, Kumar and Yen (2006), in their study of the ‘Dynamics of Entrepreneurs Success Factors’, reported that, higher education level helps the business owners to have better knowledge and skills which contribute

to the success of their venture. Working experience also assists the entrepreneurs with information and understanding about the industry and thus, assisted them in venturing into the current business they are in. Another research by Charney and Libecap (2000), found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business.

There are some studies found that there is an absence link between education and business performance (Brush & Chaganti 1998), contrary, a considerable amount of studies found that the level of education having a positive impact on performance (Almus 2002; Cooper & Dunkelberg 1982; Hall 1995; Julien 2000; Storey et al. 1989; Westhead 1995). At the same times, Haynes (2003) also defends that the education level able to increase the entrepreneurs' knowledge about the business and industry, which will lead to improvement of entrepreneurs' skills and abilities. Correspondingly, Brush et al. (2001) argued that formal education is an important resource for entrepreneurs by providing useful technical knowledge that helpful in identifying business opportunities.

Furthermore, scholars generally agree that the ability of a firm to attract, develop and retain skilled and capable employees has a positive effect and helps the business maintain a growth-oriented strategy (Barringer and Jones, 2004; Ichniowski *et al.*, 1997; Pena, 2002). A firm's employees are a critical resource in the achievement and maintenance of rapid growth (Lin, 1998; Thakur, 1999; Robson and Bennett, 2000) and as result they need to manage their HRM practices accordingly. In fact, SMEs that have their own human resources department display a higher minimum cost output than that of the other firms (Bonet *et al.*, 2011). As soon as a business establishes a technically capable workforce, appropriate management of human resources is required to ensure superior organizational performance, thus making management training also of particular importance. Owners/managers need to enhance their capabilities in carrying out contemporary management concepts such as satisfying employees' personal development needs, delegating responsibility and participative management (Chaganti *et al.*, 2002; Lin, 1998; Wood, 1999).

Several empirical studies have found a positive relationship between owner/manager educational level and entrepreneurial success. For example, a study by Love and Lage-Hidalgo

(2000) found that higher levels of owner/manager education are positively associated with firm growth and profitability. Similarly, a study by Fossen and Büttner (2013) found that higher levels of education among entrepreneurs are positively associated with firm survival and growth.

**Hypothesis2 (Ho2):** There is no statistically significant relationship between the Owner/Manager Education Level and entrepreneurial success of manufacturing enterprise.

### **2.2.3. Capital Investment**

Businesses that start with too little investment by owners have a greater chance of failure than business with adequate investment by owners. SMEs in developing countries apply for and receive formal bank loans relatively infrequently, and thus rely on other types of credit such as trade credit, overdrafts, and informal loans. Microfinance institutions also provide important sources of financing for SMEs, but their outreach is more limited than that of traders (Simeon and Lara, 2005: 21-22). This indicates the high likelihood of MSE's Success to be constrained by lack of access to finance.

More recent data for the UK (Gray *et al.*, 2012) further support that successful MSEs proactively monitor their cash flow and liquidity and are likely to use more than one source of finance to both start and sustain their business. According to the same authors, most MSEs only use one source of finance to start the business, the main source being personal or family savings with a smaller proportion using a bank loan. In more detail, while MSEs with a relatively small number of employees are significantly more likely to have funded the starting of their business using credit cards, personal/family savings, MSEs with a relatively large number of employees are more likely to use bank loans, re-mortgaging personal property, venture capital finance, grants, leasing, factoring and invoice discounting. Empirical research suggests that capital investment can enhance entrepreneurial success. For example, a study by Brouthers and Gao (2003) found that capital investment is positively associated with firm performance, particularly in terms of market scope and technology orientation.

**Hypothesis3 (Ho3):** There is no statistically significant relationship between Capital Investment and entrepreneurial success of manufacturing enterprise.

#### **2.2.4. Innovation**

Rogers (1998) as cited by Alfoqahaa (2018), innovation is the application of novel ideas to the products, process or any other activity of the business organization. The product innovation is the entire process of introducing a new product/service to the market, product commercialization, design and development, operationalization, marketing, distribution and selling. Innovation is the use of novel technological know-how, market knowledge and business models which can provide a new product/service to customers (Warren et al., 2004). Alfoqahaa (2018) cited Rogers (1998) and claimed that the output of innovative activity can be assessed by the success of the organization in terms of profits, revenue growth, share performance, market capitalization or productivity using percentage of sales from those products, intellectual property statistics and firm performance. Philip (2011) mentioned that product-related innovation activities can be linked to the success of a business.

In more detail, companies that able to develop new, unique products and services in existing markets, enter new markets with existing products and generally broaden their customer base are more likely to achieve growth and thus be successful (Avlonitis and Salavou, 2007; Barringer and Jones, 2004; Deeds *et al.*, 2000; Kelley and Nakosteen, 2005; Littunen and Tohmo, 2003; O’Gorman, 2001; Porter, 1998; Salavou, 2002). In order for a small business to successfully introduce new products into the market, a constant awareness of new technologies, markets and competition, as well as the ability to carry out research and development (R&D) are vital (Akgun *et al.*, 2004; Del Monte and Papagni, 2003; Porter, 1998; Yasuda, 2005). The more small business introduce new products and services into a market, the more they gain access to greater cash flow, enhance external visibility and legitimacy and improve market share; all necessary elements for their survival and growth (Barringer and Jones, 2004; Lin, 1998).

There is substantial empirical evidence suggesting that innovation is positively associated with entrepreneurial success. For example, a study by Jimenez-Jimenez and Sanz-Valle (2011) found that innovation positively affects firm performance, particularly in terms of sales growth and market share. Similarly, a study by Damanpour and Aravind (2012) found that innovation is positively associated with firm growth and profitability.

**Hypothesis4 (Ho4):** There is no statistically significant relationship between Innovation and entrepreneurial success of manufacturing enterprise.

### 2.2.5. Competition

Empirical research suggests a mixed relationship between competition and entrepreneurial success. Some studies suggest that competition can enhance entrepreneurial success by providing incentives for firms to innovate and improve their performance (e.g., Caves and Porter, 1977). However, other studies suggest that competition can also reduce entrepreneurial success by reducing profit margins and increasing entry barriers (e.g., Arora and Gambardella, 1990).

Based on the reviewed of past studies conducted on micro and small enterprise the internal (Personal entrepreneurial characteristics) and external business environments affect performance of Mses. Accordingly, some of empirical studies discussed as follows.

Nowadays, SMEs operate within a global context characterized by intensified competition and unknown competitive rivals (Ligthelm & Cant, 2002). Competitive concentrations, along with market actions and strategies of competitors have an impact (positive or negative) on the entrepreneurial process (Kangasharju, 2000; Baron, 2004). Therefore, an analysis of the role of competitors and counter-competition intelligence and actions is crucial for the success of an SME (Ligthelm & Cant, 2002; Rwigema & Venter, 2004; Nieman, 2006). A considerable amount of literature has been published on the resource based view. These studies emphasized the utilization of internal resources and capabilities of a firm in order to sustain a competitive advantage (Rockart, 1982; Taggart & Taggart, 1997; Gadenne, 1998). According to Dunning (1973) and Oviatt & McDougall (1994), the stronger the capabilities of SMEs, the greater will be the competitive advantage enjoyed over existing or potential local competitors and hence the better their performance. According to Porter (1998), one of the foremost academics on the subject of competition and competitive strategies, the key for competitive success is the strategy. Porter (1998) suggested three generic competitive strategies for business success: cost leadership, differentiation, and focus on a small group of customers. The study of Gadenne (1998) revealed that the success of small firms in the manufacturing industry may depend on maintaining a competitive advantage, which involves a combination of (i) acquiring knowledge of competitors' activities; and (ii) pricing products lower than competitors.

**Hypothesis5 (Ho5):** There is no statistically significant relationship between competition and entrepreneurial success of manufacturing enterprise.

### **2.1.6. Success Measure of Micro and Small Enterprise in manufacturing sector**

Enterprises business success is usually measured in terms of economic performance. As Walker & Brown (2004), small business success can be measured by financial & non-financial criteria although the former has been given most attention in the literature. Traditional measures of business success have been based on either employee numbers or financial performance, such as Profit, turnover or return on investment. Implicitly in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses. In economic terms this is seen as profit maximization. Economic measures of performance have generally been popular due to the ease with which they can be administered and applied since they are very much hard measures. Furthermore Walker & Brown (2004) suggested, all business must be financially viable on some level in order to continue to exist. However, given that some business have no interest in growth, thereby implying that financial gain is not their primary or only motivation, then there must therefore, be other non-financial criteria that these small business owners use to measure their business success. In small entrepreneurial and independent firms, measures of success may have more complex dimension than just financial performance (Walker & Brown, 2004). Non-financial measures of success used by business owners, such as autonomy, job satisfaction or the ability to balance work and family responsibilities (Walker & Brown, 2004) are subjective and personally defined and are consequently more difficult to quantify. The hard measures previously mentioned therefore, are easier to understand and can be used in a comparative way against existing data and as benchmarks for future measures. It is measures based on criteria that are personally determined by the individual business owner although commonalities within the partners of small business owners occur. It is measures presume that there is a given level of financial security already established; it may be that this within the business, or that the small business owner does not require the business to be the primary source of income (Walker & Brown, 2004). The selection of performance measures that reflect the true situation of small business with some degree of certainty & reliability is indeed crucial process. The lack of universally accepted standard performance measures left the door open to business organizations to decide and choose its performance measures might not truly reflect its performance (Alasadi & Abde/rahin, 2007). Such performance measures include but not limited to market share, sale volume, company reputation, return on investment (ROI), profitability, and established corporate identity. While some might argue that most of these

performance measures are appropriate for large corporations, they are not always perfectly applicable to small business. In this study the performance measures are not only monetary but also non-monetary factors like infrastructure, marketing and managerial skills, which are the most affecting factors for performance of the enterprises which are difficult to control.

### **2.3. Research Gap**

Limited research on the interaction effects between firm size and other determinants of entrepreneurial success: While there is some research on the relationship between firm size and entrepreneurial success, there is limited research on the interaction effects between firm size and other determinants of entrepreneurial success. For example, a recent study by Bocken et al. (2021) suggests that the relationship between innovation and firm performance may be moderated by firm size. This gap in the literature could be addressed by conducting more studies that examine the moderating effects of firm size on the relationship between other determinants of entrepreneurial success.

Other research on the impact of owner/manager educational level on entrepreneurial success in developing countries: While some studies have found a positive relationship between owner/manager educational level and entrepreneurial success, there is limited research on the impact of owner/manager educational level on entrepreneurial success in developing countries. For example, a recent study by Robertson et al. (2021) suggests that the impact of owner/manager educational level on entrepreneurial success may be different in developing countries compared to developed countries. This gap in the literature could be addressed by conducting more studies that examine the impact of owner/manager educational level on entrepreneurial success in developing countries.

Other research on the impact of capital investment on entrepreneurial success in the digital economy: While some studies have found a positive relationship between capital investment and entrepreneurial success, there is limited research on the impact of capital investment on entrepreneurial success in the digital economy. For example, a recent study by Ren et al. (2021) suggests that the impact of capital investment on entrepreneurial success may be different in the digital economy compared to traditional industries. This gap in the literature could be addressed by conducting more studies that examine the impact of capital investment on entrepreneurial success in the digital economy.

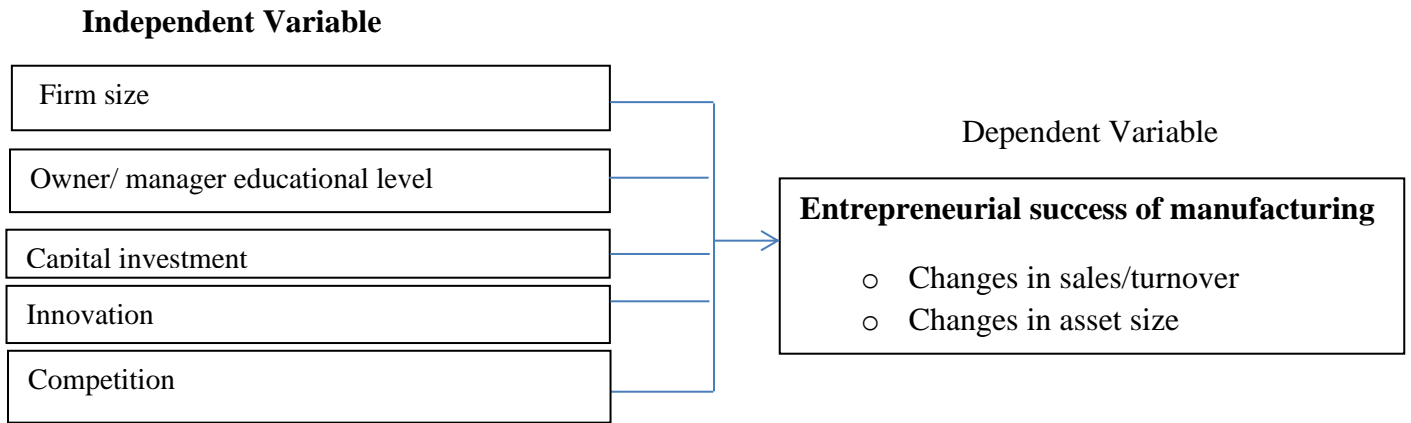
Limited research on the impact of innovation on social and environmental entrepreneurship: While there is substantial evidence that innovation is positively associated with entrepreneurial success, there is limited research on the impact of innovation on social and environmental entrepreneurship. For example, a recent study by Stubbs and Cocklin (2021) suggests that the impact of innovation on social and environmental entrepreneurship may be different compared to traditional entrepreneurship. This gap in the literature could be addressed by conducting more studies that examine the impact of innovation on social and environmental entrepreneurship.

Limited research on the impact of competition on entrepreneurial success in emerging economies: While some studies suggest that competition can enhance entrepreneurial success, there is limited research on the impact of competition on entrepreneurial success in emerging economies. For example, a recent study by Het al. (2021) suggests that the impact of competition on entrepreneurial success may be different in emerging economies compared to developed economies. This gap in the literature could be addressed by conducting more studies that examine the impact of competition on entrepreneurial success in emerging economies.

In reality, literature on MSE in Ethiopia is scanty and most of the availability studies were not conducted in line with success aspects of Micro and small enterprises in manufacturing sector. However, this research would try to assess determinant factors affecting the success of MSE, in a holistic way by targeting and deeply investigating those operators engaged in the manufacture such as textile and garment, food processing, wood and metal, rattan, pottery, jewelry and artisan, lather and its products, wood and forest products in Bench Sheko and Sheka zone.

## **2.4. Conceptual Framework**

To align the conceptual frame work with the research objectives, entrepreneur success is the dependent variable whereas firm size, owner/manager education level, capital investment, innovation and competition are all in dependent variables. The relationship can be expressed and shown in figure below.



**Source: compiled by the researchers from literature, 2023**

*Figure 1.1. Conceptual frame work*

## CHAPTER THREE

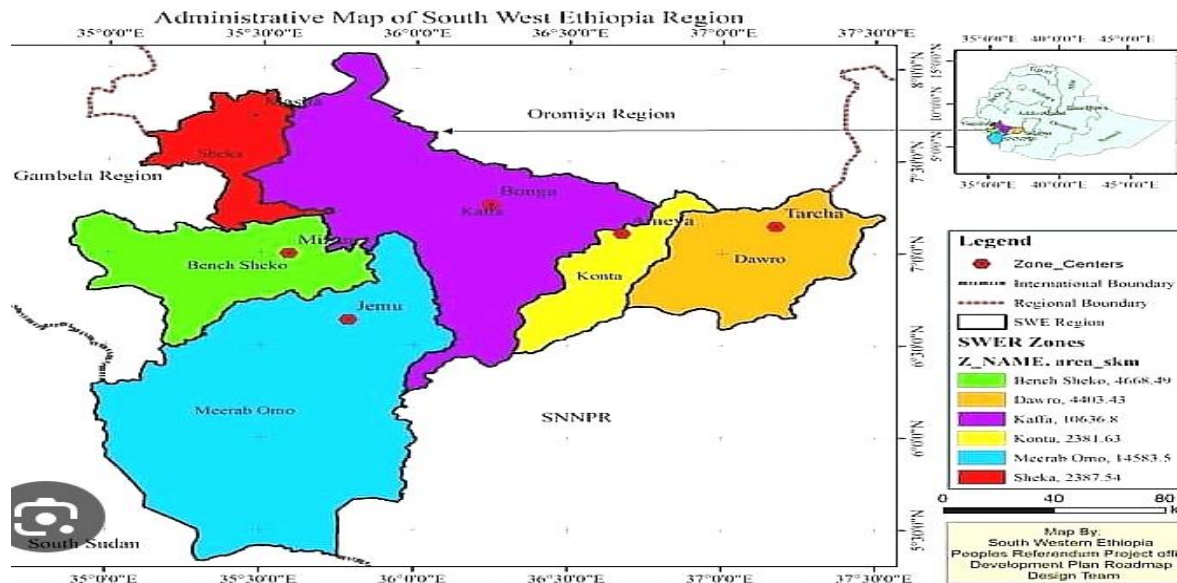
### RESEARCH METHODOLOGIES

These chapters deal with about description of study area, research design, and source of data, sample size and sampling technique, sample size determination and data analysis.

#### 3.1. Description of study area

The study would be conducted in south west regional state in Bench Sheko and Sheka zone those are Mizan-Amman town and Tepi town respectively which are found 574 km away from the capital city of Addis Ababa. The region is located in south west of the country. This study has conducted from November to June 2023 and the annual estimated average temperature of the zones is about 20.5”c and the mean annual rainfall is 1624 mm.

Figure 3.1



Source: [www.ethiopia-insight.com](http://www.ethiopia-insight.com)

#### 3.2. Research Design

This study describes and critically assesses the determinants factor of entrepreneurial success of Manufacture sector in Bench Sheko and Sheka zone and the researchers under this study employed sequential explanatory research design, which is characterized by the collection, and analysis of quantitative data, followed by a qualitative method based on the results of the

quantitative method with cross-sectional survey design, because, this approach enables independent and dependent variables to be measured at the same point in time by using a single questionnaire. That is, it helps to show a causal relationship between two variables on a specific period in time (Bhattacharjee, 2012) for the reason that the aim of the researcher is to show a causal relationship between two variables on a specific period. Moreover, the study employed mixed research approach (qualitative and quantitative research approach) to identify and examine factors that determine growth of MSEs operating in manufacturing sector in the selected areas.

### **3.3. Source of data and method of data collection**

The data was obtained from sample of managers or owners of the micro and small enterprise by preparing and distributing structured questionnaire. The questionnaire was prepared on both open-ended and close-ended question. The open-ended questions help the respondents to express their feelings and opinions with their own words. Both primary and secondary sources of data were used for the study. Primary data was provided empirical data collected through self-administrated structured questionnaires. The sources of primary data were managers or owners of micro and small scale enterprises who are employed in the enterprises. The secondary sources of data were collected from various sources to complement the survey-based analysis mainly from reports, websites and the literatures, which are relevant to the study.

### **3.4. Data collection Instrument**

Questionnaire instrument have covered 237 samples from the total, inhabitants of 580 with the member of operator from different site in Bench Sheko and Sheka zone specifically in central town of both zone have selected out of all engaged in micro and small scale manufacturing sectors purposively due to high existence of manufacturing enterprise in town than rural and planned to investigate in the future which were found in rural. To collect the data, the Instruments a questionnaire was comprise of a five Point likert Scale questions was construct, the type of scales uses to measure the items on the instrument was continuous scales (Strongly agree to strongly disagree).Questioner and interview was develop in consultation with literature and the questions have be developed in Amharic and converted English language.

### 3.5. Target Population

The target population of the study is entrepreneur or registered business operator who engaged in micro and small scale manufacturing enterprise in Bench Sheko, and Sheka zone. The actual data have been obtained from each zone industry and development office.

**Table 1 Small and Micro scale enterprise in Mizan Amman town.**

	Number of enterprise	Number of operator
Small and micro scale enterprise	509	1910
<b>1.manufacturing</b>	<b>141</b>	<b>609</b>
2.service	188	711
3.urban agriculture	28	108
4.construction	152	482

**Source: - (2023, “(Mizan Amman town enterprise and industry development Office)**

According to Miza-Amman town manufacturing enterprise” (2023) the total population of the enterprise is 609 out of 141 enterprises. In the selected three kebele enterprise operators (namely Hebrat kebele, addis ketema kebele, Edget kebele) are 340. To determine the sample size of the study area the researcher used Yamane’s formula (1977) (cited in Israel, 1992).

**Table2, Small and Micro scale enterprise in Tepi town.**

	Number of enterprise	Number of operator
Small and micro scale enterprise	310	1214
1.manufacturing	94	380
2.service	90	384
3.urban agriculture	30	108
4.construction	96	342

**Source: - (2023, “(Tepi town enterprise and industry development Office)**

### 3.6. Sample size determination

According to Tepi town manufacturing enterprise” (2023) the total population of the enterprise is 380 out of 120 enterprises. In the selected three kebele enterprise operators (namely Andnet kebele, selam kebele, Hibret) are 240. To determine the sample size of the study area the

researchers used Yamane’s formula (1977) (cited in Israel, 1992).The two zone town (namely Bench Sheko zone and Sheka zone which are 240 and 340 total selected sample are 580.

$$n = \frac{N}{1 + N(e)^2} \quad (1)$$

N=580 and e=0.05 then 237 sample was selected from population participated  
n= sample size.

N=the number of total populations in selected six kebele

e = the precision level (acceptable sampling error) (0.05)

96% confidence intervals % 1= denotes the probability of events occurring

$$n = 580/1+580(0.05)^2 = 580/1+1.45 = 580/2.45 = 237$$

The target populations of the study were manufacturing enterprise in Bench sheko zone and Shaka zone. The population participated in the study has been selected using the stratified sampling method. Sample size of the study has been drawn by stratifying the study area based on types of activity of enterprise. Based on this four strata has been formed. Accordingly, the total numbers operator found in this stratum were 237 households. Thus, using Yemenis (1976) sample size calculation formula 237 has been drawn for the purpose of this study. Proportionate number of operator was assigned for each stratum. Finally, while simple random sampling method was employed to select sample from each stratum. The distribution of strata is listed below.

**Table 3, Mizan-Aman Town operator sampling distribution**

Stratum	Number of operator and each stratum	Sample size of Proportionate sampling			Sampling Technique
			Male	Female	
1.wood work	128	52	27	25	Simple random techniques
2. Metal work	108	45	34	11	Simple random techniques
3.Food processing	60	24	6	18	Simple random techniques

4. Textile and garment	44	18	16	2	Simple random techniques
<b>Total</b>	<b>340</b>	<b>139</b>	<b>83</b>	<b>56</b>	

Table 3.42. Tepi operator sampling distribution

Stratum	Number of operator and each stratum	Sample size of Proportionate sampling			Sampling Technique
			Male	Female	
1. wood work	88	36	20	16	Simple random techniques
2. Metal work	79	33	23	10	Simple random techniques
3. Food processing	40	16	6	10	Simple random techniques
4. Textile and garment	33	13	11	2	Simple random techniques
<b>Total</b>	<b>240</b>	<b>98</b>	<b>60</b>	<b>38</b>	

### 3.7. Data Analysis

Depending up on the objective of the study and nature of data availability, the method of data analysis like descriptive statistical analysis and inferential statistics have use to assess the factor that affect the entrepreneurial performance of manufacturing sector .The collected data have edit code, classify, and check its consistency to facilitate data analysis. And then the collected data analyze using the SPSS version 27. A large amount of research has been completed on determining what leads to successful entrepreneurship, and the characteristics of the successful entrepreneur (Blanch flower, 1998, Evans & Leighton, 1998). Given firm data on the characteristics of entrepreneur ventures, Discussion based on descriptive statistics was made and The multiple linear regression model was applied for analyzing the data based on correlation, regression, anova, that deal with performance of manufacturing predicted by explanatory

variables included-in this study. Performance was a dependent variable, while internal factor and external factor as independent variables. The status of performance of firms has been treated as profitable, firm size, size of employee, capital, and sales volume. Therefore, performance treated as dependent variable.

### 3.7. Definition of Variables and Conceptual Model

#### 3.7.1 Dependent variable

The response variable is manufacturing performance provide by Asset turn over, asset size and customer satisfaction and measured by business environment like Firm size, owner/manager education level, capital investment, innovation, and competition factor (Babajide, 2011) and (Eshetu and Mamo, 2009).

**Table 4 expected sign Explanatory variables**

The explanatory variables those predictors the growths of MSEs were discussed on the following table

Explanatory variable	Clarification	Source	Expected sign
Firm Size	Categorical	Literature based	+
Owner/Manager Education Level	Categorical	Literature based	+
Capital Investment	Categorical	Literature based	+
Innovation	Categorical	Literature based	+
Competition	Categorical	Literature based	+

Source: literature based

#### 3.7.3. Model Specification

The study uses multiple linear regression analysis (OLS).The reason to choose OLs from other model it is unbiased and follow well known probability distribution, They have minimum variance. Combined with 1, this means that they are minimum-variance unbiased or efficient estimators. To establishes relationship between the independent variables and the dependent variable by use of the following regression:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:-

Y= dependent variable (performance/success/ of manufacturing).

$\beta_0$ =slope.

$\beta_1 - \beta_5$ =Beta Co-efficient of Determination

e = Stochastic Error Term

X1=independent variable (Firm Size).

X2=independent variable (Owner/Manager Education Level).

X3=independent variable (Capital Investment).

X4= independent variable (Innovation).

X5= independent variable (Competition).

Hypothesis Testing Test Procedure

Ho: there is no association between the dependent and the explanatory variable

Ha: there is association between the dependent and the explanatory variable

The statistics as follow

Comparing T-calculated and T- tabulation so each explanatory variable T-calculated value is greater than T- tabulated value. By the procedure of testing hypothesis testing T- calculated greeter than T-tabulated we reject the null- hypothesis and accept the alternative hypothesis.

#### **3.7.4. Evaluation Technique**

Statistical techniques used to evaluate the estimated specified model. The Adjusted coefficient of determination (R-bar squared) used to test the best fit line. The R-bar squared also measures the explanatory power of the specified model. The F-Statistic was also used to test the joint significance of the independent variables. It must be pointed out that in a cross section data analysis of this nature, the significance of the F-statistic is crucial as compared to the value of the R-bar squared.

#### **3.7.5. Reliability and Validity**

This section presents the reliability and validity of research instruments.

##### **Reliability**

The pre-testing assisted in enhancing the clarity of the questionnaire. A pilot study was conducted to find the instruments reliability and the procedures of administration. Reliability co-

efficient obtained by correlating the scores of odd numbered statement with the score of even number statement in the questionnaire. The researcher use test-retest to ascertain the coefficient of internal consistency or reliability. The instrument was administered twice to the same group of subjects at an interval of two weeks. According to (Miller ,2009) defines reliability as the extent to which a questionnaire, test, observation or any measurement procedure produces the same results on repeated trials.A coefficient of 0.5 was obtained. According to (Kothari, 2004) a coefficient of 0.5 and above is deemed reliable

### **Validity**

According to The Center for the Enhancement of Teaching, validity refers to how well a test measures what it is supposed to measure. Validity is the accuracy and meaningfulness of inferences based on the research results. It is the degree to which results obtained from analysis of the data actually represent the phenomenon under study. It is the correctness and reasonability of the data. It refers to getting result that accurately reflects the concept being measured. In relation to construct validity that is the instruments measure the variables that they are supposed to measure and no other variables. Expert opinion from supervisors was sought to assess the validity of the data collection instruments. The researcher also improves validity, by matching assessment measure to the goals and objectives and by making useful adjustments to the research instruments after the pilot study.

### **3.7.6. Ethical Consideration**

(Hamersley and Traianous, 2012) underlines that some of the most significant ethical principles in educational research are, minimizing harm, harm include among others financial and reputational consequences for the people being studies, protecting privacy, this means to keep data confidential and respecting autonomy that is showing respect for people in the sense of allowing them to make decisions for themselves, notably about whether or not to participate. In this study the researcher treats all the gathering information with utmost confidentiality to safeguard the public reputation of organizations and people concerned. Informed consent was obtained by informing the respondents the purpose of the study and benefits of participation, so as to provide sufficient information so that a participant can make an informed decision about whether or not to continue participation.

**CHAPTER FOUR**  
**DATA ANALYSIS AND PRESENTATION**

This section basically presents the result of the study findings based on research questionnaires. This section is subdivided into descriptive and Regression results.

**4.1.1 Questionnaires Response Rate**

The study targeted the respondents as the sample size for the study of the 237 administered questionnaires, 218 questionnaires were completed and returned giving a response rate of 90% which is excellent in research. According to (Mugenda, 2003) above 70% is an excellent response rate, 60% response rate is good while 30% is not viable.

**Table 4.1.1, Response Rate**

Response rate	Frequ	Percent
Respondent	218	92
Non Respondent	19	8
Total	237	100

**Source: survey Data, 2023**

**4.1.2 Demographic characteristics of sample respondents**

This part of discussion provides a general demographic characteristic of manufacturing micro and small scale enterprises which is obtained from the responses of current survey. As a result the variables to be considered in this section are sex, age, and level of education of the respondents.

**4.1. 2 Age of respondent**

Table 4.1.2, age profile of the respondents had depicted the result by the preceding table

Age of respondent	Freq	Percent	Cumulative
bellow 20	10	4.59	4.59
21-30	119	54.59	57.17
31-40	78	36.24	95.41
41-50	10	4.59	100

<b>Total</b>	218	100
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**Source: survey Data, 2023**

In the table above item 2, from the total sample, 10(4.59%) of the respondents less than 20 years old. The other 119(54.59%) manufacturing MSEs in the study area owned by principal owners with the age range of 21-30 years, which roughly shows the young age group. The remaining 79(36.24%) enterprises have owners “with age range 31-40, and 10(4.59%) of the respondents are age group above 41-year-old respectively. Most owners/ managers (54.59%), of sample manufacturing enterprises surveyed have aged between 21-30 years. This reveals that most youths have better participation within MSE’s activities and this can gives bright future for the development of the sectors and can reduce the rate of youth unemployment and increase income of youth if all the necessary support is given by respective support institutions.

#### **4.1.3. Sex Composition of respondents**

Table 4.1.3, respondent sex profile in study area

Sex of respondent	Freq	Percent	Cumulative
Male	163	74.77	74.77
Female	55	25.23	100
Total	218	100	

**Source: survey Data, 2023**

The table 4.1.3 above indicates that 163(74.77%) and 55 (25.23%) of the respondents were male and female respectively. Thus, balancing this gap and improving the participation of women in manufacturing MSE’s operation requires serious attention since they have indispensable roles in bringing the overall political, social and economic development of the society. This difference between male and female participants may be created by the cultural and social influence of the society.

#### **4.1.4. Education Level of Respondent**

Table 4.1.4 Respondents level of educations

level of education	Freq	Percent	Cumulative
certificate or diploma	114	52.29	52.29
primary/secondary	27	12.39	64.68
vocational trainee	58	26.61	91.28
degree holder	16	7.34	98.62
Above degree	3	1.38	100
<b>Total</b>	<b>218</b>	<b>100</b>	

**Source: survey Data, 2323**

Table 4.1.4 shows that, 114(52.29%) of owners/ managers/sale person were, certificate or diploma holder, about 27(12.39%) of respondents were primary/secondary, 58(26.61%) of respondents were vocational trainee. the rest 16(7.34%) are degree holder and 3(1.38%) of respondent is other, that coded 1 to 5 respectively. This figure indicates that most owners/managers participants are relatively educated individuals reached to diplom that forced to seek and create the job.

#### 4.1.5. Work Experience of Respondents

Table 4.1.5, Work experience of the respondent

Years of operating	Freq	Percent	cu
below 3	38	17.43	17.43
3 up to 6	118	54.13	71.56
6 up to 10	62	28.44	100
<b>Total</b>	<b>218</b>	<b>100</b>	

**Source: survey Data, 2023**

Table 4.1.5 reveals the work experience of respondents from 1-3year experience have 38(17.43%), work experience year between 3- 6 year were about 118(54.13%), work experience from year 6 -10 year employees rated about 62(28.44 %). This implies that the respondents experience is moderate.

#### 4.1.6. Owner/Manager Profile

Table 4.1.6.The position of the respondents

position of the operator	Frequ	Percent	Cumulative
Manager	145	55.51	55.51
Owner	133	15.14	81.65
sales person	31	14.22	95.87
Other	9	4.13	100
Total	218	100	

**Source: survey Data, 2023.**

The table 4.1.6 above shows that the respondents about 145 (66.51%) were manager, 33(15.14%) were owners 31(14.22%) respondents were sales person and the remains 9(4.13%) of the respondents were combinations of others).This implies that majority of the respondents were managers of the Manufacturing entrepreneurs.

## 4.2. GENERAL INFORMATION ABOUT STUDY VARIABLES

This section indicated that the survey from micro and small enterprises specifically in manufacturing enterprise collected data revealed that the business general information or characteristics. Criteria of success measure included, types of enterprise activity.

### 4.2.1 Types of manufacturing enterprise activities

Table 4.2.1, Form of business

<b>Types of activity</b>	<b>Freq</b>	<b>Percent</b>	<b>cumulative</b>
<b>wood and metalwork</b>	82	37.61	37.61
<b>food processing</b>	71	32.57	70.18
<b>textile and garment</b>	55	25.23	95.41
<b>Other</b>	10	4.59	100
<b>Total</b>	218	100	

**Source: survey Data, 2023**

Table 4.2.1 above shows that most of the activity were wood and metalwork 82 (37.61%), followed by food processing 71(32.57%), textile and garment were 55(25.23%) and the left 10(4.59%) were other combination of manufacturing activity. This implies that majority of

manufacturing activity in the study area were wood and metal work within manufacturing enterprise.

#### 4.2.2 Growing Criteria Dimensions of the Firm

Table 4.2.2, Criteria of success dimension measurement

Criteria of success measurement	Frequ	Percent	Cumulative
firm's size	15	6.88	6.88
Sales volume of Asset	25	11.47	18.35
Profitability	96	44.04%	62.39
Inventory turn over	82	37.61	100
Total	218	100	

**Source: survey Data, 2023.**

Table 4.2.2 above indicates that the criteria of success dimension of the enterprise from the respondent's response portrayed that about 15(6.88%) said successful or growing in terms of firm's size, 25(11.47%) growing in terms of volume of assets and capital, 96(44.04%) were respond to growing in terms of profitability, and the rest growing in terms volume of sale or inventory turnover 82(37.61) %. It revealed that the successfulness of the enterprises measured in terms of profitability followed by volume of sales or inventory turnover of enterprise in the study area.

#### 4.2.3 Source of fund that used by the enterprise

Table 4.2.3, source of finance

Source of Finance	Frequ	Percent	Cumulative
micro finance institution	117	53.67	53.67
personal saving	80	36.7	90.37
Iquib	20	9.17	99.54
Other	1	0.46	100
Total	218	100	

**Source: survey Data, 2023**

As table 4.2.3 the respondents depicted that 117(53.67%) of respondents were gain working capital or finance from micro finance institution, 80(36.70%) of respondents also gain finance from their own personal saving source, 20(9.17%) of respondents were from iquib. so that we can conclude that micro finance has grate role in development of MSE specially in manufacturing enterprise by providing finance or loan.

#### 4.2.4 Basic criteria of micro finance institution to provide loan

Table 4.2.4, criteria of microfinance to provide loan

Criteria of MFI loan providing	Freque	Percent	Cumulative
collateral based	119	54.59	54.59
20% compulsory saving	84	38.53	93.12
Business plan	4	1.83	94.95
Other criteria	11	5.03	100
Total	218	100	

**Source: survey Data, 2023**

Table 4.2.4 showed that micro finance loan criteria were account for 119(54.59%) were collateral based whereas 84(38.53%) respondent were get loan by 20% compulsory, 4(1.83%) were by preparing business plan, the remaining 11(5.03%) criteria were other types of guarantee used by microfinance institution.

#### 4.2.5 Training that undertake by respondent

Table 4.3.5, Training taken by respondents

Trainings taken by operator	Freque	Percent	Cumulative
Taken	183	83.94	83.94
Not Taken	31	14.22	98.16
They don't know	4	1.83	100
Total	218	100	

**Source: survey Data, 2023**

Table 4.2.5 showed that 183(83.94%) of respondent were taken different types of training, while 31(14.22%) of respondents were not taken training and the left 4(1.83%) of respondents are don't know whether taken or not. So this implies that the stake holder like microfinance and technic and vocational training institution has involving in provision of training.

### 4.3. Further Analysis

#### 4.3.1 Reliability Test

Reliability is the extent to which results are consistent over time. Reliability checks internal consistency of the instrument. Cronbach's Alpha coefficient was used to test the reliability of the study questionnaire. To test the reliability of Likert scale used in this study reliability analysis was done using Cronbach alpha as a measure reliability co-efficient of  $\alpha \geq 0.7$  was considered adequate. The reliability was adopted as the recommended by Yang (2003) In this case, a reliability co-efficient of 0.84 was registered indicating a high level of internal consistency for the likert scale used as shown in table 4.3.1 below

**Table 4.3.1, Reliability Test**

	Cronbach's Alpha	N of Items
Firm size	.635	4
Owner/mgr edu.lev	.673	4
capital investment	.810	4
Innovation	.704	4
Competition	.717	4
Performance measure	.834	4

Source: survey Data, 2023

### 4.5 Regression analysis

#### 4.5.1 Regression Analysis

For the purposes of determining the extent to which the explanatory variables explain the variance in the explained variable, regression analysis was employed. The results of such analysis are narrated under the following section

**Table 4.5.1,** showed that Regress performance on the selected variables using multiple regressions

Model summary	R	R square	Adjusted R square	Standard error of the estimate		Sig
		0.886	0.7853	0.7771	0.235	
Coefficient	Model	Un-standardized coefficient		Standardized coefficient	T	
	Variables	B	Std.error	Beta		Sign
	Constant	1.268	0.264		4.797	0.000
	Firm size (X1)	0.347	0.073	0.483	4.734	0.000
	Owner/mgr edu level (X2)	0.218	0.065	0.364	3.336	0.001
Capital investment (X3)	0.159	0.062	0.275	2.570	0.011	
innovation (X4)	0.263	0.076	0.346	3.462	0.001	
competition (X5)	<b>0.172</b>	<b>0.067</b>	<b>0.276</b>	<b>2.563</b>	<b>0.011</b>	

*Predictors: (Constant), firm size, owner edu. Level, capital investment, innovation, competition factors.*

*Source: survey Data, 2023*

#### 4.5.1 Analysis of Variance (ANOVA)

*Analysis of variance was also done to establish the significance of the regression model*

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	42.279	8	5.284	95.55	.000 <sup>b</sup>
Residual	11.56	209	.055		
Total	53.83	217			

*Source: survey Data, 2023*

At 95% confidence interval, significant value (p-value) of .000<sup>b</sup> and F-value of 95.55 was registered as shown in table 4.5.2. This shows that the regression model has a probability of value of 0.000 of giving the wrong prediction. Hence, the regression model used above is a

suitable prediction model for explaining the factors influencing the Success of entrepreneurial in manufacturing sector in the study area.

In a model summary, the “R” value is used to indicate the strength and direction of the relationship between the variables. The closer the value gets to 1, the stronger the relationship. In this case as shown in table 4.5.1,  $R = 0.886$ . This means there was an overall strong and positive relationship between the variables. The R-Square in the study was found to be 0.7853. This value indicates that the independent variables (firm size, owner/ manager education level, investment capital, innovation and competition factor) can explain 78.5% of the variance in the successfulness of entrepreneurial in manufacturing sector in study area.

In this case, as shown above table all the predictor variables produced statistically significant results  $p < 0.05$ . The model coefficients result show that t-tests have p-values less than 0.05 indicating that have statistically significant effect on entrepreneurial success of manufacturing enterprises. This can be interpreted to mean that those predictors above mentioned do contribute to improvement of performance of entrepreneurial in manufacturing sector in study area.

From the above table, predictors had a statistically significant effect through firm size, owner/ manager education level, investment capital, innovation and competition factor at t-tests has beta positive value and p-value less than 0.05.

The study revealed that there is a statically positive relationship between the independent variable with dependent variable by using the T-tabulation versus and T-calculated.

- The firm size t- calculated value is (4.734) >T-tabulated value (1.976), so these variable has a statically strong relation with entrepreneurial successfulness of manufacturing enterprises.
- The owner/manager education level t- calculated value is (3.336) >T-tabulated value (1.976), so these variable has a statically strong relation with entrepreneurial successfulness of manufacturing enterprises.
- The capital investment t- calculated value is (2.570) >T-tabulated value (1.976), so these variable has a statically strong relation with entrepreneurial successfulness of manufacturing enterprises.
- The innovation t- calculated value is (3.462) >T-tabulated value (1.976), so these variable has a statically strong relation with entrepreneurial successfulness of manufacturing enterprises.

- The competition t- calculated value is (2.563) >T-tabulated value (1.976), so these variable has a statically strong relation with entrepreneurial successfulness of manufacturing enterprises.

According to the procedure of testing hypothesis by comparing T-calculated and T- tabulation, so each explanatory variable T-calculated value is greater than T- tabulated value. By the procedure of testing hypothesis testing T- calculated greeter than T-tabulated, we reject the null-hypothesis and accept the alternative hypothesis. We have taken the t-calculated value from the regression table for each individual explanatory variable and we have taken the t-Tabulated value from the in a t-distribution table or by using statistical software that provides t-distribution functions.

The unstandardized coefficients represent the change in the dependent variable for a one-unit change in the corresponding independent variable while holding all other independent variables constant. The standardized coefficients represent the change in the dependent variable for a one-standard deviation change in the corresponding independent variable, while holding all other independent variables constant.

The Regression analysis revealed that the intercept is a constant value that represents the expected value of the dependent variable when all independent variables are equal to zero. In this regression table, the intercept has a coefficient of 1.268, a standard error of 0.264, a t-value of 4.797, and a p-value of 0.000. The coefficient represents the average value of the dependent variable for cases where all independent variables are zero. The t-value indicates the extent to which the coefficient differs from zero, and the p-value represents the probability of observing a t-value as large as or larger than the observed value if the true coefficient were actually zero.

#### **4.5.2 Discussion of the Findings and data analysis**

**Effects of Firm Size on manufacturing entrepreneur’s success:** The coefficient for firm size is positive and significant, both in unstandardized and standardized terms. This suggests that larger firms tend to have higher values for the dependent variable. The standardized coefficient of 0.483 indicates that a one-standard deviation increase in firm size leads to a 0.483 standard deviation increase in the dependent variable. This result is consistent with prior research that has found a positive relationship between firm size and various firm success measures (e.g., profitability, growth) (**source:** Fiegenbaum and Karnani, 1991).

Firm size is one of the independent variables in this regression table. It has a coefficient of 0.347, a standard error of 0.073, a t-value of 4.734, and a p-value of 0.000. This suggests that there is a significant positive relationship between firm size and the dependent variable. This finding is consistent with previous research that has shown that larger firms tend to have higher productivity levels and greater profitability (e.g., Aigner et al., 1977; Baldwin and Gu, 2003).

**Effects of Owner/Manager Education Level on manufacturing entrepreneur's success:** The coefficient for owner/manager education level is positive and significant, both in unstandardized and standardized terms. This suggests that firms with higher educated owners/managers tend to have higher values for the dependent variable. The standardized coefficient of 0.364 indicates that a one-standard deviation increase in owner/manager education level leads to a 0.364 standard deviation increase in the dependent variable. This result is consistent with prior research that has found a positive relationship between owner/manager education level and various firm performance measures (source: Love and Lage-Hidalgo, 2000).

The education level of the owner or manager is another independent variable in this regression table. It has a coefficient of 0.218, a standard error of 0.065, a t-value of 3.336, and a p-value of 0.001. This indicates a significant positive relationship between owner/manager education level and the dependent variable. Previous research has suggested that higher levels of education among business owners and managers can lead to better decision-making and improved successfulness (e.g., Cassar, 2004; Foss and Weber, 2018).

**Effects of capital Investment on manufacturing entrepreneur's success:** The coefficient for capital investment is positive and significant in unstandardized terms, but relatively smaller in standardized terms. This suggests that while capital investment is an important predictor of the dependent variable, it may not be as important of a predictor as the other independent variables. The standardized coefficient of 0.275 indicates that a one-standard deviation increase in capital investment leads to a 0.275 standard deviation increase in the dependent variable. This result is consistent with prior research that has found a positive relationship between capital investment and firm performance (source: Brouthers and Gao, 2003).

Capital investment is another independent variable in this regression table. It has a coefficient of 0.159, a standard error of 0.062, a t-value of 2.570, and a p-value of 0.011. This finding suggests a positive relationship between capital investment and the dependent variable. Previous studies

have also found that increased capital investment can lead to improved firm successfulness (e.g., Baum and Haveman, 1997; Geroski and Jacquemin, 1988).

**Effects of Innovation on manufacturing entrepreneur's success:** The coefficient for innovation is positive and significant, both in unstandardized and standardized terms. This suggests that firms with higher levels of innovation tend to have higher values for the dependent variable. The standardized coefficient of 0.346 indicates that a one-standard deviation increase in innovation leads to a 0.346 standard deviation increase in the dependent variable. This result is consistent with prior research that has found a positive relationship between innovation and various firm performance measures (e.g., sales growth, market share) (source: Jimenez-Jimenez and Sanz-Valle, 2011).

Innovation is another independent variable in this regression table. It has a coefficient of 0.263, a standard error of 0.076, a t-value of 3.462, and a p-value of 0.001. This finding indicates a significant positive relationship between innovation and the dependent variable. Previous research has suggested that innovative firms tend to have higher levels of productivity, profitability, and growth (e.g., Coad et al., 2014; Damanpour, 1991).

**Effects of Competition on manufacturing entrepreneur's success:** The coefficient for competition is positive and significant, both in unstandardized and standardized terms. This suggests that firms operating in more competitive environments tend to have higher values for the dependent variable. The standardized coefficient of 0.276 indicates that a one-standard deviation increase in competition leads to a 0.276 standard deviation increase in the dependent variable. This result is consistent with prior research that has found a positive relationship between competition and various firm success measures (e.g., productivity, profitability) (source: Caves and Porter, 1977). Competition is the final independent variable in this regression table. It has a coefficient of 0.172, a standard error of 0.067, a t-value of 2.563, and a p-value of 0.011. This finding suggests a positive relationship between competition and the dependent variable. Previous research has also found that increased competition can lead to improved firm successfulness, although the relationship is often complex and depends on various factors (e.g., Porter, 1980; Teece, 1986).

### 4.5.3 CORRELATION ANALYSIS OF STUDY

<i>Variable</i>	<i>Intercept</i>	<i>Firm Size</i>	<i>Owner/Manager Education Level</i>	<i>Capital Investment</i>	<i>Innovation</i>	<i>Competition</i>
<i>Intercept</i>	<i>1</i>	<i>0.613</i>	<i>0.667</i>	<i>0.376</i>	<i>0.548</i>	<i>0.439</i>
<i>Firm Size</i>	<i>0.613</i>	<i>1</i>	<i>0.527</i>	<i>0.314</i>	<i>0.428</i>	<i>0.313</i>
<i>Owner/Manager Education Level</i>	<i>0.667</i>	<i>0.527</i>	<i>1</i>	<i>0.336</i>	<i>0.409</i>	<i>0.312</i>
<i>Capital Investment</i>	<i>0.376</i>	<i>0.314</i>	<i>0.336</i>	<i>1</i>	<i>0.292</i>	<i>0.426</i>
<i>Innovation</i>	<i>0.548</i>	<i>0.428</i>	<i>0.409</i>	<i>0.292</i>	<i>1</i>	<i>0.359</i>
<i>Competition</i>	<i>0.439</i>	<i>0.313</i>	<i>0.312</i>	<i>0.426</i>	<i>0.359</i>	<i>1</i>

*Source: survey Data, 2023*

**Note:** The correlation table shows the Pearson correlation coefficients between the variables. The correlation coefficient is a measure of the strength and direction of the linear relationship between two variables. The correlation coefficient ranges from -1 to 1, with values closer to -1 or 1 indicating a stronger linear relationship, and values closer to 0 indicating a weaker relationship.

**Intercept:** The intercept is a constant term in the regression equation that represents the expected value of the dependent variable when all independent variables are zero. In this correlation table, the intercept has a perfect positive correlation with itself (correlation coefficient = 1), which is expected since it is the same variable. However, it has moderate positive correlations with some of the other variables, including firm size, owner/manager education level, innovation, and competition. This suggests that there may be some relationships between the intercept and these variables, although further analysis is needed to determine the nature of these relationships.

**Firm Size:** Firm size is an independent variable in the regression equation that represents the size of the firm. In this correlation table, firm size has a moderate positive correlation with the intercept (correlation coefficient = 0.613) and owner/manager education level (correlation coefficient = 0.527), and a weak positive correlation with all the other variables. This finding is consistent with previous research that has shown that larger firms tend to have higher levels of capital investment, innovation, and competitiveness (e.g., Baldwin and Gu, 2003).

**Owner/Manager Education Level:** Owner/manager education level is another independent variable in the regression equation that represents the education level of the owner or manager of the firm. In this correlation table, owner/manager education level has a moderate positive correlation with the intercept (correlation coefficient = 0.667) and firm size (correlation coefficient = 0.527), and a weak positive correlation with all the other variables. This suggests that higher levels of education among business owners and managers may be associated with larger firms, greater capital investment, innovation, and competitiveness (e.g., Cassar, 2004; Foss and Weber, 2018).

**Capital Investment:** Capital investment is an independent variable in the regression equation that represents the amount of capital invested in the firm. In this correlation table, capital investment has a weak positive correlation with all the variables except for innovation, with which it has a weak negative correlation (correlation coefficient = -0.292). This suggests that while capital investment may be associated with larger firms, owner/manager education, and competitiveness, it may not necessarily be associated with greater levels of innovation (e.g., Baum and Haveman, 1997; Geroski and Jacquemin, 1988).

**Innovation:** Innovation is another independent variable in the regression equation that represents the level of innovation in the firm. In this correlation table, innovation has a moderate positive correlation with the intercept (correlation coefficient = 0.548) and a weak positive correlation with all the other variables except for capital investment, with which it has a weak negative correlation (correlation coefficient = -0.292). This suggests that innovative firms may be associated with larger size, higher levels of owner/manager education, and greater competitiveness, but not necessarily with higher levels of capital investment (e.g., Coad et al., 2014; Damanpour, 1991).

**Competition:** Competition is the final independent variable in the regression equation that represents the level of competition faced by the firm. In this correlation table, competition has a

weak positive correlation with all the variables except for owner/manager education level, with which it has a weak negative correlation (correlation coefficient = -0.312). This suggests that greater levels of competition may be associated with larger firms, higher levels of capital investment and innovation, and greater competitiveness, but may not necessarily be associated with higher levels of owner/manager education (e.g., Porter, 1980; Teece, 1986).

#### **4.5.4. Multicolinearty**

The study also checked multicolinerty problem by using correlation table that the relationship between independent variables are not greater than 0.8 as shown in correlation table.

#### **4.6. Qualitative Analysis/Focus group discussion**

To triangulate the responses that gathered through questionnaire, focus group discussion and interview were held with owners of the manufacturing enterprises who are selected purposely. The focus groups were categorized in three groups and in each group there are five up to eight members that consist of representatives of owners/managers of manufacturing enterprises. That focus group discussed their views about factors affecting the success of manufacturing enterprise with the help of open ended and close ended questions. The Focus group discussion identified the intensity and magnitude major problems of the manufacturing enterprises in the study area. As they response in group discussion they agrees with the major problems within the enterprises and the most adversely affecting factors were capital investment, completion, and innovation factors. In both cases, operators and stakeholders should work together for the success of the success of manufacturing enterprises, and the attitude and commitment they have should be improved. The government organization lack commitment to support enterprise so as the operators need support from the government only is a major constraint for the success performance of the enterprise. The entire participants agree with the operators' problem regarding to management and innovative product should improve the performance of the enterprise. "We are working to improve the performance of manufacturing enterprises through creating market linkage to their product with government and private organization", as response of head of zonal enterprise and industry development office. He stressed market linkage on public purchase, development and education organization and institution including Mizan Tepi University.

## ***CHAPTER FIVE***

### **CONCLUSION AND RECOMMENDATIONS**

#### **Introduction**

This chapter consists of conclusion based on the finding and recommendation provided by researcher. Suggestions for future study are also provided by researcher in this chapter.

#### **5.1. Conclusion**

This research is intended to determine the key determinants of manufacturing enterprise success in Bench Sheko and Shaka zones. Based on the objective of this study, the following conclusions are drawn from the above findings, and discussions of the study.

The findings of the study suggest that firm size, owner/manager education level, capital investment, innovation, and competition are significant determinants of entrepreneurial success in the manufacturing sector.

The findings of the study showed also larger firms may have more resources to invest in innovation and marketing, while firms with more educated owners/managers may have better management skills and access to networks and resources. Firms with higher levels of capital investment may have more resources to invest in research and development, while firms that are more innovative may be able to create new products or processes that differentiate them from competitors. Additionally, firms that face higher levels of competition may be more motivated to innovate and differentiate themselves from competitors to gain a competitive advantage.

The study finding suggests that all of the independent variables (firm size, owner/manager education level, capital investment, innovation, and competition) have a statistically significant relationship with the dependent variable. The intercept is 1.268, which means that if all of the independent variables are zero, the dependent variable would be expected to be 1.268. The coefficient for firm size is 0.347, indicating that a one-unit increase in firm size is associated with a 0.347 increase in the dependent variable. Similarly, the coefficient for owner/manager education level is 0.218, indicating that a one-unit increase in education level is associated with a 0.218 increase in the dependent variable. The coefficient for capital investment is 0.159, indicating that a one-unit increase in capital investment is associated with a 0.159 increase in the dependent variable. The coefficient for innovation is 0.263, indicating that a one-unit increase in

innovation is associated with a 0.263 increase in the dependent variable. Lastly, the coefficient for competition is 0.172, indicating that a one-unit increase in competition is associated with a 0.172 increase in the dependent variable. All of the p-values for the independent variables are less than 0.05, indicating that the relationships between the independent variables and the dependent variable are statistically significant.

Finally, it is possible to conclude that all independent variables affect success of manufacturing enterprises significantly and needs to give high emphasis on the listed independent variables to increase success of manufacturing enterprise. Particularly owners/managers and manufacturing enterprise stakeholder in general, should take stringent measures to increase manufacturing productivity.

## **5.2. Recommendation**

Based on the analysis and the findings of this thesis, the researcher has forwarded the following possible suggestions:

- The study had revealed that owners or managers education level was positively and significantly related with the success of MSEs. Thus entrepreneurs, MSEs development agencies and other stake holders should give prior attention to short term industry line trainings along with upgrading entrepreneur's level of education.
- The other common problem both in Bench Sheko as well as in Shaka zone was strong competition. As competition is a means to promoting entrepreneurial culture in a society, in order to be successful in competitive environment, supporting entrepreneurs by providing short term management and industry line training by MSEs development agents and NGOs; and improving entrepreneurial capacity through formal education and short term trainings by business operators has a paramount importance.
- As there is no responsible body for the development of MSEs in the rural villages of in both Bench Sheko and Shaka zones, the first major issue to be considered is the establishment of new rural oriented enterprises development institution or the extension of the existing regional MSEDAs structure into the rural villages of the region.
- The other three common challenges to both localities were lack of sufficient capital, unfavorable business laws and strong competition. As this study had shown that

enterprise size associates with success, agencies for MSEs development should harmonize the financial cooperation between MSEs operators and financial institutions may help in improving the financial capacity of enterprises. Agencies for developing MSEs should promote the establishment of those financial institutions targeting MSEs. Entrepreneurs should not exaggerate the liability aspect of credit but start to consider as a means to success.

- Those parties engaged/interested in improving the performance MSEs, such as stakeholders, government institutions /especially MSEDAs and its structure/, potential entrepreneurs, etc. should focus in building/capacitating new entrants with business related knowledge, such as business management, accounting, technical skill, planning, etc. to promote entrepreneurial culture in the study area
- Finally, creation of awareness and knowledge should be done to transform non-members of cooperative in to cooperative membership by inculcating benefits and government should intervene more in increasing in transforming those private in to cooperative members so as to increase youth employment, alleviate poverty and increase economy of the country too. The manufacturing sector is crucial sector in transforming an economy from agriculture based economy to industrial based economy and it is a value creation activity a great emphasis from government, all stake holders and supporting institution should be given. In Ethiopia its contribution to GDP is still very low and its growth has remained static for the past consecutive years. Thus, attention needs to be given to this sector. The problems that hinder the performance of the manufacturing MSEs should be solved to minimize the exit (cease) of the firms by providing support as access to finance, working capital and relevant business skill development.

### **5.3. Areas for Further Research**

This research particularly focused on key determinant of manufacturing enterprises success located in the Bench Sheko and Shaka zones, south west Ethiopia people region .Future research has to investigate manufacturing enterprise located in south west region and country level at a whole too. Moreover, future study may also investigate the role of manufacturing enterprise in sustainable local economic development in the same study area. 30 percent of success variance is explained by other variables that are not mentioned under this study. So that, any researcher who wants to conduct study similar with this topic should identify the effect of those independent variables on entrepreneur success

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## Annex A

### Mizan-Tepi University

## QUESTIONNAIRE FOR MANUFACTURING OPERATORS

### INTRODUCTION

This project is entitled "The factors that affect Entrepreneurial success of manufacturing enterprises in bench sheko and sheka zone". The researchers are Tsegaw Zewdie and Chernet Demsie who are Lecturer In Mizan-Tepi University. To supplement the information obtained from micro and small enterprise office by means of face-to face interviews, the researcher aspires to collect important data from manufacturing enterprise operator's in those Zone using a self-administered questionnaire.

Participation in this study is totally voluntary. The information you provide was kept confidential and used only for research purpose. Personal answers were not being recognized in the researcher.

#### Instructions

No need of writing your name

Please write the symbol "√", in the box in front of the choice based your information about the data.

#### SECTION1: Background information of respondents

1. Academic status: Certificate/Diploma  secondary/primary  vocational training   
Bachelor degree& master  if there is other -----
2. Sex: Male,  Femal
3. Age: Below 20  20-30  31-40  41
4. How many years have you been operating in this enterprise  1-3  3-6  6-10   
above 10
5. What is your present position in the enterprise? Mana  her  person   
other,

#### SECTION 2: GENERAL INFORMATION ON BUSINESS ENTERPRISES

1. What is the main activity of the enterprise?

- A) Textile and garment  B) Food processing  C) Wood and metal work   
D) Specify if there is any-----

2. How did you raise funds to start-up your business?

- A) Personal saving                       D) NGO                       G) Micro finance institutions
- B) Family                       E) Friends/Relatives
- C) Banks                       F) Iqub/Idir

3. Which one of the following aspect is the most important for the profitability of your business?

- A) Existence of working place,                       B) Availability of capital,
- C) Availability of skill training,                       E) Management,
- D) Technology,                       F) Market Availability,                       G) Entrepreneur

4. Please indicate the degree to which you agree or disagree with the following statements concerning Firm size.

S/no	4.Firm size	5	4	3	2	1
4.1	To what extent do you believe that larger firms are more successful than smaller firms?					
4.2	To what extent do you believe that increasing the size of a firm is important for entrepreneurial success?					
4.3	To what extent do you believe that larger firms have an advantage over smaller firms in terms of access to resources and funding?					
4.4	Is large firm are important to compete over small firm for entrepreneurial success?					

5. Please indicate the degree to which you agree or disagree with the following Statements concerning owner/manager educational level

S/no	5. owner/manager educational level	5	4	3	2	1
5.1	To what extent do you believe that higher education levels of owners/managers are important for entrepreneurial success?					

5.2	To what extent do you believe that investing in training and development programs for owners/managers is important for entrepreneurial success?					
5.3	To what extent do you believe that owners/managers with higher education levels are better equipped to identify and take advantage of new business opportunities?					
5.4	To what extent do you believe that owners/managers with higher education levels are more capable of making strategic decisions that contribute to entrepreneurial success?					

6. Please indicate the degree to which you agree or disagree with the following statements concerning capital investment.

S/n	6. capital investment:	5	4	3	2	1
6.1	To what extent do you believe that increasing capital investment is important for entrepreneurial success?					
6.2	To what extent do you believe that investing in new technology, machinery, or infrastructure is important for entrepreneurial success?					
6.3	To what extent do you believe that capital investment is necessary to remain competitive in the market and achieve entrepreneurial success?					
6.4	To what extent do you believe that companies that invest more capital are more likely to achieve entrepreneurial success?					

7. Please indicate the degree to which you agree or disagree with the following statements concerning innovation.

S/no	7. Innovation:	5	4	3	2	1
7.1	To what extent do you believe that fostering a culture					

	of innovation is important for entrepreneurial success?					
7.2	To what extent do you believe that investing in research and development is important for entrepreneurial success?					
7.3	To what extent do you believe that innovation is necessary to differentiate from competitors and achieve entrepreneurial success?					
7.4	To what extent do you believe that companies that innovate are more likely to achieve entrepreneurial success?					

8. Please indicate the degree to which you agree or disagree with the following statements concerning competition

S/N	8. competition Factors:	5	4	3	2	1
o						
8.1	To what extent do you believe that competition is important for entrepreneurial success?					
8.2	To what extent do you believe that fair competition practices are important for entrepreneurial success?					
8.3	To what extent do you believe that competition is necessary to drive innovation and achieve entrepreneurial success?					
8.4	To what extent do you believe that companies that face more competition are more likely to achieve entrepreneurial success?					

S/N	11.Success measures:	5	4	3	2	1
12.1	There is good customer loyalty					
12.2	The business is Profitable and productive					
12.3	There is a good Sales turnover					

12.4	The business has innovative and differentiated					
------	--	--	--	--	--	--

12. How do you rate the performance of your business profitability?

What are the criteria that microfinance institutions employ to give credits? (Multiple responses possible) Collateral,  Business plan,  Permanent job,  other, please mention it. -----

14. What type of proper training important to improve the growth of your enterprise? (Multiple responses possible):

Technical skill  marketing skills,  Management Skills  Financial skills especially book keepi  Entrepreneur  ill, other (if any),-----  
-----

## **Annex-B**

### **KEY INFORMANT INTERVIEW QUESTIONS FOR MANUFACTURING ENTERPRISE OFFICE**

1. What problems did you face while running manufacturing in relation to?
  - ✓ Firm size
  - ✓ Owner /manager education level
  - ✓ Capital or startup fund
  - ✓ Innovation and creativity
  - ✓ Competition
  - ✓ Management and related factors
  - ✓ Entrepreneurial factors in general
2. What are other problem(s) did you faced regarding the overall Functioning of your activity?

## *Annex-C*

### **Correlation of independent variable and dependent variable**

cor aave2 frave2 mrav2 cpave2 inave2 cmave2 (obs=218)

| aave2 frave2 mrav2 cpave2 inave2 cmave2

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aave2	1.0000					
frave2	0.6138	1.0000				
mrav2	0.6678	0.5271	1.0000			
cpave2	0.3760	0.3146	0.3360	1.0000		
inave2	0.5140	0.4280	0.4090	0.2921	1.0000	
cmave2	0.4399	0.3132	0.3129	0.4262	0.3597	1.0000

## Appendix D

### 4. BUDGET BREAKDOWN AND WORK PLAN

#### 4.1. Time plan and Budget Break down

No	Research Activity	Time frame									
		Nov.	Dec.	Jan.	Feb.	Mar	Apr	May	June	July.	Aug.
1	Proposal preparation										
2	Literature review										
3	Questionnaire development										
4	Pilot study										
5	Data collection										
	Data entry and Analysis										
7	Conclusion and Recommendation										
8	Writing & Editing										
9	Submission and Presentation										

**Table one I: Data Collection & Analysis in Bench-Sheko, and Sheka zone (stage one and pilot testing)**

2.1. Personnel cost							
Technique of Data Collection	Activities	Required qualification	Required personnel	Required number of personnel	Duration (day/s)	Per diem (per person )	Total cost

Questionnaire	a. Training of data collectors	Trainers (MA/Msc)	6	15	339	30,510
		Trainee (native people or more)	45	4	150	27000
	b. Data collection	Trainee (native people or more)	45	30	150	202,500
	c. Coordination & supervision by investigator	MA(MSc)	3	5	339	5085
Interview	a. Training of data collectors	Trainers (MA)	3	5	339	5085
		Trainee (native people or more)	15	5	50	3750
	b. Data collection	Trainee (native people or more)	15	10	150	22500
	c. Coordination & supervision by investigator	MA/Msc	3	3	300	2700
Focus group Discussion (FGD)	a. Training of data collectors	Trainers (MA(MSc))	3	1	339	1017
		Trainee (native people or more)	55	2	50	5500
	b. Data collection	Trainee (native people or more)	55	4	50	1100
	c. Coordination & supervision by investigator	MA	3	5	339	5085

Sub Total (In ETB)				311,832
Incentive/payment for participants				
55 participants x 100 birr				5500
2.2. Refreshment cost				
For training survey data collectors				1000
For training interviewers				800
For training FGD facilitators				500
Refreshment for FGD participants (5 FGD x 11 discussants = 55 discussants)				2000
Sub Total (In ETB)				9800
2.3. Travel cost				
Departure	Destination	No of Travelers	Travel cost (per person)	Total Cost
Mizan-Aman	11 woredas of three zones	11	150	1650
Other miscellaneous transportation cost	11 woredas of three zones	11	50	550
Sub Total				2200
2.4. Stationary and Equipment Cost				
Item	Amount required	Cost per unit (in ETB)	Total cost	
Tape recorder	2	2,000	4,000	
Tape recorder Cassettes	5	50	250	
Tape recorder Battery	10	50	500	
Sub total				6400
Sub-Total (In ETB)				23150
Total				334,982
Contingency (5%)				16749.1
Grand Total				351731.1