

# **Entrepreneurship with Special Reference to the Status of Small Business Entrepreneurship: A Case Study Of Gondar, Ethiopia**

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## **Abstract**

*This paper looks at the concept of Small Business Entrepreneurship in Gondar, Ethiopia, reviewed its performance using some basic indicators. The study revealed that entrepreneurship development is essential not only to solve the problem of economic development but also to solve the problem of unemployment, unbalanced area development, concentration of economic power and diversion of profits from traditional sources or avenues. It noted that financial and physical facilities are not the only crucial inputs in the development of small business entrepreneurship, other inputs like government and support service systems. The small business enterprises and entrepreneurs faced the main problems of poor start-up capital and other financial constraints, technological obsolescence, poor managerial skills and knowledge, irregular supply of raw materials. Other problems include, poor marketing techniques and strategies, unorganized nature of operations, sole proprietorship dominated ownership structure, unskilled labour force and family management dominance, other infrastructural deficiencies and poor government support and encouragement, etc. It recommended that to improve the functioning and performance of small business entrepreneurship in Gondar, the following issues should be critically addressed: liberalization of government policies, attitudinal changes and proper training and development of existing and would-be entrepreneurs in the use of latest technology. Other recommendations include,*

*adequate training on modern management practice on human resource, financial, marketing, production, and innovation, effective management information systems, setting up an apex institution to regulate and monitor entrepreneurship education, etc.*

## **Introduction**

In a developing economy like Ethiopia, Small Business Entrepreneurship plays a tremendous role in economic and social development of the country. These enterprises largely represent a stage in industrial transition from traditional to modern technology. The variation in transitional nature of this process reflects the diversity of these industries. Most of the small enterprises use simple skills and machinery, such as the building construction sites in Gondar, all the implements and equipment are traditional. Besides playing economic role for the country, small enterprises because of its unique economic and organizational characteristics also play social and political role in local employment creation, balanced resources utilization, income generation, utilization of local technology and raw materials and in helping to promote change in a gradual and peaceful manner. The socio-economic factors affecting small business entrepreneurship came to being during the industrial revolution with nations of entrepreneurial importance gaining favour by the mid-twentieth century. Towards the last quarter of the twentieth century, however, the behaviour of the individuals are highlighted as a major factor contributing to small business entrepreneurship and therefore the supply of entrepreneurs came to be recognized as critical to socio-economic transformation.

There is a growing realization on the part of the Government that instead of the promotion of large-scale

enterprises, it should incentively promote micro, small, and medium enterprises. Until recently, the micro, small and medium enterprises were virtually neglected in the Ethiopian Development Plans. The economic reforms been carried out by the present administration has however placed greater emphasis on small business entrepreneurship. The Government is striving on the creation of an enabling and friendly environment in which small business entrepreneurship should flourish and entrepreneurial instincts are aroused so that the entrepreneurs may get maximum output and rewards from their efforts. Radical liberalization has been ushered to make the Ethiopian economy progressively market-oriented and integrated it with the emerging global economic structure in a more meaningful way.

It is evidently clear that small business entrepreneurship could play a catalytic role in the economic transformation of Ethiopia. The role includes substantial contribution of the sector to the gross domestic product, employment generation, increasing local value added and technological development. Other measures advanced by the advocates of micro, small and medium enterprises development in the country include:

- i. The low level of capital required in the establishment of the enterprises.
- ii. The large number of the establishment and their labour intensive modes of operation guarantees employment for a large number of persons (labour intensive).
- iii. Inventions, adaptations and general technological development are common in these enterprises.
- iv. A more equitable redistribution of income is usually achieved in this sector.
- v. Industrial diversification and a relatively more balanced regional development is assured.
- vi. The evolution of indigenous enterprise is common amongst these establishments.

- vii. General enhancement of the tempo of industrial development is visible among micro, small, and medium enterprises.
- viii. Tendency among micro, small, and medium enterprises to become feeders of large-scale enterprises and service products made by the latter.

Small Enterprises are playing formidable and significant roles in widening the landscape and frontier of entrepreneurship. The development of small enterprises offers an easy and effective means of achieving broad-based ownership of industry, the diffusion of enterprise and initiative in the industrial field and easy induction of new entrants from middle levels of society to take up industrial ventures and provides an extensive training and practicing base for entrepreneurial talents in various directions. Consequently, small business enterprises prove to be the seed-beds of entrepreneurship, Batre(2003). Subsequently, it would not be out of place to mention that the development of small business enterprises is inextricably related to the development of entrepreneurship. Needless to say that industrial development cannot be achieved without the development of entrepreneurship. Depending upon the emphasis one become the by-product of the other. The role of entrepreneurship is a product of several factors such as, personal attributes of the entrepreneur and their socio-economic background, business environment and government support, etc. The role of entrepreneurship thus depends upon the abilities of the entrepreneurs and the institutional supportive system.

Entrepreneurship should be perceived in a wider perspective involving the Government, Entrepreneurs, and Financial institutions. Development cannot take place without the linkage and active cooperation and collaboration these "three wise men" in entrepreneurship development. Very often, it is seen that government stops only at the policy

formulation and implementation levels and the financial institutions assume the responsibilities of mobilizing and canalizing financial assistance and support, but the entrepreneur- the Change Agent is left to look after himself/herself once the project is cleared. However, recent experience from developing countries favours the hypothesis that entrepreneurship cannot be developed without deliberate and well-articulated plan of action. There has also been wide recognition that the entrepreneurial development is essential not only to solve the problem of economic development but also to solve the problem of unemployment, unbalanced area development, concentration of economic power and diversion of profits from traditional avenues of investment.

One can notice some attempts by the Government developmental agencies and other institutions to undertake the task of entrepreneurial promotion. Most of the promotional activities are directed around the financial and physical facilities with strong belief that there will be automatic flow of entrepreneurs, if such facilities are created in those areas. Nevertheless, the reality does not bear this out. Such experiences support the view that financial and physical facilities are not the only crucial inputs in the development of entrepreneurship. There are other inputs, which has to be considered in developing any model for entrepreneurial development. One has to remember here that entrepreneurship is defined by attributes which are associated with the personality of an entrepreneur, and entrepreneurial functions are defined in terms of activities, technology, investment decision, designing market strategies, etc as noted by Rajkonwar (2003).

Developing entrepreneurship is a crucial process and hence in doing so, we are confronted with several problems. They are of individual, group and on institutional nature. All these problems are stupendous and multi-pronged approach is

required to find solutions to these problems. Therefore, the entrepreneur in Gondar may not be an “innovator” but an “imitator” who would imitate for his/her enterprise the organization, technology and products of the innovators in other developed regions or districts in Ethiopia. As far as policy support from the Government is concerned, it has tended to be rather uncondusive and unfavorable to the development of small business entrepreneurship. However, the development of small business entrepreneurship in Gondar like any other part of the country has only been quantitative and not qualitative which is more important aspect of the entrepreneurship development. Qualitative aspect of entrepreneurship concerns with the effective performance of the entrepreneurs in varied economic and managerial fields. Most of the small business enterprises are characterized by low productivity, uneven or poor quality of production, poor financial management, and inadequate marketing expertise. The main reason of the poor performance of the small business entrepreneurs are mainly due to lack of managerial competence and experience, Bhatia (2003).

The entrepreneurs in the Schumpeterian model are an “innovator” who depends on necessary social and economic overheads. These economic and social overheads are very poor in backward regions, which cause the short supply of entrepreneurs. In this connection, we can refer to McClelland (1961) who explained the development of entrepreneurship in terms of human motivation to achieve or need for achievement. McClelland (1961) hypothesis was that society with a generally high level of achievement would produce energetic entrepreneurs, who in turn produce more rapid economic development. Small Business Entrepreneurship has been the harbinger of change in the socio-economic development of Ethiopian economy. It has contributed significantly to the total production, exports, and employment in the economy, keeping

in view its strategic importance in the socio-economic transformation of the people, which in turn satisfy the inspiration and aspiration of the people.

The review of literature indicates that small business enterprises are playing remarkable roles in widening the base of entrepreneurship. The growth and development of small business enterprises offer an easy and effective means of achieving broad-based ownership of industry, the diffusion of enterprise and initiative in the industrial field and easy induction of new entrants from middle levels of society to take up industrial ventures and provides an extensive training and practicing base for entrepreneurial talents in various directions. In this sense, small-scale enterprises prove to be the seedbeds of entrepreneurship.

### **Objectives and Methodology**

The main objectives of the study were to identify the emerging small business entrepreneurship in Gondar, to bring out its economic, social, and geographical origins and to evaluate the performance of the small business entrepreneurs in various managerial areas: production, marketing, financial, and human resources and to recommend further strategies for the promotion and development of small business entrepreneurship. An attempt was made to include all forms of organizations, viz. sole proprietorship, partnership, and company. The study is confined to major small-scale enterprises viz; industrial home work, craft production, leather and garment production, making and selling food, restaurants, hotels, furniture makers, welders, transporters, tea and coffee shops, electricians, and plumbers. Others are school proprietors, provision stores, business centres, video-rentals, barbing saloon, bakeries, poultry farms, sheep and goat rearers,

Grain millers, mansions (as a lot of building construction are going on in Gondar, women constitute a major workforce in the construction sites, roadside sellers of assorted goods, cyber café, electronic and electrical equipment shops, shoes and garment shops, laundry and stationery stores, etc. These business units are located in Piazza, Asezo, Arada, Maraki, Sumunabar, Fasiledes, Autoparco, Belico, Chachela, Ledeta, Debre birhan selasic, Tseda and Maksegnic, all in Gondar town.

An exploratory research design was used in carrying out this study. Both primary and secondary data were collected from the various units and Government institutions respectively. An extensive survey was carried out as to the small business entrepreneurship and its problems. In order to study the performance of small business entrepreneurs in the areas mentioned above, a structured questionnaire was prepared which deals with marketing, financial, production and human resources management, behavioral issues and the socio-economic profile of small business entrepreneurship.

The questionnaires were constructed in English Language and were translated to Amharic language. The data collection was therefore in Amharic language and was subsequently translated to English language. About 90% of the respondents could neither speak nor write in English language. They were more proficient in the Amharic language, which is the National and official language in Ethiopia. Three hundred and eighty two respondents were administered with the questionnaires. Only two hundred and sixty five questionnaires were returned and analyzed. Hence an in-depth analysis as to the socio-economic profile of small business entrepreneurship and the various factors in the promotion were carried out.

The statistical techniques used were simple percentages and standard deviations to ascertain the variation in the variables under consideration.

## Data Presentation and Analysis

The overall analyses based on the two hundred and sixty five entrepreneurs sample size are as follows:

### Sources of Capital for Starting the Business

In order to explore the sources of capital for starting the business, a question was asked to the respondents. As per table 4.1 loans from Friends and Relatives stood at 24.15% as against personal savings of the entrepreneurs, represented 68.68%.

Table 4.1: Sources of capital for starting the business

S/No.	Sources of capital	Number of responses	Percentage
1.	Personal savings	182	68.68
2.	Loan from friends and relatives	64	24.15
3.	Government assistance	0	0.00
4.	Loan from financial institutions	5	1.89
5.	Loan from thrift societies	12	4.53
6.	Retirement benefits	2	0.75
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Age Structure of the Entrepreneurs

Table 4.2 showed the age structure of the entrepreneurs. It indicates that 38.88% of the entrepreneurs belong to the age group of 31-40, 27.17% of the entrepreneurs belong to the age group of 21-30, and 21.89% of the entrepreneurs belong to the age group of 41-50, while 10.57% and 1.51% belong to the age groups of 51-60 and above 60 years respectively. Overall, the entrepreneurship pattern indicates that the age group of 31-40 represented the maximum number of entrepreneurs under study.

Table 4.2 Age structure of Entrepreneurs

S/No.	Age structure (years)	Number of responses	Percentage
1.	21 – 30	72	27.17
2.	31 – 40	103	38.88
3.	41 – 50	58	21.89
4.	51 – 60	28	10.57
5.	Above 60	4	1.51
<b>Total</b>		<b>265</b>	<b>100.00</b>

### The Experience of Entrepreneurs

Table 4.3 deals with the experience of the entrepreneurs. “How long have you being in the business”? were posed to the respondents. There responses indicated that 34.72% have being in the business between 2-4 years, while 26.42% and 15.47% have being in the business for 5-8 years and 12-15 years respectively.

Table 4.3 Years of Experience of Entrepreneurs

S/No.	Years	Number of responses	Percentage
1.	Below 2	8	3.02
2.	2 – 4	92	34.72
3.	5 – 8	70	26.42
4.	9 – 11	34	13.96
5.	12 - 15	41	15.47
6.	16 – 20	11	4.15
7.	Above 20	6	2.26
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **Educational Qualifications of Entrepreneurs**

Table 4.4 shows the level of educational qualifications of entrepreneurs. The overall analysis indicates that 43.02% of the entrepreneurs were within the category of 1-6 grades, while 24.53% and 21.89% were within 7-12 grades and diploma respectively. 8.30% have first degree in various disciplines and 2.26% were without any known qualification. This indicates that the academic qualification was considered enough to promote entrepreneurship initially. Nevertheless, it was later realized that educational qualification could help in improving the performance of small business entrepreneurs in Gondar.

**Table 4.4: Educational Qualifications of Entrepreneurs**

<b>S/No.</b>	<b>Qualification</b>	<b>No of respondents</b>	<b>Percentage</b>
1	None	6	2.26
2	1-6 Grade	114	43.02
3	7-12 Grade	65	24.53
4	Diploma	58	21.89
5	First Degree	22	8.30
6	Above First Degree	0	0.00
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **Forms of Business Ownership**

Table 4.5 reflects the forms of small business ownership in Gondar. The overall analysis indicates that 92.08% of the businesses are sole- proprietorship, while 2.26% and 5.66% are partnership and private limited companies respectively. There is no stock exchange in Ethiopia, hence all the companies are privately owned. There was no business in the form of cooperative society or in any other form.

**Table 4.5: Form of Business Ownership**

<b>S/No.</b>	<b>Form of Ownership</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Sole Proprietorship	244	92.08
2	Partnership	6	2.26
3	Private Limited Company	15	5.66
4	Cooperative Society	0	0.00
<b>Total</b>		<b>265</b>	<b>100.00</b>

**Family Occupation of Entrepreneurs**

Table 4.6 represents the occupation of the Entrepreneurs family. It indicates that 88.30% of the entrepreneurs belong to the business family and 4.91% to the service family. It points out that the business families have been playing a dominate role in the small business entrepreneurship activities.

**Table 4.6: Family occupation of entrepreneurs**

<b>S/No.</b>	<b>Occupation</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Service	13	4.91
2	Business	234	88.30
3	No response	18	6.76
<b>Total</b>		<b>265</b>	<b>100.00</b>

**Internal Motivational Factors that Prompted the Establishment of the Enterprises**

Table 4.7 shows that the strong urge to do some independent jobs accounted for 29.81% of the entrepreneurs' internal motivational factor. The business experience represented 41.13% as against 17.74%, which accounted for the entrepreneurs' who could not find any other job, after losing their previous jobs. In addition, 11.32% possessed the

technical knowledge of the field, which could make a lot of difference in the start-up and success of the enterprises.

**Table 4.7: Internal Motivational Factors that Prompted the Establishment of the Enterprises**

<b>S/No.</b>	<b>Factors</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Strong Urge to do Independent job	79	29.81
2	Cannot find any other job	47	17.74
3	Possession of Technical Knowledge	30	11.32
4	Business Experience	109	41.13
<b>Total</b>		<b>265</b>	<b>100.00</b>

**External Motivational Factors that Prompted the Establishment of the Enterprises**

The high demand for the product and high profit margin accounted for 23.40% and 25.28% respectively as the external motivational factors for the establishment of the enterprises. The availability of Plant and Machinery and encouragement from friends and relatives accounted for 12.08% and 11.70% of the external motivational factors. Financial assistance and government attitude/incentive available stood at 19.24% and 3.02% respectively. Hence, internal and external motivational factors played significant roles in the choice of small business entrepreneurship.

**Table 4.8: External Motivational Factors that Prompted the Establishment of the Enterprises**

<b>S/No.</b>	<b>Factors</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Financial assistance available	51	19.24
2	Govt. attitude/incentives available	8	3.02
3	Availability of plant/machinery	32	12.08
4	Demand for the product	62	23.40
5	High profit margin	67	25.28
6	Encouraged by friends/relations	31	11.70
7	No Response	14	5.28
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **The Attitude of the Entrepreneur towards Competition**

Table 4.9 shows the entrepreneurs desire and ability to compete. As clearly indicated, the attitudes of most of the entrepreneurs towards competition are good, 58.49%, and fair 29.81%. However, their attitude towards competition shows that they slightly react to the actions of the competitors, they are not completely passive, as they wait until the competitors make moves. The main issue is that the entrepreneurs are not willing to take risk that arises from getting into stiff competition. They are afraid of losing what they already have. They are not committed to take risks for the success and survival of the enterprise.

**Table 4.9: The Attitude of the Entrepreneurs towards Competition**

<b>S/No.</b>	<b>Options</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Excellent	4	1.51
2	Very good	6	2.26
3	Good	155	58.49
4	Fair	79	29.81
5	Poor	21	7.92
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **The Human Resource Management**

Table 4.10 revealed that 61.13% of the entrepreneurs have a fair knowledge of human resource management, while 18.87% opined that they have good knowledge of human resource management. In all, the entrepreneurs are grappling with human resource management problems. The standard deviation was 57.82 which different as to the human resource management problems faced by the entrepreneurs.

**Table 4.10: The Resource Management Skills and Knowledge**

<b>S/No.</b>	<b>Options</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Excellent	8	3.02
2	Very good	20	7.55
3	Good	50	18.87
4	Fair	162	61.13
5	Poor	15	5.66
6	No Response	10	3.77
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Financial Management

As per table 4.11, 68.30% of the respondents said that their skills and knowledge on financial management are fair, as against 15.47% which said that their skills and knowledge on financial are good. Only 0.75% and 4.15% indicated excellent and very good respectively in their financial management skills and knowledge. The standard deviation in this regard was 68.98, which shows difference as to their possession of financial management skills and knowledge. There is also a very big problem here.

**Table 4.11: The Financial Management Skills and Knowledge**

S/No.	Option	No of Respondents	Percentage
1	Excellent	2	0.75
2	Very good	11	4.15
3	Good	41	15.47
4	Fair	181	68.30
5	Poor	17	6.42
6	No response	13	4.92
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Marketing Management

Table 4.12 showed that 38.49% and 28.30% opined that they have fair and poor skills and knowledge in marketing management respectively. Only 7.92% and 6.42% have excellent and very good marketing management skills and knowledge respectively. The standard deviation was 32.42, which is a deviation. In addition, there is a big problem here.

**Table 4.12: The Marketing Management Skills and Knowledge**

<b>S/No.</b>	<b>Option</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Excellent	21	7.92
2	Very good	17	6.42
3	Good	24	9.06
4	Fair	102	38.49
5	Poor	75	28.30
6	No response	26	9.81
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **Production Management**

As per table 4.13, 36.23% and 9.06% indicated that they have fair and poor production management skills and knowledge, while 6.42% and 35.85% said they have good and very good production management skills and knowledge respectively. This is however, a significant improvement when compared with human resources, financial and marketing management skills, and knowledge. The entrepreneurs have a good grasp of the production management techniques and method in their various trade and businesses.

**Table 4.13: The Production Management Skills and Knowledge**

<b>S/No.</b>	<b>Option</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Excellent	5	1.89
2	Very good	17	6.42
3	Good	95	35.85
4	Fair	96	36.23
5	Poor	24	9.06
6	No response	28	10.56
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Perception of Innovation

Table 4.14 revealed the level of the entrepreneurs' perception of innovation. 31.70% and 42.26% of the respondents opined fair and poor perception of innovation respectively. Only 3.77% and 7.17% indicated very good and good perception of innovation in their businesses respectively. There is also a problem of innovation in their businesses. It must be noted, however, that innovation is the focal point in entrepreneurship

**Table 4.14: Entrepreneurs Perception of Innovation**

S/No.	Option	No. of Respondents	Percentage
1	Excellent	2	0.75
2	Very good	10	3.77
3	Good	19	7.17
4	Fair	84	31.70
5	Poor	112	42.26
6	No response	38	14.34
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Major Problems Since Inception

Table 4.15, indicated the major problems the entrepreneurs are facing since the establishment of their enterprises. 30.19% and 24.53% revealed that their major problems were finance and marketing respectively. However, 15.47%, 8.30%, 7.55% and 6.79% of the respondents said that their major problems are general management, personnel management, government agencies, and production management respectively. It must be emphasized that financial constraint and marketing management have been the main bottleneck in the wheel of progress of small business entrepreneurship in developing countries.

**Table 4.15: Main Problems since the Inception of the Enterprise**

S/No.	Option	No of Respondents	Percentage
1	Financial constraint	80	30.19
2	Legal	8	3.02
3	Lack of adequate market information and other marketing issues	65	24.53
4	General management	41	15.47
5	Personnel management	22	8.30
6	Production management	18	6.79
7	Government agencies	20	7.55
8	No. response	11	4.15
<b>Total</b>		<b>265</b>	<b>100.00</b>

**Satisfaction of Customers**

As per table 4.16, 74.72% of the respondents said that they were fully satisfied with the quality of their products/services. Whereas, 16.60% said that they were not satisfied. The standard deviation in this regard was 78.02, which shows difference as to the satisfactory level of customers.

**Table 4.16: Satisfaction of Customers**

S/No.	Option	No. of Respondents	Percentage
1	Yes	198	74.72
2	No	44	16.60
3	No response	23	8.68
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Management of the Enterprises

Table 4.17 shows that 77.36% of the entrepreneurs managed their businesses themselves and by their wives in their absence. 8.31%, 4.53%, and 3.02% said, the businesses are managed by other persons other than professional managers, Children and other family members respectively. It shows that the family manages most small business enterprises and more so, they are family businesses.

**Table 4.17: Management of the Enterprise**

S/No.	Option	No of Respondents	Percentage
1	Self/Wife	205	77.36
2	Children	12	4.53
3	Other family members	8	3.02
4	Professional managers	4	1.51
5	Any other	22	8.31
6	No response	14	5.28
<b>Total</b>		<b>265</b>	<b>100.00</b>

### Composition of Employees Based on Skills and Knowledge

As per table, 4.18, 36.98%, and 27.17% of the respondents constituted the unskilled and semi-skilled labour force respectively. While only 18.11% were skilled. Today, the labour force is knowledge driven, but this is lacking in the small business enterprises in Gondar.

**Table 4.18: Composition of Employees Based on Skills**

S/No.	Option	No of Respondents	Percentage
1	Skilled	48	18.11
2	Semi Skilled	72	27.17
3	Unskilled	98	36.98
4	No response	47	17.74
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **Attitude of Government Agencies**

Table 4.19 indicated that 57.74% of the respondents opined that the attitudes of government agencies were discouraging, 13.96% and 7.17% said that it was encouraging and very encouraging respectively. The standard deviation was 51.77, which shows significant differences as to the attitudes of government agencies.

**Table 4.19: Attitude of Government Agencies**

<b>S/No.</b>	<b>Option</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Very encouraging	19	7.17
2	Encouraging	37	13.96
3	Discouraging	153	57.74
4	No response	56	21.13
<b>Total</b>		<b>265</b>	<b>100.00</b>

### **Implication of Policy Changes by Government**

Table 4.20 showed that 82.26% of the entrepreneurs opined that the Government policy changes influenced adversely on their profitability, whereas 6.04% said that it resulted into improved profitability and 8.68% said it had no impact on their profitability.

**Table 4.20: Implication of Policy Changes by Government**

<b>S/No.</b>	<b>Option</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Improved profit	16	6.04
2	Adverse impact	218	82.26
3	No impact	23	8.68
4	No response	8	3.02
<b>Total</b>		<b>265</b>	<b>100.00</b>

## **The Critical Success Factors In Small Business Entrepreneurship**

Twenty-three critical success factors were highlighted in the study and the entrepreneurs were asked to rank these success factors according to their importance and how it affected positively or negatively on their performance in terms of productivity and profitability. Table 4.21 showed the outcome. Customers, Marketing, Government Support, Capital, Managerial Competence, Innovation, Business Plan, Availability of Raw Materials, Infrastructural Facilities, Quality of Products/Services, Financial Support, Skills and Knowledge, and Technology in that order dominated the choice of the entrepreneurs. Education, Information technology, Experience, Risk-bearing, Family background, Communication facilities, Training and Development, Networking were lowly ranked. Customers had 16.08% and Information technology had 0.61%, which was the highest and lowest in the ranking respectively.

**Table 4.21: Critical Success factors in Small Business Entrepreneurship**

S/No	Option	No of Respondents	Percentage
1	Technology	175	2.87
2	Education	95	1.56
3	Government Support	512	8.40
4	Financial Support	177	2.90
5	Infrastructural Facilities	232	3.81
6	Availability of Raw Materials	238	3.92
7	Communication Facilities	56	0.92
8	Training and	94	1.56

	Development		
9	Customers	980	16.08
10	Marketing	684	11.22
11	Information Technology	37	0.61
12	Financial Mgt.	121	1.98
13	Knowledge and Skills	194	3.18
14	Profitability	354	5.81
15	Business Plan	332	5.45
16	Networking	68	1.12
17	Quality of Product/Service	184	3.02
18	Innovation	348	5.71
19	Risk bearing	87	1.43
20	Experience	102	1.67
21	Family Background	88	1.44
22	Capital	501	8.22
23	General Mgt.	436	7.15
Total		6095	100.00

### **Summary of Findings**

The study revealed that the start-up capital were mainly through personal savings and loans from friends and relations. The financial institutions and financial assistance from the Government are not encouraging. This shows that the financial institutions shy away from the small business entrepreneurship due to lack of faith and trust on the capability and capacity of the small entrepreneurs to meet their financial obligation of loan repayment. The average age of the entrepreneurs was between 31 and 40. It thus shows immaturity and inexperience on their trade and businesses, which may be a contributory factor to the unwillingness of the financial institutions to extend credits to the small business entrepreneurs. Experience is a critical factor in the canon of lending.

The educational backgrounds of the entrepreneurs are poor; surely, entrepreneurship requires good and sound educational background, whether these are gathered from experimental or formal education. The myth, which has since long been believed, that only persons with adequate educational background will be successful no longer holds well. The ownership structure of the small business enterprises are mainly sole proprietorship. This form of ownership structure does not give room for growth and development due to the limitations of sole proprietorship form of business ownership. Inadequate capital and inaccessibility to cheaper sources of funds are the main disadvantages.

The entrepreneurs were highly motivated to establish their business enterprises due mainly to their business experience and the strong urge to do independent jobs. These are in line with previous findings that successful entrepreneurs were primarily motivated to do something on their own due to their experience. Especially where there are already customers and high profitability for the products or services. Moreover, their attitude to competition is good and encouraging.

The management problems faced by the entrepreneurs were enormous. They lacked the human resource, financial and marketing management skills, and knowledge, due to poor training and development programmes on those who are to encourage entrepreneurship. What has been the role of the government agencies in mitigating these problems? The government agencies are not doing much in these regards; the entrepreneurs are on their own. However, the production management skills and knowledge possessed by the entrepreneurs are encouraging. They understand the production techniques very well but lack the marketing techniques. Moreover, marketing is very crucial for the success of the entrepreneurs. Subsequently, their perceptions of innovation are rather negative. Again, this is a basic ingredient

for a successful business enterprise. If they were to embrace innovation, their skills and knowledge in marketing and financial management would have been enhanced and improved. The entrepreneurs also have other problems to curtail, such as financial constraint, general management problems and problems emanating from government agencies. Small business entrepreneurship should be encouraged, as they are the dynamic vehicle for the industrialization of the region. The Family background of entrepreneurs influences their occupational choice. The business families supply more entrepreneurs than any other type. The persons from business families are directly or indirectly exposed to family business, which inculcates into them the entrepreneurial culture and business principles and practices.

In spite of the problems identified above, the entrepreneurs expressed satisfaction of their customers as regards the quality of their products or services. These are mainly due to their thorough understanding of the production management, coupled with their rich experience on the trade and business. As it is common with sole proprietorship form of business ownership, the management and ownership are family based-self, wife, and children. The findings of this study are not different from previous studies on the management of small business enterprises; family members dominate them, with unskilled or semi-skilled labour force.

Government should strive to be consistent in their programmes and policies, as any change tend to affect the small business enterprises adversely as revealed in the study. It disrupts their plans and disorganizes the management and the organization, and makes them ineffective. The customers and marketing were identified as the critical success factors in small business entrepreneurship in Gondar. This is in line with Drucker's contention that the purpose of every business lies out the business, that is to create and retain customers.

Finally, small business entrepreneurship in Gondar faced the major problems of technological obsolescence, irregular of raw materials, lack of organized marketing channels, unorganized nature of operations and other infrastructural deficiencies. Keeping in view the changing business environment, this study has implications for the promotion of small business entrepreneurship in Gondar in particular and Ethiopia in general.

### **Conclusion and Recommendations**

Entrepreneurship is a function of several factors. In the first place, individuals, who, for some reasons, initiate, establish, maintain, and expand new enterprises, generate it in a society. The second factor is socio-cultural traditions because the traditions of the families and the society affect the entrepreneurs. Other factors that directly influence entrepreneurship are the socio-political and economic policies of the government and financial institutions, as well as the effective functioning of the support systems. In the support systems, we include financial and commercial institutions, research, training, extension, consultancy services, and ancillary industry.

Small business entrepreneurship is playing a remarkable role in widening the base of entrepreneurship in Gondar. The development of small business entrepreneurship offers an easy and effective means of achieving broad-based ownership of industry, the diffusion of enterprise and initiative in the industrial field and easy induction of new entrants from middle levels of society to take up industrial ventures and provides an extensive training and practicing base for entrepreneurial talents in various directions. In this sense, small business entrepreneurship proves to be the seedbeds of entrepreneurship.

Consequently, the following recommendations are advanced:

Management training and development programmes should be conducted by the government agencies with a view to acquaint the small business entrepreneurs with the modern principles and practice of management.

The small business entrepreneurs must keep in touch with those who possessed with the latest in all these fields- economics, legal, cultural, technological, informational, and ecological and he/she should understand the dynamics of the overall socio-economic and political systems. The environment influences the entrepreneurs and it should be changed if it is not conducive to his/her development.

The availability of financial assistance to small business entrepreneurs should be made on liberal terms. It can be increased by removing or at least raising the interest rate ceiling and making it worthwhile for banks to lend to small enterprises. Refinancing facilities should be provided to the financial institutions engaged in financing small enterprises. More persons should be inspired to set up small enterprises. This can be done by locating would-be entrepreneurs and giving them various incentives for industrial ventures. The financial assistance should also be offered on instalmental basis.

There should be consultancy services for small enterprises. The small enterprises require expert advice for solving their day-to-day problems. With the marketing problems, the government should collect information about present and prospective markets for various products and disseminate it to the enterprises at the earliest possible time. The marketing information system should revolve around providing the entrepreneurs with timely and accurate information about the market.

The state should set up an apex institute for entrepreneurship development. It should take up the task of training the new entrepreneurs. They should be given training

as to the formalities for setting up new enterprises, accounting techniques, relevant laws, managerial functions, etc. Besides general training, the programmes should also include the specific information about the industry, which an entrepreneur is entering.

A proper entrepreneurial information system should be designed and a data bank as to the small enterprises should be prepared to identify the problems of small enterprises and to give useful suggestions to would-be entrepreneurs. They should be encouraged to form partnership and cooperative societies, to prevent the sole proprietorship dominance with its limitations, which impedes growth and development.

The government should create a proper enabling and friendly environment for the promotion of entrepreneurship in the state. The programmes, policies, and attitudes as to the small enterprises sector should change to sub serve the requirement of this sector. The venture funds should be set up to meet the requirements and needs of the small enterprises and entrepreneurs.

The entrepreneurs are responsive for the impressive growth and development of small enterprises in the country. Any policy measure regarding small enterprises should address itself to the needs of entrepreneurs. Entrepreneurship cannot develop and sustained in a restrictive and bureaucratic environment, which is unfortunately the current situation in the country. Instead of piecemeal incentives administered poorly to small enterprises, covering different items by different agencies, the sector should be freed from the clutches of statutory rules and regulations. The sector should be provided with modernization and technology improvement assistance; and appropriate management techniques are to be developed for effective management of business enterprises, which will bring about the industrial revolution of Gondar through small business entrepreneurship.

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