IDENTIFYING CONCEPTUAL MODEL FOR SMALL AND MEDIUM Sized SPORT ENTERPRISES

S.M. Azimzadeh, M. Ehsani, A. Kordnaeij and H. Kozechian
Department of Sport Management, University of Tarbiat Modares, Iran

Abstract
Nowadays, the new enterprises are recognized as the main source of job creation, innovation and development. Therefore, identifying the factors playing key roles in the start-up of small and medium sized enterprises (SMEs) is critical.

Purpose The purpose of this study is identifying a conceptual model for SMEs start-up emphasizing to sport.

Methods The methodology was qualitative. From the participants of this study, 18 scholars involved in SMEs were selected through purposive sampling.

Results After a careful investigation of enterprise start-up models in the literature, and based on the results of experts interviews, the integrated approach was indicated as popular models were used by SMEs scholars. Then, a model was proposed in line with integration approach.

Conclusion Therefore, three important factors indicated in conceptual model: 1. Individual; 2. Environmental; and 3. Financial factors. It should be mentioned that these factors were constitute of sub-dimensions.

Key Words: Small and medium size / Enterprise / Sport / Start-up / Conceptual model
Introduction
Today, creativity and innovation are inevitable components of every country’s progress and economic growth. Thus, they work to their full potential to take steps to strengthen the entrepreneurial spirit. It is acknowledged that entrepreneurship is the new economic driving force in the world and in the next ten years it will be creating thousands of new enterprises (Tonge, 2001). It should be pointed out a wave of new enterprises started in the 1980’s accompanied with cutting taxes, and benefits of the technology boom (Hormozi, 2004). At the time, the re-emergence of small and medium firms in the 1980’s, particularly in terms of job creation has been in spotlight.

Small and medium sized enterprises
There is no clear-cut and acceptable definition of Small and medium sized enterprises (Storey, 1994). But, according to the Statistical Center of Iran, enterprises are classified into four groups: enterprises with 1-9 workers; 10-49; 50-99; and More than 100 workers. Statistical Center of Iran considers only enterprises with a workforce of less than 50 as small and medium enterprises (Statistical Yearbook, 2008).

The importance of small and medium enterprises
Studies have shown that small enterprises, have accounted large enterprises for the entire world economy. They have high participation and partnership with private sector, (Storey, 1994). Where more than 95 percent of firms in Europe are classified as SMEs. For example, 99 percent of all enterprises in England are related to SMEs making up a total of 65 percent of total employment and 57 percent of GDP in this country (Tonge, 2001). Therefore, such enterprises have a vital role in the economy (Stanworth and Gray, 1991); on one hand, identifying important factors that can create small and medium enterprises before starting up an enterprise will provide a good understanding and help initiators and sport entrepreneurs to succeed in this regard. So, the research on the identification and analysis of factors influencing SMEs is an important step in the creation of SMEs and promotes the necessary awareness for sport entrepreneurs and founders of these companies.

Theories and models related to entrepreneurship and small and medium enterprises
Various theories have been proposed in terms of the movement towards entrepreneurship and enterprise creation: some scholars of the humanistic school have referred to the entrepreneurial approach. This school regards successful entrepreneurs as having the following characteristics: need to succeed, require low control, high need for independence and autonomy, moderate risk, high self-esteem and
ability to withstand high purpose, persistence, enterprise information and preparation to deal with failure (Ostadzadh, 2003). In line with this philosophy, theories of entrepreneurial personality refer to the same characteristics of the human personality. Also, sociological theory considering importance of sociological structures such as social class, family composition, social background, parental occupation, etc. can also be considered from a human perspective. In other words, all three schools think of the entrepreneur as an important factor in the development of entrepreneurial activities and enterprise focus.

**Models and studies focused on entrepreneurs**

**Personality characteristics**

Researchers have paid attention to the characteristics of individuals as one of the factors at stake in creating new enterprises (Schwarz et al., 2009) and expressed that more than 20 percent variance of entrepreneurial intention can be explained through personality characteristics (Frank et al., 2007). Thus, research has shown the personality characteristics for entrepreneurial intention are: the need for success, the amount of risk taking, creativity and self-control (Brockhaus and Horwitz, 1986, quoted by Schwarz et al., 2009); results of Frank et al (2007), have also confirmed this finding. However, much research have been carried out into the important position and influential personality characteristics noted in the creation of small and medium enterprises (Acs and Audretsch, 1989; Schwarz et al. 2003; Pillis and Reardon, 2007; Hall and Court, 2009), but the other researchers also viewed it with skepticism including Kessler (2007) and Masodnia (2007), pointing out that personality paradigms in entrepreneurship face serious issues and challenges, they also acknowledged that in general, personality characteristics are meaningful only in relation to other factors such as environment, founder resources and processes.

**Background factors**

The personality approach to entrepreneurship research can in fact reduce characteristics of entrepreneurs, just to a component of a whole aspect of entrepreneurship. In this regard, the use of other approaches, such as demographic approach to achieve the ideal profile of an entrepreneur via demographic information seems inevitable (Masodnia, 2007). Accordingly, a large pool of research has considered the demographic variables as predictors of a enterprise deal. Shane and Venkataraman, (2000) pointed out in their study that parents and close friends or neighbors encourage entering the market. The findings of other studies (Bates, 1995) also support the finding. In research on graduates in England, Dolton and Makepeace, (1990), concluded that sex, age and social class shaped the motivation
for the enterprise. In another study, in America, it was reported that marital status, education and financial support had a significant relationship in creating enterprise and employment amongst employed and jobless workers (Evans and Leighton, 1990).

**Entrepreneurial skills**

Entrepreneurs are people who have the knowledge and skills to gain entrance into other enterprises, markets, products or new technologies. On the other hand, lack of entrepreneurial skills is a major challenge faced by entrepreneurs in establishing enterprises and the major reason for poor performance in the company. If lack of these skills and areas of their enterprise and costs are minimized, then the chances of a new enterprise venture will be at the maximum (Papagiannidis and Li, 2005). In this regard, Chen et al. (1998), offered the following skill areas: marketing; management; risk; and financial control. Anderson et al. (2006), also, classified the entrepreneurship skills as following. 1. The individual skill, such as: innovation, risk ability, ability to deal with unknowns, accept challenges, responsibility and search for change opportunities 2. The Communication skill Such as: effective interaction with others, effective communication, negotiation (bargaining), and effective leadership; 3. Process skills, such as: program planning and organization ability, analysis ability environment analysis and evaluation, plans implementation ability.

**Environmental factors**

Another group of researchers have pointed to the environmental school and a set of environmental factors, such as: good environment; economic; social; political; technological factors. According to this school, without the proper environment, entrepreneurship and enterprise will not be possible. In entrepreneurship, the relationship between the environment and the organization is a newly developed approach. Supporters of this approach believe that the entrepreneurial personality approach has reached its end and has a small contribution to the understanding of the new company (Mazzarol et al. 1999). It is worth noting that the behavioral theories have a focus on environmental factors. Accordingly, environmental factors such as supportive government policies, economic conditions, education etc. are effective in Entrepreneurship and new enterprise creation process (Ostadzadeh, 2003). Enterprise environment is analyzed through analysis and evaluation of different models including PEST model. PEST stands for political, economic, social and technological factors.

**Political factors:** Researchers point out to the role of government in facilitating entrepreneurial activity and creating new enterprises. Some of the most important government policies and programs for development of entrepreneurship shall be formulation of relevant laws and regulations, tax policies, simplicity of administrative procedures, financial support and loans, promoting entrepreneurship and education,
information and advice to entrepreneurs and creating the necessary infrastructure (Lundstrom and Stevenson, 2001). In general, one of the most important ways to encourage the public sector to create enterprise is providing financial packages (fini et al. 2009).

**Economic factors:** All enterprises are affected by national and international economic factors. Such factors are the type of economic system prevailing in the country; government interference in free markets; competitive market advantages; the change rate and monetary stability in the country; the efficiency of financial markets; quality of infrastructure; labor skills; labor costs; the rate of economic growth; unemployment rate; interest rates; and inflation (Vienna, 2006). In addition, the economic environment refers to economic indicators; economic recession; capital and unemployment (Izaidin et al. 2008).

**Cultural and social factors:** The social factors that influence people’s willingness and new approaches for SMEs include: lifestyle changes; cultural aspects of the macro environment; demographic factors (population growth rate distribution, age, etc.); class structure; education; culture (gender roles, etc.); entrepreneurial spirit; attitudes (health, career and job, etc.); leisure interests; social values; preferences and standards of living; social trends, such as: changes in the demographic profile and environmental protection (Vienna, 2006). According to Morrison (2000), there is a significant relationship between culture and entrepreneurship. In addition, GEM (2000-2002), made clear that the British social and cultural conditions (eg, negative attitudes to create value and enterprise failure) was the main obstacles to the growth of entrepreneurship (Izaidin et al. 2008). Overall, the values and beliefs can shape behavior and culture of a society (Mueller and Thomas, 2000). Accordingly, many studies are associated with the relationship between culture and entrepreneurship (Lee and Peterson, 2000; Mueller and Thomas, 2000).

**Technological factors:** Technological progress and social and economic changes in most cases are matched to create the opportunities. For example, production of mobile technology is an achievement, but the motivation behind it is a growing population that will be willing to communicate with their colleagues, customers, friends and their families in any place and time. So many websites make it possible for customers to order goods through the Internet. It should be noted that this impact is not just the e-enterprise technology so attractive. The main reason that people buy online is that today more people are busy and prefer to shop whenever they have time to buy (Baringer and Duane, 2009). Certainly, to participate in the economy, SMEs are required to optimize the organization and strengthen the competitive vigor (Amid and Ghamkhari, 2009).
**Capital factors**

It can be kind of economic theory. Because the theory of entrepreneurship emphasizes on talent, capital and wealth creation (Ostadzadeh, 2003), this is materialized whenever the risk of investment in time and place occurs. Achieving the required funds for enterprises has always been a challenge for entrepreneurs. Successful entrepreneurs have the skills needed to obtain funds from a variety of ways.

**Financing small and medium enterprises**

Wide range of funding sources is available to entrepreneurs and different ways of classifying them are proposed. In a classification of these resources, (Deakins and Freel, 2003), financial resources of entrepreneurial companies were classified into two categories: external and internal parts. In another categorization, Carlo et al. (1999), divided the financial resources into two categories: formal and informal sources (quoted by Sadrynia et al. 2009). While Sadrynia et al. (2009) and Eslami and Bigdlo (2005), divided funding for small and medium enterprises into four categories: 1. Private sources of financing; 2. Debt financing (borrowing); 3. Financing the capital (equity); and 4. The internal financing.

**Private sources of finance:** are the first sources of funds needed to provide entrepreneurs and start-up enterprise to make it work, these resources include:37 private sources (personal savings), and friends and relatives.

**Debt financing (borrowing) to finance through debt, including borrowing funds that owners of SMEs have to repay with interest. These sources include commercial banks and short-term loans, medium term and long-term. Enterprise owners regard banks as lenders following by financial institutions - credit and insurance companies. **Equity financing:** In this method, while the risks are shared, the potential revenues will be divided. Some common sources of equity financing are enterprise angels: these are wealthy individuals who invest directly in companies that are in the beginning and have not yet determined a price for them. They have no relationship with the entrepreneur. (Deakins and Freel, 2003). **Internal methods of financing:** SMEs owners are both reliant on outside funding and internal sources. But in turn, an enterprise has the capacity to generate capital. This type of financing is available for small companies.

It should be noted, the financial resources are necessary to create a enterprise entity (Kessler and Frank, 2009) and enterprise capital double with environmental and individual factors. Thus, the researchers expressed that financial capital is the resources required for the formation of new institutions and activities, and financial decisions (Cassar, 2004). In this connection, researchers such Izaidin et al. (2008), showed that most respondents (77 percent) expressed a lack of capital for start-up, while 66% did not know fundraising methods. Findings like
these underpin the importance of awareness of the diversity of funding sources and how they can help entrepreneurs in SMEs achieve success.

**Comprehensive model for small and medium enterprises**

As mentioned earlier, each of the theories and schools considered entrepreneurship and creating new enterprise processes from their unique perspectives. So to address the weaknesses and strengths of these approaches, researchers developed a theory known as integrated theory. This approach is a combination of afo-mentioned theories and believes that each approach can not alone discuss entrepreneurship and enterprise. The integrated theory considers all previous theories such as specifications and features inherent in the theory of the entrepreneurs, events for entrepreneurs, potential investors and wealth creation (economic theory) and sociological structures (Ostadzadeh, 2003). Under this approach, much research and discussion explained the entrepreneurship and small and medium enterprises processes, and certain models have proposed to be covered in the following paragraphs.

In his conceptual model to describe the phenomenon of creating a new enterprise venture, Gartner (1985), suggested the following factors: people: persons who involved in starting a new enterprise. Organization, the type of company which is created. Environment: the new organization situation; process: activities that are performed by individuals for enterprise.

Greenberger and Sexton (1988), noticed starting-up a enterprise arising from the interaction of several factors including: personality, situational variables (social exclusion, environmental protection, financial and family support) and perceptions of social support. However, the Acs and Audretsch (1989), showed that a small company start-up is a decision that is taken by a person in the employment market. This decision is influenced by several factors, such as work experience, motivation, personality, norms and social conditions, family environment. Another development regarding SMEs reported by Mazzraol et al. (1999). They investigated the factors influencing the creation of small enterprises and concluded that personal and environmental factors are the main factors. In confirmation of this finding, it should be noted that most research in the field of entrepreneurship are fulfilled in two areas of:

- Entrepreneur’s personal characteristics or features
- Underlying factors (environment) as: economic, social, cultural and political

Of course as far as environmental factors are concerned, Specht (1993), has acknowledged that environmental factors affecting a enterprise organization are social economic, political and infrastructure factors. McPhee (2000), also refereed to individual and environmental factors. He offered the following factors in his model
of entrepreneurial behavior: the underlying economic-social including: sex, age, social class, educational status, marital status and race; conditional factors including: social-economic structure, economic and regional development; individual factors including: the need for achievement, internal control, the need for independence, creative behavior and social psychology and macroeconomic factors including political shifting, cultural displacement, economic dislocation, capital inquest, and environmental factors.

Other scholars such as Parker and Belghitar (2006), expressed the individual characteristics and economic success are doubled with enterprise venture. Some others mentioned factors for success. For example, Reynolds (2007) cited the primary factors for the success in Enterprise start-up: enterprise experience, financial structure and activities for organization, a team of financial commitment, and aggregate resources and the rapid creation activities. Van Vuuren and Groenewald (2007), also pointed to factors in the enterprise: interpersonal conflict at work, role models, effective time management, and support for parents and counselors. Of considerable research in this area is that of Smith (2008), he considered these factors: financial factors, individual factors, economic factors, governmental factors.

(Fini et al., 2009), also explored factors in the development of enterprise in universities and pointed to three factors: macro-level determinants (environmental impact); mechanisms to support university-level and micro-level factors (factors related to individual level). It can be seen that once again the importance of environmental and individual factors in a enterprise is noted. Schwarz et al (2009), showed their model that a combination of environmental and individual factors related to entrepreneurial intention. The proposed model focused on three components: public attitudes, entrepreneurial attitudes and perceptions of environmental conditions. Hall and DeVaney (2009), in their study come to the conclusion that factors such as attitude, subjective norm (gender, race, and parents) and perceived behavioral control (education and training and experience) affected the enterprise. Also, Townsend et al. (2010), in their study expressed great confidence that the people decided to launch their enterprise even with the high probability of failure of their enterprises.

As mentioned earlier, researchers developed combined or interactive models to explain the factors affecting small and medium enterprises

**Research Methodology**

This was a qualitative study. In this study, previous studies that were addressed in the creation of small and medium businesses and the factors involved in such businesses were identified. As such, 18 active researchers in the field of entrepreneurship and SMEs were selected through purposive sampling and were arranged semi-structured interviews. The analysis unit in this study was individual unit and observation unit was active researchers...
in the field of entrepreneurship and small and medium businesses. It should be noted that the findings reached the saturation point in the samples of 14, 15, 16, 17 and 18.

Results and Findings

As far as the factors influencing the creation of small and medium businesses were concerned, some researchers argued individual factors like personality traits were important for success in the business founders (Van Gelderen et al. 2006). Others believed in resources dimension as a success factor for SMEs (Van Gelderen et al. 2006; Parker and Belghitar, 2006) Some others established the pull and push factors of the environment for success in creating SMEs (Parker and Belghitar, 2006; Liao, J. and Gartner, 2006). Other researchers said the results of operations and process were important in this regard (Van Gelderen et al. 2006; Parker and Belghitar, 2006; Liao, J. and Gartner, 2006). But what is certain is that the environmental factors (including political, economic, social and technological), individual factors (which were referred to the entrepreneur’s personality and background) and resources (human and financial capital) were manifest in the majority of findings believed as factors interact with each other towards entrepreneurship and SMEs.

The results of interviews with the experts suggested that individual factors (entrepreneurial personality, background, life experience and skills needed in the field of entrepreneurship) and the environmental factors interact with each other as the main factors involved in creating businesses which were consistent with the results of the research literature. Interestingly, samples considered the individual factors more important than environmental factors. Additionally, they deemed initial capital as a main factor in SMEs establishment. They also expressed that the entrepreneur’s personal assets were more important than Bank loans in terms of SMEs creation.

Table 1 Descriptive profile of respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Gender</th>
<th>Age</th>
<th>Education</th>
<th>Job</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>female</td>
<td>30-40 41-50 51-60 61-70 MA</td>
<td>PhD candidates PhD Student Researcher Professor</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>14  5  7  4  2  3</td>
<td>2  13  2  3  13</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18 person in each variable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Table 2, most respondents (67%) were aged between 30 and 50 years and most of them (72%) had a PhD and were university professors.
Discussion

This study aimed to explain the most important factors in a business creation. Therefore, based on a literature review, we identified three main schools of entrepreneurship and SMEs. First, humanistic school focuses on the entrepreneurs and the respective concerns. Accordingly, their personalities and backgrounds including family, education, work experience and entrepreneurship, gender, age etc., play decisive role in creating successful businesses (Acs and Audretsch, 1989; Shook et al. 2003; Van Vuuren and Groenewald, 2007; Pillis and Reardon, 2007, Frank et al, 2007; Hall and DeVaney, 2009). Second, the environmental factors were mentioned referring to macro-environmental factors such as politics, economics, society-culture and technology in making effective business (Specht, 1993, Vienna, 2006).

As afro-said, the above approaches and schools considered the entrepreneurship and business creation process form their own perspective which undoubtedly had, in turn, their own defects and drawbacks. Therefore, practitioners pursued interactive approach to cover the shortcomings and the strengths of previous approaches. In this approach, they try to establish individual and environment interaction and this interaction. It should be noted most researchers thought the approaches should interact together to achieve success in creating SMEs (Gartner, 1985; Mazzraol et al. 1999; Korunka et al. 2003, Parker and Belghitar, 2006; Smith, 2008; Izaidin et al. 2008; fini et al, 2009; Schwarz et al. 2009). Also, the experts interviewed in this study agreed on the issue and acknowledged that two factors should be considered together in a noted interactive approach. In order to be successful in the SMEs creation process,

Perhaps, one of the important reasons regarding interactive approach is that researchers are capable of including other factors into their models by using it. Hence, according to the literature review and the expert panel opinion, the financial and capital resources, also, can be very necessary and as one of the most important factors in SMEs (Kessler and Frank, 2009). So this factor was doubled with individual and environmental factors and was included into the conceptual model.

Conclusion: The conceptual model

According to the literature and interactive model, it can be concluded that, in general, the majority of research on factors affecting the business, environmental factors and individual factors have been considered as important and influential and play a central role in the process of creating business (Mazzraol et al., 1999). However, a number of researchers have attempted to ensure that each of these factors contributed effectively to the creation of small and medium enterprises, but it should also be kept in mind that these factors can contribute
to business creation providing considered together. Of course, we can include other important facilitating factors (e.g. resources and financial capital) in terms of the creation of new small and medium businesses in the interactive model (Kessler and Frank, 2009). Hence, this factor has been studied in this conceptual model, as well. Accordingly, the conceptual model and its theoretical basis are described below.

Each of the above-mentioned theories and schools considered entrepreneurship and new business processes from their own perspective. So to cover the weaknesses of these approaches and take advantage of their strengths, researchers suggested another theory known as the comprehensive retrospective. This integrated approach is based on the belief that each approach, alone, cannot fully investigate the entrepreneurial and business aspects. Therefore, the underlying theory encompasses all factors in creating business and entrepreneurial process such as common specifications and features inherent in the entrepreneurs, their business and life events, environmental factors, investment and wealth creation potential (economic theory) and sociological structures (Ostadzadeh, 2003).

![Conceptual model for the research](image)

**Figure 1** Conceptual model for the research
Hence, the integrative approach to the interaction between the entrepreneur and the environment (including: social, financial, technical, etc.), emphasizing on the other important variables is inevitably useful to explain the most important factors in SMEs (Masodnia, 2007). Accordingly, with respect to existing models in the creation of small and medium businesses and considering the important factors in this process, we developed the research conceptual model shown in Figure 1. As can be seen in the model, three main factors are important to small and medium businesses start-up, including: environmental, individual and capital factors. These factors, also, each of them has its own sub-categories. For example, environmental factor encompasses its own subdivision as political, social-cultural, economic, and technology dimensions. Plus, the individual factor, involves personality characteristics of entrepreneurs, entrepreneurial skills and individuals background dimensions, and finally, the capital factor includes private resources, capital and equity and debt sub-divisions. Presumably, these factors may interact with each other for a proper analysis of business processes and possibly cover the weaknesses and take advantage of the strengths of previous models to develop a more comprehensive model in order to effectively consider the SMEs start-up. It seems that, compared to other models, this model can display the most critical factors influencing business start-up specially for small and medium sized sport enterprises.

References


