St. Mary's University

SCHOOL OF POST-GRADUATE STUDIES

# EFFECT OF BUSINESS FACTORS AFFECT MICRO AND SMALL ENTERPRISE IN ADDIS ABABA: NIFAS SILK LAFTO SUB CITY


BY:

JEMILA ABDURAHMAN


JULY 2024

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY DEPARTMENT OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR MASTER OF BUSINESS ADMINISTRATION (MBA).**

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APPROVED BY BOARD OF EXAMINERS

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## Acronyms

MSEs…………………………..……….…….Micro and Small Enterprise

RBV…………………………………………..…Resource-Based View

SBPI……………………………………..….. Small Business Performance Index

EO-S………………………………………….... Entrepreneurial Orientation-Strategy

HCM…………………………………………… Human Capital Model

ISM…………………………………………….. Innovation System Model

## *Abstract*

*The research aims to analysis the Effect of Business Factors Affect Micro and Small Enterprise In Addis Ababa Nifas Silk Lafto Sub City. Accordingly, all the necessary data has been gathered from primary sources using questionnaires and interviews and secondary data from other source that related to the topic. Simple random sampling technique was used and the number of participants was 153 owners and managers. The researcher used descriptive and inferential analysis with the help of tables and percentages to analyses the quantitative data. The questionnaires were analyzed by using statistical software program namely Statistical Package for Social Science (SPSS version 27). The regression analysis also indicates that all independent variables have a significant positive impact on business success. The results of the regression analysis show that the model explains 40.5% of the variance in business success, with the remaining 59.5% being attributed to other factors that are not included in the model. The innovation factor has the greatest impact on business success, with a standardized coefficient of 0.383 and a significant level of 0.05. The finding reveals that financial start up, building teams, marketing product and innovation factors are positively correlated with business success. Also the finding investigated financial start up, building team, marketing product and innovation factors have a positive and significant effect on business success of micro and small enterprise. Based on the findings of the study, the researcher recommends that the micro and small enterprise to explore alternative sources of funding, such as microfinance institutions, venture capital, and crowd funding to overcome financial difficulties.*

***Key word: - Business Success, Building Team, Marketing Products, Financial Start Up, innovation of product.***

# CHAPTER ONE

# INTRODUCTION

This chapter deals about background of the study, statement of the problem, objectives of the study, hypothesis, significance of the study, scope of the study, limitations of the study and organization of the study.

## 1.1 Background of the Study

A business is an organization or entity that carries out commercial, industrial or professional activities for the purpose of making money. According to Investopedia (2021) business is the process of producing, purchasing, selling, supplying goods or providing services for money. Each business needs some form of capital and a large enough number of customers to sell its output to on a regular basis to make a profit.

Venture capital is a form of capital investment and a type of financing that investors provide to startups and small businesses that are believed to have long-term growth potential. Venture capital usually comes from wealthy investors, investment banks and other financial institutions (CHEN, 2020). In any case, the rules of venture capital are unique because they have two organizational identities and the unique characteristics of social enterprises such as social mission, entrepreneur and passion for social change and community network are critical evaluation factors (Cacciolatti, 2020). The first step for any company seeking venture capital is to submit a business plan to either a venture capital firm or an angel investor. If a company or investor is interested in a proposal, it must conduct due diligence which includes, among other things, a thorough investigation of the company and its business model, products, management and operating history (CHEN, 2020).

According to Hyder and Lussier (2016) both claim that more than 80 percent of startups fail in their first year of existence, although the factors influencing startup success have been developed, start-up failure increases with lack. Based on the study by Mauritius (2017) Startups play an important role in society and business. They are responsible for creating jobs, creating new industries and reviving old industries (Gopalkrishnan, 2017).

A successful startup is described here as success in the business ecosystem that they buy or publish you (Hyder, 2016) as well as the achievement of the company's goals and also a measure of good management (Thanh, 2015). A successful business means managing market share and customer size and increasing sales and profitability which should be above the industry average (Mauritius, 2017).

Effective marketing strategies are critical to attracting customers and achieving business success. According to the study by Morgan and Vorhies (2018) highlighted the importance of developing a comprehensive marketing plan for customer acquisition and retention in the financial services industry. They found that startups that used social media and content marketing effectively achieved higher growth. By focusing on building a strong team and implementing effective marketing strategies, financial startups can increase their chances of success and stand out in a competitive market.

MSEs in Ethiopia have limited access to credit and other financial services, which hinders their growth and development (Alemu 2018). MSEs in Ethiopia often struggle to access local and international markets due to lack of infrastructure, logistics, and marketing expertise (Hagos 2020). Many MSEs in Ethiopia lack the technology and innovation needed to compete with larger firms (Berhanu, 2019).

MSEs in Ethiopia often receive inadequate support from government institutions, including regulatory bodies, banks, and business associations (Tadesse 2020). MSEs in Ethiopia often struggle to attract and retain skilled workers due to lack of competitive salaries and benefits (Worku 2018).

A funded startup, building a strong team and effective product marketing are key elements to ensure the success of a business. Ensuring sufficient financial resources, implementing comprehensive financial planning and effective allocation of resources was promoted sustainable economic growth. Building a strong team that promotes open communication, clear roles and goal alignment increases productivity and adaptability. Conducting market research to tailor product offerings to specific customer needs and using effective marketing strategies such as branding and advertising helped build strong market share and increase sales. That is why it is a big deal to start finance, build a team, market a product for business success, the research focuses on the barriers to business success.

## 1.2 Problem of the Statements

Starting a new business can be a complex and difficult process that requires careful consideration of various factors. The researcher gets an idea of the main factors influencing business success and defines strategies to achieve sustainable growth. According to the study by Kim and Bates (2016) found that having sufficient financial resources during the start-up phase has a positive effect on firm growth and survival. It emphasizes the importance of securing adequate capital for initial investment, operating costs and emergency financing.

According to a study by Shipper and Manz (2012) suggest that team cohesion is positively correlated with business success. Team building activities such as defining clear roles and responsibilities fostering effective communication and aligning individual goals with organizational goals contribute to improved productivity and innovation. Research by Druskat and Kayes (2000) emphasizes the importance of cohesive team dynamics in adapting to change and achieving long-term success.

According to the study conducted by Belbin, R. M. (2012) examines the concept of team roles and their impact on team performance. This highlights the importance of building diverse teams of individuals with complementary skills and strengths and argues that effective team building leads to better communication, collaboration and problem solving, which ultimately contributes to business success.

Innovation is essential elements for achieving business success in an ever-evolving marketplace. A study by Chesbrough (2020) found that organizations that prioritize innovation and continually adapt to changing consumer demands are more likely to thrive in competitive industries. This is further supported by the work of Teece (2018), who highlighted the importance of dynamic capabilities, such as the ability to innovate and adapt, in sustaining long-term business success.

According to a recent study by Harter et al. (2016), engaged employees are 17% more productive and 21% more profitable than their disengaged counterparts. This highlights the significant impact that employee engagement can have on a company's bottom line. Another study by Grant (2018) found that satisfied employees are more likely to go above and beyond their job duties, leading to increased innovation and creativity within the organization. This can give companies a competitive edge in the marketplace and drive long-term success.

As can be seen from the research above; most of the studies show that the important of the factors financial start up, building team, marketing product and innovation on business success. However, obtaining initial funding is the biggest obstacle facing small businesses in Ethiopia. As a result the majority of these businesses employee cheap manpower in attempt to overcome this difficulty, additionally, continuing to offer the same product or service denotes a lack of creativity and flexibility. The success of businesses is negatively impacted by this trend. So the researcher is motivated to concentrate on this topic by this gap. Therefore, the goals of this study to analysis the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City.

## 1.3 Research Questions

1. What is the effect of financial start-ups on success of Micro and Small Enterprise in Addis Ababa Nifas silk Lafto sub city?
2. To what extent does building strong team contribute to business success in Micro and Small Enterprise?
3. What is the impact of marketing product on success of Micro and Small Enterprise in the study area?
4. How does innovation contribute to business success Micro and Small Enterprise in the study area?

## 1.4 Objective of the Study

### 1.4.1. General Objective

The general objective of the study was the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City.

### 1.4.2 Specific Objective

The following are specific objectives of the study relevant to the above general objective are:

1. To examine the effect of financial start-ups on the success of micro and small enterprise in Addis Ababa Nifas silk Lafto Sub City.
5. To demonstrate the tangible benefits of building a strong team to the business success of micro and small enterprise in the study area.

2. To investigate the effect of marketing product on success of micro and small enterprise in Addis Ababa Nifas silk Lafto Sub City.
3. To evaluates the contribution of innovation to the success of micro and small enterprise in Addis Ababa Nifas silk Lafto Sub City.

## 1.4 Hypothesis of the study

Depending on the result of the literature review; the researcher states the following hypothesis.

H1) Financial Startup has a positive and significant effect on business success

H2) Building teams have a positive and significant effect on business success.

H3) Marketing products have a positive and significant effect on business success.

H4) Innovation has a positive and significant effect on business success.

## 1.5 Significance of the Study

The study on the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City, the key significant was:

Understanding the factors that contribute to business success by examining the impact of financial start-up, team building, and product marketing on the success of business, the study provides valuable insights into the key determinants of business performance. This understanding can help entrepreneurs and business owners make informed decisions about resource allocation and strategy development to enhance their chances of success.

The findings from this study can guide entrepreneurs and business owners in their business planning and decision-making processes. For instance, the study may reveal that a strong financial start-up is critical for success, highlighting the need for securing adequate funding or financial management skills. Similarly, understanding the importance of building a competent team and effectively marketing products can inform recruitment strategies and marketing initiatives.

This study contributes to supporting entrepreneurship by identifying areas that need attention for business success. By helping entrepreneurs understand the factors that influence success, the study can improve the chances of business survival and contribute to overall economic development.

It can help shape policies and support programs that provide adequate financial resources, mentorship, and marketing support to entrepreneurs. By aligning their efforts with the key success factors identified in the study, policy and support programs can be more targeted and effective in fostering business success.

This research can inspire further studies and conversations in academia, leading to a deeper understanding of the intricacies involved in starting and growing successful businesses.

## 1.6 Scope of the Study

The population of the study was delimited to micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City, woreda 02, Woreda 06, Woreda 10 and Woreda 11 since 2024.

The variables included in this study on the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City were financial start up, building team, marketing product and innovation as independent variable and business success as dependent variable.The purpose of the research is to find out how these factors affect the success of the micro and small enterprise. The sample of the study was 153 out of 250 populations by using simple random sampling techniques.

The researcher used an explanatory research design and a quantitative research approach. The study also used a sampling method of data collection instead of serving, this is due to the limitation of time and finance.

## 1.7 Limitation of the Study

The study does not include all micro and small enterprise that found in Addis Ababa. The reason was, it was difficult and unmanageable from broadens, and experience constraints point of view. So, this study was only limited to the micro and small enterprise in Addis Ababa nifas silk lafto sub city, woreda 02, Woreda 06, Woreda 10 and Woreda 11. Therefore, the study did not reflect the overall picture of the impact found in other sub city of the micro and small enterprise.

## 1.8 Organization of the Study

To cool the paper, it was divided into five large parts. In the first chapter, there was an introductory part that includes the background of the study, problem statement, research questions and research objectives, hypotheses, the significance & scope of the study and limitation of the study. The subject of the second chapter was a review of related theoretical and empirical literature, a conceptual framework. The third chapter explained and discussed in detail the research methodology, including approach and design, population, sampling technique and procedure, data source, collection tools and procedures, and data analysis mechanisms and presentation. The last was the fifth chapter, which was a discussion of the results and conclusion.

## CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

The intention of this chapter was examined the extensive body of literature related to financial start up, building team and marketing product in business sector. The business related literature covers the areas of financial start up, building team, innovetion and marketing product was discussed in detail.

### 2.2 Theoretical Literature Review

#### 2.2.1 Concept of Micro and Small Enterprise

Micro and small enterprises (MSEs) are defined as businesses with fewer than 10 employees and annual sales of less than $2 million (European Commission, 2011). They play a crucial role in the economy, accounting for approximately 90% of all businesses worldwide (OECD, 2019). MSEs are characterized by their limited resources, flexibility, and adaptability, which enable them to innovate and respond quickly to market changes (Coviello & Joseph, 2013).

Despite their importance, MSEs face numerous challenges, including limited access to finance, inadequate infrastructure, and lack of management skills (Kotey & Menictas, 2015). These challenges hinder their ability to grow and expand, leading to limited job creation and economic development (Ratten & Balachandran, 2018). Moreover, MSEs often struggle with limited marketing capabilities, inadequate technology adoption, and insufficient human resources (Schwartz & Hornych, 2018).

Entrepreneurship is critical for MSEs, as it enables them to innovate, adapt to changing market conditions, and create new opportunities (Shane & Venkataraman, 2000). Entrepreneurial mindset and skills are essential for MSEs to stay competitive and achieve success (Drucker, 1985). However, many MSEs lack the necessary entrepreneurial skills and knowledge to effectively manage their businesses (Lundahl & Sjölander-Lindqvist, 2014).

Micro and small enterprises (MSEs) are defined as enterprises that have fewer than 100 employees and an annual turnover of less than Birr 2 million (approximately USD 50,000) (Central Statistical Agency, 2019). In Ethiopia, MSEs play a crucial role in promoting economic development, employment creation, and poverty reduction (Alemu & Lemma, 2018). MSEs are characterized by their small size, flexibility, and ability to adapt to changing market conditions (Gebremedhin & Woldu, 2017).

Despite their importance, MSEs in Ethiopia face numerous challenges that hinder their growth and development. One of the main challenges is access to finance. According to a study by the Ethiopian Small and Medium-Sized Enterprises Development Center (ESMEDC), only 10% of MSEs in Ethiopia have access to formal financial services (ESMEDC, 2019). Another challenge is the lack of business skills and training, which is exacerbated by the limited availability of training programs for MSE owners (Hagos & Alemu, 2020).

The Ethiopian government has recognized the importance of MSEs in promoting economic development and has implemented various policies and programs to support their growth. The Small and Medium-Sized Enterprise Development Strategy (SMEDS) aims to promote the growth of MSEs by providing training, financing, and technical assistance (Federal Ministry of Finance and Economic Development, 2015). The Ethiopian government has also established institutions such as the Ethiopian Investment Commission and the Small and Medium-Sized Enterprise Development Agency to provide support to MSEs.

Studies have shown that MSEs have a positive impact on economic development in Ethiopia. A study by Tesfay (2019) found that MSEs create employment opportunities and reduce poverty in rural areas. Another study by Beyene (2018) found that MSEs contribute significantly to the country's GDP.

In conclusion, micro and small enterprises play a crucial role in promoting economic development in Ethiopia. However, they face numerous challenges that hinder their growth and development. The government has implemented various policies and programs to support MSEs, including providing training, financing, and technical assistance.

### 2.2.2 Theories and models of Micro and Small Enterprise

A theory is a well-substantiated explanation for a set of phenomena, based on a group of facts and principles that have been tested and confirmed through scientific investigation. Theories of Micro and Small Enterprises (MSEs) refer to the various conceptual frameworks and models that explain the nature, behavior, and performance of micro and small enterprises. Here are some key theories:

#### 2.2.2.1 Schumpeter's Theory of Entrepreneurship

Schumpeter's Theory of Entrepreneurship is a significant contribution to the field of entrepreneurship, offering a comprehensive understanding of the entrepreneurial process. Developed by Joseph Schumpeter, an Austrian-American economist, this theory posits that entrepreneurship is a key driver of economic growth and development. Schumpeter's work emphasizes the role of innovation, risk-taking, and creative destruction in shaping the economy.

According to Schumpeter, entrepreneurship involves the process of innovation, which is defined as the creation of new goods, services, or processes. This innovation can be driven by the entrepreneur's desire to create new opportunities or to improve existing ones. Schumpeter identifies three types of innovation: product innovation, process innovation, and organizational innovation. Product innovation involves the creation of new products or services, while process innovation involves the improvement of existing products or services through changes in production processes. Organizational innovation refers to the creation of new organizational structures or management practices.

Schumpeter's theory highlights the importance of the entrepreneurial process in driving economic growth. The process begins with the identification of opportunities for innovation, followed by the development and testing of new ideas. The entrepreneur then takes risks by investing in the venture, which may involve significant financial and personal sacrifices. If successful, the entrepreneur reaps the rewards of their innovative efforts, including profit and recognition. However, if the venture fails, the entrepreneur may suffer financial loss and reputational damage. Schumpeter emphasizes that entrepreneurship is a high-risk, high-reward activity that requires a unique combination of skills, knowledge, and personality traits.

Schumpeter's Theory of Entrepreneurship has significant implications for our understanding of economic growth and development. According to Schumpeter, entrepreneurship drives economic growth by creating new industries, jobs, and opportunities for investment. The process of creative destruction, where old industries are replaced by new ones, also leads to increased productivity and efficiency. Schumpeter's theory highlights the importance of fostering an entrepreneurial culture that encourages innovation, risk-taking, and experimentation. By supporting entrepreneurs and providing them with access to resources and networks, policymakers can promote economic growth and development. Overall, Schumpeter's Theory of Entrepreneurship offers a nuanced understanding of the entrepreneurial process and its role in driving economic progress.

#### 2.2.2.2 Resource-Based View (RBV)

The Resource-Based View (RBV) is a theoretical framework that suggests that a firm's resources and capabilities are the primary source of its competitive advantage. The RBV perspective emphasizes that a firm's resources, which include tangible and intangible assets such as physical capital, human capital, organizational capital, and social capital, are the key drivers of its ability to innovate, adapt, and compete in the market. According to the RBV, firms with access to valuable, rare, and inimitable resources have a competitive advantage over firms that lack these resources.

One of the core tenets of the RBV is the idea that resources are heterogeneously distributed across firms. This means that each firm has a unique set of resources that are tailored to its specific industry, market, and environment. As a result, firms must develop and exploit their own unique resource profile to gain a competitive advantage. The RBV also emphasizes the importance of resource stickiness, which refers to the difficulty of transferring or imitating resources from one firm to another. This means that even if a competitor has access to similar resources, it is still difficult for them to replicate the exact same resource profile as another firm.

The RBV also highlights the importance of resource deployment and utilization. Firms must allocate their resources effectively and efficiently in order to maximize their potential. This involves developing strategies for leveraging and combining resources in innovative ways to create new products, services, or processes. The RBV also emphasizes the importance of dynamic capabilities, which refer to a firm's ability to adapt and change its resource profile in response to changing market conditions.

In conclusion, the Resource-Based View provides a framework for understanding how firms can gain a competitive advantage by leveraging their unique resources and capabilities. By recognizing the importance of resource heterogeneity, resource stickiness, and resource deployment and utilization, firms can develop strategies for building and sustaining their competitive advantage. The RBV has been widely applied in various fields such as strategy, entrepreneurship, innovation management, and organizational behavior. It has also been used to explain various phenomena such as firm growth, innovation, and organizational learning.

### 2.2.2.3 Institutional Theory

Institutional theory is a theoretical framework that focuses on the role of institutions, such as rules, norms, and social structures, in shaping organizational behavior and decision-making. The theory suggests that organizations are influenced by the institutional environment in which they operate, and that this environment can either facilitate or hinder an organization's ability to adapt and change. Institutional theorists argue that organizations are not simply rational actors seeking to maximize profits or efficiency, but rather are influenced by a range of institutional factors that shape their behavior and decision-making.

One of the key concepts in institutional theory is isomorphism, which refers to the process by which organizations adopt similar structures, processes, and practices in response to environmental pressures. Isomorphism can occur through several mechanisms, including coercion (e.g., government regulations), mimicry (e.g., copying successful competitors), and identification (e.g., adopting norms and values shared by other organizations). As a result, organizations may adopt similar structures and practices even if they do not necessarily fit their specific needs or circumstances. This can lead to homogenization and a loss of unique organizational characteristics.

Institutional theory also emphasizes the role of institutional entrepreneurship, which refers to the process by which individuals or groups within an organization or industry shape the institutional environment to create new opportunities or solve problems. Institutional entrepreneurs may engage in activities such as creating new organizations, reforming existing ones, or promoting changes in laws or regulations. By doing so, they can create new institutional arrangements that support innovation, entrepreneurship, and economic development. Overall, institutional theory provides a useful framework for understanding how organizations respond to their institutional environment and how they can be shaped by external forces to achieve specific goals or outcomes.

### 2.2.2.4 Innovation Systems Theory

Innovation Systems Theory is a conceptual framework that views innovation as a complex and multifaceted process that is shaped by a variety of factors, including the interactions among different actors, institutions, and technologies. The theory posits that innovation is not just the result of individual or organizational efforts, but rather the outcome of a dynamic and iterative process that involves multiple stakeholders and interactions. The core idea is that innovation is a system-level phenomenon that requires the coordination and alignment of various components, including technology, institutions, organizations, and markets.

The innovation systems framework identifies several key components that contribute to the innovation process. These include the knowledge base, which refers to the stock of knowledge and expertise available in a region or industry; the technology base, which encompasses the existing technologies and infrastructure; the institution-based infrastructure, which includes formal and informal institutions such as universities, research centers, and government agencies; and the market infrastructure, which includes market structures, institutions, and policies. The interactions among these components can lead to innovation through mechanisms such as knowledge spillovers, learning by doing, and networks and collaborations.

The Innovation Systems Theory also emphasizes the importance of policy interventions to support innovation. The theory suggests that governments can play a crucial role in creating an enabling environment for innovation by providing targeted policies and investments in areas such as education, research, and infrastructure. Effective policy interventions can help to address market failures, reduce transaction costs, and foster collaboration among stakeholders. By understanding how innovation systems function and how they can be shaped by policy interventions, policymakers can design more effective strategies to promote innovation and economic growth. Overall, the Innovation Systems Theory provides a comprehensive framework for analyzing innovation processes and identifying strategies for promoting innovation and competitiveness.

### 2.2.2.5 The Human Capital Theory

The Human Capital Theory, also known as the Human Resource-Based View (HRBV), is a management approach that focuses on the role of employees as a key source of competitive advantage for organizations. The theory suggests that the skills, knowledge, and abilities of employees are a critical resource that can be leveraged to achieve organizational goals and objectives. This approach emphasizes the importance of investing in the development and retention of human capital, as it is seen as a key driver of innovation, productivity, and competitiveness.

According to the Human Capital Theory, employees are not just passive recipients of training and development, but rather active agents who can contribute to organizational success through their skills, knowledge, and creativity. The theory argues that employees' skills and abilities are developed through a combination of formal education, training, and on-the-job experience. Therefore, organizations that invest in the development of their employees' human capital are more likely to achieve competitive advantage through improved performance, innovation, and adaptability. The theory also recognizes the importance of employee motivation, commitment, and engagement in driving human capital development.

The Human Capital Theory has several implications for organizational practices and policies. For instance, it emphasizes the need for organizations to develop and implement effective talent management strategies that focus on attracting, retaining, and developing high-potential employees. This may involve providing opportunities for training and development, creating a positive work culture, and recognizing and rewarding employees' contributions. Additionally, the theory suggests that organizations should adopt a long-term perspective when investing in human capital, recognizing that it takes time to develop employees' skills and abilities. By adopting a Human Capital Theory-based approach, organizations can create a competitive advantage by leveraging the skills, knowledge, and abilities of their employees.

### 2.2.3 Business Models Related to Micro and Small Enterprise

The following business models can be suitable for micro and small enterprises due to their flexibility, low overhead costs, and ability to adapt to changing market conditions.

#### 2.2.3.1 The Small Business Performance Index (SBPI)

The Small Business Performance Index (SBPI) model is a comprehensive framework that assesses the performance of small businesses by examining both internal and external factors. The internal factors, which include business management, financial resources, and human capital, have a significant impact on a small business's overall performance. These internal factors are influenced by various dimensions such as business strategy, organizational structure, access to capital, financial management, employee skills and knowledge, and employee motivation and commitment.

The SBPI model also considers external factors that can affect a small business's performance, including the market environment, institutional environment, and social environment. The market environment encompasses market size and growth, competition, customer demand, and other market-related variables. The institutional environment refers to government policies and regulations, infrastructure and amenities, while the social environment includes community support and networks. The model suggests that the relationships between these internal and external factors are complex and interactive, with changes in one factor potentially having cascading effects on others. By understanding these interdependencies, small businesses can develop strategies to improve their overall performance and achieve long-term success.

#### 2.2.3.2 Entrepreneurial Orientation-Strategy (EO-S) Model

The Entrepreneurial Orientation-Strategy (EO-S) model proposes that entrepreneurial orientation (EO) is a key driver of small business performance, influenced by the firm's strategy. EO is comprised of four dimensions: Risk-Taking, Pro-activeness, Innovativeness, and Competitive Aggressiveness. The model suggests that firms with a proactive strategy tend to exhibit higher levels of EO, while those with a defensive strategy tend to exhibit lower levels of EO.

By applying the EO-S model, small business owners and managers can diagnose their firm's entrepreneurial orientation, identify their strategic posture, and develop targeted interventions to enhance entrepreneurial orientation and improve performance. This includes increasing innovation, market share, and financial performance. Understanding the relationships between entrepreneurial orientation, strategy, and performance enables informed decisions to drive growth, innovation, and competitiveness in small businesses.

### 2.2.3.3 Resource-Based View (RBV) model

The Resource-Based View (RBV) model posits that a firm's resources and capabilities are the primary sources of sustained competitive advantage. The model categorizes resources into tangible and intangible assets, including financial, physical, human, organizational, social, and intellectual capital. According to the RBV model, a firm's resources can be classified as valuable, rare, inimitable, and organized to provide a competitive advantage.

The RBV model suggests that small businesses can apply this framework to identify and evaluate their internal resources and capabilities, develop strategies to leverage and improve them, and identify opportunities to acquire new resources and capabilities to enhance competitiveness. By understanding the RBV model, small business owners and managers can make informed decisions about resource allocation and development to drive growth, innovation, and competitiveness in their organizations. This includes identifying valuable, rare, inimitable, and organized resources that provide a sustainable competitive advantage and leveraging them to achieve long-term success.

### 2.2.3.4 Human Capital Model (HCM)

The Human Capital Model (HCM) emphasizes the importance of employees as a key resource for achieving competitive advantage. The three pillars of human capital are human competence, human commitment, and human adaptability. Human competence refers to the skills and knowledge possessed by employees, while human commitment encompasses employee engagement, motivation, and loyalty. Human adaptability is the ability to adjust to changing circumstances.

The HCM identifies key dimensions of human capital, including know-how (technical skills and knowledge), know-who (personal relationships and networks), and know-why (motivation and commitment). The benefits of strong human capital include improved productivity, innovation, adaptability, and reputation. Organizations that recognize the value of their employees can develop strategies to leverage their skills, knowledge, and experience, leading to a competitive advantage. By understanding the importance of human capital, organizations can make informed decisions about talent management, training and development, and employee engagement to drive business success.

#### 2.2.3.5 Innovation System Model (ISM)

The Innovation System Model (ISM) recognizes that innovation is a complex, systemic process that involves multiple components and stakeholders. The model highlights the importance of understanding the interactions and relationships between these components to create a successful innovation process. The ISM consists of four key components: knowledge generation, knowledge diffusion, knowledge application, and knowledge feedback. These components are interconnected, with knowledge generation creating new ideas and knowledge, which is then shared through knowledge diffusion and integrated into products and processes through knowledge application.

The ISM also identifies key relationships between these components, including interactions between knowledge generation and diffusion, which encourages the flow of new ideas throughout the organization. Additionally, the model emphasizes the importance of a feedback loop, where feedback from users, customers, and other stakeholders is collected and analyzed to refine and improve the innovation process. The benefits of the ISM include increased innovation, improved efficiency, and enhanced competitiveness. By understanding the complex interactions within their innovation process, organizations can create a culture that fosters creativity, collaboration, and continuous improvement, ultimately driving business success.

## 2.3 Concept of Business

The concept of business refers to the activities and processes involved in the production, exchange distribution of goods & services to meet the needs and wants of customers. It encompasses various aspects such as entrepreneurship, management, marketing, finance, operations, and strategy. According to the Oxford English Dictionary, a business is an organization or enterprise engaged in commercial, industrial, or professional activities (Oxford English Dictionary, 2020). In recent years, there has been a growing interest in the concept of business and its relevance to the modern economy.

According study by Cameron, (2014) business success can be defined as the achievement of an organization's objectives, which may include financial performance, market share, customer satisfaction, and employee satisfaction.

The study by Pigneur, Y. (2015) popularized the Business Model Canvas, a strategic tool for designing and describing a business model, which helps businesses understand and articulate their value proposition, customer segments, channels, and revenue streams.

## 2.4 Factor of Business

The success of a business depends on various factors that can affect its performance and sustainability. Over the years, researchers have identified several key factors that influence business outcomes, including internal and external factors. This study aims to provide an overview of the most significant factors affecting business success such as financial start up, building team, innovation and marketing products.

### 2.4.1 Concept of Starting Finance

Access to the right financial resources can significantly boost a business's chances of success (Beck & Demirgüç-Kunt, 2006; Demirgüç-Kunt & Maksimovic, 2002). These resources, including credit, capital investment, and financial expertise, can provide a business with the necessary funds to grow and operate efficiently. However, excessive reliance on financial resources can have negative consequences, as argued by other researchers. Excessive debt, for instance, can lead to financial strain and limit a business's ability to invest in innovation or adapt to changing market conditions (Kale & Shrivastava, 2017), ultimately hindering its long-term success.

A recent study underscores the critical role of financial management practices in driving business success (Graham & Penman, 2018). The research reveals that effective financial planning, budgeting, and risk management are key factors in enabling businesses to navigate economic downturns and capitalize on growth opportunities. In addition, governments in developed countries have long recognized the importance of promoting entrepreneurship in driving innovation, economic growth, and job creation. As such, policymakers should focus on implementing policies that support high-growth startups and entrepreneurs, rather than solely concentrating on established companies (Baron, 2017). By doing so, governments can create an environment that fosters innovation and prosperity.

State support is financial sponsorship by the state through seed capital in the initial phase of a start-up, also support programs are made especially for start-ups (Mauritius, 2017). Nonprofit and government initiatives often provide grants, loans, or other financial plans that support the startup landscape in a given region (Kotsch, 2017). Government funding programs can have a big impact on small businesses. By helping entrepreneurs overcome barriers to entry, the number of new businesses generally increases, more businesses survive the first critical years and jobs are created in the long term (Butler, 2016)

Providing financing to small businesses can be a precarious task for banks due to the high risk of asymmetric information effects, access to finance has remained one of the central concerns of small businesses. Others consider the lack of side, business plan weaknesses, concerns about loan repayment and doubts about the viability of business projects are the most common problems in bank financing for small businesses (Abdulsaleh and Worthington 2016).

A study by Ayalew (2020) found that access to finance is a major constraint for MSEs in Ethiopia, with 64% of MSEs reporting difficulties in accessing loans from formal financial institutions. Another study by Fisseha (2019) found that only 22% of MSEs in Ethiopia had access to formal credit, while 45% relied on informal credit sources.

### 2.4.2 Building Team

Creating a team in the context of business success requires gathering a group of people with different skills, experiences and perspectives, aligning them with the vision and goals of the company, creating an environment of cooperation, communication and mutual support. This includes recruiting talented professionals, fostering a positive work culture, providing opportunities for growth and development, defining clear roles and responsibilities, promoting teamwork and cohesion, and encouraging people to contribute the best of their abilities to the organization and its goals. Effective teamwork is integral to improving productivity, innovation and overall business success.

The team also enables accelerated and specialized decision-making capabilities and a faster pace of innovation. Entrepreneurs often do not understand how the interaction of personalities affects their performance and the overall success of the company. Therefore, when choosing founders or hiring employees for a small team should ideally focus on both work skills and personal characteristics (Kotsch,  2017).

A study of several key entrepreneurs concluded that mobilizing a team base is one of the aspects necessary to start a profitable business (Muñoz-Bullon, 2015). The composition of the teams and the trust levels of the teams influence the performance of the company (Liozu, 2015).

In a start-up situation, teams are the defining factor because they are the limited resources that the entrepreneur carries within himself to make the company a viable entity, support to find new opportunities and make important decisions that affect the survival and performance of the company. In addition, tools to improve teamwork include job restructuring, team building, performance management programs and training. According to Gopalkrishnan, (2017) team training involves finding the optimal combination of tools, delivery methods and content to improve team communication and performance

According to Hackman (2016) successful teams have clear goals, a strong sense of purpose and a shared understanding of roles and responsibilities. Effective communication and collaboration are essential for successful teams (Katzenbach and Smith, 2014). Diversity in team composition including a mix of skills, backgrounds and perspectives can improve team performance (Bell, et .al, 2017).

According to study by Davis (2019) to study the influence of organizational culture on the success of companies. It combines the results of several studies examining the relationship between organizational culture dimensions such as innovation, adaptability and customer orientation and various performance outcomes such as financial performance, employee satisfaction and customer loyalty. Encouraging open communication, trust and collaboration within the team promotes a positive team environment (Bell et al., 2015).

Team cohesion, characterized by a sense of belonging and commitment among team members, is positively related to team performance (Hackman, 2016). Psychological safety, where team members feel comfortable taking risks and expressing their opinions, promotes innovation and creativity in teams (Edmondson, 2011). Studies examining the relationship between team composition, team processes and team outcomes such as productivity, innovation and employee satisfaction (Kim, Soo-Hoon, 2017). According to Goyal and Kumar (2017), a well-managed team is critical for MSEs to achieve their goals and increase their productivity. A study by Tadesse et al. (2019) found that MSEs with high-quality teams were more likely to access finance and markets.

In Ethiopia, there is a need to develop human resources capacity in MSEs. A study by Yimer (2018) found that MSEs in Ethiopia lack skilled and educated employees, which hinders their growth and development. Another study by Tesfaye (2020) identified the lack of training and development opportunities as a major challenge for MSEs in Ethiopia.

To build a strong team, MSEs need to develop their human resources capacity. According to Alemu (2020), training and development programs can help improve the skills and knowledge of MSE owners and employees. Similarly, a study by Mekonnen (2019) found that mentoring programs can help MSEs develop their management skills.

### 2.4.3 Marketing Product

Marketing is marketing and selling products or services to customers. This includes various functions such as market research, advertising, pricing, distribution and customer relationship management.

Innovative product is the rate of bringing new innovative products and/or services to market (Mauritius, 2017). Innovation is one of the new solutions to startup problems. Above all, it is an innovative solution to complex environmental economic and social challenges and aims to increase social wellbeing through co-creation (Luca Cacciolatti, 2020). Innovation is related to systemic innovation, game changers and stories of change (F. Avelino, 2017) and requires the creation and application of new knowledge leading to new skills among different stakeholders (W.H. Voorberg, 2015).

According to Mogoș (2015) digital marketing is a place where business men and individuals can sell products and services over the internet either with a listing fee or scale percentage. Tsai and Shih (2004) found that marketing information system positively affects marketing capability. Effective marketing strategies can significantly contribute to a company's success by increasing brand awareness, attracting customers and generating sales (Armstrong, G 2016). It covers various aspects of marketing including product development, pricing strategies, advertising and distribution, and emphasizes their importance in achieving business goals.

Smith, John and Johnson (2015) examine various aspects of branding such as brand equity, brand positioning and brand loyalty and their impact on business. It examines various marketing strategies such as product differentiation, pricing, promotion & distribution and their impact on business success, and proposes a framework that integrates these strategies to improve business performance.

MSEs often rely on word-of-mouth marketing to promote their products (Tadesse 2018). Many MSEs have adopted social media platforms such as Facebook and Twitter to promote their products (Megersa & Kumar, 2019).

### 2.4.4 Innovation of Products

As stated by Tidd (2018), innovation is the process of transforming creative ideas into valuable products or services that can be embraced by consumers. On the other hand, adaptability refers to a company's ability to respond to external changes and challenges effectively to maintain a competitive edge.

The study conducted by Kellermanns et al. (2019) emphasizes the importance of innovation in driving business growth and success. Companies that invest in innovation and continuously adapt to market trends are more likely to achieve sustainable competitive advantage. This is supported by a study by Teece (2018), which highlights that firms with a strong innovation culture are better positioned to meet the evolving needs of their customers and outperform their competitors.

According to Helfat and Peteraf (2015), adaptability plays a crucial role in enabling companies to navigate uncertainty and exploit emerging opportunities. Businesses that are agile and flexible in their approach are more likely to thrive in today's dynamic business environment. This notion is underlined by a study conducted by Eisenhardt and Martin (2015), which underscores the significance of organizational adaptability in driving business success.

Innovation and product adaptability are critical components of business success in today's rapidly changing market landscape. Organizations that are able to innovate and adapt quickly to changing market conditions are more likely to remain competitive and achieve long-term success (Tidd & Bessant, 2017).

According to the study by Li (2020) found that companies that invested in innovation and adapted quickly to changing market conditions were more likely to achieve long-term success. Also study by Kim (2019) found that product innovation was positively related to customer satisfaction, while a study by Zhang (2018) found that product adaptability was positively related to organizational learning.

According to study by Lee (2018) has highlighted the importance of innovation and product adaptability for business success. This study found that product innovation was a key driver of firm growth and profitability. Similarly, a study by Wang et al. (2019) found that product adaptability was positively related to firm performance.

Study by Lemma (2020) found that many MSEs in Ethiopia engage in product innovation, such as introducing new products or improving existing ones. Generally, organizations that are able to innovate and adapt quickly to changing market conditions are more likely to remain competitive and achieve long-term success.

## 2.3 Empirical review

According to (Nelson, 2019) analyses the startups fail due to a number of internal and external factors. Internal factors refer to factors inside of a company, like managerial structure or team composition while external factors are those aspects of the environment that affect the company, such as a strong presence of competitors or a weak product market fit.

The study by Christian (2021) found a strong positive relationship between employee engagement and job satisfaction, with both factors significantly predicting individual and organizational performance. The study underscored the importance of creating a supportive work environment, promoting work-life balance, and providing opportunities for employee development and growth to enhance engagement and satisfaction levels.

Research has investigated the relationship between financial constraints and innovation and growth, with a study by Toivanen (2015) finding that public policy can play a crucial role in alleviating financial constraints, leading to positive effects on business growth. Another study by

Storey (2014) emphasizes the importance of adequate financial resources in the early stages of a business, highlighting their significance in supporting growth and sustainability. Additionally, a study by Sohl (2017) examined the financial start-up resources of women-owned businesses and found that limited access to start-up funding can hinder their growth opportunities, potentially limiting their potential for success.

This study by Chan (2014) examines the relationship between financial start-up and growth of small and medium-sized enterprises (SMEs), revealing that access to financial resources, combined with effective management of those resources, plays a significant role in determining SME growth. Another study by Dawes (2014) investigates the connection between market orientation, marketing efforts, and market share, providing empirical evidence that companies with a strong market focus and effective marketing strategies tend to dominate the market with higher market shares. Additionally, Kawakami's (2014) research explores the link between marketing strategy, product innovation, and financial performance, including market share, finding that companies that adopt innovative marketing approaches and introduce new products tend to achieve higher market shares and financial success.

This research investigates how technological strategy and market characteristics influence the financial success of new industrial products, including market share gains (Orris,& Kuratko, 2014) depending this study the results show that companies with effective marketing strategies tailored to specific market characteristics are more likely to achieve higher market shares.

The study investigates the moderating role of chief executive officer power and influence tactics on this relationship (Chen, H., & Huang, R. 2019). The findings suggest that team building positively contributes to market share and firm performance, especially when chief executive officer have high power and utilize effective influence tactics.

This study investigates the mediating role of market orientation in the relationship between team building and market performance (Wang, X., & Lu, X. 2020). The result of this study show that team building positively influences market orientation, and in turn, market performance and underline the significance of building teams that display strong market orientation as a pathway to achieving better market share growth.

Based on the study conducted by Sudip, B (2016) investigates the relationship between team diversity, team dynamics, and team performance. The findings suggest that building diverse teams positively influences team dynamics, which ultimately leads to enhanced team performance. And the authors suggest that team performance improvements can positively impact market share and business growth.

According to Cantamessa, (2018) explores the impact of financial start-up strategies on small business success It identifies key financial factors such as capital investment, debt management, and financial planning that contribute to business success. The study finds that a positive correlation between effective financial start-up strategies and sustained business success.

This study investigates the relationship between marketing product strategies and business success (Baeck, 2015).from this finding the result shows that various elements of marketing such as product quality, price, promotion, and branding and concludes that an effective marketing product strategy significantly influences business success by increasing customer satisfaction and building brand reputation.

According to Belbin (2014), the concept of team roles is crucial for understanding team effectiveness. His research highlights the significance of assembling diverse teams comprising individuals with complementary skills and strengths, as this leads to improved communication, collaboration, and problem-solving, ultimately contributing to business success. Another study by Kot (2016) suggests that small and medium-sized enterprises (SMEs) with a market-oriented strategy tend to outperform others. This approach involves understanding customer preferences and aligning financial resources with market goals, ultimately leading to better market achievement.

Informal finance plays a significant role in filling the finance gap for MSEs in Ethiopia. A study by Dejene (2020) found that informal credit sources, such as friends and family, dominated the financing of MSEs in Ethiopia, accounting for 60% of total credit. However, informal finance can be risky and exploitative, with high interest rates and lack of transparency. Microfinance institutions (MFIs) have been established in Ethiopia to provide financial services to MSEs. A study by Moges (2019) found that MFIs in Ethiopia have been successful in providing financial services to MSEs, with 75% of borrowers reporting an increase in income and employment after accessing MFI services.

The government of Ethiopia has also introduced initiatives to support MSEs. A study by Mekonnen (2020) found that the government's Entrepreneurship Fund has been successful in providing grants and training to MSEs, resulting in an increase in employment and income among beneficiaries. Despite these efforts, MSEs in Ethiopia still face several barriers to finance, including high interest rates, lack of collateral, and limited credit history. According to study by Teklehaymanot (2020) found that these barriers result in a significant amount of MSEs being denied access to finance or being forced to rely on informal sources.

According to Taye (2020), a well-structured team is essential for MSEs to achieve their objectives. Similarly, Abate (2019) highlights the significance of teamwork in fostering innovation and creativity in MSEs. In Ethiopia, Mengistu (2018) found that MSEs with well-organized teams were more likely to innovate and improve their products and services. Gebremariam (2017) also found that team building activities can enhance communication, trust, and collaboration among team members, leading to improved performance.

Marketing plays a crucial role in the success of MSEs. According to Yimer (2020) effective marketing strategies can help MSEs increase their visibility, reach new customers, and increase sales. In Ethiopia, Alemu et al. (2019) found that MSEs that invested in marketing activities were more likely to increase their sales and profits. However, Getachew (2018) notes that many MSEs in Ethiopia face challenges in accessing marketing resources and expertise, which hinders their ability to effectively market their products.

Innovation is critical for MSEs to stay competitive and sustainable. According to Abebe (2020) innovation can help MSEs create new products, services, or processes that meet customer needs and improve their competitiveness. In Ethiopia, Mekonnen (2019) found that MSEs that innovated were more likely to increase their sales and profitability. Tilahun (2018) also found that innovation can help MSEs improve their quality of products and services.

## 2.4 Conceptual Framework

A conceptual framework in a research paper refers to the set of ideas, theories, and concepts that provide the basis for understanding, analyzing, and interpreting a research problem or question. It serves as a theoretical foundation for the study and helps guide the research process by providing a clear and organized structure. The conceptual framework identifies and defines the key variables, constructs, relationships, and assumptions that are relevant to the specific research problem. It also helps to establish the scope and boundaries of the study, as well as the theoretical perspective or lens through which the research was conducted. In essence, the conceptual framework provides a roadmap for the research project, outlining the theoretical foundations and ensuring that the study is grounded in a coherent and well-established body of knowledge (Panigyrakis,2017).It helps researchers to formulate research questions or hypotheses, design appropriate research methods, and interpret the findings within the context of existing theories or frameworks.

There based on the above theoretical and empirical literature, the conceptual framework was developed as follow.

Independent variables (business factors)                Dependent variables (business success)

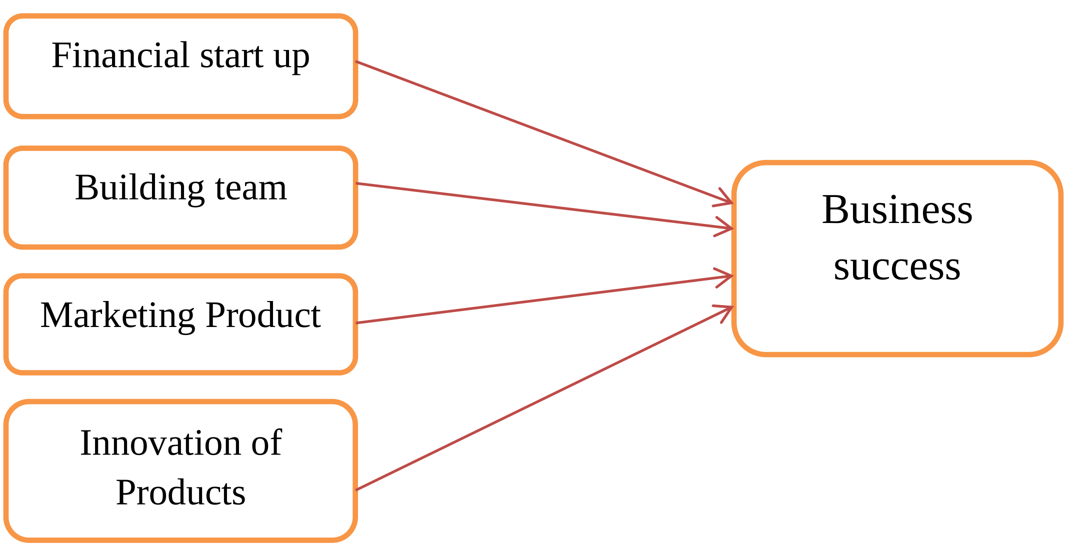


Figure 2.1 Conceptual Framework of the Study

Source: Belbin's (2014), Dejene (2020), Kawakami, T. 2014) and others

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

## 3.1 Research Approach

The study had employed both qualitative and quantitative research approach to address the proposed research questions. (Kothari, 2004) states that quantitative data was gathered and examined in an integrated fashion using a quantitative research approach to characterize the numerical aspects. The main justification for this study's selection of a quantitative research approach is that the respondent's objective was permitted to emerge. The conclusions drawn from the study's findings are greatly enhanced by this in turn.

## 3.2 Research Design

A research design is a set of methods and procedures used to collect and analyze measures of variables defined by a research problem. This helps to achieve the objective of the study. Research design is the conceptual structure from which research is conducted; it advances the plan for data collection and analysis Kothari (2004).

This study used both descriptive and explanatory research design. Explanatory research is a method developed to investigate a phenomenon that has not been properly studied or explained, and whose task is to find a cause-effect relationship between two variables. To achieve the research objective, an explanatory research design is used to find out the effects of business factors affect micro and small enterprise.

## 3.3 Population and Sampling

The target population of the study was small firm owner and manager of the business in Addis Ababa, Nifas Silk Lafto sub city. Based on the information found from Lafto sub-city, there were a total of 247 micro and small enterprise owners and manager in the area of in Addis Ababa Nifas Silk Lafto Sub City, woreda 02, Woreda 06, Woreda 10 and Woreda 11. The optimal sample size in a study is determined by the characteristics of the population and the study's goal, according to (Dawson, 2013). Although there are no hard and fast standards, the sample size is usually determined by the population being sampled. The researchers used the Taro Yamane (Yamane, 1973) formula with a 95% confidence level; error =0.05.

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

Where n=selected sample size

N=number of population and

e=error

$$n = \frac{247}{1 + 247(0.05)2}$$

$$= 153$$

Table 3.1 Categories of Target Population

| Categories of population | Total population | Sample |
|---|---|---|
| Woreda 02 | 51 | 32 |
| Woreda 06 | 60 | 37 |
| Woreda 10 | 76 | 47 |
| Woreda 11 | 60 | 37 |
| Total | 247 | 153 |

Source from lafto sub city

## 3.4 Data Type and Sources

In order to collect the desires data for this research, both primary and secondary source of data was used. These sources were used to collect necessary information that addresses the research questions and objectives of the study.

### 3.4.1 Primary Data Source

The primary data was gathered from the response of subject of the study through questionnaire and interview. The questionnaires were disseminated to153 respondent of the target population that is owner and manager of micro and small enterprise.

### 3.4.2 Secondary Data Source

The secondary data source includes documents, both published and unpublished books, journals, and other related documents to the research topic.

## 3.5 Method of Data Collection

The primary data was collected using the questionnaire and interview methods.

### 3.5.1 Questionnaire

The questionnaire would prepare by English standardized and simple format arranged in a valid sequence, which is, starting from simple to complex. In order to get appropriate answer, the respondents would tell about their contribution to the study. To allow consistency and ease of answering, the study questionnaire uses a 5-point Liker scale: 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5= strongly agree. The open-ended questions were also including getting the respondents' additional view on the study topic. This would also assist the collection of the primary data

### 3.5.2 Interview

The researcher has been conducted semi-structured interview with business owner and manager. Interview was used in this work because they represent a valuable and rich source of information. The interviews were done in an open, lively but focused manner with the intention of acquiring relevant information to enrich the findings of the study.

## 3.6 Method of Data Analysis

The qualitative data obtained through the interviews was analyzed qualitatively. The quantitative data obtained through the questionnaires was analyzed descriptively in terms of frequency, percentages, average, mean, and standard deviation. All the analysis was made with the aid of Statistical Package for the Social Sciences (SPSS) version 27 software.

## 3.7 Validity

According to Kothari (2004), validity is the degree to which variations detected by a measuring tool accurately represent variations among the subjects of the test. According to Kothari (2004), validity is the degree to which differences found using a measuring tool actually reflect differences among the individuals being assessed. To put it another way, validity is a metric for the degree of validity or the validity of a research tool. Using person product moment correlation and SPSS, the validity of the questionnaire was tested. By comparing the total score with the scores for each item on the questionnaire, the validity test product Moment Pearson correlations are calculated. A questionnaire item-by-item analysis showing a significant correlation with the overall score certifies the validity of the items; if the significance value is 0.05, the instrument is deemed invalid. All of the specified significant values for the demission's questions or sub-items that the Sig. (2-tailed) of 0.000< 0.05, so it can be concluded that all items were valid.

## 3.8 Reliability

According to Carmines and Zeller, (1979), Reliability is concerned with the degree to which the measurement of a phenomenon produces stable and consistent results. Reliability is also related to repeatability. Reliability testing is important because it indicates the uniformity of measuring equipment components (Huck, 2007). A scale is said to have high internal consistency reliability if the scale items are “related to each other” and measure the same construct (Huck, 2007, Robinson, 2009). The most commonly used method to measure internal consistency is Cronbach's Alpha. This is considered the most appropriate measure of reliability when using a Likert scale (Whitley, 2002, Robinson, 2009). Although there are no absolute rules regarding internal consistency, most agree on a minimum internal consistency coefficient of 0.70 (Whitley, 2002, Robinson, 2009). (Hinton, 2004) proposed four reliability thresholds, including excellent reliability (above 0.90), high reliability (0.70–0.90), moderate reliability (0.50–0.70), and low reliability (below 0.50). There for the reliability of the data was checked by Cronbach Alpha.

Table 3.2 Reliability Test

| Description | Cronbach's Alpha | N of Items |
|---|---|---|
| Financial start up | 0.768 | 5 |
| Building team | 0.790 | 4 |
| Marketing product | 0.711 | 5 |
| Innovation | 0.800 | 4 |
| Business success | 0.721 | 4 |

Source own data, 2024

As shown the above Table 3.2 reliability result of the data, the Cronbach alpha coefficient for the data was 0.768, 0.790, 0.711, 0.800and 0.721 respectively. According to Hinton if the Cronbach alpha coefficient falls under (0.7-0.9) indicates high reliability. The result of Cronbach alpha for all data was greater than 7 and less than 9 therefore the reliability of the data was high reliability.

## 3.9 Ethical Consideration

Before conducting the study to the respondent, the researcher was informed the respondents about the objectives of the research and consciously considered ethical issues in obtaining consent, avoiding deception, maintaining confidentiality, respecting the privacy of all respondents, and protecting their anonymity.

# CHAPTER FOUR

# DATA ANALYSIS AND INTERPRITATION

## 4.1Quantitative Data Analysis

Quantitative data refers to numerical data that can be measured and analyzed using statistical methods. It is characterized by its objective, precise, and numerical nature, which allows for the use of mathematical and statistical techniques to extract insights and patterns

### 4.1.1Response Rate of Respondents

The response rate, which indicates the proportion of participants in the sample who completed and returned the survey, plays a significant role in evaluating survey effectiveness. In the scope of this study, precisely 153 questionnaires were distributed to managers, owners and owners as well as managers of micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City. Out of the total distribution, 150 questionnaires were successfully completed and retrieved, reflecting a remarkable response rate of 98.03%. It is worth noting that 3 individuals did not return the questionnaire, and their responses were not included in the analysis.

Table 4.1 Response Rate of Respondents

| Questionnaire | Frequency | Percentage |
|---|---|---|
| Total number of questionnaire distributed | 153 | 100% |
| Total number of questionnaire returned | 150 | 98.03% |
| Total number of questionnaire unreturned | 3 | 1.96% |
| Total number of questionnaire rejected | --- | --- |

Source own data

## 4.1.2 Demographic Characteristic of the Respondent

Table 4.2 Gender of the Respondent

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 84 | 56.0 | 56.0 | 56.0 |
| | Female | 66 | 44.0 | 44.0 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source own survey, 2024

As shown in the above table 4.2 majority of the respondents were male with 84(56%) and Female was 66(44%).the result of the study indicates that employees of in small business are dominated by males.

## 4.1.3 Age of the Respondent

Table 4.3 Age of the Respondent

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Less than 30 | 17 | 11.3 | 11.3 | 11.3 |
| | 31-40 years | 72 | 48.0 | 48.0 | 59.3 |
| | 41-50 Years | 47 | 31.3 | 31.3 | 90.7 |
| | Above 51 Years | 14 | 9.3 | 9.3 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source own survey, 2024

As shown the above table 4.3 Demographic characteristic of age of the respondent majority of the respondents was under age of 31-40 years with 72 (48 %), followed by with in age range falls under 41-50Years with 47(31.3%), and also the age of less than 30 Years counts with 17(11.3%) and the last one above the age of 51 years that was 14(9.3%). The result indicates that most managers, owners and owners as well as managers of small business in Addis Ababa Nifas Silk Lafto Sub City were with age of productive stage.

### 4.1.4 Educational Level of the Respondent

Table 4.4 Educational Level

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| valid | Diploma | 7 | 4.7 | 4.7 | 4.7 |
| | Degree | 101 | 67.3 | 67.3 | 72.0 |
| | Master | 40 | 26.7 | 26.7 | 98.7 |
| | PhD | 2 | 1.3 | 1.3 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source own survey 2024

According the above table 4.4 educational level of the respondent, the result show that the majority of the respondent was degree holder that was 101(63.3 %) of the respondent and followed by master holder with 40(26.7%) of the respondent and respondent who has diploma was the third one with 7(4.7) and the last one was PHD holder respondents with 2(1/3%) Since most of the resonant was professionals, they can understand the research questions and give appropriate answer that are necessary for data interpretation.

### 4.1.5 Working Experience of Respondent

Table 4.5 Working Experience

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Less than 5 year | 31 | 19.3 | 19.3 | 19.3 |
| | 5-10 Years | 94 | 62.7 | 62.7 | 82.0 |
| | 11-20 Years | 17 | 11.3 | 11.3 | 93.3 |
| | Above 21Years | 8 | 5.3 | 5.3 | 98.7 |
| | Total | 150 | 100.0 | 100.0 | |

Source own survey, 2024

As shown the above table 4.5 working experience of the respondent most of respondent have working experience of 5 to 10 year with number 94(62.7%). This was followed by less than 5 years' experience that was 31(19.3 %), number of respondent have 11-20 Years' experience are 17(11.3%) and the last one was working experience above 21 years with number of respondent 8(5.3%).In general form this data I can conclude that majority of the respondent was experienced, so they can easily understand the effect of the questionnaires and express their feelings on the questionnaires freely.

### 4.1.6 Job Position of Respondents

Table 4.6 Job Position of Respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | manager | 40 | 26.7 | 26.7 | 26.7 |
| | owner | 59 | 39.3 | 39.3 | 66.0 |
| | both manager owner | 51 | 34.0 | 34.0 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source own survey 2024

As shown the above table 4.6 job positions of the respondent, most of respondents are owners with number of 57(39.3%). This was followed by both owner and manager that was 51(34%), and the last one was managers which is 40(26.7%).In general form table 4.6 I can conclude that majority of the respondent was owners but not managers. Depending on this data result the majority of the owners in small business company serve as the company manager, while to other industries the owners hired managers to oversee their operation.

### 4.1.7 Descriptive Statistics Analysis

Descriptive analysis is a type of statistical analysis that aims to summarize and describe the main features of a dataset, typically in a visual and quantitative manner. It is the first step in data analysis, and it provides a foundation for further analysis, such as inferential statistics.For this study Quantitative data obtained from the questionnaires were analyzed descriptively in terms of mean, overall mean and standard deviation. All analyses were performed using the Statistical Package for the Social Sciences (SPSS) software version 27. Interpretations were made for all dimensions on a 5-point Likert scale based on: Scale: 5 =Strongly Agree; 4=Agree; 3=Medium; 2=Disagree; 1 = Strongly Disagree. Thus, the scales were averaged and neutral posture "3" was taken as the reference point. That is, the average you get the same score as above 3 (neutral) if the opinion favors the given view, and below 3 (Neutral) when opinions tend to be unfavorable to a particular point of view.

Moidunny (2009) describes the interpretation of Likert scales, accordingly, in this study the essence of the interpreted data is as follows: 1.0–1.8 = Strongly Disagree, 1.81–2.6 =Disagree, 2.61–3.20 =Medium, 3.21–4.20 = Agree, 4.21–5.00 = Strongly Agree.

### 4.1.7.1 Financial Start Up

Table 4.7 Financial Starts Up

| 1 | Description | N | Mean | Std. Deviation |
|---|---|---|---|---|
| 1 | The company needs finance to increase its accessibility by providing variety of products. | 150 | 3.56 | 0.855 |
| 2 | Company's source of finance gets from owners itself, private sectors (bank, microfinance) and government. | 150 | 3.37 | 0.862 |
| 3 | The company have an educated manpower whom manage the finance (cash flow ,salary of employee and other miscellaneous expense) | 150 | 3.41 | 0.875 |
| 4 | The main problem of the company is lack of finance invest. | 150 | 3.52 | 0.865 |
| 5 | The capital of the company is increased with time rapidly. | 150 | 3.49 | 0.817 |
| 6 | Grand mean | 150 | 3.46 | |

Source own survey 2024

As shown the 4.7 the descriptive statistics of financial start up factors of owners and managers attitude. The mean is a measure of central tendency that indicates the average response to the question. For the research question ‘the company’s needs finance to increase its accessibility by providing variety of products.’ For this issue, the response of the respondents was agreed with a mean of 3.56 and St. Deviation of 0.85. This implies that small business company needs finance resource to speed up its investment by providing variety of product. Regarding for’ Company’s source of finance gets from owners itself, private sectors (bank, microfinance) and government’. The response of respondents generally agreed with a mean of 3.37 and a St. Deviation of 0.87. This implies that small business company get money for investment from different organization as such.

For the case of ‘The company have an educated manpower whom manage the finance (cash flow ,salary of employee and other miscellaneous expense).’ the response of the respondent was generally agreed with agreed with a mean of 3.41 and a St. Deviation of 0.87 this implies that small business company have skilled manpower manage its work effectively especially related to the response of the employee was agreed with a mean of 3.52 and St. Deviation of 0.87. This indicates that the small business companies have financial source difficulties and it has high influence company’s success. So the company gives more attention on way of getting money to overcome those difficulties. Regarding the question ‘the capital of the company was increased with time to time.’ The respondents were generally agreed with a mean of 3.49 and a St. Deviation of 0.82.

Based on the descriptive statistics of financial start-up factors of owners and managers' attitude, they generally agreed that with grand means 3.46, it can be concluded that small business companies face challenges in accessing finance resources, which hinders their ability to increase their accessibility by providing variety of products and invest in their business. The respondents agreed that the company needs finance resources to speed up its investment and that they get money from various sources, including owners, private sectors, and government. Moreover, the respondents acknowledged that the company has skilled manpower managing its finances effectively, but struggles with lack of finance to invest, which is a major problem affecting the company's success. Overall, the findings suggest that small business companies need to prioritize finding alternative ways to access finance resources to overcome their financial difficulties and achieve sustainable growth.

### 4.1.7.2 Building Team Related Factors

Table 4.8 Building Team Related Factors

| s/ no | Description | N | Mean | Std. Deviation |
|---|---|---|---|---|
| 1 | The company's employees are not qualified and skilled and they have created strong team. | 150 | 2.61 | 1.175 |
| 2 | The company has no strong team leaders that play a significant role in the team. | 150 | 2.23 | 1.142 |
| 3 | Company's team leader was skilled and flexible and maintain healthy work environment. | 150 | 2.34 | 1.029 |
| 4 | The company gives training for its employee to develop their professional skill to improve their performance. | 150 | 2.31 | 1.074 |
| 5 | Grand mean | 150 | 2.36 | |

Source own survey 2024

As shown the 4.8 the descriptive statistics of building team factors of respondent attitude. For the research question, the company's employees are not qualified and skilled and they have created strong team. For this issue, the response of the respondent was generally agreed with a mean of 2.61 and St. Deviation of 1.17. This result indicates that the small business companies have skilled manpower. The company has no strong team leaders that play a significant role in the team. The response of respondents shows that agreed with a mean of 2.23 and a St. Deviation of 1.14. This indicates that small business companies have skilled team leaders to create strong working teams.

For the case of, Company's team leader was skilled and flexible and maintain healthy work environment, the response of the employee was agreed with a mean of 2.34 and a St. Deviation of 1.03 this result shows that Company's team leader lacks flexible to maintain healthy work environment. So the small business company gives attention the flexibility of team leader to create a healthy work environment. The company gives training for its employee to develop their professional skill to improve their performance. For these issues the response of the respondent was generally agreed with a mean of 2.31and St. Deviation of 1.74. This result also shows that the small business company gives less attention for training and development to its employee. This situation has a negative impact on company achievement.so the company needs to develop and improve training and development program to develop employee’s performance.

The respondents generally agreed with the grand mean 2.36, this indicates that the small business company has a qualified and skilled workforce, which is essential for building a strong team. But that the company's team leader needs to develop more flexible skills to create a healthy work environment.

This finding suggests that the company's team leaders may not be playing a significant role in building a strong working team and also suggests that the company's training and development program may not be adequate to improve employee performance and achievement.

## 4.1.7.3 Marketing Product /Service Related Factor

Table 4.9 Marketing Product /Service Related Factor

| s/no | Description | N | Mean | Std. Deviation |
|---|---|---|---|---|
| 1 | The company provides high quality product and service to customers. | 150 | 3.43 | 0.993 |
| 2 | Customers rely on the high quality of company’s products | 150 | 3.53 | 0.857 |
| 3 | The company gives guarantee to the quality and liability of product/service | 150 | 3.53 | 0.880 |
| 4 | The quality of the products of the company is better compared to other competitive. | 150 | 3.57 | 0.877 |
| 5 | The company gives more attention on product quality rather than service quality. | 150 | 3.67 | 0.924 |
| 6 | Grand mean | 150 | 3.54 | |

Source own survey, 2024

As shown the 4.9 the descriptive statistics of marketing product and service factors of respondent attitude. For the research question, the company provides high quality product and service to customers. For this issue, the response of the respondent was agreed with a mean of 3.43 and St. Deviation of 0.99. This implies that small Business Company supply high quality product and service to customers. Regarding for, Customers rely on the high quality of company's products. The response of respondents was agreed with mean of 3.53 and a St. Deviation of 0.85. This implies that the customers of the company trusted on the qualities of it products.it helps to the company to achieve its goal.

For the case of, the company gives guarantee to the quality and liability of product/service, the response of the respondent with a mean of 3.53 and a standard deviation of 0.88, indicating that guarantee to the quality and liability of product/service to increase its acceptable. Regarding for, the quality of the products of the company is better compared to other competitive. For this issue the response of the respondent was agreed with a mean of 3.67 and St. Deviation of 0.92. This indicates that that the small business company supplied a better quality of products.

The respondents generally agreed with the grand mean 3.54, indicates that small Business Company provides high-quality products and services to customers. Customers rely on the high quality of the company's products. And the Company's guarantee to the quality and liability of product/service increases its acceptability. Overall, the study suggests that the small business company is successful in providing high-quality products and services, which is trusted by customers and sets it apart from its competitors.

#### 4.1.7.4 Innovation of Product Related Factors

Table 4.10 Innovation Product Related Factors

| s/ no | Description | N | Mean | Std. Deviation |
|---|---|---|---|---|
| 1 | The company's Product /service are sufficiently unique compared with what already exist. | 150 | 3.81 | 0.865 |
| 2 | When considering new product development the company interview to customers to test their interest level. | 150 | 3.82 | 0.905 |
| 3 | The company introduced its new product to the customers by using different means like newspaper, telegram, radio etc. | 150 | 4.03 | 0.926 |
| 4 | Since the company's new product meet customer's needs, they were adapted easily by customers. | 150 | 4.06 | 0.892 |
| 5 | Grand mean | 150 | 3.92 | |

Source own survey, 2024

As shown the 4.10 the descriptive statistics of innovation products factors of respondents attitude. For the research question, The company's Product /service are sufficiently unique compared with what already exist, the respondent generally agreed the mean score was 3.82 and Std. Deviation was 0.86, this implies that respondents generally agree that products of the company were unique from other competitive supplied. Regarding, when considering new product development the company interview to customers to test their interest level, the respondents agreed mean score is 3.82 and Std. Deviation 0.91, indicating that owners and managers of the company generally agree that small business company searches the demand of the customer before new product to develop. This practice helps the new products adapted by customer easily.

The company introduced its new product to the customers by using different means like newspaper, telegram, radio e.t.c, the respondents agreed with mean score was 4.03 and Std. Deviation was 0.91, this response indicates that the company used different media to introduce its product. This suggests that the company's product or service were known by consumers.

Since the company's new product meet customer's needs, they were adapted easily by customers. In these case the respondents agreed the mean score was 4.06 Std. Deviation was

0.89, which is the highest score among the four questions. This indicates that a strong consensus among owners, managers, as well as owners and managers that the company easily adaptable because of new products that produce to meet consumer needs.

The respondents generally agreed with grand mean scores 3.92, indicating a high level of agreement among owners and managers. The results suggest that the company's innovative approach to product development, which involves customer feedback and testing, has been effective in producing products that are easily adapted by customers. Furthermore, the company's use of different media channels to introduce its products has helped increase consumer awareness and knowledge of the products. Overall, the findings suggest that the company's innovative approach has contributed to its success in adapting to changing market demands and customer needs.

#### 4.1.7.5 Business Success Related Factors

Table 4.11 Business Success Related Factors

| s/no | Description | N | Mean | Std. Deviation |
|---|---|---|---|---|
| 1 | The market shares of the company have been increased relatively. | 150 | 3.53 | 0.865 |
| 2 | Profit of the company was better with compared to other similar companies. | 150 | 3.61 | 0.940 |
| 3 | The number customers of the company increase from time to time due to high quality products and snappy service. | 150 | 3.51 | 0.809 |
| 4 | The company was selected by customers by providing high quality product and service. | 150 | 3.65 | 0.913 |
| 5 | Grand mean | 150 | 3.57 | |

Source own survey, 2024

As shown the 4.11 the descriptive statistics of business success. For the research question, the market shares of the company have been increased relatively, the respondent agreed the mean score was 3.53 and Std. Deviation was 0.87, this implies that respondents generally agreed that the market shares of the company were increased with better than other competitive. Regarding the question, Profit of the company was better with compared to other similar companies, the respondents agreed mean score is 3.61 and Std. Deviation 0.94, indicating that respondents generally agree that their company becomes profitable comparably. This show that the company was remains in growing.

The number customers of the company increase from time to time due to high quality products and snappy service, the respondents agreed with mean score was 3.51 and Std. Deviation was 0.81, which indicating that the customer of company was increased with time to time. Since the customer of the company increased, the market share of the company also increased and ultimately led to achieve business success.

The company was selected by customers by providing high quality product and service, the respondents agreed the mean score was 3.6 Std. Deviation was 0.91, this indicating that respondents generally agree that their company was selected by customers.

The respondents generally agreed with grand mean scores 3.92, it is indicate that the small business company has made significant progress in terms of increasing its market share, profitability, and customer base, all of which are indicators of business success. The respondents agreed that the company's market share has increased relatively, its profit is better compared to other similar companies, and the number of customers has increased over time due to high-quality products and services. Additionally, the company's customers select it for its high-quality products and services. Findings suggest that the small business company has made significant progress in terms of financial accessibility, product and service quality, innovation. However, there are areas for improvement, such as building a strong team with skilled leaders, improving training and development programs, and addressing financial source difficulties.

### 4.1.8 Inferential Analysis

Inferential analysis in research refers to the process of making predictions, generalizations, or concluding a larger population based on findings from a sample or subset of that population. This type of analysis involves using statistical techniques to infer or deduce patterns, trends, or relationships that may exist in the data

#### 4.1.8.1 Correlation

The degree to which two variables have a linear relationship is determined by correlation. To determine whether there are relationships between the variables as well as to characterize the direction and strength of those relationships, Pearson's correlation is utilized. As per Berndt et al.

Al (2005), the degree of correlation between the two variables, as determined by Pearson's coefficient, ranges from -1 to +1 points, signifying the degree and direction of the association. The correlation results can be interpreted as follows: a correlation between 0 and 1 suggests a positive relationship, 0 (zero) indicates no relationship, 1 indicates a perfect positive relationship, -1indicates a perfect negative relationship and -1 to 0 indicates the presence of a negative relationship. While the results below ±0.61 indicate the presence of a positive or negative relationship, their strength is not high (Oogarah-Hanuman et al. al, 2011).

Table 4.12 Correlation

| | | Business success | Financial start up | building team | marketing product | Innovation |
|---|---|---|---|---|---|---|
| Business success | Pearson Correlation | 1 | | | | |
| Financial start up | Pearson Correlation | .486** | 1 | | | |
| building team | Pearson Correlation | 0.299 | .183* | 1 | | |
| marketing product | Pearson Correlation | .463** | .539** | 0.126 | 1 | |
| Innovation | Pearson Correlation | .556** | .453** | 0.054 | .405** | 1 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | | |

Source own survey 2024

As shown in Table 4.12 the correlation analysis of the dependent and independent variables, all independent variables have a positive correlation with the dependent variables. As shown in above result, the Pearson correlation coefficients for the independent and dependent variables were (0. 486, 0.299, 0.463, and 0.556) respectively for financial start up factors, building team factors, marketing product factors and innovation factor. From the independent variable innovation factors are strongly correlated to business success.

### 4.1.8.2 Regression Analysis

One or more independent variables are used in regression analysis to determine the effect on a dependent variable (Albaum, 1997). A statistical tool used to examine relationships between variables is regression analysis. Most of the time, the goal of research is to determine the causal relationship between factors. Gathering information on the underlying variables of interest and using regression to calculate the quantitative impact of the causative variables on the variable under investigation, the researcher investigates such problems. Additionally, the investigator normally evaluates the "statistical significance" of the estimated relationships or the degree to which the true relationship is believed to be closely related to the estimated relationship (Malhotra, 2007). Before performing the regression analysis, the researcher in this study attempted to test the assumptions.

### 4.1.8.3 Assumption Testing

To preserve the validity and robustness of the research's regressed result under multiple regression models, the fundamental assumptions must be met. Thus, assumption tests like multi-Co linearity, linearity, normality and Heteroscedasticity test have been carried out in this study.

### 4.1.8.3.1 Linearity

As stated by (Hayes, 2012) to perform a linear regression analysis, the relationship between the independent and dependent variables must be a linear function. Consequently as shown below in Figure 4.1, scatter plots illustrating the relationship between the two variables (IV and DV).

SPSSV-27 Software was used to test the linearity of the relationship between independent and dependent variables. The residuals scatter plot shows that the points were arranged from bottom left to top right in a fairly straight line. As such, it exhibits linearity. Regression analysis relies on the fundamental premise that there is a linear relationship between the variables, meaning that the patterns formed by the points in the straight-line plot can be roughly represented by a straight line.

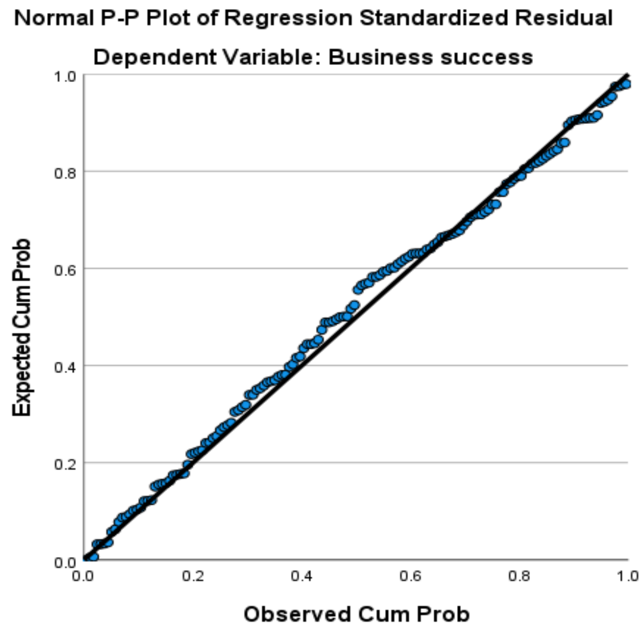


Figure 4.1linearity Test

### 4.1.8.3.2 Normality

The assumption of normality assumes whether the error terms are normally distributed or not. In a regression analysis, the normality of errors is indicated when the standardized residual becomes bell-shaped (Gujarati, 2004).

Figure 4.2  Below shows the errors are normally distributed since the Histogram result indicated bell-shaped. So we can say that the errors are approximately normally distributed

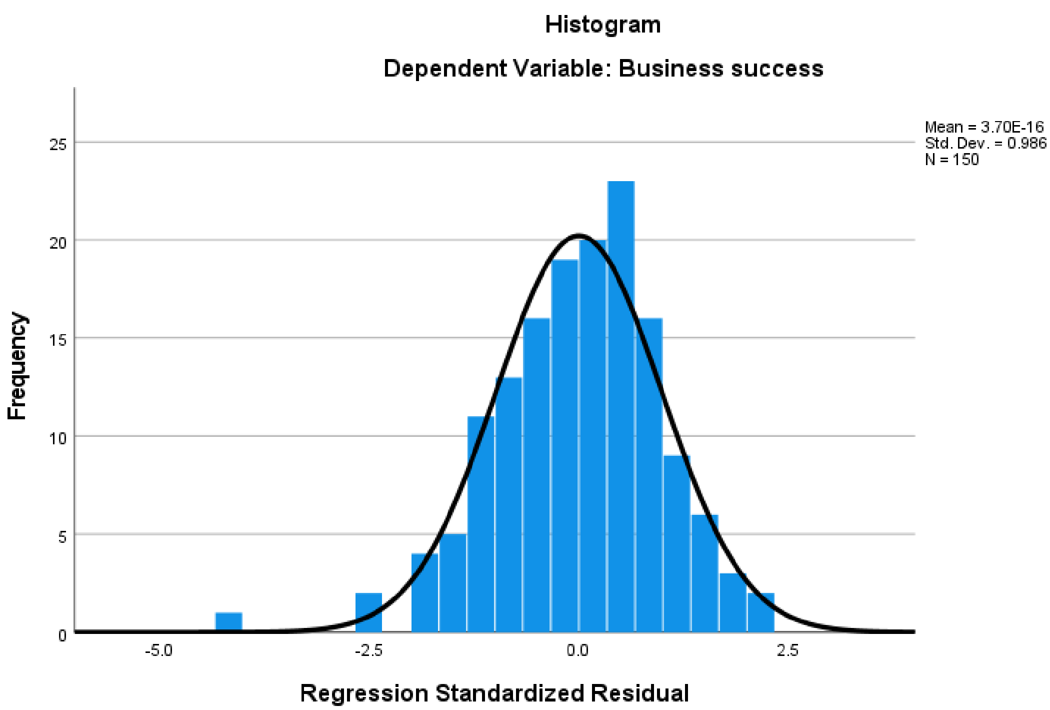


Figure 4.2Normality Test

### 4.1.8.3.3 Multicollinearity

Multicollinearity test is a statistical test used to assess the degree of correlation between two or more independent variables in a regression analysis. Multicollinearity can cause problems in regression analysis, such as inflated standard errors and unstable coefficients.

As stated by (McClelland 2017), the majority of regression software can calculate the variance inflation factor (VIF) for every variable. Generally speaking, a VIF greater than 5 points indicates issues with the multicollinearity test. (Erik, 2014) emphasizes that while some statisticians believe that values for "Tolerance" below 0.2 are cause for concern, he also emphasizes that values below 0.1 indicate serious issues.

Variance Inflation Factor (VIF): VIF measures how much the variance of an estimated regression coefficient is increased due to collinearity. A VIF greater than 10 is often considered indicative of multicollinearity.

Tolerance: Tolerance is the reciprocal of VIF and measures the proportion of variance in an independent variable that is not explained by other independent variables. A tolerance value less than 0.1 is considered indicative of multicollinearity.

Table 4.13 Multicollinearity Test

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Financial start up | 0.630 | 1.587 |
| | Building team | 0.964 | 1.037 |
| | Marketing product | 0.676 | 1.480 |
| | Innovation | 0.757 | 1.321 |

Source own survey 2024

As shown in Table 4.13 the multicollinearity test for all independent variables the tolerance is greater than 0.1 and the VIF is less than 10, therefore there is no multicollinearity.

## 4.1.8.3.4 Heteroscedasticity

The heteroscedasticity test is a statistical test used to check for the presence of heteroscedasticity, which is a violation of the assumption of homoscedasticity in regression analysis. Homoscedasticity means that the variance of the errors is constant across all levels of the independent variables. Heteroscedasticity, on the other hand, occurs when the variance of the errors is not constant.

Error terms don't have a continuing variance, according to this assumption. Hypothesis testing is no longer valid or reliable if heteroscedasticity occurs because the standard least square method's estimators become inefficient and underestimate variances and standard errors. The variance of the error term that is constant across all model measures is used to test heteroscedasticity graphically or visually. This implies that, in the absence of heteroscedasticity, the data is not heteroscedastic.

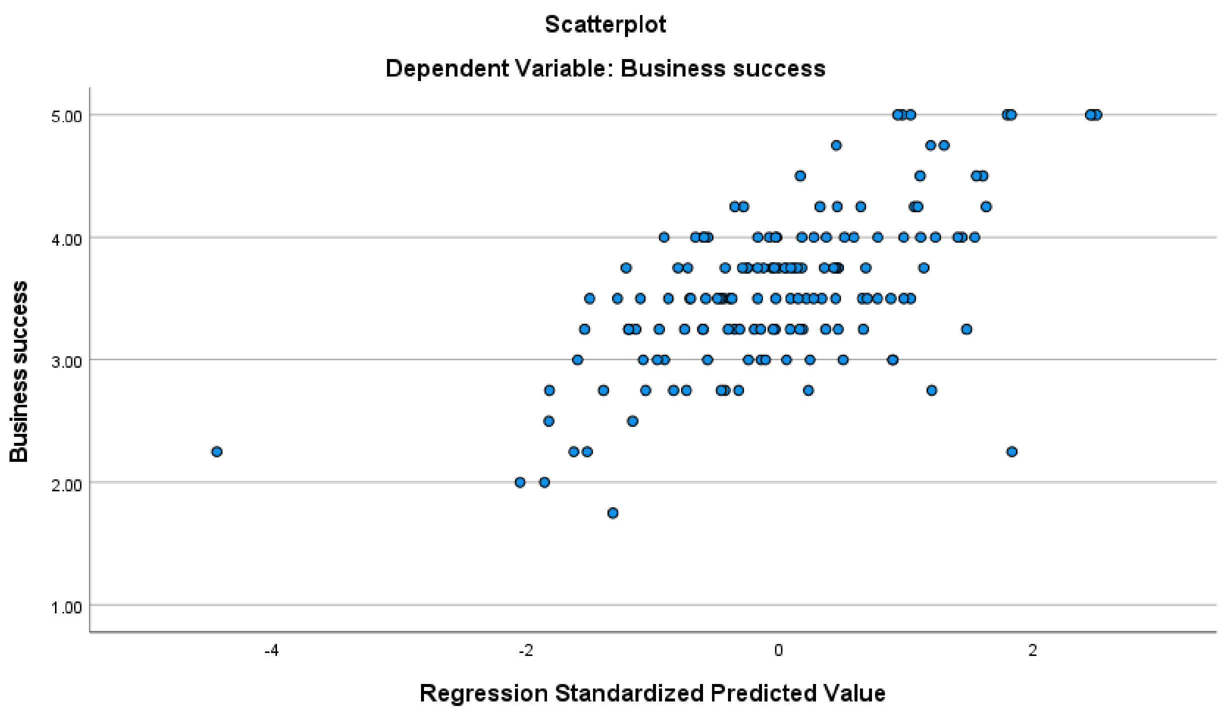


Figure 4.3 Heteroscedasticity Test

As shown in the above graph the residuals do not make regular patterns, therefore there is no heteroscedasticity.

## 4.1.8.4Multiple Linearity Regression Analysis

Multiple linear regression analysis is a statistical method used to examine the relationship between two or more independent variables and a single dependent variable. For this research, I examined the relationship between financial start up, building team, marketing product and Innovation factors (independent variables) and business success (dependent variable).

The regression analysis helped us to understand how and to what extent these different factors affect business success. By analyzing the data and calculating regression coefficients, I can identify the strength and direction of these relationships.

The results of the regression analysis can provide valuable insights for small business company looking to improve its business success. By understanding which factors have the greatest effect on dependent variable, the company can make informed decisions about how to create a more supportive and conducive strategy for its success.

Table 4.14 Anova Results

| **ANOVA**[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 25.614 | 4 | 6.404 | 24.626 | .000[b] |
| | Residual | 37.704 | 145 | .260 | | |
| | Total | 63.318 | 149 | | | |
| a. Dependent Variable: Business success | | | | | | |
| b. Predictors: (Constant), Innovation and adaptability, building team , marketing product , Financial start up | | | | | | |

Source own survey, 2024

According to the above Table 4.14 the Anova Result analysis, The F-statistics that is considered as a measure of goodness of fit with the specified model, showed that it is significant at 1% level of significance and the model formulated in the study is best fitted

Table 4.15 Multiple Linearity Regression Analysis

| **Model Summary**[b] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .636[a] | 0.405 | 0.388 | 0.51 | 1.731 |
| a. Predictors: (Constant), Innovation, building team , marketing product , Financial start up | | | | | |
| b. Dependent Variable: Business Success | | | | | |

Source own survey 2024

In overall, table 4. 14 revealed that all independent variables accounted for 40.1% of the contribution to dependent variable. Thus, 40.5% of the variation in market share and growth can be explained by financial start up, building team, marketing products and innovation factors. The remaining 59.5% were other factors that limit business success in micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City.

R: Indicates the value of the multiple correlation coefficients between the predictors and the result, with a range from 0 to 1, a larger value indicating a larger correlation, and 1 representing an equation that completely predicts the observed value (Pedhazur, 1982). The model summary (R=.636) indicated that the linear combination of the four independent variables (financial start up, building team, marketing products and innovation) strongly predicted the dependent variable

R Square ($R^2$): Indicates the proportion of variance that can be explained in the dependent variable by the linear combination of the independent variables. In other words, $R^2$ evaluates how much of the variability in the outcome is accounted for by the predictors. The values of $R^2$ also range from 0 to 1 (Pedhazur, 1982). The linear combination of independent variables or predictors‟ i.e financial start up, building team, marketing products and innovation explains 40.5 % of the variance in business success and the remaining 59.5% is explained by extraneous variables, which have not been included in this regression model. In other words, 40.5% of the variation in business success is explained by the changes in the above-mentioned independent variables while the rest 59.5% is explained by other factors.

Adjusted R Square ($R^2$): The adjusted $R^2$ gives some suggestion of how well the model generalizes and its value to be the same, or extremely close to the value of $R^2$. That means it adjusts the value of $R^2$ to more correctly represent the population under study (Pedhazur, 1982). The difference for the final model is small (the difference between $R^2$ and Adjusted $R^2$ is (0.405 – 0.388 = 0.017) which is about 0.17%. This reduction means that if the model were derived from the population rather than a sample it would account for approximately 0.17% less variance in the conclusion.

Durbin-Watson: The Durbin–Watson statistic expresses whether the supposition of independent errors is acceptable or not. As the conservative rule suggested, values less than 1 or greater than 3 should raise alarm bells (Field, 2005). So that the desired result is when the value is closer to 2, and for this data, the value is 1.73, which is so moderate to 2 that the assumption has almost certainly been met.

### 4.1.8.5 Coefficient Analysis

Table 4.16 Coefficient Analysis

| **Coefficients[a]** | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 0.678 | 0.306 | | 2.220 | 0.028 |
| | Financial start up | 0.215 | 0.085 | 0.203 | 2.516 | 0.013 |
| | building team | 0.112 | 0.049 | 0.116 | 1.244 | 0.037 |
| | marketing product | 0.207 | 0.082 | 0.197 | 2.523 | 0.013 |
| | Innovation | 0.352 | 0.068 | 0.383 | 5.204 | 0.000 |
| a. Dependent Variable: Business success | | | | | | |

Source own survey, 2024

The marked column B is the value for the intercept (a) in the regression equation on the first row, labeled (constant). The numbers below the column “βeta” are the values for the regression coefficients for financial start up, building team, marketing products and innovation factors. In the multiple regressions, the standardized regression coe

fficient Beta (β) is useful, because it permits us to contrast the relative strength of each independent variable's effect on the dependent variable (Pedhazur, 1982). The above table 4.16 presents the result of the regression analysis; the result of regression analysis is based on an independent variable and a dependent variable. According to the regression analysis shown in the above table, innovation factors affect business success of the company measures with a beta weight of 0.383, which means that independent variables greatly affect the dependent variable. Financial start up, building team and marketing products affect business success at 0.203, 0.116 and 0.197 respectively.

Based on these results, the regression equation that predicts the effect of financial start up, building team and marketing products on business success was:

$Yi = \beta 0 + \beta 1X1 + \beta 2\ X2 + \beta\ 3X3 + \beta\ 3X4 + E$

Where Y=business success

X1=financial start up

X2=building team

X3=marketing product

X4=innovation

$Yi = 0.678 + 0.203X1 + 0.116\ X2 + 0.197X3 + 0.383X4$

As indicated in table 4.16 the standardized coefficient beta and P-value table result, the innovation factor is 0.383 and a significant level of 0.05. The P-value is 0.000, which is less than 0.05 According to the analysis innovation factors have a positive influence on business success.

As indicated in the standardized coefficient beta and P-value table result, the financial start up factors are 0.203 and have a significant level of 0.05. The P-value is 0.013, which is less than 0.05 According to the analysis; financial starts up factors have a positive influence on business success.

As indicated in the standardized coefficient beta and P-value table result, the building team factor is 0.116 and a significant level of 0.05. The P-value is 0.037, which is less than 0.05 According to the analysis; building team factors have a positive influence on business success.

As indicated in the standardized coefficient beta and P-value table result, the marketing product factor is 0.197 and a significant level of 0.05. The P-value is 0.013, which is less than 0.05 According to the analysis; marketing product factors have a positive influence on business success.

## 4.2 Hypothesis Testing

The researcher stated four hypotheses in this study that were obtained from independent variables or predictors (financial start up, building team, marketing product, and innovation of product) that had significant associations with business success. The researcher checks these assumptions by using p-values that determined by the regression analysis. As a result, the hypotheses that were tested are given below:

H1) Starting financial resource has a positive and significant effect on business success

The unstandardized beta coefficient with ($\beta_1$ = 0.203, p < 0.013<0.05), this indicates that financial starts up have a positive and significant effect on business success. So the hypothesis was accepted

H2) Building teams have a positive and significant effect on business success.

The unstandardized beta coefficient with ($\beta_2$ = 0.116, p < 0.037<0.05), this indicates that Building teams have a positive and significant effect on business success. So the hypothesis was accepted

H3) Marketing products have a positive and significant effect on business success.

The unstandardized beta coefficient with ($\beta_3$ = 0.197, p < 0.013<0.05), this indicates that Marketing products have a positive and significant effect on business success. So the hypothesis was accepted.

H4) Innovation has a positive and significant effect on business success.

The unstandardized beta coefficient with ($\beta_4$ = 0.383, p =0.000<0.05), this indicates that Innovation have a positive and significant effect on business success. So the hypothesis was accepted.

Table 4.17 Summary of Hypothesis Testing

| Hypothesis | P-value | β -Value | Expected effect | Result | Decision |
|---|---|---|---|---|---|
| H1: Starting financial resource has a positive and significant effect on business success | 0.013 | 0.203 | Positive | Positive | Accepted |
| H2: Building teams have a positive and significant effect on business success. | 0.037 | 0.116 | Positive | Positive | Accepted |
| H3: Marketing products have a positive and significant effect on business success. | 0.013 | 0.197 | Positive | Positive | Accepted |
| H4: Innovation has a positive and significant effect on business success. | 0.000 | 0.383 | Positive | Positive | Accepted |

Source: own survey,2024

## 4.2 Qualitative Data Analysis

### 4.2.1 Interview Analysis

To gather more information about the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City, both structured and unstructured interview questions were forwarded to the managers and owners of the small business. Interviewees' responses to the questions are depicted briefly as follows.

1. **The challenges face for getting started in finance**: As depending on the answers by managers and owners, their company faces several challenges in getting started. One of the biggest challenges is building a strong team with the right expertise and skills. And also need to

navigate the complexities of financial regulations and compliance requirements, which can be time-consuming and costly. Additionally, they need to establish relationships with banks and other financial institutions to secure funding and financing options for their clients.

**2. Factor mainly affects the success company:** According to their answers, the success of the company mainly depends on its ability to deliver high-quality financial services to companies clients. This includes providing personalized financial advice, securing competitive funding options, and offering timely and effective financial solutions to meet clients' needs. Company's team's expertise, attention to detail, and commitment to customer satisfaction are crucial factors in achieving this goal.

**3. About satisfaction of customer customers:** As their response, the company strives to ensure that company's customers are satisfied with its services. The company regularly collects feedback from its clients and uses it to improve its services. While company has had some positive feedback, it recognizes that there is always room for improvement. Companies are constantly working to enhance its services, simplify its processes, and provide more value to its clients.

4. **Company's suitableness of working environment:** According to their answer, It prioritize creating a comfortable and productive working environment for its employees. It believes that a happy and motivated team is essential for delivering excellent service to its clients. Its office is designed to promote collaboration, innovation, and creativity, with amenities such as state-of-the-art technology, flexible workspaces, and regular team-building activities.

5. **Opinion, suggestion or comment about advantage or disadvantage of innovation:** Innovation is crucial for company's success. The company needs to stay ahead of the curve by continuously innovating and adapting its products and services to meet changing market demands and client needs. The advantages of innovation include increased competitiveness, improved customer satisfaction, and enhanced reputation. However, there are also potential disadvantages, such as increased costs and risks associated with new product development.

Based on the findings from the structured and unstructured interviews, it is evident that the success of small business companies in Addis Ababa, specifically Nifas Silk Lafto Sub City, is largely dependent on the company's ability to deliver high-quality financial services to clients.

The findings suggest that building a strong team with the right expertise and skills is crucial, as well as navigating financial regulations and establishing relationships with financial institutions. Moreover, the company's commitment to creating a comfortable and productive working environment, prioritizing customer satisfaction through regular feedback and continuous improvement, and embracing innovation are key factors that contribute to its success.

## 4.3 Discussion

The study was aimed at analyzing the Effect of Business Factors Affect Micro and Small Enterprise in Addis Ababa Nifas Silk Lafto Sub City in some selected woreda. The dependent variable business success and independent variables financial start up, building team, marketing and innovation products mean score was comparatively moderate. But, according to this study Micro and small enterprises often face significant financial challenges in their early stages, which can hinder their growth and development. This result supported by Kerr, (2020) Starting a new business can be a daunting task, and one of the most significant challenges entrepreneurs face is securing adequate financing. In fact, a study by the Small Business Administration (SBA) found that 82% of small businesses fail due to financial difficulties (SBA, 2020). This is because many startups lack the necessary capital to cover their initial expenses, including equipment, inventory, and payroll (Colombo 2019).

A correlation analysis was conducted to examine the relationship between independent variables (financial start-up factors, building team factors, marketing product factors, and innovation factors) and business success. The results showed a positive correlation between all independent variables and business success, with Pearson correlation coefficients ranging from 0.299 to 0.556. Notably, innovation factors demonstrated the strongest correlation with business success, with a coefficient of 0.556, indicating that innovative businesses are more likely to experience greater success. This suggests that prioritizing innovation is a critical factor in determining business success, and that businesses that focus on innovation may have a competitive edge in the market. This result supported by Cantamessa, (2018) explores the impact of financial start-up strategies on small business success and finds that a positive correlation between effective financial start-up strategies and sustained business success.

The regression analysis revealed that innovation had the most significant impact on business success, followed by financial start-ups, marketing, and team building. Collectively, these factors explained 40.5% of the variance in business success. The findings underscore the critical role of innovation in driving business success for MSEs in the study area. Innovation, with the highest standardized coefficient, highlights its strong influence in helping businesses remain competitive and adapt to market changes. Financial start-ups, while not as impactful as innovation, provide essential support that helps businesses overcome initial financial barriers. Effective marketing product and strong team building are also essential, contributing to better market presence and operational efficiency.

This study is significant for small business owners and policymakers in Addis Ababa. Prioritizing innovation can lead to sustainable growth and competitive advantage. By investing in research and development, adopting new technologies, and fostering a culture of continuous improvement, MSEs can achieve higher success rates. Policymakers can use these insights to develop programs and support systems that encourage innovation, provide financial support, and offer training and development opportunities for teams. While this study provides valuable insights, it has several limitations. The sample size was limited to 150 respondents from one sub-city, which may not be representative of all small businesses in Addis Ababa or other regions. Additionally, the study focused on a specific set of variables, leaving out other potential factors that could influence business success. The 40.5% variance explained by the model suggests that other unexplored factors also play a role in business success.

To remain competitive, micro and small enterprises need to prioritize innovation, investing in research and development to create new products, services, or processes that meet the evolving needs of their customers. Building strong teams by hiring talented employees and providing ongoing training can also contribute to success. Alternative funding options like microfinance institutions can help overcome financial challenges. A comprehensive business plan outlining goals, strategies, and financial projections can provide a roadmap for success.

Recommendations for future research include expanding the scope to include additional variables and replicating studies in different regions or sectors to compare results and gain a broader understanding of MSEs' challenges and opportunities.

# CHAPTER FIVE

# CONCLUSION AND RECOMMENDATION

## 5.1 Summary of Findings

This is a research study on the factors that influence the success of micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City. The report presents the descriptive statistics, inferential analysis, and regression analysis of the data collected from 150 small business owners and managers.

The study also found that building a strong team, marketing products and services effectively, and addressing financial source difficulties are important factors that contribute to business success. However, these factors are less significant than innovation in terms of their effects on business success. The finding suggests that innovation should be prioritized in order to stay competitive in the market. This can be achieved by investing in research and development, training employees, and adopting new technologies.

The regression analysis also indicates that all independent variables have a significant positive impact on business success. The results of the regression analysis show that the model explains 40.5% of the variance in business success, with the remaining 59.5% being attributed to other factors that are not included in the model. The innovation factor has the greatest impact on business success, with a standardized coefficient of 0.383 and a significant level of 0.05.

The results of the study suggest that financial start up, building team, marketing product, and innovation are all important factors that contribute to business success. The study finds that financial startup has a positive influence on business success, with a standardized coefficient of 0.203 and a significant level of 0.05. Building team also has a positive influence on business success, with a standardized coefficient of 0.116 and a significant level of 0.05. Marketing product has a positive influence on business success, with a standardized coefficient of 0.197 and a significant level of 0.05.

## 5.2 Conclusion

This study aimed to investigate the factors that influence the success of micro and small enterprise in enterprise in Addis Ababa Nifas Silk Lafto Sub City. The findings of the study suggest that innovation is the most significant factors that contribute to the success of micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City. Specifically, the study found that innovation has a positive and significant impact on business success, as measured by the dependent variable, business success. The study suggests that small business companies should prioritize innovation to improve their chances of success. The study also suggests that building a strong team, marketing products and services effectively, and addressing financial source difficulties are important factors that can contribute to business success.

Generally, the findings of this study suggest that financial start up, building teams, marketing product and innovation are critical factors that contribute to business success in micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City. The results of this study highlight the importance of investing in innovation, building a strong team and effectively marketing products to drive business success. These findings have important implications for small business owners in the sub city, who can use this information to inform their strategic decisions and create a more supportive and conducive environment for their businesses. By prioritizing these key factors, small business owners in Addis Ababa Nifas Silk Lafto Sub City can increase their chances of success and contribute to the economic growth and development of the region.

## 5.3 Recommendation

Based on the study finding and overall result, the following recommendations are forwarded to the micro and small enterprise.

- To remain competitive, micro and small enterprises need to prioritize innovation, investing in research and development to create new products, services, or processes that meet the evolving needs of their customers. By embracing innovation, these businesses can differentiate themselves from larger competitors and stay ahead of the curve, ultimately driving growth and success. This can involve investing in new technologies, exploring new markets, and developing unique value propositions that set them apart from others in their industry. By prioritizing innovation, micro and small enterprises can not only stay competitive but also position themselves for long-term sustainability and prosperity.

- Building a skilled and motivated team is crucial for a company's success. To achieve this, organizations need to focus on hiring talented employees who share their vision and values. This involves identifying top candidates with the right skills, experience, and fit for the company culture. Once hired, it is essential to provide ongoing training and development opportunities that help employees grow professionally and personally. This can include mentorship programs, workshops, and training sessions that equip employees with the latest skills and knowledge in their field.
- Micro and small enterprises often face significant financial challenges in their early stages, which can hinder their growth and development. In order to overcome these challenges, it is essential that they explore alternative funding options that are tailored to their specific needs. One such option is microfinance institutions, which provide small loans and other financial services to individuals and businesses that may not have access to traditional banking facilities. These institutions can offer flexible repayment terms and interest rates, making it easier for micro and small enterprises to manage their finances and scale their operations.
- To effectively reach their target audience, companies often invest in a range of marketing strategies. This may include social media marketing, which allows them to connect with customers and promote their brand through various online platforms. Online advertising, such as Google Ads or Facebook Ads, is another effective way to target specific demographics and increase brand visibility. Additionally, networking events and conferences provide opportunities for businesses to build relationships with potential customers and partners.
- A comprehensive business plan is also essential for the success of a company. This document outlines the company's goals, strategies, and financial projections, providing a roadmap for achieving its objectives. A well-crafted business plan helps companies stay focused, make informed decisions, and measure their progress against set targets. By having a clear plan in place, businesses can allocate resources efficiently, manage risks, and adapt to changes in the market or industry.

## 5.4 Recommendation for Future Research

This study also investigates the factors of business affects micro and small enterprise in Addis Ababa Nifas Silk Lafto Sub City. However, the study's variables were not complete. Other variables not included in this study could be incorporated into future studies. Given the foregoing, the researcher proposes that findings be made available for the study to be reproduced in other small business that found throughout the country, as the current study's findings suggest that there are various problems as well as benefits of business factors.

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# Appendix

**Dear respondents;**

This questionnaire is designed to collect data on the financial start up, building team, marketing product, and growth & marketing share small business in Addis Ababa Lafto subcity which will be used as an input for a thesis in partial fulfillment of MBA. I assure you that, all your responses will be kept in absolute confidentiality and you will not be held responsible for the research outcome. Therefore, your genuine, frank and timely responses are quite vital to determine the success of this study. So, I kindly request your contribution in filling the questionnaire honestly and responsibly.

***Thanks in advance for your valuable cooperation!***

**General Instructions**

✓You are not required to write your name

## Part I. Personal Data

Please tick ☑ for your choose to the space provided.

1. Gender

Male ☐ Female ☐

2. Age

Less than 30 ☐ 31-40 ☐ 41-50 ☐ above 51 ☐

3. Education level

Diploma ☐ Degree ☐ Master ☐ PHD ☐

4. Work experience

Less than 5 year ☐ 5-10 year ☐ 11-20 years ☐ 21 and above ☐

5. Job position

Owner ☐ Manager ☐ Owner and Manager ☐

## Part II. General questions

Please indicate your level of agreement/disagreement by ticking [√] in the box for your exact feeling based on the scale below.

1=Strongly Dis agree 2= Dis Agree 3= Neutral 4= Agree 5= Strongly Agree

1. Questions related to financial start up

| No | Questions | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The company needs finance to increase its accessibility by providing variety of products. | | | | | |
| 2. | Company's source of finance gets from owners itself, private sectors (bank, microfinance) and government. | | | | | |
| 3. | The company have an educated manpower whom manage the finance (cash flow ,salary of employee and other miscellaneous expense) | | | | | |
| 4 | The main problem of the company is lack of finance invest. | | | | | |
| 5 | The capital of the company is increased with time rapidly. | | | | | |

2. Questions related to building team

| No | Questions | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The company's employees are not qualified and skilled and they have created strong team. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2. | The company has no strong team leader that play a significant role in the team. | | | | | |
| 3. | Company's team leader was skilled and flexible and maintain healthy work environment. | | | | | |
| 4 | The company gives training for its employee to develop their professional skill to improve their performance. | | | | | |

3. Questions related to marketing product /service

| No | Questions | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The company provides high quality product and service to customers. | | | | | |
| 2. | Customers rely on the high quality of company's products | | | | | |
| 3. | The company gives guarantee to the quality and liability of product/service | | | | | |
| 4 | The quality of the products of the company is better compared to other competitive. | | | | | |
| 5 | The company gives more attention on product quality rather than service quality. | | | | | |

**4.** Questions related to innovation factor.

| No | Questions | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The company's Product /service are sufficiently unique compared with what already exist. | | | | | |
| 2. | When considering new product development the company interview to customers to test their interest level. | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 3. | The company introduced its new product to the customers by using different means like newspaper, telegram, radio e.t.c | | | | | |
| 4 | Since the company's new product meet customer's needs, they were adapted easily by customers. | | | | | |

5. Questions related to business success.

| No | Questions | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 1. | The market shares of the company have been increased relatively. | | | | | |
| 2. | Profit of the company was better with compared to other similar companies. | | | | | |
| 3. | The number customers of the company increase from time to time due to high quality products and snappy service. | | | | | |
| 4 | The company was selected by customers by providing high quality product and service. | | | | | |

Part III Interview Questions

The researcher will conduct semi- structured to small business owners and managers.

1. What challenges do you face for getting starting finance?

2. Which factor does mainly affect the success of your company?

3. Do you think most of your customers are satisfied?

4. Do your company have suitable working environment?

5. Have any opinion, suggestion or comment about advantage or disadvantage of innovation of the product?

*Thank you!!*