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Recognizing the Reasons for Success of Growth Enterprises at Agriculture Sector of Semnan Province, Iran

Farhad Lashgarara [1], Alireza Torabi [2] and Maryam Omidi Najafabadi [1]*

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Abstract

Small and medium enterprises play a significant role in economic and industrial development in the developed and developing countries. The main purpose of the study was to investigate the key factors in the effective of growth enterprises. The statistical population of this study according to assessment of Agri-Bank of the Semnan Province includes the managers of enterprises in agricultural sector of Semnan Province who were evaluated as successful enterprises (1932 agricultural units). For determining the sample 125 persons were selected by using Cochran's formula through stratified random sampling. The main tool for collecting data was questionnaire. The results indicated that 6.4% of agricultural growth enterprises were fully successful, 79.2% were successful, and 13.6% were rather successful. According to the results, there was a significant difference between the achievement levels of growth enterprises in different educational groups with confidence level of 95%. In addition, regression analysis showed that seven variables of initial capital, current production value, years of activity, number of personnel, firm size, investment amount, and business history altogether explained 47.7% of variance in the growth enterprises.

Keywords:
achievement, agriculture sector, growth enterprise, Semnan Province

[1] *Department of Agricultural Extension and Education, Science and Research Branch, Islamic Azad University, Tehran, Iran*
[2] *Department of Rural Development, Science and Research Branch, Islamic Azad University, Tehran, Iran*
* *Corresponding author's email: f.lashgarara@srbiau.ac.ir*

INTRODUCTION

Unemployment is one of the major problems in Iran. According to the latest report on the world labor market, the numbers of unemployed people have raised from 161.4 million to 196 million during 1996-2011. International Labor Organization (ILO) (2014) has estimated that the number of unemployed persons until 2018 will be increased up to 2,500,000. Over the past five years, economic crisis has triggered the world's unemployed population by 32 million people. Specially, the numbers of world's unemployed young people have gone up to 73 million.

Many different solutions have been offered to solve this problem all over the world. The utilization of social and economic potentialities, the support of small and growth enterprises, granting unemployment insurance coverage, the support of small production units through purchasing their products, and contribution to the establishment and operation of low-capital production and services units are among the policies adopted to reduce unemployment rate (Mehralizadeh & Sajadi, 2009).

In Iran, the program of "Granting Facilities to Growth Enterprises" was approved and executed in 2005 as part of encouragement policies adopted by the ninth government in order to enhance economic strength of the private sector in line with the development of private agricultural units. Based on this program, facilities were granted to growth businesses with a view to growth and development of agricultural sector in Semnan Province as with other provinces. The goal behind the support of growth enterprises was to develop and expand the activity of such enterprises in line with the reduction of unemployment (Ravanbakhsh, 2008).

Small and growth enterprises refer to the firms with less than 50 personnel (UN Industrial Development Organization, 2005). Such enterprises are established after obtainment of necessary licenses including activity license, establishment license, business license and operation license in accordance with the relevant rules and regulations in different sectors including agriculture, industry, mining and services. According to the resolution no. 34055/46468 dated Nov. 26, 2005 of the Cabinet, growth project refers to the projects which are completed within 24 months.

There exist a variety of views and opinions about the key factors contributing to achievement, which can be divided into three general groups:

- Lufman's view: He conceives of the key factors of achievement as the requisites for achievement (Rasekhi & Zabihi Lahromi, 2008).
- Tomson's view: He believes that advantage in one or more factors of achievement over other rivals will provide the enterprise with the opportunity of survival and advancement (Feizpoor & Moayed, 2008).
- Pankage's view: He believes that every enterprise has to find a way to achievement based on its own capabilities and resources (Ibid).

Rezvani (2011) used the data related to 30 provinces (and also the descriptive statistical method) and showed that there was a significant correlation between the bank credits granted and the level of job creation by the functioning SMEs. Jamsheedloo et al. (2011) pointed out that the monetary, marketing, technical, organizational, and internal problems of the SMEs were responsible for their failure. Zarenezhad and Ebrahimi (2011) estimated that the degree of deviation of the SMEs from their original goals for the whole country was about 37.65 percent and showed that there was a positive correlation between the level of granted facilities and the number of jobs created, while the degree of deviation from the original goals of the SMEs and the level of facilities granted to them exhibited a negative correlation. Hassanpour and Aghashiri (2011) evaluated 28 poultry farms in the province of Kohkiloyeh and Boirahmad and showed that there was a direct and meaningful relationship between the level of education of the executives (and also that of the employees) and the degree of success of these farms at the 5% probability level. Feizpour and Poush Douzbashi (2008) conducted a study on the factors contributing to the rapid growth of small production enterprises in Iran during

the 3rd development program. They found that the young age of enterprise, contribution of active technicians, expenses incurred for marketing, and access to market had a significant positive impact on the rapid growth of enterprises. They also found that the size of enterprise had a significant, yet non-linear, impact on the rapid growth of enterprises. The rapid growth of small enterprises may also be affected by the ownership and productivity of the enterprise. The study by Ceranic et al. (1990) on the development of SMEs in Serbia led to the conclusion that the success or failure of SMEs depend on their size and on the type of their activity. Chngu (2006) carried out research on the performance of SMEs in South Korea with respect to efficiency and productivity and found that the productivity index of SMEs having fewer than 50 employees exhibited a higher growth rate than that of the larger SMEs; and the improvement in the production and in the productivity of the firms with a capital of less than a billion (US dollars) was greater compared to firms which had more capital. Ansari (2009) studied the factors influencing the recession of Agri- Bank's projects. The results indicated that the specifications of project executor, features of the project and bank investment risk were associated with the recession of Keshavarzi Bank's projects. Khafaei (2009) conducted a study on the factors influencing the lack of achievement of the firms in agricultural sector of Boushehr and Dashtestan. The results indicated that non-cooperation of executive organizations, high price of raw materials, high fee rate of bank facilities, non-cooperation of the fund, inappropriate provision of marketing services, and lack of information in various fields significantly contributed to the lack of achievement of cooperatives companies in agricultural sector of the province. Feizpoor and Moayed (2008) explored the factors contributing to the suspension of industrial enterprises in Yazd Province. They found that establishment of companies in industrial estates and the size of enterprises had no impact on the suspension of enterprises. Yet, the probability of suspension was different in various industrial groups, and old enterprises were more likely to be suspended compared with young enterprises. Mozaffar Amini and Ramezani (2006) evaluated the factors influencing the achievement of poultry raising cooperatives in Tehran province. The results indicated that the cooperatives had not succeeded in achieving the goals specified in the articles of association of rural cooperation organization and had failed to meet the expectations of the members. Route analysis test results indicated that the performance of cooperatives association, technical skills of managers, history of membership in cooperatives, amount of participation in cooperatives, amount of members' benefit from the cooperatives, quality of educations provided, identification of members, the number of educational courses, and skills of managers were respectively the most influential factors in the achievement of cooperatives.

In Iran, there are great potentialities and opportunities for the development of small and growth enterprises in agricultural sector in the fields of food production, food variety and safety, non-oil exports and, most importantly, creation of employment opportunities both directly and indirectly. The climatic variety of the country provides small enterprises with a good opportunity to work in agricultural sector (Iran Small Industries and Industrial Estates Organization, 2011).

Semnan Province has a good opportunity for the development of such enterprises, because it is close to Tehran city and is located in the main corridors of the country. Further, it has transit roads and other capabilities which call for establishment and development of small and growth enterprises. According to statistics on small and growth enterprises in agricultural sector of Semnan province and the information obtained from Agri-Bank, 1700 projects have been introduced by March 2015, out of which 736 projects have been confirmed in Agri-Bank. Also there are approximately 2188 of active agriculture production projects as small enterprises by the end of 2014 (Edraki, 2009). Considering the paid loans (separated by economic

Table 1
Statistical Population of the Research, Separated By City

	County	Number of Enterprises (sample size)
1	Sorkheh	275 (18)
2	Garmsar	394(26)
3	Shahrood	350(22)
4	Damghan	298(19)
5	Semnan	615(40)
	Total	1932(125)

sectors), the profitability of these projects has been 32001 million IRR altogether.

The study was conducted in 2015 to explore the factors contributing to the achievement of growth enterprises in agricultural sectors of Semnan Province. While many studies have been conducted on the failure and suspension of enterprises in both developed and developing countries, this issue has been paid no attention in Iran. The main goal of this study was to determine the factors contributing to the achievement of small and growth enterprises in agricultural sectors. The following represents the special objectives:

1. Determining the amount of achievement of growth enterprises in agricultural sector of Semnan province
2. Identifying the characteristics of project executors and its association with the achievement of growth enterprises
3. Determining bank-related parameters (e.g. duration of facilities and holding educational courses for project executors by bank) and their association with the achievement of growth enterprises
4. Identifying project characteristics (number of personnel, project type, etc.) and their association with the achievement of growth enterprises
5. Determining the factors in the achievement of growth enterprises in Semnan province

MATERIALS AND METHODS

This study was an applied research in terms of its goal and descriptive in terms of data collection method. This study aims to determine the relationship between research variables; accordingly, it is a correlation research study. The dependent variable of the study was achievement of growth enterprises, which was evaluated using Likert type scale consisting of 23 items. The independent variables of the research were personal characteristics of managers of growth enterprises, characteristics of growth enterprises, and bank-related parameters. The statistical population of the research consists of managers of growth enterprises in agricultural sector of Semnan Province which has been evaluated as successful enterprises according to Agri-Bank of Semnan Province (N=1932 production units) (Table 1).

The sample size has been determined by Cochran's formula as following:

$$n = \frac{N(t.s)^2}{Nd^2 + (t.s)^2}$$

where:
n= sample size
S= standard deviation
N= population size
d= probable accuracy
T= 1.96

$$d = t.\frac{S}{\sqrt{n}} = 1.96 \times \frac{1.18}{\sqrt{30}} \approx 0.423$$

To compute probable accuracy, first standard deviation of the dependent variable (achievement of growth enterprise) was estimated and entered into the formula, and then the amount of probable accuracy (d) was measured. To increase the accuracy, d value by half and estimated sample size using Cochran's formula was modified. Finally, a sample size of 125 was considered.

Considering that the list of growth enterprises was available, a stratified sampling method for

five counties of Semnan Province was employed

The main tool for collecting data and measuring the variables of research was questionnaire that was offered based on theoretical frame and hypothesis for collecting the data of research. In order to determine validity, it was applied from content validity method. The questionnaire was offered to the supervisor and advisor of thesis and upon collecting their results, the final questionnaire was designed. In order to examine the reliability of research, 30 questionnaires were distributed and by using Alpha Cronbach, the level of reliability revealed the suitable reliable results of research.

The required data were collected in two parts: The first part, consisting of theoretical fundamentals and the literature, was collected through library study, academic books, papers presented in scientific conferences, theses, search of information, translation of electronic resources in internet, and so on. The second part, consisting of information on the variables under study, was collected through questionnaire. To ensure the accuracy of data collection, all the questionnaires were completed face-to-face by visiting the production projects.

The statistical methods used in the research included descriptive statistics (frequency, percentage, cumulative percentage, mean, minimum, maximum, standard deviation) and analytical statistics (correlation coefficient test and regression analysis). The data were analyzed using SPSS.

RESULTS

Personal characteristics of the participants

Investigation of personal characteristics indicated that:

The mean age of the participants was and 50.64. 76% of participants were male. 31.2% had associate degree. 25.6% worked in the field of cattle rising. The participants had worked in the relevant business for 15.32 years in average. 20.8% of the participants had no records of agricultural work and 28% had work records in agricultural sector. The average monthly income of the participants was. $ 15123 48% of the participants had secondary jobs, with 35% having non-governmental jobs.

Bank-related parameters

Investigation of bank-related parameters indicated that:

The average of received facilities was 74.308.000 32% of the participants had received bank facilities for two times. 22.4% of the participants had no debt to bank. The average waiting time for receiving loan was 12.26 months.

Characteristics of growth enterprises

Investigation of characteristics of growth enterprises indicated that:

The average size of enterprises was 5840.80 m^2. 66.4% of the enterprises had private ownership. 57.6% of the enterprises had been established before 2001. The enterprises had been active for 9.8 years in average. The average personnel of the enterprises were 4 people. The average employment capacity of growth enterprises was 5 people. The average investment made by the enterprises was 212.076.240. 53.6% of the managers had participated in educational courses. The average initial capital of the enterprises was 126.268.240 and the average production value was. 14.581.600. The managers were 21.8 km distant from the enterprises in average, with the minimum distance being 3 km and the maximum being 60 km. The highest frequency belonged to 20-30 km category (57.6%). The average distance between enterprise and main sale market was 233.39 km, with minimum distance being 30 km and maximum being 360 km. The highest frequency belonged to 250-300 km category (57.6%). The average input cost of the growth enterprises was 66,128,000 with the minimum input cost being IRR. 30 million and maximum being 200.000. 000. The highest frequency belonged to the category of more than 1,000 million IRR [1] (32.8%). The average personnel cost was IRR. 347,520,000, with the minimum personnel cost being IRR. 1000.000 and maximum being IRR. 2,800, 000, 000. The highest frequency belonged to the category of less than 150 million IRR (33.6%). The average maintenance cost of growth enterprises was IRR. 13.837.600, with the minimum mainte-

[1] *$1=32000IRR*

nance cost being IRR. 2.500.000 and maximum being IRR. 50.000.000. The highest frequency belonged to 50-100 million IRR category (29.6%). The average of other production costs of the enterprises was IRR. 942.400 with the minimum cost being IRR. 50000 and maximum being IRR. 500,000,000. The highest frequency belonged to the category of less than 50 million IRR (45.6%).

The amount of achievement of growth enterprises in agricultural sector of Semnan Province using Likert type scale consisting of 23 items was investigated. 6.4% of the enterprises were evaluated as fully successful, 79.2% were evaluated as successful, and 13.6% were evaluated as rather successful. The results are contained in Table 2.

As shown by Table 3, all managers evaluated their enterprises as being successful. They believed that high liquidity of enterprise (M=4.85) was the most influential factor in the achievement of enterprise. The next priorities were initial capital (M=4.76) and the enjoyment of personnel and staff with various technical skills (M=4.72).

To identify and investigate the factors contributing to the achievement of growth enter-

Table 2
Frequency Distribution of the Achievement of Growth Enterprises in Agricultural Sector of Semnan Province

Achievement Level	Frequency	Percentage	Cumulative Percentage
Fully unsuccessful	--	--	--
Unsuccessful	1	0.8	0.8
Rather successful	17	13.6	14.4
Successful	99	79.2	93.5
Fully successful	8	6.4	100
Total	125	100	

Table 3
Prioritization of Participants' Views Based on Achievement Level of Growth Enterprises

Item	Mean	SD	Rank
High liquidity of enterprise in time of production	4.85	0.349	1
Initial capital	4.76	0.370	2
Enjoyment of personnel and staff with various technical skills	4.72	0.482	3
Availability of financial resources for execution of programs in enterprise	4.64	0.502	4.5
Ease of marketing products in domestic and foreign markets	3.94	0.416	4.5
Clarity of instructions and processes in enterprise	4.76	0.514	6
Appropriate communicative skills of managers	4.85	0.536	7
Ease of administrative affairs in enterprise	4.76	0.530	8
Good communication and cooperation with collaborative services centers	4.55	0.515	9
Enjoyment of risk management program in enterprise	4.73	0.559	10
Familiarity of managers with the laws of domestic and international trade	3.94	0.471	11
Being located at an appropriate place with easy access to market and inputs	4.12	0.533	12
Enjoyment of expert and educated personnel	4.28	0.643	13
Being located at agricultural estates and complexes	4.51	0.691	14
Procurement of production inputs with low cost and good quality	4.42	0.686	15
Superiority of revolving capital over total assets of the enterprise	4.32	0.707	16
Exchange of knowledge and information with other growth enterprises	4.19	0.692	17
Participation of personnel in decision making	3.81	0.637	18
Personal experience of managers of growth enterprises	3.71	0.658	19
Utilization of ICT in the enterprise	4.23	0.825	20
Availability of appropriate technologies for enhancing production and maintenance	3.34	0.706	22
Academic qualification of enterprise managers	3.43	0.676	21
Holding educational classes for the personnel to improve their efficiency	3.64	0.791	23

Scale: 1=very low; 2= low; 3=average; 4= high; 5= very high

Table 4
Investigation of the Factors Contributing to the Achievement of Growth Enterprises with Coefficient Values

Step	Variable	R	R^2	R^2_{Adj}	F
1	Initial capital	0.472	0.223	0.216	32.67**
2	Current production value	0.581	0.338	0.326	28.81**
3	Activity duration of enterprise	0.628	0.394	0.378	24.26**
4	Number of personnel	0.655	0.429	0.408	20.86**
5	Size of enterprise	0.683	0.466	0.442	19.19**
6	Investment amount	0.701	0.491	0.463	17.51*
7	Work records in the relevant business	0.713	0.509	0.477	15.98*

**p<0.01, *p<0.05

prises, first the relationship between predictor variables (personal characteristics, bank-related parameters, and characteristics of growth enterprises) and research parameter (achievement of growth enterprises) was investigated using linear regression analysis (see Table 5). Next, the achievement of growth enterprises in different groups was compared.

As the results show, educational qualification of managers, year of activity of enterprise, number of personnel, employment capacity, initial capital, current production value and distance of residence place were significantly and positively associated with the achievement of growth enterprises with confidence level of 99%. The history of working in the relevant business, agricultural work records, amount of investment, and size of enterprises were significantly and positively associated with the achievement of growth enterprises with confidence level of 95%. Also, there was a significant negative relationship between inputs and maintenance costs of the enterprise and the achievement of enterprises with confidence level of 95%.

Multiple regressions

In this part, the multiple regression method to investigate the impact of independent variables on dependent variable of the achievement of growth enterprises was employed. In doing so, the impact of each independent variable on the achievement of growth enterprise and determine the share of each in explaining the variance of growth enterprise achievement was measured. Tables 4 and 5 represent a summary of regression analysis results.

In the first step, initial capital had a correlation coefficient of 0.472, determination coefficient (R^2) of 0.223 and adjustment coefficient (R^2) of 0.216. In other words, this variable was able to explain 21.6% of variations of dependent variable. In the second step, the variable of current production value into the equation. This variable increased multiple correlation coefficients to 0.581 and determination coefficient to 0.338. In the third step, the variable of activity duration was entered the equation. This variable increased multiple correlation coefficients to 0.628 and determination coefficient to 0.394. Next, the variable of the number of personnel

Table 5
The Effective Factors in the Achievement of Growth Enterprises

Independent Variable	B	Beta	t	p-value
Constant coefficient	86.68	-	3.81	0.000
Initial capital (X1)	0.949	0.410	5.25	0.000
Current production value (X2)	0.002	0.160	2.02	0.046
Enterprise activity duration (X3)	18.16	0.243	3.36	0.001
Number of personnel (X4)	0.076	0.298	3.80	0.000
Size of enterprise (X5)	14.97	0.196	2.80	0.006
Investment amount (X6)	6.51	0.234	3.94	0.004
Work duration in relevant business (X7)	0.380	0.168	1.989	0.049

Table 6
Comparison of Achievement of Growth Enterprises Based on Educational Qualification, Main Job, Ownership of Production Unit and Establishment Year

Component	VS	SS	MS	F	p-value
Educational qualification	Between groups	433.38	108.347	3.042*	0.020
	Within groups	4487.74	35.617		
Type of business	Between groups	618.971	123.79	1.049	0.392
	Within groups	14754.18	118.03		
Ownership of production unit	Between groups	32279.09	10759.69	3.553*	0.016
	Within groups	475432.90	3028.23		
Establishment year	Between groups	40227.12	13409.04	4.503**	0.005
	Within groups	467484.87	2977.61		

*p<0.05, **p<0.01

into the equation was entered. This variable increased multiple correlation coefficients to 0.655 and determination coefficient to 0.429. In the fifth step, the variable of the size of enterprise into the equation was entered. In this sixth step the variable of the amount of investment into the equation, multiple correlation coefficient and determination coefficient increased to 0.701 and 0.491 respectively. In the seventh step, the variable of work duration in the relevant business increased multiple correlation coefficient to 0.713, determination coefficient to 0.509 and the variable of ability to explain variations to 47.7% (Table 5). The variables explained 47.7% of the variations of dependent variable.

Table 5 represents the coefficients of variables inputted in regression model. According to the results obtained from β coefficients, the variable of initial capital (β= -0.410) was the most influential factor in the achievement of growth enterprises. After this variable, the number of personnel (β= -0.298) was the most effective factor. The next priorities were enterprise activity duration, work duration in relevant business, and current production value. Based on beta standardized coefficients value, the variable of initial capital was the most effective factor in the achievement of enterprises. The next priorities were enterprise activity duration and investment amount.

Considering unstandardized coefficients value in Table 5, regression equation is as follows:

$$y=86.68+0.949x_1+0.002x_2+18.16x_3+0.076x_4+14.97x_5+6.51x_6+0.380x_7$$

Regression equation based on standardized coefficients is as follows:

$$Y=0.410x_1+0.160x_2+0.243x_3+0.298x_4+0.196x_5+0.234x_6+0.168x_7$$

In continue, in order to compare the mean success of growth enterprises based on independent classification variables, it was applied from one-way ANOVA. Results of variance analysis showed that there is a significant difference between successes of growth enterprises based on educational. Moreover, the success of growth enterprises based on type of ownership showed a significant different at 95% level. The growth enterprises with respect to success and year of establishment showed a significant difference at level of 99% (Table 6).

DISCUSSION

According to regression analysis results, the variable of initial capital was the most influential factor in the achievement of growth enterprises. The more the capital of a production unit, the more it will be successful. Studies of Adech et al. (1997), Baldwin (2000), Khafaei et al. (2009), and Korsi (2006), confirm the positive impact of capital on the achievement of production units.

Current production value is the second influential factor. The more the production capacity, the more production unit will be successful. This has been confirmed in the studies of (Feizpoor et al., 2009 and Mozaffar Amini and Ramezani, 2006).

The third factor is enterprise activity duration. The number of years during which a production unit has been active is directly associated with

the achievement of enterprise. This corresponds to the studies of Feizpoor and Moayed (2008). The longer the production unit has been active, the more it will be successful. This may be explained by greater revolving capital in production units or good knowledge of market. Also, due to low price of land during the past years, the units with older age are bigger in size.

The size of enterprise is another factor leading to the success of growth enterprises. The bigger the production unit, the more successful it can be. The size of enterprise significantly affects the costs of production unit as well as the used technology. The bigger the size of an enterprise, the less the costs will be. Also, the utilization of technology enhances technical efficiency of the enterprise. Therefore, optimal size of production units should be identified. This is confirmed by studies of Ansari (2009), Feizpoor et al. (2009) and rejected by Feizpoor and Moayed (2008).

The amount of investment is another factor in the achievement of growth enterprises. The more the investment, the more the enterprise will be successful. This is confirmed by studies of Adech et al. (1997), Baldwin (2000), Khafaei et al. (2009) and Korsi (2006).

Activity duration is another factor in the achievement of growth enterprises. The increase experience in a production unit helps the managers to make wiser decisions. This is rejected by study of Ashrafi (2004) and confirmed by studies of Mozafar Amini and Ramezani (2006).

Based on the results of this study, the following recommendations to enterprises were given:

Given that investment amount is an influential factor in the achievement of growth enterprises, it is recommended to investigate financial ability of executors and their personal contributions before granting facilities. The facilities should be granted only when the financial ability of executors has been insured. This may reduce the consequences of bankruptcy of production units. Moreover, it is recommended to receive security from the units with less financial ability before granting long-term loans.

With respect to this fact that the size of an enterprise is associated success of an enterprise, it is recommended that agricultural services centers make necessary arrangements for establishment of optimal production units by collecting information form production units. Moreover, optimal size should be a requirement for payment of loans.

Current production value is an effective factor in the achievement of production units. Accordingly, it is recommended that production units should be investigated and classified according to production rate, so that production units with less production rate are established. This may be done by paying credits and adopting encouraging policies.

Considering the impact of activity duration on the achievement of growth enterprises, it is recommended to hold education programs and to exercise more supervision on younger enterprises. It is also recommended to employ skilled experts to provide consultation to the managers of growth enterprises.

Given the important role of current production value in the achievement of growth enterprises, it is recommended to develop production units will less production rate by investigating production units and classifying them according to production rate. This may be done by paying credits and adopting encouraging policies.

The number of personnel is positively associated with the achievement of growth enterprises, so it is recommended to exercise more supervision so that actual employment capacity is the same as nominal capacity. For this purpose, bank loans should be paid step by step according to work progress and the number of employed people.

Given the impact of experience on the achievement of enterprises, it is recommended to hold educational courses so that more experienced managers transfer their knowledge to younger managers. In doing so, helpful journals and brochures should be published and necessary arrangements should be made in order that younger managers visit the successful enterprises and benefit from their experiences.

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