

Influence of Work Experience and Education towards Business Performance among Entrepreneurs

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Abstract

Prior experience of entrepreneur can decrease the amount of uncertainty and it might give motivation or encourage them to bear uncertainty. Through education, it can help entrepreneurs to have a critical thinking and expose them to the new business potential or benefits in globalization era. So, it is important to understand prior work experience and education of entrepreneurs because it will affect the business performances. The aim of this study was to determine the influence of work experience and education towards business performance among entrepreneurs in Kelantan. Simple random sampling procedures, a total of 379 entrepreneurs were selected and participated in this survey. The data from structured questionnaire was analysed by regression analysis (stepwise) in this study. The finding shows that the work experience of entrepreneurs influenced more than entrepreneurs education towards business performances. Therefore, exposure on the real business experience in university and college should be included in entrepreneurship education courses curriculum to have more successful entrepreneurs.

Keywords:

Business Performance, Education, Entrepreneur, Work Experience

INTRODUCTION

Entrepreneurship is very important for economic growth of a country and this cannot be disputed. Governments across the world have realized the important contribution of Small and Medium Enterprises (SMEs) as engines for economic growth (Islam et.al, 2011) and many efforts are being invested in encouraging entrepreneurship and increase entrepreneurship skills and knowledge among entrepreneurs. Jaafar (2012) stated that there are needs to provide facilities and create conducive environment for entrepreneur with the purpose of expanding economic climate that are essentials for economic growth, especially for Malaysia. Gagoitseope and Pansiri (2012) agreed successful entrepreneurship is seen as a key component of a healthy market economy and an important source of job creation thus also play an important role in economic development. To cope with globalization and emerging markets, the entrepreneurs of SMEs needs to be more competitive and innovative. They have to establish competitive advantage through differentiation and continuous innovation, whether it is related to the creation of new products and services, organizational processes or business models.

Numerous previous studies said that education of entrepreneurs before they start a business have positive effect on firm performance (Islam et al., 2011; Echols, 2010; Soriano & Castrogiovanni, 2012). The entrepreneur's prior knowledge can decrease the amount of uncertainty and it can give motivation or encourage them to bear uncertainty. Through the education, it can enhance an entrepreneur's psychological confidence, knowledge and skills. Based on study by Ipate and Pârvu (2014), the results of developed countries showed that the education will affect profits and also will increase entrepreneurial profits by an estimated 6.1 percent.

Besides that, experience is the knowledge or mastery of an event or subject gained through involvement in or exposure to it. Entrepreneurs with past experience make entrepreneurs matured in their business and increases successful probability of the business. According to Inmyxai & Takahashi (2010), experience accumulated from past and present work can be realized in general and specific knowledge and in skills including management, team work, sales, cooperation and industrialization. This is supported by Balloch (2011) that experience is great, when the entrepreneur had more past experience in their business, they can manage their business better.

Based on Small Business Development Agency, there are many failures in business cases that eight in every ten new business fail within their first five year of operation (National Credit Regulator, 2011). There are various reason to the failures and no planning in business is one of the reason. Planning is an essential to prevent failure of a business deal and to avoid lack of business direction. Entrepreneurs need to understand the business objectives that need to be achieved, and make sure business is going through right direction through organized, systematic and orderly planning. In addition, some failure of business because the entrepreneur does not understand their market and customers. Abd Aziz (2009) said that most SMEs still do not have adequate skills to manage a business, they lack of knowledge and low education levels, thereby making it difficult to accept any changes in the business to cope with the evolution of trends.

According to Gudmundsdottir (2012), to become a successful entrepreneur, entrepreneurs must be aware of the competitors in the same field, they also have to know every inch of their customers, so entrepreneurs have to constantly look at the consequences of the competitors and their customers. Failure to anticipate or react to competition, technology, or marketplace change can lead a business into the danger zone. Thus, work experience and education are important to entrepreneurs for providing knowledge, reduce uncertainty and ambiguity in the business, to develop themselves and to support the business development in future. The background of entrepreneurs are varies and led to suggestion that differences in their experience and level of education might lead to variance in the business performance. Therefore, this study is designed to determine the influence of work experience and education towards business performance of entrepreneurs in Kelantan.

LITERATURE REVIEWS

The Entrepreneurship

Entrepreneurship is the process of the starting a business or an organization. According to Gedeon (2010), everyone also know the field of entrepreneurship do not have a specific definition. According to Rahman and Day (2014), for developed and developing countries, entrepreneurship is the most important sector in the national economy in order to further build. Therefore, entrepreneurship development has been acknowledged globally as tools to achieve economic development, growth and employment creation (Olusegun, 2012). In general, entrepreneurship has been seen as a good solution for financial growth and also become an effective means to counter unemployment, especially when economic depression.

Education

Education in businesses have been seen as the critical factors toward success of the small firms (Islam et al., 2011). According to Soriano and Castrogiovanni (2012), education

also is a factor for success and entrepreneurs should continue in their educational journey. According to Holtzman & Eugene (2014), education can help entrepreneur to have a critical thinking and have desire to compete with others in gaining a business. General education supports the development of general skills such as communication, teamwork and critical analysis, and problem solving. In another study, Etschmaier (2010) said high education will increase business goals to enhance competitive advantage and have a potential to increase their business profit since they save a good education.

Starsia (2010) mentioned high education will also lead an entrepreneur to be more consistent with the operating goals and achieve their vision, mission and goals in order to be success. This has been supported by Lough (2015) as the more education of entrepreneur possesses, the more efficient the entrepreneur becomes in financial resource management, business ownership and management and this lead the business to be success. The education provides entrepreneurs with knowledge to operate their business well and expand their business to the next level. In this study, education refer to knowledge, skills and motivation to encourage entrepreneurial success in the business (Soriano & Castrogiovanni, 2012).

Work experience

Work experience in business have been seen as the critical success factors for small firms (Islam et al., 2011). According to Fatimah et al. (2013), current business of entrepreneur with prior working experience tend to be more successful compared to business of entrepreneurs without experience. Similarly, Saleem (2012) and Naqvi (2011) agree and support that past experience of the entrepreneur has significant positive relationship with the success of entrepreneurs and the business.

According to Dokko et al. (2009), understanding the prior work experience is very important because it has effect on the organization performance. The study found out task-relevant knowledge and skill mediates the relationship between prior related experience and job performance and acts as suppressing mediator of a negative direct relationship between prior related experience and current job performance. Besides that, there are positive effect of prior related experience on task-relevant knowledge and skill is attenuated by higher levels of experience within the current firm. In this study, past experience refer to important of experience that needed by entrepreneur in handling the business and achieve the goal.

Business Performance

Business performance is an indicator of the level of achievement that can be achieved and it reflects the success of an entrepreneur. It is an important outcome for inclusion because it may show the senior leaders that entrepreneurial behaviours lead to increased organizational performance (Wood et al. 2014). Generally, organization performance can be measured through two approaches, (i) financial and (ii) non-financial. Agbim et al. (2014), business performance is the level of sales, rate of return on capital, rate of growth, level of profit, gained market and rate of turnover. According to Oncioiu (2012), business performance is suitable product, proper business plan and take advantage of business opportunity. Vranceanu (2013) said business performance is competitive environment, good management and innovate existing product. In this study, the business performance refers to profit of business, suitable product, business plan, business opportunity, competitive environment, good management and innovate existing product.

METHODOLOGY

Population and Sample

The population of this study was 35,446 entrepreneurs in Kelantan (Bernama, 2015). A sample size of 379 entrepreneurs was needed, based on the table for determining sample size from a given population by Krejcie & Morgan. In sampling method, the researchers have used simple random sampling. In general, simple random methods are all the individuals in the sample have an equal chance to be chosen in a larger sample or population. Individuals are chosen at random and not more than once to prevent a bias that would negatively affect the validity of the result of the experiment. Benefits of this sampling method are ensuring degree of representatives (Salkind, 2014).

Data Collection

In this study, the researchers used a quantitative research and a set of questionnaire as an instrument to collect data from respondents. According to Salkind (2014), in quantitative research, the use of statistical analysis allows for generalization to others. The questionnaires was adapted from previous studies (Islam et al., 2011; Soriano & Castrogiovanni, 2012; Echols, 2010; Saleem, 2012; Naqvi, 2011; Zulkiffli & Perera, 2011; Yusuff, 2014; Oncioiu, 2012; Vranceanu, 2013).

Pilot Test

A pilot study was undertaken before the actual questionnaire distributed. According to Wiersma (2000), the number of samples for a pilot study is sufficient by 5 to 20 samples. The objective of pilot testing is to uncover any problems, and to address them before the main study is carried out. Therefore, a pilot test was conducted with 20 participants, in order to test the 20 items under three main constructs: education (7 items), work experience (7 items) and business performance (6 items). The Cronbach's alpha was high which is work experience (0.74), education (0.73) and business performance is 0.79 (Baumgartner et al., 2003).

The validity of the questionnaire was determined using the correlation between the scores of each item with the total score and using the corrected item-total correlation. This can be done by using Pearson correlation analysis between the scores of each item with the total score by the respective constructs. Corrected item-total correlation for all constructs in this questionnaire exceeds 0.3, so the items have a high validity and can measure the all constructs that are involved (Chua, 2006). From the pilot study, the researchers were able to identify that all items in the questionnaire can be accepted and used in this study.

Data Analysis

The data from questionnaire was analysed using the SPSS version 22.0 (Statistical Package for the Social Science) software. Regression analysis has been used to measure the contribution. Regression analysis is a statistical process for estimating the relationship among variable (Field, 2013). The data was analysed using multiple regression method because the study involves multiple predictors of variance independent variables (work experience and education) were regressed on dependent variable (business performance). According to Field (2013), multiple regression analysis is a powerful technique used for predicting the unknown value of a variable from the known value of two or more variable. In this study, the stepwise regression was used because stepwise regression is step-by-step iterative construction of a

regression model that involves automatic selection of independent variables. The equation for multiple regression analysis is expressed as:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n \text{ where}$$

Y = dependent variable

a = intercept

b_n = regression coefficient for the independent variables

X_n = independent variable

RESULT AND DISCUSSION

This section discusses in detail and comprehensive data was obtained from a questionnaire regarding the work experience and education towards business performance among entrepreneurs in Kelantan. The contribution of work experience and education towards business performance among entrepreneurs have been analysed using multiple regression test. Multiple regression analysis was used to determine the variables which contribute to the positive impact on business performance. The related hypothesis tested as stated follow:

H1: Work experience and education have contribution towards business performance among entrepreneurs

Before starting to analyse data, analysis requirements test for multiple regression is needed. The multiple linear regression analysis requires all variables to be normal. This assumption can best be checked with p-p-plot. Normality can be checked with a goodness of fit test. The researchers have used p-p plots to look for normality of the residuals (Fig. 1). The dots hover fairly close to the diagonal line indicating normality in the residuals which look like a random array of dots. There is a linear relationship between education and work experience towards business performance.

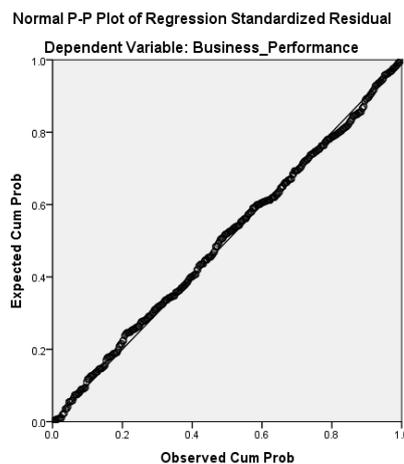


Figure 1: Normality Test

According to the model 2 in Table 1, the F-value is 185.64, which is significant ($p < 0.05$). This Model 2 indicates that the overall regression model with those two independent variables (Work Experience, Education) can somewhat explain the variation of the dependent variable (Business Performance).

Table 1: Variance analysis

Model	Sum of squares	df	Mean Square	F	Sig.
2 Regression	12.180	2	6.090	185.64	.000c
Residual	12.335	376	.033		
Total	24.515	378			

c. Predictors: (Constant), Working_Experience, Education

According to the Table 2, the model takes the form of an equation that contains a coefficient (b) for each predictor. The value b tells us about the relationship between each predictor and business performance. If the value is positive, there is a positive relationship between the predictor and outcome (Field, 2013). Based on the Table 2, it was analysed that past experience and education have significant and positive relationship with the business performance which the b value of each predictor is positive. So, it means that if work experience and education increase, the performance of business also will be increased.

Table 2: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
2 (Constant)	.564	.213		2.646	.008
Working experience	.544	.043	.518	12.627	.000
Education	.337	.046	.299	7.280	.000

a. Dependent Variable: Business_Performance

Furthermore, each of these beta values has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not the b value differs significantly from zero. Therefore, if the t-test associated with a b value is contribution to the model if $p < 0.05$, then that predictor is making a significant contribution to the model. The smaller value of p and the larger the value of t, the greater the contribution of the predictor (Field, 2013). For Model 2, work experience, $t(379) = 12.627$, $p < 0.05$ and education $t(379) = 7.28$, $p < 0.05$, $p < 0.05$ are significant predictors of business performance. From the magnitude of the t-statistics the researchers can see that the prior working experience had more impact than education towards business performance.

Table 3: Model Summary

Model	Independent variable	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
						R Square Change	F Change	df 1	df 2	Sig. F Change
2	Work experience	.705b	.497	.494	.18112	.426	279.7	1	377	.000
	Education					.071	53.0	1	376	.000

b. Predictors: (Constant), Working_Experience, Education

Besides that, according to Table 3, the finding showed R² for model 2 is 0.497 which indicates 49.7% of the variation in the business performance (Dependent Variable) can be explained by work experience and education (Independent Variable). The most contribution variable is work experience which contributes 42.6% to business performance. It is followed by the education which contributes 7.1% to business performance.

According to Field (2013), through the standardized beta values also can provide a better insight into the “importance” of a predictor in the model. Based on the Model 2 in Table 2, the standardized beta value for the past experience is 0.518 and education is 0.299. So, this study showed that work experience has more impact towards business performance compare than education. From the Table 3, the researchers can see the Y-intercept (constant) is 0.564 and the slope of past experience is 0.544 and the education slope is 0.337. Consequently, the regression equation would be $Y' = 0.564 + 0.544(X1) + 0.337(X2)$.

Based on the regression equation obtained in this study, hypothesis was accepted. Regression analysis that using step-wise showed that work experience and education had significantly contributed and positive impact towards business performance. Overall, the work experience is seen as an important criteria compare than education in determine business performance. This is supported by Balloch (2011), Naqvi (2011) and Saleem (2012) that work experience in their business help entrepreneurs to manage their business more successful. This is because entrepreneur who have past work experience are likely to be closer to potential customers and therefore able to see new opportunities for product and services. They are more likely to have connections or networks to suppliers, as well as have a deeper knowledge or how a particular industry works, so that opportunities can be more easily identified and exploited. Therefore, through the work experience, it can shape the attitude of an entrepreneur toward discovering new opportunities in uncertainty environment and can create networking in business.

Besides that, this study was supported by previous studies that the education also influence towards business performance (Asomaning & Bdulai, 2015; Ipate and Pârvu 2014; Echols, 2010), but it is less significant than work experience. This is because they just learn theory in university or college but they did not practice their knowledge into real business, so they could not figure out the real situation in business. According to Pierce (2013), using knowledge in business is not necessarily about thinking up clever new products and services, or devising ingenious new ways of selling them. It is much more straightforward. This is parallel with Fatimah et al. (2013) that the entrepreneur’s current business will tend to be more successful if they have prior work experience compare with inexperienced one high-quality of service results in increased customer patronage, retention, market share and increased profitability.

CONCLUSION

An entrepreneur with experience in knowledge-oriented activities tend to be more active under uncertainty environment and show more willingness to explore new opportunities. Based on Agbim et al. (2014), the lead of entrepreneurs in successful firms were more likely to have a broader business experience and more prior start-up experience and prior experience in business have seen as success factors for small firms. Furthermore, globalization has forced potential entrepreneurs and existing entrepreneurs in any country to rely not only on academic qualifications, but to equip themselves with skills that will increase their competitiveness in the global market. According to Lough (2015), entrepreneurs with

survival skill such as marketing, high-level managerial, planning negotiation, technological, personnel and customer relations skills that are needed to sustain in the business environment.

Based on Starsia (2010), higher education will lead an entrepreneur to be more consistent with operating goals and achieve their vision, mission and goals. Education also can help entrepreneur to have a critical thinking and have desire to compete with others in gaining a business (Holtzman & Eugene McManus, 2014). Therefore, entrepreneurship education should be used to raise awareness and open students' mind to entrepreneurship as a viable career choice (Norasmah et al. 2012). However, to be a successful entrepreneur, the education curriculum that underlining the theory in syllabus is not enough especially to face uncertainty environment nowadays. The curriculum in entrepreneurship education courses should expose the students about the real business within their studies in university or college, so they can get early exposure as entrepreneur to start-up a business in campus or outside. The experience they gained through entrepreneurship education would prepare them with skills, networking and experience to deal with the challenging business environment.

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