

Entrepreneurs' Acceptance of the Costing Skills Course

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Abstract

Costing skills are among the critical skills that SME owner-managers should have for managing a successful enterprise. However, Malaysian SME owner-managers still lack costing skills. The current entrepreneurial training programme provided by the government and its agencies lacks a module on costing skills. Thus, this study is conducted to develop a costing skills course within the entrepreneurial training programme conducted by the government. This study employs a practical action research (AR) approach. Practical AR training includes a cyclical process of planning, acting, observing and reflecting. Each stage of practical AR provides feedback for improvement of the next stage. At the acting stage of this research, feedback was collected and this is the focus of this paper. One interesting finding in this paper is the difference in acceptance between rural and urban entrepreneurs of the costing skills course.

Keywords:

costing skills, SME, practical action research, training programme.

INTRODUCTION

Entrepreneurial skills have been linked to the success and performance of SMEs (Putta, 2014; Reijonen & Komppula, 2007). It is clear from empirical evidence that entrepreneurial skills have a positive relationship with the performance and success of SMEs (Beaver & Jennings, 2000; Lope Pihie, Bakar, & Konting, 2001). Lack of various entrepreneurial skills can lead to the failure of SMEs (Beaver & Jennings, 2000; Petridou & Spathis, 2001; Simpson, Tuck, & Bellamy, 2004).

Costing skills are one of the important entrepreneurial skills. Earlier studies, such as by Porter (1980, 1985, 1989); Miller and Friesen (1984); and Reed and DeFillippi (1990), have listed three bases for competitive advantage: (1) cost leadership; (2) product differentiation; and (3) focus. David (1997) states that cost leadership involves producing standardised products or services at very low per-unit cost for customers who are price-sensitive; whereas, product differentiation is a strategy to produce products and services by inserting unique or special features to cater to price-sensitive customers. Focus refers to producing products and services to fulfil the needs of small groups of customers. Normally, a costing information provides information to fulfil three broad objectives: (1) costing of products, services and other objects of interest to management; (2) planning and control; and (3) decision-making (Guan, Hansen, & Mowen, 2009). It is well established that the keys to business firms' survival and growth are profit and the methods to achieve maximum results. Basically, in any business, to sell tangible products, either manufactured or purchased, for resale or even to provide a service, the main aim is of course to sell at a "price above cost" (Esculier, 1997). Thus, calculating the cost of a product or service accurately is crucial. Related to this, Callahan, Gabriel and Smith, (2009) indicate that increasing product cost accuracy provides the necessary information to make more accurate estimates of cost, and therefore, better pricing and quantity decisions, to achieve cost leadership.

However, this study reveals that the owners of Malaysian SMEs lack the necessary costing skills, especially with regards to product costing (Amir Hussin, Alias, & Ismail, 2013a, 2013b). Studies by Abu Bakar, Md. Ali, Omar, Md. Som and Muktar (2007); Che

Abdullah and Mustapha (2009); Lope Pihie and Elias (2004); and Tahir, Mohamad, and Hasan Diya'uddeen (2011), have listed numerous weaknesses of Malaysian entrepreneurs, including lack of costing skills and knowledge. Weakness in costing skills among the owners of Malaysian SMEs is further supported by various other research, such as Abu Bakar et al. (2007), who conclude that women entrepreneurs in Johor still lack managerial skills, similar to the agriculture entrepreneurs in Terengganu, who need to strengthen their managerial skills, such as CMS, to improve their business (Che Abdullah & Mustapha, 2009). Even though some of these studies have focused on women entrepreneurs, gender diversity, in terms of entrepreneurial characteristics, does not change in terms of the need for specific skills (Deraman, Zainuddin, & Hamdan, 2005).

To overcome these shortcomings, researchers have agreed that training and entrepreneurial education can contribute to increasing knowledge, skills and experience to make SME businesses more robust and competitive. The government and related agencies are responsible for providing appropriate entrepreneurial training to fulfil the entrepreneurs' needs, especially for those who desire to reduce time wastage and training costs. The role of the government in providing SME training programmes is also supported by Hassan and Olaniran (2011); Hussain and Othman (2013); Sarri and Trihopoulou (2005); and Tahlil Azim and Muzahid Akbar (2010), who suggest that it is crucial for the Malaysian Government to implement a SME training and development plan to assist SME owner-managers to face the challenges in the era of globalisation. The Malaysian Government should provide entrepreneurial skills training to equip Malaysian SME owner-managers with various skills and knowledge to face the challenges in this new economic era. Thus, this study discusses further on the process of developing a costing skills course within the government's SME training programme. The focus of this paper is on the acceptance of the SME owner-managers of the costing skills course.

DEVELOPMENT OF COSTING SKILLS COURSE

The process of developing a training course to fulfil the needs of SME owner-managers differs from developing a similar course for individuals working with "established" organisations (Davies, Hides, & Powel, 2002). Davies et al. (2002); and Gibb (2011) suggest that the course design process of training programmes should be based on the SME owner-managers needs and ability to apply the knowledge. Johnson and Loader (2003) suggest the appropriate processes to design the training course should include: (1) full cooperation with SME owner-managers at the earlier stage to address the gaps in the existing course design; and (2) open access to a repetitive cycle of sessions. Each cycle must focus on the small elements within the overall structure to ensure the course design structure is the most appropriate to the needs of SME owner-managers. According to Johnson & Loader (2003), for SME owner-managers to participate in the training programmes provided by relevant training providers, like the university, apart from training delivery and the trainer, the course design should have an emphasis on that which actually addresses the needs of SME owner-managers.

To fulfil the needs of SME owner-managers, they must be involved in the development stage of the course design of the training programme. If SME owner-managers are involved in the process of course design development for entrepreneurial training programmes, it can increase the effectiveness of the programme and ensure what is being taught is what is actually needed by the SME owner-managers. Involvement of the SME owner-managers can

contribute to understanding their cultural values, historical experiences and mind-set (Dana, 2001; Gibb, 2011; Julenmaa & Puolamaki, 2008; Petridou & Glaveli, 2008).

RESEARCH METHODOLOGY

In this study, the involvement of the SME owner-managers began with the process of collecting information from them as to which costing skills topic is the most important for them in their business. Based on the discussion with the SME owner-managers, the analysis of the content of the costing skills course indicated that to the participants, costing refers to product and service costing. From the analysis, it was understood that skills in product and service costing are the most basic and crucial costing skills, especially for SMEs involved in manufacturing and services. One of the SME owner managers who was interviewed, said that SME products are mostly perfectly competitive products where the price is set by the market (Hart, 1980). According to economic theory, perfect market competition involves many competitors and the profit margin is very small. Since SME owner-managers cannot set the product price to increase their profit, instead of product differentiation, they must control their production costs, such as material, labour and overhead costs. If they fail to calculate costs accurately, they will not be able to reduce their price further to beat the market price. Additionally, another SME owner manager mentioned that with accurate costs, entrepreneurs can make various decisions, especially related to cost, volume and product (CVP) planning.

To triangulate the result of the interview of the SME owner-managers, perceptions of the training providers were also collected. The training providers also agreed that product costing is the most crucial aspect in costing skills. Based on their experience in previous training programmes, SME owner-managers still lack skills in product costing. For example, one training provider said that SME owner-managers ignore and/or exclude various production costs, such as transportation costs and managers' salary in calculating product costs. According to another training provider, SME owner-managers are aware of the importance of product cost calculation but because of lack of costing skills knowledge and training, they just include direct costs and ignore various indirect costs when calculating product costs.

The researcher delivered the product costing course at least triple to the SME owner-managers. Training delivery need not necessarily be for the same group because the product costing course is a general training course. The feedback from the first group can be used as a benchmark to improve the product costing course before moving to the training of the second group. For the first training, the researcher received the appointment letter to conduct the product costing course for SME owner-managers on 25 October 2014 (Saturday), from 10.00 am until 12.00 noon at the University Inn, Universiti Utara Malaysia (UUM). A total of 32 participants in this first training on product and service costing participated actively during the training session. Various questions related to product costing were asked. At the end of the session, a feedback survey form was distributed to each participant for their immediate feedback.

The second product and service costing training was on 30 November 2014 (Sunday) from 9.00 am until 1.30 pm. During this training, 20 participants registered and attended. The participants were actively involved during the training session. The researcher allowed the participants to interrupt the training session if they had doubts or needed in-depth explanation on any aspect of the product and service costing course. The participants asked questions and cleared their doubts with the researcher. The third training session was held on 6 December

2014 (Saturday) from 8.00 am to 1.00 pm. Only 15 participants joined the programme in the International Islamic University of Malaysia (IIUM). The organiser faced difficulties to get the participation of SME owner-managers in Selangor and Kuala Lumpur. The participants were also involved actively during the training. Various questions and problems related to costing for their products and services were raised by the participants.

RESEARCH FINDINGS AND DISCUSSION

The product costing course was delivered to the SME owner-managers three times with different groups of participants (as mentioned above). The survey form was immediately distributed and collected after the training session. The survey questions focused on the subject and also included other determinants, such as training provider, training schedule, visual aids and hand-outs, as suggested by Kirkpatrick and Kirkpatrick (2006). The feedback survey result shows very high level of acceptance of the product and service costing course, which was improved based on the feedback from one cycle to another. Table 1.0 shows the overall feedback.

Table 1: Average feedback survey result on product and service costing course

	1st practicalA R cycle	2nd practical AR cycle	3rd practical AR cycle	Average
	MEAN	MEAN	MEAN	MEAN
THE CONTENTS OF COURSE				
1. The course contents achieve the objectives	4.53	4.55	4.31	4.46
2. The course contents meet my needs as entrepreneur.	4.69	4.7	4.38	4.59
3. The course contents have been prepared well and properly.	4.69	4.7	4.38	4.59
4. The course contents are appropriate to my practice in business.	4.47	4.55	4.23	4.42
5. The contents of this course will help me to manage my business costs more accurately.	4.72	4.7	4.15	4.52
6. I can understand and can use the knowledge I have learned in my business.	4.66	4.55	4.31	4.51
7. I WILL NOT use the knowledge I have learned in my business.	1.17	1.45	1.15	1.26
AVERAGE	4.63	4.63	4.29	4.51
COURSE TRAINER				
1. The course contents were delivered simply and efficiently to participants.	4.72	4.6	4.46	4.63
SUPPORT MATERIALS AND ACTIVITIES				
1. The course support materials have been prepared well.	4.66	4.6	4.38	4.55
2. The course activities suit the course contents.	4.56	4.7	4.31	4.49
DURATION OF THE COURSE				
1. The duration of the course is appropriate.	3.41	3.8	4.15	3.79

After completing three practical action research (AR) cycles, the mean score for each item for the product and service costing course contents is more than 4.5 for observations no. 2, 3, 5 and 6; while for no. 1 and 2, it is more than 4.0 out of 5 and nearly 4.5. For the score on, ‘will not use the product and service costing knowledge delivered’, the mean score is low,

i.e., 1.26. This means that the participants will apply the product and service costing knowledge covered in this training. For another observation related to the trainer on hand-outs and visual aids, the mean score is more than 4.0 out of 5.0. The training schedule is also considered suitable because the mean score is 3.79 out of 5.00.

This study discovered slightly different mean scores in the feedback survey between the second and third practical AR cycles. The average mean score for course contents in the second practical AR cycle is 4.63 which is the same as the first practical AR cycle (first practical AR cycle is excluded in this discussion because the demographic survey was not circulated to the SME owner-managers in the first practical AR cycle); while in the third practical AR cycle, the average mean score is 4.29. Even though the difference is not very significant or does not significantly change the findings of this study, the researcher further discusses on this matter.

According to Arenius & Mintini, 2005, the demographic and economic characteristics are the most related and impelling causes of entrepreneurial behaviour. Entrepreneurship behaviour is defined as, “deliberate and conscious efforts of companies to enhance their competitive edge across all activities – such as production, marketing and finance – necessary for successful business operations” (Keeble & Tyler, 1995). Thus, this discussion is based on demographic information of the SME owner-managers. Based on the demographic information, most of SME owner-managers in the second practical AR cycle were from the rural area while for the third practical AR cycle, most of the SME owner-managers were from the urban area. This might be because the second practical AR cycle took place in UUM, Kedah, which is located in a rural area, while the third practical AR cycle took place in IIUM, which is located in an urban area, close to the Klang Valley in Selangor. Thus, the discussion on this matter focuses on the difference between rural and urban SME owner-managers.

The production cost theory by Tyler, Moore, & Rhodes (1988) hypothesises that companies located in urban areas are more concerned with their costs compared to rural areas because of various factors. Urban SME owner-managers compete in large markets in terms of suppliers, customers and services (Wagner & Sternberg, 2004). Thus, the level of competition and threats in the urban area is considered high compared to the rural area. SME owner-managers in urban areas need to maintain their competitive advantage by responding quickly to any threats or even opportunities to switch or reallocate their resources (Keeble & Tyler, 1995). Further, urban SME owner-managers have relatively higher human capital levels and stock of knowledge when establishing their firms (Capelleras, Contin-Pilart, Martin-Sanchez, & Larraza-Kintana, 2013). Thavaraj (2014), who studied emotional intelligence concluded that urban SME owner-managers are significantly different compared to rural SME owner-managers in terms of emotional intelligence, self-awareness, self-motivation, social awareness and social skills. This is due to work contents of urban SME owner-managers being higher compared to rural SME owner-managers.

Because of the above reasons, the level of costing skills knowledge of urban SME owner-managers might be higher compared to rural SME owner-managers. Even though most of the SME owner-managers in the second and third practical AR cycles have not attended any costing skills training before, since accessibility to knowledge for the urban SME owner-managers is higher, they can learn costing skills through experience and friends. Some of the urban SME owner-managers' firms have been in existence for more than 20 years and the annual income is RM30 million. Further, majority of the urban firms registered their ownership as private limited (Sdn. Bhd.) firms compared to rural firms that are still single or partnership firms.

As a suggestion, since there are different characteristics between rural and urban SME owner-managers, the government should develop different entrepreneurial improvement programmes for urban and rural SME owner-managers (Westhead & Wright, 1999). The government needs to take into consideration the demographic differences between rural and urban SME owner-managers because this demographic information drives their entrepreneurship behaviour. Training contents and delivery should focus on the different requirements needed to be a successful entrepreneur (Abdullah & Latif, 2014).

CONCLUSION

As a conclusion, Malaysia SME owner-managers lack costing skills. The current training programme provided by the government also does not have a specialised costing skills course. Thus, this study employed practical AR to develop costing skills course for the government training programme. Based on the input from the SME owner-managers and triangulated with the input from the training providers, this study focused on the product and service costing course, which was delivered three times to different groups of SME owner-managers. Feedback from them was used as input to improve the costing skills course. The level of acceptance of the product and service costing course is considered high. However, there is a slight difference in the average score between rural and urban SME owner-managers. This is due various reasons, such as the different of behaviour and characteristics of rural and urban SME owner-managers. Thus, the government should take into account this aspect when developing SME training programmes.

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