

## **Influence of Work Experience and Education towards Business Performance among Entrepreneurs**

Nor Hafiza Othman<sup>1</sup>, Afifah Hanim Md Pazil<sup>1</sup>, Siti Aishah Attaullah<sup>2</sup>, Siti Zamanira Mat Zaib<sup>1</sup>, Chuk Wei Jin<sup>1</sup> & Nur Fatin Diyana Mahadi<sup>1</sup>

<sup>1</sup>*(Faculty of Business and Entrepreneurship, Universiti Malaysia Kelantan, Malaysia)*

<sup>2</sup>*(Faculty of Creative Technology and Heritage, Universiti Malaysia Kelantan, Malaysia)*

---

**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 affects 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*

---

### **1. 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. Gagoitsope 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 Părvu (2014), the results of developed countries showed that the education will affects 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.

### **2.3 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.

### **2.4 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.

## **3. METHODOLOGY**

### **3.1 Population and Sample**

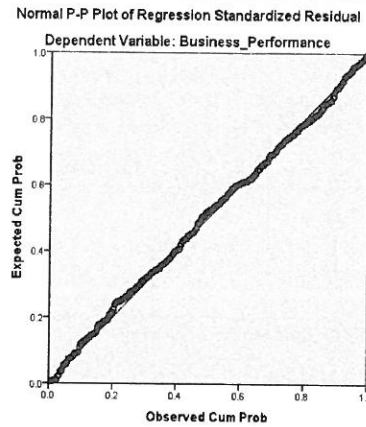
The population of this study was 35,446 entrepreneurs in Kelantan (Bernama, 2015). A sample size of 379 entrepreneurs was needed, based on the table for determining sample size from a given population by Krejcie & Morgan. In sampling method, the researchers have used simple random sampling. In general, 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).

### **3.2 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).

### **3.3 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).



**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	.000 <sup>c</sup>
	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<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
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.

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.

#### **ACKNOWLEDGEMENT**

The authors would like to thanks the Ministry of Education (MOE) for funding the research grant RAGS, R/RAGS/A01.00/01112A/001/2015/000303

#### **REFERENCES**

- Agbim, K. C., Oriarewo, G. O., & Zever, T. A. (2014). Moderating effects of individual entrepreneur and enterprise characteristics on the relationship between business environmental scanning behaviour and entrepreneurial performance. *Journal of Business Studies Quarterly*, 6(1), 246-268.
- Asomaning, R. & Abdulai, A. (2015). An empirical evidence of the market orientation- market performance relationship in Ghanaian Small Business. *Education Research International*, 4(2), 69-86.
- Baumgartner, T., Jackson, A., Mahar, M., & Rowe, D. (2003). *Statistical tools in evaluation. Measurement for evaluation in physical education and exercise science*. New York: Mc Graw Hill.
- Bernama. (2015, June 15). Over 13,000 SMEs affected by Kelantan floods.
- Chua Y.P. (2006). *Kaedah dan statistik penyelidikan: Asas statistik penyelidikan*. Kuala Lumpur: McGraw-Hill
- Dokko, G., Wilk, S.L. & Rothbard, N.P. (2009). Unpacking prior experience: how career history affects job performance. *Organization Science*, 20(1), 51-68.
- Echols, D. G. (2010). *The relationship between post-secondary international business education and American expatriate managerial success*. Research Report. University Of Phoenix.
- Etschmaier, G. S. (2010). Mergers and Acquisitions as Instruments of Strategic Change Management in Higher Education: Assessment Measures and Perceptions of Success.
- Fatimah-Salwa, A., Azahari, A. M., & Joni-Tamkin, B. (2013). Success factors of successful microcredit entrepreneurs: Empirical evidence from Malaysia. *International Journal of Business and Social Science*, 4(1), 153-159.
- Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. Singapore: SAGE Publication Asia Multiple
- Gagoitsope, P. K., & Pansiri, J. (2012). Evaluation of critical success factors for developing small and medium-sized enterprises in Botswana. *Journal of African Business*, 13(1), 51-61.
- Gedeon, S. (2010). What is entrepreneurship? *Entrepreneurial Practice Review*, 1(3), 16-36.
- Gudmundsdottir, S. (2012). The influence of prior living and working experience of Nordic expatriates on cultural adjustment in the United States. *International Journal of Humanities and Social Science*, 2(19), 87-92.

*Influence of Work Experience and Education towards Business Performance among Entrepreneurs*

Wood, C.C., Holt, D.T., Reed, T.S. & Hudgens, B.J. (2014). Perceptions of corporate entrepreneurship in air force organizations: Antecedents and outcomes. *Journal of Small Business & Entrepreneurship*, 21(1), 117-132.

Yusuff, O. S. (2014). Gender differentials in factors affecting performance of small-scale enterprises in Lagos State–Nigeria. *Journal of Culture, Society and Development*, 3(1), 20-29.

Zulkifli, S. N. A., & Perera, N. (2011). A Literature Analysis on Business Performance for SMEs: Subjective or Objective Measures? Paper Presented at the Society of Interdisciplinary Business Research, Conference On Interdisciplinary Business Research.