

IMPACT OF LEVEL OF EDUCATION AND BUSINESS EXPERIENCE ON BUSINESS SUCCESS AMONG SMALL RETAIL OWNER MANAGERS IN SRI LANKA

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ABSTRACT

Two key demographic variables that influence entrepreneurship activities are level of education and business experience. The “Business Experience” “Formal Education” and the “Business Success” are three interrelated terms. Most of the researchers have argued for stronger link between the business experience and the business success, and Formal education and the business success. Robrt and Alicia (2003) exposed success of the business is linked with level of the education of the owner .Therefore education is another factor that influences owner mangers entrepreneurial success and Thapa (2007) discovered the education has positive effect on entrepreneurial success. Further owner managers business experience is important determinant for business success. Goslin and Barge (1986) revealed individuals who finance new ventures weigh the owners' experience significantly when making decisions .Then the problem of the study was ;impact of level of education and business experience on business success of owner managers. The purpose of this study was to examine the relationship between business success with business experience and business success with the level of the education. The study was based on sample of 33 owner manager from retail sector. The data collection technique was questionnaire method and used Independent t-test for analyses the data. Findings of the study were there is a significant relationship between level of education and business success and there were no difference between business experience and business success.

Keywords: Business Experience , Level of Education, Business Success

INTRODUCTION

Business Experience and Formal Education are vital factors to the business success or failure. Owner managers with education and experiences in managing business are more capable of finding ways to activate business compared to others who did not having experience and education. Owner managers defined by Carland, Hoy, Boulton and Carland (1984) as the traditional management and organizational characteristics of a small business are that it is an independently owned and operated unit, not dominant in its field and owner-managers who make most of the principal decisions about the business's operations. And also typically, a small business is the primary source of income for its owner(s).

The impact of education and business experience on the business success of an owner manager has been the subject of much discussion and speculation in both the popular and academic press. If education leads to a higher quality of entrepreneurial performance, this justifies appropriate investments in education. Most of the prior studies have done their studies for study the relationship in between education and business success or in between business experience and business success.

Some of the former studies which seek to find a direct relationship between experience and performance have found mixed results. Reuber, Dyke, and Fischer (1990) argue that such mixed findings may be due to the fact that various kinds of experience are relevant to entrepreneurship, and that the relevance of a specific kind of experience may vary in different contexts, such as in different industries. A study conducted by Kim (in Meng & Liang, 1996) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs.

Further the SME sector is an important contributor to the economy. It is therefore important to understand the relationships between the owner managers' education, business experience and their business success. This study used to examine the relationship between the education and business experience with business success of owner managers.

LITRUTURE REVIEW

Empirical Studies

Former researchers has done there are studies relevant to these two success determinants of owner managers. Goslin and Barge (1986) MacMillan, Siegel and Subba Narasimha (1987) revealed that individuals who finance new ventures weigh the owners' experience significantly when making financing decisions. .Reuber, Dyke, and Fischer (1990) argued that such mixed findings may be due to the fact that various kinds of experience are relevant to entrepreneurship, and that the relevance of a specific kind of experience may vary in different contexts, such as in different industries. This argument is supported by Covin, Slevin, and Covin (1990) they indicated that different types of management practices are used in different industries. Cooper, Woo, and Dunkelberg (1989) found a significant positive relationship in a cross-industry analysis; however, this study did not

examine the relationship between experience and performance directly. Staw (1991) asserts that experience is the best predictor of business success, especially when the new business is related to earlier business experiences. Haswell et al. (in Zimmerer & Scarborough, 1998) note that prominent reasons behind business failures are managerial and experiential incapacities. Wood (in Zimmerer & Scarborough, 1998) confirms this.

A study conducted by Kim (in Meng & Liang, 1996) involving entrepreneurs in Singapore disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs. According to Kim (in Meng & Liang, 1996), Staw (1991), and Katz (in Holt, 1992), after entering the entrepreneurial world, those with higher levels of education are more successful because university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. England (1967b) suggested managers with less education than college degree holders might be less financially secure and less able to change their entrepreneurs commonly had trouble relating to authority figures, seemingly as a result of their having had poor relationships with their fathers. Roberts (1969) found that the founders of high technology companies had at least one college degree and that half held at least a Master of Science degree. Crant (1996, p. 47) reported that students with higher entrepreneurial intentions "...tended to be ... MBA students rather than undergraduates" and Williams (1977) major decision-makers in micro-businesses was found when compared to others. Gasse (1982) Lattimore, Martyn et al. (1997) reported genders and achievement at school, or social disadvantage, which becomes a driver for later entrepreneurial endeavor. If that is the case, then entrepreneurs with a lower education qualification may, paradoxically, hold values that are more strongly associated with own business success than those held by entrepreneurs with a higher education qualification.

RESEARCH OBJECTIVES

Objectives of the study;

1. To find out the relationship between business experience and business success of owner managers in small retail sector.
2. To find out the relationship between formal education with business success of owner managers in small retail sector.

PROBLEM STATEMENT

Past research on education and entrepreneurship consists mostly of institutional studies at universities with established programs. These offer good support for the outcome of educational programs. However, these studies are poorly circulated and seldom published because of the limited sample sizes McMullan (1988) summarized several such studies. Antonio, Emanuele Bacchiocchi, Ulrike (2005) appeared that it is not good relationship in between business success and business experience ,that the experience which is important but that it is the relative change in experience that truly impacts upon

performance. Andreas Kuckertz, Marcus Wagner (2009) findings suggested that the positive impact of sustainability with business experience.

Staw (1991) suggested that owner managers with vast experiences in managing business are more capable of finding ways to open new business compared to employees with different career pathways. The importance of experience for small-scale business success is also underscored by other experts. Kim (1996) disclosed that successful entrepreneurs have higher education levels compared to that of unsuccessful entrepreneurs. Seventy percent of successful entrepreneurs are university graduated, while 23% are not.

Another argument is higher levels of education are more successful because university education provides them with knowledge and modern managerial skills for their advanced knowledge in business.

Considering the empirical studies, results reveal negative and positive influences for the business success. Kim (in Meng & Liang, 1996) found that 30% of successful entrepreneurs have no work experiences, compared to just 3% of unsuccessful entrepreneurs. This means that experience is not critically important for business success. In this context it is very important to study whether the investigation of the source of this fact leads to the relationship between education and business experience with business success. Van de Ven, Hudson, and Schroeder (1984) found a significant, negative relationship between prior small business experience and firm growth. However education and the business experience are two major success factors to determine the business in modern world. Keeley and Roure (1990) and Van de Ven, Hudson, and Schroeder (1984) did not find a significant relationship between industry experience and firm performance. Cooper, Woo, and Dunkelberg (1989) found a significant positive relationship in a cross-industry analysis. Previous researchers have identified these two determinants with business success independently. Thus this study discovered these two factors with the business success. Then research problem were;

How level of education and business experience are influence to the business success of owner managers?

HYPOTHESE OF THE STUDY

There are two hypotheses were constructing for the study as follows;

1. Owner Managers who have previous experience in a small business (participation in spouse, relatives, parents or other party businesses) are more successful in their business than owner managers who have participation in own business start-ups (start-up his or her own business)
2. Owner Managers who have formal education up to A/L are more successful in their business than owner managers who have formal education up to O/L.

METHODOLOGY

This study aimed to assess owner managers' education and business experience with business Success. The study was based on sample of 33 owner manager from retail small businesses located in the Gampaha district. Data were collected for this study-administering questionnaire. Quantitative data were analyzed using SPSS for Windows™ version 15. Independent t-test was employed to describe the relationships between each set of variables in the Research Model. This study observed; there are two important determinants to entrepreneur success: experience, and education as follows;

Experience:

This study examined two kinds of experience relate to owner mangers as;

01. previous experience in a small business (former experience)

This experience defined as participation in previous businesses which was owned by parents, spouse, relatives or other party.

02. Participation in own business start-ups (start-up experience).

This experience defined as start-up experience of owner managers who start the business

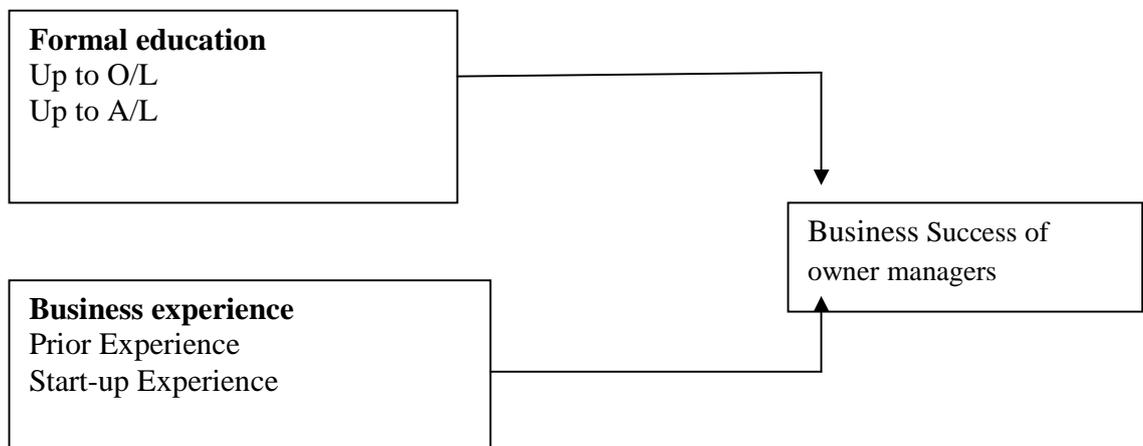
Education:

This study examined two levels of education relate to owner mangers as;

01. Formal education up to O/L
02. Formal education up to A/L

Conceptual Framework as follows:

Conceptual Framework of the Study



DATA ANALYSIS

Testing Hypothesis 01

Tested H1 using the Independent t-test to compare two groups relationship. Result revealed as follows;

Group Statistics					
	Level of Education	N	Mean	Std. Deviation	Std. Error Mean
Business Success (Quantity of Profit)	Up to GCE A/L	23	2.64	1.084	.189
	Up to GCE O/L	10	2.36	.589	.079

The two group consisted 33 owner managers and owner managers who learnt up to A/L and O/L. Mean value of owner managers revealed as level of education up to A/L as 2.64 with standard deviation 1.084 and up to O/L as 2.36 with a standard deviation of 0.589, It showed significant difference between two groups and with higher mean value of up to A/L group were more successful than up to O/L group when involving the business,

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Upper	Lower
Business Success (Quantity of Profit)	Equal variances assumed	16.674	.000	1.530	86	.130	.273	.178	-.082	.627
	Equal variances not assumed			1.332	43.517	.190	.273	.205	-.140	.686

T-test discovered that there was variance in the level of education with business success. Therefore Levene's test is significant at P value=0.001($p < 0.05$). Then statistically can conclude that the null hypothesis is incorrect and that the variances are significant. Therefore; accepted the alternative hypothesis as Owner Managers who have formal education up to A/L are more successful in their business than owner managers who have formal education up to O/L.

Testing Hypothesis 02

Tested H1 using the Independent t-test to compare two groups relationship. Result revealed as follows;

Group Statistics					
	Business Experience	N	Mean	Std. Deviation	Std. Error Mean
Business Success	prior business experience	15	2.46	.952	.135
	start-up experience	17	2.45	.662	.089

The two groups consisted 33 owner managers and owner managers who has prior business experience and who has not prior business experience (start-up experience). Prior business experience had owner managers mean value revealed 2.46 with standard deviation .952 and start-up experience had owner managers mean value revealed 2.45 with standard deviation of 0.5662. It showed slighter difference between two groups.

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Upper	Lower
Business Success(Quantity of Profit)	Equal variances assumed	3.280	.073	.034	103	.973	.005	.159	-.310	.320
	Equal variances not assumed			.034	86.359	.973	.005	.162	-.316	.327

T-test discovered that non-significant difference in between business experience and business success. Therefore Levene's test was non-significant with P value=0.073($p>0.05$). Then statistically can conclude that the null hypothesis is. Therefore accepted the Null hypothesis and rejected Alternative hypothesis as Owner Managers who have previous experience in a small business are more successful in their business than owner managers who have participation in own business start-ups in their small business.

CONCLUSION

This study exposed the relationship between level of education and business experience with business success of owner managers. While consider the education aspect with business success according to Kim and Staw (1991), and Katz (1992) reported, those with higher levels of education are more successful because higher education provides them knowledge and modern managerial skills, making them more conscious of the reality of the business world and thus in a position to use their learning capability to manage business. This research hypothesized that the Owner Managers who have formal education up to A/L are more successful in their business than owner managers who have formal education up to O/L. this findings statistically proved by the data gathered by the sample. Most of the former researchers argue that the higher education is more important to the business success. Secondly when consider the business experience determinant two groups were not show the significant difference with business success. Narasimha (1987) revealed that individuals who finance new ventures owners experience is significantly influence to the decisions. Although owner managers who have previous experience in a small business and owner managers who have participation in own business start-ups in their small business both groups were show the similar business success.

LIMITATIONS OF THE STUDY

To have achieved findings of the research used 33 owner managers in retail sector this was a small sample relative to the sector selected. And there is a question as; how much true that the information and data owner managers have given for the survey. Cudeck and Henly (1991) explained much larger samples more appropriate. Secondly there is a question of the answers which has taken from owner managers to the questionnaire especially relevant to the profits of their business.

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