Firm Performance and the Impact of Entrepreneurial Education and Entrepreneurial Competencies

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Abstract

Small and medium-sized enterprises (SMEs) are considered to be the world's largest. They play a vital role as they create jobs and improve the living conditions of their local communities as they contribute to the country’s GDP growth. Due to their contributions to the nation's economy, they have been given much attention in entrepreneurship. This paper aims to study the impact of entrepreneurial education and entrepreneurial competencies on small and medium enterprises' performance. Entrepreneurship is a vital component of any successful business strategy. It can be used to overcome the uncertainties of today's business environment. The roles of these two independent factors in the business environment are also more relevant to small businesses. The goal of this paper is to develop a framework that explores the performance of firms from the perspective of their entrepreneurial education and entrepreneurial competencies. The proposed framework aims to provide a comprehensive view of the factors that influence the performance of businesses. It shows that entrepreneurial education is the antecedent of competencies that can affect firm performance, where entrepreneurial competencies is treated as a mediating variable. In addition, this study explores the role of entrepreneurial education and entrepreneurial competencies in developing financial and non-financial business performance. The framework is based on the resource-based view, a constantly applied approach to the small business context to utilize strengths and weaknesses to achieve sustainable competitive advantage. The paper provides valuable insights into the entrepreneurial factors that businesses can consider when enhancing their performance. It also helps entrepreneurs in developing their entrepreneurial education and competencies to increase their chances of achieving better results in their businesses which in return can help to reduce the number of business failures and thus, boost the country's economy.

Keywords: Entrepreneurial Education, Entrepreneurial Competencies, Firm Performance, Resource-Based View, Small Businesses.


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Introduction

The number of small and medium enterprises (SMEs) in the world is regarded as the largest. They play a vital role in creating jobs and improving their communities' living conditions. They also contribute to the growth of the country's gross domestic product. Small businesses are known to contribute significantly to the growth of an economy by increasing their productivity and competitiveness (Dey et al., 2020; Alabdullah & Asmar, 2022). They also contribute to the development of a more level playing field. Due to their contributions to the country's economy, they have gained much attention in the field of entrepreneurship. In developing countries, small businesses play a vital role in the stabilization and growth of their economies. They help maintain their country's economic structure and improve its productivity.

Due to their flexible and adaptable structures, small and medium enterprises (SMEs) are becoming more important to the global economy (Tehseen & Ramayah, 2015). They are helping to boost the development of countries by providing them with the necessary resources and skills to succeed in today's competitive environment (Kanaan-Jebna et al., 2022; Kanaan-Jebna & Baharudin, 2013, 2014, 2015a, 2015b; Qian et al., 2016). Small businesses are considered as the pillar of a country's economy. They are also recognized for their various activities and are often regarded as the driving force of economic growth. Due to their importance, promoting these businesses has become a central part of government policies aimed at reducing poverty and improving the country's employment situation (Haddad et al., 2020). Due to the significant role that SMEs play in the country's economic growth, they have placed high on the agenda of the governments of other countries (Khan et al., 2021). Despite the importance of small and medium enterprises (SMEs) in overcoming various challenges, they still suffer from high failure rates and weak performance (Kanaan-Jebna & Baharudin, 2013, 2015a, 2015b). The failure rate of SMEs in developing countries is greater than in developed ones (Etuk et al., 2014). It has been known that many new businesses fail within the first five years of their operations (Gyimah & Adeola, 2021).

The goal of this study is to analyze the factors that influence a firm's performance. In addition to developing entrepreneurial skills and knowledge, education also contributes to a firm's performance. In higher education, a structured course is also commonly used to enhance the students' entrepreneurial knowledge and attitudes. This course helps students develop their skills and attitudes, further increasing their firm performance (Nabi et al., 2017). Many nations are promoting entrepreneurship education for higher education. It is believed that this type of education can help minimize the unemployment rate and generate more income for developing countries (Handayati et al., 2020). Entrepreneurship can help reduce the unemployment rate by generating more income for the people in developing countries (Jena, 2020). In the next stream, the literature will expound on the importance of entrepreneurial competencies in the growth of small and medium-sized enterprises (SMEs). These characteristics are defined as traits and skills that enable individuals to survive and grow their businesses (Ismail et al., 2015). In addition to being able to create and implement new products and services, entrepreneurs also use their creativity and innovation to improve the operations of their businesses. These skills and capabilities can help them maintain their competitive advantage. These characteristics can help a company grow and become more successful (Ibidunni et al., 2021).

The objective of this study is to analyze the effects of entrepreneurial education on the development of entrepreneurial competencies. It also aims to identify the factors that influence the performance of small businesses. The paper aims to provide a comprehensive view of the entrepreneurial ecosystem through a study model that considers the developing countries. This study aims to adopt the Resource Based View, which states that a company can make progress if it has valuable resources (Barney, 2016). This method claims that a firm can differentiate itself from its competitors by having these resources. The concept of entrepreneurial education and the development of entrepreneurial competencies are related to the intangible resources that a company can use to become more successful.

The lack of sufficient research on the effects of entrepreneurial education on the performance of small businesses has suggested the need for more studies on the subject (Ikram et al., 2016). This study fills the knowledge gap by developing a framework that links entrepreneurial competencies' development with firm performance. This study has hypothesized that: (1) there is a relationship between entrepreneurial education and entrepreneurial competencies. (2) Entrepreneurial competencies mediate the relationship between entrepreneurial education and firm performance. The conceptual framework is further discussed in the conceptual framework section.
Literature Review

The importance of entrepreneurship in modern times has been acknowledged in the literature. As entrepreneurship grows, the research conducted in this field must continue to expand the knowledge base about its various facets. Students and faculty also use this field to develop an effective career and academic strategies. Numerous studies have been published in journals and books about the various aspects of entrepreneurship. Literature review shows that the link between entrepreneurial competencies and firm performance can be established. A conceptual framework for the development of SMEs has also been proposed.

Entrepreneurial Education. Entrepreneurship education is a process or curriculum that aims to provide students with the necessary skills and attitudes to succeed in their entrepreneurial ventures. Management and business education aims to prepare students for becoming professional managers. Entrepreneurship education aims to enhance student's awareness of the risks associated with entrepreneurship and develop an alternative career path (Bae et al., 2014). Students should be taught the necessary skills to succeed in their chosen field. These include creating a high-performing culture, developing effective teams, and connecting with others. In addition to being able to handle various entrepreneurial problems, these skills can also help improve students' confidence in entrepreneurship.

Entrepreneurship education aims to provide students with the necessary skills and attitudes to succeed in their ventures. Entrepreneurship is a type of creativity and independence that can be achieved through the ability to make wise decisions and manage risks (Audretsch, 2012). Entrepreneurship can be taught and learned. For instance, students can learn how to avoid common mistakes that can lead to failure in starting a business so that students can reduce the negative image of failure. Entrepreneurship education can help students develop a positive attitude towards entrepreneurship and become more successful in their future careers (Ibtida et al., 2020). It can also help them meet famous entrepreneurs. Entrepreneurship courses can help students identify their potential business partners and role models. According to Peterman & Kennedy, 2017, after completing entrepreneurship studies, participants were more likely to believe that starting a business was feasible. Entrepreneurship education can help students develop a positive attitude towards entrepreneurship and become more successful in their future careers. A similar study revealed that psychological inspiration could boost the likelihood of students becoming entrepreneurs. Entrepreneurship education can help graduate students develop a stronger sense of self-efficacy and start their businesses (Solomon et al., 2008). This type of education can also affect the students' entrepreneurial intentions.

Aside from being able to make informed decisions, successful entrepreneurs also need to have the necessary resources and opportunities to develop their businesses. Through entrepreneurship education, students can create the necessary skills and attitudes to succeed in their ventures. These include managing their expectations, creativity, and scientific knowledge (Galvão et al., 2020). As a result, entrepreneurs should have the necessary skills to manage risks and avoid potential setbacks. It can help them develop a successful business. In addition to these, it is also important that students learn how to connect and work with others. It can help them increase their confidence in entrepreneurship.

Entrepreneurial Competencies. The word competency has various meanings. Some of these include being able to satisfy the wants of one's body and mind, being well-equipped with the necessary knowledge, and being able to perform a task efficiently (Merriam-Webster). There are various skills that an entrepreneur should have to succeed in their business. They can be acquired through multiple means such as training, experience, and coaching. A comprehensive understanding of these skills can help an entrepreneur make informed decisions and develop a successful business. The concept of competency refers to the ability to meet complex demands in a given context (Han, 2012). Entrepreneurship is a field of study that focuses on the development of individuals' entrepreneurial skills and knowledge. According to Mitchelmore and Rowley (2010), these skills can be used to start and grow a business. The literature has identified intangible and tangible resources as necessary for developing and performing new ventures. These include financial (Gümüşay & Bohnè, 2018), human capital (Gümüşay & Bohnè, 2018), and organizational capabilities (Collis, 1994). Social capital and networks are also important (Dar & Mishra, 2020). In addition to financial, these include social capital and organizational capabilities.

Firm Performance. Firm performance is a critical issue that has been tested in several fields and disciplines. These mainly include the accounting and management field, which appeared very clearly in the previous studies that have been done in the literature review in both developed and developing countries. Several studies have focused on such a significant issue, and they rely on several theories such as stakeholder theory,
stewardship theory, and the most used theory in this regard, agency theory. Several papers have been published about firm performance/firm value, and that is over the past few decades. This topic has rapidly become so significant matter by the researchers and also by several scholars because of its notable effect on promoting the economy of the country and to participating in solving many social critical issues and eliminating the wave of unemployment.

Several studies that have been done in the administrative and economic literature have focused on studying the performance of companies (see for example; Alabdullah, 2018; Alabdullah et al., 2018; Alabdullah et al., 2019; Alabdullah et al., 2014; Ahmed et al., 2018; Alabdullah et al., 2018; Ahmed et al., 2019; Ahmed et al., 2020; Alabdullah., 2016; Alabdullah et al., 2020; Alabdullah et al., 2019; Alabdullah et al., 2018; Alabdullah et al., 2016; Alabdullah et., 2014; Alfadhil and Alabdullah, 2013; Alabdullah & Ahmed, 2018; Alabdullah, 2017; Alabdullah and Ahmed, 2020; Ahmed & Alabdullah, 2020).

Likewise, other studies focused on measuring firm performance from different perspectives, some focused on performance in light of the impact of the various mechanisms of corporate governance. For example, studies, including those who investigated the relationship in the impact and presence of the COVID-19 pandemic, as well as some studies dealt with corporate social responsibility, and other studies take in their consideration to investigate such matter from an Islamic perspective due to its importance for companies as well as countries in general (Ahmed et al., 2014; Alabdullah et al., 2014; Ahmed et al., 2014; Ahmed et al., 2019; Alabdullah et al., 2020; Ahmed et al., 2018; Ahmaed et al., 2016; Ahmed et al., 2017; Ahmed et al., 2015; Ahmed et al., 2014; Ahmed et al., 2019; Abushammala et al., 2015; Alabdullah et al., 2016; Alabdullah , 2019; Chichan et al., 2021; Alabdullah et al., 2022; Fakhri & Alabdullah., 2021; ; Almashhadani & Almashhadani, 2022; Almashhadani, 2020; Almashhadani, 2021; Almashhadani & Almashhadani, 2022). Aladullah et al. (2016) demonstrated that firms give further importance to measuring and focusing on enhancing their firm's financial and non-financial performance due to it is like a mirror that reflects the impression about the activities and actions of the firms, such as demonstrates the market share, and profitability. They confirm that the profitability/firm performance/value might be measured via objective and subjective methods. They mentioned that the first method is considered as a quantitative to measure the firm’s performance as measuring profitability; whereas the second method is getting the opinion of the respondents on a standard that could be supported with another way which is an interview to be finally a qualitative measurement method.

The characteristics of a successful entrepreneur are related to the company's performance and the success of its business. These factors are also reflected in the management structure of small businesses. The characteristics of a successful entrepreneur are essential to a company's success (Bird, 2019). The literature has acknowledged the importance of the entrepreneurial competencies of small and medium-sized businesses. According to a literature review, the value of the entrepreneurs' services and talents is significant in determining the firm's performance (Bird, 2019). It can be considered that the characteristics of a successful entrepreneur can be seen in the growth of a small business (Morris et al., 2013).

**Conceptual Framework.** The main idea of the resource-based view is that firms should develop strategies that utilize their strengths and weaknesses to achieve sustainable competitive advantage. This strategy should help them maintain a long-term competitive advantage. In addition to these, they should also neutralize external threats and internal weaknesses (Barney, 1991). The factors that can contribute to a company's competitive advantage are the various compatibilities that it has with its resources. According to Pearson, a company's resources are all the inputs it needs to perform to achieve its goals. These include its capabilities, knowledge, organizational processes, and others. Many successful entrepreneurs have various attributes and competencies that are derived from their entrepreneurial education (Bae et al., 2014). A growing body of academic studies claims that learning about entrepreneurship can improve a person's entrepreneurial skills (Hernández-Sánchez et al., 2019). According to various scholars, entrepreneurship can be generated from education. It can also be done through multiple forms of training (Jena, 2020). Entrepreneurship aims not only to develop theoretical skills but also to pay attention to the practical aspects of running a business. The purpose of this study is to explore the role of entrepreneurial training in developing entrepreneurial skills. It aims to establish the link between entrepreneurial education and entrepreneurial competencies.

Entrepreneurship is about developing skills and mindsets that can help entrepreneurs achieve long-term success (Azmi & Hashim, 2018). It has been shown that the multiple factors contributing to firm performance, such as growth and profitability, are linked to the entrepreneur's competencies (Suroso et al., 2017). In addition, having the right management skills and competencies is very important for a company to achieve its goals (Morris et al., 2013). It is because, in addition to being able to search for the ideal opportunities,
entrepreneurs also need to develop the necessary skills to manage their firms. Small businesses are establishments that are related to individuals with unique and different skills and abilities. These individuals can be utilized to achieve successful business operations (Azmi & Hashim, 2018).

The literature discussed the importance of having the right entrepreneurial skills and competencies to achieve firm performance (Morris et al., 2013). There is a direct relationship between the performance of small and medium-sized businesses and the competency of their entrepreneurs (Rahman et al., 2015). The skills that entrepreneurs develop can influence their firm performance and education. There is a need to understand the factors that affect small business performance (Morris et al., 2013). This paper aims to develop a framework for assessing the link between entrepreneurial education and firm performance. The resource-based view is the basis for the study's objective of understanding the effects of entrepreneurial competencies and entrepreneurial education on business performance. This paper will explore the various factors, i.e., entrepreneurial education and competencies. This study proposes two hypotheses (see Figure 1):

H1: There is a relationship between entrepreneurial education and entrepreneurial competencies.

H2: Entrepreneurial competencies mediate the relationship between entrepreneurial education and firm performance

Figure 1. Conceptual Model

Source: Compiled by the authors

Conclusions

Entrepreneurial education and entrepreneurial competencies are good predictors of business performance. As being able to apply new knowledge is not only important for entrepreneurs, but also it can help them improve their performance and develop a stronger business. In contrast, entrepreneurs need to develop competencies to succeed. They are typically carried out by individuals already working on their businesses. Despite the extensive research and discussion on the subject, there is still a ground to cover regarding the development of entrepreneurial education and competencies and their impact on business performance. This paper introduces a conceptual framework for assessing the link between entrepreneurial education and firm performance. In other words, this study proposes a mediating factor i.e., entrepreneurial competencies that explain the relationship between entrepreneurial education and business performance.


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